17 July 2012

Schroder Real Estate Investment Trust Limited
(SREIT"/ the "Company"/ "Group")

Annual Report for the year ended 31 March 2012

SREIT DELIVERING ON KEY INITIATIVES AND IPD OUTPERFORMANCE

Schroder Real Estate Investment Trust today announces its results for the year ended 31 March 2012.

Financial Highlights

- Profit before tax of £12.1m (31 March 2011: £11.1m restated)
- Net Asset Value per share 50.6p (31 March 2011: 50.9p)
- Earnings per share 3.1p (31 March 2011: 3.0p restated)
- Dividend declared and paid of 3.52p per share for the 12 months to 31 March 2012, (31 March 2011: 3.52p) resulting in an NAV total return of 6.9% for the period
- £22m of debt repaid following year end resulting in a LTV ratio, net of all cash, of 38%
- Debt repayment generates interest cost saving of £1.3m per annum and improves dividend cover
- Underlying direct property portfolio produced a total return of 6.2% outperforming its IPD benchmark of 5.9%, if including joint ventures, the total return was 8.4%
- Total cash of £25.4m following debt repayment on 16 July and related swap break costs. £17.9m of the cash balance is outside the security pool charged to the Group's lenders

Operational Highlights

Good on-going progress in reducing risk, strengthening the balance sheet through debt reduction and driving income through active management of the portfolio. Operational highlights include:

- Schroder Property Investment Management appointed as new Investment Manager to the Company providing a stable platform for future growth as well as annualised fee saving of circa £1.8m
- Disposal of the BT Building, West Bromwich, for £19.5m compared with purchase cost in October 2011 of £14.9m
- Post year end, sale of stake in Plantation Place realising net proceeds of £11.7m compared to a valuation at 31 March 2011 of nil. Further small disposals of low yielding assets post year end generating total proceeds of £5.4m

Commenting, Andrew Sykes, Chairman of the Board, said:

"Since Schroders' appointment in January 2012, the Company has made solid progress and generated momentum in driving the business forward. Against a background of potentially challenging market conditions, the Board and the Investment Manager will continue to focus on improving dividend cover and reducing debt ahead of the 2014 refinancing and the improvements to the Company's balance sheet put it in a strong position to do so."

Duncan Owen, of Schroder Property Investment Management, added:

“Progress has been made in implementing the Company’s key objectives. The aims of improving dividend cover and strengthening the balance sheet remain unchanged. Whilst new investment opportunities are being sought and appraised, current market conditions dictate that a greater emphasis will be placed in the near future on reducing debt. In this regard, recent disposals, notably Plantation Place, have provided the Company with additional flexibility to lower debt and increase the net income. .

“An intensive approach also continues to be applied to asset management across the whole portfolio which has successfully increased net income and driven sustained long-term outperformance of the IPD Benchmark over one, three and five years as well as since IPO in 2004. On-going asset management activity such as the change of planning use at Reynards Trading Estate has potential to build on the momentum generated over the period and continue this outperformance.”

-Ends-

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Schroder Real Estate Investment Trust Limited

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

Financial Summary

- Net Asset Value ('NAV') total return of 6.9%
- NAV per share decreased by 0.6%
- Earnings per share of 3.1p
- The Company has declared and paid dividends amounting to 3.52 pence per share ('pps')
- Loan to value, net of cash, of 40.6%

	31 March 2012	31 March 2011	% Change
NAV[1]	**£180.0m**	**£181.0m**	(0.6)
NAV per Ordinary Share[1] (pence)	**50.6**	**50.9**	(0.6)
Share price (pence)	**35.5**	**38.10**	(6.8)
Share price discount to NAV	**(29.8%)**	**(25.1%)**	
NAV total return[2]	**6.9%**	**4.2%**	
FTSE All Share Index	**3,002.8**	**3,067.7**	(2.1)
FTSE EPRA/NAREIT UK Real Estate Index	**1,103.15**	**1,195.9**	(7.8)
Total Group assets less current liabilities	**£389.6m**	**£386.9m**	0.7
Borrowings as % of total assets less current liabilities	**44.5%**	**44.8%**	(0.3)[3]
Loan to value ratio net of all cash	**40.6%**	**38.8%**	1.8[3]

Sources: Schroder Property Investment Management Limited and Datastream based on returns during the year from 1 April 2011 to 31 March 2012

[1] Net Asset Value is calculated using International Financial Reporting Standards
[2] Net Asset Value total return calculated by Schroder Property Investment Management Limited
[3] Percentage point change in borrowings

Schroder Real Estate Investment Trust Limited
Annual Report for the year ended 31 March 2012

COMPANY SUMMARY

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

Performance Summary

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

	31 March 2012	31 March 2011
	Total	Total
	£000	£000
Net Asset Value as published on 28 April 2012	**167,000**	181,080
Adjustment of fair value of share in Plantation Place	**11,700**	-
Adjustment of expense	**(290)**	(55)
Adjustment to swap valuation to exclude accrued interest	**1,569**	-
Net Asset Value per audited financial statements	**179,979**	181,025

Property performance		
Value of Property Assets	**328,765**	331,415
Annualised rental income	**22,229**	22,866
Estimated open market rental value	**25,510**	27,014
Underlying property performance (year ending)* +	**6.2%**	7.5%
IPD Quarterly Version of Balanced Monthly Index Funds (year ended 31 March 2012)*	**5.9%**	9.7%

* Source: Investment Property Databank ('IPD')
+ Direct underlying property portfolio

Summary consolidated statement of comprehensive income

	1 April 2011 to 31 March 2012	1 April 2010 to 31 March 2011 (Restated)**
	£000	£000
Net rental and related income	**24,148**	22,801
Realised and unrealised (losses) / gains on investment property	**(3,179)**	2,559
Expenses	**(6,586)**	(6,042)
Net finance costs	**(10,758)**	(11,112)
Ineffective portion of changes in fair value of swap*	**(3,667)**	1,917
Share of profit of associates and joint ventures	**12,125**	1,013
Profit before tax	**12,083**	11,136
Taxation	**(1,050)**	(795)
Profit for the year	**11,033**	**10,341**
Other comprehensive income: Effective portion of changes in fair value of swap*	**449**	1,241
Total comprehensive income for the year attributable to the equity holders of the parent	**11,482**	11,582

*The swap maturing in July 2016 which is not coterminous with the loan maturity of July 2014 is now classified as "ineffective" for accounting purposes under the accounting standard IAS 39. The fair value movement of this swap is taken to the profit and loss account. The swap maturing in July 2014 continues to be classified as "effective" and fair value movements are taken to reserves.
** Restated to include ineffective element of swap fair value movement of £1.9 million credit in the profit and loss, rather than reserves, as described in detail in Note 1 to the Financial Statements. Whilst this has no impact on the Net Asset Value or on the Total Comprehensive Income, it has resulted in an increase in profit before tax of £1.9 million from £9.2 million to £11.1 million.

Earnings and dividends

Earnings per share (pence)	**3.1**	3.0*
Dividends paid per share (pence)	**3.52**	3.52
Annualised dividend yield on 31 March share price	**9.9%**	9.2%

* Restated to include ineffective element of swap fair value movement of £1.9 million credit in the profit and loss rather than reserves, as explained in the table above.

Bank borrowings

	31 March 2012	31 March 2011
On-balance sheet borrowings (£000s) (excluding liquidity facility)	**173,500**	173,500
On-balance sheet borrowings (excluding liquidity facility) as % of total assets less current liabilities	**44.5%**	44.8%
Loan to value ratio, net of all cash	**40.6%**	38.8%

Estimated Ongoing Charges[1]

Ongoing charges (including fund only expenses[2])	**2.4%**	2.9%
Ongoing charges (including fund and property expenses)	**4.5%**	4.7%

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

Schroder Real Estate Investment Trust Limited
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Chairman's Statement

The year to 31st March 2012 has been an active one, involving the consideration of a potential offer for the Company, which was subsequently not forthcoming, and the appointment of Schroder Property Investment Management ("Schroders") as the new Investment Manager.

Since the year end, the Company has sold its 29% stake in the City of London office property, Plantation Place, realising net proceeds of £11.7 million. As reported previously, this has been significantly accretive to the 31 March 2012 Net Asset Value ("NAV") and strengthens our balance sheet considerably.

Performance

The Company's NAV as at 31 March 2012 was £180.0 million or 50.6 pence per share ('pps'), compared with £181.0 million or 50.9 pps as at 31 March 2011, reflecting a small decline of 0.3 pps or 0.6% over the period. The Company's NAV continues to be adversely impacted by the negative value of its interest rate swaps, which increased to -£26.4 million as at 31 March 2012 from -£23.2 million as at 31 March 2011.

Shareholders received total dividends over the period of £12.5 million or 3.52 pps, resulting in a NAV total return of 6.9%.

Over the period the Company's underlying direct property portfolio produced a total return of 6.2%, outperforming its Investment Property Databank ('IPD') peer group benchmark of 5.9%. When including the impact of the Company's joint ventures, the relative Company's total return increased to 8.4% and, on a like-for-like basis, increased the margin of relative outperformance against the IPD Benchmark to 2.4%.

Corporate activity

Following a competitive selection process, on 13 January 2012 the Company appointed Schroders to provide investment management and accounting services, replacing Invista Real Estate Investment Management Limited ("IREIM"). Schroders receive a management fee of 1.1% per annum of the Company's NAV, resulting in an annualised fee saving of approximately £1.8 million for the Company. The appointment of Schroders, which has recruited the key members of the previous IREIM team, provides continuity and a strong and well resourced platform from which to drive shareholder value.

Schroders' appointment followed a merger approach from Picton Property Income Limited ("Picton") in August 2011. In response to that approach the Board conducted an extensive due diligence process and concluded that it could not recommend the proposal as being in the best interests of all shareholders. This position was based on a number of issues when considering the merged entity, including projected loan-to-value ratios, portfolio potential and income quality, refinancing risks and merger costs. The Board cooperated fully with Picton and encouraged it to announce its indicative offer for the Company so that all shareholders could consider the merits of the potential transaction. In the event, however, Picton took the decision not to proceed and subsequently withdrew their approach.

This corporate activity resulted in an exceptional cost over the year of £1.3 million.

Market overview

According to the IPD Quarterly Digest, average UK commercial property capital values increased by 0.14% over the year to 31 March 2012, contributing to a total return of 6.13%, compared with 4.7% and 11.2% respectively over the year to 31 March 2011.

Weakening growth prospects for the UK economy and the worsening European sovereign debt crisis have negatively affected sentiment over recent months and average capital values fell back by 0.7% over the quarter to March 2012.

Against this backdrop, the market continues to be polarised by sector, geography and by property type (prime vs. secondary). The retail sector was the worst performing sector over the period with capital values falling by 0.76% due to structural and cyclical weakness. The Company's property performance over the period was supported by a low weighting to the retail sector of 23%, which compares with the IPD benchmark of 46%.

The Central London markets were the best performer over the period, with the West End and Mid-town London office markets and the Central London retail market all producing capital value growth in excess of 6%. Capital growth in these markets has been supported by foreign capital where cross border flows accounted for 62% of all transactions in 2011 (source: Real Capital Analytics). The Company has benefited directly from this through the sale of Plantation Place in the City of London to a foreign investor.

The gap between prime and secondary property has continued to widen with fewer banks lending to commercial property on acceptable terms. More encouragingly, we are seeing the emergence of some insurance companies as providers of long-term debt as an alternative to banks.

It appears likely that average UK commercial property values will remain under pressure over the remainder of 2012 with any positive return being generated by income, which will largely depend on the result of asset management activities and the strength of the tenant profile across the portfolio.

Strategy

Over the period, the Company's key strategic objectives have been to improve dividend cover and strengthen the balance sheet in preparation for loan refinancing in July 2014. Following Schroders' appointment, the Board has re-examined the structure of the portfolio and property asset management plans to ensure that activity is focussed on initiatives that will contribute to these objectives. The Board can report good progress both during the period and since the period end:

- Pre-tax dividend cover of 54% compared with 47% over the year to 31 March 2011. Pre-tax dividend cover ignoring exceptional items over the period increased to 65%
- Disposal of the BT Building in West Bromwich in March 2012 for £19.5 million, compared with the purchase costs in October 2011 of £14.9 million.
- Following the period end, disposal of Plantation Place, London EC3 in May 2012 for £11.7 million, compared to a value as at 31 March 2011 of £nil.
- £22 million of debt repaid post year end resulting in a net loan-to-value ratio, allowing for transactions since the year end, of 38%. This also reduced interest costs by £1.3 million per annum.
- Total cash as at 16 July 2012 of £25.4 million, of which £17.9 million is outside of the security pool charged to the Group's lenders.

Looking ahead, uncertainty in the investment and occupier markets will continue to require the Investment Manager to pay close attention to preserving the portfolio's defensive qualities and, where possible, to take opportunities to sell lower yielding properties on completion of asset management plans. This is illustrated by the post year end disposals of properties in Havant and Fleet. Currently, and in light of market conditions, disposal proceeds are likely to be used to reduce debt further rather than maximising dividend cover through new acquisitions.

Financing

Following debt repayments of £22 million since the year end, the Company now has a single on-balance sheet securitised loan facility of £151.5 million resulting in a loan to value ratio, net of cash, of 38%, against a net loan-to-value ratio covenant of 60%. The facility has two interest rate swaps that hedge against interest rate movements at a total interest cost of 5.72%.

The Board and the Investment Manager are considering the appropriate long-term refinancing plan to be implemented well in advance of the loan maturing in July 2014, which is also the date of the Company's continuation vote. The main objectives of the refinancing strategy are to secure a flexible, long-term loan that minimises interest expense and swap break costs.

Outlook

Since Schroders' appointment in January 2012, the Company has made solid progress and generated momentum in driving the business forward. Against a background of potentially challenging market conditions, the Board and the Investment Manager will continue to focus on improving dividend cover and reducing debt ahead of the 2014 refinancing and the improvements to the Company's balance sheet put it in a strong position to do so.

Andrew Sykes
Chairman
Schroder Real Estate Investment Trust Limited
16 July 2012

Investment Manager's Report

New Investment Manager

On 13 January 2012 Schroder Property Investment Management Limited ("Schroders") was appointed as Investment Manager to the Company, replacing Invista Real Estate Investment Management ("IREIM").Key personnel from the previous IREIM management team have been recruited by Schroders and are directly involved in the management of the Company's portfolio. This continuity, taken together with the additional resources that the wider Schroders business provides, has already contributed to the successful completion of several key portfolio initiatives.

As part of the transition to Schroders the Investment Managers' investment committee has been reconfigured to comprise William Hill (Head of Property), Mark Callender (Head of Property Research) and Duncan Owen (Head of Property Funds), formerly of IREIM. Nick Montgomery, formerly of IREIM, reports to the Investment Committee as Fund Manager, which in turn reports to the Board of the Company on strategic matters.

In addition to investment management, property research and accounting, Schroders' well resourced distribution team provides support with investor liaison and communication. This resource should enable Schroders to maintain clear and regular communication with both existing and prospective new shareholders.

Performance

During the year to 31 March 2012 and since the year end, key initiatives have been completed that progress the Company's key strategic objectives of improving dividend cover and strengthening the balance sheet in preparation for loan refinancing in July 2014. This has been achieved during a period of continued uncertainty in both the UK property market and the wider economy.

The table below provides an analysis of the small decline in the NAV per share over the period of 0.3 pps or 0.6%.

	Pence
NAV per share as at 31 March 2011	**50.9**
Unrealised change in valuation of direct property portfolio	-1.7
Realised change in the valuation of direct property portfolio	0.8
Unrealised change in valuation of joint ventures	3.4
Movement in interest rate swap	-0.9
Exceptional costs	-0.4
Net revenue	2.0
Dividends paid	-3.5
NAV per share at 31 March 2012	**50.6**

The value of the underlying direct property portfolio fell by -0.3% over the period, in line with the Company's Investment Property Databank ("IPD") Benchmark peer group. Including the Company's joint venture investments the portfolio increased in value by 2.1% compared with a fall in the IPD Benchmark, on a like-for-like basis, of -0.3% (unchanged). The performance of the joint ventures was largely driven by Plantation Place, previously held at nil, which was sold in May 2012, generating net proceeds of £11.7 million.

The Company's NAV was negatively impacted by two key things over the period; firstly, by the negative value of its interest rate swaps, which increased to -£26.4 million as at 31 March 2012 from -£23.2 million as at 31 March 2011. As at 31 March 2012 the interest rate swap represented 15% or 7.5 pps of NAV. Debt repayment since the period end, combined with a reducing period to maturity, has led to a reduction in the marked to market value to £24.5 million as at 16 July 2012.

Secondly, the Company incurred exceptional costs arising from the Picton merger proposal and change of investment manager. The impact of all these items led to a reduction of 1.3 pps in NAV over the period.

Finally, the Company paid dividends totalling £12.5 million over the period which contributed to the NAV total return of 6.9%.

Strategy

The Chairman's Statement highlights the key initiatives completed during the year and since the year end, which have enhanced the Company's defensive attributes by increasing cash and reducing debt. Following the disposal of Plantation Place we will continue to focus on:

- Actively managing the portfolio to improve defensive qualities and increase net income with a view to improving dividend cover
- Completing value enhancing asset management initiatives such as re-lettings, lease restructurings and key changes to assets and their planning uses (for example Reynards Trading Estate)
- Selling assets that are forecast to underperform or that are low yielding
- Repaying debt to reduce the Company's loan to value ratio and to lower interest rate charges thus improving net income and dividend cover
- Communicating and implementing a strategy for re-financing debt in advance of the loan maturity event in July 2014
- Securing new investments which offer attractive returns whilst remaining mindful of uncertain market conditions

The successful implementation of these initiatives will be the key contributors to improving the Company's fundamentals and should in due course provide shareholders with attractive returns.

Property portfolio

As at 31 March 2012 the Company's direct property portfolio comprised 57 properties independently valued by Knight Frank at £328.8 million. At the same date the direct property portfolio produced a rent of £22.2 million per annum which, based on the independent valuation, reflected a net initial yield of 6.4%.

Since the period end, two significant rent free periods have expired increasing rent by a further £1.4 million per annum to approximately £23.6 million per annum, and reflecting a net initial yield of 6.8%. The portfolio rental value is £25.5 million per annum, resulting in a reversionary yield of 7.3%. Following recent asset management initiatives there are further contracted fixed rental uplifts of approximately £1 million per annum due by the end of 2014.

The Company continues to own a diversified portfolio of UK commercial property with the tables below highlighting the strategic under-weighting to the retail sector and an above average exposure to the South East of England.

Sector weightings	Weighting %	
	SREIT	IPD Benchmark
Retail	23.0	45.9
Offices	46.6	30.0
Industrial	26.0	18.6
Other	4.4	5.5

Regional weightings	Weighting %	
	SREIT	IPD Benchmark
Central London	8.6	17.3
South East excl. Central London	38.9	31.9
Rest of South	23.7	6.7
Midlands and Wales	15.3	28.3
North and Scotland	13.5	15.8

The portfolio largely comprises assets offering secure income and solid fundamentals such as attractive locations and good re-letting prospects. The top ten assets, shown below, comprised approximately 40% of the direct portfolio value as at 31 March 2012 and are skewed towards London and the South East. The average unexpired lease term of the top ten properties is approximately 10.3 years, assuming all tenants break at the earliest opportunity.

#	Address	Value (£)	(%)
1	London SE1, Minerva House	28.2	8.6
2	Brighton, Victory House	25.3	7.7
3	Salisbury, Churchill Way West	15.2	4.6
4	Uxbridge, 106 Oxford Road	14.8	4.5
5	Luton, The Galaxy	14.3	4.4
6	Wembley, Olympic Office Centre	13.2	4.0
7	Brentford, Reynards Business Park	12.3	3.7
8	Brentford, The Gate Centre	11.9	3.6
9	Basingstoke, Churchill Way	10.7	3.2
10	Sheffield, The Portergate	9.3	2.8
	Total as at 31 March 2012	155.2	47.1

Income analysis

The table below shows the top tenants as at 31 March 2012 which comprise 40% of rental income. The Company has a further 163 tenants across the remainder of the portfolio, providing significant diversification.

#	Tenant	Rent p.a. (£)	% of portfolio
1	Wickes Building Supplies Limited	1,092,250	4.9
2	Norwich Union Life and Pensions Ltd	1,039,191	4.7
3	Lloyds TSB Bank PLC[1]	1,024,000	4.6
4	BUPA Insurance Services Limited[2]	960,555	4.3
5	Synovate Limited[3]	950,000	4.3
6	The Buckinghamshire New University[4]	900,000	4.1
7	Mott MacDonald Ltd[5]	790,000	3.6
8	Recticel SA[6]	731,038	3.3
9	Winkworth Sherwood LLP[7]	689,975	3.1
10	Irwin Mitchell LLP	555,000	2.5
	Total as at 31 March 2012	8,732,209	39.4

[1] Lloyds Bank on Church Street Liverpool and Bank of Scotland PLC at Keith House, Edinburgh
[2] Rent free expired on 4 April 2012
[3] Aegis Group plc is guarantor. Figures based on 50% ownership of Minerva House
[4] The Buckinghamshire New University is currently benefiting from a half rent period equating to £450,000 per annum from March 2009 which increased to £900,000 per annum in May 2012. The lease benefits from a further fixed uplift to £1.02 million per annum in May 2014
[5] Mott MacDonald Group Limited are Guarantor
[6] The tenant is currently benefiting from a half rent period equating to £365,519 per annum which will increase to £731,038 per annum in January 2014
[7] On assignment from Reed Smith Ramboud Charot LLP. Figures based on 50% ownership of Minerva House

As at 31 March 2012, the portfolio void rate was 9.9% of rental value, compared with 12% as at 31 March 2011. This reduction was due to the independent valuer reclassifying Reynards Trading Estate in Brentford as a development site with nil rental value, which reduced the like-for-like void rate by 3.5%.

The Company continues to receive quarterly reports from the IPD Rental Information Service ("IRIS") which compares the overall quality of the tenants and portfolio's income with its IPD Benchmark including the off shore listed companies. This results in a weighted income score that takes into account tenant credit weightings, lease length, tenant concentration, reversionary potential and vacancy. As at 31 March 2012, IRIS ranks the Company's portfolio on the 13th percentile of the IPD Benchmark peer group. A significant driver of this rating is the tenant covenant profile, set out below graded by tenant risk band:

Tenant risk band	Maximum (%)	High (%)	Medium-high (%)	Low-medium (%)	Low (%)	Negligible (%)	Unscored (%)	Ineligible (%)
SREIT	3.19	5.43	2.13	6.03	20.60	58.67	3.95	0.00
IPD Benchmark	8.48	4.90	2.99	7.11	17.86	53.74	4.80	0.13

Over the period the Company's average unexpired lease term, assuming all tenants break at the earliest opportunity has fallen by one year to 7.3 years. The table below shows the maturity profile of both current and contracted income in five year increments assuming all tenants leave with and without exercising tenant break options. This ignores the potential for rental uplifts at future open market rent reviews.

	% of Rent Passing	
Years to Expiry	SREIT earliest termination / IPD Benchmark	SREIT assuming no breaks / IPD Benchmark
Up to 5	46.5 / 41.1	38.7 / 30.9
5 to 10	21.5 / 25.9	22.6 / 30.9
10 to 15	24.5 / 19.0	24.6 / 22.2
15 to 20	3.6 / 7.5	7.9 / 8.1
Over 20	3.9 / 6.5	6.2 / 7.9

Maintaining and ideally increasing the average unexpired lease term is an asset management priority that is more likely to be achieved through lease extensions rather than new lettings. The Company has a track-record of achieving this and a number of live negotiations are on-going.

Detailed analysis of property performance

The performance of the Company's underlying direct property portfolio has been assessed by Investment Property Databank ('IPD') against its peer group Benchmark. The tables below show the performance over 12 months, three years and since inception of the Company relative to the IPD Benchmark on a like-for-like basis:

Direct underlying portfolio only:

IPD Sector	SREIT total return (%)			IPD total return (%)			Relative (%)		
Period	One year	Three years	Since inception	One year	Three years	Since inception	One year	Three years	Since inception
Retail	0.5	11.0	5.1	4.6	10.6	3.8	-4.0	0.4	1.2
Offices	8.2	10.7	5.5	6.8	9.3	4.2	1.3	1.2	1.2
Industrials	6.9	9.9	4.3	6.1	9.0	4.0	0.8	0.8	0.3
Other commercial	9.4	11.6	0.1	11.2	14.0	2.8	-1.7	-2.2	-2.6
All Sectors	6.2	10.7	5.1	5.9	10.1	4.1	0.2	0.6	0.9

Direct underlying portfolio plus indirect joint venture investments:

IPD Sector	SREIT total return (%)			IPD total return (%)			Relative (%)		
Period	One year	Three years	Since inception	One year	Three years	Since inception	One year	Three years	Since inception
Retail	0.5	11.0	5.1	4.6	10.6	3.5	-3.9	0.4	1.5
Offices	12.9	13.2	5.0	6.9	9.7	4.3	5.6	3.2	0.6
Industrials	7.1	11.5	4.1	6.1	9.0	4.0	1.0	2.3	0.0
Other commercial	9.4	11.6	0.1	9.6	12.7	3.1	-0.2	-1.0	-2.8
All Sectors	8.4	12.3	5.1	5.8	10.1	4.0	2.4	2.0	0.7

Transactions and Asset Management

The Company acquired two properties during the period, the BT Building in West Bromwich, subsequently sold (see below) and, as previously announced in the latest full year report and accounts, a retail property in Liverpool let to Lloyds TSB Bank plc. The retail property in Liverpool was acquired for £5.6 million reflecting a high initial yield of 11.3%. The property is let to Lloyds until December 2014 and discussions are on-going with the tenant regarding their long term intentions and the potential for a lease extension.

West Bromwich, BT Building

On 14 October 2011 the Company completed the acquisition of the BT Building in West Bromwich for £14.9 million, reflecting a net initial yield of 7.7%. The property comprises a 75,000 sq ft office located on the edge of West Bromwich town centre let to BT PLC for 15 years at a rent of £1.2 million per annum with fixed uplifts of 3% per annum. Following a strong re-rating in the value of the completed investment, on 30 March 2012 the Company sold the property for £19.5 million, reflecting a net initial yield of 5.8%. The sale price reflected a 31% uplift compared to its acquisition price (agreed in February 2010) and an uplift of 3.2% compared with the independent valuation as at 31 December 2011 of £18.9 million.

London, Plantation Place

A key initiative over the period was to realise value from the Company's 28.9% investment in One Plantation Place Unit Trust ('OPPUT'), the owner of Plantation Place, London EC3. Plantation Place is a prime City of London office building that as at 31 March 2012 was valued at £496.5 million, reflecting a low net initial yield of 5.5%. Despite a strong recovery in value over 2011, the outstanding debt and resultant loan to value breach meant that the investment had been held at nil as there was no certainty that a disposal would complete. Following lengthy negotiations, a disposal completed on 2 May 2012 that realised £11.7 million for the Company's share.

Brentford, Reynards Trading Estate

Securing a residential planning consent for Reynards Trading Estate has the potential to materially increase the value of the site and is a key initiative for 2013. Reynards Trading Estate comprises a largely vacant industrial estate across six acres of land, valued at £12.3 million as at 31 March 2012. The surrounding area is mostly residential and an outline planning application for a residential scheme of 275 units totalling 224,000 sq ft was submitted in 2011 but refused in April 2012. The primary reason for refusal was the density of the proposed development and the resultant impact on traffic. Council Officers at the London Borough of Hounslow have subsequently provided further guidance on acceptable development density. The Company's planning advisors believe there are grounds to appeal against the refusal which is being considered alongside the preparation of a revised application in line with Council Officers' guidance.

Havant Solent Road and Cedar House Fleet

Since the year end two further disposals of lower yielding assets have exchanged or completed where asset management strategies had been completed.

Solent Road Industrial Estate in Havant is being sold for £4.6 million, compared to a value of £4.5 million as at 31 March 2012. The property is being acquired by one purchaser through two acquisition contracts. The first contract, for a 3.1 acre development site producing £0.06 million of rental income per annum, completed on 2 July for £1.43 million. The second, for a well secured trade counter producing £0.16 million per annum, is being sold for £3.17 million with completion no later than 29 September 2012. The aggregate price equates to a net initial yield of 4.6%, reducing to 3.7% after non-recoverable expenditure.

On 25 June the Company also sold Cedar House on Ancells Business Park in Fleet to an owner occupier for £1 million. This compared to the independent valuation as at 31 March 2012 of £0.82 million. The secondary office property was 57% let on a short term basis. The price reflected a yield, on expiry of a rent free period, of 6.3%, reducing to approximately 3.4% after non-recoverable expenditure associated with the vacant space.

Finance

As at 31 March 2012 the Company had a securitised loan totalling £173.5 million, unchanged from the position as at 31 March 2011. Since the period end and following the disposals of West Bromwich and Plantation Place, £22 million of debt has been repaid, resulting in a loan balance of £151.5 million.

Prior to repaying debt the Company reviewed how disposal proceeds could be best utilised to progress the Company's key objectives of improving dividend cover and positioning the balance sheet in anticipation of its loan re-financing in July 2014. This review concluded that, in light of current market conditions, greater shareholder value could be derived from reducing the Company's leverage than from further strategic acquisitions. Consequently, the repayment of £10 million on 16 April 2012 was followed by a further repayment of £12 million on 16 July 2012. These repayments will reduce the Company's interest expense by £1.3 million per annum which will enhance dividend cover and improve the Company's refinancing prospects.

As a condition of the repayments, a pro-rata proportion of the interest rate swap was broken resulting in a total cost of £2.9 million. Based upon the independent property valuations as at 31 March 2012, adjusted for disposals, the Company's net loan-to-value ratio following the debt repayment is 38%. This compares to a loan to value ratio covenant of 60%.

The other key banking covenant is the interest cover ratio ("ICR") covenant of 150%, calculated as a percentage of total annual net rent over total annual interest. Net rent is defined as the amount to be received during the 12 months following the test date, assuming all tenants vacate at the earliest opportunity. Deducted from this rent is the annualised rent for any tenancies where the tenant has rental arrears greater than 60 days and also any interest earned on cash in the security pool. Calculating the covenant using this prescribed way results in an ICR of 214%.

The table below sets out details of the securitised loan as at 16 July 2012, including details of interest rate swaps. The securitised loan comprises a single tranche of notes that are rated “AAA” and “Aaa” by Standard and Poor’s and Fitch Ratings respectively:

	Amount (£m)	Swap rate (%)	Margin (%)	Total interest rate (%)	Swap maturity	Mark to market 16 July 2012* (£m)
Loan	48.6	5.099 fixed	0.2	5.299	15/07/2014	(4.3)
Loan	102.9	5.713 fixed	0.2	5.913	15/07/2016	(20.2)
Loan total	151.5	5.52 fixed	0.2	5.72	N/A	(24.5)
Liquidity facility**	11.2	0.83libor***	0.662	1.492	N/A	N/A

* M2M or marked to market

** Securitised debt facility has a Liquidity Facility of £11.2 million provided by Lloyds Banking Group ('Lloyds'). Liquidity Facility Agreement requires the provider to have a minimum Standard & Poor's ('S&P') credit rating of A-1+, which Lloyds breached in March 2009 when they were downgraded by S&P to A-1. The breach required the Liquidity Facility to be drawn down in full and placed in a blocked deposit account or alternatively a new provider put in place. Accordingly, on the 23 September 2009 the Liquidity Facility was drawn down.

*** Three month Libor as at 16 July 2012

As at 16 July 2012 the Company has total cash of approximately £25.4million, of which £17.9 million is outside the security pool, with the balance of £7.5 million inside the security pool.

As noted above, agreeing and implementing a re-financing plan in advance of the loan maturing in July 2014 is a priority for the company. This is because removing the uncertainty surrounding its current single re-financing event could lead to a positive share price re-rating. Further disposals will be considered as a way of reducing the absolute quantum of debt that requires refinancing. Exploratory discussions are on-going with prospective new lenders regarding terms that can offer reduced total interest cost, a long term maturity to reduce future refinancing risk, flexibility to manage the portfolio and reduced swap break costs.

Conclusion

Progress has been made in implementing the Company’s key objectives despite challenging market conditions. The definitive aims of improving dividend cover and strengthening the balance sheet in preparation for loan refinancing remain unchanged and, whilst new investment opportunities are being sought and appraised, current market conditions dictate that a greater emphasis will be placed in the near future on repaying debt. In this regard, recent disposals, notably Plantation Place, have provided the Company with additional flexibility to pursue these goals.

In tandem with the focus on delivering key initiatives, an intensive approach continues to be applied to asset management across the whole portfolio which has successfully increased net income and driven sustained long-term outperformance of the IPD Benchmark. On-going asset management activity such as the change of planning use at Reynards Trading Estate has potential to build on the momentum generated over the period and continue this outperformance.

Duncan Owen
Schroder Property Investment Management Limited
16 July 2012

Board of Directors

Andrew Sykes (Chairman)
Aged 54, was a director of Schroders plc from 1998 to 2004, and was responsible for the group's private banking and alternative investments businesses, including property, private equity, structured products and hedge funds. He is Chairman of Absolute Return Trust Limited, Deputy Chairman of Smith & Williamson Holdings Limited and a Non-executive Director of JP Morgan Asian Investment Trust plc, Record plc and SVG Capital plc.

John Frederiksen
Aged 64, is chairman of the Danish Property Federation and several major Danish property and other companies as well as President of the European Property Federation. He established and was Managing Director of Bastionen A/S, one of the largest Danish property investment companies from 1986 to 2001. He was also Chairman of ASC, the largest property management company in Denmark, from 1990 to 1998.

Keith Goulborn
Aged 67, was head of Unilever's UK Property Department for 17 years. In this capacity he was responsible for the property investment activities of the Unilever Pension Fund in the UK and operational property advice to the UK group and its implementation. Prior to that, he was a partner in Debenham, Nightingale Chancellors. He is a Fellow of the Royal Institution of Chartered Surveyors.

Harry Dick-Cleland
Aged 55, is Managing Director of Cleland & Co Limited, Chartered Accountants which he founded in 2003. He was previously a Partner at Ernst & Young from 1998 to 2003, having joined their Guernsey office in 1987. He is a fellow of the Institute of Chartered Accountants in England & Wales.

David Warr
Aged 58, is a fellow of the Institute of Chartered Accountants in England & Wales with particular expertise in trust and corporate work. He is also a Non-executive Director of UK Select Trust Limited, Breedon Aggregates Limited, Unigestion (Guernsey) Limited and Mid Europa Fund Management Limited.

Peter Atkinson
Aged 57, was the Senior Partner of Collas Day Advocates for 14 years where he specialised in corporate and fiduciary work. He joined Collas Day in 1980 and became Senior Partner in 1992. He is now a Non-executive Director of a number of listed and unquoted companies. He is an Advocate of the Royal Court of Guernsey and a Solicitor of the Supreme Court of England and Wales. He is a former Chairman of the Guernsey Bar.

Report of the Directors

The Directors of Schroder Real Estate Investment Trust Limited ('the Company') and its subsidiaries (together 'the Group') present their report and the audited financial statements of the Group for the year ended 31 March 2012. The Company is registered in Guernsey, Channel Islands under the Companies (Guernsey) Law, 2008.

Name change

On 14 March 2012, the Company changed its name to Schroder Real Estate Investment Trust Limited from Invista Foundation Property Trust Limited following the appointment of Schroder Property Investment Management Limited as Investment Manager on 13 January 2012.

Business Review

Company's Business

The Company is a limited liability, closed-ended, Guernsey investment company managed by Schroder Property Investment Management Limited ("Schroders" / the "Investment Manager"). A review of the business during the past year is contained in the Chairman's Statement and the Investment Manager's Report.

Investment Objective

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

Investment Strategy

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

Investment Policy

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

Diversification and asset allocation

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

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

Borrowings

As at 31 March 2012, the Group had £173.5 million of on balance sheet debt (excluding the liquidity facility). Post period end, the Group repaid £22 million of debt.

The Board has established a gearing guideline for the Manager, which limits on balance sheet debt, net of cash, to 40% of on balance sheet assets. It should be noted that the Company's Articles of Incorporation limits its borrowings to 65% of the Group's gross assets, calculated as at the time of borrowing. The Board keeps this guideline under review, and if it is exceeded at any time the Directors may require the Investment Manager to manage the Group's assets with the objective of bringing borrowings within the appropriate limit while taking due account of the interests of shareholders. Accordingly, corrective measures may not have to be taken immediately if this would be detrimental to shareholder interests.

Interest Rate Exposure

It is the Board's policy to hedge interest rate risk, either by ensuring that borrowings are on a fixed rate basis, or through the use of interest rate swaps / derivatives used solely for hedging purposes.

Investment Restrictions

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

- Neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the Group as a whole and the Group will not invest in other listed investment companies; and

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

Investment Manager

Schroder Property Investment Management Limited ("Schroders" / the "Investment Manager") was appointed on 13 January 2012 as the Company's Investment Manager, providing investment management and accounting services, replacing Invista Real Estate Investment Management Limited ("IREIM"). Schroders recruited a team of executives from IREIM, including Duncan Owen, Nick Montgomery, Melinda Knatchbull and Andrew Macdonald, ensuring continuity in the service provision to the Company.

As part of the transition to Schroders the Investment Managers' investment committee has been reconstituted to comprise William Hill (Head of Property), Mark Callender (Head of Property Research) and Duncan Owen (Head of Property Funds). Nick Montgomery reports to the Investment Committee as fund manager, which in turn reports to the Board of the Company on strategic matters.

Performance

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

1. *NAV total return*

For the year to 31 March 2012 the Company produced a NAV total return of 6.9% (4.2% for the year to 31 March 2012). From inception in May 2004 the Company has produced an annualised NAV total return of -2.1% per annum.

2. *Underlying property portfolio performance relative to peer group Benchmark*

The performance of the Company's property portfolio is measured against a specific benchmark defined as the Investment Property Databank ('IPD') Quarterly Version of Balanced Monthly Index Funds (the 'Benchmark Index'). As at 31 March 2012 the Benchmark Index comprised 62 member funds.

Total return	12 months to 31 March 2012		12 months to 12 March 2011	
	SREIT (%)	IPD Benchmark (%)	SREIT (%)	IPD Benchmark (%)
Direct portfolio only	6.2	5.9	7.5	9.7
Direct portfolio and joint venture investments	8.4	5.8	8.0	9.9

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

3. *Share price performance*

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

Investment Manager performance

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board made its first annual visit to the Investment Manager's office in March 2012 to review portfolio strategy and the Investment Manager's capabilities in more depth. Following this visit, the individual Directors formally recorded their individual assessments of the performance of the Investment Manager in writing, followed by a discussion of these assessments in private session. On the basis of this review, and the extensive selection process undertaken prior to appointing the Investment Manager, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to support the Company, and believes that the continuing appointment of the Investment Manager is in the interests of Shareholders.

Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks. The internal control framework provides a system to enable the Directors to mitigate these risks as far as possible and which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. A description of the Company's system of internal control is set out further below in the Corporate Governance statement on page 30.

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

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

Dividend

During the year the Company has declared and paid the following interim dividends to its ordinary shareholders:

Dividend For Quarter	Date Paid	Rate
31 March 2011	13 May 2011	0.88 pence per share
30 June 2011	19 August 2011	0.88 pence per share
30 September 2011	25 November 2011	0.88 pence per share
31 December 2011	17 February 2012	0.88 pence per share

All dividends are declared and paid as interim dividends. The Directors do not therefore recommend a final dividend. A dividend for the quarter ended 31 March 2012 of 0.88 pence was declared on 25 April 2012 and paid on 18 May 2012.

Accounting, Legal and Regulatory

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

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

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

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

Investment management fees

Schroder Property Investment Management Limited (“Schroders” / the “Investment Manager”) receives a fee of 1.1% per annum of the Company’s Net Asset Value for providing investment management and accounting. The fee is payable monthly in arrears. There is no performance fee.

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

Administration

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

Going Concern

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

Creditor Payment Policy

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

Anti-Bribery Policy

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

Directors

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

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

Substantial Shareholdings

At 30 March 2012 the Directors were aware that the following shareholders each owned 3% or more of the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	Percentage (%)
Investec Wealth and Investment	35,401,822	9.95
Schroder Investment Management Limited	31,983,117	8.99
JO Hambro Capital Management	25,568,592	7.18
Cazenove Capital Management	19,617,178	5.51
Henderson Global Investors	15,750,000	4.43
Alliance Trust Savings Limited	15,149,602	4.26
Lloyds Banking Group	14,028,364	3.94
Legal & General Investment Management Limited	13,122,785	3.69
BlackRock Inc	12,193,008	3.43
Premier Asset Management Ltd	11,648,820	3.27

Disclosure of Information to Auditors

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

Independent Auditors

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

Status for Taxation

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

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Ordinary Resolution 11 Authority to repurchase shares

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

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

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

Special Resolution 1 Authority to disapply pre-exemption rights

The Directors require specific authority from shareholders before allotting new ordinary shares for cash (or selling shares out of treasury for cash) without first offering them to existing shareholders in proportion to their holdings. Special Resolution 1 empowers the Directors to allot new ordinary shares for cash or to sell ordinary shares held by the Company in treasury for cash, otherwise than to existing shareholders on a pro-rata basis, up to an amount of 35,592,128 ordinary shares, or such other number of ordinary shares being equal to 10 per cent. of the ordinary shares in issue on 11 September 2012.

This authority will expire on the earlier of the conclusion of the AGM of the Company in 2013 or on the expiry of 15 months from the passing of Special Resolution 1.

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

Andrew Sykes, Chairman
16 July 2012

Harry Dick-Cleland, Director
16 July 2012

Remuneration Report

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

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

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

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

No Director has a service contract with the Company, however, Directors have a letter of appointment with the Company. The Directors' terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

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

The Board has approved a policy that all Directors will stand for re-election annually. Three Directors have been on the Board since the Company's launch in 2004, and the Board will be considering succession plans in the course of the coming twelve months.

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

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

Director	Annual fee	Additional 2012 fees	Total
Andrew Sykes (Chairman)	37,500	24,000	61,500
Keith Goulborn	22,500	10,000	32,500
Harry Dick-Cleland*#	32,500	6,500	39,000
David Warr*	27,500	6,500	34,000
Peter Atkinson*	27,500	6,500	34,000
John Frederiksen	22,500	6,500	29,000
	170,000	60,000	230,000

* Member of the Transaction Committee (see page 29)
# Chairman of the Audit Committee

Additional fees were paid in the year ended 31 March 2012 in relation to significant additional work caused by change of Investment Manager and the merger approach from Picton Property Income Limited.

The information in the above table has been audited (see Independent Auditor's Report on page 53).

Andrew Sykes, Chairman
16 July 2012

Harry Dick-Cleland, Director
16 July 2012

Corporate Governance

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

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

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

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

It is the Board's intention to continue to comply with the Association of Investment Companies Code of Corporate Governance.

Statement of Compliance

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

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- Executive directors' remuneration
- Internal audit function

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

Role of the Board

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

- The overall objectives of the Company as described under the paragraph above headed 'Investment Policy and Strategy' and the strategy for fulfilling those objectives within an appropriate risk framework in light of market conditions prevailing from time to time

- The capital structure of the Company including consideration of an appropriate policy for the use of borrowings both for the Company and in any joint ventures in which the Company may invest from time to time

- The appointment of the Investment Manager, Administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings

- The key elements of the Company's performance including NAV growth and the payment of dividends.

Board Decisions

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

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

Board performance evaluation

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

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

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

The Board has approved a policy that all Directors will stand for re-election annually. Three Directors have been on the Board since the Company's launch in 2004, and the Board will be considering succession plans in the course of the coming twelve months.

The Board has determined that all the Directors are independent of the Investment Manager.

Keith Goulborn has agreed to be the Senior Independent Director.

Board Committees

The Audit Committee

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

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

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

Nomination Committee

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

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

Transactions Committee

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

Board Meetings and Attendance

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

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

	Board	Audit Committee
Andrew Sykes (Chairman)	4	2
Keith Goulborn	4	2
Harry Dick-Cleland	4	2
David Warr	4	2
Peter Atkinson	4	1
John Frederiksen	4	1
No. of meetings during the year	4	2

In addition to its regular quarterly meetings, the Board met on twelve other occasions during the period and a further nine in relation to the Picton Property Income Limited's merger approach, although it was not possible for all Directors to attend all these meetings.

Information Flows

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

Directors' and Officers' Liability Insurance

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

Relations with Shareholders

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

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Notice of Meeting on page 56 sets out the business of the meeting.

Internal Control

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

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

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

Corporate Social Responsibility – benefits, risks and controls

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

The Investment Manager states:

'Schroder Property Investment Management Limited ('Schroders') has been managing property funds since 1971 and we are one of the largest institutional property investment managers in Europe.

The issues of environmental sustainability and social responsibility have long been integrated into our investment process. We believe that by incorporating these issues into our investment management process we are able to protect and enhance our client's investment returns, whilst reducing portfolio risk from issues such as property obsolescence and future government and EU legislation.

Environmental risk within the property industry has developed from a narrow definition in the 1990s when it principally related to industrial-type real estate where tenant activities could result in direct pollution incidents. Today we are all realising that scientific evidence confirms we must give priority to considering how all our activities affect the environment and politicians, business leaders, investors, regulators and the general public are pressing for changes in behaviour to reduce our impact upon the environment.

At Schroders environmental risk is a core part of our investment approach to deliver on our investment objectives. It is an evolving discipline requiring technical knowledge and leadership across all property sectors. Schroder Property's Responsible Investment Forum brings together expertise across our Pan European business to help determine our standards for our investment activities and which are captured in our RPI Policy.

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

Consolidated Statement of Comprehensive Income

	Notes	**31/03/2012** **£000**	31/03/2011 (Restated – see Note 1) £000
Rental income		**24,955**	23,752
Other income	4	**1,684**	1,384
Property operating expenses	5	**(2,491)**	(2,335)
Net rental and related income		**24,148**	22,801
Profit on disposal of investment property		**2,706**	43
Net valuation (loss)/gain on investment property	12	**(5,885)**	2,516
Expenses			
Investment management fee	3	**(3,041)**	(3,430)
Valuers' and other professional fees		**(1,113)**	(1,068)
Administrators and accounting fee	3	**(301)**	(370)
Auditor's remuneration	6	**(146)**	(149)
Directors' fees	7	**(230)**	(200)
Transaction costs	7	**(1,338)**	-
Other expenses	7	**(417)**	(825)
Total expenses		**(6,586)**	(6,042)
Net operating profit before net finance costs		**14,383**	19,318
Interest receivable		**104**	32
Finance costs payable	8	**(10,862)**	(11,144)
Finance costs: Ineffective portion of changes in fair value of swap	17	**(3,667)**	1,917
Net finance costs		**(14,425)**	(9,195)
Share of profit of associates and joint ventures	13	**12,125**	1,013
Profit before taxation		**12,083**	11,136
Taxation	9	**(1,050)**	(795)
Profit for the year attributable to the equity holders of the parent		**11,033**	10,341
Other comprehensive income: Effective portion of changes in fair value of swap	17	**449**	1,241
Total comprehensive income for the year attributable to the equity holders of the parent		**11,482**	11,582
Basic and diluted earnings per share	10	**3.1p**	3.0p

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

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

Consolidated Balance Sheet

	Notes	31/03/2012 £000	31/03/2011 £000
Investment in associates and joint ventures	13	**14,787**	2,711
Loans to associates and joint ventures	13	**1,240**	1,191
Total investment and loans in associates and joint ventures		**16,027**	3,902
Investment property	12	**320,888**	325,295
Non-current assets		**336,915**	329,197
Trade and other receivables	14	**9,580**	10,941
Cash and cash equivalents	15	**52,462**	56,724
Current assets		**62,042**	67,665
Total assets		**398,957**	396,862
Issued capital and reserves	16	**179,979**	181,025
Equity		**179,979**	181,025
Interest-bearing loans and borrowings	17	**183,258**	182,639
Interest rate swaps	17	**26,407**	23,189
Non-current liabilities		**209,665**	205,828
Trade and other payables	18	**8,570**	9,636
Taxation payable		**743**	373
Current liabilities		**9,313**	10,009
Total liabilities		**218,978**	215,836
Total equity and liabilities		**398,957**	396,862
Net Asset Value per Ordinary Share	19	**50.6p**	50.9p

The financial statements on pages 32 to 52 were approved at a meeting of the Board of Directors held on 16 July 2012 and signed on its behalf by:

Andrew Sykes, Chairman

Harry Dick-Cleland, Director

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

Consolidated Statement of Changes in Equity

	Notes	Share premium £000	Hedge reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2010 – as previously stated		**98,356**	**(26,347)**	**97,444**	**169,453**
Prior year adjustment	1	-	18,851	(18,851)	-
Balance as at 31 March 2010 as restated		**98,356**	**(7,496)**	**78,593**	**169,453**
New equity issue		11,949	-	-	11,949
Profit for the year		-	-	10,341	10,341
Change in fair value of swap taken to equity		-	1,241	-	1,241
Dividends paid	11	-	-	(11,959)	(11,959)
Balance as at 31 March 2011 as restated		**110,305**	**(6,256)**	**76,976**	**181,025**
Profit for the year		**-**	**-**	**11,033**	**11,033**
Change in fair value of swap taken to equity			**449**	**-**	**449**
Dividends paid	**11**	**-**	**-**	**(12,528)**	**(12,528)**
Balance as at 31 March 2012		**110,305**	**(5,807)**	**75,481**	**179,979**

Share capital was issued at nil par value in 2011.

Total comprehensive income for the year was £11,482,000 (2011: £11,582,000).

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

Consolidated Cash Flow Statement

Operating activities	Notes	**31/03/2012** £000	31/03/2011 (Restated – see Note 1) £000
Profit for the year		**11,033**	10,341
Adjustments for:			
Profit on disposal of investment property		**(2,706)**	(43)
Net valuation loss/(gain) on investment property		**5,885**	(2,516)
Share profit of associates and joint ventures		**(12,125)**	(1,013)
Net finance cost		**10,759**	11,112
Ineffective portion of changes in fair value of swap		**3,667**	(1,917)
Taxation		**1,050**	795
Operating profit before changes in working capital		**17,563**	16,759
Decrease in trade and other receivables		**926**	4,381
(Decrease)/increase in trade and other payables		**(625)**	1,036
Cash generated from operations		**17,864**	22,176
Finance costs paid		**(10,291)**	(10,421)
Interest received		**104**	32
Tax paid		**(680)**	(1,729)
Cash flows from operating activities		**6,997**	10,058
Investing Activities			
Proceeds from sale of investment property		**24,443**	-
Cash disposed on sale on investment property company		**(102)**	-
Acquisition of investment property		**(21,320)**	(18,250)
Additions to investment property		**(1,752)**	(4,528)
Cash flows from investing activities		**1,269**	(22,778)
Financing Activities			
New equity issue		**-**	11,949
Dividends paid	11	**(12,528)**	(11,959)
Cash flows from financing activities		**(12,528)**	(10)
Net (decrease) in cash and cash equivalents for the year		**(4,262)**	(12,730)
Opening cash and cash equivalents		**56,724**	69,454
Closing cash and cash equivalents		**52,462**	56,724

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

Notes to the Financial Statements

1. Significant accounting policies

Schroder Real Estate Investment Trust Limited ("the Company") is a closed-ended investment company registered in Guernsey. The consolidated financial statements of the Company for the year ended 31 March 2012 comprise the Company, its subsidiaries and its interests in associates and joint ventures (together referred to as the 'Group').

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008, applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of preparation

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

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

Prior year adjustment

In previous years the Group has accounted for all of its swap instruments as effective hedges and has taken changes in fair value movements to other comprehensive income. However, management consider that the swap attaching to the £111 million of borrowings should not have been treated as an effective hedge, in accordance with IAS 39, due to the non-coterminous periods of the swap and the loan, and that changes in fair value should have been dealt with in profit and loss. Whilst this has no impact on Net Asset Value, Total Comprehensive Income or Operating profit before changes in working capital in the cash flow statement, it has resulted in an increase in profit before tax in the prior year of £1.9 million from £9,219,000 to £11,136,000, with an equal and opposite reduction in other comprehensive income, and a transfer between hedge reserve and revenue reserves at the beginning of that year of £18.9 million. The prior year earnings per share figure increases as a result from 2.5 pence to 3.0 pence.

Going concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular the loan to value covenant and interest cover ratio along with the loan repayment date of July 2014. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Use of estimates and judgements

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

The most significant judgements made in preparing these accounts relate to the carrying value of investment properties and investment properties under development which are stated at market value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20.

Basis of consolidation

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

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

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

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

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

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

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

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

Disposals of investment properties are recognised on unconditional exchange of contracts.

Financial instruments

Non-derivative financial instruments

Assets

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

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

Liabilities

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

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

Trade and other payables
Trade and other payables are stated at cost.

Derivative financial instruments

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

Cash flow hedges

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

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

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

Share capital

Ordinary shares are classified as equity.

Dividends

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

Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

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

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

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

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

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

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

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

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

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

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

2. New standards and interpretations
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that had a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2011 and not early adopted
IAS 1, 'Financial statement presentation' regarding other comprehensive income. The effective date is for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in Other Comprehensive Income.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 March 2013, subject to endorsement by the EU.

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

IFRS 11 'Joint Arrangements' is applicable for 2013. The IFRS establishes principles for financial reporting by parties to a joint arrangement. It is concerned principally with both the structure of the arrangement and that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS11 requires that joint arrangements be accounted for using the equity method. The group has not yet assessed the impact of adoption of this standard.

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

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 March 2013, subject to endorsement by the EU.

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

3. Material agreements

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

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

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

The total charge to profit and loss during the period was £3,041,000 (2011: £3,430,000) for the management fee, of which £2,641,000 was paid to Invista Real Estate Investment Management for the period from 1st

April 2011 to 13th January 2012 and £400,000 to Schroders for the period from 14 January 2012 to 31 March 2012.

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the Administrator to the Company with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000 (2011: £120,000). Up to 13 January 2012, IREIM was also paid £181,000 (2011: £250,000) for accounting services to the Company.

4. Other income

	31/03/2012 £000	31/03/2011 £000
Insurance commissions	**255**	237
Dilapidations	**698**	1,094
Surrender premia	**714**	15
Miscellaneous income	**17**	38
	1,684	1,384

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

5. Property operating expenses

	31/03/2012 £000	31/03/2011 £000
Agents' fees	**127**	112
Repairs and maintenance	**119**	175
Surrender premia	**-**	25
Advertising	**69**	10
Rates - vacant	**1,008**	627
Security	**74**	65
Insurance	**71**	221
Non-recoverable expenses	**768**	891
Bad debt provision	**255**	209
	2,491	2,335

6. Auditor’s remuneration

The total expected audit fees for the year are £133,370 (2011: £136,510) and £12,600 (2011: £12,600) for the half year review of the financial statements.

7. Directors' fees and other expenses

	31/03/2012 £000	31/03/2011 £000
Directors' and officers' insurance premium	**36**	**36**
Regulatory costs	**47**	**45**
Marketing	**36**	**36**
Professional tax fees and related costs	**-**	**297**
Other expenses	**298**	**411**
	417	**825**

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

The Directors' annual remuneration for services to the Group was £170,000 (2011: £170,000), with an additional £60,000 (2011: £30,000) for additional services this year, as described in the Directors' report.

One off transaction costs of £1,338,000 were incurred in the year, due to the change of investment manager and the Picton merger proposal, comprising a £320,000 termination fee paid to Invista Real Estate Investment Management, a £200,000 transition fee paid to Schroders and £818,000 of other professional fees.

8. Finance costs payable

Interest payable by the Group was £9,820,000 (2011: £10,060,000). Also included in finance costs are other debt fees of £1,042,000 (2011: £1,084,000)

9. Taxation

	31/03/2012 £000	31/03/2011 (Restated – see Note 1) £000
Tax expense in year	**(1,050)**	**(795)**
Reconciliation of effective tax rate		
Profit before tax	**12,083**	**11,136**
Effect of:		
Income tax using UK income tax rate of 20%	**2,417**	**2,227**
Revaluation loss/(gain) not taxable	**1,177**	**(542)**
Share of profit of associates and joint ventures not taxable	**(2,425)**	**(203)**
Profit on disposal of investment property not taxable	**(541)**	**(9)**
Changes in fair value loss/(gain) of ineffective swaps where no deferred tax has been recognised	**733**	**(383)**
Utilisation of capital allowances and brought forward losses where no deferred tax was recognised	**(1,081)**	**(295)**
Tax in relation to prior year	**770**	**-**
Current tax expense in the year	**1,050**	**795**

The Company and its Guernsey registered subsidiaries have obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 so that they are exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. Each company is, therefore, only liable for a fixed fee of £600 per annum. The Directors intend to conduct the Group's affairs such that they continue to remain eligible for exemption. However the Board is aware that corporate tax rates in Guernsey may be altered and will review the Group's potential liability to Guernsey tax with reference to any possible changes.

Cumulative tax losses of £20 million (2011: £19 million) have been carried forward and are available for use against future taxable profits. This amount has not been recognised as deferred taxation in the accounts as it is not probable that it will be utilised in the foreseeable future. No deferred tax asset has been recognised on the swap liability.

The tax treatment of one past transaction has been challenged by HM Revenue & Customs. This challenge is now heading towards a conclusion. The current year tax expense of £1,050,000 includes a £770,000 provision which relates to prior periods.

10. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group is based on the net profit for the year of £11,033,000 (2011: £10,341,000 (restated – see Note 1)) and the weighted average number of Ordinary Shares in issue during the year of 355,921,281 (2011: 344,230,398).

11. Dividends paid

In respect of	No. of Ordinary Shares	Rate (pence)	**31/03/2012 £000**
Quarter 31 March 2011 dividend paid 13 May 2011	355.92 million	0.88	**3,132**
Quarter 30 June 2011 dividend paid 19 August 2011	355.92 million	0.88	**3,132**
Quarter 30 September 2011 dividend paid 25 November 2011	355.92 million	0.88	**3,132**
Quarter 31 December 2011 dividend paid 17 February 2012	355.92 million	0.88	**3,132**
		3.52	**12,528**

In respect of	No. of Ordinary Shares	Rate (pence)	31/03/2011 £000
Quarter 31 March 2010 dividend paid 19 May 2010	323.59 million	0.88	2,847
Quarter 30 June 2010 dividend paid 20 August 2010	323.59 million	0.88	2,848
Quarter 30 September 2010 dividend paid 19 November 2010	355.92 million	0.88	3,132
Quarter 31 December 2010 dividend paid 19 February 2011	355.92 million	0.88	3,132
		3.52	11,959

A dividend for the quarter ended 31 March 2012 of 0.88 pence (£3,132,000) was declared on 25 April 2012 and paid on 18 May 2012.

12. Investment property

	Leasehold	Freehold	Total
	£000	£000	£000
At valuation as at 31 March 2010	**47,074**	**252,901**	**299,975**
Additions	17	22,787	22,804
Net valuation gain on investment property	889	1,627	2,516
At valuation as at 31 March 2011	**47,980**	**277,315**	**325,295**
Additions	15,774	7,298	23,072
Disposals	(15,774)	(5,820)	(21,594)
Net valuation gain on investment property	(526)	(5,359)	(5,885)
Amounts recognised as investment property as at 31 March 2012	**47,454**	**273,434**	**320,888**

Fair value of investment properties as determined by the valuers totals £328,765,000 (2011: £331,415,000).

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

The Group owned one non income generating site during the year (2011: two). Direct operating expenses relating to this site was £78,651 (2011: £22,650).

13. Investment in associates and joint ventures

The Group has interests in three associates and joint ventures.

Plantation Place – the Group has a 28.92% interest in One Plantation Place Unit Trust which is classified as an investment in an associate. As at 31 March 2012 the Group's investment in Plantation Place was held at £11.7m (2011: nil). Post year end, this investment was sold giving rise to net proceeds of £11.7m.

Crendon – the Group has a 50% interest in Crendon Industrial Partnership which is classified as a joint venture due to the Company sharing the control with another investor. The Group originally provided a loan of £2,150,000 to the Partnership which was written down following the fall in property values. £50,000 of this loan has been written back this year (2011: £665,000) following an increase in the NAV.

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

The table below shows the changes in equity in joint ventures and associates.

	£000
Opening balance as at 1 April 2010	**2,802**
Additions	87
Share of profits in year	1,013
Closing balance as at 31 March 2011	**3,902**
Share of profits in year	12,125
Closing balance as at 31 March 2012	**16,027**

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

As at 31 March 2011	Plantation Place £000	Other joint ventures and associates £000	Total £000
Summarised financial information not adjusted for the Group's share			
Total assets	504,755	69,462	574,217
Total liabilities	494,489	59,048	553,537
Revenues for year	32,566	4,580	37,146
Profit for year	64,824	3,274	68,098
Net asset value attributable to Group	-	2,711	2,711
Loans due to Group	-	1,191	1,191
Total asset value attributable to Group	-	3,902	3,902
Profit attributable to the Group	-	1,013	1,013

14. Trade and other receivables

	31/03/2012 £000	31/03/2011 £000
Rent receivable	**1,701**	2,729
Other debtors and prepayments	**7,879**	8,212
	9,580	10,941

Other debtors and prepayments includes £7,877,000 (2011: £6,120,000) in respect of lease incentives.

15. Cash and cash equivalents

Included in the £52.5m (2011: £56.7m) is £11.2m (2011: £11.2m) of restricted cash held under the liquidity facility with Lloyds TSB bank. This is held in trust and under the terms of the loan agreement and can only be drawn down by the Trustee in the event of a liquidity shortfall within the Group for the sole purpose of paying the principle loan interest. This facility is described further in Note 17.

16. Issued capital and reserves

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

Issued share capital
The number of issued Ordinary Shares of the Company at the start of the year was 355,921,281.

17. Interest-bearing loans and borrowings

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

	31/03/2012		31/03/2011	
	£000	£000	£000	£000
Non-current liabilities				
Class A Secured Floating Rate Notes		**62,500**		62,500
Reserve Notes		**111,000**		111,000
Total		**173,500**		173,500
Less: Finance costs incurred	**(5,367)**		(5,367)	
Add: Amortised finance costs	**3,925**	**(1,442)**	3,306	(2,061)
		172,058		171,439
Liquidity facility		**11,200**		11,200
		183,258		182,639

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

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

In October 2008 the Group repaid £50 million of the original debt being £36.5 million of Class A secured floating rate notes and all the £13.5 million Class B secured floating rate notes. In January 2010 the Group repaid £40 million of the original debt of the Class A secured floating rate notes. Simultaneously, as required by the Credit Agreement, an equal amount of one of the interest rate swaps was broken. The cost of breaking the swap was £3,950,000.

Post period end the Group repaid a total of £22 million of the original debt of the Class A secured floating rate notes incurring a total of £2.9 million in swap break costs.

These interest rate swaps are classified as cash flow hedges and are stated at fair value. As at 31 March 2012 the combined fair value of the swaps was a liability of £26,407,000 (2011: liability of £23,189,000). The deficit in the year of £3,667,000 (2011: credit of £1,917,000 – restated see Note 1) for the ineffective portion of the swap is taken to the profit and loss account, with a credit of £449,000 (2011: credit of £1,241,000 – restated see Note 1) taken to the hedge reserve in equity via the Statement of Comprehensive Income for the effective portion of the swap.

Both facilities have first charge security over all the property assets in the ring fenced Security Pool (the 'Security Pool') which at 15 April 2012 contained properties valued at £329 million (2011: £331 million) together with £19 million cash, pre disposals in the Property account (2011: £29 million). Assets can be sold and bought within this Security Pool without any need to revert to the Issuer or the Rating Agents up to an annual turnover rate of 20%. Various restraints apply during the term of the loan although the facilities have been designed to provide significant operational flexibility. The principal covenants however are that the loan should not comprise more than 60% of the value of the assets in the Security Pool nor should estimated rental and other income arising from assets in the Security Pool comprise less than 150% of the interest payments. The interest cover calculated in accordance with the ICR covenant was at 214% as at 31 March 2012 (31 March 2011 – 209%).

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

18. Trade and other payables

	31/03/2012 £000	31/03/2011 £000
Rent received in advance	**4,775**	5,074
Rental deposits	**200**	200
Other trade payables and accruals	**3,595**	4,362
	8,570	9,636

19. NAV per Ordinary Share

The NAV per Ordinary Share is based on the net assets of £179,979,000 (2011: £181,025,000) and 355,921,281 (2011: 355,921,281) Ordinary Shares in issue at the balance sheet date.

20. Financial instruments, properties and associated risks

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

The main risks arising from the Group's financial instruments and properties are market price risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

Market price risk
Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the

demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

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

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

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

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

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

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

	31 March 2012 Carrying amount £000	31 March 2011 Carrying amount £000
Office	901	1,308
Industrial	447	1,053
Retail	353	368
	1,701	**2,729**

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

	31 March 2012 Carrying amount £000	31 March 2011 Carrying amount £000
0-30 days	1,653	2,597
31-60 days	18	68
61-90 days	22	6
91 days plus	8	58
	1,701	**2,729**

This includes an amount for bad debt provisions of £231,000 (2011: £358,100).

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

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

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

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

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

As at 31 March 2011	Carrying amount £000	Expected Cash flows £000	6 mths or less £000	6 mths-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	175,600	217,529	4,528	14,813	198,188	-
Trade and other payables	2,439	2,439	2,439	-	-	-
Total financial liabilities	**178,039**	**219,968**	**6,977**	**14,813**	**198,188**	**-**

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

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income by £524,000 based on the cash balance as at 31 March 2012.

A change of 1% in the swap rates would have an impact on the marked to market value of £7 million.

As described in note 17 the Group has entered into two interest rate swap contracts whereby the rate of the Group's long term debt facilities have a blended effective fixed interest rate including loan margin of 5.72% per annum until maturity of the debt.

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

As at 31/03/2012	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(26,407)	(26,632)	(3,538)	(3,782)	(7,391)	(11,921)	-

As at 31/03/2011	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(23,189)	(23,336)	(3,947)	(3,343)	(5,780)	(9,559)	(707)

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

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

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

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

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

The fair value hierarchy levels are as follows:

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

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

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

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

21. Operating leases

The Group leases out its investment property under operating leases. At 31 March 2012 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2012 £000	31/03/2011 £000
Less than one year	**20,854**	21,094
Between one and five years	**60,736**	66,101
More than five years	**78,764**	91,607
	160,354	178,803

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

22. Related party transactions

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

23. Capital commitments

At 31 March 2012 the Group had no capital commitments.

24. Post balance sheet events

On 3 May 2012, The Group disposed of its 28.92% holding in One Plantation Place Unit Trust as described in note 13.

On 25 June 2012, Cedar House in Fleet was sold for £1 million. This compares to an independent valuation of £0.8m as at 31 March 2012.

Post year end, the Group exchanged contracts to sell Solent Road Industrial Estate in Havant for an aggregate price of £4.6 million, in two parts. The first contract completed on 2 July 2012 for £1.43 million, with the second contract to complete no later than 29 September 2012.

Post year end, the Group repaid £22 million of debt as described in note 17.

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

We have audited the Group financial statements (the "financial statements") of Schroder Real Estate Investment Trust Limited (the "Company") for the year ended 31 March 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

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

Ewan F. McGill
For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

Glossary

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

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

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

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

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

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands on 11 September 2012 at 10.00am.

Resolution on Form of Proxy	Agenda
	1. To elect a Chairman of the Meeting.
	To consider and if thought fit, pass the following Ordinary Resolutions:
Ordinary Resolution 1	2. To consider and approve the Consolidated Annual Report of the Company for the year ended 31 March 2012.
Ordinary Resolution 2	3. To approve the Remuneration Report for the year ended 31 March 2012.
Ordinary Resolution 3	4. To re-elect Mr Andrew Sykes as a Director of the Company.
Ordinary Resolution 4	5. To re-elect Mr John Frederiksen as a Director of the Company.
Ordinary Resolution 5	6. To re-elect Mr Keith Goulborn as a Director of the Company.
Ordinary Resolution 6	7. To re-elect Mr Harry Dick-Cleland as a Director of the Company.
Ordinary Resolution 7	8. To re-elect Mr David Warr as a Director of the Company.
Ordinary Resolution 8	9. To re-elect Mr Peter Atkinson as a Director of the Company.
Ordinary Resolution 9	10. To re-appoint KPMG Channel Islands Limited as Auditor of the Company until the conclusion of the next Annual General Meeting.
Ordinary Resolution 10	11. To authorise the Board of Directors to determine the Auditor’s remuneration.

Ordinary Resolution 11

12. That the Company be authorised, in accordance with section 315 of the Companies (Guernsey) Law, 2008, as amended (the "Companies Law"), to make market acquisitions (within the meaning of section 316 of the Companies Law) of ordinary shares of the Company ("ordinary shares"), provided that:

a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the issued ordinary shares on the date on which this resolution is passed;
b) the minimum price which may be paid for an ordinary share shall be 0.01p;
c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be 105% of the average of the middle market quotations on the relevant market where the repurchase is carried out for the ordinary shares for the five business days immediately preceding the date of a purchase;
d) such authority shall expire at the Annual General Meeting of the Company in 2013 unless such authority is varied, revoked or renewed prior to such date by ordinary resolution of the Company in general meeting; and
e) the Company may make a contract to purchase ordinary shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of ordinary shares pursuant to any such contract.

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

Special Resolution 1:

13. That, pursuant to Article 13.1 of the Company's Articles of Incorporation the Directors of the Company be and are hereby empowered to allot equity securities (as defined in the Company's Articles of Incorporation) of the Company for cash and to sell equity securities which are held by the Company in treasury for cash as if the pre-emption provisions contained under Article 13.2 of the Articles of Incorporation did not apply to any such allotments and sales provided that this power shall be limited to the allotment and sales of equity securities:

a) up to an amount of 35,592,128 ordinary shares, or such other number of ordinary shares being equal to 10% of the ordinary shares in issue on 11 September 2012;
b) at a price of not less than the net asset value per share as close as practicable to the allotment or sale; and
c) such power shall expire on the earlier of the Annual General Meeting of the Company in 2013 or on the expiry of 15 months from the passing of this Special Resolution, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

14. Any other business.

By Order of the Board

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

Notes

1. An ordinary resolution requires a simple majority of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

2. A special resolution requires a majority of at least 75% of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

3. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, and on a poll, speak or vote instead of him or her. A proxy need not be a member of the Company. More than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to the different shares.

4. A form of proxy is enclosed for use at the meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's Registrars Computershare Investor Services (Guernsey) Limited, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY at least 48 hours before the time of the AGM.

5. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting and voting should he or she so wish.

6. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a member may cast on a poll) a member must have his or her name entered on the register of members not later than 48 hours before the time of the AGM.

7. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting.

Corporate information

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

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

Investment Manager and Accounting Agent
Schroder Property Investment Management Limited
31, Gresham Street
London
EC2V 7QA

The Manager's Investment Committee
William Hill
Mark Callender
Duncan Owen

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

Solicitors to the Company
as to English Law;
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

ISA/PEP status
The Company's shares are eligible for individual Savings Accounts (ISA's) and PEP transfers and can continue to be held in existing PEP's

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

Property Valuers
Knight Frank LLP
20 Hanover Square
London W1S 1HZ

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

UK Sponsor and Broker
JPMorgan Cazenove Limited
10 Aldermanbury
London EC2V 7RF

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Tax Advisers
Deloitte & Touche LLP
180 Strand
London WC2R 1BL

Receiving Agent and UK Transfer/Paying Agent
Computershare Investor Services (Guernsey) Limited
The Pavilions
Bridgewater Road
Bristol BS99 1XZ

as to Guernsey Law;
Mourant Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP