Schroders

Schroder UK Real Estate Fund

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2018

For professional advisers and employee benefits consultants only.

About us

The Schroder UK Real Estate Fund (‘SREF’ or ‘the Fund’), is an award-winning fund which was launched in 1971. It provides investors with diversified exposure to £2.5 billion of UK commercial real estate and is managed by our highly experienced team.

Fund summary

SREF is an open-ended investment company which is a Property Authorised Investment Fund (‘PAIF’) and is authorised by the Financial Conduct Authority. The Fund is a Qualified Investor Scheme (‘QIS’) open to eligible investors. The Fund is an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive (‘AIFMD’).

Since the conversion of the Fund to a PAIF in 2012, the investor base has become increasingly diversified across institutional types and geographies. From 2015, the Fund has held an international marketing passport to 12 European countries: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden and Switzerland. This supports interest and investment from international institutions and enhances Fund liquidity.

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

Contents

* Collectively these comprise the Authorised Corporate Director’s Report.

Highlights

SREF seeks to provide investors with a blend of income and capital growth through investment in UK real estate. Its aim is to return 0.5% per annum (net of fees) above its benchmark[1] over rolling three-year periods.

In April 2018, SREF received MSCI's 'UK Property Investment Award for best performing unlisted pooled balanced funds, for funds with a capital value of more than £1.5 billion in the UK market'. Performance was measured over a three-year period to December 2017. SREF has also outperformed its benchmark over five and ten years.

Award-winning fund performance*

Total return of
10.9%

Portfolio valued at
£2.5bn

Three-year outperformance relative to benchmark**
+1.4%p.a.

One-year outperformance relative to benchmark**
+0.9%

Number of assets in portfolio
64

Number of tenants
744

Average unexpired lease term
9.1 years

Gross distribution yield
3.2%

All data correct as 31 March 2018.

* MSCI 2018 Property Investment Award for best performing unlisted pooled balanced funds, with a capital value of greater than £1.5bn in the UK market.
** AREF/IPD UK Quarterly Property Fund Index – All Balanced Fund Index Weighted Average.

Award-winning fund

MSCI IPF Investment Property Forum
UK Property Investment Awards WINNER 2018

Compliant with AREF Code of Practice

Corporate Governance 2017 AREF Quality Mark

Global Real Estate Sustainability Benchmark

GRESB 2017

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

Highlights

Strategic

Allocation to UK Winning Cities

96%

(2017: 95%)

Weighted average unexpired lease length

9.1 years

(2017: 8.9 years)

Gross distribution yield*

3.2%

(2017: 3.2%)

Contracted rental income growth

7.5%

(2017: 0.6%)

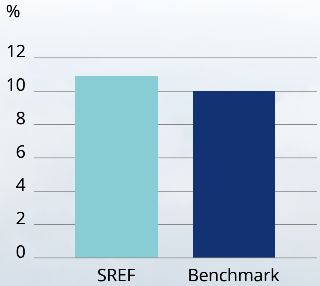
* Distributions paid in 12 months to 31 March 2018 as a percentage of 31 March 2018 NAV.

Performance

Portfolio total return 1 year

10.9%

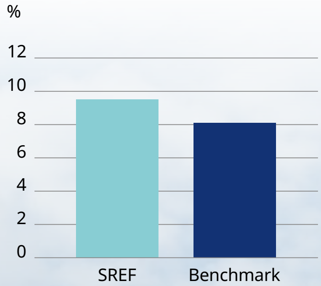
(2017: 6.3%)



3 years

9.5% p.a.

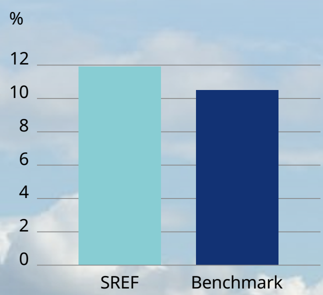
(2017: 11.8% p.a.)



5 years

11.9% p.a.

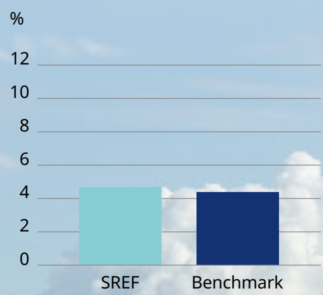
(2017: 10.0% p.a.)



10 years

4.7% p.a.

(2017: 2.1% p.a.)



Note: All above charts show SREF performance vs. benchmark (AREF/IPD UK Quarterly Property Fund Index – All Balanced Fund Index Weighted Average).

Portfolio

Asset concentration (%)

Bracknell Town Centre	6.4%
Building 1, Ruskin Square, Croydon	6.3%
King’s Mall, Hammersmith, W6	4.0%
Matrix, Park Royal, London NW10	3.3%
One Lyric, Hammersmith, W6	3.3%
Acorn Industrial Estate, Crayford	3.3%
City Tower, Manchester	3.3%
Hartlebury Trading Estate, Worcs	2.8%
Electra Industrial Estate, London E16	2.8%
Battersea Studios, London SW8	2.6%
54 other holdings	61.9%

Tenant concentration (%)

The Secretary of State	8.3%
Tata Steel	3.0%
The Office Group*	2.8%
Lloyds TSB Bank	2.5%
Kaplan Estates	2.3%
Care UK	2.0%
Stay City	1.7%
University of Law	1.6%
B&Q Plc	1.6%
Universal Music	1.6%
734 other tenants	72.6%

* Agreement for lease.

Portfolio Overview

Diversified high-quality UK real estate fund

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

Sectors

Retail

The Fund is underweight to the retail sector. The retail assets in the portfolio are split between well-managed convenience retail such as King's Mall, Hammersmith and good quality retail such as Bracknell. The rents in our retail assets are affordable and therefore attractive to retailers.

Offices

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

Industrial

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

Other

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

		Weighting (%)	
	Sector weightings by value	SREF	Benchmark
Retail	Standard retail – South East	6.7	7.4
	Standard retail – Rest of UK	4.1	4.5
	Shopping centres	4.7	3.0
	Retail warehouses	7.9	15.8
Office	Offices – Central London	11.0	13.0
	Offices – South East	23.1*	10.4
	Offices – Rest of UK	4.6	5.5
Industrial	Industrial – South East	15.9	17.0
	Industrial – Rest of UK	4.6	8.9
Other	Other	11.8	8.9
	Cash	5.7	5.4

* Includes Rest of London (16.3%) and Rest of South East Offices (6.8%).

Assets

64

Tenants

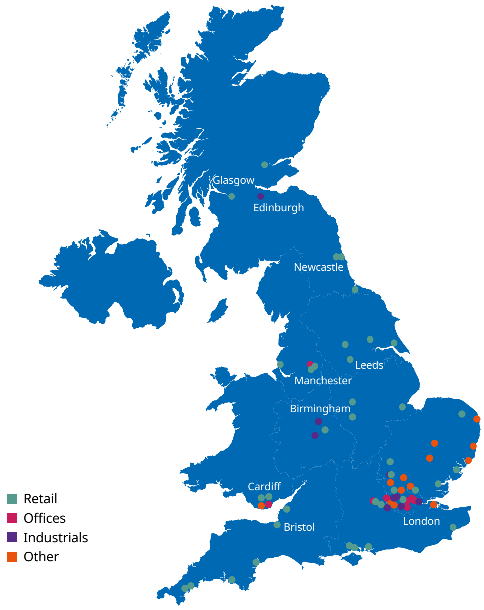
744

Fund gross asset value

£2,520.6m

Fund net asset value

£2,515.2m



Note: Map shows the location of assets owned directly and via collective investment schemes.

Top ten properties

Property	Sector	NAV %
1 Bracknell Town Centre	Retail and Office	6.4
2 Building 1, Ruskin Square, Croydon	Office	6.3
3 King's Mall, Hammersmith, W6*	Shopping Centre	4.0
4 Matrix, Park Royal, London NW10	Industrial	3.3
5 One Lyric, Hammersmith, W6*	Office	3.3
6 Acorn Industrial Estate, Crayford	Industrial	3.3
7 City Tower, Manchester	Office	3.3
8 Hartlebury Trading Estate, Worcs	Industrial	2.8
9 Electra Industrial Estate, London E16	Industrial	2.8
10 Battersea Studios, London SW8	Office	2.6

Top ten tenants

Tenants	% contracted portfolio income
1 The Secretary of State	8.3
2 Tata Steel	3.0
3 The Office Group**	2.8
4 Lloyds TSB Bank	2.5
5 Kaplan Estates	2.3
6 Care UK	2.0
7 Stay City	1.7
8 University of Law	1.6
9 B&Q Plc	1.6
10 Universal Music	1.6

* Ignores intercompany loan within holding company.
** Agreement for lease.

Fund Manager's Statement

Well positioned to outperform

Since 1971, SREF has enabled institutions to gain exposure to good-quality UK commercial real estate which provides a balance of income, income growth and capital appreciation through the real estate cycle.

James Lass
Fund Manager

Jessica Berney
Deputy Fund Manager

SREF produced another strong performance for the year to 31 March 2018. This marks an eight-year record of outperforming its benchmark and investment objective. We were delighted to receive MSCI's UK Property Investment Award for best performing unlisted pooled balanced funds in its category, but we remain focused on continuing to achieve our performance objectives through a disciplined investment approach.

Strategy

SREF owns a diversified portfolio of good-quality UK commercial properties which provide a balance of sustainable and growing income with the potential for capital appreciation. Our annual fund strategy statement, which defines our activities over the coming 3–5 years, identifies key objectives at both a fund and an asset level which are forecast to deliver incremental outperformance year on year.

> **Our annual fund strategy statement identifies key objectives at both a fund and an asset level which are forecast to deliver incremental outperformance year on year.**

Our starting point is to have a high proportion of the portfolio invested in Winning Cities across the UK which have above average economic growth rates. These centres have a number of common characteristics such as diverse economies, good and improving infrastructure and high levels of job creation. They are also likely to offer good cultural amenities and to be places where people want to live and work.

Using the insights of our dedicated research team, the portfolio is tilted towards those sectors and assets where total returns are likely to be driven more by technological, demographic or structural change than purely by economic growth. Properties benefiting from these factors are likely to have enduring occupier appeal and to provide reliable and resilient rental income streams which form the basis of strong long-term returns.

In a period of lower expected returns, we believe it will be particularly important to add value through continuing our active management approach. SREF's portfolio includes a number of properties into which we can invest capital to meet occupier needs and thereby generate new and growing income streams.

Portfolio activity

Over the past 12 months, one acquisition has been completed, a portfolio of five purpose-built self-storage facilities in areas of high residential density around London and the M25, known as The Self-Storage Company. We see clear demand in the sector fuelled by demographic and social trends complemented by the restriction in the delivery of new supply. Having acquired the intellectual property rights associated with the brand, including an easy-to-use technology platform, the acquisition allows for further expansion. Five smaller properties were sold during the year at above valuation where we had completed our business plan or where the assets were regarded as not being central to the Fund's strategy.

SREF remains heavily underweight its peer group in the ownership of retail property. Where the Fund does hold retail, the assets are relevant and fit for purpose for the modern retailing landscape. At the forefront of this is Bracknell, where a major phase of development completed with the opening of the Lexicon, Bracknell town centre in September 2017. Most occupiers report store turnover is well above budget since the centre opened. Importantly, the affordability of its retail space relative to neighbouring centres underpins retailers' profitability and the potential for rental growth. We have also invested in King's Mall at King's Quarter, Hammersmith, W6, including the provision of a new food court and lifestyle fitness operator. This has transformed the centre into a vibrant and appealing micro-environment that provides aspirational convenience for the local population.

Further investment at King's Quarter saw the wholesale refurbishment and extension of the One Lyric office building. Following the year end, but prior to practical completion in June 2018, the offices were fully let for a term of 20 years.

These examples perfectly illustrate the execution of our business planning process which we believe will continue to drive SREF's performance relative to its benchmark. Further case studies can be found on pages 16–23.

Team change

With effect from 1 September 2018 Jessica Berney will replace James Lass as the Lead Fund Manager of SREF. Jessica has been Deputy Fund Manager since 2016 during which time she has developed a detailed understanding of the fund strategy, the portfolio and our investors. Jessica is a Chartered Surveyor with 13 years' experience of managing diversified UK portfolios and, prior to becoming Deputy Fund Manager for SREF, was also responsible for overseeing the management of Schroders' UK retail portfolio. This includes responsibility for managing key SREF assets such as Bracknell and Hammersmith.

James Lass has been Lead Fund Manager of SREF for five years and has made a significant positive contribution to the management of the Fund. James has supported Jessica in her role as Deputy Fund Manager over the last two years and will continue to support her through the transition process along with the Real Estate Investment Committee which will remain unchanged. James will move in 2019 to focus on a specialist value-add role. Jessica also has the continued support from the SREF team and wider business including specialist real estate, accounting and product expertise.

Outlook

In a more uncertain economic environment, SREF's portfolio of properties, which are let on affordable rents, offer both growth and defensive characteristics. We therefore believe that SREF is well positioned to outperform its benchmark in the period ahead.

At an investor level we are heartened by the interest seen from international investors for SREF's style of investment. We regard the further diversification of SREF's already diverse investor base as being a benefit to existing investors, by providing additional liquidity and asset diversification, while providing SREF with a more stable capital base.

James Lass
Fund Manager

Jessica Berney
Deputy Fund Manager
Schroder Real Estate Investment Management Limited

June 2018

Investment Approach

A disciplined approach to investment

Schroder UK Real Estate Fund aims to provide shareholders with an attractive level of income with potential for income and capital growth from owning a diversified portfolio focused on higher growth assets benefiting from structural change. The portfolio is managed in accordance with an investment philosophy centred on consistent principles which are to invest in strong asset fundamentals and active real estate management.

Mega themes

Long-term performance of real estate assets will be driven by structural changes or 'mega themes' arising from demographic, technological, environmental and other factors that are outside of the normal real estate market cycle.

1 Rapid urbanisation

40 global cities by 2025 with 10 million+ populations. The focus on Winning Cities with faster growth in jobs and locations where people wish to live and work.

2 Demographics

We are living longer and moving closer to cities. The focus is on real estate which attracts multiple types of uses and benefits from structural changes e.g. hotels, care homes, office and retail.

3 Technology

The locations which attract the TMT sector and demand for e-commerce will capture high growth.

4 Resources and infrastructure

Global demand for power and infrastructure is increasing. Locations with better infrastructure and resources/power will thrive.

5 Shift West to East

The shift of economic growth from West to East is changing demand. The focus is on locations that attract businesses which benefit from increasing demand from the East, such as luxury goods and education.

Investment approach

High-quality research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. In addition, to better understand real estate fundamentals, our research focuses on occupational demand at a town and city level and other factors such as construction starts, infrastructure investment and pricing relative to other assets.

Business plan-led approach

Every asset is managed to a detailed business plan that is the focal point for identifying and implementing active management strategies that will maximise returns.

Sustainable investment

Sustainability and environmental, social governance ('ESG') considerations are integral to good investment management and should generate better long-term returns, contribute to our tenants' business performance and create tangible benefits for the communities where we are invested. SREF's work in this area was recognised by a Green Star award for ESG performance by GRESB in 2017.

Demand is increasingly concentrated in Winning Cities, offering a competitive advantage in terms of higher levels of GDP, employment and population growth; differentiated local economies with higher value industries; well-developed infrastructure; and places where people want to live and work. Winning Cities will change over time and investments will be made in other locations where we see above-average rates of future growth that could lead to mispricing opportunities.

Our Strategic Objectives

Focusing on our key objectives

96% of the Fund's assets are located in higher growth regions. The strategy will continue to focus on Winning Cities and Regions which offer a competitive advantage in terms of higher levels of GDP, employment and population growth; differentiated local economies with higher value industries; well-developed infrastructure; and places where people want to live and work.

Our acquisition strategy is focused on investing primarily in Winning Cities and Regions and sectors/assets where the structural drivers are independent of the wider economy. Disciplined execution of asset management initiatives drive net income growth and distribution yield while maintaining the portfolio's defensive qualities.

Our focus on fundamentals is essential at this stage in the cycle. Post-completion of asset business plans, the Fund Manager will seek to dispose of assets that are expected to underperform and to reinvest in assets with stronger fundamentals.

The Fund has a diversified tenancy base of over 740 occupiers and a weighted average unexpired lease term of 9.1 years. Our priority is to continue to reduce the vacancy rate, improve covenants and maintain an above-benchmark average lease length through new lettings and lease regears.

Delivery of our strategy is intended to increase net income in the near term.

The key strategic steps are:

1 **Continue to grow net operating income of the Fund through intensive portfolio management based on a disciplined business plan-led approach.**

2 **Maintain a high-quality portfolio which has a resilient income profile through the economic cycle.**

3 **Continue to invest in the portfolio to achieve above-benchmark returns while minimising transaction costs.**

4 **Complete selected acquisitions which are accretive to the Fund's income profile and which meet target return objectives.**

Market Overview

Structural trends likely to drive real estate returns

The UK economy is expected to deliver modest growth through to 2019. The low rate of unemployment and the possibility of wage inflation are likely to lead to tighter monetary policy. All asset classes are exposed to rising rates, but the large gap between real estate yields and gilts means that we believe they are unlikely to rise in parallel. Structural trends such as rapid urbanisation, technological innovation and demographics are likely to drive the continued divergence of real estate returns, with some locations capturing strong growth and some disproportionately suffering economic weakness.

> **"Rapid urbanisation, technological innovation and demographics are likely to drive the continued divergence of real estate returns."**

Retail

Retailers' profits are being reduced by a combination of higher import prices, the increase in the national minimum wage and intense competition from online sales. A number of retailers, as well as food and beverage operators, fell into administration in the first quarter of 2018. We also saw some businesses deliberately enter into voluntary administrations (Company Voluntary Arrangements) in order to reduce their cost of rent and the number of stores from which they trade. Secondary retail locations continue to be most exposed to this type of activity, while prime and those properties which offer a mix of retail and leisure experiences and convenience stores remain more resilient.

Industrial

Industrial assets are the beneficiaries of these key structural themes as the changes increase demand for warehousing. Large logistics warehousing is experiencing strong rental growth and vacancy is low. While developers have begun to build more, the high cost of bank debt for speculative development means that 75% of schemes are pre-let before construction begins. This compares with only 40% of logistics schemes previously being pre-let in 2007. We remain attracted to the sector, particularly multi-let industrial estates which cater for 'last mile delivery'. Rents are growing strongly in this sector and the returns are currently the highest across the UK real estate market.

Offices

The office sector is similarly polarised with differing returns from alternative parts of the markets. City of London offices have seen a bigger decline in prime office rents over the last two years than the West End of London. However, prime offices in some micro-locations such as Shoreditch, Bloomsbury, Hammersmith, Stratford and the South Bank still have good interest from occupiers, which is underpinning rental levels. We expect that the City, where the Fund has very limited exposure, will continue to be the weakest sub-market over the next couple of years due to the growing amount of vacant space and the potentially negative impact of Brexit on financial services. The West End should be more resilient due to a wider range of occupiers and limited supply with very few new office buildings. Locations from Hayes in the West through Bloomsbury and Farringdon to Stratford in the East will gain from the start of Crossrail services in December 2018.

Other

In addition to the three main commercial sectors, there are a number of other niche sub-sectors which should provide diversification. The self-storage market is starting to mature, as consumer awareness grows and both occupancy and rental rates increased in 2017, according to the UK Self Storage Association. We also see potential in new concepts such as serviced apartments and retirement villages and there is buoyant demand for data centres, driven by the rapid growth in cloud computing. By contrast, we are cautious of the private rented housing sector, given net yields below 4% and student accommodation, where there is a risk of over-supply in several towns and cities.

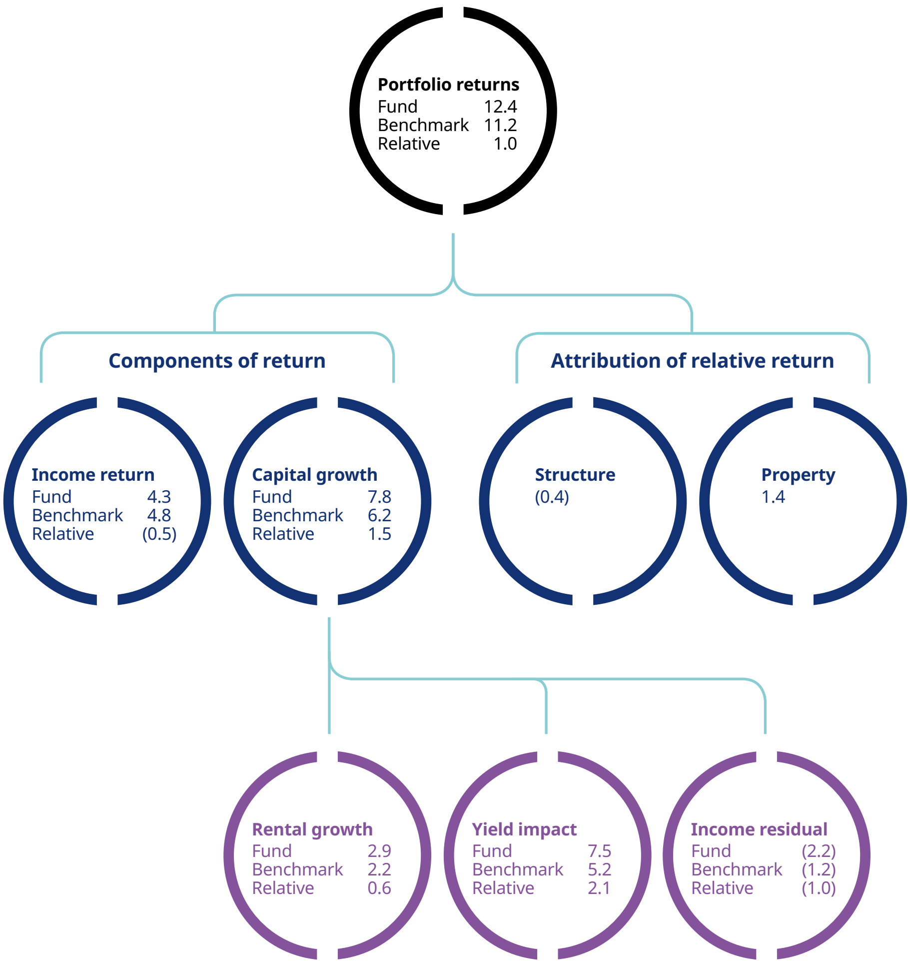
"We see potential in new concepts such as serviced apartments and retirement villages and there is buoyant demand for data centres."

Portfolio Performance

Performance analysis

Sources of relative return – 12 months to 31 March 2018 (%)

The principal drivers and detractors of performance have been independently calculated by MSCI. Please note that 'Fund' refers to property level returns.



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

Property-level total return % relative to benchmark

Period	SREF total return p.a. (%)			MSCI Index total return p.a. (%)			Relative p.a. (%)		
	12 months	3 years	5 years	12 months	3 years	5 years	12 months	3 years	5 years
Retail	10.6	6.9	7.5	6.7	5.4	7.6	3.7	1.5	(0.0)
Offices	8.3	11.3	15.6	8.0	8.4	13.0	0.3	2.6	2.2
Industrial	23.1	16.7	18.2	21.4	15.4	16.7	1.3	1.2	1.2
Other	12.9	12.0	13.9	12.4	10.9	11.5	0.5	1.0	2.1
Total	**12.4**	**11.3**	**13.7**	**11.2**	**9.2**	**11.6**	**1.0**	**2.0**	**1.8**

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

Performance attribution over past year

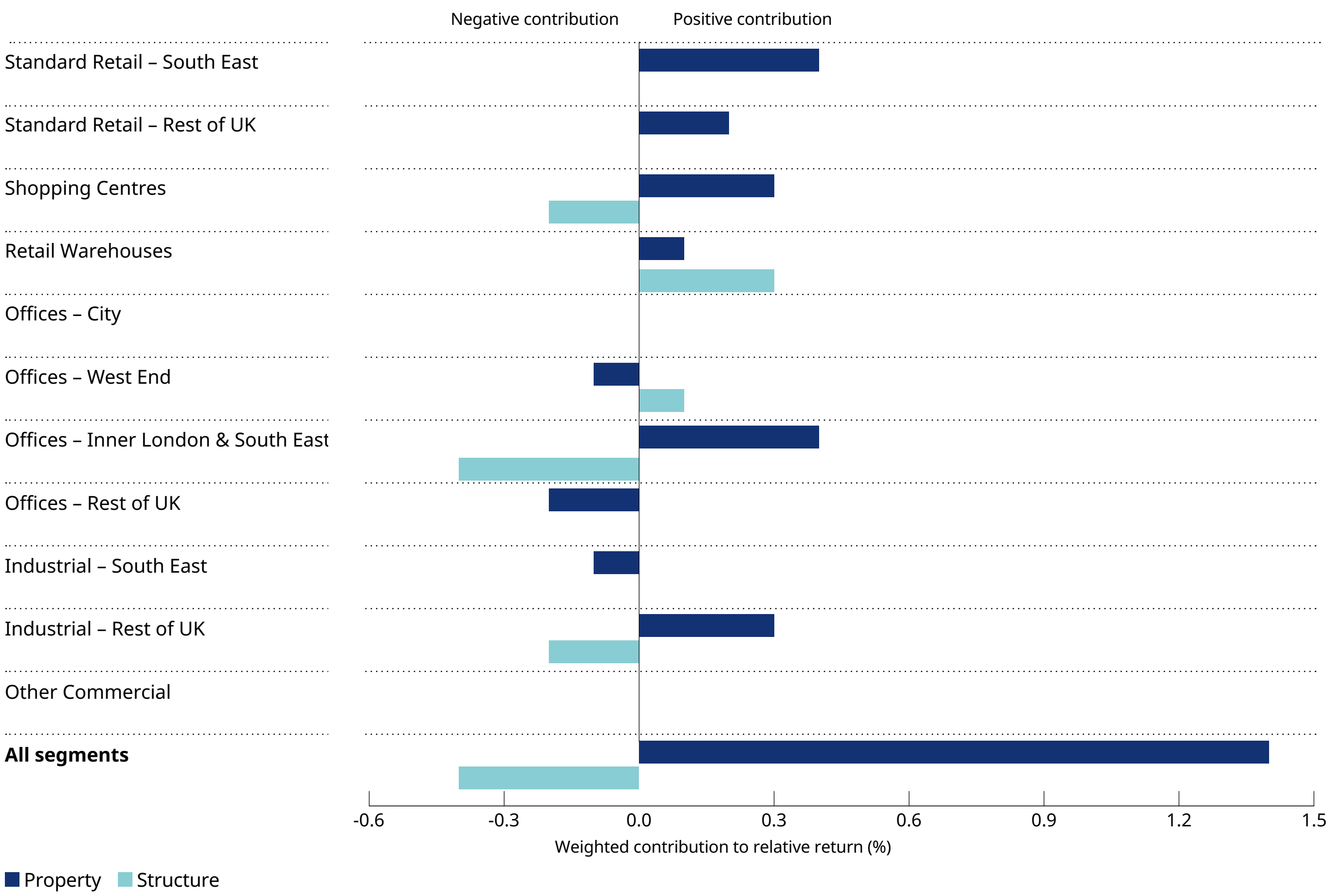
Income
Over the past year SREF generated less income than the benchmark owing to the quality of the portfolio and to a number of capital investment projects such as at Bracknell and Hammersmith. The completion of the first phase of Bracknell in September 2017 provided additional portfolio income from September and this will increase as rent-free periods expire and new lettings are completed. The completion of the office development at Hammersmith, W6 will also increase portfolio income following SREF's financial year end. Our strategy is to target an income return in line or above benchmark.

Rental growth
SREF has generated higher rental growth than its benchmark over the past 12 months. Rents across the portfolio are generally low and therefore affordable for tenants. Our preference for multi-let properties allows us to capture rental growth at lease expiry or at rent review. Strong rental growth was achieved at Electra Industrial Estate, E16 and Battersea Studios, W8.

Yield impact
The portfolio has benefited from greater yield improvement than the benchmark. SREF's active management approach has enabled the Fund to capture yield improvements as capital projects are completed, such as at Bracknell, and where leases have been regeared, such as at Palace House, SE1 and Jubilee House, E15.

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

Attribution by property and structure: One year to 31 March 2018



Strategy in Action

Resilient income and growth opportunity

Croydon

Ruskin Square is a nine-acre mixed-use scheme adjacent to East Croydon railway station. The site benefits from outline planning permission for two million sq ft of offices in five buildings and four residential blocks.

SREF has owned Ruskin Square, Croydon for over 15 years. As long-term holders of this important gateway site, we are committed to creating a vibrant mixed-use environment where people want to live, work and spend their leisure time.

The first 181,000 sq ft office building was pre-let during construction to HM Revenue & Customs on a 25-year lease from November 2016. The UK Government is SREF's largest tenant. The second phase office building comprises 200,000 sq ft and has detailed planning consent. Further phases of development will only be started subject to a significant pre-let.

The first residential building of 161 units completed in 2016 in partnership with Places for People and 97% of the units have been sold. Further phases of residential development will be brought forward with a focus on the private rented sector, which we feel is complementary to the ownership in its entirety.

In 2016 SREF opened BOXPARK, the food, beverage and events destination, on the final office development site. This popular venue promotes place making and has become an important part of Croydon's community identity.

Contracted rental income

£6.2m

% NAV

6.3%

Average lease length

23 years

Strategy in Action

Creating places where people want to live and work

Bracknell

SREF owns a half share of the freehold of the 40-acre town centre at Bracknell. This comprises the newly opened 580,000 sq ft Lexicon shopping centre, further retail space including Waitrose and Sainsbury's supermarkets, four office buildings totalling 200,000 sq ft and residential.

The Lexicon successfully opened in September 2017 and is anchored by Fenwicks (its first new store in 15 years), M&S, a 14-screen 4DX Cineworld Cinema and Primark. At March 2018, the scheme was 87% pre-let by floor area, rising to 92% including lettings in solicitors' hands.

The majority of retailers are trading ahead of expectations and footfall is anticipated to reach 16 million per annum. The Lexicon moves Bracknell from the 243rd to 33rd best retailing destination within the UK, according to Colliers.

The town centre's appearance and desirability are now in line with Bracknell's affluent catchment. The Lexicon's success in creating an environment where people want to live and work will now act as a catalyst for future performance. Plans are under consideration for a leisure extension to the Lexicon and for refurbishment and reletting of the offices.

Contracted rental income

£6.2m

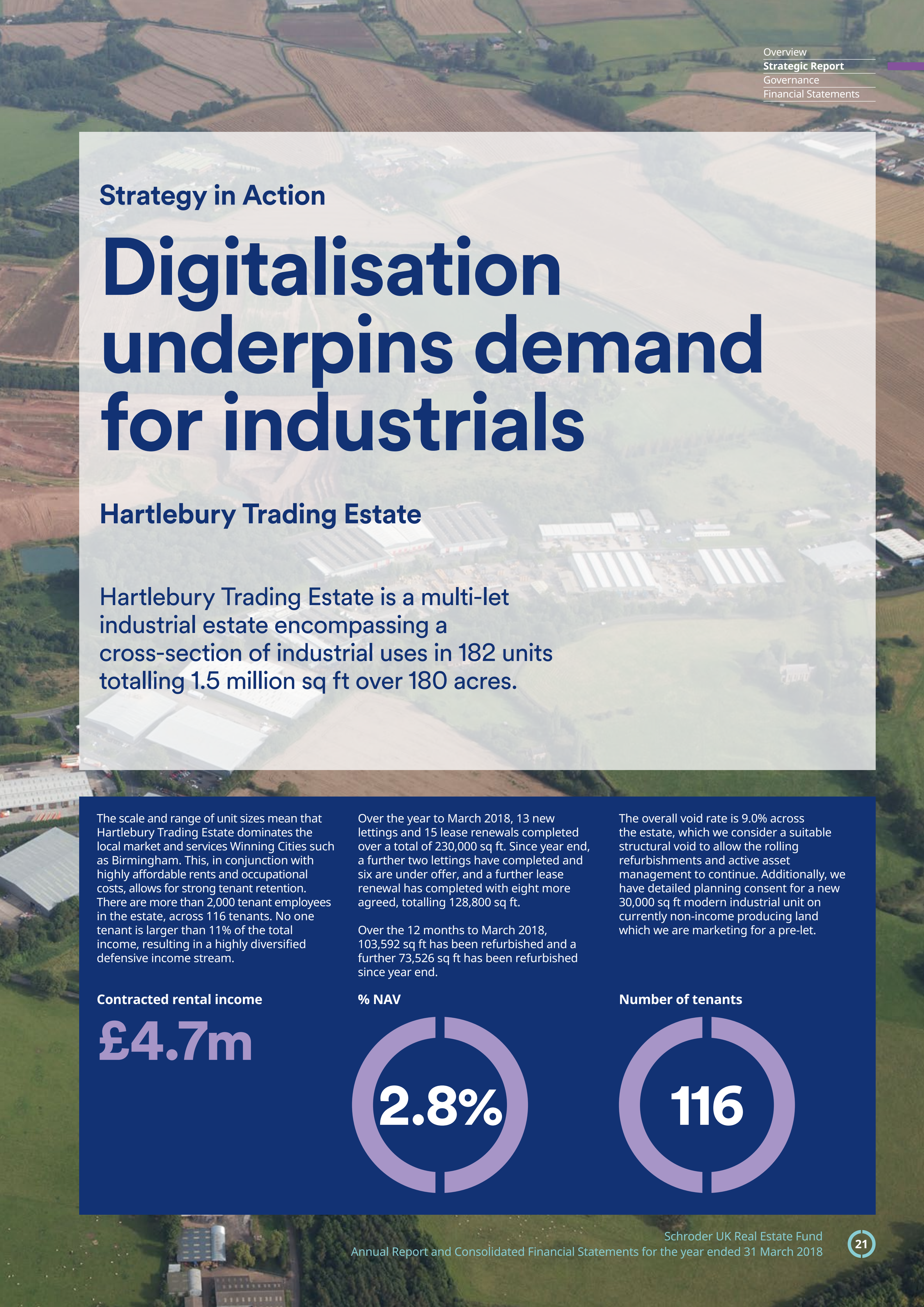
% NAV

6.4%

Number of tenants

142


THE BULL
ENTRANCE
The Bull
Restaurant
Please use
the entrance
in the top
bar
Thank you



Strategy in Action

Digitalisation underpins demand for industrials

Hartlebury Trading Estate

Hartlebury Trading Estate is a multi-let industrial estate encompassing a cross-section of industrial uses in 182 units totalling 1.5 million sq ft over 180 acres.

The scale and range of unit sizes mean that Hartlebury Trading Estate dominates the local market and services Winning Cities such as Birmingham. This, in conjunction with highly affordable rents and occupational costs, allows for strong tenant retention. There are more than 2,000 tenant employees in the estate, across 116 tenants. No one tenant is larger than 11% of the total income, resulting in a highly diversified defensive income stream.

Over the year to March 2018, 13 new lettings and 15 lease renewals completed over a total of 230,000 sq ft. Since year end, a further two lettings have completed and six are under offer, and a further lease renewal has completed with eight more agreed, totalling 128,800 sq ft.

Over the 12 months to March 2018, 103,592 sq ft has been refurbished and a further 73,526 sq ft has been refurbished since year end.

The overall void rate is 9.0% across the estate, which we consider a suitable structural void to allow the rolling refurbishments and active asset management to continue. Additionally, we have detailed planning consent for a new 30,000 sq ft modern industrial unit on currently non-income producing land which we are marketing for a pre-let.

Contracted rental income

£4.7m

% NAV

2.8%

Number of tenants

116

Strategy in Action

Investing in Winning Cities

Manchester

City Tower is a landmark 615,429 sq ft office, retail, leisure and hotel investment on a three-acre island site in Manchester city centre. City Tower is owned 50% by SREF in a joint venture with two other Schroder-managed funds.

Our overall strategy is to improve the office accommodation to take advantage of healthy levels of occupational demand and reposition the retail and leisure offer.

Over the past year, 14 rent reviews were completed, generating a combined rental uplift of 23% (SREF's share: £167,000 p.a.).

In addition, six office lettings and two retail lettings were completed, generating new income to SREF of £356,000. The retail offer has been repositioned with a new letting exchanged with Lidl on a long lease with inflation-linked uplifts which will generate an additional £22,500 p.a. to SREF over the prior lease.

A phased capital expenditure programme of the building is currently underway which will see SREF commit £2.25 million over the coming year. This will be used to refurbish vacant space prior to letting and to improve the tenant experience by enhancing the building's facilities.

Contracted rental income

£4.8m

% NAV

3.3%

Number of tenants

64

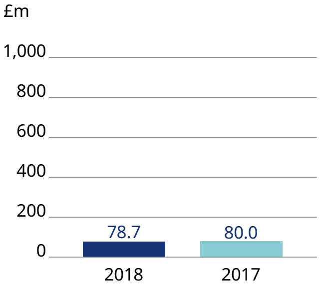

CITY TOWER

Portfolio Statement

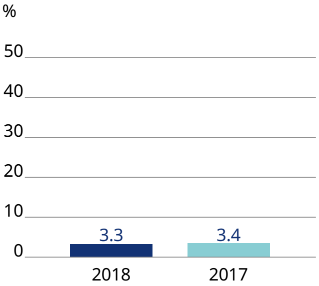
Direct properties total market value up to £10m

Lowestoft – Roman Hill

Market value at 31 March



% net asset value

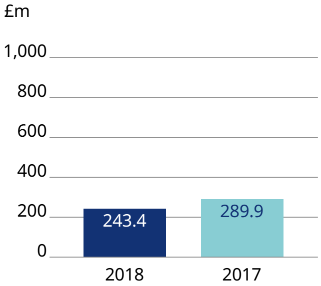


	Sector
Crayford – Crayford Industrial Park	Industrial
Croydon – Ruskin Square	Other – Residential
Framlingham – Mills Meadow	Other – Care Homes
Mildenhall – Great Heath	Other – Care Homes
Haverhill – Chalkstone	Other – Care Homes
Ipswich – Asterbury Place	Other – Care Homes
Livingston – Limefields, second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

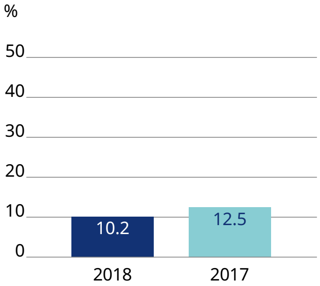
Direct properties total market value from £10m–£25m

Chatham – Maritime

Market value at 31 March



% net asset value

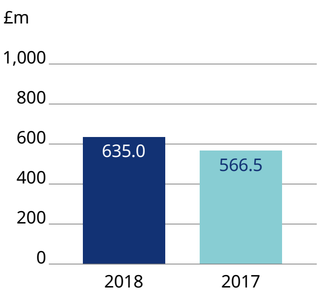


	Sector
Bristol – Maggs House	Standard Retail
Croydon – Car Park	Other – Car Park
Slough – Capital Point, 33 Bath Road	Offices
Loughton – 202–226 High Road	Standard Retail
Bracknell – Bracknell Beeches	Offices
London WC2 – 53 Parker Street	Offices
Dunstable – Chiltern Park	Industrial
Chatham – Maritime	Other – Leisure
Croydon – Sites 2–4 (Residential), Ruskin Square	Other – Residential
Chelmsford – Meadows Retail Park	Retail Warehouse
Spalding – Retail Parks	Retail Warehouse
Dunstable – Arenson Centre	Industrial
Glenthorne Road, W6 – Car Park	Other – Car Park
London EC2 – 11/12 Appold Street	Offices

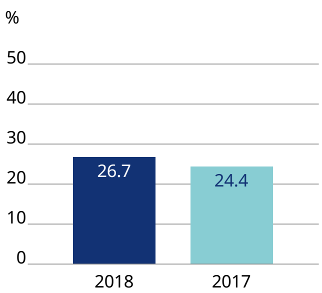
Direct properties total market value from £25m–£50m

StayCity – Serviced Apartments

Market value at 31 March



% net asset value

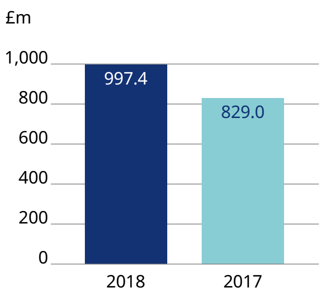


	Sector
London UB6 – Greenford	Industrial
Colchester – Turner Rise	Retail Warehouse
Colchester – Hythe Riverside Park	Retail Warehouse
London E15 – Jubilee House	Offices
Croydon – Sites 2–5 (Commercial), Ruskin Square	Offices
Cardiff – St William House	Office
Norwich – Hall Road Retail Park	Retail Warehouse
StayCity – Serviced Apartments	Other – Hotel
London EC1 – 4–7 Chiswell Street	Offices
London E1 – Mile End Road	Offices
Croydon – AMP House	Offices
Hackbridge – Felnex Trading Estate	Industrial
Wolverhampton – Steel Park	Industrial
Truro – Lemon Quay	Standard Retail
Woking – Woking Business Park	Industrial
Self-Storage portfolio	Other – Self-Storage
London SE1 – Palace House	Offices

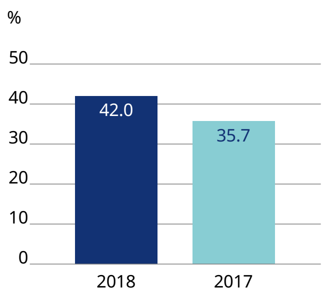
Direct properties total market value greater than £50m

London E16 – Electra, Canning Town

Market value at 31 March



% net asset value

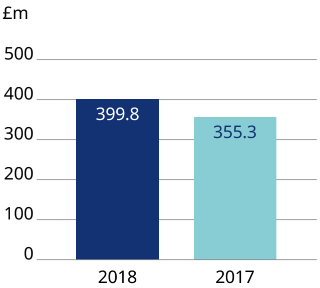


	Sector
London N1 – Shepherdess Walk	Offices
London W1 – Chenies Street	Offices
Reading – Davidson House	Offices
Cardiff – Mermaid Quay	Other – Leisure
London W14 – Kensington Village	Offices
London SW8 – Battersea	Offices
London E16 – Electra, Canning Town	Industrial
Hartlebury Trading Estate	Industrial
Crayford – Acorn Industrial Estate	Industrial
London W6 – One Lyric	Offices
London NW10 – Matrix, Park Royal	Industrial
London W6 – King's Mall	Shopping Centre
Croydon – Building 1, Ruskin Square	Offices

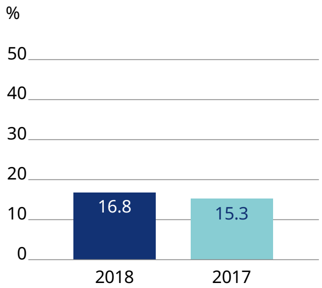
Portfolio Statement continued

Joint ventures

Market value at 31 March



% net asset value



	Sector
City Tower Unit Trust	Offices
Bracknell Property Unit Trust	Retail and Offices
West India Quay Unit Trust	Other – Leisure
Motor Retail LP	Standard Retail
Gilbran Property Unit Trust	Standard Retail
Store Unit Trust	Offices
York – Monks Cross	Retail Warehouse

Collective investment schemes

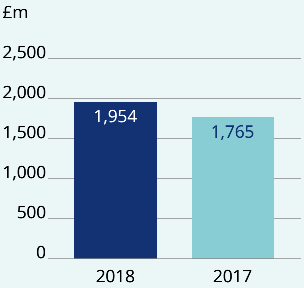
	Sector
City of London Office Unit Trust (CLOUT)	Offices
Henderson UK Retail Warehouse Fund (HRWF)	Retail Warehouse

Percentage of contracted rent expiring

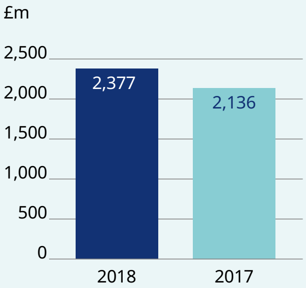
	SREF	Benchmark
Up to five years	45.4	51.6
Five to ten years	27.6	26.3
Ten–15 years	7.7	10.4
15–20 years	3.0	4.8
Over 20 years	15.8	6.1

Summary

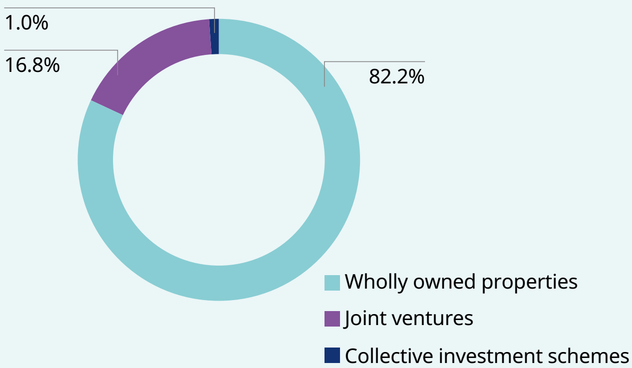
Total direct properties



Portfolio of investments



Net assets 31 March 2018



Note: Net assets exclude cash and other assets

Purchases and Sales

Self-Storage Unit Trust

Purchases

Quarter	Purchases	Sector	Price in £	Yield %
Q3 2017	Self-Storage Unit Trust	Other	44.6 million	–

Sales

Quarter	Disposals	Sector	Price in £	Yield %
Q1 2018	Reading – Woodley, Crockhamwell Road	Standard Retail	6.9 million	7.3
Q4 2017	Livingston – Limefields	Industrial	6.5 million	N/A
Q4 2017	Truro – Lemon Quay House	Standard Retail	5.1 million	5.5
Q4 2017	Bracknell – Eagle House	Office	4.5 million	N/A
Q3 2017	Exeter – Pearl Assurance House, High Street	Standard Retail	11.4 million	5.4

Case Study – Purchase

Structural trends underpin strong demand

Self-Storage Unit Trust

SREF's only acquisition during the year was a portfolio of five self-storage assets for £44.6 million. This represents the first investment into a sector which can benefit from strong structural drivers of demand and low levels of supply.

The portfolio was acquired from The Self-Storage Company, a privately owned company with five purpose-built properties around the M25, and provides a total of 230,000 sq ft of storage space. The transaction also included the intellectual property rights, company brand, sophisticated operating platform and management team (via an exclusive contract with SREF) for nil consideration.

SREF's investment in the self-storage market was driven by our research team's fundamental analysis which identified this as an attractive sector. Demographic trends, particularly in highly urbanised areas, alongside technological shifts which facilitated more start-up businesses and online traders, strongly underpin the sector. Aside from a small number of larger self-storage operators, the sector is highly fragmented and offers attractive acquisition opportunities.

At purchase the majority of the properties were newly completed and therefore not let. Our strategy is to grow the portfolio's net operating income and, within three years, our business plan envisages that rental income will be equivalent to a yield-on-cost of 9%, which is highly attractive in today's market. Longer term we may seek to aggregate the portfolio to allow the business to benefit from scale which would in turn be reflected in an increased real estate valuation.

Projected rental income when fully let

£3.4m

% NAV

1.8%

Number of assets in portfolio

5


the self
storage
company
mpany.co

Sustainable Investment

At the heart of our investment philosophy

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

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

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

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

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

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

A copy of Schroders' Responsible Real Estate Investment Strategy can be found at www.schroders.com/en/uk/realestate

The Lexicon, Bracknell

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

Environmental Management System

Over 2017 Schroder Real Estate, led by our Head of Sustainability, has continued to work with sustainability and energy management consultancy Evora Global to develop our Environmental Management System ('EMS') which is aligned with the internationally recognised standard ISO14001. The EMS provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of our real estate investment process including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments, through to disposal.

The Investment Manager sets a Sustainability Policy annually approved by the Investment Committee which confirms the commitments and targets for the year. Key aspects of the Policy and its objectives are set out below.

Property manager sustainability requirements

Property managers play an integral role in supporting the sustainability programme. Schroder Real Estate has established a set of Sustainability Requirements for property managers to adhere to in the course of delivering their property management services. This includes a set of key performance indicators to help improve the property managers' sustainability-related services to the Fund and which are assessed on a six-monthly and annual basis at December and June respectively. Schroder Real Estate is pleased to report that Knight Frank and Jones Lang LaSalle, principal property managers to the Fund, have performed in line with targets set for 2017.

Energy

Energy is an important element of landlords' responsibilities for buildings where the landlord has operational control. Schroder Real Estate has continued to develop the monitoring of the Fund's energy usage and efficiency as well as water and waste with analysis and reporting on a quarterly and annual basis.

In the first quarter of 2016 Schroder Real Estate introduced an energy reduction target of 6% across its UK managed assets over a two-year period to March 2018 from a baseline of the 2016 reporting year. Alongside this, Schroder Real Estate continues to work with Evora Global and the Fund's property managers to achieve further reductions on a cost-effective basis. As part of this, all managed assets within the Fund have been reviewed and sustainability objectives identified for the year to March 2018.

Initiatives include building management systems, LED lighting and boiler optimisation programmes. Improving energy efficiency and reducing energy consumption will benefit tenants' occupational costs and should help tenant retention and attract new tenants.

Analysis of how the Fund has performed against the target has not yet been finalised, however, an indication of recent progress can be taken from the 10% reduction in like-for-like landlord procured energy over the 2018 reporting year against the previous year and reported in the Unaudited Environmental Data Report. For the analysis of the Fund's performance against the Schroder Real Estate energy target, the actual target baseline year of 2016 will be applied. Furthermore, the analysis will incorporate adjustments to remove the impact of external factors on consumption, such as occupancy changes and weather patterns (and therefore heat demand). The results of this analysis will be incorporated in Fund reporting later in 2018.

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

The EPC profile for the portfolio is set out within the Environmental Data report on page 63.

Refurbishments and green building certifications

Schroder Real Estate seeks to deliver developments and refurbishments to sustainable standards and deliver good performance against building certifications, including EPCs and BREEAM (the Building Research Establishment Environmental Assessment Methodology, an environmental assessment method and rating system for buildings). Standards required are set for each project in context for the asset and Schroder Real Estate's guiding principles for projects of minimum D-rated EPCs and BREEAM 'Very Good'.

Water

Schroder Real Estate monitors water consumption where the landlord has supply responsibilities and encourages asset-level improvements. A 0.9% increase in like-for-like water consumption, for assets where the Fund had supply responsibilities, was reported between the 2017 and 2018 reporting periods.

Sustainable Investment continued

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

Waste

Waste management and disposal activities are responsible for considerable negative environmental and societal impact. As a result, waste should be minimised and disposal should be as sustainable as possible. To this end, Schroder Real Estate has set an objective to send zero waste to landfill and to achieve optimal recycling. During 2017 the Fund achieved close to 100% diversion from landfill.

Global Real Estate Sustainability Benchmark (GRESB)

The Fund has participated in GRESB since 2013. We are pleased to report that in 2017 the Fund was again awarded a 'Green Star' (this rating is achieved where scores for the two dimensions of Management and Policy and Implementation and Measurement are at least 50 out of 100 points). A submission will be made for the 2018 GRESB survey for which results are due in September 2018.

GRESB is the dominant global standard for assessing ESG performance for real estate funds and companies.

The Lexicon, Bracknell

Environmental data

This year the Sustainability Report has again been aligned with the INREV Sustainability Reporting Guidelines 2016 and therefore includes an Environmental Data Report for the portfolio presented using GRESB methodology. The Environmental Data Report is included from page 56.

Carbon Reduction Commitment (CRC)

The Fund qualified for Phase II of the CRC Energy Efficiency Scheme and the purchase of allowances. The Fund complies with the CRC Scheme requirements and a submission for the 2018 reporting year will be made. It was announced in the March 2016 Budget that the CRC Scheme will not continue beyond Phase II which ends 31 March 2019.

Energy Savings Opportunity Scheme

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

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

Health, well-being and productivity

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

Stakeholder engagement and community

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

Schroder Real Estate believes in the importance of understanding a building's relationship with the community and its contribution to the well-being of society.

Ruskin Square, Croydon

Positively impacting on local communities helps create successful places that foster community relationships, contribute to local prosperity, attract building users and ultimately, lead to better, more resilient investments. Schroder Real Estate looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long term.

Industry participation

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

Employees

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

Further information on Schroders' principles in relation to people, including diversity, gender pay gap, values, employee satisfaction survey, well-being and retention, can be found at www.schroders.com/en/sysglobalassets/global-assets/global/annual-report/documents/schroders-ar17-peoplesociety.pdf

www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/

Corporate responsibility

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

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

Slavery and Human Trafficking Statement

The Fund is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement.

Schroder Real Estate, the Investment Manager to the Fund, is part of Schroders plc and whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders plc and other relevant Group companies ('Schroders' or the 'Group') have taken during 2017 and will be taking in 2018 to prevent slavery and human trafficking from taking place in its supply chains or any part of its business. Schroder Real Estate is part of the Schroders Group.

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

Report of the Authorised Corporate Director and Statement of Responsibilities

The Financial Statements

We are pleased to present the Audited Consolidated Financial Statements of the Schroder UK Real Estate Fund for the year ended 31 March 2018.

The Fund

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

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

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

Authorised status

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

Annual General Meetings

The Fund will not be holding any Annual General Meetings.

Statement of Responsibilities of the Authorised Corporate Director

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

— select suitable accounting policies and then apply them consistently;

— comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the IMA in May 2014;

— follow generally accepted accounting principles and applicable accounting standards;

— prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;

— keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and

— make judgements and estimates that are prudent and reasonable.

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

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

The ACD's Report and Accounts for the year ended 31 March 2018 were signed on 18 July 2018 on behalf of the ACD by:

J. Walker-Hazell,

P. Chislett
Schroder Unit Trusts Limited

18 July 2018

AIFMD Remuneration Disclosures for Schroder Unit Trusts Limited ('SUTL') for the year to 31 December 2017

These disclosures form part of the non-audited section of this Annual Report and Accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 62 to 90 of the 2017 Annual Report & Accounts (available on the Group's website – www.schroders.com/ir), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

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

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2017 the remuneration policy was reviewed and changes were made to ensure compliance with the UCITS/AIFMD remuneration requirements.

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

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

The remuneration data that follows reflects amounts paid in respect of performance during 2017.

— The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has an independent Non-Executive Director who receives fees in respect of his role on the Board of SUTL[1]. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.

— The following disclosures relate to AIF MRTs of SUTL. Most of those AIF MRTs were employed by and provided services to other Schroders Group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 147 AIF MRTs of SUTL in respect of the financial year ended 31 December 2017, and attributed to SUTL or the AIF funds that it manages, is £6.3 million, of which £2.0 million was paid to senior management, £4.0 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the AIF funds that it manages and £0.3 million was paid to other AIF MRTs.

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

1 The fee is not disclosed due to confidentiality and data protection considerations. The amount is not material to SUTL.

Investment Manager's Statement of Responsibility

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

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

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

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

Legal and product limits

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

The Investment Manager confirms that these limits have not been breached in the year to 31 March 2018.

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

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

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

Independent Property Valuers’ Report

Knight Frank LLP

As Independent Valuer for the Fund, we have valued immovables held by the Fund as at 1 April 2018 in accordance with RICS Valuation – Global Standards 2017, incorporating International Valuation Standards and RICS Valuation – Professional Standards UK January 2014 (revised April 2015) and in accordance with the COLL 8.4.13R of the Collective Investment Schemes sourcebook. Schroder Unit Trusts Limited, as ACD of the Fund, has been provided with a full valuation certificate and report. The immovables have been valued on the basis of market value as defined by the RICS Valuation Standards subject to existing leases.

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

In our opinion the aggregate of the market values of the five immovables owned by the Fund as at 1 April 2018 is £39.555 million. This figure represents the aggregate of the values attributable to the individual immovables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

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

Knight Frank LLP – 1 April 2018

BNP Paribas Real Estate

As Standing Independent Valuer for the Fund, we have valued immovables held by the Fund as at 3 April 2018 in accordance with IFRS 13, FRS 102 and the RICS Valuation – Global Standards 2017 (the ‘Red Book’) and in accordance with the COLL 8.4.13R of the Collective Investment Schemes sourcebook. Schroder Unit Trusts Limited, as Authorised Corporate Director of the Fund, has been provided with a full valuation certificate and report. The immovables have been valued on the basis of market value as defined by the RICS Valuation Standards subject to existing leases.

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

In our opinion the aggregate of the market values of the 42 immovables owned by the Fund as at 3 April 2018 is £1,450,760 million. This figure represents the aggregate of the values attributable to the individual immovables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

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

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

BNP Paribas Real Estate

Depositary's Report and Statement of Responsibilities

Statement of Responsibilities

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of Schroder UK Real Estate Fund ('the Company') for the year ended 31 March 2018.

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

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

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

The Depositary must ensure that:

— the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;

— the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;

— the value of shares of the Company is calculated in accordance with the Regulations;

— any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;

— the Company's income is applied in accordance with the Regulations; and

— the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

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

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

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

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

NatWest PLC – 1 April 2018

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

Report on the audit of the financial statements

Opinion

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

— give a true and fair view of the financial position of the Group and the Fund as at 31 March 2018 and of the net revenue and the net capital gains on the scheme property of the Group and the Fund for the year then ended; and

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Schroder UK Real Estate Fund (the 'Fund') is an Open Ended Investment Company ('OEIC'). We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the 'Annual Report'), which comprise: the Consolidated and Fund Balance Sheets as at 31 March 2018; the Consolidated and Fund Statements of Total Return, the Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders, and the Consolidated and Fund Cash Flow Statements for the year then ended; the Distribution Table; and the Notes to the Financial Statements, which include a description of the significant accounting policies and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

— the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

— the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Fund's ability to continue as a going concern.

Reporting on other information

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

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

Report of the Authorised Corporate Director

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

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Report of the Authorised Corporate Director and Statement of Responsibilities set out on page 34, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

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

— proper accounting records of the Fund have not been kept; or

— the financial statements of the Fund are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 July 2018

Consolidated and Fund Statements of Total Return
For the year ended 31 March 2018

	Notes	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Income					
Net capital gains	4	176,920	176,920	69,007	69,007
Revenue	5	119,148	108,416	114,006	105,096
Gain/(Loss) attributable to non-controlling interest		80	–	(2)	–
Expenses	6	(46,656)	(35,844)	(45,858)	(36,950)
Net revenue before taxation		**72,572**	**72,572**	**68,146**	**68,146**
Taxation		–	–	–	–
Net revenue after taxation		72,572	72,572	68,146	68,146
Total return before distribution		**249,492**	**249,492**	**137,153**	**137,153**
Finance costs: distributions	7	(80,642)	(80,642)	(75,172)	(75,172)
Change in net assets attributable to shareholders from investment activities		**168,850**	**168,850**	**61,981**	**61,981**

Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders
For the year ended 31 March 2018

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Opening net assets attributable to shareholders	**2,320,418**	**2,320,418**	**2,228,584**	**2,228,584**
Amounts receivable on creation of shares	25,967	25,967	29,853	29,853
Change in net assets attributable to shareholders from investment activities	168,850	168,850	61,981	61,981
Closing net assets attributable to shareholders	**2,515,235**	**2,515,235**	**2,320,418**	**2,320,418**

Consolidated and Fund Balance Sheets
As at 31 March 2018

	Notes	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund as at 31 March 2017 £000
ASSETS					
Investment assets					
Investment property	10	1,939,467	1,481,828	1,706,955	1,353,324
Building licence agreement	20	41,678	–	48,768	–
Investment in collective investment schemes		15,275	15,275	15,080	15,080
Investment in subsidiaries	9	–	424,977	–	347,600
Investment in joint ventures		374,032	370,620	355,270	347,361
Total investment assets		**2,370,452**	**2,292,700**	**2,126,073**	**2,063,365**
Debtors	11	56,815	146,443	32,051	127,184
Cash and bank balances	12	79,654	60,338	158,267	114,656
Bank deposits	12	50,000	50,000	50,000	50,000
Total other assets		**186,469**	**256,781**	**240,318**	**291,840**
Total assets		**2,556,921**	**2,549,481**	**2,366,391**	**2,355,205**
LIABILITIES					
Creditors	13	34,326	28,167	38,611	28,637
Distribution payable		6,079	6,079	6,150	6,150
Net assets attributable to non-controlling interests		1,281	–	1,212	–
Total liabilities		**41,686**	**34,246**	**45,973**	**34,787**
Net assets attributable to shareholders		**2,515,235**	**2,515,235**	**2,320,418**	**2,320,418**

Consolidated and Fund Cash Flow Statements
As at 31 March 2018

	Notes	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund as at 31 March 2017 £000
Net cash inflow from operating activities	17	**43,523**	**52,842**	**96,330**	**82,754**
Interest received		11	3,134	97	4,785
Total cash generated from operating activities		**43,534**	**55,976**	**96,427**	**87,539**
Investing activities					
Purchases of investments		(48,776)	(87,932)	(46,697)	(96,697)
Litigation proceeds		8,686	8,686	–	–
Sales of investments		33,625	33,625	158,642	158,642
Capital expenditure		(60,883)	(9,874)	(72,838)	(18,731)
Net cash (used in)/from investing activities		**(67,348)**	**(55,495)**	**39,107**	**43,214**
Financing activities					
Amounts received on issue of shares		25,967	25,967	29,853	29,853
Distributions paid		(80,766)	(80,766)	(74,829)	(74,829)
Net cash outflow from financing activities		**(54,799)**	**(54,799)**	**(44,976)**	**(44,976)**
(Decrease)/increase in cash in the year		**(78,613)**	**(54,318)**	**90,558**	**85,777**
Net cash at the start of the year		**208,267**	**164,656**	**117,709**	**78,879**
Net cash at the end of the year	16	**129,654**	**110,338**	**208,267**	**164,656**

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

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

Consolidation

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

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

Business combinations

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

Going concern

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

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

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

Use of estimates and judgements

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

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

(b) Basis of valuation of investments

(i) Properties owned by the Fund, including investments in properties owned through partnerships and trusts for land, are independently valued on a market value basis in accordance with Royal Institute of Chartered Surveyors guidance. Development properties in the course of development are independently valued having regard to the stage reached in the construction and taking account of any agreed letting and of any contractual liabilities to advance further monies. Where legal completion of a purchase is not fully executed at the date of the Consolidated Balance Sheet, but takes place subsequently, or in the case of development properties purchased for development where no work has yet taken place, the property is shown at cost unless, in the opinion of the manager, there may be a material difference between cost and valuation on completion.
(ii) Collective investment schemes are valued at the bid price as provided by the relevant managers, in accordance with industry practice.
(iii) Subsidiaries and joint ventures are valued at the net asset value ('NAV') price as provided by the relevant managers, which is the best estimate of fair value in accordance with industry practice.
(iv) Building licence agreements are fair valued using a discounted cash flow, based on valuations provided by the pricing risk department internally, and approved by the Real Estate Local Pricing Committee.

(c) Property purchases and sales

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

1. Accounting policies continued

(d) Recognition of revenue and expenses
Rental revenue, service charge revenue, deposit interest, income from collective investment schemes and other revenue is accounted for on an accruals basis. The cost of any upfront lease incentives offered is recognised as a reduction in rental income and allocated over the lease term. Service charge income and expenses are included in revenue and other property operating expenses respectively. Interest receivable and payable are accounted for on an accruals basis. Provisions for doubtful debts are taken as a reduction to rental revenue and recognised where debts are outstanding for greater than six months.

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

(f) Treatment of development and acquisition expenses
In accordance with Generally Accepted Accounting Practice in the UK, development and acquisition expenses have been treated as costs of purchasing property investments and are accordingly treated as capital.

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

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

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

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

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

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

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

2. Distribution policies

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

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

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

3. Risk management policies

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

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

Notes to the Financial Statements continued

3. Risk management policies continued

(b) Credit and liquidity risk

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

Receivables for the year to 31 March 2018 amounted to £3.686 million consolidated and £2.792 million for the Fund (31 March 2017: £3.338 million and £2.259 million) and the provision for doubtful debts for the year to end 31 March 2018 amounted to £1.010 million (31 March 2017: £1.095 million). As at the year end 31 March 2018 there were no receivables that were past due but not impaired.

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

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

1. Operate a strict share redemption policy such that shareholders may only serve notice to redeem at the end of each quarter;
2. Raise sufficient cash resources within the Fund to finance a limited number of redemptions;
3. Review the need for and maintain as appropriate a borrowing facility;
4. Reserve the right to defer payment of redemptions;
5. All liabilities are due within one year.

(c) Currency risk

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

(d) Interest rate risk

The Fund has the ability to access debt facilities, but did not have any debt facilities during the year. The Fund held £129.7 million of Group cash at the end of the year and this is exposed to interest rate risk.

There were no changes to the risk management policies during the year to 31 March 2018.

4. Net capital gains/losses

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Gains for the year on direct properties	168,957	148,488	69,952	50,538
Gains/(losses) for the year on Collective Investment Schemes	195	16,167	(10,852)	16,470
Gains for the year on joint ventures	7,768	12,265	9,907	1,999
Net gains on investment properties	**176,920**	**176,920**	**69,007**	**69,007**

For the Fund year ended 31 March 2018, (£0.9) million out of £176.9 million were realised and £177.8 million net gains were unrealised (2017: £8.6 million realised and £60.4 million unrealised). For the Group (£0.9) million out of £176.9 million were realised and £177.8 million were unrealised gains (2017: £16.7 million realised and £52.3 million unrealised gains). Where realised gains include amounts arising in previous periods, a corresponding (loss)/gain is included in unrealised gains.

5. Revenue

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Bank, deposit and loan interest	11	3,133	97	4,785
Rental revenue	81,836	66,451	78,365	67,102
Income from collective investment schemes	14,557	26,458	18,286	20,055
Service charge income	14,357	10,456	16,116	12,087
Other income	8,387	1,918	1,142	1,067
Total revenue	**119,148**	**108,416**	**114,006**	**105,096**

6. Expenses

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Authorised Corporate Director and associates				
Investment Management fees	15,431	15,086	14,500	14,140
Depositary				
Depositary fee	352	352	333	333
Other				
Valuers' fee	526	420	542	440
Audit fee	249	201	243	175
Service charge expenses	18,606	13,069	19,177	14,065
Other fund level expenses	5,006	1,286	2,766	1,140
Other property operating expenses	6,486	5,430	8,297	6,657
Total other	**30,873**	**20,406**	**31,025**	**22,477**
Total expenses	**46,656**	**35,844**	**45,858**	**36,950**

The audit fee for the Schroder UK Real Estate Fund Feeder Trust is borne by Schroder UK Real Estate Fund. For the year to 31 March 2018 this was £20,280 (2017: £18,429). PricewaterhouseCoopers costs other than audit fees amounted to £18,420 for the year to 31 March 2018 (2017: £49,969).

7. Finance costs

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
April	7,170	7,170	5,811	5,811
May	7,074	7,074	5,852	5,852
June	6,308	6,308	6,555	6,555
July	6,594	6,594	7,064	7,064
August	7,176	7,176	6,508	6,508
September	6,789	6,789	6,550	6,550
October	6,694	6,694	6,329	6,329
November	6,549	6,549	5,692	5,692
December	6,820	6,820	6,139	6,139
January	6,665	6,665	6,339	6,339
February	6,667	6,667	6,073	6,073
March	6,136	6,136	6,260	6,260
Gross distribution for the year	**80,642**	**80,642**	**75,172**	**75,172**

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

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Net revenue after taxation for the year	72,572	72,572	68,146	68,146
Expenses charged to capital	8,070	8,070	7,026	7,026
Gross distribution	**80,642**	**80,642**	**75,172**	**75,172**

Notes to the Financial Statements continued

8. Taxation

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

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

Under the PAIF regulations, the Fund makes real estate income distributions and interest distributions net of basic rate income tax except where the investor is entitled to gross payment. As at 31 March 2018 and 2017 the Fund had two authorised share classes: the gross share class on which distributions were made without deduction of income tax, and the net share class of which distributions were made with deduction of income tax.

(a) Analysis of charge in year

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Analysis of charge in year	–	–	–	–
Corporation tax at 20%	–	–	–	–
Current tax charge	–	–	–	–

(b) Factors affecting the current tax charge for the year
Taxable income is charged at the standard rate of corporation tax for authorised funds (20%).

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

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Total return before distribution	249,492	249,492	137,153	137,153
Corporation tax at 20%	49,898	49,898	27,431	27,431
Effects of:				
Revenue not subject to taxation	(49,898)	(49,898)	(27,431)	(27,431)
Current tax charge	**–**	**–**	**–**	**–**

(c) Provision for deferred tax
There was no provision required for deferred tax at the balance sheet date.

9. Investment in subsidiaries

	Ownership by SREF at 31 March 2018 %	Valuation at 1 April 2017 £000	Capital contributions £000	Capital distributions £000	Net capital gains/(losses) £000	Valuation at 31 March 2018 £000
Croydon Gateway Unit Trust	99.4	211,746	–	–	13,464	225,210
Hackbridge Unit Trust	99.0	48,866	–	(7,556)	1,252	42,562
Lombard Street Unit Trust	99.0	33	–	–	(33)	0
Capital Point Slough Unit Trust	99.0	11,389	–	–	450	11,839
Hackbridge Limited	100.0	–	–	–	–	–
MP Kings Lyric Sarl	100.0	45,226	20,296	–	5,216	70,738
MP Kings Retail Sarl	100.0	16,879	11,667	–	632	29,178
MP W6 Car Parks Ltd	100.0	13,461	–	(10,826)	(2,635)	0
Self-Storage Unit Trust	99.0	–	44,600	–	850	45,450
		347,600	**76,563**	**(18,382)**	**19,196**	**424,977**

9. Investment in subsidiaries continued

At 31 March 2018, SREF's holding in each of Hackbridge Unit Trust (HackUT), Capital Point Slough Unit Trust (CPSUT) and Self-Storage Unit Trust (Self-Storage) stood at 99%. The Fund owns two shares in Hackbridge Limited representing 100.0% of the shares in issue. Hackbridge Limited is a Jersey-registered limited company incorporated on 1 May 2005. Hackbridge Limited holds the remaining 1.0% interests in HackUT and CPSUT. The Fund's holding in Croydon Gateway Unit Trust stood at 99.4%, with a minority interest of 0.6% held by an external investor. The Fund holds 100% of the shares in MP Kings Lyric Sarl and MP Kings Retail Sarl, which are Luxembourg-registered companies, and 100% of the shares in MP W6 Car Parks Ltd which is a UK Registered Company.

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

10. Investment property

	Consolidated		Fund	
	Development Property	Investment Property	Development Property	Investment Property
Opening balance as at 1 April 2017	235,115	1,471,840	6,350	1,346,974
Glenthorne Road Car Park Inspeced	–	–	–	10,888
Purchases	–	44,772	–	–
Disposals at cost	(2,438)	(28,330)	(2,438)	(28,330)
Additions to existing property	39,275	23,118	–	9,620
Unrealised gains	1,138	154,977	1,138	137,626
Transfer to investment property	(217,265)	217,265	–	–
Ending balance as at 31 March 2018	**55,825**	**1,883,642**	**5,050**	**1,476,778**
Unamortised tenant incentives	**–**	**11,296**	**–**	**8,487**
Market valuation as at 31 March 2018	**55,825**	**1,894,938**	**5,050**	**1,485,265**

11. Debtors

	Consolidated Year Ended 31 March 2018 £000	**Fund Year Ended 31 March 2018 £000**	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Rent receivable net of provision for doubtful debts	3,686	2,792	3,338	2,259
Distributions due from property-related investments	3,920	5,525	3,113	5,935
Tenant deposits	5,082	4,977	5,431	5,326
Accrued rents receivable	6,102	6,169	4,340	4,436
Unamortised lease incentives	5,196	2,318	5,054	2,176
Monies due from managing agents	10,297	8,145	5,683	4,894
Intercompany loans and interest receivable	–	97,989	–	98,438
VAT receivable	251	–	–	–
Monies due from associates	–	–	7	–
Other debtors and prepayments	22,281	18,528	5,085	3,720
Total debtors	**56,815**	**146,443**	**32,051**	**127,184**

Monies due from associates relates to loans between Croydon Gateway Limited Partnership and Ruskin Square Phase One LLP. Intercompany loans and interest receivable relate to loans between MP Kings Retail Sarl and MP Kings Lyric Sarl, and Schroder UK Real Estate Fund. The intercompany loans are repayable on demand. Interest rates are spilt into tranches of interest, ranging from LIBOR plus 2.5375% to 12%.

Notes to the Financial Statements continued

12. Cash and bank balances

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Cash and bank balances	79,654	60,338	158,267	114,656
Deposits	50,000	50,000	50,000	50,000
Total cash and bank balances	**129,654**	**110,338**	**208,267**	**164,656**

13. Creditors

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Trade creditors	148	–	146	–
Deferred rental income	16,099	13,548	14,561	13,448
Tenant deposits	5,082	4,977	5,431	5,326
VAT payable	–	857	1,585	1,500
Amounts due on properties	5,296	5,090	6,314	4,813
Accrued SREF investment management fee	1,673	1,673	1,420	1,420
Other creditors and accruals	6,028	2,022	9,154	2,130
Total creditors	**34,326**	**28,167**	**38,611**	**28,637**

14. Long-term liabilities – loans

The Fund has a £100 million loan facility with Royal Bank of Scotland. As at 31 March 2018 it has not drawn down any of this facility (31 March 2017: none).

15. Contingent liabilities and commitments

Nil as at 31 March 2018 (31 March 2017: nil).

16. Reconciliation of movement in net cash

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Cash and cash equivalents				
As at 1 April 2017	208,267	164,656	117,709	78,879
(Decrease)/increase in cash	(78,613)	(54,318)	90,558	85,777
As at 31 March 2018	**129,654**	**110,338**	**208,267**	**164,656**

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

	Consolidated Year Ended 31 March 2018 £000	Fund Year Ended 31 March 2018 £000	Consolidated Year Ended 31 March 2017 £000	Fund Year Ended 31 March 2017 £000
Net revenue before taxation	72,572	72,572	68,146	68,146
(Increase)/decrease in debtors	(24,764)	(19,259)	26,113	12,056
(Decrease)/increase in creditors	(4,285)	(471)	2,071	2,552
As at 31 March 2018	**43,523**	**52,842**	**96,330**	**82,754**

18. Related parties

(a) Fees receivable by the Depositary

As depositary, National Westminster Bank plc is entitled to a fee equivalent to 0.0224% per annum on the first £500 million of the Fund's NAV and 0.0125% per annum on any excess over £500 million of the Fund's NAV (2017: no change).

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

The remuneration of the ACD (Schroder Unit Trusts Limited) and the Investment Manager (Schroder Real Estate Investment Management Limited) is set out within the Company Prospectus. These fees are charged in full to the Statement of Total Return. 50% of such fees are allocated to capital and not deducted from distributions for the purpose of determining the value of such distributions.

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

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

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

	Consolidated and Fund as at 31 March 2018 £000	Consolidated and Fund as at 31 March 2017 £000
National Westminster Bank plc	57	28
Schroder Real Estate Investment Management Ltd	1,389	1,145
Schroder Unit Trusts Limited	284	275

(d) Distributions:

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

	Consolidated and Fund as at 31 March 2018 £000	Consolidated and Fund as at 31 March 2017 £000
Bracknell Property Unit Trust	1,438	1,998
Croydon Gateway Property Unit Trust	12,224	1,172
Motor Retail Limited Partnership	1,797	1,787
Lombard Street Unit Trust	–	1,424
Capital Point Slough Unit Trust	858	779
West End of London Property Unit Trust	–	522
City Tower Unit Trust	2,960	4,099
Store Unit Trust	1,218	1,283
Gilbran Property Unit Trust	1,341	1,557

(e) Schroder UK Real Estate Fund Feeder Trust

The Manager of the Schroder UK Real Estate Fund Feeder Trust, which invests solely into the SREF, is part of the same group as the ACD of the SREF. During the year to 31 March 2018, the Schroder UK Real Estate Fund Feeder Trust was paid gross distributions totalling £12.1 million (2017: £4.9 million). The Schroder UK Real Estate Fund Feeder Trust incurred an audit fee during the year to 31 March 2018 of £20,280 (2017: £18,427), which is borne in full by the Schroder UK Real Estate Fund.

19. Financial instruments

The primary financial instruments held by the Fund and at a Group level at 31 March 2018 were property-related investments, cash, short-term assets and liabilities to be settled in cash. The Fund did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Fund's and the Group's assets and liabilities are represented by the values shown in the balance sheets on page 42. There is no material difference between the carrying value of the financial assets and liabilities, as shown in the balance sheets, and their fair value.

Notes to the Financial Statements continued

20. Fair value hierarchy

Assets	2018 Level 1	Level 2	Level 3	Total
Collective investment schemes	–	–	15,275	15,275
Building licence agreement	–	–	41,678	41,678
Investment property	–	–	2,370,452	2,370,452
	–	**–**	**2,427,405**	**2,427,405**

Assets	2017 Level 1	Level 2	Level 3	Total
Collective investment schemes	–	–	15,080	15,080
Building licence agreement	–	–	48,768	48,768
Investment property	–	–	2,126,073	2,126,073
	–	**–**	**2,189,921**	**2,189,921**

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

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

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

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

Building licence agreement – Level 3
Fair value is based on valuations provided by the pricing risk department within Schroders, and approved by the Real Estate Local Pricing Committee. These values were determined after having taken into consideration the future value of capital and the interest rate and credit risk associated with the building licence. The fair value hierarchy of investment property is Level 3.

21. Portfolio transaction costs

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

21. Portfolio transaction costs continued

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

£000	2017 Purchases	Stamp duty	%	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	–	–	–	–	–	–	–	–	–	–	–
Property holding vehicles	–	–	–	–	–	–	–	–	–	–	–
Collective investment schemes	36,641	–	–	–	–	–	–	–	–	–	–
Joint ventures	60,056	–	–	–	–	–	–	–	–	–	–
Total	**96,697**										
Total including transaction costs	**96,697**										

£000	2017 Sales	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	53,141	102	0.19	738	1.39	4	0.01	844	1.59
Property holding vehicles	72,501	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Joint ventures	33,000	28	0.08	165	0.50	–	–	193	0.58
Total	**158,642**	**130**		**903**		**4**		**1,037**	
Total including transaction costs	**157,605**								

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

Consolidated year ended 31 March 2018	0.036%
Schroder UK Real Estate Fund year ended 31 March 2018	0.015%
Consolidated year ended 31 March 2017	0.045%
Schroder UK Real Estate Fund year ended 31 March 2017	0.036%

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

As at the balance sheet date the average portfolio dealing spread was 0.05% (2017: 0.05%).

22. Units in issue reconciliation

	Number of units in issue at 31.03.17	Number of units issued	Number of units redeemed	Number of units converted	**Number of units in issue at 31.03.18**
Schroder UK Real Estate Fund Gross units	48,736,612.23	538,724.30	–	91,045.77	49,366,382.30
Schroder UK Real Estate Fund Net units	4,667,133.82	20,087.44	–	(91,045.77)	4,596,175.49

Distribution Table

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

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

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

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

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

Monthly distributions payable for the year ended 31 March 2017 in pence per unit. There were two share classes at 31 March 2017, a gross share class and a net share class.

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Gross income shares						
Gross revenue	11.004453	11.066554	12.378785	13.327614	12.268514	12.336461
Income tax	–	–	–	–	–	–
Net revenue	11.004453	11.066554	12.378785	13.327614	12.268514	12.336461
Final distribution payable	11.004453	11.066554	12.378785	13.327614	12.268514	12.336461

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Gross income shares						
Gross revenue	11.909597	10.701801	11.531362	11.896267	11.387259	11.721422
Income tax	–	–	–	–	–	–
Net revenue	11.909597	10.701801	11.531362	11.896267	11.387259	11.721422
Final distribution payable	11.909597	10.701801	11.531362	11.896267	11.387259	11.721422

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Net income shares						
Gross revenue	11.004453	11.066554	12.378785	13.327614	12.268514	12.336461
Income tax	(2.200891)	(2.180332)	(2.295769)	(2.481258)	(2.266076)	(2.290947)
Net revenue	8.803562	8.886222	10.083016	10.846356	10.002438	10.045514
Final distribution payable	8.803562	8.886222	10.083016	10.846356	10.002438	10.045514

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Net income shares						
Gross revenue	11.909597	10.701801	11.531362	11.896267	11.387259	11.721422
Income tax	(2.206599)	(1.936133)	(2.123936)	(2.127374)	(2.277452)	(2.344284)
Net revenue	9.702998	8.765668	9.407426	9.768893	9.109807	9.377138
Final distribution payable	9.702998	8.765668	9.407426	9.768893	9.109807	9.377138

Unaudited Environmental Data Report

SREF reports sustainability information in accordance with INREV Sustainability Reporting Guidelines 2016 ('INREV sBR'). The following data covers the 12-month period to 31 March 2018 ('2018') and is compared with the data for the one-year period ending 31 March 2017 ('2017'). As permitted by the INREV Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark ('GRESB').

The reporting boundary has been defined to where SREF has operational control: managed properties where SREF is responsible for payment of utility invoices and/or the arrangement of waste disposal contracts. For 2018 there were 38 such managed assets within the portfolio, the same number as in the prior year. Changes between the two reporting periods were:

— In 2017 two office assets were sold.
— In 2018 one asset was sold and landlord responsibility was gained for three buildings.

All managed assets are included within the below data for 2018. Historic consumption data have been restated where more complete and or accurate records have become available. Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Where required, missing consumption data has been estimated by pro-rating data from other periods. This report has been prepared by Evora Global, SREF's sustainability consultant.

Total energy consumption

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

	Total electricity consumption (kWh)		Total fuel consumption (kWh)	
Sector	**2018**	2017	**2018**	2017
Offices	12,394,877	14,845,458	7,119,112	8,987,153
Coverage	14	15	10	12
Retail, high street	88,395	87,691		
Coverage	4	3		
Retail shopping centre	1,494,219	1,934,567	49,755	41,226
Coverage	2	2	2	2
Retail warehouse	440,597	522,700	102,417	82,969
Coverage	5	5	1	1
Industrial, business parks	724,344	743,993	191,483	263,990
Coverage	3	3	2	3
Industrial, distribution warehouse	2,599,800	2,595,012	32,569	–
Coverage	4	4	1	0
Leisure	256,004	295,753	979,480	940,350
Coverage	1	1	1	1
Mixed use	5,281,273	5,417,893	42,810	230,482
Coverage	3	3	1	1
Total	**23,279,510**	**26,443,067**	**8,517,626**	**10,546,169**
Coverage	36	36	18	20
Total electricity and fuel	31,797,136	36,989,236		
Coverage	37	37		
Renewable electricity %	50%	54%		
Coverage	37	37		

Consumption data relates to the managed portfolio only.

— Offices, mixed use and industrials: whole building and/or vacant tenant areas.

— Retail, high street: external areas and/or vacant tenant areas.

— Retail shopping centre: common areas and/or tenant spaces.

— Retail warehouse: whole building, external areas and vacant tenant areas.

— Leisure: common parts and/or whole building.

Coverage relates to the number of managed assets for which data is reported.

— Offices: operational control returned to landlord at two offices in 2018. These both report data from late 2017 to end March 2018.

— Retail, high street: additional retail, high street asset reported in 2018. This covers tenant void data from November 2017 to 31 March 2018.

— Leisure: one leisure asset has not been included due to data inconsistencies.

— Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Fund's share of asset ownership.

— Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2018 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable sources). The renewables % of standard (non 'green tariff') energy supplies are not currently known and therefore has not been included within this number.

Like-for-like energy consumption

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

	Total electricity (kwh)			Total fuels (kwh)			Energy intensity (kwh/m²)	
Sector	**2018**	2017	Change	**2018**	2017	Change	**2018**	2017
Offices	9,903,985	11,280,268	(12%)	6,104,563	7,466,869	(18%)	302	354
Coverage			9			8		
Retail, high street	19,074	18,360	4%				N/A	N/A
Coverage			2					
Retail shopping centre	358,387	321,806	11%	12,150	13,226	(8%)	94	88
Coverage			1			1		
Retail warehouse	418,903	499,550	(16%)	102,417	82,969	23%	146	170
Coverage			4			1		
Industrial, business parks	663,795	715,008	(7%)	148,771	137,800	8%	4	6
Coverage			3			1		
Industrial, distribution warehouse	2,599,800	2,595,012	0.2%				3	2
Coverage			4					
Leisure	256,004	293,041	(13%)	870,837	848,760	3%	119	134
Coverage			1			1		
Mixed use		5,351,830	5,259,801		(2%)		181	185
Coverage			2					
Total	**19,479,749**	**21,197,958**	**(8%)**	**7,238,739**	**8,549,623**	**(15%)**		
Coverage			26			12		
Total electricity and fuel	26,718,488	29,624,498	(10%)					
Coverage			27					

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

- Consumption data relates to the managed portfolio only:
- Offices, mixed use and industrials: whole building and/or vacant tenant areas.
- Retail, high street: external areas and/or vacant tenant areas.
- Retail shopping centre: common areas and/or tenant spaces.
- Retail warehouse: whole building, external areas and vacant tenant areas.
- Leisure: common parts and/or whole building.

Coverage relates to the number of managed assets for which data is reported.

- Coverage: one leisure asset has not been included due to data inconsistencies.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Fund's share of ownership.
- Intensity: an intensity measure is reported for assets within the like-for-like portfolio. Normalisation uses the Real Estate Environmental Benchmark ('REEB') 2017 methodology, which also aligns with INREV sBPR 2016.
- Office, mixed use: whole building energy consumption divided by net lettable area (NLA m²).
- Retail warehouse: external areas energy consumption divided by the number of car park spaces.
- Leisure/shopping centres: common parts energy consumption divided by common parts area (m²). As common parts area is not typically measured and therefore known, we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.
- Industrials: external areas energy consumption divided by external area (m²). As external areas are not typically measured and therefore known we have taken the known net lettable area and applied an internal benchmark: 58% external area.

Unaudited Environmental Data Report continued

Greenhouse gas emissions

The table below sets out SREF's greenhouse gas emissions by sector.

	Absolute emissions (tonnes CO_2e)		Like-for-like emissions (tonnes CO_2e)			Intensity (kg CO_2e/m^2)	
Sector	**2018**	2017	**2018**	2017	Change	**2018**	2017
Office							
Scope 1	1,311	1,655	1,124	1,375	(18%)	87	101
Scope 2	4,358	5,219	3,482	3,966	(12%)		
Coverage	14	15	9	9			
Retail, high street							
Scope 1	–	–	–	–	–	N/A	N/A
Scope 2	31	31	7	6	4%		
Coverage	4	3	2	2			
Retail shopping centre							
Scope 1	9	8	2	2	(8%)	32	30
Scope 2	525	680	126	113	11%		
Coverage	2	2	1	1			
Retail warehouse							
Scope 1	19	15	19	15	23%	51	60
Scope 2	155	184	147	176	(16%)		
Coverage	5	5	4	4			
Industrial, business parks							
Scope 1	35	49	27	25	8%	1.86	1.94
Scope 2	255	262	233	251	(7%)		
Coverage	3	3	3	3			
Industrial, distribution warehouse							
Scope 1	–	–	–	–	N/A	3	4
Scope 2	914	912	914	912	0.2%		
Coverage	4	4	4	4			
Leisure							
Scope 1	180	173	160	156	3%	46	51
Scope 2	90	104	90	103	(13%)		
Coverage	2	2	2	2			

Greenhouse gas emissions

Sector	Absolute emissions (tonnes CO_2e)		Like-for-like emissions (tonnes CO_2e)			Intensity (kg CO_2e/m^2)	
	2018	2017	**2018**	2017	Change	**2018**	2017
Mixed use							
Scope 1	8	42	–	–	–	97	98
Scope 2	1,857	1,905	1,849	1,881	(2%)		
Coverage	3	3	2	2			
Total							
Scope 1	1,569	1,942	1,333	1,574	(15%)		
Scope 2	8,184	9,296	6,848	7,409	(8%)		
Scope 1 & 2	9,753	11,239	8,181	8,984	(9%)		
Coverage	37	37	27	27			

Methodology.

— Fuels/electricity GHG emissions factors taken from UK Government's Greenhouse Gas Reporting Factors for Company Reporting (2017).

— GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.

— GHG emissions are presented as kilograms of carbon dioxide equivalent (kg CO_2e).

Emissions data relates to the managed portfolio only.

— Offices, mixed use and industrials: whole building and/or vacant tenant areas.

— Retail, high street: external areas and/or vacant tenant areas.

— Retail shopping centre: common areas and/or tenant spaces.

— Retail warehouse: whole building, external areas and vacant tenant areas.

— Leisure: common parts and/or whole building. One leisure asset has not been included due to data inconsistencies.

— Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

— Where appropriate (for relevant assets), emissions data has been adjusted to reflect the Fund's share of asset ownership.

— Coverage relates to number of managed assets for which data is reported.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Normalisation uses the REEB 2017 methodology, which also aligns with INREV sBPR 2016.

— Office, mixed use: whole building energy consumption divided by net lettable area (NLA m^2).

— Retail warehouse: external areas energy consumption divided by the number of car park spaces.

— Leisure/shopping centres: common parts energy consumption divided by common parts area (m^2). As common parts area is not typically measured and therefore known, we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.

— Industrials: external areas energy consumption divided by external area (m^2). As external areas are not typically measured and therefore known we have taken the known net lettable area and applied an internal benchmark: 58% external area.

Unaudited Environmental Data Report continued

Water

The table below sets out water consumption for assets managed by SREF.

	Absolute water consumption (m³)		Like-for-like water consumption (m³)			Intensity (m³/m²)	
Sector	**2018**	2017	**2018**	2017	Change	**2018**	2017
Office	59,955	66,140	52,320	50,922	3%	0.99	0.96
Coverage	11	13	9				
Retail shopping centre	9,736	7,786	3,684	3,069	20%	–	–
Coverage	2	2	1				
Retail warehouse	3,139	3,544	3,139	3,544	(11%)	–	–
Coverage	1	1	1				
Industrial, business parks	494	534	494	534	(7%)	–	–
Coverage	2	2	2				
Industrial, distribution warehouse	5,004	5,079	5,004	5,079	(1%)	–	–
Coverage	1	1	1				
Leisure	11,199	12,618	1,218	1,284	(5%)	0.75	0.79
Coverage	2	2	1				
Mixed use	14,863	15,928	14,650	15,330	(4%)	0.38	0.39
Coverage	3	3	2				
Total	**104,390**	**111,628**	**80,509**	**79,762**	**0.9%**		
Coverage	22	24	22				

Consumption data relates to:

- Office, retail warehouse: whole building.
- Leisure, mixed use and retail shopping centre: whole building, and vacant tenant areas.
  - Coverage: one leisure asset has not been included due to data inconsistencies.
- Industrials: common areas, external areas and vacant tenant areas
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Fund's share of ownership.
- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

Intensity: m³/m² intensity is reported for assets within the like-for-like portfolio. Normalisation uses the REEB 2017 methodology.

- Office, mixed use: whole building consumption divided by NLA (NLA m³).
- Leisure: common parts consumption divided by common parts area (m³). As common parts area is not typically measured and therefore known, we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.

Waste

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

	Absolute tonnes				Like-for-like tonnes				
	2018		2017		**2018**		2017		% change
	Tonnes	**%**	Tonnes	%	**Tonnes**	**%**	Tonnes	%	
Office									
Recycled	381	50%	504	56%	379	51%	493	56%	(23%)
Incineration with energy recovery	375	50%	395	44%	371	49%	383	44%	(3%)
Landfill	–	–	–	–	–		–	–	
Total	**755**		**899**		**750**		**876**		**(14%)**
Coverage		7		7		6		6	
Retail shopping centre									
Recycled	121	38%	87	62%	–	–	–	–	–
Incineration with energy recovery	197	62%	54	38%	–	–	–	–	–
Landfill	–	–	–	–	–		–	–	
Total	**317**		**141**			**–**		**–**	**–**
Coverage		1		1					
Retail warehouse									
Recycled	–	–	0.2	14%	–	–	–	–	–
Incineration with energy recovery	–	–	1	86%	–	–	–	–	–
Landfill	–	–	–	–	–	–	–	–	–
Total				**1**					
Coverage				1					
Industrial, business parks									
Recycled	3	2%	3	2%	3	2%	2	2%	28%
Incineration with energy recovery	146	98%	132	98%	146	98%	132	98%	11%
Landfill	–	–	–	–	–	–	–	–	–
Total	**149**		**135**		**149**		**134**		**11%**
Coverage		1		2		1		1	
Leisure									
Recycled	439	46%	460	48%	439	46%	460	48%	(5%)
Incineration with energy recovery	507	54%	506	52%	507	54%	506	52%	0.2%
Landfill	–	–	–	–	–	–	–	–	–
Total	**946**		**966**		**946**		**966**		**(2%)**
Coverage		2		2		2		2	

Unaudited Environmental Data Report continued

Waste continued

	Absolute tonnes				Like-for-like tonnes				
	2018		2017		2018		2017		% change
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	
Mixed use*									
Recycled	342	82%	136	63%	342	82%	136	63%	151%*
Incineration with energy recovery	78	18%	79	37%	78	18%	79	37%	(1%)
Landfill	–	–	–	–	–	–	–	–	–
Total	**420**		**215**		**420**		**215**		**95%**
Coverage		2		2		2		2	
Overall total									
Recycled	1,286	50%	1,191	51%	1,164	51%	1,092	49%	7%
Incineration with energy recovery	1,301	50%	1,167	49%	1,101	49%	1,099	51%	0.2%
Landfill	–	–	–	–			–		
Total	**2,587**		**2,358**		**2,264**		**2,191**		**3%**
Coverage		13		15		11		11	

- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.
- Coverage relates to the number of managed assets for which data is reported.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Fund's share of asset ownership.
- Industrial, distribution warehouse has been excluded from waste reporting due to data inconsistencies with the one asset reporting in this sector.
- The Fund had no waste management responsibilities for retail warehouse in 2018.

* Waste data at mixed use asset was reported via a different data source until August 2016, which did not report on granular MRF breakdowns. Therefore, a significant increase in recycling tonnage is expected to be due to a change in data reporting format, rather than an actual increase in the tonnage.

Sustainability Certification: BREEAM

Rating	Portfolio by floor area (%)
BREEAM New Construction	10.80%
BREEAM Retail	0.32%
BREEAM Refurbishment and Fit Out	0.02%
Coverage	8

- Sustainability Certification records for the Fund are provided as at May 2018 against portfolio floor area for assets held at 31 March 2018.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Fund's share of ownership.

Sustainability Certification: Energy Performance Certificates

Energy Performance Certificate rating	Portfolio by floor area (%)
A	3%
B	11%
C	26%
D	18%
E	8%
F	2%
G	2%
Exempt	11%
Coverage	81%

- Energy Performance Certificate records for the Fund are provided as at May 2018 against portfolio floor area for assets held at 31 March 2018.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Fund's share of asset ownership.

Unaudited General Information
Comparative table
Net share class

Change in net assets per unit	2018	2017	2016
Opening net asset value per unit	£43.45	£42.26	£39.26
Return before operating charges*	£5.06	£2.94	£4.78
Operating charges	(£0.40)	(£0.34)	(£0.34)
Return after operating charges*	£4.66	£2.60	£4.44
Distribution on income units	(£1.50)	(£1.41)	(£1.44)
Closing net asset value per unit	£46.61	£43.45	£42.26
Retained distributions on accumulation units *after direct transaction costs of (£000)	£0.02	£0.02	£0.10
Performance			
Return after charges	10.9%	6.3%	11.5%
Other information			
Closing net asset value (£000)	£214,229,615	£202,767,150	£204,818,796
Closing number of units	4,596,175.49	4,667,133.82	4,846,288.68
Operating charges	0.86%	0.77%	0.80%
Direct transaction costs	0.04%	0.04%	0.25%
Prices			
Highest unit price	£46.61	£43.45	£42.51
Lowest unit price	£43.47	£42.01	£39.59

Gross share class

Change in net assets per unit	2018	2017	2016
Opening net asset value per unit	£43.45	£42.26	£39.26
Return before operating charges*	£5.06	£2.94	£4.78
Operating charges	(£0.40)	(£0.34)	(£0.34)
Return after operating charges*	£4.66	£2.60	£4.44
Distribution on income units	(£1.50)	(£1.41)	(£1.44)
Closing net asset value per unit	£46.61	£43.45	£42.26
Retained distributions on accumulation units *after direct transaction costs of (£000)	£0.02	£0.02	£0.10
Performance			
Return after charges	10.9%	6.3%	11.5%
Other information			
Closing net asset value (£000)	£2,301,005,674	£2,117,650,777	£2,023,729,178
Closing number of units	49,366,382.30	48,736,612.23	47,884,159.21
Operating charges	0.86%	0.77%	0.80%
Direct transaction costs	0.04%	0.04%	0.25%
Prices			
Highest unit price	£46.61	£43.45	£42.51
Lowest unit price	£43.47	£42.01	£39.59

Portfolio Profile

For the years to 31 March 2018, 31 March 2017 and 31 March 2016, the Fund had two share classes: net and gross. These classes have price parity and the summary information in the table below applies to both class of shares.

	As at/for the year to 31-Mar-18	As at/for the year to 31-Mar-17	As at/for the year to 31-Mar-16
Financial information			
Gross asset value (GAV)	£2,520.6m	£2,326.7m	£2,237.5m
Net asset value (NAV)	£2,515.2m	£2,320.4m	£2,228.6m
NAV per share	£46.61	£43.45	£42.26
Number of shares in issue	53,962,557.79	53,403,746.05	52,730,448.89
Gross annual distribution per share	£1.50481	£1.41030	£1.44006
Distribution yield	3.20%	3.20%	3.40%
Total NAV of scheme property	£2,381.3m	£2,134.8m	£2,119.0m
Highest price per share in the year	£46.61	£43.45	£42.51
Lowest price per share in the year	£43.47	£42.01	£39.59
Portfolio details			
Gearing (% NAV)	0.30%	0.40%	1.30%
Average unexpired lease length to first break	8.1 years	8.0 years	6.2 years
Average unexpired lease length	9.1 years	8.9 years	7.5 years
Void rate	7.10%	6.20%	5.60%
Benchmark – void rate	7.10%	7.10%	6.70%
Net initial yield	4.60%	4.60%	4.70%
Reversionary yield	5.70%	6.10%	6.40%
Portfolio turnover ratio	3.20%	7.10%	13.00%
Performance			
Annual total return	10.90%	6.30%	11.50%
Benchmark total return	10.00%	3.70%	10.60%
Total expense ratio	0.86%	0.84%	0.84%
Liquidity			
Annual number of shares subscribed for	558,812	673,298	3,414,880
Annual value of subscriptions	£26.0m	£29.7m	£147.0m
Annual number of shares redeemed	0	0	0
Annual value of shares redeemed	0	0	0
Annual number of shares matched on the secondary market	1,950,179	3,239,837	2,096,214

Unaudited General Information continued

General Information

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

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

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

Liquidity

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

Purchase of shares

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

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

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

Details of how the investor waiting list is managed can be found in the SREF Prospectus in section 2.1. These are summarised below:

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

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

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

Redemption of shares

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

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

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

There were no redemption notices received at 31 March 2018 that were not settled. Further, there were no suspension of valuations and/or redemptions at 31 March 2018.

Secondary market

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

— Shareholders or potential investors wishing to buy shares on the secondary market should complete an application form (potential investors) or top-up form (existing shareholders), detailing their secondary market requirement in the investment details section;

— Shareholders wishing to sell shares should complete a redemption form specifying they wish to sell via the secondary market. All completed forms should be provided to the SMF via the Registrar; and

— Potential investors should also provide the Registrar with any documents required for anti-money laundering purposes. The forms are available from www.schroders.com/sref or from the Investment Manager.

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

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

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

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

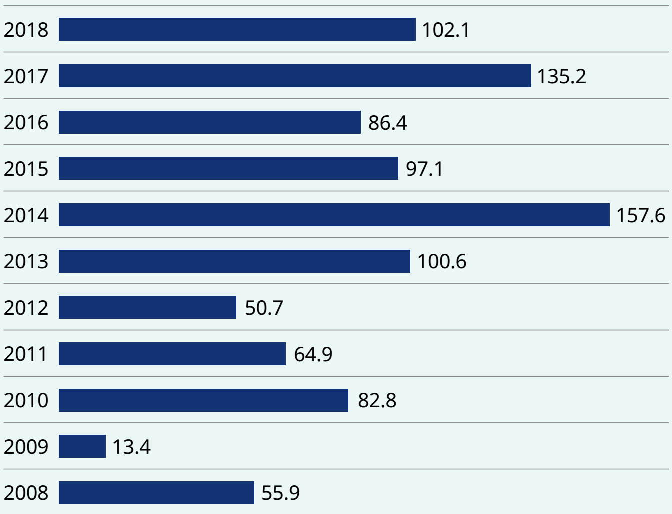
Where there are multiple buyers looking to buy at the same price, for which relevant forms were received on the same date, matching will be allocated pro rata to the number of shares applied for. In all cases matching will be allocated subject to any minimum trade requirements stipulated by a party.

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

The SMF will arrange the exchange of shares between sellers and buyers in the first 12 business days of every month. The SMF will contact the seller and buyer to obtain confirmation that the terms of the arrangement are acceptable before proceeding with the transaction. The seller and buyer are required to confirm acceptance of the terms by return email within 24 hours.

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

Year ended 31 March – Value of units traded (£m)



Distributions

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

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

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

Schroder UK Real Estate Fund Feeder Trust

The Schroder UK Real Estate Fund Feeder Trust is an umbrella unit trust whose objective is to achieve a blend of income and capital growth by investing solely in the Schroder UK Real Estate Fund. Investors into the Feeder Trust receive monthly distributions. The Feeder Trust is subject to corporation tax on property and interest distributions it receives from the Schroder UK Real Estate Fund at a rate of 20%.

Management fees and other expenses

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

From 1 October 2017 the Annual Management Charge was 0.70% NAV per annum. For prior periods, the Annual Management Charge was 0.30% of NAV and 0.40% of the gross asset value (GAV) of directly held property and capital monies, made up of 0.05% of NAV payable to the ACD and 0.25% of NAV and 0.40% of GAV payable to the Investment Manager. The new fee rate is the same as the prior effective fee rate and consequently the Financial Conduct Authority agreed that no investor approval was required.

The Annual Management Charge is allocated 50% to income and 50% to capital.

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

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

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

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

Bid/offer spreads

As at 31 March 2018, the offer spread was set at a 3.77% premium to NAV. The bid spread was set at a 1.59% discount to NAV. Our key principles when setting bid and offer prices are to review prices regularly, to treat shareholders equitably and to adopt a consistent approach.

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

Fees payable to the Manager

During the past year, Schroder Real Estate has been entitled to receive fees of £162,211 in relation to its role as Secondary Market Facilitator. Schroder Real Estate has an agreement with GFI Brokers Limited to share all fees earned on secondary market transfers facilitated by either party.

Units valued at £102.1 million were traded on the secondary market over the 12-month period. This represents 4.1% of the shares in issue at the end of the period under review.

Expense ratios (as defined by AREF Code of Practice) at March 2018

Fees and expenses	% NAV
(A) Fund Management Fees	0.72%
(B) Fund Operating Fees	0.14%
(C) Total Expense Ratio (A+B)	0.86%
(D) Property Expense Ratio	0.52%
(E) Real Estate Expense Ratio (C+D)	1.38%
(F) Transaction Costs	0.04%
(G) Performance Fees	N/A%

Unaudited General Information continued

Insurance and service charge rebates
The managing agents, as employed by the Investment Manager, receive service charge remuneration as part of their overall remuneration. Insurance commission rebates (if any) are calculated on an annual basis and distributed to tenants and shareholders as applicable.

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

— the methodology used to value the properties and other investments of the Fund; and

— the valuation of direct properties having to be undertaken monthly.

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

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

Key persons
There are no named key individuals.

Preferential terms and fee rebates
SREF's management fee is applied at the same rate to all shareholders and no rebates of this fee have been agreed with any investor.

Capital gains tax ('CGT')
Following detailed consultation with the real estate industry, an announcement issued by HMRC in early July 2018 provided further guidance on the proposals to introduce CGT for non-UK resident investors in UK commercial real estate from April 2019. Schroders has taken a leading role in discussions with the government, and while we have yet to see the final legislation as it affects real estate funds, the intended outcome of policymakers appears to be in line with the industry's preferred outcome. As a Property Authorised Investment Fund, SREF is not directly impacted by these regulations, although these proposals would ensure that investors in SREF do not suffer double taxation on the sale of properties which are owned by SREF through offshore holding vehicles after April 2019. Schroders does not provide tax advice and investors should seek advice from professional advisers.

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

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

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

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

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

During 2017 the Manager completed and submitted the annual self-certification form to AREF to confirm that SREF is in compliance with the latest AREF Code of Practice. The Investment Manager believes that this Report and the Financial Statements, together with supporting documents referred to herein, achieve the AREF standard of best practice for reporting.

In June 2018 AREF introduced a Kitemark to provide assurance to investors that AREF members are in compliance with the Code of Practice. We are pleased to attach the Kitemark to the Annual Report and Accounts.

CORPORATE GOVERNANCE | QUALITY MARK | 2017 AREF The Association of Real Estate Funds

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

Net share class
ISIN: GB00B8FPXR30
Sedol: B8FPXR3

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

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

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

Schroder UK Real Estate Fund
Schroder Real Estate Investment Management Limited
31 Gresham Street
London EC2V 7QA
Tel: +44 (0)20 7658 6000

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

In August 2018, Schroder Real Estate Investment Management Limited will move to 1 London Wall Place, London EC2M 5PP. Schroders phone numbers and other contact details will remain unchanged.

Manager contacts

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

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

James Lass
Fund Manager
james.lass@schroders.com
Tel: +44 (0)20 7658 3980

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

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

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

Key Service Providers

Authorised Corporate Director
Schroder Unit Trusts Limited
31 Gresham Street
London
EC2V 7QA

Investment Manager
Schroder Real Estate Investment Management Limited
31 Gresham Street
London
EC2V 7QA

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

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

Depositary
National Westminster Bank plc
280 Bishopsgate
London
EC2M 4RB

Standing Independent Valuers
BNP Paribas Real Estate Advisory & Property Management Limited
90 Chancery Lane
London
WC2A 1EU

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Legal Adviser
Eversheds LLP
One Wood Street
London
EC2V 7WS

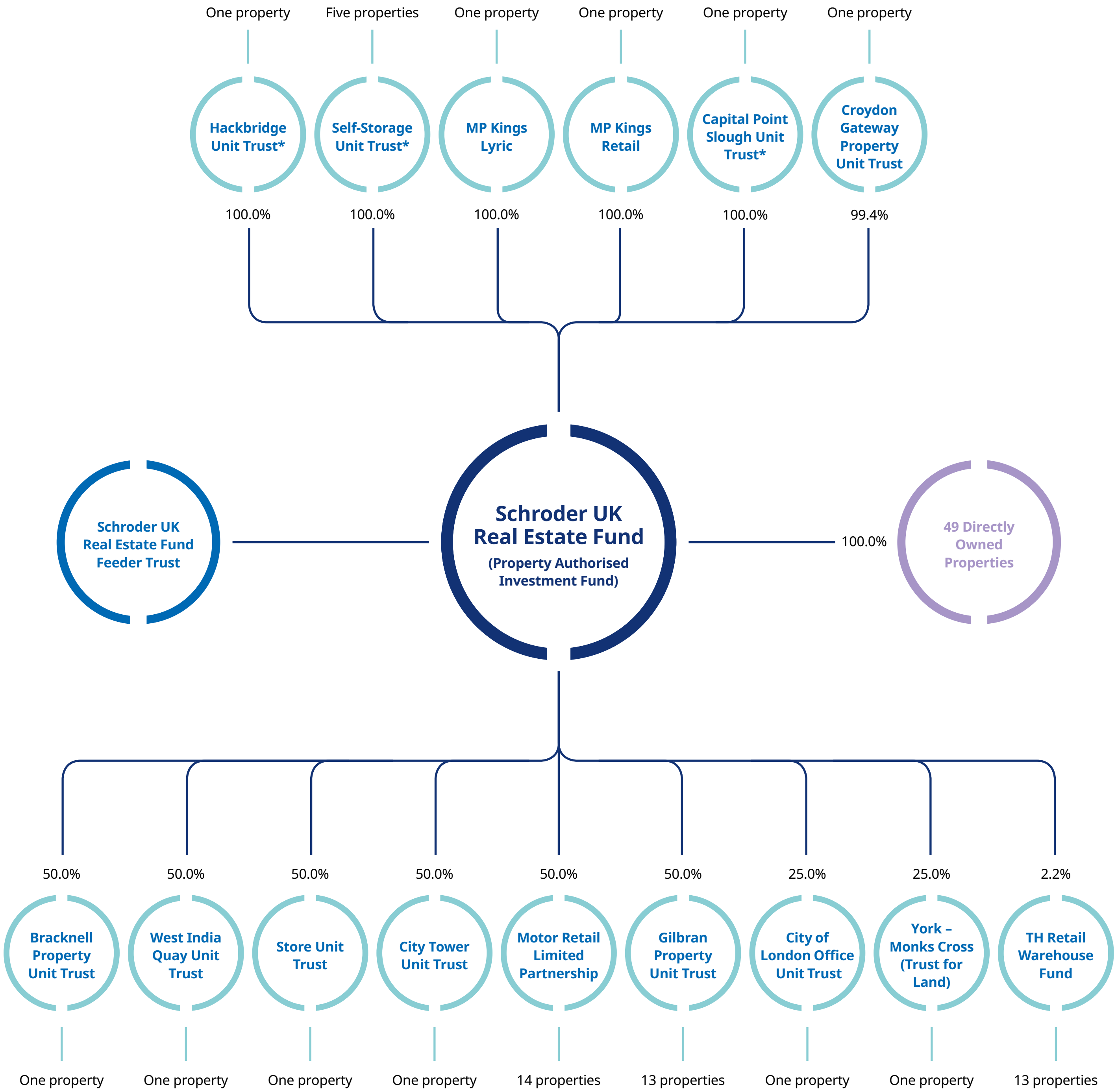
Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

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

Knight Frank LLP
55 Baker Street
London
W1U 8AN

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

Fund Structure at 31 March 2018



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

Notes

Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA, United Kingdom
Tel: +44 (0)20 7658 6000

schroders.com
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Schroder UK Real Estate Fund Annual Report and Consolidated Financial Statements for the year ended 31 March 2018