



**Schroder UK
Real Estate Fund
Feeder Trust
Annual Report and
Audited Financial
Statements**

For the year ended 31 March 2020

For professional advisers and
employee benefits consultants only.

Schroders

About Us

The Schroder UK Real Estate Fund Feeder Trust ('the Trust') invests solely in the Schroder UK Real Estate Fund ('SREF').

Fund summary

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

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

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

The Trust

The Schroder UK Real Estate Fund Feeder Trust is an authorised unit trust in umbrella form and authorised by the Financial Conduct Authority ('FCA') with effect from 31 July 2012. The Trust has unlimited duration.

Trust objectives

The investment objective of the Trust is to achieve a blend of income and capital growth by investing solely in the SREF.

Contents

Overview

1 Trust Information*

Governance

2 Report of the Authorised Fund Manager and Statement of Responsibilities*
3 AIFMD Remuneration Disclosures
4 Trustee's Report

Financial Statements

5 Independent Auditors' Report
6 Statement of Total Return
6 Statement of Changes in Net Assets Attributable to Unitholders
7 Balance Sheet
7 Cash Flow Statement
8 Notes to the Financial Statements
13 Distribution Table
14 Unaudited Additional Information
15 Key Service Providers

* Collectively these comprise the Authorised Fund Manager's Report.

Trust Information

Performance

	As at/ for the year to 31 March 2020	As at/ for the year to 31 March 2019	As at/ for the year to 31 March 2018
Net asset value per unit	£46.02	£47.71	£46.61
Total gross distribution per unit payable	£1.40	£1.42	£1.50
Number of units in issue	3,602,929.336	4,680,517.052	10,124,988.449
Net asset value	£165,806,808	£223,307,468	£471,925,618
Gross asset value	£166,447,229	£224,479,627	£474,163,756
Gross yield on year and net asset value	3.1%	3.0%	3.2%
Total return during year	-0.6%	5.5%	10.9%
Total net asset value of scheme property	£165,806,808	£223,307,468	£471,925,618
Highest price per unit	£47.70	£47.84	£46.61
Lowest price per unit	£46.02	£46.67	£43.47
Net income distributed	£4,596,124	£8,102,462	£9,890,301

The performance of the Trust, which mirrors the performance of the Schroder UK Real Estate Fund, is summarised in the below table. The performance summary of the three and five-year p.a. figures is included within the Schroder UK Real Estate Fund Annual Report and Consolidated Financial Statements for the year ended 31 March 2020.

	For the year to 31 March 2020	For the year to 31 March 2019
Investments		
Annual total return ¹	-0.6%	5.5%
Benchmark total return ¹	0.0%	4.8%

¹ Returns are quoted net of fees but gross of tax. Investors in the Trust receive all distributable income as dividend distributions, net of corporation tax at 20%.

Portfolio Statement as at 31 March 2020

	Market value 2020 £'000	Market value 2019 £'000	Total net asset %
Investments			
Schroder UK Real Estate Fund	£165,807	£223,307	100%
Total investments	£165,807	£223,307	100%
Total net assets	£165,807	£223,307	100%
Number of units held by the Trust in SREF	3,602,929.34	4,680,517.05	

Report of the Authorised Fund Manager and Statement of Responsibilities

The Financial Statements

We are pleased to present the Annual Report and Audited Financial Statements of the Trust for the year ended 31 March 2020.

The Trust

The investment objective of the Trust is to achieve a blend of income and capital growth by investing solely in the Schroder UK Real Estate Fund.

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

Authorised Status

The Trust was authorised from 31 July 2012 and is a non-UCITS Fund.

Statement of the Authorised Fund Manager's Responsibilities

The Collective Investment Schemes Sourcebook of the FCA requires the Authorised Fund Manager to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Trust at the period end and of the net income and net gains or losses on the scheme property of the Trust for the period then ended. In preparing the financial statements the Manager is required to:

- follow applicable accounting standards;
- make judgements and estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation for the foreseeable future; and
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association ('IMA') in May 2014.

The Manager is required to keep proper accounting records and to manage the Trust in accordance with the Regulations and the Instrument of Incorporation. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We hereby approve the Annual Report and Financial Statements of the Schroder UK Real Estate Fund Feeder Trust for the year to 31 March 2020 in accordance with the requirements of the Collective Investment Schemes Sourcebook of the FCA.

As a result of the ongoing global impact of Covid-19, the fair value of the investment asset as at the balance sheet date held by the Trust with a value of £165.8m should be treated with additional caution. This is because the Trust solely invests in SREF, which invests in investment properties directly or indirectly through its subsidiaries or joint ventures. These investment properties contained material valuation uncertainty clauses as at the 31 March 2020 valuation date. The clause highlights significant estimation uncertainty regarding the valuation of investment properties due to the Covid-19 pandemic. In these circumstances the Manager has placed less reliance on these valuations than it would normally to fairly determine the value of the Trust's investment asset as at 31 March 2020 and that the suspension of the redemption and issuance of units in the Trust is desirable in the interests of unitholders. The suspension of dealing in units in the Trust was approved by the Manager and implemented at midday on 18 March 2020 and will remain in place for as long as current market circumstances prevail.

P. Chislett

P. Truscott

Schroder Unit Trusts Limited
24 July 2020

AIFMD Remuneration Disclosures for Schroder Unit Trusts Limited (SUTL) (Unaudited)

For the year to 31 December 2019

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 72 to 108 of the 2019 Annual Report & Accounts (available on the Group's website – www.schroders.com/annualreport2019), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

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

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2019 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

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

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

The remuneration data that follows reflects amounts paid in respect of performance during 2019.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has two independent Non Executive Directors who receive fees in respect of their role on the Board of SUTL. Employees of other Schroders Group entities who serve as Directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to AIF MRTs of SUTL. Most of those AIF MRTs were employed by and provided services to other Schroders group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 179 AIF MRTs of SUTL in respect of the financial year ended 31 December 2019, and attributed to SUTL or the AIF funds that it manages, is £6.60 million, of which £1.96 million was paid to senior management, and £4.64 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the AIF funds that it manages and Control Function MRTs.

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

Trustee's Report

Statement of Responsibilities

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of Schroder UK Real Estate Feeder Trust ("the Scheme") for the Period Ended 31 March 2020.

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Trustee must ensure that:

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

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

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Schemes income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

NatWest PLC
24 July 2020

Independent Auditors' Report to the Unitholders of Schroder UK Real Estate Fund Feeder Trust

Report on the audit of the financial statements

Opinion

In our opinion, Schroder UK Real Estate Fund Feeder Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of the net revenue and the net capital losses on the scheme property of the Authorised Unit Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

Schroder UK Real Estate Fund Feeder Trust (the "Trust") is an Authorised Unit Trust. We have audited the financial statements, included within the Annual Report and Audited Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders and the Cash Flow Statement for the year then ended; the Distribution table; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter – Significant estimation uncertainty in relation to the valuation of underlying investment properties

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1b (Accounting policies - Basis of valuation of the investment asset) and 3a (Market risk and valuations of property) to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of the underlying investment properties held directly or indirectly within the Investment Asset of a value of £165.8m on the Balance Sheet. The third-party valuers engaged by management of these underlying investment properties have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

Report of the Authorised Fund Manager

In our opinion, the information given in the Report of the Authorised Fund Manager for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Unitholders of Schroder UK Real Estate Fund Feeder Trust continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of the Authorised Fund Manager's Responsibilities set out on page 2, the Authorised Fund Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24 July 2020

Statement of Total Return

For the year ended 31 March 2020

	Notes	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Income			
Net capital (losses)/gains	5	(7,616)	4,287
Revenue	6	5,518	9,817
Expenses		-	-
Net revenue before taxation		5,518	9,817
Taxation	12	(922)	(1,715)
Net revenue after taxation		4,596	8,102
Total return before distribution		(3,020)	12,389
Finance costs: distributions	7	(4,596)	(8,102)
Change in net assets attributable to unitholders from investment activities		(7,616)	4,287

Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 March 2020

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Opening net assets attributable to unitholders	223,307	471,926
Amounts receivable on creation of units	10,199	28,575
Amounts payable on redemption of units	(60,083)	(281,481)
Net amounts receivable on issue of units	173,423	219,020
Change in net assets attributable to unitholders from investment activities	(7,616)	4,287
Closing net assets attributable to unitholders	165,807	223,307

Balance Sheet

As at 31 March 2020

	Notes	As at 31 March 2020 £'000	As at 31 March 2019 £'000
ASSETS			
Investment asset	1(b)	165,807	223,307
Debtors	8	363	536
Cash and bank balances	9	277	636
Total current assets		640	1,172
Total assets		166,447	224,479
LIABILITIES			
Creditors	10	339	713
Distribution payable		301	459
Total liabilities		640	1,172
Net assets attributable to unitholders		165,807	223,307

Cash Flow Statement

For the year ended 31 March 2020

	Notes	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Net cash inflow from operating activities	15	5,691	10,432
Tax paid in the year		(1,295)	(2,264)
Net cash generated from operating activities		4,396	8,168
Investing activities			
Sale of share in investment asset		49,884	252,906
Net cash generated from investing activities		49,884	252,906
Financing activities			
Amounts received on issue of units		10,199	28,575
Amounts paid on redemption of units		(60,083)	(281,481)
Distributions paid		(4,755)	(8,619)
Net cash used in financing activities		(54,639)	(261,525)
Decrease in cash in the year		(359)	(451)
Net cash at the start of the year		636	1,087
Net cash at the end of the year		277	636

Notes to the Financial Statements

1. Accounting policies

(a) Basis of preparation

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

The Schroder UK Real Estate Fund Feeder Trust (the 'Trust') was authorised on 31 July 2012. The Trust is a non-UCITS Fund.

Going concern

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

Following the emergence and spread of the Covid-19 pandemic and government regulations presented in March 2020, businesses have restricted employee travel for work.

The material uncertainty in the underlying real estate valuations in SREF led to the suspension of dealing in the Fund. Due to its sole investment being in the Fund the Trust suspended dealing to ensure the fair treatment of its unitholders. In common with other trusts, the Manager has the power, set out fully in the Prospectus to suspend redemptions, in whole or in part, for a period of up to two years.

The Authorised Fund Manager ('AFM') has examined significant areas of possible financial risk, including the risks attached to Covid-19 and has not identified any material uncertainties which would cast significant doubt on the Trust's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The AFM has satisfied itself that the Trust has adequate resources to continue in operational existence for the foreseeable future.

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

The most significant estimates made in preparing these financial statements relate to the carrying value of the investment asset. The investment asset is valued at the Net Asset Value ('NAV') price as provided by the relevant managers. Judgements made by management in the application of FRS 102 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 17 under the heading 'Fair value measurement'.

As a result of the ongoing global impact of Covid-19, the fair value of the investment asset as at the balance sheet date held by the Trust with a value of £165.8m should be treated with additional caution. This is because the Trust solely invests in SREF, which invests in investment properties directly or indirectly through its subsidiaries or joint ventures. These investment properties contained material valuation uncertainty clauses as at the 31 March 2020 valuation date. The clause highlights significant estimation uncertainty regarding the valuation of investment properties due to the Covid-19 pandemic. Sensitivity analysis has been disclosed in note 1 (b).

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Basis of valuation of the investment asset

The investment asset is valued at the NAV price as provided by the relevant managers, in accordance with industry practice and the SORP. Please refer to note 17 for a breakdown of the movement.

As a result of the ongoing global impact of Covid-19, the fair value of the investment asset as at the balance sheet date held by the Trust with a value of £165.8m should be treated with additional caution. This is because the Trust solely invests in SREF, which invests in investment properties directly or indirectly through its subsidiaries or joint ventures. These investment properties contained material valuation uncertainty clauses as at the 31 March 2020 valuation date. In light of this material valuation uncertainty the Manager has performed a sensitivity analysis to illustrate the impact on the net asset value of a change in the fair value of the Trust's investment asset. Based on the valuation at the year ended 31 March 2020, a decrease of between 10% and 20% in the value of the investment asset would have resulted in a decrease of between £16.6m and £33.2m.

(c) Recognition of revenue

Revenue from units is recognised when the distributions from the investment asset is declared.

(d) Expenses

Expenses of the Trust are borne in full by the Schroder UK Real Estate Fund.

(e) Cash flow statement

In accordance with the requirements of FRS 102 (Revised) and the IMA SORP 2014, a cash flow statement has been provided.

(f) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over allowable expenses, with relief for overseas taxation where appropriate.

Income received from investment in the Schroder UK Real Estate Fund is taxed depending on the income stream. Property income is taxed at 20%, interest income taxed at 20% and dividend income at 0%.

Notes to the Financial Statements continued

Deferred tax is provided on all timing differences that have originated but have not been reversed by the balance sheet date.

Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

(g) Cash and cash equivalents

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

(h) Redemptions

All units issued to unitholders are classified as a debt as unitholders have a right to redeem units in the Trust by giving notice of redemption and the Trust is obligated to make distributions of income.

2. Distribution policies

Basis of distribution

Revenue is generated by the Trust's investments during each accounting year. Where revenue exceeds expenses, the net income of the Trust is available to be distributed to unitholders. All income is distributed, at unit class level, to the unitholders in accordance with the Trust's Prospectus on a monthly basis. Income equalisation will not apply to the Trust.

3. Risk management policies

(a) Market risk and valuations of property

The exposure to market risk arising from the prevailing general economic conditions and market sentiment may affect the balance sheet and total return of the Trust. Valuations are subject to uncertainty and there is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.

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

The Trust invests solely in SREF, a Fund holding real estate assets. While it is possible to identify the real estate sectors most exposed over the short term to the outbreak of the Covid-19 pandemic, there is no clear way to identify how significant the downside risks will be and therefore what the ultimate impact on real estate valuations will be. Due to the material uncertainty clauses contained within SREF, the valuation of the investment asset by the Trust of £165.8m is materially uncertain as at the 31 March 2020 valuation date. The clause highlights significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. The valuations as at the current balance sheet date should therefore be treated with additional caution. For sensitivity analysis refer to note 1 (b).

(b) Credit and liquidity risk

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

Receivables for the year to 31 March 2020 amounted to £0.36 million (31 March 2019: £0.54 million) and the provision for doubtful debts for the year ended 31 March 2020 amounted to nil (31 March 2019: nil). As at the year end 31 March 2020 there were no receivables that were past due but not impaired (31 March 2019: nil).

The Trust has also considered the impact of Covid-19 on the recoverability of its assets including debtors and other receivables and consider these not to have been impaired due to Covid-19 at the balance sheet date as the full receivables balance was paid subsequent to the year end. Management will continue to monitor the ability of the Trust to pay its income distributions. With the Fund well placed to continue to make its income distribution payments management consider there to be minimal credit risk in the Fund's ability to pay out its income distribution.

The Trust's liquidity can be affected by unexpected or high levels of unit redemptions. All of the Trust's underlying investment asset is in real estate investments, immovable property is relatively illiquid and more difficult to realise than most equities or bonds. If an asset cannot be liquidated in a timely manner then it may be harder to attain a reasonable price. The liquidity risk, derived from the liability to unitholders, is minimised through holding cash which can meet the usual requirements of unit redemptions. The suspension of the Trust has meant that the redemptions arising during Q4 2019 and Q1 2020 will not be payable until the Trust reopens for trading. The robust liquidity position held by the Fund and the ability to match outstanding redemption requests on the secondary market leaves the Trust well placed to meet all outstanding redemptions when these become payable upon the Trust suspension being lifted.

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

1. Operate a strict unit redemption policy such that unitholders need to serve notice prior to the end of each quarter for payment of redemptions to be made three months subsequent to the quarter's end.
2. Raise sufficient cash resources within the Trust to finance a limited number of redemptions.
3. Review the need for and maintain as appropriate a borrowing facility.
4. Reserve the right to defer payment of redemptions.

(c) Currency risk

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

(d) Interest rate risk

The Trust has the ability to access debt facilities, but did not have any debt facilities during the year. There were no changes to the risk management policies during the year to 31 March 2020.

4. Portfolio transaction costs

There were nil transaction costs during the year to 31 March 2020 (2019: nil).

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Analysis of total purchase costs		
Purchase in year before transaction costs	-	-
Gross purchase total	-	-
Analysis of total sales costs		
Gross sales in year before transaction costs	49,884	252,906
Total sales net of transaction costs	49,884	252,906

As at the balance sheet date the average portfolio dealing spread was 5.42% (2019: 5.50%).

5. Net capital (losses)/gains

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
(Losses)/gains in the year on investment	(7,616)	4,287
Net capital (losses)/gains	(7,616)	4,287

All losses during the year to 31 March 2020 are unrealised (2019: all gains unrealised).

6. Revenue

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Franked investment income	910	1,272
Unfranked investment income	4,608	8,545
Total revenue	5,518	9,817

7. Finance costs: distributions

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
April	419	936
May	486	927
June	371	1,008
July	464	948
August	453	1,034
September	356	454
October	350	456
November	365	455
December	352	484
January	331	495
February	348	446
March	301	459
Gross distribution for the year	4,596	8,102

Notes to the Financial Statements

continued

8. Debtors

	31 March 2020 £'000	31 March 2019 £'000
Distributions due from investment	363	536
Total debtors	363	536

9. Cash and bank balances

	31 March 2020 £'000	31 March 2019 £'000
Cash and bank balances	277	636
Total cash and bank balances	277	636

10. Creditors

	31 March 2020 £'000	31 March 2019 £'000
Taxes payable	339	713
Total creditors	339	713

11. Contingent liabilities, commitments and redemptions

There were no contingent liabilities or commitments as at 31 March 2020 (2019: nil).

As at 31 March 2020, and prior to suspension, the Trust had received redemption requests for 13,765.110 units. The Trust also received redemption requests for £616,952.22 worth of units. Unitholders will remain entitled to the income on these units until the suspension is lifted and their units redeemed. Pricing and settlement of these redemptions will occur on the relevant pricing day following the lifting of the suspension.

12. Taxation

The Trust is exempt from United Kingdom tax on capital gains realised on the disposal of its investment in the Schroder UK Real Estate Fund.

The Trust will pay all distributable income as dividend distributions net of corporation tax at 20% (31 March 2019: 20%).

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
(a) Analysis of charge in year		
Corporation tax at 20%	–	–
Current tax charge (note 12b)	922	1,715
(b) Factors affecting the current tax charge for the year		
Net revenue before taxation (note 6)	5,518	9,817
Corporation tax at 20%	1,104	1,963
Effects of:		
Revenue not subject to taxation	(182)	(248)
Tax deductible interest distributions		
Current tax charge for the year (note 12a)	922	1,715

(c) Provision for deferred tax

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

13. Expenses

All fees and expenses of the Trust will be paid by the Schroder UK Real Estate Fund to ensure parity of unit prices in the Funds and share prices of the relevant classes of the Schroder UK Real Estate Fund. As a result of this arrangement, unitholders will bear their proportionate share of the fees and expenses of the Trust through their indirect investment in the Schroder UK Real Estate Fund. No charges or expenses for their establishment and ongoing administration will be payable by the Trust. In the event that this arrangement is changed, the applicable fees will be set out in this section of the Prospectus.

The audit fee for the Trust for the year to 31 March 2020 is £26,826 (2019: £20,888) which is borne in full by the Schroder UK Real Estate Fund.

14. Reconciliation of movement in net cash

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Cash and cash equivalents		
Opening cash	636	1,087
Cashflows	(359)	(451)
As at 31 March	277	636

15. Reconciliation of net revenue before tax to net cash inflow from operating activities

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Net revenue before taxation	5,518	9,817
Decrease in debtors	173	615
Net cash inflow from operating activities	5,691	10,432

16. Financial instruments

The primary financial instruments held by the Trust at 31 March 2020 were its investment asset, cash, short-term assets and liabilities to be settled in cash. The Trust did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Trust's assets and liabilities are represented by the values shown in the balance sheet on page 7. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

17. Fair value measurement

The fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements. The fair value hierarchy levels are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). The only financial asset of the Trust is the investment in the Schroder UK Real Estate Fund which has been classified as Level 3, as it has been valued at the NAV provided by the Manager.

	31 March 2020 £'000	31 March 2019 £'000
Opening investment asset	223,307	471,926
Additions	10,199	28,575
Disposals	(60,083)	(281,481)
Unrealised (loss)/gain	(7,616)	4,287
Closing investment asset	165,807	223,307

18. Related parties

(a) Fees receivable by the Trustee

The Trustee acts as the depository to the Schroder UK Real Estate Fund. It is not making a separate charge in relation to the Trust.

(b) Fees receivable by the Registrar

The Registrar acts as the registrar to the Schroder UK Real Estate Fund. It is not making a separate charge in relation to the Trust.

(c) Fees receivable by the Authorised Fund Manager

The Manager's annual fees (and any VAT) are charged within its authorised corporate director fee in the Schroder UK Real Estate Fund (which is based on the NAV of the Schroder UK Real Estate Fund); there is no additional management fee charged to the Trust.

(d) Schroder UK Real Estate Fund

The Manager of the Schroder UK Real Estate Fund Feeder Trust, which invests solely into the Schroder UK Real Estate Fund, is part of the same group as the Authorised Corporate Director of the Schroder UK Real Estate Fund. During the year to 31 March 2020, the Schroder UK Real Estate Fund Feeder Trust was paid gross distributions totalling £5.5 million (2019: £9.8 million); as at year end £0.3 million was receivable (2019: £0.5 million).

Distribution Table

Monthly distributions payable for the year to 31 March 2020 in pence per unit. There is a single net unit class within the Trust for the year to 31 March 2020.

							Year to 31 March 2020	Year to 31 March 2019
Final distribution payable							115.2388174	117.5108648
	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18		
Final distribution payable	9.180244	9.095921	9.639443	9.127008	9.945885	10.059876		
	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19		
Final distribution payable	10.109881	10.077817	10.356278	10.572003	9.531418	9.815090		
	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19		
Final distribution payable	9.019241	10.516709	7.783275	10.211575	11.023808	10.022852		
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20		
Final distribution payable	9.825668	10.249010	9.294396	9.294396	9.650435	8.347452		

Unaudited Additional Information

Comparative Tables

	As at/for the year to 31 March 2020	As at/for the year to 31 March 2019	As at/for the year to 31 March 2018
Change in net assets per unit			
Opening net asset value per unit	£47.71	£46.61	£43.45
Return before operating charges*	(£0.54)	£2.28	£4.39
Operating charges	£0.00	£0.00	£0.00
Return after operating charges*	(£0.54)	£2.28	£4.39
Distribution on income units	(£1.15)	(£1.18)	(£1.23)
Closing net asset value per unit	£46.02	£47.71	£46.61
* After direct transaction costs of (£'000)	£0.00	£0.00	£0.02
Performance			
Return after charges	(0.6)%	5.5%	10.9%
Other information			
Closing net asset value (£'000)	£165,806,808	£223,307,468	£471,925,618
Closing number of units	3,602,929.34	4,680,517.05	10,124,986.45
Operating charges	0.00%	0.00%	0.00%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price	£47.70	£47.84	£46.61
Lowest unit price	£46.02	£46.67	£43.47

General information

Schroder UK Real Estate Fund Feeder Trust ('the Trust') is an authorised unit trust in umbrella form and authorised by the FCA with effect from 31 July 2012. The Trust has an unlimited duration. Unitholders are not liable for the debts of the Trust.

Accordingly, the information in this document is directed at eligible counterparties, authorised persons, professional clients, existing investors in the Trust and clients and newly accepted clients of the Schroder Group, where reasonable steps have been taken to ensure that investment in the Trust is suitable. This material should not be relied upon by persons of any other description.

In any case, a recipient who is in any doubt about investment in the Trust should consult an authorised person who specialises in investments of this nature.

The Trust's past performance is not a guide to the future. The Trust invests via the Schroder UK Real Estate Fund in real property, the value of which is generally a matter of a valuer's opinion. There is no recognised market for units in the Trust and an investment is not readily realisable. It may be difficult to trade in the units or to sell them at a reasonable price. The price of units and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

Key Service Providers

Manager Contacts

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

Freya Petty

Manager, Real Estate Capital
freya.petty@schroders.com
+44 (0)20 7658 7904

Jessica Berney

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

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

Northern Trust Global Services SE

Schroder Unit Trusts Limited – Schroder UK Real Estate Fund

PO Box 3733
Wootton Bassett
Swindon
SN4 4BG
Tel: +44 (0)870 870 8059
Fax: +44 (0)20 7643 3892
Email: schrodersenquiries@ntrs.com

Authorised Fund Manager

Schroder Unit Trusts Limited

1 London Wall Place
London
EC2Y 5AU

Schroder Unit Trusts Limited is authorised and regulated by the FCA.

Registrar

Northern Trust Global Services SE

50 Bank Street
Canary Wharf
London
E14 5NT

Trustee

Natwest Trustee and Depositary Services Limited

250 Bishopsgate
London
EC2M 4AA

Legal Adviser

Eversheds LLP

One Wood Street
London
EC2V 7WS

Independent Auditor

PricewaterhouseCoopers LLP

7 More London Riverside
London
SE1 2RT

Schroder Investment Management Limited

1 London Wall Place
London
EC2Y 5AU
Tel: +44 (0)20 7658 6000

Schroders

**Schroder Investment
Management Limited**
1 London Wall Place
London EC2Y 5AU
United Kingdom
Tel: +44 (0)20 7658 6000

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