

RDI REIT P.L.C.
 ("RDI" or the "Company" or the "Group")
 (Registration number 010534V)
 LSE share code: RDI
 JSE share code: RPL
 ISIN: IM00BH3JLY32
 LEI: 2138006NHZUMMARYQ1745

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 AUGUST 2019
RETAIL EXPOSURE REDUCED AND BALANCE SHEET LEVERAGE IMPROVED

RDI, the income focused UK REIT, which has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange, today announces its results for the year ended 31 August 2019.

Financial highlights	Year ended 31 August 2019	Year ended 31 August 2018	Year ended 31 August 2019 (excl. Aviva Portfolio)	Year ended 31 August 2018 (excl. Aviva Portfolio)
Income statement				
Underlying earnings (£m)	49.4	53.5	44.8	45.0
Underlying earnings per share (p)	13.0	14.2	11.8	11.9
Net rental income (£m) ⁽¹⁾	80.8	84.7	70.9	67.6
Dividend per share (full year) (p)	10.0	13.5	10.0	13.5
Balance sheet				
EPRA NAV per share (p)	185.5	213.8		197.3
IFRS Net Asset Value (Group share) (£m)	685.6	803.3		740.5
Portfolio valuation (incl. JV share) (£m)	1,423.3	1,620.4		1,425.4
Loan to value (%)	42.0⁽²⁾	46.2		42.7

Includes certain non-IFRS performance measures which are explained and reconciled to IFRS in the Alternative Performance Measures table.

⁽¹⁾ Net rental income from continuing operations, excluding the European segment which is now classified as a discontinued operation.

⁽²⁾ LTV adjusted to reflect transactions between 31 August 2019 and the date of the announcement.

Robust operational and asset management performance

- 131 leasing events completed during the year, 4.7 per cent (£0.7 million) above ERV
- EPRA occupancy remained high at 95.9 per cent (31 August 2018: 97.1 per cent)
- Positive letting progress post year end with occupancy increasing to 97.2 per cent
- On a like-for-like basis, net rental income remained flat over the year
- Stable income returns from the London Serviced Office portfolio with average occupancy at 93.6 per cent (31 August 2018: 92.2 per cent)
- Managed hotel portfolio RevPAR increased 2.9 per cent to £84.9 (31 August 2018: £82.5)
- Planning permission granted for additional 16,576 sq ft at Charing Cross Road, London

Investment activity repositioning the portfolio to growth areas

- £26.3 million acquisition of Southwood Business Park Industrial Estate, Farnborough reflecting a net initial yield of 6.2 per cent, on acquisition
- £26.0 million forward funding of two distribution units at Link 9 in Bicester; targeting a yield on cost of 6.5 per cent
- £121.5 million of disposals at an average premium of 2.5 per cent to market value (including transactions post year end)
- Retail exposure reduced to 35.3 per cent (31 August 2018: 45.6 per cent) with a further reduction to 31.0 per cent based on disposals agreed post year end
- UK Retail reduced to 17.9 per cent (31 August 2018: 29.0 per cent), including a reduction in UK Shopping Centre exposure to 5.7 per cent

Balance sheet and leverage

- EPRA NAV per share declined 13.2 per cent to 185.5 pence per share; largely due to the derecognition of the Aviva portfolio and a reduction in the like-for-like portfolio value of 2.9 per cent
- Pro forma LTV at today's date reduced to 42.0 per cent (31 August 2018: 46.2 per cent)

- £350 million of financing facilities extended during the year
- Average debt maturity increased to 3.7 years (31 August 2018: 2.9 years, excluding the Aviva Portfolio)
- Cost of debt reduced to 2.9 per cent (31 August 2018: 3.0 per cent, excluding the Aviva Portfolio)

Gavin Tipper, Chairman, commented:

"A significant amount of work has been undertaken over the past twelve months, and particularly since we set out our intentions at the half year to further reduce leverage and accelerate the reweighting of the portfolio through the disposal of certain retail assets. I am pleased to report that important steps have been taken towards reaching these goals, with our retail holdings as the date of this report having been reduced by approximately 15 per cent, and that, despite the difficult market backdrop, operational results across the business remain robust, reflecting the portfolio's increasing exposure towards growth subsectors and stronger economic locations."

Mike Watters, Chief Executive, commented:

"While it has been a challenging year, we are proactively taking every step available to quicken the delivery of our strategic objectives so that the business is well positioned as we move towards 2020. Operationally, our asset management team continues to produce a good performance, with over 130 leases completed in the period at 4.7 per cent above ERV, and the disposal programme is well underway, including the sale of the Bahnhof Altona Centre in Hamburg at an almost ten per cent premium. Once that is concluded we will have a more streamlined, structurally resilient portfolio that is well positioned for the long term."

Results presentation, webcast and conference call

A meeting for analysts and investors will take place on Thursday 24 October 2019 at 9.00 a.m. (UK time) at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. There will be a presentation and a live webcast at 9.00 a.m. (UK time), 10.00 a.m. (SA time) on Thursday 24 October 2019, which can be accessed via the homepage of the Company's website: www.rdireit.com.

Conference call dial-in numbers and access code

UK Freephone: 0800 640 6441

UK Local: 020 3936 2999

South Africa Local: 087 550 8441

South Africa Toll Free: 080 017 2952

All other locations: +44 20 3936 2999

Participant Access Code: 679460

For further information, please contact:

RDI REIT P.L.C.

Mike Watters, Stephen Oakenfull, Donald Grant

Tel: +44 (0) 20 7811 0100

FTI Consulting

UK Public Relations Adviser

Dido Laurimore, Claire Turvey, Ellie Sweeney

rdireit@fticonsulting.com

Tel: +44 (0) 20 3727 1000

Instinctif Partners

SA Public Relations Adviser

Frederic Cornet

RDI@instinctif.com

Tel: +27 (0) 11 447 3030

JSE Sponsor

Java Capital

Tel: +27 (0) 11 722 3050

Disclaimer

This release includes statements that are forward looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of RDI REIT P.L.C. to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this release on the price at which shares or other securities in RDI REIT P.L.C. have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

CHIEF EXECUTIVE'S REPORT

At the interim results we set out specific initiatives to accelerate our strategic objectives including a lower leverage capital structure, reduction in retail exposure and more focused allocation of capital. A number of strategic disposals were identified including the disposal of our European portfolio consisting of German retail properties and certain ex-growth UK assets comprising largely regional offices and smaller retail assets. We expect these disposals, once complete, to materially reduce our exposure to an underperforming retail sector and further strengthen our balance sheet.

It has been a challenging year for the business, not least due to the uncertainty around the Aviva shopping centre portfolio. As previously announced, in light of the material valuation declines of this specific portfolio, material break costs associated with repayment of the facility and continued uncertainty in the retail sector, the Board took the decision not to commit further capital to this portfolio or the financing facility. As a result, and following extensive discussion with Aviva, a Standstill Agreement was entered into on 23 April 2019 which included an agreement to a consensual sales process. This has resulted in the net assets of this portfolio being derecognised from our accounts. Non-IFRS operational and financial comparisons have therefore been disclosed excluding the performance of the Aviva Portfolio. The facility remains non recourse to the Group. Further details are contained within the Financial Review.

Earnings and dividend

Underlying earnings decreased by 7.7 per cent to £49.4 million (31 August 2018: £53.5 million). Underlying earnings per share decreased by 8.5 per cent to 13.0 pence per share (31 August 2018: 14.2 pence per share).

During the year, net operating cash flows from the Aviva Portfolio were retained within the facility, following the Standstill Agreement on 23 April 2019. Underlying earnings for the year, excluding those from the Aviva facility, were 11.8 pence per share (31 August 2018: 11.9 pence per share) which provides a comparative measure of performance.

The Board has declared a second interim dividend of 6.0 pence per share, taking dividends for the full year to 10.0 pence per share. The dividend reflects a pay-out ratio of 76.9 per cent of underlying earnings for the full year. The lower pay-out ratio reflects the operational cash flows restricted within the Aviva facility to the point of derecognition on 23 April 2019 and therefore unavailable for distribution to shareholders. Notwithstanding the lower pay-out ratio, the full year dividend meets the UK REIT rules in respect of distributions, as it represents over 90.0 per cent of the Group's UK property rental income.

Balance sheet and financing

EPRA NAV decreased by 13.2 per cent to 185.5 pence per share (31 August 2018: 213.8 pence per share) largely as a result of the derecognition of the Aviva Portfolio and a like-for-like portfolio value decline of 2.9 per cent for the year. Unsurprisingly, valuation movements varied significantly between sectors with the UK Distribution and Industrial portfolio increasing 3.2 per cent or £5.7 million, while UK Retail declined 11.7 per cent or £33.6 million.

The Group's proportionate share of net debt reduced to £666.6 million (31 August 2018: £748.4 million), partly as a result of the derecognition of the Aviva Portfolio financing facility. £103.7 million of largely retail disposals have completed or exchanged post year end which will reduce the Group's LTV on a pro forma basis to approximately 42.0 per cent (31 August 2018: 46.2 per cent).

£350.0 million of financing facilities were extended during the year delivering a longer average debt maturity and securing attractive rates in the current low interest rate environment.

Operating performance

Despite tough trading conditions, a strong asset management performance delivered robust operational results across the majority of the portfolio. Occupancy remains high at 95.9 per cent and increased to 97.2 percent post period end with a number of lettings and re-gears being agreed. 131 leasing events were concluded during the year totalling £15.1 million of gross rental income, 4.7 per cent ahead of ERV. Overall, the portfolio's like-for-like gross rental income increased 1.8 per cent on an annualised basis including leasing activity shortly after year end. Underlying operational performances from both the Hotels and London Serviced Office portfolios remained resilient despite Brexit uncertainty, highlighting the strength of these assets and their operating platforms.

More focused allocation of capital and reduction in retail exposure

Investment activity during the year supported the continued repositioning of the portfolio to stronger growth sectors. The acquisition of Farnborough and forward funding of Bicester have increased exposure to the South East industrial and distribution market. The combined acquisitions totalled £52.3 million (excluding costs) and are anticipated to deliver a yield on cost of approximately 6.6 per cent.

Disposal activity was weighted towards the second half of the year with a number of larger disposals completing post year end. Disposals (including those exchanged or completed post year end) totalling £121.5 million were agreed at prices 2.5 per cent ahead of the last reported market values, supporting a pro forma reduction in retail exposure to 31.0 per cent.

Our remaining UK retail exposure is now heavily weighted to Greater London and the South East in locations with stronger demographics and retailer demand. UK Shopping Centres now make up less than 6.0 per cent of the overall portfolio with the balance of the UK Retail portfolio consisting largely of retail parks which have demonstrated solid occupier demand.

The remaining disposals programme is targeted at further reducing retail exposure to approximately 20 per cent and to a weighting of the overall portfolio to London and the South East of approximately 75 per cent.

Progressive sustainability performance

We are committed to measuring and improving our environmental, social and governance performance. We participate annually in the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate Assessment and following our fourth consecutive response have increased our GRESB score by 24.0 per cent since 2016. We are delighted to have been awarded EPRA Gold for our 2018 Annual Report (non-financial content) published in accordance with the EPRA Sustainability Best Practice Recommendations ("sBPR"), demonstrating our clear focus to improving our ESG credentials.

Share consolidation

On 11 February 2019 every five ordinary shares were consolidated into one ordinary share of 40.0 pence each. The consolidation resulted in 380,089,923 new consolidated ordinary shares being in issue which trade under the International Securities Identification Number code ("ISIN") of IM00BH3JLY32. Historic per share metrics throughout this statement have been adjusted to reflect the consolidation so that they are comparable with the per share metrics for the current year.

Board changes

Following the conclusion of the 2019 Annual General Meeting, Mr Bernard Nackan retired as a Director of RDI. Bernie, who had represented the Company's largest shareholder, Redefine Properties Limited, was replaced on the Board by Pieter Prinsloo in April 2019 whose depth of experience in property investments, development, management and finance has been a great asset to RDI during the year.

In October, Robert Orr tendered his resignation as Independent Non-executive Director due to the demands of other external commitments and the Board would like to extend its gratitude to Robert for his invaluable contribution to the Company and his dedication during his four years with RDI. The search for Robert's replacement will begin in the new year and will be announced in due course.

Outlook

The last twelve months have presented a number of challenges for the businesses. The current political and economic uncertainty, combined with material structural changes to the retail landscape, has resulted in a significant underperformance by UK REITs with higher than average retail exposure and balance sheet leverage. While the majority of our portfolio has continued to deliver robust operational results, the Board recognises the discount of the current share price to NAV.

In order to address this, our strategic priorities are being accelerated to deliver a cleaner, simpler investment proposition and a lower leverage capital structure. While we have made material progress in repositioning the portfolio to date; reducing our exposure to retail assets and lowering leverage, the Board will continue to review all opportunities to maximise shareholder value, including the rigorous evaluation of all assets within the portfolio.

OPERATING REVIEW

Portfolio overview

The portfolio has strong income characteristics with clear visibility of the medium term income profile and growth opportunities.

Key portfolio characteristics include:

- a weighted average lease length, excluding RBH managed hotels and London Serviced Offices, of 6.1 years to the first potential lease break and 7.7 years to expiry;
- 25.3 per cent of gross rental income subject to inflation-linked or fixed increases;
- rental growth potential with a reversionary yield of 6.0 per cent, 40 basis points higher than the current portfolio EPRA topped-up net initial yield;
- high and stable occupancy demonstrating robust occupier demand;
- RBH managed hotels and London Serviced Offices (excluding leases to gym operators) account for 36.2 per cent of the portfolio by annualised gross rental income; and
- over 360 tenants with no single tenant accounting for more than 3.6 per cent of gross rental income.

Portfolio summary	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up NIY	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
31 August 2019	£m	£m ⁽¹⁾	£m	%	%	%	yrs ⁽²⁾	% ⁽²⁾	%
UK Commercial	557.8	32.0	34.5	4.8	5.1	5.7	5.7	92.0	15.3
UK Hotels	363.3	26.0	24.7	5.8	5.8	6.1	17.2	100.0	9.3
UK Retail	255.0	20.7	19.5	6.5	7.1	7.1	6.0	97.8	10.3
Total UK	1,176.1	78.7	78.7	5.5	5.7	6.1	6.5	94.9	12.0
Europe	247.2	15.0	14.5	5.0	5.0	5.5	5.0	99.1	94.7
Total	1,423.3	93.7	93.2	5.4	5.6	6.0	6.1	95.9	25.3
Controlled assets	1,397.2	91.9	91.4	5.4	5.6	6.0	6.1	95.8	24.7
Held in JVs (proportionate share)	26.1	1.8	1.8	6.3	6.3	6.6	5.1	99.9	53.2

⁽¹⁾ Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.

⁽²⁾ Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

Capital allocation and portfolio strategy

As set out at the half year, a number of assets have been identified for disposal to deliver a more focused allocation of capital to those sectors with stronger growth prospects. The targeted disposals are in line with the strategy of reducing exposure to retail and delivering a lower leverage capital structure.

Retail exposure across the portfolio has been successfully reduced to 35.3 per cent (31 August 2018: 45.6 per cent) with a further reduction to 31.0 per cent based on disposals agreed post year end. Further details of the disposal programme are provided below, which targets a reduction in retail exposure to approximately 20.0 per cent based on current market values.

The targeted repositioning of the portfolio will provide a materially higher exposure to growth sectors from within the existing portfolio including the strong operational platforms across Hotels and London Serviced Offices, a higher exposure to the UK Distribution and Industrial portfolio and a significant re-weighting of the overall portfolio to Greater London and the South East, with approximately 75.0 per cent of the repositioned portfolio located in these stronger economic locations.

Portfolio summary		Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up NIY	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
31 August 2019 ⁽³⁾	%	£m	£m ⁽¹⁾	£m	%	%	%	yrs ⁽²⁾	% ⁽²⁾	%
UK Hotels	25.5	363.3	26.0	24.7	5.8	5.8	6.1	17.2	100.0	9.3
UK Offices	19.4	276.1	15.7	16.8	5.0	5.0	5.5	3.2	91.0	4.3
UK Distribution and Industrial	16.2	231.3	12.4	13.4	4.4	4.8	5.4	6.6	93.7	26.1
UK Retail	16.5	234.5	17.4	16.2	6.1	6.6	6.5	6.1	98.2	12.2
	77.6	1,105.2	71.5	71.1	5.4	5.6	5.9	6.6	95.6	11.8
Assets Identified for disposal										
Europe	17.4	247.2	15.0	14.5	5.0	5.0	5.5	5.0	99.1	94.7
UK mature assets	5.0	70.9	7.2	7.6	7.3	8.1	9.8	5.7	91.6	13.7
Total	100.0	1,423.3	93.7	93.2	5.4	5.6	6.0	6.1	95.9	25.3

⁽¹⁾ Annualised gross rental income for the London Serviced Office portfolio included as EBITDA, net of management fees.

⁽²⁾ Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

Valuation overview

The like-for-like portfolio value decreased by £40.6 million or 3.1 per cent in local currency terms, net of capital expenditure, largely driven by outward yield movements in the UK Retail portfolio. Topped-up net rental income at the year end was 0.2 per cent higher than the prior year on a like-for-like basis. The portfolio valuation reflects a 5.6 per cent EPRA topped-up net initial yield and a 6.0 per cent reversionary yield.

The UK Distribution and Industrial portfolio delivered the strongest growth with values increasing £5.7 million or 3.2 per cent. Although the tightening of investment yields in the distribution sector appears to have largely run its course, the valuation was supported by a £1.2 million or 12.7 per cent increase in topped-up net rental income. Regional office valuations declined £4.7 million or 8.4 per cent, largely as a result of additional vacancies at Plymouth and Reigate, resulting in topped-up net rental income declining 4.6 per cent. UK Retail valuations continued to suffer from a combination of factors including the ongoing rationalisation of store portfolios by many retailers, the continued impact of CVAs and administrations, and a lack of bank funding for new transactions. The resultant lack of investment demand for retail assets has seen yields continue to rise as demand is largely limited to opportunistic capital. Like-for-like UK Retail valuations declined £33.6 million or 11.7 per cent despite topped-up net rental income increasing 0.7 per cent. The valuation movement was driven by the topped-up net initial yield moving out 80bps. The UK Hotels portfolio valuation declined £6.8 million or 1.9 per cent partly due to additional refurbishment costs in the year and a weaker trading performance from a limited number of the regional assets.

Valuation overview	Market value	EPRA topped up NIY	Reversionary yield	Topped-up net rental income change	Gain/(loss)	Local currency gain/(loss)
31 August 2019	£m	% ⁽¹⁾	% ⁽¹⁾	%	£m ⁽²⁾	%
London Serviced Offices	163.4	6.0	5.8	(0.6)	-	-
London and regional offices	163.1	4.6	5.9	(6.7)	(6.9)	(4.1)
Distribution and Industrial	184.1	4.8	4.8	12.7	5.7	3.2
UK Commercial	510.6	5.1	5.7	1.9	(1.2)	(0.2)
Managed hotels	313.5	5.9	6.3	(4.0)	(9.1)	(2.9)
Travelodge portfolio	49.8	4.6	4.9	-	2.3	4.8
UK Hotels	363.3	5.8	6.1	(3.6)	(6.8)	(1.9)
Shopping centres	80.8	7.5	8.3	(5.5)	(15.2)	(15.8)
Retail parks & other	174.2	6.9	6.5	4.2	(18.4)	(9.7)
UK Retail	255.0	7.1	7.1	0.7	(33.6)	(11.7)
Total UK	1,128.9	5.7	6.1	(0.2)	(41.6)	(3.6)
Shopping centres	158.6	4.7	5.0	3.1	(0.2)	(1.3)
Retail parks and other	56.3	6.1	6.9	3.1	1.2	2.2
Europe	214.9	5.0	5.5	2.7	1.0	(0.7)
Total (like-for-like)	1,343.8	5.6	6.0	0.2	(40.6)	(3.1)
Acquisitions	47.2			n/a		
Development	32.3			0.2		
Total property portfolio market value	1,423.3	5.6	6.0	0.1		

⁽¹⁾ Yields reported for total segment.

⁽²⁾ Includes the effect of capital expenditure, amortisation of head leases, tenant lease incentives and foreign currency translation where applicable.

Leasing activity

It has been an active period with 131 lease events totalling £15.1 million being concluded, a 21.4 per cent or £2.7 million increase on the previous gross rental income and 4.7 per cent ahead of ERV. The £2.7 million increase in gross rental income included the letting of 22 previously vacant units for £0.9 million.

Portfolio occupancy reduced to 95.9 per cent (31 August 2018: 97.1 per cent), which included the impact of Unit 1a completing at Link 9, Bicester and asset management activity at Charing Cross Road to secure medium term vacant possession. On a like-for-like basis, occupancy was broadly stable. A number of positive letting transactions, post year end, increased occupancy to 97.2 per cent, with a corresponding increase in topped-up net rental income of £1.2 million.

Lease events 31 August 2019	Number of lease events	Annualised gross rental income 31 August 2018 (£m)	Increase in gross rental income (£m)	Annualised gross rental income 31 August 2019 £m	Gross rental income relative to ERV on lease events
UK Commercial	18	18.2	1.6	19.8	+6.5%
UK Retail	34	20.5	0.6	21.1	+6.2%
Europe	74	14.5	0.3	14.8	+0.8%
Leasing activity (like-for-like)	126	53.2	2.5	55.7	+4.9%
Lease events on acquisitions	5	-	0.2	0.2	(1.2)%
Total leasing activity	131	53.2	2.7	55.9	+4.7%
Managed hotels and LSO	-	36.9	(0.3)	36.6	
Other activity (incl. vacancies and CVA's)			(0.6)	(0.6)	
Acquisitions			1.8	1.8	
Total	131	90.1	3.6	93.7	

Note: Excludes Aviva Portfolio.

- 58 rent reviews were completed in the year resulting in total gross rental income of £8.7 million, a 17.4 per cent (£1.3 million) increase over the previous gross rental income and 12.1 per cent (£0.9 million) ahead of ERV;
- 34 leases amounting to 237,500 sq ft were renewed on break or expiry and 39 new leases and lease regears were signed in the year; accounting for a total gross rental income of £6.4 million (previous gross rental income £5.1 million), 3.7 per cent (£0.3 million) below ERV;
- The new leases include lettings on previously vacant space totalling 49,750 sq ft across 22 units, generating an additional £0.9 million in gross rental income; and
- Ten units were vacated in the year (11,764 sq ft). Nearly all of this vacant space is within properties that have exchanged for sale or are being actively marketed for sale at the year end. Previous gross rental income was £0.1 million with landlord shortfalls increasing by £0.1 million.

Acquisitions

As previously announced, £52.3 million of acquisitions (excluding transaction costs) were completed during the first half of the year in two transactions, including a forward commitment to acquire two newly developed distribution units in Bicester. The acquisitions increase the portfolio's exposure to the distribution and industrial sector in the South East. Once fully let, the acquisitions have the potential to deliver a yield on cost of 6.6 per cent on average, reflecting an attractive income return in a competitive investment market.

Acquisitions	Purchase price £m	Net rental income £m	ERV £m	Reversionary yield %	EPRA NIY %	EPRA topped up yield %	WAULT yrs	EPRA occupancy by ERV %
Southwood Business Park, Farnborough	26.3	1.7	2.0	7.2	6.2	6.2	5.1	90.7
Link 9, Bicester forward funding	26.0 ⁽¹⁾	-	2.0	6.5	n/a	n/a	n/a	n/a
Total	52.3	1.7	4.0	6.6				

Note: All metrics as at acquisition.

⁽¹⁾ Total forward funding commitment, of which £10.3 million remains committed and yet to be settled

Southwood Business Park, Farnborough

Southwood Business Park was acquired in September 2018 for £26.3 million (excluding costs) at a net initial yield of 6.2 per cent. The property is situated within an established commercial area in Farnborough, Hampshire and is conveniently located within the M3 corridor, approximately 41 miles from Central London. The nine-acre estate consists of 18 warehouse units totalling 154,849 sq ft (14,385 sqm) with a low site cover of 37 per cent.

Since acquisition, occupancy has increased to 100 per cent supporting a 18.8 per cent increase in topped-up net rental income. Recent letting deals have been completed at rents averaging £13.2 per sq ft compared to the average rent of £12.9 per sq ft on acquisition. The acquisition provides further opportunities to support medium to long term income growth through identified asset management initiatives.

Bicester forward funding

Approximately 13.5 acres of land was acquired in Bicester as part of a total £26.0 million forward funding opportunity with Albion Land to develop two high quality distribution units of 120,000 sq ft and 168,000 sq ft respectively. The site is part of the successful Link 9 industrial and distribution development with good access to the M40.

Unit 1a of 120,000 sq ft was completed in April 2019. Unit 1b is anticipated to be completed in late 2019 and £10.3 million has been committed for this final stage of development. The supply of modern distribution units along this section of the M40 corridor remains limited and current enquiries demonstrate healthy levels of interest. The transaction provides an opportunity to increase exposure to well located modern distribution units and is anticipated to deliver a 6.5 per cent yield on total cost once fully let.

Disposals

A number of smaller disposals were completed during the year with more material disposals including Bahnhof Altona, Hamburg and Park Place, Leeds exchanging or completing post year end.

Disposals	Sales price ⁽¹⁾ £m	Market value prior to sale ⁽¹⁾ £m	Premium/ (discount) to market value %	Net rental income £m	EPRA NIY ⁽²⁾ %
Eilenberg, Germany	3.4	3.4	-	0.3	7.3
Centralofts, Newcastle	0.5	0.9	(44.4)	0.1	9.0
Lakeview, Warrington ⁽³⁾	3.6	3.6	-	0.5	12.9
Munich, Germany ⁽³⁾	10.3	9.9	4.0	0.3	2.9
Disposals exchanged or completed during the year	17.8	17.8	-	1.2	6.1
Bahnhof Altona, Hamburg	82.6	80.6	2.5	4.0	4.6
Park Place, Leeds	9.0	8.8	2.3	0.6	6.0
Albion Street, Derby	2.5	2.5	-	0.3	10.5
Kaiserslautern, Germany (Joint Venture)	3.8	3.5	8.6	0.2	5.5
Waldkraiburg, Germany (Joint Venture)	5.8	5.3	9.4	0.3	5.6
Disposals exchanged or completed post year end	103.7	100.7	3.0	5.4	5.0
Total	121.5	118.5	2.5	6.6	5.1

⁽¹⁾ JVs at proportionate share.

⁽²⁾ EPRA NIY based on the sales price.

⁽³⁾ The disposals of Lakeview, Warrington and Munich completed post year end.

Disposals exchanged or completed post year end

Bahnhof Altona Center, Hamburg

Contracts were exchanged post year end for the sale of the Bahnhof Altona Center for €91.0 million reflecting a 2.5 per cent premium on the 31 August 2019 valuation and 9.6 per cent above the 28 February 2019 market value. The disposal is anticipated to complete on 31 December 2019 subject to certain conditions being satisfied. The agreed sales price reflects a 25.5 per cent increase over the original purchase price of €72.5 million in August 2013, with the additional benefit of the Euro having strengthened by approximately 6.0 per cent over the holding period. The centre has delivered consistent income returns with net operating income having increased 0.6 per cent since acquisition. The disposal is in line with the Group's strategy to reduce its exposure to the retail sector.

Park Place, Leeds

Park Place was sold post year end for £9.0 million, a 2.3 per cent premium to the last reported market value, reflecting a net initial yield of 6.0 per cent. The disposal follows a lease regear to the Department of Works and Pensions on a new ten year lease with limited further upside anticipated in either rental or capital values.

Albion Street, Derby

Contracts for the sale of Albion Street have been exchanged for a minimum consideration of £2.5 million. The sale has been agreed on the basis of a longstop completion date of 6 December 2019 allowing the property to be offered prior to this at auction. In the event that a sale is achieved in excess of £2.5 million, RDI is entitled to 50 per cent of the increase, less transaction costs.

Kaiserslautern and Waldkraiburg

The portfolio of two retail warehouses held in joint venture was exchanged for sale at €20.4 million (Group share €10.6 million), a 9.1 per cent premium to current market value. The disposal is anticipated to complete prior to 31 December 2019, subject to certain conditions being satisfied.

All properties exchanged or completed post year end were classified as held for sale at 31 August 2019.

Capital expenditure

Capital expenditure during the year totalled £8.2 million with a further £3.1 million committed towards the projects below. Capital expenditure included projects with incremental income returns and key projects during the year included:

Significant projects	Description	Completion	Total project cost (£m)	Cost to complete (£m)	Incremental net rental income ⁽¹⁾ (£m)	Anticipated yield on cost %
Holiday Inn Express, Edinburgh	HIEX Edinburgh, refurbishment and extension	September 2019	5.6	0.3	0.7	12.5%
Canbury Business Park, Kingston	Office refurbishment	September 2019	1.3	-	0.2	13.0%
London, Watford, The Arches Retail Park	Costa Pods	November 2019	1.2	0.4	0.2	16.0%
The Range, Edinburgh	Costa Pods	July 2019	0.8	-	0.1	9.1%
Ingolstadt, City Arcaden	Mixed use wing development	March 2020	2.9	2.4	0.2	8.5%
			11.8	3.1	1.4	11.6%

⁽¹⁾ For the HIEX Edinburgh extension, incremental income has been calculated as the forecast annual revenue from the additional 25 bedrooms.

Holiday Inn Express, Edinburgh

A 25 bedroom extension was completed in September 2019 for a total cost of £3.6 million with an additional £2.0 million spent on general improvements. Incremental revenues of £0.7 million are anticipated which would deliver a marginal return on capital of 12.5 per cent.

Canbury Park, Kingston

A £1.3 million refurbishment to the office space is nearing completion. Sitel, an existing tenant, was downsized and took a new five year lease at £27.2 per sq ft. The remaining space has been let to Interval International at £29.5 per sq ft on a five year term. Total gross rental income for office space will increase to £1.4 million per annum, a 35.2 per cent increase above the previous gross rental income.

Retail Parks, Costa Pods

Two new Costa drive-thru pods were agreed with total capex commitments of £2.0 million delivering £0.3 million of additional gross rental income. One unit was completed at The Range, Edinburgh during the year with the second unit at The Arches Retail Park, Watford anticipated to compete in November 2019.

Ingolstadt, City Arkaden

The second phase of development commenced during the year to finalise the remaining residential, office and retail units totalling approximately 1,700 sqm (18,300 sq ft). The majority of the retail units have been pre-let with the residential units to be marketed closer to practical completion anticipated in March 2020.

Sustainability

Following the disclosure of our sustainability objectives and performance, we continue to demonstrate our active approach to addressing ESG improvement opportunities related to our people, process and the ownership of our properties. Amidst a national framework committed to net zero emissions by 2050, RDI has made a long term commitment to increase the number of our assets that hold green building certificates, to both verify building performance as well as aid in the identification of improvement opportunities. We added a further BREEAM In-Use assessment to our London Serviced Office portfolio at St Dunstons, Monument and are set to achieve a 'Very Good' rating for performance. We have made progress on our renewable energy target increasing our procurement of renewable electricity from 42 per cent to 71 per cent across UK and Europe. Our investment in electric vehicle charging points provide the public with the necessary infrastructure across our managed assets to service the increasing shift in consumer choice towards electric vehicles. We have demonstrated a commitment to our people in delivering an employee focussed session on understanding the impact associated with health and wellbeing within the workplace and promote a healthy approach to the way we do business.

UK Commercial (39.2 per cent of portfolio by market value)

The UK Commercial portfolio has been significantly repositioned increasing exposure to Greater London and the South East locations as well as to the Distribution and Industrial sector. The office portfolio, including the London Serviced Offices, is now 84.6 per cent weighted to Greater London with exposure to new Crossrail stations and London's expanding Southbank market. Exposure to the Distribution and Industrial sector has increased to 16.3 per cent of the overall portfolio following the forward funding of Link 9, Bicester and the acquisition of Southwood Business Park, Farnborough.

	Market	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
UK Commercial 31 August 2019	value £m	£m ⁽¹⁾	£m	%	%	%	yrs ⁽²⁾	% ⁽²⁾	%
Offices – Serviced	163.4	10.9	10.7	6.0	6.0	5.8	n/a	n/a	-
Offices – Greater London	112.7	4.8	6.1	3.6	3.7	5.0	3.2	91.0	13.9
Offices – Regions	50.4	3.9	4.3	5.8	6.5	8.0	5.8	88.2	25.3
UK Offices	326.5	19.6	21.1	5.1	5.3	5.8	4.3	89.8	8.4
Distribution and Industrial	231.3	12.4	13.4	4.4	4.8	5.4	6.6	93.7	26.1
UK Commercial	557.8	32.0	34.5	4.8	5.1	5.7	5.7	92.0	15.3

⁽¹⁾ Annualised gross rental income for the London serviced office portfolio included as EBITDA net of management fees.

⁽²⁾ Excluding London serviced office portfolio. Relevant operational metrics disclosed separately.

London Serviced Offices (11.5 per cent of portfolio by value)

Take up by serviced office operators has become a key component of the Central London office market with flexible workspace operators accounting for 18 per cent of total take up in the first six months of the year; the largest proportion of any sector. However, flexible workspace still only accounts for approximately six per cent of total Central London office space (source: Instant Group), highlighting the relative infancy of the market.

The recent combination of an increased supply of flexible space, combined with business and investment decisions being delayed as a result of political and economic uncertainty, has resulted in a slowdown in activity in the second half of the financial year. Overall, EBITDA was ahead of management's expectations with much of the outperformance weighted toward the first half of the year. Average occupancy across the year remained high at 93.6 per cent with the average desk rates reducing marginally.

RDI's strategic operating partner, Office Space in Town ('OSIT'), prioritises client retention over short term profitability. The portfolio's design-led offices provide a high level of amenity space, natural light, good sound insulation and industry leading IT. During the year, a number of online and direct marketing initiatives were adopted to generate higher levels of direct sales, improving margins and customer contact.

As the sector matures, we expect that business models backed by ownership of the underlying real estate, combined with high quality services, to remain resilient and outperform leasehold models with high operational gearing.

London Serviced Office portfolio			
Operational metrics		31 August 2019	31 August 2018
EBITDA per sq ft (£)		67.5	68.3
EBITDA conversion from total revenue (%)		62.2	63.4
Average total revenue per available desk (£)		823.6	819.1
Average monthly desk rate – licence fee only (£)		682.6	684.7
Desk occupancy (%)		93.6	92.2
Average weighted stay (months)		31	29

Greater London and regional offices (11.5 per cent of portfolio by value)

The office portfolio is well positioned to capture growth from locations benefiting from major regeneration and capital investment into infrastructure and transport projects. Disposals of regional offices have resulted in the office portfolio's exposure to Greater London increasing to 69.1 per cent. Medium and longer term development opportunities at Charing Cross Road, Southwark and Canbury Park, Kingston provide a strong underpin to values and potential future upside.

Occupancy declined to 89.8 per cent (31 August 2018: 97.9 per cent) with topped-up net rental income at year end 6.7 per cent lower on a like-for-like basis, largely as a result of increased vacancy within the regional office portfolio. Post year end, leases totalling £0.6 million in annualised gross rental income have been agreed, increasing occupancy to 94.9 per cent and resulting in topped-up net rental income rising 10.9 per cent.

Key asset management initiatives and leasing activity completed during the year:

- a number of new leases were agreed at Canbury Business Park, Kingston including a new lease to Sitel of over 24,688 sq ft of office space resulting in an increase of £0.1 million or 17.3 per cent above the previous gross rental income;
- a new lease was completed at Newington Causeway, Southwark on the 5,950 sq ft third floor generating £0.2 million of gross rental income from a previously vacant unit; and
- full planning permission was granted at Charing Cross Road, London following the completion of the section 106 agreement. The permission provides for a 41.4 per cent increase in the overall area of the property to 56,576 sq ft through the development of three additional floors of office space and an improved reception. The building is currently fully let and is anticipated to remain occupied until 2021.

UK Distribution and Industrial (16.3 per cent of portfolio by value)

The portfolio is well positioned to capture future rental growth with 37.1 per cent of the portfolio located in London and the South East, providing exposure to locations with higher growth prospects. The investment market continues to be supported by strong rental growth expectations which has maintained prime yields for industrial and distribution units at approximately 4.3 per cent.

In a competitive investment market, exposure to the sector has been increased through forward funding arrangements or acquisitions providing higher yields and asset management opportunities. Our exposure to the sector increased to 16.3 per cent of the overall portfolio by market value (31 August 2018: 11.0 per cent) following the Link 9, Bicester forward commitment and acquisition of Southwood Business Park, Farnborough.

Occupancy declined to 93.7 per cent (31 August 2018: 100 per cent) following the completion of Unit 1a at Bicester. Topped-up net rental income showed strong growth increasing by £1.2 million or 12.7 per cent in the year on a like-for-like basis.

Key asset management initiatives and leasing activity completed during the year:

- Express Park in Bridgwater – a rent review was completed on a 133,651 sq ft unit delivering £0.9 million of gross rental income, 13.6 per cent ahead of the previous gross rent and 8.0 per cent above ERV;
- BP petrol filling station, Egerton Park – a rent review was completed with an agreed gross rent of £0.2 million, a 13.1 per cent increase and 2.1 per cent below ERV; and
- Two rent reviews at Camino Park, Crawley were agreed for £2.8 million; a £1.0 million or 55.2 per cent increase on the previous gross rental income and 8.6 per cent above ERV.

UK Hotels (25.5 per cent of portfolio by market value)

As set out at the half year, new supply in both the London and the regional markets has dampened RevPar growth, however PwC continues to forecast RevPar growth in 2020 of 1.4 per cent and 0.8 per cent in London and the regions respectively. London's greater resilience is expected to be supported by leisure travel and the continued weak pound. Occupancy is expected to be broadly flat with some growth in average daily room rates anticipated.

The portfolio remains heavily weighted to Greater London and Gatwick Airport. London is a global city providing broad based demand and a deep and liquid investment market. Investor demand has remained strong in 2019, despite Brexit concerns, with increased investment activity from Asia, Middle Eastern and European investors attracted by strong long term fundamentals and the weaker pound.

RBH managed hotel portfolio		
Operational metrics		
	31 August 2019	31 August 2018
Weighted average room rate (£)	97.8	96.6
Weighted average occupancy (%)	86.1	84.8
Weighted average revenue per available room (RevPAR) (£)	84.9	82.5

Underlying occupational metrics were positive with growth in room rates and occupancy delivering a 2.9 per cent increase in RevPAR. Like-for-like net income during the year decreased by £1.4 million, or 6.7 per cent, following additional refurbishment costs allocated to maintaining the quality of these assets. 9.3 per cent of the portfolio's net rental income is subject to CPI escalations, principally from the Travelodge portfolio.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs ⁽¹⁾	EPRA occupancy by ERV	Indexed
UK Hotels	£m	£m	£m	%	%	%		% ⁽¹⁾	%
31 August 2019									
Greater London	186.4	12.3	11.6	5.5	5.5	5.8	n/a	n/a	-
Regional	127.1	11.2	10.5	6.5	6.5	6.9	n/a	n/a	0.9
RBH managed portfolio	313.5	23.5	22.1	5.9	5.9	6.3	n/a	n/a	0.4
Travelodge ⁽²⁾	49.8	2.5	2.6	4.6	4.6	4.9	17.2	100.0	95.3
UK Hotels	363.3	26.0	24.7	5.8	5.8	6.1	17.2	100.0	9.3

⁽¹⁾ Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately.

⁽²⁾ Three of the five hotels let to Travelodge carry landlord lease extension options of eight years or more.

Strategic operational partner – RBH

Operating performance from the managed portfolio is supported by the Company's strategic partnership with RBH. RBH has established itself as one of the leading independent hotel operators in the UK. Alignment of interests is ensured through RDI's ownership of a 25.3 per cent stake in RBH. The holding in RBH contributed £0.9 million to underlying earnings during the year.

UK Retail (17.9 per cent of portfolio by market value)

General investor sentiment towards the sector remains weak, influenced by the ongoing themes of structural change, the impact of online retailing, slowing retail sales and weaker consumer confidence. As a result, there is continued pressure on certain retailers to rationalise their physical store portfolios to fit the new retail landscape. The Group's remaining UK Retail portfolio is now heavily weighted to retail parks and Greater London and South East locations. The combination of stronger demographics and largely

discount and convenience offerings, is anticipated to prove more resilient as demonstrated in the operational performance for the year.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs	EPRA occupancy by ERV	Indexed
UK Retail 31 August 2019	£m	£m	£m	%	%	%		%	%
Shopping centres	80.8	7.7	7.4	7.4	7.5	8.3	3.8	98.8	9.9
Retail parks and other retail	174.2	13.0	12.1	6.1	6.9	6.5	7.3	97.2	10.5
UK Retail	255.0	20.7	19.5	6.5	7.1	7.1	6.0	97.8	10.3

UK Shopping Centres (5.7 per cent of portfolio by value)

Following the derecognition of the Aviva Portfolio on 23 April 2019, the Group's overall exposure to UK Shopping Centres reduced materially to 5.7 per cent of the portfolio (31 August 2018: 18.0 per cent). The operating metrics below reflect the remaining two shopping centre assets being St George's, Harrow and West Orchards, Coventry.

Occupancy improved to 98.8 per cent (31 August 2018: 97.9 per cent) however topped-up net rental income declined £0.4 million or 5.5 per cent which was largely attributable to the Debenhams CVA at West Orchards, Coventry and the Monsoon CVA at St George's, Harrow which resulted in gross rental income reducing by £0.2 million. Footfall across the two centres increased by 3.2 per cent, significantly outperforming the national average over the same period which was down by 2.7 per cent (source: Springboard).

Retail parks (12.2 per cent of portfolio by value)

At an operational level, the Retail parks portfolio performed well and ahead of general market trends. Approximately 80 per cent of the portfolio by value is located in London, Edinburgh and the Southern part of the UK, and is underpinned by strong demographics and typically let to discount and convenience operators. Average contracted rents across the portfolio of £18.2 per sq ft are, on average, being supported by current leasing transactions. Since acquisition, the topped-up net rental income has increased 2.6 per cent over a four year period.

Occupancy increased to 97.2 per cent (31 August 2018: 94.7 per cent) and topped-up net rental income increased 4.2 per cent

Key asset management initiatives and leasing events completed during the year:

- At Priory Retail Park in Merton, South West London, The Gym Group signed a new 15 year lease for £0.3 million on the former Mothercare unit. The previous rent, prior to the Mothercare CVA, was £0.3 million.
- Two new leases were signed at Banbury Cross on previously vacant units delivering £0.3 million of gross rental income at 24.2 per cent (£0.1 million) below ERV; and
- A further two leases have been agreed at Banbury Cross post year end which will take the park to full occupancy.

Europe (17.4 per cent of portfolio by market value)

Liquidity and transaction volumes in Germany remain high, albeit below the levels seen in 2018. While the market as a whole remains buoyant, there is an increasing divergence in investment demand between sectors. Offices and distribution are experiencing the strongest demand while fashion-led shopping centres are seeing a significant reduction in transaction activity. However, other areas of the retail market, including foodstores and retail warehousing, continue to attract investors with yields near ten year lows.

The decision to exit Germany was driven by a number of factors, not least the outlook for certain parts of the retail market. While the German retail market has not seen the same level of online penetration as the UK, the impact of retailers changing their business models and addressing historic aggressive expansion initiatives is impacting demand for retail space across many Western European markets.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs	EPRA occupancy by ERV	Indexed
Europe 31 August 2019	£m	£m	£m	%	%	%		%	%
German shopping centres	191.0	10.9	10.3	4.6	4.7	5.0	5.2	99.4	94.4
German retail parks and other	56.2	4.1	4.2	6.1	6.1	6.9	4.4	98.3	95.7
Europe	247.2	15.0	14.5	5.0	5.0	5.5	5.0	99.1	94.7

Occupancy across the European portfolio increased to 99.1 per cent (31 August 2018: 98.0 per cent) with topped-up net rental income 2.7 per cent higher in constant currency terms.

Rental income from the portfolio benefits from high levels of indexation, with 94.7 per cent of gross rental income subject to various forms of inflation linked rent reviews.

FINANCIAL REVIEW

Overview

Despite being an extremely challenging year, as demonstrated by the Group's IFRS loss for the year of £74.8 million (31 August 2018: IFRS profit £96.3 million), operational performance has remained robust whilst accelerating key strategic priorities of reducing leverage and exposure to the retail sector.

The Group's key recurring earnings metric, underlying earnings, decreased by 7.7 per cent from £53.5 million to £49.4 million, during the year, 8.5 per cent on a per share basis. Removing the earnings that arose, in both the current and comparable year, from the Aviva financed UK Shopping Centre portfolio (Aviva Portfolio), underlying earnings per share decreased marginally by 0.8 per cent from 11.9 pence to 11.8 pence.

IFRS NAV attributable to shareholders was £685.6 million at 31 August 2019 while EPRA NAV was £706.5 million or 185.5 pence per share. This represents a decrease of 13.2 per cent during the year. This reduction in NAV is principally the result of the derecognition of the Aviva Portfolio, being £55.6 million or 14.6 pence, and valuation losses of £57.9 million or 15.2 pence.

The Group's principal debt facility was refinanced in January 2019 at a reduced level of £275.0 million, at a competitive rate for a new five year term. The Group subsequently completed on the early refinancing of the London Serviced Offices facility with total commitments of £75.0 million drawn in two tranches: £25.0 million in May 2019 and £50.0 million in August 2019. The refinanced facility matures in July 2026 and is secured at a weighted average fixed rate of 2.6 per cent, over 50bps lower than the cost of the previous financing facilities. Both refinancing transactions improved the debt maturity profile and reduced refinancing risk. Taken together with the derecognition of the Aviva Portfolio, the Group's cost of debt has reduced to 2.9 per cent (31 August 2018: 3.4 per cent).

Derecognition of the Aviva financed UK Shopping Centre portfolio ("Aviva Portfolio")

Four of the Group's UK Shopping Centres, namely Grand Arcade (Wigan), Weston Favell (Northampton), Birchwood (Warrington) and Byron Place (Seaham), are financed by a long-term fixed rate debt facility with Aviva. The facility is non-recourse, carries a fixed rate of interest of 5.5 per cent per annum and matures in April 2042.

During the first half of the year, the Group paid £9.7 million to cure an event of default resulting from a lender valuation. In addition, it was agreed that all net operating cash flows would be restricted and held within the facility to be applied against the debt.

In April, a further valuation was called by Aviva given concerns over the ongoing structural challenges facing the retail sector and several retailer failures. Despite the operating cash flow that had been retained, this valuation resulted in a further event of default.

After careful consideration, the Board concluded that it was not in the best interests of the Company and its shareholders to commit further capital to the facility. After considerable discussion with Aviva, both parties concluded that it was in their best interests to enter a consensual sales process to dispose of the four centres. On 23 April 2019, a Standstill Agreement was signed which has allowed for such a process to commence. The agreement has been extended and currently runs until 31 December 2019.

Although Aviva hasn't exercised its security, its rights under the facility agreement remain in force with the Standstill Agreement capable of termination at any time.

As a result, the Group has determined that the transaction constitutes a loss of control. From an economic perspective, Aviva has the ability to enforce its rights and make material decisions regarding the portfolio at its absolute discretion. Whilst the Group continues to manage the assets on Aviva's behalf, the Group is no longer exposed to the variable returns from the portfolio's performance nor does the Group have the ability to influence that performance without consent from Aviva; and the sale of the assets and the value at which they are transacted, will also be determined by Aviva.

From the date of the Standstill Agreement, the Group has ceased to consolidate the Aviva Portfolio and its related subsidiaries and derecognised the net assets at their carrying amounts. The resulting difference of £55.6 million has been recognised as a charge to the income statement.

Disposals

During the year, the Board approved a marketing exercise for the prospective sale of the European portfolio, a separately identifiable line of business containing the Group's investment properties located in Germany. Offers for individual assets or sub-portfolios proved stronger than portfolio bids and at 31 August 2019, exclusivity agreements had been entered into or were at advanced stages with preferred parties. It is managements expectation that the majority of sales will be completed within the forthcoming year. As such, all assets within the Europe portfolio have been classified as held for sale. By 31 August 2019, the Group had exchanged contracts on a property in Munich for a consideration of €11.4 million and has recognised the disposal on exchange as there were no significant conditions pending completion. The transaction is due to complete on 31 October 2019 and the related bank debt will be repaid in full. Post year end, the Group has exchanged contracts for the disposal of certain other German properties, most notably the Bahnhof Altona shopping centre in Hamburg, details of which are set out within the Subsequent Events note to the financial statements.

A number of mature UK assets have also been identified for sale, subject to completing asset management initiatives. Two assets have been disposed of for a gross consideration of £4.1 million and contracts have been exchanged on a further two properties subsequent to 31 August 2019, for minimum consideration of £11.5 million.

Acquisitions

During the year, the Group increased its exposure to the distribution and industrial sector, by acquiring two property interests located in the South East of England, namely an industrial estate in Farnborough, Hampshire and a 13.5 acre land interest in Bicester, Oxfordshire. Consideration for both properties was £34.2 million, excluding transaction costs. The Group then entered into a development agreement on acquisition of the land interest at Bicester for the construction of two distribution units. The first unit was

completed in April for which the Group paid £7.8 million. Completion of the second unit is scheduled for December 2019 for which the Group has committed a further £10.3 million, payable upon completion.

Performance against strategic financial targets

Strategic metrics	Medium term target	31 August 2019	31 August 2018	31 August 2017
Growth in underlying EPS (%)	3.0 - 5.0	(8.5)	3.3	n/a
Dividend pay-out ratio (%)	90.0 - 95.0	76.9	95.1	94.5
Income growth (like-for-like) (%)	2.0 - 5.0	-	2.1	3.7
Rent collection	>95% within 7 days	96.3	98.0	94.3
LTV (%)	Reduced to 30.0 - 40.0	42.0 ⁽¹⁾	47.3 ⁽¹⁾	50.0 ⁽¹⁾
Interest cover (times)	>3.0	3.3	3.5	3.2
Cost of debt (%)	Reduced to < 3.2	2.9	3.4	3.1
EPRA cost ratio (excl. direct vacancy costs) (%)	<15.0	16.4	15.6	19.8

⁽¹⁾ Pro forma LTV adjusted for transactions completed between 31 August and date of result announcement.

Earnings per share decreased during the year following derecognition of the Aviva Portfolio in April. Excluding Aviva, underlying earnings declined 0.8 per cent as a result of prioritising leverage reduction over reinvestment.

The Group fell short of its like-for-like income growth target this year as a result of the Group's commitment of additional funds towards the refurbishment activity within the UK Hotel portfolio. Excluding the additional charge of £1.4 million, like-for-like growth of 1.9 per cent would have been achieved.

LTV decreased during the year, despite declining asset valuations, due to the derecognition of the Aviva Portfolio and disposals of other mature assets. Adjusting for exchanged contracts post the balance sheet date, pro forma LTV stands at 42.0 per cent. The Group has adjusted its LTV target downwards to between 30 - 40 per cent.

Cost of debt at 2.9 per cent has decreased significantly below the lower end of the previous target range, primarily the result of derecognition of the Aviva Portfolio which carried a relatively high fixed rate cost of debt. As a result, this target has now been reset to less than 3.2 per cent.

The EPRA cost ratio remains above target, notwithstanding the progress made over the past two years. The planned disposal of the European portfolio is expected to result in an improved cost ratio due to the modest scale of the residual portfolio and the relatively high cost of maintaining the requisite operational platform in Germany.

The dividend pay-out ratio has fallen significantly below the Group's target of 90 - 95 per cent. This is discussed in more detail below.

Presentation of financial information

The Board reviews information and reports presented on a proportionately consolidated basis, which includes the Group's share of interests in joint ventures. To align with how the Group is managed, this financial review has been presented on the same basis.

Discontinued operation

The Group has determined that the co-ordinated sale of the Europe portfolio meets the criteria of a disposal group held for sale and further constitutes a discontinued operation, being a separable cash-generating unit, line of business and geographical operation of the Group. To comply with the presentation requirements of a discontinued operation under IFRS, the post-tax profit of the Europe segment has been presented separately in the income statement, in addition to separating the cash flows of the segment under the relevant activities in the statement of cash flows. Comparative information has been re-presented in line with requirements and for comparability purposes. The financial review has been aligned in this regard.

Share consolidation and subsequent re-presentation

Following shareholder approval at the Company's Annual General Meeting, the Company completed a consolidation of its shares on a one new for five old basis, with the nominal value per share increasing from 8 pence to 40 pence per share. The Company's issued share capital on the record date for the consolidation, being Friday 8 February 2019, was 1,900,449,536. On Monday 11 February 2019, the first day of trading in the newly consolidated shares, the Company's issued share capital stood at 380,089,923. Where applicable throughout this review and the financial statements which follow, the comparative 'per share' numbers have been re-presented accordingly.

Aviva Portfolio

Given the significance of derecognising the Aviva Portfolio, and to aid comparability, this financial review presents the income statement, balance sheet and cash flow both including and excluding the Aviva Portfolio. Commentary focuses, where relevant, on financials excluding the Aviva Portfolio.

Alternative performance measures

The Board uses a number of financial measures to assess and monitor its performance and position, most notable of which are Underlying earnings, EPRA earnings and EPRA net asset value. Although a number of these are industry standard metrics, they are not defined under IFRS and are therefore considered alternative performance measures. This financial review discloses alternative performance measures alongside IFRS to align with the manner in which the business is managed and its performance assessed. Detailed disclosures of alternative performance measures including, where applicable, reconciliation to IFRS follows this financial review.

	31 August 2019					31 August 2018				
	IFRS	Joint	Group	Aviva	Total excl.	IFRS	Joint	Group	Aviva	Total excl.
	£m	ventures	total	Portfolio	Aviva	£m	ventures	total	Portfolio	Aviva
Income statement	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Rental income	90.8	0.8	91.6	(11.3)	80.3	93.3	0.8	94.1	(18.2)	75.9
Rental expense	(10.0)	-	(10.0)	1.4	(8.6)	(8.6)	-	(8.6)	1.1	(7.5)
Net rental income	80.8	0.8	81.6	(9.9)	71.7	84.7	0.8	85.5	(17.1)	68.4
Other income	2.7	-	2.7	-	2.7	1.8	-	1.8	-	1.8
Administrative expenses	(13.2)	0.2	(13.0)	-	(13.0)	(13.4)	-	(13.4)	-	(13.4)
Net operating income	70.3	1.0	71.3	(9.9)	61.4	73.1	0.8	73.9	(17.1)	56.8
Net finance costs	(25.0)	(0.5)	(25.5)	5.3	(20.2)	(25.7)	(0.6)	(26.3)	8.6	(17.7)
Tax and other	0.8	(0.1)	0.7	-	0.7	(0.7)	-	(0.7)	-	(0.7)
Restricted JV losses	-	(0.4)	(0.4)	-	(0.4)	0.2	(0.2)	-	-	-
Non-controlling interests	(4.6)	-	(4.6)	-	(4.6)	(4.1)	-	(4.1)	-	(4.1)
Continuing underlying earnings	41.5	-	41.5	(4.6)	36.9	42.8	-	42.8	(8.5)	34.3
Discontinued operation (incl. JVs and NCI)	7.9	-	7.9	-	7.9	10.7	-	10.7	-	10.7
Total Group underlying earnings	49.4	-	49.4	(4.6)	44.8	53.5	-	53.5	(8.5)	45.0
Company adjustments:										
Debt fair value accretion adjustments	(0.4)	-	(0.4)	0.4	-	(0.6)	-	(0.6)	0.6	-
Foreign exchange loss	-	-	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Discontinued operation	(0.2)	-	(0.2)	-	(0.2)	(0.2)	-	(0.2)	-	(0.2)
EPRA earnings	48.8	-	48.8	(4.2)	44.6	51.9	-	51.9	(7.9)	44.0
Fair value (loss)/gain on property	(56.6)	(0.3)	(56.9)	17.9	(39.0)	5.6	(0.3)	5.3	28.6	33.9
(Loss)/gain on disposal of property	(1.7)	-	(1.7)	-	(1.7)	3.4	-	3.4	-	3.4
Loss of control of Aviva	(55.6)	-	(55.6)	55.6	-	-	-	-	-	-
Loss on disposal of subsidiaries	-	-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
(Loss)/gain on acquiring subsidiaries	(0.4)	-	(0.4)	-	(0.4)	4.4	-	4.4	-	4.4
Fair value movement on derivatives	(9.4)	(0.3)	(9.7)	-	(9.7)	5.5	0.7	6.2	-	6.2
(Impairment)/impairment reversal of investment in associate and JVs	(1.4)	-	(1.4)	-	(1.4)	0.1	-	0.1	-	0.1
Restricted JV losses	-	0.6	0.6	-	0.6	-	(0.4)	(0.4)	-	(0.4)
Tax and other	(0.7)	-	(0.7)	-	(0.7)	(0.6)	-	(0.6)	-	(0.6)
Discontinued operation (incl. JVs and NCI)	(2.9)	-	(2.9)	-	(2.9)	21.0	-	21.0	-	21.0
Non-controlling interests	2.3	-	2.3	-	2.3	(1.7)	-	(1.7)	-	(1.7)
IFRS profit attributable to shareholders	(77.6)	-	(77.6)	69.3	(8.3)	88.9	-	88.9	20.7	109.6
Weighted average ordinary shares (millions)					380.1					377.3
EPRA earnings per share (pence)					12.8					13.8
Underlying earnings per share (pence)					13.0					14.2
Underlying earnings per share (pence) excluding Aviva					11.8					11.9

Underlying earnings from discontinued operation (Europe segment)

	31 August 2019			31 August 2018		
	IFRS	Joint	Group	IFRS	Joint	Group
	£m	ventures £m	total £m	£m	ventures £m	total £m
Rental income	13.7	1.0	14.7	16.9	1.0	17.9
Rental expense	(2.1)	(0.1)	(2.2)	(2.5)	(0.2)	(2.7)
Net rental income	11.6	0.9	12.5	14.4	0.8	15.2
Administrative expenses	(0.7)	(0.2)	(0.9)	(0.8)	(0.2)	(1.0)
Net operating income	10.9	0.7	11.6	13.6	0.6	14.2
Net finance costs	(3.1)	(0.1)	(3.2)	(2.5)	(0.2)	(2.7)
Joint venture profits	0.6	(0.6)	-	0.4	(0.4)	-
Tax and other	(0.1)	-	(0.1)	(0.5)	-	(0.5)
Non-controlling interests	(0.4)	-	(0.4)	(0.3)	-	(0.3)
Underlying earnings	7.9	-	7.9	10.7	-	10.7

The above income statement tables are not presented in line with the requirements of IFRS. The tables segment the IFRS income statement in order to illustrate underlying earnings and EPRA earnings, both key alternative performance measures. A full reconciliation from IFRS (loss)/profit attributable to equity holders of the parent is set out in Note 32 to the financial statements.

Net rental income, excluding the Aviva Portfolio, increased by £3.3 million or 4.8 per cent, primarily due to successful rent reviews in the Distribution and Industrial sector and the acquisition of an industrial estate in Farnborough in September 2018. Net rental income from UK Hotels fell due to accelerated refurbishment expenditure. Excluding the impact of acquisitions and disposals, net rental income was stable on a like-for-like basis.

Administrative costs have fallen by £0.4 million, however not yet at a rate sufficient to achieve the Group's EPRA cost ratio target of below 15 per cent. The Group expects to move closer to its target following the disposal of the Europe portfolio, given the relatively higher cost base of this segment.

Net finance costs increased by £2.5 million, £0.9 million of which relates to a charge on refinancing the Group's principal debt facility in January 2019 and £1.1 million of which is attributable to the full year impact of the London Serviced Office portfolio, acquired in January 2018. The residual increase relates to higher average interest rates applied to debt facilities which are either floating or subject to interest rate caps.

Non-controlling interests reflects the share of income attributable to minority shareholders, most notably within the UK Hotels and London Serviced Offices portfolios. The increase of £0.5 million reflects the full year impact of holding the London Serviced Offices.

The decrease of £2.8 million in underlying earnings from the discontinued European portfolio has arisen due to the German supermarket portfolio disposal in December 2017. On a like-for-like basis in local currency terms, net rental income increased 3.5 per cent as illustrated below.

Like-for-like net rental income analysis

	Year ended		Change £m	Local currency	
	31 August 2019 £m	31 August 2018 £m		Change %	Change %
Net rental income					
UK Commercial	18.1	17.3	0.8	5.1	5.1
UK Hotels	21.8	23.2	(1.4)	(6.0)	(6.0)
UK Retail	18.8	18.7	0.1	0.7	0.7
UK total	58.7	59.2	(0.5)	(0.6)	(0.6)
Europe (discontinued operation)	11.0	10.6	0.4	3.8	3.5
Like-for-like net rental income	69.7	69.8	(0.1)	-	-
Acquisitions	12.6	7.2			
Disposals and loss of control of Aviva	10.3	23.3			
Development and other	1.5	0.4			
Total net rental income	94.1	100.7			

Like-for-like income in the UK Commercial portfolio increased 5.1 per cent, largely due to successful rent reviews, principally at Camino Park, Crawley and Express Park, Bridgwater, both in the Distribution and Industrial sector. This sector continues to benefit from sustained occupier demand and positive structural change.

The decrease of 6.0 per cent in UK Hotels is due to an accelerated refurbishment programme to ensure that brand standards and occupancy levels are maintained. Refurbishment costs are charged to income as tenant incentives.

UK Retail like-for-like net rental income increased by 0.7 per cent due to successful letting activity at Priory Retail Park in Merton, where two units were re-let at higher rental values.

In local currency terms, Europe like-for-like net rental income was up 3.5 per cent, primarily due to a number of lease events completing during the year, notably at Hamburg and Bremen. The portfolio also benefits from index linked rent reviews. In Sterling terms, income was up 3.8 per cent, reflecting the marginally weaker average GBP/EUR exchange rate during the year.

Balance sheet

	31 August 2019			31 August 2018			
	IFRS £m	Joint ventures £m	Group total £m	IFRS £m	Joint ventures £m	Aviva Portfolio £m	Total excl Aviva £m
Property portfolio - carrying value ⁽¹⁾	1,392.6	26.1	1,418.7	1,598.0	25.4	(199.3)	1,424.1
Investment in and loans to JVs	8.0	(8.0)	-	7.1	(7.1)	-	-
Net borrowings	(653.5)	(14.4)	(667.9)	(730.6)	(14.8)	133.0	(612.4)
Other assets and liabilities	(4.1)	(3.7)	(7.8)	(11.7)	(3.5)	3.5	(11.7)
Non-controlling interests	(57.4)	-	(57.4)	(59.5)	-	-	(59.5)
IFRS NAV	685.6	-	685.6	803.3	-	(62.8)	740.5
Fair value of derivatives			12.7	1.9		-	1.9
Deferred tax liabilities			8.2	9.8		-	9.8
EPRA NAV			706.5	815.0		(62.8)	752.2
Diluted number of shares (millions)			380.9	381.3		381.3	381.3
EPRA NAV per share (pence)			185.5	213.8		(16.5)	197.3

⁽¹⁾ Market value adjusted to reflect finance lease liabilities and lease incentives. Includes both investment property and property held for sale.

Excluding the Aviva Portfolio, EPRA net asset value decreased 6.0 per cent to 185.5 pence per share, primarily as a result of a valuation decline within the Group's UK Retail portfolio.

Property portfolio	Valuation ⁽¹⁾				Local currency
	31 August 2019	31 August 2018	Gain/(loss)	Gain/(loss)	Gain/(loss)
Market value of the property portfolio	£m	£m	£m	%	%
UK Commercial	510.6	510.2	(1.2)	(0.2)	(0.2)
UK Hotels	363.3	364.9	(6.8)	(1.9)	(1.9)
UK Retail	255.0	286.0	(33.6)	(11.7)	(11.7)
UK total	1,128.9	1,161.1	(41.6)	(3.6)	(3.6)
Europe	214.9	213.5	1.0	0.5	(0.7)
Like-for-like property portfolio	1,343.8	1,374.6	(40.6)	(2.9)	(3.1)
Acquisitions	47.2	-			
Disposals and loss of control of Aviva	-	213.7			
Development	32.3	32.1			
Total property portfolio market value	1,423.3	1,620.4			

⁽¹⁾ Valuation includes the effect of capital expenditure, amortisation of head leases, tenant lease incentives and foreign currency translation where applicable.

UK Commercial valuations decreased marginally during the year, mainly the result of a weak performance within Regional Offices, where valuations declined 8.4 per cent. The Distribution and Industrial asset valuations continued to perform well, recording a 4.5 per cent like-for-like valuation gain.

The Hotel portfolio valuation decreased by 1.9 per cent, primarily due to refurbishment costs advanced as lease incentives to the RBH managed portfolio of IHG branded hotels. The Group's portfolio of five Travelodge branded hotels performed well, recording a 4.8 per cent increase in like-for-like values.

The downward valuation in UK Retail of £33.6 million was driven by valuation losses across both the remaining UK Shopping Centres, primarily West Orchards, Coventry and across the Retail Park portfolio. The valuation movement was almost entirely due to an outward yield shift and was in line with the UK All Retail IPD index for the comparable 12-month period. The valuation losses reflect continued weak investor sentiment and concerns over retailer viability.

In local currency terms, the European portfolio was marginally down. However, in Sterling terms, a 0.5 per cent increase in values has been recorded.

Debt and gearing

	31 August 2019	31 August 2018 (as reported)	31 August 2018 (excl. Aviva portfolio)
	£m	£m	£m
Nominal value of drawn debt	(700.5)	(808.2)	(663.1)
Cash and short term deposits	33.9	59.8	54.7
Net debt	(666.6)	(748.4)	(608.4)
Market value of the property portfolio	1,423.3	1,620.4	1,425.4
LTV (%)	46.8	46.2	42.7
LTV (% , pro forma) ⁽¹⁾	42.0	47.3	44.0
Weighted average debt maturity (years)	3.7	6.7	2.9
Weighted average interest rate (%)	2.9	3.4	3.0
Interest cover (times) ^{(2) (3)}	3.3	3.5	4.1
Debt with interest rate protection (%)	91.7	99.6	99.6
Undrawn committed facilities	20.0	75.0	75.0

⁽¹⁾ Pro forma LTV adjusted for transactions completed between 31 August and date of result announcement.

⁽²⁾ Pro forma calculated as net rental income over net finance expense.

⁽³⁾ Interest cover, excluding the contribution from the Aviva Portfolio, for the year ended 31 August 2019 was 3.6 times.

Removing the Aviva Portfolio debt from the comparative, the increase in net debt of £58.2 million is principally due to the acquisition of the industrial estate in Farnborough in September 2018 and the phased acquisition of the Bicester distribution units.

Adjusting for sales contracts which have been exchanged since 31 August, the Group's loan to value has reduced by 4.8 per cent to 42.0 per cent from 46.8 per cent at the balance sheet date. Given that leverage reduction is a key strategic priority for the Group, the medium term loan to value target has now been reduced to 30-40 per cent.

Excluding the long dated facility held with Aviva, which has been derecognised, the portfolio's weighted average debt maturity has been extended to 3.7 years following the refinancing of the Group's principal £275.0 million debt facility in January 2019, and the £75.0 million refinancing of the London Serviced Offices portfolio which completed in August 2019.

The weighted average cost of debt has reduced slightly due to the competitive fixed rate achieved on the London Serviced Offices refinancing, 50 basis points below the average cost of the previous facilities.

Cash and undrawn committed facilities at 31 August 2019 was £53.9 million (31 August 2018: £134.8 million), with capital commitments of £16.4 million (31 August 2018: £9.5 million).

Cash flow

	31 August 2019				31 August 2018			
	IFRS	Joint	Aviva	Group	IFRS	Joint	Aviva	Group
	£m	ventures	Portfolio	excl, Aviva	£m	ventures	Portfolio	excl, Aviva
		£m	£m	£m		£m	£m	£m
Continuing operating cash flows	49.2	0.3	(5.6)	43.9	50.3	0.4	(8.1)	42.6
Discontinued operating cash flows	7.2	0.3	-	7.5	7.8	0.3	-	8.1
Operating cash flows	56.4	0.6	(5.6)	51.4	58.1	0.7	(8.1)	50.7
Disposals	0.2	-	-	0.2	74.7	-	-	74.7
Acquisitions and development	(51.9)	-	0.5	(51.4)	(99.3)	-	0.5	(98.8)
Other	(0.1)	-	-	(0.1)	0.7	-	-	0.7
Discontinued investing cash flows	1.3	(0.1)	-	1.2	105.2	0.2	-	105.4
Investing cash flows	(50.5)	(0.1)	0.5	(50.1)	81.3	0.2	0.5	82.0
Net debt drawn/(repaid)	17.1	(0.2)	0.4	17.3	(74.0)	(0.4)	0.8	(73.6)
Cash lost on Aviva derecognition	(17.5)	-	-	(17.5)	-	-	-	-
Dividends paid	(40.9)	-	-	(40.9)	(41.1)	-	-	(41.1)
Other	(4.5)	-	-	(4.5)	(8.6)	-	-	(8.6)
Discontinued financing cash flows	13.3	(0.2)	-	13.1	(8.5)	(0.3)	-	(8.8)
Financing cash flows	(32.5)	(0.4)	0.4	(32.5)	(132.2)	(0.7)	0.8	(132.1)
Impact of foreign exchange movement	0.6	-	-	0.6	(1.0)	-	-	(1.0)
Net cash flow	(26.0)	0.1	(4.7)	(30.6)	6.2	0.2	(6.8)	(0.4)

Operating cash flows are aligned to the Group's underlying earnings and are a key metric for ensuring dividend cover. Operating cashflows excluding cashflows generated from the Aviva finance UK Shopping Centre Portfolio remain comfortably above dividend payments. The overall net cash outflow reflects both borrowing and net reinvestment activity following capital recycling activity in the prior year. On derecognition of the Aviva Portfolio, the Group lost £17.5 million which had been retained in restricted accounts since the initial event of default.

Dividend

The Directors have declared a second interim dividend of 6.0 pence per share for 2019, which will be paid on 10 December 2019 to shareholders on the register on 22 November 2019.

The full year dividend of 10.0 pence per share represents a 76.9 per cent pay-out ratio on underlying earnings, below the Group's target of 90-95 per cent. The Board has had to carefully consider its liquidity requirements in light of the operational cash flows which were restricted within the Aviva facility up to the point of derecognition in April and were therefore unavailable for distribution to shareholders.

It remains the Company's intention to continue to meet the UK REIT rules in respect of distributions. These rules require the Company to pay a minimum of 90 per cent of its UK Group property rental profits to shareholders within 12 months of its financial year end. In respect of the current year, this requirement has been met.

Going concern

At 31 August 2019, the Group's cash and undrawn facilities were £53.9 million and its capital commitments were £16.4 million. The Directors have considered severe but plausible downside scenarios, particularly in light of the current political and economic uncertainty faced as a result of the UK's anticipated departure from the European Union. Full details of these, including key assumptions, are set out in the Group's Viability Statement.

The Directors continue to be satisfied that the security of the Group's underlying income, headroom against financial covenants and strong interest cover taken together with the proceeds from sales contracts exchanged subsequent to the balance sheet date, provide a reasonable expectation that the Group will have the resources it requires to meet ongoing and future commitments. Accordingly, the 2019 consolidated financial statements have been prepared on a going concern basis.

Donald Grant

Chief Financial Officer

24 October 2019

EPRA disclosures

The following is a summary of the EPRA performance measures included in the Group's results, which are a set of standard disclosures for the property industry as defined by the EPRA Best Practice Recommendations.

Measure	Definition of measure	Note/ reference	2019	2018
Earnings	Earnings from operational activity	Note 32	£48.8m	£51.9m
Net asset value	NAV adjusted for investments held at fair value and excluding items not expected to be realised	Note 33	£706.5m	£815.0m
Triple net asset value	EPRA NAV adjusted to include fair value of financial instruments, debt and deferred taxes	Note 33	£682.6m	£799.6m
Net initial yield	Annualised income based on passing rent less non-recoverable operating expenses expressed as a percentage of the market value of property	Other information	5.4%	5.6%
Topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives	Other information	5.6%	5.8%
Vacancy rate	Estimated rental value of vacant space divided by that of the portfolio as a whole ⁽¹⁾	Other information	4.1%	2.9%
Cost ratio (incl. direct vacancy costs)	Administrative and operating costs expressed as a percentage of gross rental income	Other information	19.6%	20.1%
Cost ratio (excl. direct vacancy costs)	Administrative and operating costs, adjusted for direct vacancy costs, expressed as a percentage of gross rental income	Other information	16.4%	15.6%
Like-for-like rental income	Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income. Is used to illustrate change in comparable income values	Financial review	-	2.1%
Like-for-like capital	Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development. Is used to illustrate change in comparable capital values	Financial review	(2.9%)	0.1%

⁽¹⁾ Presented as EPRA occupancy rate (the inverse of vacancy rate) in the operating review.

Other EPRA investment property reporting

Accounting basis

Refer to accounting policies adopted in relation to the Group's property portfolio in Note 2 of the financial statements.

Valuation information

Refer to Note 15 of the financial statements for valuation information.

Investment and development assets

Refer to the Operating Review for detailed disclosure on the Group's sub-portfolio metrics and further information on the Group's significant development projects during the year ended 31 August 2019.

Capital expenditure analysis

Refer to other information for detailed disclosure on the Group's capital expenditure during the year ended 31 August 2019.

Other Alternative Performance Measures

An alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of an entity which is not a financial measure defined or specified in IFRS. APMs are presented to provide a balanced view and useful information to the readers of the Group's results and are consistent with industry standards. The Group has considered the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in disclosing additional information on its APMs.

All APMs are prepared on a proportionate basis to align with how the Group is managed. Further discussion of these measures can be found in the financial review. The table below summarises the additional non-EPRA APMs included in these results.

Measure	Definition of measure	Note/ reference	2019	2018
Underlying earnings	EPRA earnings adjusted for the impact of non-cash debt accretion charges and FX gains and losses reflected in the income statement	Note 32	£49.4m	£53.5m
Headline earnings	Additional earnings per share measure as required by the JSE which exclude separately identifiable remeasurements in accordance with Circular 04/2018	Note 32	£37.7m	£57.1m
Net debt	Total nominal value of the Group's proportionate bank borrowings, less cash and cash equivalents	Note 22	£666.6m	£748.4m
Loan to value	The ratio of net debt divided by the market value of investment property	Financial review	46.8%⁽¹⁾	46.2% ⁽¹⁾
Interest cover	The Group's net rental income divided by net finance expenses	Other information	3.3	3.5
Dividend pay-out ratio	Total dividend per share paid out to shareholders relative to the underlying earnings per share during the year	Other information	76.9%	95.1%
Rent collection rate	Collection of quarterly rent as a percentage of total rent within seven days of billing	N/A	96.3	98.0

⁽¹⁾ Pro forma adjusted to 42.0 per cent to reflect transactions between 31 August and the date of the results announcement (31 August 2018: 47.3%).

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's Annual Report 2019. Certain parts of the Annual Report are not included in this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group.

Signed on behalf of the Board on 24 October 2019

Mike Watters

Chief Executive Officer

Donald Grant

Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

for the year ended 31 August 2019

		Year ended 31 August 2019 £m	Re-presented ⁽¹⁾ year ended 31 August 2018 £m
Continuing operations	Note		
Revenue	3	93.5	95.1
Rental income	4	90.8	93.3
Rental expense	5	(10.0)	(8.6)
Net rental income		80.8	84.7
Other operating income	6	2.7	1.8
Administrative costs and other fees	7	(13.2)	(13.4)
Net operating income		70.3	73.1
(Loss)/gain on revaluation of investment property	15	(56.6)	4.7
Gain on revaluation of investment property held for sale	21	-	0.9
(Loss)/gain on disposal of investment property	15	(1.7)	1.6
Gain on disposal of investment property held for sale	21	-	1.8
Loss on disposal of subsidiaries	8	-	(0.7)
Loss of control of Aviva Portfolio	9	(55.6)	-
(Loss)/gain on acquisition of subsidiaries	10	(0.4)	4.4
Other expenses	11	(0.2)	(0.4)
Foreign exchange loss		-	(0.8)
(Loss)/profit from operations		(44.2)	84.6
Finance income	12	0.2	0.2
Finance expense	12	(25.6)	(26.5)
Other finance expense	13	(0.3)	-
Change in fair value of derivative financial instruments		(9.4)	5.5
(Impairment)/impairment reversal of associate and continuing joint venture interest	16,17	(1.4)	0.1
Share of post-tax profit from associate	17	0.9	0.3
(Loss)/profit before tax		(79.8)	64.2
Taxation	14	(0.3)	(0.8)
(Loss)/profit for the year attributable to continuing operations		(80.1)	63.4
Profit from discontinued operation ⁽²⁾	3	5.3	32.9
(Loss)/profit for the year		(74.8)	96.3
<i>(Loss)/profit attributable to:</i>			
Equity holders of the Parent			
From Continuing operations		(82.4)	57.4
From Discontinued operation		4.8	31.5
		(77.6)	88.9
Non-controlling interests			
From Continuing operations	28	2.3	6.0
From Discontinued operation	28	0.5	1.4
		2.8	7.4
		(74.8)	96.3
Earnings per share			
Weighted average number of shares (millions)	32	380.1	377.3 ⁽³⁾
Diluted weighted average number of shares (millions)	32	380.1	378.5 ⁽³⁾
Earnings per share from Continuing operations			
Basic earnings per share (pence)	32	(21.7)	15.2
Diluted earnings per share (pence)	32	(21.7)	15.2
Total earnings per share			
Basic earnings per share (pence)	32	(20.4)	23.6 ⁽³⁾
Diluted earnings per share (pence)	32	(20.4)	23.5 ⁽³⁾

⁽¹⁾ Refer to Note 2.2 Basis of Preparation regarding the re-presentation of comparatives on reclassification of the Europe Segment as a Discontinued operation.

⁽²⁾ Included in profit from discontinued operation is the Group's share of post-tax profits from joint ventures of £0.9 million (31 August 2018: £Nil). Refer to Note 16.

⁽³⁾ As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative weighted average number of shares and related earnings per share have been re-presented. Refer to Note 26.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2019

		Year ended 31 August 2019 £m	Re-presented ⁽¹⁾ year ended 31 August 2018 £m
	Note		
(Loss)/profit for the year		(74.8)	96.3
Other comprehensive income/(expense)			
<i>Items that may be transferred to the income statement</i>			
Other comprehensive income/(expense) from discontinued operation		0.9	(5.5)
Total other comprehensive income/(expense)		0.9	(5.5)
Total comprehensive (expense)/income for the year		(73.9)	90.8
Total comprehensive (expense)/income attributable to:			
Equity holders of the Parent		(76.7)	83.4
Non-controlling interests	28	2.8	7.4
		(73.9)	90.8
Total comprehensive (expense)/income attributable to equity holders of the Parent arising from:			
Continuing operations		(80.1)	63.4
Discontinued operation		6.2	27.4
		(73.9)	90.8

⁽¹⁾ Refer to Note 2.2 Basis of Preparation regarding the re-presentation of comparatives on reclassification of the Europe Segment as a discontinued operation.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 August 2019

	Note	31 August 2019 £m	31 August 2018 £m
Non-current assets			
Investment property	15	1,150.3	1,598.0
Investment in joint ventures	16	2.9	1.9
Loans to joint ventures	16	5.1	5.2
Investment in associate	17	7.6	9.1
Other non-current assets	18	0.9	1.3
Derivative financial instruments	23	-	1.1
Other receivables	19	10.1	11.2
Total non-current assets		1,176.9	1,627.8
Current assets			
Trade and other receivables	19	22.8	7.1
Cash and cash equivalents	20	33.0	59.0
		55.8	66.1
Non-current assets and disposal group held for sale	21	242.3	-
Total current assets		298.1	66.1
Total assets		1,475.0	1,693.9
Non-current liabilities			
Borrowings, including finance leases	22	(657.4)	(784.2)
Derivative financial instruments	23	(12.7)	(2.9)
Deferred tax	24	(7.5)	(9.5)
Other payables	25	(0.1)	(0.2)
Total non-current liabilities		(677.7)	(796.8)
Current liabilities			
Borrowings, including finance leases	22	(29.1)	(5.4)
Trade and other payables	25	(24.0)	(26.9)
Derivative financial instruments	23	(0.1)	-
Current tax		(1.1)	(2.0)
Total current liabilities		(54.3)	(34.3)
Total liabilities		(732.0)	(831.1)
Net assets		743.0	862.8
Equity			
Share capital	26	152.0	152.0
Share premium	26	534.6	534.6
Other components of equity		(1.0)	116.7
Total attributable to equity holders of the Parent		685.6	803.3
Non-controlling interests	28	57.4	59.5
Total equity		743.0	862.8

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 24 October 2019 and were signed on its behalf by:

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2019

	Note	Share capital £m	Share premium £m	Retained profit/ (loss) £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2018		152.0	534.6	95.5	3.3	17.9	803.3	59.5	862.8
Loss for the year		-	-	(77.6)	-	-	(77.6)	2.8	(74.8)
<i>Items that may be transferred to the income statement</i>									
Other comprehensive income from discontinued operation – foreign currency translation		-	-	-	-	0.9	0.9	-	0.9
Total comprehensive (expense)/income for the year		-	-	(77.6)	-	0.9	(76.7)	2.8	(73.9)
Transactions with equity holders of the Parent									
Dividends paid		-	-	(40.9)	-	-	(40.9)	-	(40.9)
Release of non-distributable reserve	27	-	-	1.0	(1.0)	-	-	-	-
Release of share-based payment reserve	27	-	-	1.7	(1.7)	-	-	-	-
Additional payment in relation to restricted stock plan	27	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Fair value of share-based payments	27	-	-	-	0.2	-	0.2	-	0.2
		-	-	(38.5)	(2.5)	-	(41.0)	-	(41.0)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	28	-	-	-	-	-	-	(4.9)	(4.9)
		-	-	-	-	-	-	(4.9)	(4.9)
Balance at 31 August 2019		152.0	534.6	(20.6)	0.8	18.8	685.6	57.4	743.0

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2018

		Share capital £m	Share premium £m	Retained profit £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non- controlling interests £m	Total equity £m
Balance at 1 September 2017	Note	146.2	511.8	54.8	4.2	23.4	740.4	21.8	762.2
Profit for the year		-	-	88.9	-	-	88.9	7.4	96.3
<i>Items that may be transferred to the income statement</i>									
Re-presented									
Other comprehensive expense from discontinued operation - foreign currency translation		-	-	-	-	(5.5)	(5.5)	-	(5.5)
Total comprehensive income/(expense) for the year		-	-	88.9	-	(5.5)	83.4	7.4	90.8
Transactions with equity holders of the Parent									
Issue of shares	26	4.9	19.4	-	-	-	24.3	-	24.3
Scrip dividends	26	2.0	7.5	(9.0)	-	-	0.5	-	0.5
Buy-back of shares	26	(1.1)	(4.1)	-	-	-	(5.2)	-	(5.2)
Dividends paid		-	-	(41.1)	-	-	(41.1)	-	(41.1)
Release of share-based payment reserve	27	-	-	1.8	(1.9)	-	(0.1)	-	(0.1)
Fair value of share-based payments	27	-	-	-	1.0	-	1.0	-	1.0
		5.8	22.8	(48.3)	(0.9)	-	(20.6)	-	(20.6)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	28	-	-	-	-	-	-	(3.4)	(3.4)
Recognition of non-controlling interest on acquisition of subsidiaries	28	-	-	-	-	-	-	33.8	33.8
Net gain on acquisition of non-controlling interests	28	-	-	0.1	-	-	0.1	(0.1)	-
		-	-	0.1	-	-	0.1	30.3	30.4
Balance at 31 August 2018		152.0	534.6	95.5	3.3	17.9	803.3	59.5	862.8

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2019

		Year ended 31 August 2019 £m	Re-presented ⁽¹⁾ Year ended 31 August 2018 £m
Continuing operations	Note		
Cash generated from operations	29	71.6	75.3
Interest received		0.2	-
Interest paid		(22.6)	(24.5)
Tax paid		-	(0.5)
Net cash inflow from continuing operating activities		49.2	50.3
Discontinued operation			
Net cash inflow from discontinued operating activities		7.2	7.8
Net cash inflow from discontinued operating activities		7.2	7.8
Net cash inflow from operating activities		56.4	58.1
Cash flows from investing activities			
Cash acquired on acquisition of subsidiaries	10	-	7.8
Acquisition of subsidiaries	10	(0.4)	(80.6)
Net cash disposed on sale of subsidiaries	8	-	(0.2)
Net proceeds on sale of subsidiaries	8	(0.3)	23.8
Net proceeds on sale of investment property	15	0.5	16.8
Net proceeds on sale of investment property held for sale	21	-	33.0
Purchase and development of investment property		(51.4)	(25.9)
Acquisition of property, plant and equipment	18	(0.1)	(0.6)
Distributions from associate	17	1.0	0.7
Disposal of other non-current assets held for sale	31	-	1.3
Settlement of taxes relating to investment held at fair value		(1.1)	-
Net cash outflow from continuing investing activities		(51.8)	(23.9)
Discontinued operation			
Net cash inflow from discontinued investing activities		1.3	105.2
Net cash inflow from discontinued investing activities		1.3	105.2
Net cash (outflow)/inflow from investing activities		(50.5)	81.3
Cash flows from financing activities			
Share issue costs paid		-	(0.1)
Buy-back of shares	26	-	(5.2)
Proceeds from borrowings	22	102.0	10.0
Repayment of borrowings	22	(80.9)	(83.8)
Cash disposed on loss of control of Aviva Portfolio ⁽²⁾	9	(17.5)	-
Other finance expense		(4.0)	(0.2)
Dividends paid to equity holders		(40.9)	(41.1)
Dividends paid to non-controlling interests	28	(3.8)	(3.4)
Acquisitions from non-controlling interests		-	0.1
Movement in restricted cash and cash equivalents		(0.7)	-
Net cash outflow from continuing financing activities		(45.8)	(123.7)
Discontinued operation			
Net cash inflow/(outflow) from discontinued financing activities		12.6	(8.5)
Movement in restricted cash and cash equivalents		0.7	-
Net cash inflow/(outflow) from discontinued financing activities		13.3	(8.5)
Net cash outflow from financing activities		(32.5)	(132.2)
Net (decrease)/increase in unrestricted cash and cash equivalents		(26.6)	7.2
Effect of exchange rate fluctuations on cash and cash equivalents		0.6	(1.0)
Unrestricted cash and cash equivalents at 1 September		58.3	52.1
Unrestricted cash and cash equivalents at 31 August		32.3	58.3
Restricted cash and cash equivalents at 31 August		0.7	0.7
Cash and cash equivalents at 31 August		33.0	59.0

⁽¹⁾ Refer to Note 2.2 Basis of Preparation regarding the re-presentation of comparatives on reclassification of the Europe Segment as a discontinued operation.

⁽²⁾ The £17.5 million cash outflow as a result of loss of control of the Aviva Portfolio is considered to be a cash flow from financing activities at this was the cumulative cash that the lender, Aviva, had restricted since the Group first reported an event of default, in line with the terms of the facility agreement. Refer to Note 9 for further information on loss of control of the Aviva Portfolio.

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2019

1. GENERAL INFORMATION

RDI REIT P.L.C. (formerly Redefine International P.L.C.) was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 111198C) and was re-registered under the Isle of Man Companies Act 2006 on 3 December 2013 (Registered Number: 010534V). On 4 December 2013, the Company converted to a UK REIT and transferred its tax residence from the Isle of Man to the United Kingdom ("UK"). The Company holds a primary listing on the Main Market of the London Stock Exchange ("LSE") and a secondary listing on the Main Board of the Johannesburg Stock Exchange ("JSE").

The financial information presented here does not amount to statutory financial statements. The Annual Report 2019 for the year ended 31 August 2019 will be available on the Company's website (www.rdireit.com) in early December 2019. The auditor, KPMG, has reported on the audited financial statements and its report was unmodified. A copy is available upon request from the Company's registered office at Merchant's House, 24 North Quay, Douglas, Isle of Man, IM1 4LE.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 August 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The relevant new standards, amendments and interpretations that have been adopted during the year are set out in the following table:

International Financial Reporting Standard
IFRS 9 'Financial Instruments' ("IFRS 9")
IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15")
IAS 40 'Investment Property' (amendment)

IFRS 9 applies to the recognition, classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for the Group from 1 September 2018. The changes required to the recognition and classification of financial instruments do not have a quantitative impact on the financial statements and the Group does not apply hedge accounting. The changes required in assessing substantial modification of financial liabilities, namely consideration of the transaction as a whole, will not result in adjustments to the treatment of debt restructurings that have been recognised in the Group's financial statements. The introduction of the expected credit losses model replaces the incurred loss model but does not have a material impact on the net asset position of the Group as it applies primarily to trade receivables and loans to joint ventures. As at 31 August 2019, trade receivables, gross of impairment, accounted for £1.3 million or 0.2 per cent of total net assets of £743.0 million. At 31 August 2019, the Group's recognised joint venture was in a net asset position, had serviced all payment obligations under the loan advanced and the loan was not considered impaired. The introduction of the credit loss model would not result in an impairment of this loan on transition to IFRS 9 as the probability of default is low. The expanded disclosure requirements and changes to presentation, change the nature and extent of the disclosures made by the Group.

IFRS 15 is the new standard for the recognition of revenue, replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and is effective for the Group from 1 September 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and sets out a five-step model for revenue recognition. IFRS 15 does not apply to rental income (which is currently measured in accordance with IAS 17, to be replaced by IFRS 16 as discussed below) which is the Group's primary revenue stream but does apply to other sources of income generated by the Group such as: service and management fee income and income from corporate and property disposals. The Group has considered the criteria of IFRS 15, in particular with reference to the income generated from several ancillary services offered to the customers in the serviced offices (£2.9 million for the year) and has determined that the new standard does not have a material quantitative impact on the Group and has resulted in minimal qualitative changes to revenue disclosures.

The Group adopted the amendments to IAS 40 using the prospective application method permitted by the standard. The Group has assessed the impact of the amendment to IAS 40 on the classification of existing property as at 1 September 2018 and has concluded that no reclassifications are required on adoption of the amendment.

Disclosed in the table below are the relevant new standards, amendments and interpretations that have been issued by the IASB but are not yet effective or have not been early adopted.

International Financial Reporting Standards	Effective annual periods beginning on or after:
Annual improvements to IFRSs 2015-2017 cycle	
IFRS 3 'Business Combinations' (amendment) ("IFRS 3")	1 January 2019
IFRS 11 'Joint Arrangements' (amendment) ("IFRS 11")	1 January 2019
IAS 12 'Income Taxes' (amendment) ("IAS 12")	1 January 2019
IAS 23 'Borrowing Costs' (amendment) ("IAS 23")	1 January 2019
<i>Other amendments</i>	
IFRS 9 'Financial Instruments' (amendment) ("IFRS 9")	1 January 2019
IFRS 16 'Leases' ("IFRS 16")	1 January 2019
IAS 19 'Employee Benefits' (amendment) ("IAS 19")	1 January 2019
IAS 28 'Investments in Associates and Joint Ventures' (amendment) ("IAS 28")	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019

The Group has assessed the impact of the new standards and those standards which could be expected to have an impact on the consolidated financial statements are discussed in further detail below.

IFRS 16 is the new leasing standard and will be effective for the Group from 1 September 2019. Accounting for leases whereby the Group is the lessor will not significantly change under the new leasing standard. Changes required to leasing arrangements whereby the Group acts as lessee, however, will result in the recognition of operating leases as a liability on the Group's balance sheet with corresponding right-of-use assets. The Group holds long leasehold interests in certain hotel and serviced office properties acquired during 2018 that have been treated as operating leases, after due consideration of the risks and rewards of ownership. Refer to Note 22 regarding the non-cancellable investment property operating lease commitments at 31 August 2019. The Group estimates that the adoption of IFRS 16 on 1 September 2019 will result in the recognition of lease liabilities of £40.9 million in relation to these interests. Corresponding right-of-use assets will be recognised in Investment Property. As the Group will apply the simplified transition allowed under the Standard comparatives will not be restated and there will be no impact on the Group's opening net asset value. Subsequent to transition, operating lease charges currently recognised as rental expense will be replaced by depreciation charges and finance costs – being the incremental borrowing rate inherent in the lease liabilities. Although there will be increased charges to income statement initially, the cumulative expense will even out over the term of the lease as the finance costs reduce.

2.2 BASIS OF PREPARATION

The consolidated financial statements are presented in Great British Pounds, which is the functional currency of the Company and the presentational currency of the Group and rounded to the nearest hundred thousand pounds. They are prepared using the historical cost basis except for investment property, certain assets held for sale, derivative financial instruments and financial instruments designated at fair value through profit and loss, all of which are carried at fair value.

RE-PRESENTATION OF PRIOR YEAR COMPARATIVES

The Group has determined that the co-ordinated sale of the Europe portfolio, being a segment in line with the criteria of IFRS 8 'Operating Segments', meets the criteria of a disposal group held for sale and further, constitutes a discontinued operation as a separable cash-generating unit and geographical operation of the Group. To comply with the presentation requirements of IFRS 5, the post-tax profit and other comprehensive income of the Europe segment have been presented separately in the income statement and statement of other comprehensive income, in addition to the cash flows of the segment under the relevant activities in the statement of cash flows. Comparative profit and loss, cash flow statements and related notes have been re-presented. The Europe portfolio assets are presented separately under current assets on the balance sheet but comparative balance sheet information has not been reclassified.

These presentational changes have no impact on the Group's total earnings, net asset position or cash flows in the current or prior year.

SHARE CONSOLIDATION AND SUBSEQUENT RE-PRESENTATION

Following shareholder approval at the Company's Annual General Meeting, the Company completed a consolidation of its shares on a one for five basis, with the nominal value per share increasing from 8 pence to 40 pence per share. The Company's issued share capital on the record date for the consolidation, being Friday 8 February 2019, was 1,900,449,536. On Monday 11 February 2019, the first day of trading in the newly consolidated shares, the Company's issued share capital stood at 380,089,923. Where applicable throughout the consolidated financial statements, the comparative "per share" numbers have been re-presented accordingly.

GOING CONCERN

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason the financial statements have been prepared on a going concern basis. Please refer to the Financial Review for more detailed disclosure on the going concern assessment.

2.3 KEY JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results may differ materially from those estimates.

The principal areas where such judgements and estimates have been made are detailed below:

JUDGEMENTS

CORPORATE AND PROPERTY ACQUISITIONS

When control is obtained over an entity or group of entities, judgement is required in determining whether the transaction constitutes a business combination with reference to the inputs, processes and outputs of the subsidiary or subsidiary group acquired. If it is determined that the transaction is a business combination, the requirements of IFRS 3 'Business Combinations' ("IFRS 3") are applied. There were no corporate acquisitions during 2019. During the year ended 31 August 2018, the corporate acquisitions of the IHL and LSO Portfolio were determined to be business combinations.

In addition, when a property is acquired directly, the Directors have regard to the substance of the transaction and whether related processes and activities have been assumed which would represent a business. When such an acquisition is considered to be the acquisition of a business, the requirements of IFRS 3 apply as above, otherwise the transaction is treated as an acquisition of a property asset in line with IAS 40. During the year ended 31 August 2019, the two properties acquired by the Group were considered to be asset acquisitions (31 August 2018: one asset acquisition).

LOSS OF CONTROL OF SUBSIDIARIES

The Group controls an investee when it:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee.

Although control is not based solely on legal ownership, control is ordinarily assumed by the Group over an investee for which the Group holds the majority of the issued share capital and voting rights and where there are no other third-party arrangements in place that alter or constrain the Group's decision-making ability regarding that investee. Conversely, the Group ordinarily assumes a loss of control on completion of the contractual sale of the Group's equity interests in an investee on fair value terms with an independent third party. Where other factors do exist, such as the enforceable rights of a lender under bank debt covenants in the event of default, as is the Aviva position subsequent to the Group's covenant breach, the Group must consider whether the three criteria for control set out above continue to be met. If any one of the criteria is not met, the Group does not or has ceased to control the investee and does not consolidate the results of that investee. Refer for to Note 9 for further information on the derecognition of the Aviva Portfolio.

CLASSIFICATION OF UK HOTELS AS INVESTMENT PROPERTY

The UK Hotels are held for capital appreciation and to earn rental income. Apart from five Travelodge branded hotels, the hotels have been let to wholly owned subsidiaries of RBH Hotel Group Limited (collectively "RBH"), on lease terms which are subject to annual review. At each review, the revised rent is set with reference to the forecast EBITDA of each hotel. RBH runs the hotels' operating business and is therefore exposed to fluctuations in the underlying trading performance of each hotel under management. RBH is responsible for the key decision making of the business operations and the day-to-day upkeep of the properties. The Group is not involved with the operation of the hotel management business and there are limited transactions between RDI and RBH. As a result, the hotels are classified as investment property in accordance with IAS 40.

The Group cumulatively holds a 25.3 per cent shareholding in RBH. Having considered the guidance in IFRS 10 'Consolidated Financial Statements' ("IFRS 10"), the respective rights of each of the shareholders in RBH and the relative size of the Group's shareholding, the Directors have determined that the Group has the ability to exercise significant influence over but does not control RBH. The investment in RBH has therefore been classified as an associate.

LEASE CLASSIFICATION

The Group considers the appropriateness of the classification of its leasehold interests in investment property as operating or finance leases on a property-by-property basis, based on the terms and conditions of each lease on inception. The assessment is based on a balanced evaluation of both the specific contractual terms and substance of each arrangement, such as: the lease term constituting a major part of the economic life of the property; the fair value of each asset relative to present value of minimum lease payments; a qualitative review of the transfer of the significant risks and rewards of ownership; and the allocation of the lease payments to the land and building elements of each property. In particular, judgement was required on the classification of the leasehold interests acquired as part of the IHL and LSO Portfolio corporate transactions during the year ended 31 August 2018.

ESTIMATES

INVESTMENT PROPERTY VALUATION

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers make reference to market evidence of transaction prices for similar properties. Where there is a lack of comparable transactional evidence, as is currently the case for UK shopping centres, then the degree of potential variability in valuations may widen. Further details in respect of assumptions and estimation uncertainties are provided in Note 15.

2.4 ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

INVESTMENT IN SUBSIDIARIES

A subsidiary undertaking is an investee controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated in the Group's financial statements from the date on which control commences until the date that control ceases. The Group reassesses whether it controls a subsidiary when facts and circumstances indicate that there are changes to one or more elements of control.

The Group accounts for business combinations using the acquisition method, under which the consideration transferred is measured at fair value, and acquisition related costs are recognised in the income statement as incurred. Any excess in the purchase price of business combinations over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill while any discount received is credited immediately to the income statement. If it is determined that an acquisition does not constitute a business combination, the transaction is accounted for as an asset acquisition and the relevant IFRSs are applied in the recognition of a group of assets and liabilities. No goodwill arises on initial recognition but any premium paid or discount received is allocated to the individual identifiable assets and liabilities based on their relative fair values.

The Group recognises non-controlling interests on the basis of their proportionate share in the subsidiary's identifiable net assets. Non-controlling interests are presented separately from the equity of the owners of the Parent on the balance sheet. Profit or loss and total comprehensive income for the year attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

If the Group loses control of a subsidiary, the Group:

- derecognises the assets (including any goodwill) and liabilities of the former subsidiary at their carrying amounts at the date control is lost;
- derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date control is lost (including amounts of other comprehensive income attributed to non-controlling interests);
- recognises the fair value of any consideration received;
- reclassifies to profit or loss, or transfers directly to retained earnings, amounts recognised in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Parent had directly disposed of the related assets or liabilities;
- recognises any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- recognises any resulting difference of the above items as a gain or loss in the income statement.

The Group subsequently accounts for any investment retained in the former subsidiary in accordance with IFRS 9 or when appropriate, in accordance with IAS 28. For a change in the Group's interest in a subsidiary that does not result in a loss of control, the Group adjusts the carrying amounts of the controlling and non-controlling interest to reflect the changes in their relative interests. Any difference between the value of the non-controlling interest acquired or disposed of and the fair value of the consideration is recognised directly in equity and attributed to the equity holders of the Parent.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances, transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Associates are entities over whose financial and operating policies the Group has the ability to exercise significant influence but not control and which are neither subsidiaries nor joint arrangements. The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's contractual rights to the assets and obligations for the liabilities. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms and other facts and circumstances specific to each transaction.

Investments in associates and joint ventures are initially recorded at cost and subsequently increased or decreased each year by the Group's share of the post-acquisition net profit or loss and other movements recognised in other comprehensive income or directly in equity. The Group's share of the post-tax results of the associate or joint venture reflects the Group's proportionate interest in the relevant undertaking.

Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment. When the Group's share of losses in an associate or joint venture has reduced the carrying amount to zero, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations to make payments on behalf of the associate or joint venture.

As goodwill forms part of the carrying amount of the net investment, it is not recognised separately and it is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset where there is objective evidence that the investment may be impaired. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate or joint venture increases.

Capital contributions result from the non-reciprocal transfer of resources to an associate or joint venture without a corresponding increase in the Group's equity interest. Capital contributions are also accounted for as an increase in the Group's net investment and are subject to impairment.

Unrealised gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities.

Where the Group obtains significant influence or joint control over an investment that was previously accounted for as a financial instrument under IFRS 9, the Group's previously held interest is re-measured to fair value through profit or loss. The deemed cost of the associate or joint venture is the fair value of the existing investment plus the fair value of any consideration given to achieve significant influence or joint control.

When the Group ceases to have significant influence or joint control, it is accounted for as a disposal of the entire interest under the equity method, with a resulting gain or loss being recognised in the income statement. Any retained interest in the investment at the date when significant influence or joint control is lost is recognised at fair value on initial recognition of a financial asset or, when appropriate, treated as the deemed cost on initial recognition of an investment in an associate.

Any gain or loss on the dilution of an interest in an equity accounted investee is calculated as the difference between the carrying amounts of the investment in the equity accounted investee, immediately before and after the transaction that resulted in the dilution and is recognised in the income statement.

INTANGIBLE ASSETS

Intangible assets arising on business combinations are carried at cost less impairment. Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over their estimated useful life from the date that they are available for use.

CURRENCY TRANSLATION

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date that the values are determined.

FOREIGN OPERATIONS

Exchange differences arising from the translation of the net investment in foreign operations are taken to the foreign currency translation reserve. Cumulative exchange differences are subsequently released to the income statement upon disposal or partial disposal. On consolidation, the balance sheets of foreign subsidiaries are translated at the closing rate and the income statement and statement of comprehensive income are translated at the transaction date rates or at an average rate for the year where this is a reasonable approximation.

REVENUE RECOGNITION

Rental income, including fixed stepped rent, is recognised in the income statement on a straight-line basis over the lease term. Tenant lease incentives, including rent-free periods granted and cash contributions paid, which are an integral part of securing leases, are amortised as a reduction of rental income over the lease term. Surrender premiums that are paid by the Group to tenants to vacate a property are also treated as lease incentives if the surrender results in an enhanced future rental income stream. Licence fee income from customers of the London Serviced Office portfolio is recognised on a basis consistent with rental income from other tenants of the Group, albeit shorter term in nature. Room-hire income of this portfolio is recognised at the fair value of the consideration receivable once the room has been availed of.

Contingent rents are recognised as they arise. Rent reviews are recognised as income or as a reduction thereof from the date it is probable that the revised terms will be agreed. Surrender premiums paid by the tenant to terminate a lease early are recognised immediately in the income statement.

Other income includes service fees, management fees and other general property related income. Service fee income is recognised when the services have been rendered by the Group, the associated costs and recharge margin on those costs can be measured reliably and with reference to the stage of completion of the service. Management fees receivable from joint ventures are recognised in other income during the year in which the services are rendered and specific performance fees are recognised if the performance targets are satisfied over the investment period on disposal of property interests. All sources of other income are only recognised when it is probable that the economic benefits will flow to the Group.

Interest earned on loans receivable and on cash invested is recognised on an accruals basis using the effective interest rate method.

SERVICE CHARGES

Where the Group invoices budgeted service charges to tenants, amounts received are not recognised as income as the risks in relation to the subsequent provision of actual goods and services are primarily borne by the tenants during the service charge period. Consequently, amounts received are recognised as a liability on the balance sheet and reduced by the actual service charge expenditure incurred. Any non-recoverable service charge expenses suffered by the Group, as a result of void or capped units, are included within rental expense in the income statement.

EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

Employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period during which employees have provided services. Bonuses are recognised to the extent that the Group has a legal or constructive obligation to its employees that can be measured reliably.

Share-based incentives are provided to certain employees and Executive Directors for services rendered. The Group's share-based payments are all equity-settled. The fair value of each award granted is calculated at the grant date, using the Monte Carlo and Black-Scholes valuation methodologies. The fair value is not subsequently re-measured and is recognised in the share based payment reserve in equity on a straight-line basis over the vesting period as adjusted for the Group's estimate of the awards that will eventually vest at each reporting date. The corresponding compensation cost is recognised as an administrative expense over the vesting period. At the end of the performance period, a reserves transfer occurs with no further charge reflected in the income statement.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income.

Current tax is based on taxable profit or loss for the year and is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income that are not taxable or expenses that are not tax deductible.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their relative tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement, using tax rates enacted or substantively enacted at the reporting date.

The following temporary differences are not provided for: those arising from goodwill not deductible for tax purposes; those arising from the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and those relating to investments in subsidiaries and joint ventures where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are provided only to the extent that there are not sufficient tax losses to shield the charge.

INVESTMENT PROPERTY

In accordance with IAS 40, Paragraph 14, judgement may be required to determine whether a property qualifies as investment property. The Group has developed criteria so that it can exercise judgement consistently in recognising investment property, namely: property held for long term capital appreciation; property owned (or held under finance leases) and leased out under one or more operating leases; and property that is being developed for future use as investment property. The recognition and classification of property as investment property principally assumes that the Group:

- does not retain significant exposure to the variation in cash flows arising from the underlying operations of tenants; and
- will recover the carrying value through continuing rental income streams and longer-term capital appreciation.

Investment properties are initially recognised at cost, including directly attributable transaction costs, and subsequently measured at fair value. The portfolios are valued on a bi-annual basis by external, independent and professionally qualified valuers, having recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which the property could be exchanged on a highest and best use basis between a willing buyer and seller in an arm's length transaction.

The valuations are determined by considering comparable and timely market transactions for sales and lettings and having regard for the current leases in place. In the case of lettings, this includes consideration of the aggregate net annual market rents achievable for the property and associated costs. A yield which reflects the risks inherent in the future cash flows is applied to the net annual rents to arrive at the property valuation.

The bi-annual valuations of investment property are based upon estimates and subjective judgements that may vary materially from the actual values and sales prices that may be realised by the Group upon ultimate disposal. The critical assumptions made in determining the valuations have been included in Note 15 to the financial statements.

In determining fair value, the market value of the property as determined by the independent valuers is reduced by the carrying amount of tenant lease incentives and increased by the carrying amount of fixed head leases.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the year in which they arise.

Subsequent expenditure is capitalised to investment property when the expenditure incurred enhances the future economic benefits associated with the property, such as enhanced future rental income, capital appreciation or both. Contributions to tenant refurbishments under lease arrangements are treated as tenant lease incentives and amortised against rental income over the term of the lease.

As the fair value model is applied, property under construction or redevelopment for future use as investment property continues to be measured at fair value unless the fair value cannot be measured reliably and the property is measured at cost. All finance costs directly associated with the acquisition and construction of a qualifying development property are capitalised during the period of active development until practical completion. The rate applied is the actual rate payable on specific borrowings or the weighted average cost of debt of the Group for development spend that is financed out of general funds.

Acquisition and disposals of investment property are recognised when significant risks and rewards attached to the property have transferred to, or from, the Group. This will ordinarily occur on exchange of contracts unless there are significant conditions pending completion. Such transactions are recognised when these conditions are satisfied. The profit or loss on disposal of investment

property is recognised separately in the income statement and is the difference between the net sales proceeds and the opening fair value asset plus any capital expenditure during the period to disposal.

A property ceases to be recognised as investment property and is transferred at its fair value to property held for sale when it meets the criteria of IFRS 5. Under IFRS 5 the asset must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable. The criteria for a sale being highly probable per IFRS 5 are as follows:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale;
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Property held by the Group under long term leases is also treated as investment property in line with IAS 40 'Investment Property' ("IAS 40"). The Group's leasehold interests are classified as either finance or operating leases dependent on whether the risks and rewards of ownership of the property have substantially transferred to the Group. Finance leases are recognised as both an asset and a liability and are measured at the lower of fair value and the present value of any future minimum lease payments. The finance lease obligation to the superior leaseholder is recognised within borrowings on the balance sheet. Lease payments are apportioned between the finance charges and the capital reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability over the lease term. Finance charges are charged through profit or loss as they arise. Operating lease payments are charged to the income statement as a rental expense on a straight-line basis over the lease term.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Depreciation is calculated to write off the cost of items less their estimated residual values using the straight line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment are depreciated over a period of between two to five years.

FINANCIAL INSTRUMENTS – RECOGNITION, CLASSIFICATION AND MEASUREMENT

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument in accordance with IFRS 9. Financial assets are derecognised when the contractual rights to the cash flows from those assets expire or when the assets are transferred to another party without retaining control or substantially all risks and rewards of ownership. Regular way purchases and sales of financial assets are accounted for at trade date. Financial liabilities are derecognised when the obligations specified in the contract expire.

Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for those instruments not designated at fair value through profit or loss, any directly attributable transaction costs. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group does not hold financial assets that meet the criteria of fair value through other comprehensive income and therefore, assets that do not meet the definition of amortised cost are measured at fair value through profit or loss. All non-derivative financial liabilities are measured at amortised cost as the Group has not opted to measure any liabilities at fair value through profit or loss. Non-derivative financial instruments comprise loans to joint ventures, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables which the Group holds with the objective to collect or settle the contractual cash flows. Loan receivables and payables are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

Derivative financial instruments are held to manage interest rate risk exposure. Derivatives are recognised initially at fair value on the date of the contract; any attributable transaction costs are recognised in the statement of comprehensive income as incurred. Derivatives are subsequently re-measured to fair value at each reporting date, and changes therein are accounted for in the statement of comprehensive income and presented under change in fair value of derivative financial instruments. The Group does not apply hedge accounting in accordance with IFRS 9.

Impairment of financial assets

The Group assesses the expected credit losses associated with its financial assets carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets are specifically impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. For general provisioning, the Group considers impairment of financial assets under the expected credit loss model as required under IFRS 9. For accounts receivable, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates are considered with reference to the historic payment profiles of tenants and credit losses incurred over a corresponding period. The resulting loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors: namely economic, regulatory, technological and environmental factors; external market indicators; and the current tenant base. Separately, the Group applies a twenty-five per cent provision against all balances in excess of 120 days-past-due in line with the Group's stated bad debt policy.

Where there is a material difference in the resulting provision requirement relative to total expected credit losses, the Group will adjust in line with the latter.

Impairment losses and reversals are recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances on hand, cash deposited with financial institutions and short term call deposits. Cash and cash equivalents are recognised at fair value and have maturities of less than three months. Restricted cash comprises cash deposits that are restricted until the fulfilment of certain conditions.

NON-CURRENT ASSETS, DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset or a disposal group (comprising assets and liabilities) is classified as held for sale if it is expected that the carrying value will be recovered by the Group principally through sale rather than through continuing use and the sale is highly probable. The asset or disposal group must be available for immediate sale, be actively marketed at a reasonable approximation to fair value and the sale must have the appropriate level of management commitment. The sale may complete beyond a period of one year from classification so long as there is sufficient evidence of a firm commitment from both parties and the circumstances of the delay are beyond the Group's control.

Where there is commitment to a sale plan involving the loss of control of a subsidiary, the loss of joint control of a joint venture or significant influence over a joint venture and the criteria set out above are met, the Group classifies all the assets and liabilities of that subsidiary or the equity accounted investment in the joint venture or associate as held for sale. This classification is appropriate regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Where significant influence over an associate will not be lost, only that portion of the investment for which there is a commitment to sell shall be reclassified as held for sale.

On initial classification as held for sale, non-current assets and disposal groups are ordinarily measured at the lower of the previous carrying amount and fair value less costs to sell, with any adjustments recognised in the income statement and subsequently re-measured at each reporting date. Certain assets such as financial assets within the scope of IFRS 9 and investment property in the scope of IAS 40 continue to be measured in accordance with those standards.

Gains and losses on re-measurement and impairment losses subsequent to classification as held for sale are presented within continuing operations in the income statement, unless they meet the definition of a discontinued operation. Non-current assets held for sale are presented separately under current assets on the balance sheet. Comparatives are not reclassified.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The post-tax results and other comprehensive income of discontinued operations are presented separately in the income statement and the statement of other comprehensive income respectively and detailed analysis of the revenue, expense and pre-tax profits of the discontinued operation are disclosed in the notes to the financial statements. Comparative income statements, statements of comprehensive income, statements of cash flows and related notes are re-presented for comparability and in line with the requirements of IFRS 5.

BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Any difference between the transaction price and the deemed fair value of the borrowing is treated as a gain or loss in the income statement when the determination of fair value is based on observable inputs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost. Any differences between cost and the redemption value as a result of transaction costs incurred or fair value adjustments are recognised in the income statement over the contractual term of the borrowings on an effective interest rate basis.

A financial liability is derecognised when it is extinguished. This may happen when:

- full repayment is made to the lender;
- the borrower is legally released from primary responsibility for the financial liability; or
- where there is an exchange of debt instruments with substantially different terms or a substantial modification to the existing terms of a debt instrument.

In the event of a substantial modification of terms, any difference between the carrying amount of the original liability and the consideration paid is recognised in the income statement. The consideration paid includes non-financial assets transferred and the assumption of liabilities, including the new modified financial liability. The modified borrowing is recognised initially at fair value and subsequently carried at amortised cost under the effective interest rate method. Any costs or fees incurred are recognised as part of the gain or loss on extinguishment.

Where existing borrowings are exchanged for new or amended borrowings and the terms are not substantially different, the total contractual cash flows of the modified borrowings are discounted at the effective interest rate of the original loan in line with IFRS 9 and any material difference is recognised immediately as a gain or loss in the income statement. The adjustment to the carrying value of the modified loan is subsequently reversed through the income statement as a finance expense to maturity. Any costs or fees incurred as a result of the modification are adjusted against the carrying value and amortised over the remaining term.

Ongoing finance costs and debt servicing payments are recognised in the income statement on an accruals basis, using the effective interest rate method.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows to present value using an appropriate discount rate that reflects the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Capital commitments are

disclosed when the Group has a contractual future obligation to a third party which has not been provided for at the balance sheet date.

SHARE CAPITAL

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, net of tax, are shown as a deduction from any recognised share premium.

Where the Company's own equity instruments are purchased as the result of a share buy-back, the consideration paid by the Group, including any directly attributable incremental costs net of tax, is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

Where the Company performs a share consolidation the number of shares is reduced for the current period and re-presented for the prior period comparative.

Dividends

Dividends to shareholders are recognised when they become legally payable. In the case of interim dividends, this is when the dividends are declared by the Board.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Where the Company performs a share consolidation the weighted average number of shares is reduced without any consideration for time apportionment so that the effect of the share consolidation on EPS is constant for current and prior period comparatives and subsequent periods. The prior period comparative weighted average number of shares is also reduced for comparability.

In line with the JSE Listing Requirements, the Group also presents headline earnings per share.

SEGMENTAL REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and in respect of which it may incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker to inform decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available as disclosed in Note 3.

3. SEGMENTAL REPORTING

As required by IFRS 8 'Operating Segments' ("IFRS 8"), the information provided to the Board, which is the Chief Operating Decision Maker, has been classified into operating segments. The Europe portfolio has been classified as a discontinued operation from 1 March 2019. The segments are as follows:

UK Commercial:	The Group's portfolio of Greater London and regional offices, London serviced offices, roadside service stations and logistics distribution centres;
UK Retail:	The Group's portfolio of shopping centres, retail parks and other high street retail assets;
UK Hotels:	The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels: • five Travelodge branded and externally managed hotels; and • thirteen RBH managed hotels, of which ten are Holiday-Inn Express, two Hilton branded and one Crowne Plaza. The Group's hotel interests also include the 25.3 per cent investment in RBH (an additional 5.1 per cent, previously classified as held for sale, was disposed on 14 February 2018). RBH is an independent hotel management company engaged in developing and managing a diverse portfolio of hotels in partnership with reputable international hotel brands;
Europe (discontinued operation):	The Group's portfolio in Germany, comprising of shopping centres, discount supermarkets and retail parks. On 29 December 2017, the Group disposed of its interests in the Leopard Portfolio which comprised 66 retail properties, being a mixture of stand-alone supermarkets, food-store anchored retail parks and cash and carry stores. On 1 March 2019, this segment met the criteria of IFRS 5 to be classified as a Discontinued operation ("Dis Op"); and is therefore presented as a single line item on the income statement. Detailed analysis of the post-tax profit from the Dis Op is presented in the segmental income statements. Comparative information has been re-presented as required under the accounting standard; and
Other:	The Group's holding and management companies that carry out the head office and centralised asset management activities of the Group.

Management information, as presented to the Chief Operating Decision Maker, is prepared on a proportionately consolidated basis. Segmental reporting is therefore reported in line with management information, with the Group's share of joint ventures presented line-by-line. Joint venture adjustments are disclosed to reconcile segmental performance and position to the consolidated financial statements.

Segmental income statement for the year ended 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe - Dis Op £m	Other £m	Total £m	Joint venture adj £m	Group total £m	Europe - Dis Op Adj £m	IFRS total £m
Continuing operations										
Revenue										
Rental income	37.2	23.0	31.4	14.7	-	106.3	(1.8)	104.5	(13.7)	90.8
Other operating income	1.8	-	-	-	0.9	2.7	-	2.7	-	2.7
Total revenue	39.0	23.0	31.4	14.7	0.9	109.0	(1.8)	107.2	(13.7)	93.5
Rental income	37.2	23.0	31.4	14.7	-	106.3	(1.8)	104.5	(13.7)	90.8
Rental expense	(6.0)	(1.2)	(2.8)	(2.2)	-	(12.2)	0.1	(12.1)	2.1	(10.0)
Net rental income	31.2	21.8	28.6	12.5	-	94.1	(1.7)	92.4	(11.6)	80.8
Other operating income	1.8	-	-	-	0.9	2.7	-	2.7	-	2.7
Administrative costs and other fees	(1.4)	(0.2)	(0.1)	(0.8)	(11.4)	(13.9)	-	(13.9)	0.7	(13.2)
Net operating income	31.6	21.6	28.5	11.7	(10.5)	82.9	(1.7)	81.2	(10.9)	70.3
Gain/(loss) on revaluation of investment property	1.4	(6.8)	(51.5)	(1.2)	-	(58.1)	0.2	(57.9)	1.3	(56.6)
Loss on revaluation of investment property held for sale	-	-	-	(1.7)	-	(1.7)	(0.7)	(2.4)	2.4	-
(Loss)/gain on disposal of investment property	(1.7)	-	-	(0.2)	-	(1.9)	-	(1.9)	0.2	(1.7)
Gain on disposal of investment property held for sale	-	-	-	0.5	-	0.5	-	0.5	(0.5)	-
Loss on disposal of subsidiaries	-	-	-	(0.1)	-	(0.1)	-	(0.1)	0.1	-
Loss of control of Aviva Portfolio	-	-	(55.6)	-	-	(55.6)	-	(55.6)	-	(55.6)
Net loss on acquisition of subsidiaries	(0.2)	(0.2)	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Other expenses	-	-	-	-	(0.2)	(0.2)	-	(0.2)	-	(0.2)
Finance income on loans to joint ventures	-	-	-	-	-	-	0.3	0.3	(0.3)	-
Finance income on loans to external parties	-	-	-	-	0.2	0.2	-	0.2	-	0.2
Finance expense	(9.8)	(5.4)	(10.8)	(3.5)	-	(29.5)	0.6	(28.9)	3.3	(25.6)
Other finance expense	(0.3)	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Change in fair value of derivative financial instruments	(5.9)	(0.5)	(3.3)	(1.6)	-	(11.3)	0.3	(11.0)	1.6	(9.4)
Impairment of associate interest	-	(1.4)	-	-	-	(1.4)	-	(1.4)	-	(1.4)
Share of post-tax profit from associate	-	0.9	-	-	-	0.9	-	0.9	-	0.9
Profit/(loss) before tax per reportable segments	15.1	8.2	(92.7)	3.9	(10.5)	(76.0)	(1.0)	(77.0)	(2.8)	(79.8)
Taxation	(0.1)	-	-	1.4	(0.3)	1.0	0.3	1.3	(1.6)	(0.3)
Profit/(loss) after tax per reportable segments	15.0	8.2	(92.7)	5.3	(10.8)	(75.0)	(0.7)	(75.7)	(4.4)	(80.1)
<i>Joint venture adjustments:</i>										
Movement of losses restricted in joint ventures ⁽¹⁾						0.2	(0.2)	-	-	-
Share of post-tax profit from joint ventures						-	0.9	0.9	(0.9)	-
Discontinued operation										
Profit for the year from discontinued operation						-	-	-	5.3	5.3
IFRS loss for the year						(74.8)	-	(74.8)	-	(74.8)

⁽¹⁾ As detailed in Note 16, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

Re-presented Segmental income statement for the year ended 31 August 2018	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe – Dis Op £m	Other £m	Total £m	Joint venture adj £m	Group total £m	Europe – Dis Op Adj £m	IFRS Total £m
Continuing operations										
Revenue										
Rental income	31.3	24.5	38.4	17.8	-	112.0	(1.8)	110.2	(16.9)	93.3
Other operating income	1.1	-	-	-	0.7	1.8	-	1.8	-	1.8
Total revenue	32.4	24.5	38.4	17.8	0.7	113.8	(1.8)	112.0	(16.9)	95.1
Rental income	31.3	24.5	38.4	17.8	-	112.0	(1.8)	110.2	(16.9)	93.3
Rental expense	(4.5)	(1.3)	(2.8)	(2.7)	-	(11.3)	0.2	(11.1)	2.5	(8.6)
Net rental income	26.8	23.2	35.6	15.1	-	100.7	(1.6)	99.1	(14.4)	84.7
Other operating income	1.1	-	-	-	0.7	1.8	-	1.8	-	1.8
Administrative costs and other fees	(1.0)	(0.8)	(0.3)	(0.9)	(11.4)	(14.4)	0.2	(14.2)	0.8	(13.4)
Net operating income	26.9	22.4	35.3	14.2	(10.7)	88.1	(1.4)	86.7	(13.6)	73.1
Gain/(loss) on revaluation of investment property	24.3	6.2	(26.1)	6.2	-	10.6	0.2	10.8	(6.1)	4.7
Gain on revaluation of investment property held for sale	0.9	-	-	-	-	0.9	-	0.9	-	0.9
Gain/(loss) on disposal of investment property	1.6	-	-	(0.1)	-	1.5	-	1.5	0.1	1.6
Gain on disposal of investment property held for sale	1.8	-	-	-	-	1.8	-	1.8	-	1.8
Net gain/(loss) on disposal of subsidiaries	1.2	-	(1.9)	16.1	-	15.4	-	15.4	(16.1)	(0.7)
Net gain/(loss) on acquisition of subsidiaries	(1.1)	5.5	-	-	-	4.4	-	4.4	-	4.4
Other expenses	-	(0.1)	-	-	(0.3)	(0.4)	-	(0.4)	-	(0.4)
Foreign exchange loss	-	-	-	-	(0.8)	(0.8)	-	(0.8)	-	(0.8)
Finance income on loans to joint ventures	-	-	-	-	-	-	0.3	0.3	(0.3)	-
Finance income on loans to external parties	-	-	-	-	0.3	0.3	-	0.3	(0.1)	0.2
Finance expense	(7.1)	(5.1)	(15.0)	(2.9)	-	(30.1)	0.8	(29.3)	2.8	(26.5)
Other finance expense	(0.1)	-	-	(0.5)	-	(0.6)	-	(0.6)	0.6	-
Change in fair value of derivative financial instruments	2.4	0.9	2.8	0.7	-	6.8	(0.7)	6.1	(0.6)	5.5
Loss on sale of joint venture interests	-	-	-	(0.1)	-	(0.1)	-	(0.1)	0.1	-
Impairment reversal of associate and continuing joint venture interest	0.1	-	-	-	-	0.1	-	0.1	-	0.1
Share of post-tax profit from associate	-	0.3	-	-	-	0.3	-	0.3	-	0.3
Profit/(loss) before tax per reportable segments	50.9	30.1	(4.9)	33.6	(11.5)	98.2	(0.8)	97.4	(33.2)	64.2
Taxation	-	-	-	(1.1)	(0.2)	(1.3)	0.2	(1.1)	0.3	(0.8)
Profit/(loss) after tax per reportable segments	50.9	30.1	(4.9)	32.5	(11.7)	96.9	(0.6)	96.3	(32.9)	63.4
<i>Joint venture adjustments:</i>										
Movement of losses restricted in joint venture ⁽¹⁾						(0.6)	0.6	-	-	-
Discontinued operation										
Profit for the year from discontinued operation						-	-	-	32.9	32.9
IFRS profit for the year						96.3	-	96.3	-	96.3

⁽¹⁾ As detailed in Note 16, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

Segmental balance sheet as at 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe - Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
Investment property	549.1	360.5	251.7	-	1,161.3	(11.0)	1,150.3
Investment in associate	-	7.6	-	-	7.6	-	7.6
Trade and other receivables	7.7	4.1	5.4	14.6	31.8	(0.5)	31.3
Cash and cash equivalents	12.2	4.4	5.8	2.6	25.0	(0.9)	24.1
Non-current assets held for sale	8.8	-	2.2	246.4	257.4	(15.1)	242.3
Borrowings, including finance leases	(264.2)	(161.3)	(128.9)	(147.4)	(701.8)	15.3	(686.5)
Trade and other payables	(10.0)	(2.8)	(5.5)	(1.8)	(20.1)	0.5	(19.6)
Segmental net assets	303.6	212.5	130.7	114.4	761.2	(11.7)	749.5
Unallocated assets and liabilities:							
Other non-current assets					0.9	-	0.9
Trade and other receivables					1.6	-	1.6
Cash and cash equivalents					8.9	-	8.9
Net derivative financial instruments					(15.9)	3.1	(12.8)
Deferred tax					(8.3)	0.8	(7.5)
Trade and other payables					(4.5)	-	(4.5)
Current tax liabilities					(1.1)	-	(1.1)
					742.8	(7.8)	735.0

Joint venture adjustments:

Cumulative restricted loss in joint venture ⁽¹⁾	0.2	(0.2)	-
Investment in joint ventures	-	2.9	2.9
Recognised loan to joint ventures	-	5.1	5.1
IFRS net assets	743.0	-	743.0

⁽¹⁾ As detailed in Note 16, the Group's interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. The cumulative losses of this joint venture that the Group has not recognised on an equity accounted basis at the reporting date are presented to reconcile segmental information to the IFRS statements.

Segmental balance sheet as at 31 August 2018	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe - Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
Investment property	515.9	364.1	485.4	258.0	1,623.4	(25.4)	1,598.0
Investment in associate	-	9.1	-	-	9.1	-	9.1
Trade and other receivables	4.0	1.7	6.7	3.9	16.3	(0.5)	15.8
Cash and cash equivalents	20.1	7.5	9.9	5.1	42.6	(0.8)	41.8
Borrowings, including finance leases	(199.8)	(164.9)	(309.1)	(131.4)	(805.2)	15.6	(789.6)
Trade and other payables	(9.0)	(2.6)	(11.4)	(2.3)	(25.3)	0.6	(24.7)
Segmental net assets	331.2	214.9	181.5	133.3	860.9	(10.5)	850.4
Unallocated assets and liabilities:							
Other non-current assets					1.3	-	1.3
Trade and other receivables					2.5	-	2.5
Cash and cash equivalents					17.2	-	17.2
Net derivative financial instruments					(4.6)	2.8	(1.8)
Deferred tax					(10.1)	0.6	(9.5)
Trade and other payables					(2.4)	-	(2.4)
Current tax liabilities					(2.0)	-	(2.0)
					862.8	(7.1)	855.7

Joint venture adjustments:

Investment in joint ventures	-	1.9	1.9
Loans to joint ventures	-	5.2	5.2
IFRS net assets	862.8	-	862.8

As detailed in Note 16, the Group's interest in the Esplanade is carried at £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. At 31 August 2018, cumulative losses equalled the Group's net investment in the joint venture.

Other segmental information as at 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe - Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
<i>Additions to investment property during the year per reportable segment:</i>							
Acquisition of property	44.4	-	-	-	44.4	-	44.4
Capitalised expenditure	1.8	3.2	2.1	1.1	8.2	-	8.2
	46.2	3.2	2.1	1.1	52.6	-	52.6

Other segmental information as at 31 August 2018	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe - Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
<i>Additions to investment property during the year per reportable segment:</i>							
Business combinations (Note 10)	161.7	115.4	-	-	277.1	-	277.1
Acquisition of property	20.9	-	-	-	20.9	-	20.9
Capitalised expenditure	1.0	3.2	4.0	5.9	14.1	-	14.1
Capitalised finance costs	-	-	-	0.7	0.7	-	0.7
	183.6	118.6	4.0	6.6	312.8	-	312.8

4. RENTAL INCOME

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
Gross lease payments from third parties	70.2	71.3
Gross lease payments from related parties (Note 31)	20.6	22.0
Rental income	90.8	93.3

The future aggregate minimum rent receivable under non-cancellable operating leases at the balance sheet date are as follows:

	31 August 2019 £m	Re-presented 31 August 2018 £m
Not later than one year	76.4	91.0
Later than one year not later than five years	122.9	178.3
Later than five years	111.8	214.9
	311.1	484.2

5. RENTAL EXPENSE

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
Non-recoverable service charge	0.9	2.3
Direct property operating expenses	4.0	2.6
Repairs and maintenance	0.4	0.5
Property services provided by related party (Note 31)	0.6	0.4
Operating lease expense ⁽¹⁾	1.8	1.4
Letting costs	0.6	0.5
Serviced office portfolio direct staff and sales costs	1.7	0.9
Rental expense	10.0	8.6

⁽¹⁾ Refer to Note 22 for the undiscounted future minimum lease obligations under non-cancellable operating leases at reporting date.

6. OTHER OPERATING INCOME

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
Service fee income	2.9	1.8
Service fee expense	(1.1)	(0.8)
Service fee margin ⁽¹⁾	1.8	1.0
Management fees from joint ventures (Note 31)	0.1	0.1
Insurance rebates	0.4	0.3
Salary recharges	0.3	0.3
Other property related income	0.1	0.1
Other operating income	2.7	1.8

⁽¹⁾ Service fees relates to recoverable costs incurred in the Serviced Offices portfolio that are recharged to tenants at a margin.

7. ADMINISTRATIVE COSTS AND OTHER FEES

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
Staff costs	6.4	6.2
Non-Executive Director fees and insurance	0.5	0.6
Professional fees	2.4	2.5
Corporate costs	0.7	0.8
Head Office costs	1.1	1.0
Share-based payments (Note 27)	0.2	1.0
Investment management fees to related party (Note 31)	0.9	0.6
Other general administrative expenses	1.0	0.7
Administrative costs and other fees	13.2	13.4

8. DISPOSAL OF SUBSIDIARIES

There were no income generating corporate disposals during the year ended 31 August 2019. Additional transaction costs of £0.1 million relating to the Leopard Portfolio disposal were incurred in the current year.

The impact of corporate disposals during the year to 31 August 2018 and the related net cash inflow is presented below:

	Continuing operations			Discontinued operation
	Lochside View, Edinburgh £m	Paragon Square, Hull £m	Total £m	Leopard Portfolio £m
Carrying value of net assets disposed				
Investment property	(11.2)	(12.9)	(24.1)	(158.4)
Trade and other receivables	(0.4)	-	(0.4)	(0.2)
Cash and cash equivalents	(0.2)	-	(0.2)	(1.6)
Borrowings	-	-	-	73.1
Trade and other payables	0.2	0.2	0.4	0.8
Net assets disposed	(11.6)	(12.7)	(24.3)	(86.3)
Consideration received ⁽¹⁾	13.0	11.0	24.0	103.6
Transaction costs ⁽¹⁾	(0.2)	(0.2)	(0.4)	(1.2)
Net gain/(loss) on disposal of subsidiaries	1.2	(1.9)	(0.7)	16.1

⁽¹⁾ Net cash received at 31 August 2018 was £126.2 million as transaction costs on the Lochside disposal had not been paid at the reporting date. As a result of the represented of the Europe Segment, £23.8 million of the net proceeds is presented as Continuing operations investing cash flows and £102.4 million relating to the Leopard Portfolio disposal is included within Discontinued operation investing cash flows.

Continuing operations

Redefine Paragon Square Limited, a wholly owned subsidiary of the Group, owned the House of Fraser department store in Hull. On 15 November 2017, the Group disposed of this subsidiary for £11.0 million. The net assets of the subsidiary were £12.7 million on disposal and the Group recognised a loss of £1.9 million in the income statement, after transaction costs. Net cash received at the balance sheet date, after transactions costs paid, was £10.8 million.

Redefine Lochside View Edinburgh Limited, a wholly owned subsidiary of the Group, owned a regional office in Edinburgh. On 31 August 2018, the Group disposed of this subsidiary for £13.0 million subject to a completion adjustment. The net assets of the subsidiary were £11.6 million on disposal and the Group recognised a gain of £1.2 million in the income statement, after transaction costs. Net cash received at the balance sheet date was £13.0 million as transaction costs had not yet been paid.

Discontinued operation

The Leopard Portfolio comprised 66 retail properties - a mixture of stand-alone supermarkets, food-store anchored retail parks and cash and carry stores. On 29 December 2017, the Group disposed of all but one of the property-owning subsidiaries of the Leopard Portfolio to an external party for £103.6 million (€116.6 million), after the deduction of transaction costs of £1.2 million (€1.3 million). On the date of sale, the carrying value of investment property within these subsidiaries was £158.4 million (€178.4 million), on which £73.1 million (€82.3 million) of bank debt was secured. The net assets of the target group on the date of sale was £86.3 million (€97.2 million) and the Group recognised a gain on disposal of £16.1 million (€18.1 million). The investment property of the remaining property-owning entity was acquired by the same party by way of a direct asset sale (see Note 15).

9. LOSS OF CONTROL OF AVIVA PORTFOLIO

	31 August 2019 £m
Continuing operations	
Carrying value of net assets	
Investment property	(181.9)
Trade and other receivables	(0.2)
Cash and cash equivalents	(17.5)
Borrowings, including finance leases	138.0
Trade and other payables	6.0
Net assets derecognised	(55.6)
Loss of control of Aviva Portfolio	(55.6)

Four of the Group's UK shopping centres namely Grand Arcade (Wigan), Weston Favell (Northampton), Birchwood (Warrington) and Byron Place (Seaham), are financed by a long-term fixed rate debt facility with Aviva. The facility is non-recourse to the Company, with a fixed rate of 5.5 per cent per annum and a maturity date in April 2042 and had an outstanding principal balance of £145.1 million at 31 August 2018.

In late October 2018, Aviva notified the Group that the loan to value on the facility was in excess of its 85 per cent covenant following a lender valuation. The Group subsequently paid £9.7 million to cure the breach and in addition to the capital outlay, all net operating cash flows were restricted in the facility to reduce the outstanding balance as per the terms of the agreement.

A further valuation was called by Aviva in April 2019, given the ongoing structural challenges facing the retail sector, slowing sales and retailer failures. This resulted in a loan to value of 89.4 per cent, after adjusting for the cash cure previously applied by the Group and the operating cash retained in the structure.

After due consideration, it was agreed by the Directors that it was not in the best interests of the Company and its shareholders to commit any further capital to reduce the loan to value ratio below the covenant of 85 per cent. Discussions were ongoing as to how best Aviva would enforce its security in the absence of the Group curing the breach. On 23 April 2019, a Standstill Agreement ("Standstill") was signed which has allowed for a consensual sales process to be carried out to Aviva's benefit until 11 October 2019, without Aviva taking legal ownership of the subsidiary shares or the underlying properties held by those subsidiaries. Aviva's rights under the facility agreement are still in force however during the Standstill period and the agreement can be terminated at any time.

Notwithstanding that ownership of the Aviva Portfolio has not legally transferred, the Group has determined that the transaction constitutes a loss of control event in line with IFRS 10 'Consolidated Financial Statements' as, from an economic perspective, Aviva has the ability to enforce its rights at any time and make material decisions regarding the portfolio at its absolute discretion. Whilst the Group continues to manage the assets on Aviva's behalf, the Group is no longer exposed to the variable returns from the portfolio's performance nor does the Group have ability to influence that performance without formal consent from Aviva. Sale of the assets and the value at which they are sold will be determined by Aviva and the Group has no involvement in this respect.

The Group has therefore ceased to consolidate the Aviva subsidiaries from the date of the Standstill, by de-recognising the net assets at their carrying amounts, and the resulting difference has been recognised as a loss in income statement. Loss of control of the Aviva Portfolio has reduced the Group's net asset value by £55.6 million.

10. (LOSS)/GAIN ON ACQUISITION OF SUBSIDIARIES

There were no business combinations in the year to 31 August 2019. Further transactions costs of £0.4 million were incurred during the year ended 31 August 2019, relating to additional pre-acquisition taxes of both the LSO Portfolio and International Hotel Properties Limited that the Group became liable for on acquisition of control.

The impact of business combinations during the year to 31 August 2018 and the related net cash outflow is presented below:

	LSO £m	IHL £m	31 August 2018 £m
Continuing operations			
Fair value of identifiable net assets acquired			
Investment property	161.7	115.4	277.1
Trade and other receivables	0.9	1.9	2.8
Cash and cash equivalents	5.7	2.1	7.8
Borrowings	(73.5)	(54.4)	(127.9)
Derivative financial instruments	0.4	(1.0)	(0.6)
Trade and other payables	(6.2)	(2.2)	(8.4)
Net assets acquired	89.0	61.8	150.8
Consideration transferred:			
- Equity (share-for-share exchange)	-	(19.3)	(19.3)
- Cash ⁽¹⁾	(71.2)	(7.5)	(78.7)
	(71.2)	(26.8)	(98.0)
Investment in associate (Note 17)	-	(13.5)	(13.5)
Non-controlling interests proportionate share of the identifiable net assets (Note 28)	(17.8)	(16.0)	(33.8)
Transaction costs ⁽¹⁾	(1.1)	-	(1.1)
(Loss)/gain on acquisition of subsidiaries	(1.1)	5.5	4.4

⁽¹⁾ Net cash paid at 31 August 2018 was £80.6 million including transaction costs and settlement of tax liabilities assumed of £0.8 million.

LSO

On 12 January 2018, RDI completed the corporate acquisition of 80 per cent of the issued share capital of St Dunstan's HoldCo Limited and LSO Services Limited ("LSO Portfolio"), for cash consideration of £71.2 million. The LSO portfolio consists of the freehold and long-leasehold interests in four established high-quality flexible offices in London. This acquisition significantly enhanced the quality of the overall property portfolio of the Group with strong property fundamentals and reduced leverage. Our strategic partner, OSIT, operates the serviced office business of each property under management contracts, while the Group employs staff directly for the day-to-day operations.

It has been determined that the transaction constitutes a business combination after due consideration of the assets and related processes that have been assumed, notably the management contract with OSIT.

The fair value of the net assets acquired on 12 January 2018 was £89.0 million. OSIT's minority share of the identifiable net assets is £17.8 million. As the consideration was determined with reference to net asset value, the Group did not pay a premium or obtain a discount. Transaction costs of £1.1 million were incurred by the Group which have been expensed in the income statement within the net gain on business combinations. This portfolio has been classified as investment property in line with the Group's accounting policies. Receivables acquired were £0.9 million, all of which were fully collectable. Revenue from LSO since acquisition was £10.8 million comprising rental and net services income. Had the acquisition occurred on 1 September 2017, LSO would have generated £16.2 million assuming a consistent revenue stream throughout the year.

IHL

International Hotel Properties Limited ("IHL") is a hotel investment company and was listed on the Euro MTF market of the LuxSE and on the AltX of the JSE. IHL comprises nine limited service UK hotels and at 31 August 2017 the Group held a 17.2 per cent interest, classified as an investment at fair value through profit or loss. During the 2017 financial year, RDI submitted a proposal to the IHL board to increase its shareholding in IHL by way of a scheme of arrangement. RDI would acquire the shares of all scheme participants, being the minority interests (29.3 per cent) of IHL. IHL shareholder approval was obtained on 15 September 2017, at which point the transaction became subject only to Court approval. The Group was considered to have significant influence over IHL from this date and the investment was reclassified as an investment in associate (Note 17).

On 13 November 2017 and on fulfilment of all conditions precedent to the scheme of arrangement, the Group acquired 16.4 million shares in IHL from scheme participants and 1.9 million shares from Redefine Properties, increasing RDI's interest in IHL from 26.2 to 58.9 per cent. The value attributed to each IHL share was £1, settled in a share-for-share exchange with RDI shares at a value of 40.0 pence. 45.9 million RDI shares were issued in total representing gross consideration of £18.3 million. On 17 November 2017, 8.5 million shares in IHL were purchased at £1 per share. Consideration for these shares was £7.5 million in cash and the issuance of 2.5 million RDI shares at 40.0 pence per share (£1.0 million in total). The transactions increased the Group's interest in IHL to 74.1 per cent. The residual 25.9 per cent non-controlling interest in IHL is held by one party, Southern Sun Africa ("TSogo Sun").

Since 13 November 2017, the Group has directed the operating and financial decisions of IHL and has been exposed to its variable returns. RDI acquired control of IHL on this date, which is also considered the acquisition date for the purposes of IFRS 3. The transaction was accounted for as a business combination, having regard for the integrated set of assets, processes and outputs that were acquired and that are capable of producing a return for the Group.

The fair value of the net assets of IHL acquired on the acquisition date of 15 September 2017 was £61.8 million. The fair value of the cash and equity consideration transferred was £26.8 million, while the carrying value of the Group's associate interest was £13.5 million. TSogo Sun's proportionate share of the identifiable net assets was £16.0 million and, as a result, the Group recognised a net gain on bargain purchase of IHL of £5.5 million. This represents the difference between the share price and swap ratio agreed with shareholders and the net assets based on a third-party valuation of the investment property at completion date. The gain was recognised in the income statement within the gain on acquisition of subsidiaries. Minimal acquisition costs were incurred by the Group on account of the structuring of the transaction. RDI share issue costs were recognised directly in equity as a reduction of share premium. The hotels acquired were classified as investment property on initial recognition as outlined in Note 15. Receivables acquired were £1.9 million, all of which were settled subsequent to acquisition.

Please note that all RDI share numbers referenced in this note are those prior to the share consolidation (ordinary shares at 8 pence per share).

11. OTHER EXPENSES

	31 August 2019 £m	31 August 2018 £m
Continuing operations		
Amortisation of intangible assets (Note 18)	0.2	0.3
Loss on disposal of other non-current assets held for sale	-	0.1
Other expenses	0.2	0.4

12. FINANCE INCOME AND FINANCE EXPENSE

	31 August 2019	Re-presented 31 August 2018
	£m	£m
Continuing operations		
Finance income on loans to external parties	0.2	0.2
Finance income	0.2	0.2
Finance expense on secured bank loans	(23.5)	(24.1)
Amortisation of debt issue costs	(1.1)	(1.1)
Accretion of fair value adjustments	(0.4)	(0.6)
Finance lease interest	(0.6)	(0.7)
Finance expense	(25.6)	(26.5)
Net finance expense	(25.4)	(26.3)

13. OTHER FINANCE EXPENSE

	31 August 2019	Re-presented 31 August 2018
	£m	£m
Continuing operations		
Other finance costs	0.3	-
Other finance expense	0.3	-

The Group incurred break costs of £0.3 million on refinancing of the existing facility secured against three of the Serviced Office Portfolio assets. Refer to Note 22 for further information.

14. TAXATION

a) Tax recognised in the consolidated income statement:

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
Current income tax		
Income tax in respect of current year	0.1	0.2
Adjustments in respect of prior years	0.2	0.6
Tax charge for the year recognised in the consolidated income statement	0.3	0.8
Discontinued operation		
Current income tax	0.4	0.8
Deferred income tax	(2.0)	(0.5)
Tax (credit)/charge for the year included in post-tax profit from Discontinued operation	(1.6)	0.3
Total tax (credit)/charge for the year	(1.3)	1.1

There was £Nil tax recognised in equity or other comprehensive income during the year (31 August 2018: £Nil).

b) Reconciliation

The tax rate for the year is higher than the average standard rate of corporation tax in the UK of 19 per cent (31 August 2018: lower than the average standard rate). The differences are explained below:

	31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations		
(Loss)/profit before tax	(79.8)	64.2
(Loss)/profit before tax multiplied by standard rate of corporation tax	(15.2)	12.2
Effect of:		
- Loss/(gain) on revaluation of investment property, including held for sale properties	10.8	(1.1)
- Loss/(gain) on disposal of investment property, including held for sale properties	0.3	(0.6)
- Loss of control of Aviva Portfolio	10.6	-
- Loss/(gain) on acquisition of subsidiaries	-	(0.8)
- Change in fair value of derivative financial instruments	1.8	(1.0)
- Income not subject to UK income tax	(0.3)	(0.5)
- REIT exempt property rental profits	(10.4)	(8.3)
- Losses utilised	(0.1)	(0.1)
- Unutilised losses carried forward	2.0	0.1
- Expenses not deductible for tax	0.6	0.3
- Adjustments in respect of prior periods	0.2	0.6
Tax charge for the year recognised in the consolidated income statement	0.3	0.8

As shown in the reconciliation above, the effective tax rate of the Group for the year ended 31 August 2019 is not meaningful given the current year loss position (31 August 2018 re-presented: 1.3 per cent on profits).

The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 reduced the main rate of corporation tax to 19 per cent with effect 1 April 2017. There will be a further reduction to 17 per cent from April 2020.

On 4 December 2013, the Group converted to a UK REIT. As a result, the Group does not pay UK Corporation Tax on the profits and gains from qualifying rental business in the UK provided certain conditions are met. Non-qualifying profits and gains of the Group continue to be subject to corporation tax. The Directors intend the Group to continue as a REIT for the foreseeable future. As a result, deferred tax is no longer recognised on temporary differences relating to the UK property rental business which is within the REIT structure.

15. INVESTMENT PROPERTY

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
31 August 2019							
Opening carrying value at 1 September 2018	504.6	364.1	485.4	243.9	1,598.0	1,165.8	432.2
Acquisition of property	44.4	-	-	-	44.4	44.4	-
Capitalised expenditure	1.8	3.2	2.1	1.1	8.2	3.0	5.2
Loss of control of Aviva Portfolio, including head leases (Note 9)	-	-	(181.9)	-	(181.9)	(115.9)	(66.0)
Disposals through the sale of property	(5.6)	-	-	(3.4)	(9.0)	(8.1)	(0.9)
Transfer to assets held for sale (Note 21)	(8.8)	-	(2.2)	(229.7)	(240.7)	(206.8)	(33.9)
Gain/(loss) on revaluation of investment property – Continuing operations	1.7	(6.8)	(51.5)	-	(56.6)	(26.7)	(29.9)
Loss on revaluation of investment property – Discontinued operation	-	-	-	(1.3)	(1.3)	(0.6)	(0.7)
Movement in finance leases	-	-	(0.2)	-	(0.2)	-	(0.2)
Foreign exchange movement in foreign operations	-	-	-	(10.6)	(10.6)	(9.1)	(1.5)
IFRS carrying value at 31 August 2019	538.1	360.5	251.7	-	1,150.3	846.0	304.3
Adjustments:							
Minimum payments under head leases	(1.9)	(0.4)	(3.4)	-	(5.7)	-	(5.7)
Tenant lease incentives (Note 19)	1.8	3.2	4.2	-	9.2	7.3	1.9
Market value of Group portfolio at 31 August 2019	538.0	363.3	252.5	-	1,153.8	853.3	300.5
Market value of Group assets classified as held for sale	8.8	-	2.5	232.1	243.4	208.4	35.0
Market value of Group portfolio at 31 August 2019	546.8	363.3	255.0	232.1	1,397.2	1,061.7	335.5
Joint ventures							
Share of joint venture investment property and property assets held for sale (Note 16)	11.0	-	-	15.1	26.1	26.1	-
Market value of total portfolio at 31 August 2019 (on a proportionately consolidated basis)	557.8	363.3	255.0	247.2	1,423.3	1,087.8	335.5

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
31 August 2018							
Opening carrying value at 1 September 2017	344.1	239.3	507.5	404.0	1,494.9	1,239.7	255.2
Business combinations (Note 10)	161.7	115.4	-	-	277.1	104.9	172.2
Acquisition of property	20.9	-	-	-	20.9	20.9	-
Capitalised expenditure	1.0	3.2	4.0	5.9	14.1	4.0	10.1
Capitalised finance costs ⁽¹⁾	-	-	-	0.7	0.7	-	0.7
Disposals through sale of subsidiaries	(11.1)	-	-	(158.4)	(169.5)	(169.5)	-
Disposals through the sale of property	(15.3)	-	-	(6.0)	(21.3)	(20.3)	(1.0)
Transfer to assets held for sale (Note 21)	(23.1)	-	-	-	(23.1)	(23.1)	-
Gain on revaluation of investment property prior to reclassification as held for sale (Note 21)	0.9	-	-	-	0.9	0.9	-
Transfer from assets held for sale	0.9	-	-	3.6	4.5	3.6	0.9
Gain/(loss) on revaluation of investment property	24.6	6.2	(26.1)	6.1	10.8	16.0	(5.2)
Foreign exchange movement in foreign operations	-	-	-	(12.0)	(12.0)	(11.3)	(0.7)
IFRS carrying value at 31 August 2018	504.6	364.1	485.4	243.9	1,598.0	1,165.8	432.2
Adjustments:							
Minimum payments under head leases (Note 22)	(1.9)	(0.4)	(10.1)	(1.5)	(13.9)	-	(13.9)
Tenant lease incentives (Note 19)	1.9	1.2	5.7	2.1	10.9	6.9	4.0
Market value of Group portfolio at 31 August 2018	504.6	364.9	481.0	244.5	1,595.0	1,172.7	422.3
Joint ventures							
Share of joint venture investment property (Note 16)	11.3	-	-	14.1	25.4	25.4	-
Market value of total portfolio at 31 August 2018 (on a proportionately consolidated basis)	515.9	364.9	481.0	258.6	1,620.4	1,198.1	422.3

- (1) Interest was capitalised on the basis of the Group's weighted average cost of debt of 3.4 per cent at 31 August 2018, applied to the cost of a Europe segment property under development during that year. There was no capitalised interest during the year ended 31 August 2019, as the qualifying investment property was now substantially complete.

The tables above present both segmental and market value investment property information prepared on a proportionately consolidated basis. Properties that have been classified as held for sale in the current year are also included so that the market value of the total portfolio can be determined. This format is not a requirement of IFRS and is for informational purposes as it is used in reports presented to the Group's Chief Operating Decision Maker.

Recognition

Judgement may be required to determine whether a property qualifies as an investment property. Investment property comprises a number of retail and commercial properties in the UK and Europe that are leased to unconnected third parties.

The UK Hotel portfolio is held for capital appreciation and to earn rental income. Apart from the five Travelodge branded hotels, the hotel portfolio has been let to RBH to separately manage the operating business of each hotel for a fixed rent. The rent is subject to annual review which takes into account the forecast EBITDA. As detailed in the key judgements and estimates in Note 2, aside from the Group's associate interest in RBH and the receipt of rental and dividend income, RDI is not involved in the hotel management business and there are limited transactions between RDI and RBH. As a result, the Directors consider it appropriate to classify the hotel portfolio as investment property in line with IAS 40.

On acquisition of control of the IHL group, the operating business of five of the nine hotels acquired was managed internally, such that these hotels were considered owner-occupied prior to acquisition by RDI. With effect from 1 September 2017, RDI restructured the operating business model of these hotels to a property rental business model by disposing of the operating businesses to RBH to manage in the same manner as the Group's existing hotel portfolio. The Group therefore considers classification as investment property on initial recognition to be appropriate.

Valuation

The carrying value of investment property is its market value as determined by appropriately qualified independent valuers and adjusted for minimum payments under head leases and tenant lease incentives. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, and in limited circumstances in aggregation with other assets, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change to determine an appropriate valuation. Fees paid to valuers are based on arms-length fixed price contracts.

The fair value of the Group's property for the period ended 31 August 2019 was assessed by independent and appropriately qualified valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations are performed by BNP Paribas Real Estate for the UK Shopping Centres and the Esplanade and by Savills for remainder of the Group's portfolio. The valuations are reviewed internally by senior management and presented to the Audit and Risk Committee. The presentation includes discussion around the assumptions used by the external valuers, as well as a review of the resulting valuations.

Valuation inputs

The fair value of the property portfolio (excluding RBH managed UK Hotels and London Serviced Offices) has been determined using either a discounted cash flow or a yield capitalisation technique, whereby contracted and market rental values are capitalised at a market rate, having regard for: tenant covenant strength; lease maturity; quality and location of the property; occupancy; non-recoverable costs and head rents. For RBH managed UK Hotels and London Serviced Offices, fair value is determined with reference to a capitalisation rate applied to the EBITDA of the underlying operational business. The resulting valuations are cross-checked against the net initial yield and the fair market values per square foot of comparable recent market transactions.

The valuation techniques are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions, market transactions and the property's highest and best use at the reporting date. Where there is a lack of market comparable transactions, the level of estimation and judgement increases on account of less observable inputs and the degree of variability could be expected to widen. This is of particular relevance to the Group's UK Retail sector, and primarily UK Shopping Centres sub-sector, where there is continued weakening of investor sentiment, retail failures and ongoing structural change in consumer behaviour.

The Group considers all its investment property to fall within 'Level 3', as defined by IFRS 13 (refer to Note 30). There has been no transfer of property within the fair value hierarchy during the year. The key unobservable valuation inputs of the Group's total Portfolio, including assets held for sale, are set out in the tables below:

31 August 2019 Group	Market value (£m)	Lettable area (sqm)	Average rent per sqm (£)	Weighted average lease length (years)	Weighted average net initial yield (%)	Net initial yield (% range)	Average market rent per sqm (£)
UK Commercial	546.8	189,964	179.0	5.7	4.8	2.7 - 14.7	175.8
UK Hotels	363.3	77,391	335.6	17.2	5.8	4.4 - 7.5	319.7
UK Retail	255.0	107,588	197.2	6.0	6.5	4.7 - 11.1	181.4
Europe	232.1	81,688	173.7	5.0	5.0	4.5 - 6.7	165.9
Joint ventures							
UK Commercial	11.0	2,752	312.9	3.6	7.3	7.3	320.0
Europe	15.1	10,702	91.5	6.4	5.5	5.5 - 5.6	90.8
Total	1,423.3	470,085					

31 August 2018 Group	Market value (£m)	Lettable area (sqm)	Average rent per sqm (£)	Weighted average lease length (years)	Weighted average net initial yield (%)	Net initial yield (% range)	Average market rent per sqm (£)
UK Commercial	504.6	167,862	175.2	5.4	5.1	3.2 - 13.5	182.3
UK Hotels	364.9	77,391	336.0	18.2	5.9	4.6 - 7.6	336.0
UK Retail	481.0	223,826	179.1	8.5	6.4	5.0 - 9.2	170.2
Europe	244.5	87,184	67.3	4.9	4.3	3.4 - 7.8	162.9
Joint ventures							
UK Commercial	11.3	2,752	327.0	3.7	7.1	7.1	327.0
Europe	14.1	10,666	93.8	7.1	5.8	5.6 - 6.0	93.8
Total	1,620.4	569,681					

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could impact on the valuation.

Valuation sensitivities

The tables below set out the financial impact of positive and negative shifts in the two primary unobservable inputs on the valuation of the Group's controlled property segments:

31 August 2019 Group	Market value (£m)	+5%	-5%	-25bps	+25bps	+15%	-15%	-75bps	+75bps
		ERV/ EBITDA (£m) ⁽¹⁾	ERV/ EBITDA (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾	ERV/ EBITDA (£m) ⁽¹⁾	ERV/ EBITDA (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾
UK Commercial	546.8	23.7	(26.2)	26.3	(26.9)	73.5	(75.5)	90.7	(71.6)
UK Hotels	363.3	16.8	(19.4)	14.8	(13.5)	53.0	(55.5)	48.8	(37.7)
UK Retail	255.0	10.1	(9.4)	10.3	(9.4)	30.4	(28.6)	33.4	(26.4)
Europe	232.1	9.4	(9.3)	4.5	(4.4)	28.1	(28.0)	13.8	(12.9)
Total	1,397.2	60.0	(64.3)	55.9	(54.2)	185.0	(187.6)	186.7	(148.6)

31 August 2018 Group	Market value (£m)	+5%	-5%	-25bps	+25bps
		ERV/ EBITDA (£m) ⁽¹⁾	ERV/ EBITDA (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾	Yield/ Capitali- sation rate (£m) ⁽¹⁾
UK Commercial	504.6	16.5	(17.0)	14.9	(13.8)
UK Hotels	364.9	10.2	(9.7)	12.7	(11.0)
UK Retail	481.0	16.9	(16.6)	18.8	(17.6)
Europe	244.5	22.5	(22.9)	26.4	(24.1)
Total	1,595.0	66.1	(66.2)	72.8	(66.5)

⁽¹⁾ EBITDA and capitalisation rate inputs are applicable to the UK Hotel portfolio (RBH managed only) and the London Serviced Offices Portfolio given the operational nature of the underlying business'

An increase in the current or future rental stream would increase capital value while a higher yield or discount rate would decrease capital value. There are interrelationships between these unobservable inputs however as they are partially determined by market conditions, the valuation movement in any one period depends on the balance between them.

On account of the heightened uncertainty and volatility in market conditions, the Directors have considered it appropriate to increase the range in shifts of the primary unobservable valuation inputs as at 31 August 2019.

For the purposes of viability and going concern, the Directors have considered the impact of a decline in investment property valuations in a downside scenario as follows; UK Shopping Centres 20 per cent; other UK Retail assets five per cent; UK Hotels and Europe two per cent. The significant reduction applied to Shopping Centres reflects the continued weak investor sentiment, ongoing structural changes to the retail landscape and concerns over the going concern of certain retailers due to deteriorating sales. Furthermore, the Directors have considered an additional five per cent reduction in all UK investment property values in a Brexit scenario. The results of this assessment are set out in the Group's Viability Statement in the Annual Report. Based on the market value of the Group's portfolio at 31 August 2019, the decline in valuations would result in a fair value loss to the income statement of £36.7 million in a downside scenario and £94.9 million in a Brexit scenario.

Acquisitions

The Group acquired an industrial estate in Farnborough, Hampshire (Southwood Business Park) for a total consideration of £26.3 million (excluding costs) in September 2018. In addition, the Group acquired 13.5 acres of land interest in Bicester, Oxfordshire for £7.9 million (excluding costs) in September 2018 and acquired the first of two distribution units constructed on the site, on practical completion for £7.8 million in April 2019. The Group is committed to acquiring the second unit on practical completion for £10.3 million. Completion is set for December 2019.

Committed expenditure

The Group was contractually committed to expenditure of £16.4 million for the future acquisition, development and enhancement of investment property and investment property held for sale at 31 August 2019 (31 August 2018: £8.3 million), including the £10.3 million on practical completion of the second Bicester unit referenced above.

Disposals

The Group made three disposals during the year to 31 August 2019 by way of asset sales. One property was disposed from the Discontinued European portfolio, namely a retail warehouse in Eilenberg, Germany in September 2018. Two properties were disposed from the UK Commercial portfolio, namely Centrallofts, Newcastle (at auction) and Lakeview, Warrington (exchange of contracts) during August 2019. As at 31 August 2019, net proceeds of £3.5 million had been received by the Group after adjusting for additional prior year disposal costs (£0.5 million from Continuing operations).

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Loss on disposal £m
31 August 2019					
Continuing operations					
Centrallofts, Newcastle	0.5	-	0.5	0.9	(0.4)
Lakeview, Warrington	3.6	(0.2)	3.4	4.7	(1.3)
	4.1	(0.2)	3.9	5.6	(1.7)
Discontinued operation					
Eilenburg	3.3	(0.2)	3.1	3.3	(0.2)
Total disposals during the year	7.4	(0.4)	7.0	8.9	(1.9)

The Group disposed of two assets from the UK Commercial portfolio and two assets from the Discontinued European portfolio (part of the Leopard Portfolio disposal) during the prior year by way of assets sales, realising a net gain after disposal costs of £1.5 million. As at 31 August 2018, net proceeds of £22.7 million had been received by the Group after adjusting for additional prior year disposal costs (£16.8 million from Continuing operations).

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Gain/ (loss) on disposal £m
31 August 2018					
Continuing operations					
The Crescent Centre, Bristol	15.0	(0.2)	14.8	(14.1)	0.7
Haynesfield House, Sparkhill	2.1	-	2.1	(1.2)	0.9
	17.1	(0.2)	16.9	(15.3)	1.6
Discontinued operation					
Bunde and Uelzen, Germany (Leopard asset disposal)	5.9	-	5.9	(6.0)	(0.1)
Total disposals during the year	23.0	(0.2)	22.8	(21.3)	1.5

Commercial property price risk

The Board draws attention to the risks associated with commercial property investments. Although over the long-term property is considered a low risk asset, investors must be aware that significant short and medium term risk factors are inherent in the asset class. Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds and this restricts the Group's ability to realise value in cash in the short term. This is of particular relevance in relation to the UK Shopping centres where there is paucity of transactions in the market.

16. INVESTMENT IN AND LOANS TO JOINT VENTURES

	31 August 2019 £m	31 August 2018 £m
Investment in joint ventures		
Opening balance at 1 September	1.9	1.9
Additional investment in joint ventures	-	0.1
Share of post-tax profit from joint ventures	0.9	-
Foreign currency translation	0.1	(0.1)
Investment in joint ventures	2.9	1.9
Loans to joint ventures		
Opening balance at 1 September	5.2	4.3
Increase in loans to joint ventures	-	1.0
Repayment of loans by joint ventures	(0.1)	(0.1)
Reversal of impairment of loans to joint ventures	-	0.1
Foreign currency translation	-	(0.1)
Loans to joint ventures	5.1	5.2
Carrying value of interests in joint ventures	8.0	7.1

Joint venture interests

During the year ended 31 August 2019, the Group's material investments in joint ventures which are presented in the tables of this note included the following interests:

- (i) 52 per cent interest in RI Menora German Holdings S.à.r.l., a joint venture with Menora Mivtachim, which ultimately owns properties in Waldkraiburg, Huckelhoven and Kaiserslautern, Germany. The Group acquired an additional 1.5 per cent interest in the joint venture in November 2017 following the acquisition of a non-controlling interest. Notwithstanding the economic shareholding, the contractual terms provide for joint control and so the Company does not control the entity;
- (ii) 49 per cent interest in Wichford VBG Holding S.à.r.l., a joint venture with Menora Mivtachim, which owned Government-let properties in Dresden, Berlin, Stuttgart and Cologne, Germany. The joint venture disposed of its property-owning subsidiaries on 1 January 2017 as detailed below; and
- (iii) 50 per cent interest in TwentySix The Esplanade Limited, a joint venture with Rimstone Limited, which owns an office building in St. Helier, Jersey.

The Group's interest in joint venture entities is in the form of:

- 1) an interest in the share capital of the joint venture companies; and
- 2) loans advanced to the joint venture entities.

RI Menora German Holdings S.à.r.l. and Wichford VBG Holding S.à.r.l. both have accounting year ends of 31 December which differ from the Group so as to align with the year end of the joint venture partner, Menora Mivtachim.

Interest in joint ventures not recognised

Under the equity method, the Esplanade was carried at £Nil in the Group's financial statements at 1 September 2018 and remains at £Nil at 31 August 2019. This investment is in a net liability position with the cumulative losses exceeding the cost of the Group's investment. The Group has ceased to recognise further losses beyond the original cost of this joint venture and loans advanced have been fully impaired in line with IAS 28. The Group share of cumulative losses amounted to £0.2 million at 31 August 2019 (31 August 2018: £Nil). On a proportionate basis and for segmental reporting purposes, the Group's interest in the Esplanade is recognised line-by-line. Refer to Note 3.

Wichford VBG Holding S.à.r.l.

On 1 January 2017, Wichford VBG Holding S.à.r.l. exchanged on the sale of its four German office assets. During the year ended 31 August 2018, the Group incurred additional transaction costs of £0.1 million which have been presented as loss on sale of joint venture.

Fair value disclosures

The fair value of the Group's recognised loans to joint venture at 31 August 2019 was £5.3 million and the Group considers that this financial asset falls within 'Level 3' as defined by IFRS 13 (refer to Note 30).

Summarised financial information

The summarised financial information of the Group's joint ventures is set out separately below:

	Discontinued operation		Unrecognised Joint Venture	Elimination of joint venture partners' interest £m	Proportionate total £m
	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m		
31 August 2019					
Percentage ownership interest	49%	52%	50%		
Summarised income statement					
Rental income	-	1.9	1.7	3.6	1.8
Rental expense	-	(0.2)	-	(0.2)	(0.1)
Net rental income	-	1.7	1.7	3.4	1.7
Administrative costs and other fees	(0.1)	(0.2)	0.3	-	-
Net operating (expense)/income	(0.1)	1.5	2.0	3.4	1.7
Gain/(loss) on revaluation of investment property	-	0.2	(0.6)	(0.4)	(0.2)
Gain on revaluation of investment property held for sale	-	1.3	-	1.3	0.7
Finance expense on loans from joint venture partners	-	(0.6)	-	(0.6)	(0.3)
Finance expense	-	(0.3)	(1.0)	(1.3)	(0.6)
Change in fair value of derivative financial instruments	-	-	(0.6)	(0.6)	(0.3)
(Loss)/profit before tax	(0.1)	2.1	(0.2)	1.8	1.0
Taxation	-	(0.3)	(0.2)	(0.5)	(0.3)
(Loss)/profit and total comprehensive (expense)/income	(0.1)	1.8	(0.4)	1.3	0.7
Reconciliation to IFRS:					
Elimination of non-controlling and joint venture partners' interests	0.1	(0.9)	0.2	(0.6)	-
Movement in losses restricted in joint ventures	-	-	0.2	0.2	0.2
Group share of joint venture results (included in post- tax profit from discontinued operation)	-	0.9	-	0.9	0.9
Summarised balance sheet					
Investment property	-	-	21.9	21.9	11.0
Trade and other receivables	-	0.8	0.2	1.0	0.5
Cash and cash equivalents	0.8	0.5	0.5	1.8	0.9
Non-current assets held for sale	-	29.1	-	29.1	15.1
Total assets	0.8	30.4	22.6	53.8	27.5
External borrowings	-	(13.6)	(16.5)	(30.1)	(15.3)
Loans from joint venture partners	-	(9.3)	(6.6)	(15.9)	(8.2)
Derivative financial instruments	-	-	(6.1)	(6.1)	(3.1)
Deferred tax	-	(1.5)	-	(1.5)	(0.8)
Trade and other payables	-	(0.8)	(0.3)	(1.1)	(0.5)
Total liabilities	-	(25.2)	(29.5)	(54.7)	(27.9)
Non-controlling interests	-	(0.4)	-	(0.4)	(0.2)
Net assets/(liabilities)	0.8	4.8	(6.9)	(1.3)	(0.6)
Reconciliation to IFRS:					
Elimination of joint venture partners' interests	(0.4)	(2.3)	3.4	0.7	-
Recognised loan to joint venture ⁽¹⁾ (Note 31)	-	5.1	-	5.1	5.1
Impaired loan to joint venture	-	-	3.3	3.3	3.3
Cumulative losses restricted ⁽²⁾	-	-	0.2	0.2	0.2
Carrying value of interests in joint ventures	0.4	7.6	-	8.0	8.0

	Discontinued operation		Unrecognised Joint Venture			
	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m	Total £m	Elimination of joint venture partners' interest £m	Proportionate total £m
31 August 2018						
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Rental income	-	1.8	1.7	3.5	(1.7)	1.8
Rental expense	-	(0.3)	-	(0.3)	0.1	(0.2)
Net rental income	-	1.5	1.7	3.2	(1.6)	1.6
Administrative costs and other fees	(0.2)	(0.2)	-	(0.4)	0.2	(0.2)
Net operating (expense)/income	(0.2)	1.3	1.7	2.8	(1.4)	1.4
Gain/(loss) on revaluation of investment property	-	0.2	(0.6)	(0.4)	0.2	(0.2)
Finance expense on loans from joint venture partners	-	(0.6)	-	(0.6)	0.3	(0.3)
Finance expense	-	(0.3)	(1.2)	(1.5)	0.7	(0.8)
Change in fair value of derivative financial instruments	-	-	1.4	1.4	(0.7)	0.7
(Loss)/profit before tax	(0.2)	0.6	1.3	1.7	(0.9)	0.8
Taxation	-	(0.4)	-	(0.4)	0.2	(0.2)
(Loss)/profit and total comprehensive (expense)/income	(0.2)	0.2	1.3	1.3	(0.7)	0.6
Reconciliation to IFRS:						
Elimination of non-controlling and joint venture partners' interests	0.1	(0.1)	(0.7)	(0.7)	0.7	-
Movement in losses restricted in joint ventures	-	-	(0.6)	(0.6)	-	(0.6)
Group share of joint venture results (included in post-tax profit from discontinued operation)	(0.1)	0.1	-	-	-	-
Summarised balance sheet						
Investment property	-	27.2	22.5	49.7	(24.3)	25.4
Trade and other receivables	-	0.8	0.2	1.0	(0.5)	0.5
Cash and cash equivalents	0.8	0.3	0.4	1.5	(0.7)	0.8
Total assets	0.8	28.3	23.1	52.2	(25.5)	26.7
External borrowings	-	(13.7)	(17.0)	(30.7)	15.1	(15.6)
Loans from joint venture partners	-	(9.4)	(6.6)	(16.0)	7.8	(8.2)
Derivative financial instruments	-	-	(5.5)	(5.5)	2.7	(2.8)
Deferred tax	-	(1.2)	-	(1.2)	0.6	(0.6)
Trade and other payables	-	(0.7)	(0.6)	(1.3)	0.5	(0.8)
Total liabilities	-	(25.0)	(29.7)	(54.7)	26.7	(28.0)
Non-controlling interests	-	(0.3)	-	(0.3)	0.2	(0.1)
Net assets/(liabilities)	0.8	3.0	(6.6)	(2.8)	1.4	(1.4)
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(1.5)	3.3	1.4	(1.4)	-
Recognised loan to joint venture ⁽¹⁾ (Note 31)	-	5.2	-	5.2	-	5.2
Impaired loan to joint venture	-	-	3.3	3.3	-	3.3
Carrying value of interests in joint ventures	0.4	6.7	-	7.1	-	7.1

⁽¹⁾ Loans to joint ventures include the opening balance, any advances or repayments and foreign currency movements during the year.

⁽²⁾ Cumulative losses restricted represent the Group's share of losses in the Esplanade which exceed the cost of the Group's investment. As a result, the carrying value of the investment is £Nil in accordance with the requirements of IAS 28.

17. INVESTMENT IN ASSOCIATE

	31 August 2019 £m	31 August 2018 £m
Associate investment in IHL and RBH		
Opening balance at 1 September	9.1	9.4
IHL		
Transfer from investment at fair value through profit or loss	-	8.5
Additions	-	5.0
Reclassification as investment in subsidiary (Note 10)	-	(13.5)
RBH		
Share of post-tax profit from associate	0.9	0.3
Distributions from associate (Note 31)	(1.0)	(0.6)
Net impairment of investment in associate	(1.4)	-
Carrying value of net investment in associate	7.6	9.1

IHL

On 15 September 2017, the Group obtained consent from the shareholders of IHL to acquire 16.4 million shares (29.3 per cent) being all of the non-controlling interest in IHL via a scheme of arrangement. From this date, the Group was considered to have significant influence over IHL and the investment was reclassified from an investment at fair value through profit or loss. On 26 October 2017, the Group acquired an additional 5.0 million shares in IHL for £5.0 million from Redefine Properties and increased its interest to 26.2 per cent. The additional interests acquired allowed RDI to continue to participate in the financial and operating decisions of IHL, but not to direct those decisions, and therefore the cumulative investment of £13.5 million continued to be classified as an associate.

On 13 November 2017, the scheme of arrangement completed, and the Group acquired 16.4 million shares from scheme participants and 1.9 million shares from Redefine Properties, increasing RDI's interest in IHL from 26.2 to 58.9 per cent (increased further to 74.1 per cent). The Group could, from this date, direct the operating and financial decisions of IHL and was exposed to the variable returns of the property group as a result. RDI had acquired control of IHL from this date and this is considered the acquisition date for the purposes of IFRS 3. The fair value of the Group's associate interest in IHL of £13.5 million was, therefore, included in the determination of the net gain on bargain purchase of IHL as a stepped acquisition.

All RDI share numbers referenced are those prior to the share consolidation (ordinary shares at 8 pence per share).

RBH

The summarised financial information of RBH is set out below.

	31 August 2019 £m	31 August 2018 £m
Summarised income statement		
Revenue	77.7	78.3
Other income	3.7	1.6
Expenses	(77.1)	(78.1)
Profit from operations	4.3	1.8
Taxation	(0.9)	(0.7)
Profit for the year	3.4	1.1
Elimination of third-party interest	(2.5)	(0.8)
Group share of results	0.9	0.3
<i>Classified as:</i>		
Share of post-tax profit	0.9	0.3

	31 August 2019 £m	31 August 2018 £m
Summarised balance sheet		
Non-current assets	2.9	4.1
Intangible asset	28.1	28.1
Trade and other receivables	6.2	9.3
Cash and cash equivalents	7.0	3.9
Total assets	44.2	45.4
Current liabilities	(14.5)	(13.6)
Total liabilities	(14.5)	(13.6)
Net assets	29.7	31.8
Capital contribution adjustment	2.9	1.1
Adjusted net assets	32.6	32.9
Elimination of third-party interests	(24.4)	(24.6)
Share of net assets attributable to the Group	8.2	8.3
Impairment of Group share of net assets	(0.6)	-
Excess net investment in associate	-	0.8
Carrying value of the Group's net investment in associate	7.6	9.1

The impairment charge of £1.4 million recognised during the year ended 31 August 2019, is comprised of impairment of the Group's share of RBH net assets of £0.6 million and reduction of the excess net investment in RBH of £0.8 million to £nil.

Distributions from the associate for the year ended 31 August 2019 were £1.0 million (31 August 2018: £0.6 million, £0.7 million in total including the investment in associate held for sale).

Following an internal impairment assessment and on receipt of an independent valuation of RBH, the Directors considered that the recoverable amount of the Group's net investment in RBH was £7.6 million at 31 August 2019. The independent valuation was determined on a capitalisation of earnings basis, cross-checked to market comparables and a recent shareholder transaction. Using a discount rate range of 10.5 - 11.5 per cent, an enterprise value range of £26.3 - £32.5 million was attributed to the investment, with a mid-point valuation of £30.0 million (Group share: £7.6 million). This resulted in an impairment charge of £1.4 million to the income statement during the year ended 31 August 2019.

18. OTHER NON-CURRENT ASSETS

INTANGIBLE ASSETS

	31 August 2019 £m	31 August 2018 £m
Opening balance at 1 September	0.8	1.1
Amortisation	(0.2)	(0.3)
Closing balance	0.6	0.8

Intangible assets were recognised on the acquisition of Redefine International Management Holdings Limited Group ("RIMH") and represented the fair value of the advisory agreements acquired by the Group. The value attributed to the contracts between RIMH and third parties, including joint ventures of the Group and the non-controlling interests, was £1.9 million. The intangible asset is being amortised on a straight-line basis over the remaining term of the contracts, which have an average life of eight years, and was just over two years at 31 August 2019.

PROPERTY, PLANT AND EQUIPMENT

	31 August 2019 £m	31 August 2018 £m
Opening balance at 1 September	0.5	0.1
Additions	0.1	0.6
Disposals	(0.1)	-
Depreciation	(0.2)	(0.2)
Closing balance	0.3	0.5
Total other non-current assets at 31 August	0.9	1.3

19. RECEIVABLES

	31 August 2019 £m	31 August 2018 £m
Non-current		
Tenant lease incentives ⁽¹⁾	7.4	8.1
Tenant lease incentives to related parties ⁽¹⁾ (Note 31)	1.3	0.4
Loans to external parties	-	1.6
Letting costs	1.1	1.1
Other receivables	0.3	-
Total non-current other receivables	10.1	11.2
Current		
Accounts receivable	1.0	1.0
Tenant lease incentives ⁽¹⁾	1.2	1.6
Tenant lease incentives to related parties ⁽¹⁾ (Note 31)	1.9	0.8
Other amounts receivable from related parties (Note 31)	0.1	0.3
Accrued income in relation to property disposals	13.8	-
Prepayments and accrued income	1.6	2.5
Other receivables	3.2	0.9
Total current trade and other receivables	22.8	7.1
Total receivables	32.9	18.3

⁽¹⁾ Total tenant lease incentives of £11.8 million (31 August 2018: £10.9 million) have been deducted from investment property, including property assets held for sale, in determining fair value at the balance sheet date. Refer to Note 15 (£9.2 million) and Note 21 (£2.6 million) respectively.

20. CASH AND CASH EQUIVALENTS

	31 August 2019 £m	31 August 2018 £m
Unrestricted cash and cash equivalents	32.3	58.3
Restricted cash and cash equivalents	0.7	0.7
Cash and cash equivalents	33.0	59.0

At 31 August 2019, cash and cash equivalents to which the Group did not have instant access amounted to £0.7 million (31 August 2018: £0.7 million). The restricted cash is held on deposit in Germany under an hereditary building right agreement for the property at Ingolstadt.

The Group's share of total cash and cash equivalents, including its share of joint venture cash, at 31 August 2019 was £33.9 million (31 August 2018: £59.8 million), with a further £20.0 million of undrawn committed facilities available (31 August 2018: £75.0 million).

21. NON-CURRENT ASSETS AND DISPOSAL GROUP HELD FOR SALE

	UK Commercial £m	UK Retail £m	Europe Dis Op £m ⁽¹⁾	Total £m
Investment property				
Opening balance at 1 September 2017	9.2	12.9	3.7	25.8
Transfers from investment property (Note 15) ⁽²⁾	23.1	-	-	23.1
Transfers to investment property (Note 15)	(0.9)	-	(3.6)	(4.5)
Disposals through the sale of subsidiary	-	(12.9)	-	(12.9)
Disposals through the sale of property	(31.4)	-	-	(31.4)
Foreign currency translation	-	-	(0.1)	(0.1)
Opening balance at 1 September 2018	-	-	-	-
Transfers from investment property (Note 15)	8.8	2.2	229.7	240.7
Capitalised expenditure	-	-	0.3	0.3
Loss on revaluation of investment property	-	-	(2.4)	(2.4)
Disposals through the sale of property	-	-	(9.8)	(9.8)
Foreign currency translation	-	-	13.5	13.5
Closing balance at 31 August 2019	8.8	2.2	231.3	242.3
Tenant lease incentives (Note 19)	-	0.3	2.3	2.6
Minimum payments under head leases	-	-	(1.5)	(1.5)
Market value of Group assets held for sale at 31 August 2019	8.8	2.5	232.1	243.4
Share of joint venture assets held for sale (Note 16)	-	-	15.1	15.1
Market value of total assets held for sale at 31 August 2019	8.8	2.5	247.2	258.5

⁽¹⁾ Included within the Europe segment at 31 August 2019 is property under development of £32.3 million (31 August 2018: £32.1 million).

⁽²⁾ Investment property was revalued before being reclassified as held for sale in line with IFRS 5. This resulted in a gain in the income statement of £0.9 million.

In March 2019, the Board approved a marketing exercise for the prospective sale of the Europe portfolio, a separately identifiable line of business containing the Group's investment properties located in Germany. At 31 August 2019, exclusivity agreements had been entered into or at the final stages with preferred parties and it is management's expectation that the majority of sales will be completed by February 2020. All assets within the Europe portfolio (including the Group's share of joint venture investment property) have been reclassified as a disposal group held for sale since Board approval of the sale, having met the criteria of IFRS 5, in addition to the results and cash flows of the segment being treated as a discontinued operation. At 31 August 2019, the Group had exchanged contracts on one of the properties, namely the Munich Shopping centre, for consideration of €11.4 million and recognised the disposal on exchange of contracts as there are no significant conditions pending completion as set out in the table below. The transaction is due to complete 31 October 2019. Refer to Note 35 for further information on additional properties in the Europe portfolio that the Group has exchanged contracts on subsequent to year end.

There are seven mature UK assets that the Group plans to dispose of during the next financial year. At 31 August 2019, two of these assets met the criteria of IFRS 5 as held for sale, namely Park Place, Leeds and Albion Street, Derby. The properties were being actively marketed at 31 August 2019 and have exchanged contracts subsequent to year end. Refer to Note 35.

No property assets were classified as held for sale at 31 August 2018 as the criteria outlined in IFRS 5 had not been met.

All non-current assets held for sale fall within 'Level 3', as defined by IFRS 13 (refer to Note 30). Accordingly, there has been no transfer within the fair value hierarchy over the year.

DISPOSALS

The gain on disposal of the Munich property is included in the post-tax profit from Discontinued operation in the income statement.

	Net sales proceeds £m	Carrying value £m	Foreign currency translation £m	Gain on disposal £m
31 August 2019				
Munich	10.0	(9.8)	0.3	0.5
Disposals during the year	10.0	(9.8)	0.3	0.5

The Group disposed of the five held for sale assets during the year ended 31 August 2018, one from the UK Retail portfolio and five from the UK Commercial portfolio. One of the sales, Paragon Square, Hull was structured as a corporate sale. Refer to Note 8 for further details. From the four asset sales, the Group realised a net gain, after disposal costs, of £1.8 million. As at 31 August 2018, net proceeds of £39.6 million had been received by the Group which included the proceeds from a prior year sale (£33.0 million from Continuing operations).

	Sales proceeds £m	Disposal costs £m	Fair value adjustments £m	Net sales proceeds £m	Carrying value £m	Gain/(loss) on disposal £m
31 August 2018						
Duchess Place, Edgbaston	1.6	-	0.7	2.3	(2.3)	-
West Point and Centre Court, Plymouth	2.7	(0.1)	-	2.6	(2.7)	(0.1)
City Point, Leeds	26.1	(0.6)	(0.5)	25.0	(23.1)	1.9
Severalls, Colchester	3.4	(0.1)	-	3.3	(3.3)	-
Disposals during the year	33.8	(0.8)	0.2	33.2	(31.4)	1.8

22. BORROWINGS, INCLUDING FINANCE LEASES

	31 August 2019 £m	31 August 2018 £m
Non-current		
Bank loans	656.1	787.9
Less: unamortised debt issue costs	(5.2)	(2.7)
Less: fair value adjustments	(1.0)	(14.1)
	649.9	771.1
Other external loans	0.7	-
Finance leases	6.8	13.1
Total non-current borrowings, including finance leases	657.4	784.2
Current		
Bank loans	29.1	4.7
Less: unamortised debt issue costs	-	(0.2)
Less: fair value adjustments	(0.4)	(0.6)
	28.7	3.9
Other external loans	-	0.7
Finance leases	0.4	0.8
Total current borrowings, including finance leases	29.1	5.4
Total borrowings, including finance leases	686.5	789.6

Analysis of movement in net borrowings, including finance leases

The table below presents the movements in net borrowings for the year ended 31 August 2019, split between cash and non-cash movements and as required by IAS 7.

	Non-current £m	Current £m	Cash and cash equivalents £m	Net debt £m
Opening balance at 1 September 2018	784.2	5.4	(59.0)	730.6
Financing activities (cash)				
<i>Continuing operations</i>				
Borrowings drawn	102.0	-	(102.0)	-
Borrowings repaid	(77.7)	(3.2)	80.9	-
Debt issue cost additions	(4.0)	-	4.0	-
<i>Discontinued operation</i>				
Borrowings drawn	16.7	-	(16.7)	-
Borrowings repaid	(1.7)	(1.1)	2.8	-
Debt issue cost additions	(0.1)	-	0.1	-
	35.2	(4.3)	(30.9)	-
Financing activities (non-cash)				
Carrying value of borrowings released, including finance leases, on loss of control of Aviva Portfolio	(138.0)	-	-	(138.0)
Debt issue costs movements	1.2	-	-	1.2
Accretion of fair value adjustments	0.6	-	-	0.6
Finance lease movements	(0.1)	-	-	(0.1)
Reclassification between current and non-current	(28.0)	28.0	-	-
	(164.3)	28.0	-	(136.3)
Other net cash movements	-	-	57.6	57.6
Foreign currency translation	2.3	-	(0.7)	1.6
Closing balance as at 31 August 2019	657.4	29.1	(33.0)	653.5

Bank loans

	31 August 2019			31 August 2018		
	Carrying value £m	Nominal value £m	Fair value £m	Carrying value £m	Nominal value £m	Fair value £m
Non-current liabilities						
Bank loans	656.1	656.1	656.1	787.9	787.9	787.9
Less: unamortised debt issue costs	(5.2)	-	-	(2.7)	-	-
Less: fair value adjustments	(1.0)	-	2.0	(14.1)	-	(10.3)
Total non-current bank loans	649.9	656.1	658.1	771.1	787.9	777.6
Current liabilities						
Bank loans	29.1	29.1	29.1	4.7	4.7	4.7
Less: unamortised debt issue costs	-	-	-	(0.2)	-	-
Less: fair value adjustments	(0.4)	-	(0.4)	(0.6)	-	(0.6)
Total current bank loans	28.7	29.1	28.7	3.9	4.7	4.1
Total IFRS bank loans	678.6	685.2	686.8	775.0	792.6	781.7
Joint ventures						
Share of joint ventures bank loans	15.3	15.3	15.3	15.6	15.6	15.6
Total bank loans (on a proportionately consolidated basis)	693.9	700.5	702.1	790.6	808.2	797.3
Cash and cash equivalents	(33.0)	(33.0)	(33.0)	(59.0)	(59.0)	(59.0)
Share of joint ventures cash and cash equivalents	(0.9)	(0.9)	(0.9)	(0.8)	(0.8)	(0.8)
Net debt (on a proportionately consolidated basis)	660.0	666.6	668.2	730.8	748.4	737.5

The table above presents bank loans, cash and cash equivalents and net debt information prepared on a proportionately consolidated basis. This format is not a requirement of IFRS and is presented for informational purposes only as it is used in reports presented to the Group's Chief Operating Decision Maker.

At 31 August 2019, the Group's bank loans are secured over investment property of £1,352.1 million (31 August 2018: £1,525.4 million) and are carried at amortised cost. On a proportionately consolidated basis, bank loans are secured over investment property of £1,378.2 million (31 August 2018: £1,550.8 million).

The Group's principal value of drawn debt (on a proportionately consolidated basis) has decreased during the year to £700.5 million (31 August 2018: £808.2 million) following refinancings, drawdowns and most significantly, the major transactions the Group has completed during the year. This is in line with the Group's strategy to reduce leverage and refinancing risk and to improve the debt maturity profile in the near term. Bank debt transactions include:

- in September 2018, following the Eilenburg disposal from the Premium portfolio, €3.1 million of sales proceeds were repaid against the loan held with Münchener Hypothekenbank eG;
- on 12 October 2018, the Group drew €19.4 million from a new facility, which matures in June 2023, secured over its property at Ingolstadt in Germany following completion of the main development and handover to Primark;

- at 31 August 2018 the total drawn balance on the AUK facility was £228.0 million and the Group drew a further £15.0 million on 21 September on the AUK revolving credit facility ("RCF");
- in October 2018 the Group voluntarily cancelled £28.0 million of the AUK facility reducing the total available facility from £303.0 million to £275.0 million (with a drawn balance of £243.0 million and an undrawn balance of £32.0 million);
- in late October 2018, following a lender valuation, the Group was notified that the lender's loan to value on the Aviva facility was in excess of its 85 per cent covenant. The loan, which is secured against four of the Group's UK Shopping Centres (namely Grand Arcade, Wigan, Weston Favell, Northampton, Birchwood, Warrington and Byron Place, Seaham) has an outstanding principal balance of £144.7 million (at 28 February 2019), a fixed rate of interest of 5.5 per cent and matures in April 2042. As permitted within the facility agreement, the Group subsequently paid £9.7 million to cure the loan to value covenant to below 85 per cent. Since October 2018 and at the compliance reporting date in January 2019, the Group remained in an operational cash trap whereby net operating cash flows are retained within the facility and are anticipated to be used to reduce the principal balance outstanding. In April 2019 a further event of default occurred and the portfolio was subsequently derecognised. See Note 9 for further details;
- in January 2019 the Group reported an event of default on a facility held with Santander secured over three hotels controlled by the Group, namely the Holiday Inn Express, Dunstable; the Holiday Inn Express, Southampton; and the Holiday Inn Express, Redditch. The event of default was in respect to both historic interest service cover and historic loan to EBITDA. As permitted within the facility agreement, the Group subsequently prepaid £3.0 million against the facility. No further covenant concerns have arisen;
- in January 2019 the Group completed the early refinancing of the AUK facility with total facility commitments of £275.0 million and the Group drew down an additional £7.0 million on refinancing to bring the total drawn amount to £250.0 million with an undrawn facility commitment of £25.0 million. The refinancing is not a substantial modification and related debt issue costs are being amortised over the remaining term of the refinanced facility;
- in January 2019 the Group prepaid £3.0 million of the IHL debt to strengthen the related covenant;
- in April 2019 the Group drew a further £5.0 million on 8 April 2019 on the AUK revolving credit facility ("RCF");
- In May 2019, the Group completed the early refinancing of the Serviced Office facility with Aberdeen Standard Investment with total commitments of £75.0 million drawn down in 2 tranches: £25.0 million in May 2019 and £50.0 million August 2019. The existing Serviced Office facilities were simultaneously repaid. The refinanced facility matures in July 2026 and secured at a weighted average fixed rate of 2.60 per cent, which is deemed a reasonable approximation of fair value on initial recognition; and
- in July 2019 following a lender valuation, the Group was notified that the lender's loan to value on the Santander facility was in excess of its 50 per cent covenant. The loan, which is secured against the shopping centre West Orchards, Coventry has an outstanding principal balance of £7.9 million (at 31 August 2019). As permitted within the facility agreement, the Group subsequently paid £3.0 million to cure the loan to value covenant to below 50 per cent.

The maturity of Group bank loans, gross of unamortised debt issue costs and fair value adjustments is as follows:

	31 August 2019 £m	31 August 2018 £m
Less than one year	29.1	4.7
Between one year and five years	572.4	585.5
More than five years	83.7	202.4
	685.2	792.6

Certain borrowing agreements contain financial and other covenants that, if contravened, could alter the repayment profile.

Fair value disclosures

The carrying value of floating rate borrowings is considered to be a reasonable approximation of fair value. The fair value of fixed rate borrowings at the reporting date has been calculated by discounting cash flows under the relevant agreements at a market interest rate for similar debt instruments. The market interest rate has been determined having regard to the term, duration and security arrangements of the relevant loan and an estimation of the current rates charged in the market for similar instruments issued to companies of similar sizes. The fair value adjustment relating to the Aviva Portfolio facility was released on loss of control by the Group – the carrying value on loss of control was £13.1 million.

The Group considers that all bank loans, including the Group's share of joint venture bank loans at a total carrying value of £700.5 million, fall within 'Level 3' as defined by IFRS 13 (refer to Note 30).

Finance leases

Obligations under finance leases at the reporting date are as follows:

	31 August 2019 £m	31 August 2018 £m
Minimum lease payments under finance lease obligations:		
Not later than one year	0.4	0.8
Later than one year not later than five years	1.7	3.2
Later than five years	21.8	109.6
	23.9	113.6
Less: finance charges allocated to future periods	(16.7)	(99.7)
Present value of minimum lease payments	7.2	13.9

Present value of minimum finance lease obligations:

	31 August 2019 £m	31 August 2018 £m
Not later than one year	0.4	0.8
Later than one year not later than five years	1.4	2.6
Later than five years	5.4	10.5
Present value of minimum lease payments	7.2	13.9

Finance lease obligations relate to the Group's leasehold interests in investment property. Finance leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default. The discount rates used in calculating the present value of the minimum lease payments range from 1.8 to 6.3 per cent. The recognised liability of £6.6 million relating to the Group's leasehold interest in one of the Aviva Portfolio assets, namely Grand Arcade Wigan was released on loss of control by the Group.

The fair value of the finance lease obligations at 31 August 2019 was £10.8 million and the Group considers that these liabilities fall within 'Level 3' as defined by IFRS 13 (refer to Note 30).

Operating leases

The undiscounted future minimum lease obligations under non-cancellable operating leases at the balance sheet date are as follows:

	31 August 2019 £m	31 August 2018 £m
Investment property		
Not later than one year	1.4	1.4
Later than 1 year not later than 5 years	6.5	5.5
Later than 5 years	519.9	505.7
	527.8	512.6
Head office		
Not later than one year	0.3	0.3
Later than 1 year not later than 5 years	0.6	0.9
	0.9	1.2
Total minimum operating lease payments	528.7	513.8

The Group acquired operating leasehold interests in investment property in the UK Hotels and UK Commercial through business combinations during the year ended 31 August 2018.

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into interest rate swap and interest rate cap agreements to manage the risks arising from the Group's operations and its sources of finance.

Interest rate swaps and caps are employed by the Group to manage the interest rate profile of financial liabilities. In accordance with the terms of the majority of bank debt arrangements, the Group has entered into interest rate swaps to convert the rates from floating to fixed which has eliminated exposure to interest rate fluctuations. Likewise, interest rate caps are used to limit the downside exposure to significant changes to the low interest rates currently prevailing in the market.

It is the Group's policy that no economic trading in derivatives is undertaken.

	31 August 2019 £m	31 August 2018 £m
Derivative assets		
Non-current		
Interest rate cap	-	0.4
Interest rate swaps	-	0.7
	-	1.1
Derivative liabilities		
Non-current		
Interest rate swaps	(12.7)	(2.9)
	(12.7)	(2.9)
Current		
Interest rate swaps	(0.1)	-
	(0.1)	-
Net derivative financial instruments	(12.8)	(1.8)

The Group holds interest rate cap assets at rates of 1.0 to 3.0 per cent, maturing between November 2019 and June 2023. The interest rate swap liabilities have maturities from February 2020 to February 2024 and the rates range from 0.4 to 2.0 per cent

24. DEFERRED TAX

The table below presents the recognised net deferred tax liability and movement during the year:

	On investment property £m	On derivative financial instruments £m	On losses carried forward £m	Total £m
Opening balance 1 September 2017	10.4	-	-	10.4
Expense for the year recognised in the income statement	1.3	(0.4)	(1.4)	(0.5)
Foreign currency translation	(0.4)	-	-	(0.4)
Opening balance 1 September 2018	11.3	(0.4)	(1.4)	9.5
Credit for the year recognised in the income statement (within profit from discontinued operation)	(1.1)	(0.2)	(0.7)	(2.0)
Foreign currency translation	0.1	(0.1)	-	-
Closing balance at 31 August 2019	10.3	(0.7)	(2.1)	7.5

There were unrecognised tax losses as at 31 August 2019 of £1.9 million (31 August 2018: £nil).

Deferred tax has been recognised on the Europe Segment's investment property and derivative financial instruments as local tax charges/(credits) would arise on disposal of property and settlement of the derivatives irrespective of the REIT status of the Group. Tax losses carried forward from the Europe Segment are recognised as deferred tax assets only to the extent that the losses can be offset against any future tax charge that would arise on disposal of investment property.

25. PAYABLES

	31 August 2019 £m	31 August 2018 £m
Non-current		
Other sundry payables	0.1	0.2
Total non-current other payables	0.1	0.2
Current		
Amounts payable to related parties (Note 31)	0.4	0.4
Rent received in advance	4.6	5.0
Trade payables	1.0	0.7
Service charge	1.5	4.6
Accrued interest	2.7	2.7
VAT payable	3.5	4.7
Accruals	5.8	5.9
Tenant deposits ⁽¹⁾	2.9	2.9
Other sundry payables	1.6	-
Total current trade and other payables	24.0	26.9
Total payables	24.1	27.1

⁽¹⁾ At 31 August 2019, £2.9 million of tenant deposits relate to the London Serviced Office portfolio acquired during prior year (31 August 2018: £2.9 million).

26. SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED	Number of shares	Authorised share capital £m	
At 31 August 2018 (ordinary shares of 8 pence each)	3,000,000,000	240.0	
Share consolidation (one share for every five shares issued) – 11 February 2019	(2,400,000,000)	-	
At 31 August 2019 (ordinary shares of 40 pence each)	600,000,000	240.0	

ISSUED, CALLED UP AND FULLY PAID	Number of shares	Share capital £m	Share premium £m
At 31 August 2017	1,828,060,146	146.2	511.8
Share issuance – 1 November 2017	12,500,000	1.0	4.0
Share issuance – 13 November 2017	41,074,224	3.3	13.1
Share issuance – 13 November 2017	4,783,697	0.4	1.5
Share issuance – 24 November 2017	2,496,630	0.2	0.8
Scrip dividend – issued December 2017	16,218,190	1.3	4.5
Share buy-back programme – 15 May to 8 June 2018	(14,054,524)	(1.1)	(4.1)
Scrip dividend – issued June 2018	9,371,173	0.7	3.0
At 31 August 2018	1,900,449,536	152.0	534.6
Share consolidation (one share for every five shares issued) – 11 February 2019	(1,520,359,613)	-	-
At 31 August 2019	380,089,923	152.0	534.6

SHARE TRANSACTIONS

Prior to share consolidation (ordinary shares at 8 pence per share)

On 1 November 2017, the Group issued 12.5 million shares to Redefine Properties at 40.0 pence per share to acquire 5.0 million shares in IHL valued at £1 per share.

On 13 November 2017 and on fulfilment of the scheme of arrangement, the Group issued 41.1 million shares at 40.0 pence per share in consideration for the acquisition of 16.4 million shares in IHL from scheme participants. On the same date, the Group also issued 4.8 million shares to Redefine Properties at 40.0 pence per share to acquire 1.9 million shares in IHL valued at £1 per share.

On 24 November 2017, the Group issued 2.5 million shares to Redefine Properties at 40.0 pence per share in settlement of the 1.0 million shares in IHL that had been acquired on 17 November 2017 at £1 per share.

In October 2017, the Company declared a second interim dividend of 1.3 pence per share for the six months ended 31 August 2017 and offered shareholders an election to receive either a cash dividend or a scrip dividend by way of an issue of new RDI shares credited as fully paid up. The Company received election forms from shareholders holding 512.9 million ordinary shares of 8 pence each representing a 27.2 per cent take up by shareholders, in respect of which 16.2 million scrip dividend shares were issued in December 2017.

Following an announcement on 9 May 2018, the Company entered into a share buy-back programme between 15 May 2018 and 8 June 2018. In total, 14.0 million shares were acquired for total consideration of £5.2 million, including transaction costs.

In May 2018, the Company declared an interim dividend of 1.35 pence per share for the six months ended 28 February 2018 and offered shareholders an election to receive either a cash dividend or a scrip dividend by way of an issue of new RDI shares credited as fully paid up. The Company received election forms from shareholders holding 282.1 million ordinary shares of 8 pence each representing a 14.9 per cent take up by shareholders, in respect of which 9.3 million scrip dividend shares were issued in June 2018.

Share consolidation (ordinary shares at 40.0 pence per share)

Following approval by the Board on 24 January 2019 the Group consolidated every five ordinary shares issued and to be issued on 11 February 2019 into one ordinary share of 40 pence each. The consolidation resulted in 380,089,923 ordinary shares of 40 pence each being in issue.

27. RESERVES

OTHER RESERVES

Share-based payment reserve

The share-based payment reserve at 31 August 2019 of £0.7 million (31 August 2018: £2.3 million) arises from outstanding conditional awards of shares in the Company made to certain employees and the Executive Directors. The awards will vest on the third anniversary of the grant, subject to certain performance conditions being achieved over the vesting period.

During the year ended 31 August 2019, the Group released from the reserve to retained earnings £1.7 million (31 August 2018: £1.9 million) of cumulative IFRS 2 charge on lapsed and vested awards. The Group incurred a further £0.3 million (31 August 2018: £0.1 million) in relation to awards that vested with certain employees and has recognised the charge directly in retained earnings such that the net credit to retained earnings for the period in relation to share-based payments was £1.4 million. Detailed information on the share-based payment plans in place is included in the 2019 Annual Report.

The IFRS 2 share-based payment charge for the year was £0.2 million (31 August 2018: £1.0 million).

Other Reserves

Other reserves of £1.0 million (31 August 2018: £1.0 million) arose from the acquisition of subsidiaries. During the year ended 31 August 2019 this reserve was released on liquidation of the related subsidiary.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve at 31 August 2019 of £18.8 million (31 August 2018: £17.9 million) represents exchange differences arising from the translation of the Group's net investment in foreign operations, including both subsidiary and joint venture interests.

28. NON-CONTROLLING INTERESTS

	31 August 2019 £m	Re-presented 31 August 2018 £m
Opening balance at 1 September	59.5	21.8
<i>Comprehensive income for the year:</i>		
Share of profit for the year – continuing operations	2.3	6.0
Share of profit for the year – discontinued operation	0.5	1.4
<i>Changes in ownership interest in subsidiaries:</i>		
Recognition of non-controlling interests on acquisition of subsidiaries (Note 10)	-	33.8
Acquisition of non-controlling interests	-	(0.1)
Dividends paid to non-controlling interests	(4.9)	(3.4)
Total non-controlling interests	57.4	59.5

The following table summarises the financial information relating to the Group's material non-controlling interests in LSO, IHL and RHHL, before any intra-group eliminations.

	31 August 2019					31 August 2018				
	LSO £m	IHL £m	RHHL £m	Europe discontinued operation £m	Total non- controlling interests £m	LSO £m	IHL £m	RHHL £m	Europe Discontinued operation £m	Total non- controlling interests £m
Principal place of business	United Kingdom	United Kingdom	United Kingdom			United Kingdom	United Kingdom	United Kingdom		
Country of incorporation	Isle of Man	BVI	BVI			Isle of Man	BVI	BVI		
NCI %	20.0%	25.9%	17.52%	Individually immaterial		20.0%	25.9%	17.52%	Individually immaterial	
Summarised balance sheet										
Investment property	163.4	116.5	226.7			163.4	119.0	229.0		
Trade and other receivables	0.7	1.1	2.8			0.8	0.2	2.6		
Cash and cash equivalents	5.4	2.3	2.1			4.0	2.7	4.7		
Borrowings, including finance leases	(73.9)	(47.9)	(113.4)			(72.8)	(51.7)	(113.3)		
Derivative financial instruments	-	(0.4)	-			0.3	-	0.1		
Trade and other payables	(5.1)	(5.6)	(1.5)			(5.1)	(3.1)	-		
Adjusted net assets	90.5	66.0	116.7			90.6	67.1	123.1		
NCI share of adjusted net assets	18.1	17.1	20.4			18.1	17.4	21.6		
Carrying amount of NCI	18.1	17.1	20.4	1.8	57.4	18.1	17.4	21.6	2.4	59.5
Summarised statement of comprehensive income										
Revenue	17.5	8.5	13.7			9.8	9.1	14.6		
Profit/(loss) for the year	6.8	(0.9)	7.1			6.6	7.3	15.9		
Profit/(loss) attributable to NCI	1.4	(0.3)	1.2	0.5	2.8	1.3	1.9	2.8	1.4	7.4
Dividends paid to NCI	1.4	-	2.4	1.1	4.9	1.0	0.6	1.8	-	3.4
Summarised cash flow statement										
Cash inflow from operating activities	7.3	4.1	11.5			10.7	5.5	4.1		
Cash (outflow)/inflow from investing activities	-	(2.6)	(0.5)			(0.5)	-	5.6		
Cash outflow from financing activities	(5.9)	(1.9)	(13.6)			(10.4)	(2.8)	(5.7)		
Net increase/(decrease) in cash and cash equivalents	1.4	(0.4)	(2.6)			(0.2)	2.7	4.0		

29. CASH GENERATED FROM OPERATIONS

		31 August 2019 £m	Re-presented 31 August 2018 £m
Continuing operations	Note		
Cash flows from operating activities			
(Loss)/profit before tax		(79.8)	64.2
<i>Adjustments for:</i>			
Straight lining of rental income		2.2	-
Depreciation	18	0.2	0.2
Share-based payments	27	0.2	1.0
Employee share award costs recognised directly in equity	27	(0.3)	-
Loss/(gain) on revaluation of investment property	15	56.6	(4.7)
Gain on revaluation of investment property held for sale	21	-	(0.9)
Loss/(gain) on disposal of investment property	15	1.7	(1.6)
Gain on disposal of investment property held for sale	21	-	(1.8)
Loss on disposal of subsidiaries	8	-	0.7
Loss of control of Aviva	9	55.6	-
Loss/(gain) on acquisition of subsidiaries	10	0.4	(4.4)
Other expenses	11	0.2	0.4
Foreign exchange loss		-	0.8
Finance income	12	(0.2)	(0.2)
Finance expense	12	25.6	26.5
Other finance expense	13	0.3	-
Change in fair value of derivative financial instruments		9.4	(5.5)
(Impairment)/impairment reversal of associate and continuing joint venture interests	16,17	1.4	(0.1)
Share of post-tax profit from associate	17	(0.9)	(0.3)
		72.6	74.3
Changes in working capital		(1.0)	1.0
Cash generated from operations		71.6	75.3

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

BASIS FOR DETERMINING FAIR VALUES

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial instruments that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments, the Group uses valuation techniques to arrive at a fair value that reflects a price that would have been determined by willing market participants acting at arm's length at the reporting date. For common and simple financial instruments, such as over-the-counter interest rate swaps and caps, the Group uses widely recognised valuation models for determining the fair value. The models use only observable market data and require little management judgement which reduces the uncertainty associated with the determination of fair values. For other financial instruments, the Group determines fair value using net present value or discounted cash flow models and comparisons to similar instruments for which market observable prices exist. Varying degrees of judgement are required in the determination of an appropriate market benchmark. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates and expected price volatilities and correlations. Availability of observable market prices and inputs vary depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The tables below present information about the Group's financial instruments carried at fair value as of 31 August 2019 and 31 August 2018.

	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
31 August 2019				
Financial assets				
Derivative financial assets (Note 23)	-	-	-	-
	-	-	-	-
Financial liabilities				
Derivative financial liabilities (Note 23)	-	(12.8)	-	(12.8)
	-	(12.8)	-	(12.8)
31 August 2018				
Financial assets				
Derivative financial assets (Note 23)	-	1.1	-	1.1
	-	1.1	-	1.1
Financial liabilities				
Derivative financial liabilities (Note 23)	-	(2.9)	-	(2.9)
	-	(2.9)	-	(2.9)

Derivative financial instruments have been categorised as 'Level 2', as although they are priced using directly observable inputs, the instruments are not traded in an active market.

As stated in Note 15 and Note 21, the Group considers investment property, including held for sale assets, to be categorised as 'Level 3'. As stated in Note 22, the Group considers all bank loans to be categorised as 'Level 3'. Finance lease obligations are as classified as 'Level 3, the fair value of which is presented in Note 22. The fair value of loans to joint ventures is presented in Note 16 and this financial asset is classified as 'Level 3'.

The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are considered to be a reasonable approximation of fair value.

31. RELATED PARTY TRANSACTIONS

Related parties of the Group include: associate undertakings; joint ventures; Directors and key management personnel; connected parties; the major shareholder Redefine Properties Limited ("RPL"); as well as entities connected through common directorships.

	31 August 2019 £m	31 August 2018 £m
Related party transactions		
Revenue transactions		
Rental income		
RBH	20.6	22.0
Rental expense		
Office Space Cleaning Company Limited cleaning fees	(0.6)	(0.4)
Other income		
<i>Joint Venture investment management income</i>		
RI Menora German Holdings S.à.r.l.	0.1	0.1
		-
Administration costs and other fees		
OSIT investment management fees	(0.9)	(0.6)
Finance income (Discontinued operation)		
<i>Joint Venture loan interest income</i>		
RI Menora German Holdings S.à.r.l.	0.3	0.3
Related parties of Menora joint venture	-	0.1
	0.3	0.4
	31 August 2019 £m	31 August 2018 £m
Capital transactions		
Investment property (capitalised expenditure)		
Project monitoring fee to RBH – construction works	0.1	0.2
Investment in associate		
Transfer price of 4C Investments interest in RBH	-	(1.3)
Dividends received from RBH (including held for sale investment)	(1.0)	(0.7)
	(1.0)	(2.0)
Non-controlling interests		
Adjustment to carrying value of the non-controlling interest in RHHL	-	0.6
Related party balances		
Loans to joint ventures		
RI Menora German Holdings S.à.r.l.	5.1	5.2
Trade and other receivables		
RBH – tenant lease incentives	3.2	1.2
RI Menora German Holdings S.à.r.l – interest receivable and trading balances	0.1	0.3
	3.3	1.5
Trade and other payables		
RI Menora German Holdings S.à.r.l	(0.4)	(0.4)
	(0.4)	(0.4)

	31 August 2019 £m	31 August 2018 £m
Related party transactions with equity holders of the Parent		
Redefine Properties Limited – IHL acquisition – share-for-share exchange	-	7.9
Redefine Properties Limited – IHL acquisition – cash	-	7.5
Redefine Properties Limited – cash dividends	12.0	14.8

REDEFINE PROPERTIES LIMITED

On 1 November 2017, the Group issued 12.5 million shares to Redefine Properties at 40.0 pence per share to acquire 5.0 million shares in IHL valued at £1 per share. On 13 November 2017, the Group issued 4.8 million shares to Redefine Properties at 40.0 pence per share to acquire 1.9 million shares in IHL valued at £1 per share. On 24 November 2017, the Group issued 2.5 million shares to Redefine Properties at 40.0 pence per share in settlement of the 1.0 million shares in IHL that had been acquired with effect from 17 November 2017 at £1 per share. On the same date, the Group paid Redefine Properties £7.5 million in settlement of 7.5 million shares in IHL that had transferred at £1 per share with effect from 17 November 2017. All transactions are considered to be at arms-length. All RDI share numbers referenced are those prior to the share consolidation (ordinary shares at 8 pence per share).

4C UK INVESTMENTS LIMITED

On 7 February 2017, the Company exercised its security against a loan advanced to 4C Investments that had matured. In settlement of the £14.2 million balance outstanding, the following investments were transferred to the Group:

- 4C Investments' non-controlling interest in RHHL for a transfer price of £12.1 million;
- 4C Investments' shareholding in RBH for a transfer price of £1.3 million; and
- 4C Investments' shareholding in IHL for a transfer price of £1.0 million.

As the total transfer price for the shares was £14.4 million, £0.2 million cash was paid back by the Company to 4C Investments. On the same date, the Company entered into a lock-up agreement with 4C Investments whereby the latter had the right to buy back the transferred shares in RHHL and RBH on or before 31 January 2018 at the transfer price. 4C Investments did not exercise the right to reacquire the RHHL shares before 31 January 2018. The right to acquire the RBH shares was formally extended and 4C Investments formally re-acquired the shares on 14 February 2018. As part of the transaction, 4C Investments contractually agreed to reimburse the Group for historic non-resident landlord tax paid on 4C Investments behalf in relation to its non-controlling interest in RHHL. This reimbursement has been treated as an adjustment to the carrying amount of the non-controlling interest.

OSIT

OSIT indirectly holds the 20 per cent non-controlling interest in the newly acquired LSO portfolio and is contracted as the manager of each property. RDI entered into revised management contracts on acquisition for OSIT to continue as manager for a minimum term of ten years. Management fees are payable on a ratcheted basis with reference to the forecast EBITDA of each property. OSIT has charged £0.9 million of management fees for the year ended 31 August 2019 (31 August 2018: £0.6 million).

Office Space Cleaning Limited is considered a related party as it is a wholly owned subsidiary of OSIT. Fees charged for cleaning services to the LSO Portfolio during the year ended 31 August 2019 amounted to £ 0.6 million (31 August 2018: £0.4 million).

DIRECTORS

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the year ended 31 August 2019 was £0.4 million (31 August 2018: £0.5 million) which represents Directors fees only. The remuneration paid and payable to Executive Directors for the year ended 31 August 2019 was £1.9 million (31 August 2018: £2.8 million), representing salaries, benefits and bonuses. 1.3 million contingent share awards were issued to Executive Directors during the year (31 August 2018: 1.2 million, re-presented for comparability as a result of the share consolidation). The IFRS 2 share-based payment charge associated with the cumulative contingent share awards to the Executive Directors was £0.2 million (31 August 2018: £0.9 million) for the year.

The table below shows Directors dealings in shares for the period 1 September 2017 to 31 August 2019:

Name	Date of Transaction	Transaction	Number of ordinary shares acquired	Price per ordinary share acquired
Marc Wainer	13 November 2017	IHL consideration	631,569	200.0p
Mike Watters	13 November 2017	IHL consideration	14,158	200.0p
Donald Grant	16 January 2018	Share acquisition	5,000	179.70p
Mike Watters	17 January 2018	Share acquisition	13,400	179.75p
Bernie Nackan (former director)	25 June 2018	Scrip dividend	133	177.0p
Adrian Horsburgh	25 June 2018	Scrip dividend	398	177.0p
Mike Watters	25 April 2019	Share acquisition	16,000	128.3p
Mike Watters	26 April 2019	Share acquisition	4,185	128.9p
Marc Wainer	18 July 2019	Related party dividend	27,723	111.8p

The Directors dealings above have been adjusted for the effects of the share consolidation referred to in Note 26.

32. EARNINGS PER SHARE

		31 August 2019 £m	Re-presented 31 August 2018 £m
	Note		
IFRS (loss)/profit attributable to equity holders of the Parent:			
Continuing operations		(82.4)	57.4
Discontinued operation		4.8	31.5
		(77.6)	88.9
Continuing operations adjustments:			
<i>Group</i>			
Loss/(gain) on revaluation of investment property	15	56.6	(4.7)
Gain on revaluation of investment property held for sale	21	-	(0.9)
Loss/(gain) on disposal of investment property	15	1.7	(1.6)
Gain on disposal of investment property held for sale	21	-	(1.8)
Loss on disposal of subsidiaries	8	-	0.7
Loss of control of Aviva Portfolio	9	55.6	-
Loss/(gain) on acquisition of subsidiaries	10	0.4	(4.4)
Other expenses	11	0.2	0.4
Other finance expense	13	0.3	-
Change in fair value of derivative financial instruments		9.4	(5.5)
Impairment/(impairment reversal) of associate and continuing joint venture interests	16,17	1.4	(0.1)
Current tax		0.2	0.2
<i>Joint ventures</i>			
Loss on revaluation of investment property	16	0.3	0.3
Change in fair value of derivative financial instruments	16	0.3	(0.7)
Elimination of joint venture unrecognised (losses)/profits ⁽¹⁾		(0.6)	0.4
<i>Non-controlling interests:</i>			
(Loss)/gain on revaluation of investment property		(1.9)	1.5
Change in fair value of derivative financial instruments		(0.1)	0.2
Exceptional finance costs		(0.1)	-
Current tax		(0.2)	-
		123.5	(16.0)
Discontinued operation adjustments:			
<i>Group</i>			
Loss/(gain) on revaluation of investment property	15	1.3	(6.1)
Loss on revaluation of investment property held for sale	21	2.4	-
Loss on disposal of investment property	15	0.2	0.1
Gain on disposal of investment property held for sale	21	(0.5)	-
Loss/(gain) on disposal of subsidiaries	8	0.1	(16.1)
Other finance costs		-	0.4
Change in fair value of derivative financial instruments		1.6	(0.6)
Loss on sale of joint venture interests	16	-	0.1
Deferred tax	24	(2.0)	(0.5)
Current tax		0.3	0.5
<i>Joint ventures</i>			
Gain on revaluation of investment property	16	(0.1)	(0.1)
Gain on revaluation of investment property held for sale	16	(0.7)	-
Deferred tax		0.2	0.2
<i>Non-controlling interests:</i>			
Gain/(loss) on revaluation of investment property		0.1	(0.1)
Gain on disposal of subsidiaries		-	1.1
Deferred tax		-	0.1
		2.9	(21.0)
EPRA earnings		48.8	51.9
<i>Attributable to:</i>			
Continuing operations		41.1	41.4
Discontinued operation		7.7	10.5
<i>Company adjustments:</i>			
Accretion of fair value adjustments		0.4	0.6
Foreign currency movements		-	0.8
Discontinued operation Company adjustments		0.2	0.2
Underlying earnings		49.4	53.5
<i>Attributable to:</i>			
Continuing operations		41.5	42.8
Discontinued operation		7.9	10.7

Earnings per share is calculated on the weighted average number of shares in issue and the profit attributable to shareholders.

	31 August 2019	Re-presented 31 August 2018
IFRS (loss)/profit attributable to equity holders of the Parent:		
<i>Attributable to:</i>		
Continuing operations	(82.4)	57.4
Discontinued operation	4.8	31.5
	(77.6)	88.9
Number of ordinary shares (millions)		
IFRS Weighted average	380.1	377.3 ⁽³⁾
<i>Dilutive effect of:</i>		
Contingently issuable share awards under the Long Term Performance Share Plan	-	0.9 ⁽³⁾
Contingently issuable share awards under the Long Term Restricted Stock Plan	-	0.3 ⁽³⁾
IFRS diluted weighted average ⁽²⁾	380.1	378.5 ⁽³⁾

IFRS earnings per share (pence)

Continuing operations

- Basic	(21.7)	15.2
- Diluted	(21.7)	15.2
Total Group		
- Basic	(20.4)	23.6 ⁽³⁾
- Diluted	(20.4)	23.5 ⁽³⁾

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 16). This adjustment eliminates the restricted losses for the year attributable to the Esplanade.

⁽²⁾ For the year ended 31 August 2019, contingently issuable shares have an anti-dilutive effect on IFRS earnings per share due to the loss of the Group. Therefore, for IFRS purposes the weighted and dilutive weighted average number of shares are both 380.1 million.

⁽³⁾ As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative weighted average number of shares and related earnings per share have been re-presented. Refer to Note 26.

	31 August 2019	Re-presented 31 August 2018
EPRA earnings		
<i>Attributable to:</i>		
Continuing operations	41.1	41.4
Discontinued operation	7.7	10.5
	48.8	51.9
Underlying earnings		
<i>Attributable to:</i>		
Continuing operations	41.5	42.8
Discontinued operation	7.9	10.7
	49.4	53.5
Number of ordinary shares (millions)		
Non-IFRS measures weighted average	380.1	377.3 ⁽¹⁾
<i>Dilutive effect of:</i>		
Contingently issuable share awards under the Long Term Performance Share Plan	0.6	0.9 ⁽¹⁾
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.2	0.3 ⁽¹⁾
Non-IFRS measures diluted weighted average	380.9	378.5 ⁽¹⁾

EPRA earnings per share (pence)

Continuing operations

- Basic	10.8	11.0
- Diluted	10.8	10.9
Total Group		
- Basic	12.8	13.8 ⁽¹⁾
- Diluted	12.8	13.7 ⁽¹⁾

Underlying earnings per share (pence)

Continuing operations

Total Group	13.0	14.2 ⁽¹⁾
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Dividend per share (pence)

First interim dividend per share (pence)	4.0	6.75 ⁽¹⁾
Second interim dividend per share (pence)	6.0	6.75 ⁽¹⁾
	10.0	13.5 ⁽¹⁾

⁽¹⁾ As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative weighted average number of shares and related earnings per share have been re-presented. Refer to Note 26.

Headline earnings per share is calculated in accordance with Circular 04/2018 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

		31 August 2019 £m	Re- presented 31 August 2018 £m
	Note		
(Loss)/profit attributable to equity holders of the Parent:			
Continuing operations		(82.4)	57.4
Discontinued operation		4.8	31.5
		(77.6)	88.9
Continuing operations adjustments:			
<i>Group</i>			
Loss/(gain) on revaluation of investment property	15	56.6	(4.7)
Gain on revaluation of investment property held for sale	21	-	(0.9)
Loss/(gain) on disposal of investment property	15	1.7	(1.6)
Gain on disposal of investment property held for sale	21	-	(1.8)
Loss on disposal of subsidiaries	8	-	0.7
Loss of control of Aviva Portfolio	9	55.6	-
Gain on acquisition of subsidiaries	10	-	(5.5)
Loss on disposal of other non-current assets held for sale		-	0.1
Impairment/(impairment reversal) of associate and continuing joint venture interest	16,17	1.4	(0.1)
<i>Joint venture adjustments:</i>			
Loss on revaluation of investment property	16	0.3	0.3
Elimination of joint venture unrecognised losses ⁽¹⁾		(0.3)	(0.3)
<i>Non-controlling interest adjustments:</i>			
(Loss)/gain on revaluation of investment property		(1.9)	1.5
		113.4	(12.3)
Discontinued operation adjustments:			
<i>Group</i>			
Loss/(gain) on revaluation of investment property	15	1.3	(6.1)
Loss on revaluation of investment property held for sale	21	2.4	-
Loss on disposal of investment property	15	0.2	0.1
Gain on disposal of investment property held for sale	21	(0.5)	-
Loss/(gain) on disposal of subsidiaries	8	0.1	(16.1)
Loss on sale of joint venture interests	16	-	0.1
Deferred tax	24	(1.1)	1.3
<i>Joint venture adjustments:</i>			
Gain on revaluation of investment property	16	(0.1)	(0.1)
Gain on revaluation of investment property held for sale	16	(0.7)	-
Deferred tax		0.2	0.2
<i>Non-controlling interest adjustments:</i>			
Gain/(loss) on revaluation of investment property		0.1	(0.1)
Gain on disposal of subsidiaries		-	1.1
Deferred tax		-	0.1
		1.9	(19.5)
Headline earnings attributable to equity holders of the Parent		37.7	57.1
<i>Attributable to:</i>			
Continuing operations		31.0	45.1
Discontinued operation		6.7	12.0
Number of ordinary shares (millions)			
Weighted average		380.1	377.3 ⁽²⁾
Diluted weighted average		380.9	378.5 ⁽²⁾
Headline earnings per share (pence)			
Continuing operations			
- Basic		8.2	12.0
- Diluted		8.1	11.9
Total Group			
- Basic		9.9	15.1 ⁽²⁾
- Diluted		9.9	15.1 ⁽²⁾

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 16). This adjustment eliminates the restricted losses for the year attributable to the Esplanade.

⁽²⁾ As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative weighted average number of shares and related earnings per share have been re-presented. Refer to Note 26.

33. NET ASSET VALUE PER SHARE

		31 August 2019 £m	31 August 2018 £m
	Note		
Net assets attributable to equity holders of the Parent		685.6	803.3
<i>Group adjustments:</i>			
Fair value of derivative financial instruments	23	12.8	1.8
Deferred tax	24	7.5	9.5
<i>Joint venture adjustments:</i>			
Fair value of derivative financial instruments	16	3.1	2.8
Elimination of unrecognised derivative financial instruments ⁽¹⁾		(3.1)	(2.8)
Deferred tax	16	0.8	0.6
<i>Non-controlling interest adjustments:</i>			
Fair value of derivative financial instruments		(0.1)	0.1
Deferred tax		(0.1)	(0.3)
EPRA NAV		706.5	815.0
<i>Group adjustments:</i>			
Fair value of derivative financial instruments	23	(12.8)	(1.8)
Excess of fair value of debt over carrying value		(3.0)	(3.7)
Deferred tax	24	(7.5)	(9.5)
<i>Joint venture adjustments:</i>			
Fair value of derivative financial instruments	16	(3.1)	(2.8)
Elimination of unrecognised derivative financial instruments ⁽¹⁾		3.1	2.8
Deferred tax	16	(0.8)	(0.6)
<i>Non-controlling interest adjustments:</i>			
Fair value of derivative financial instruments		0.1	(0.1)
Deferred tax		0.1	0.3
EPRA NNAV		682.6	799.6
Number of ordinary shares (millions)			
In issue		380.1	380.1 ⁽²⁾
<i>Dilutive effect of:</i>			
Contingently issuable share awards under the Long Term Performance Share Plan		0.6	0.9 ⁽²⁾
Contingently issuable share awards under the Long Term Restricted Stock Plan		0.2	0.3 ⁽²⁾
Diluted		380.9	381.3⁽²⁾
Net asset value per share (pence):			
- Basic		180.4	211.3 ⁽²⁾
- Diluted		180.0	210.7 ⁽²⁾
EPRA diluted NAV per share (pence)		185.5	213.8⁽²⁾
EPRA diluted NNAV per share (pence)		179.2	209.7⁽²⁾

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 16). This adjustment eliminates the derivative financial instruments attributable to the Esplanade from the proportionate adjustments.

⁽²⁾ As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative number of shares and net asset value per share have been re-presented. Refer to Note 26.

34. CONTINGENCIES, GUARANTEES AND COMMITMENTS

At 31 August 2019, the Group was contractually committed to expenditure of £16.4 million (31 August 2018: £9.5 million), of which £16.4 million (31 August 2018: £8.3 million) was committed to the future acquisition, development and enhancement of investment property and investment property held for sale.

A former subsidiary of the Group, Redefine Australian Investments Limited, has undergone a review by the Australian Tax Office in respect of its calculation of Capital Gains Tax arising on the disposal of securities formerly held in Cromwell Property Group during 2013, 2014 and 2015. Due to the subjective nature of the claim, it is not possible to reasonably estimate the exposure which could arise. The Directors continue to remain of the view, having sought advice from reputable tax agents and advisers, that the respective filing positions were correct and therefore following the orderly wind down of activities, the Directors placed the company in liquidation in January 2018.

The European Commission has obtained a European Court ruling that certain aspects of the UK's Controlled Foreign Company rules give rise to unlawful State Aid. The UK government has objected to the ruling and is seeking its annulment, however under EU law Her Majesty's Revenue and Customs ("HMRC") is required to seek recovery in line with the Commission's decision. A subsidiary of the Company, Ciref Europe Limited, has claimed benefit from exemptions available under Chapter 9 of the Taxation (International and Other Provisions) Act 2010 and is therefore in receipt of an information request from HMRC. The Company believes it is in a strong position to defend such claim, but there can be no certainty that HMRC will not seek recovery while it assesses its own legal position and that of the Company's. If this were to occur, the Company estimates exposure to be in the region of £6 million.

35. SUBSEQUENT EVENTS

On 17 September 2019 the Group exchanged on the disposal of Altona Shopping Centre, Hamburg for total consideration of €91.0 million, €2.2 million above market value at 31 August 2019. Completion is anticipated to occur by 31 December 2019.

On 17 September 2019 the Group exchanged on the disposal of Albion Street, Derby for total consideration of £2.5 million, equal to market value at 31 August 2019.

On 27 September 2019 the Group simultaneously exchanged and completed on the disposal of Park Place, Leeds for total consideration of £9.0 million, £0.2 million above market value at 31 August 2019.

On 30 September, the Group exercised its pre-emptive rights to acquire shares in RBH from a minority shareholder. Consideration for the acquisition of the shares was £1.0 million.

On 4 October 2019, the Group exchanged contracts for the disposal of two German retail warehouses at Walkraiburg and Kaiserlautern for total consideration of €20.4 million (Group share - €10.6 million as held in Menora joint venture). Completion is anticipated to occur by 31 December 2019.

36. DIVIDENDS

During the year ended 31 August 2019, the second interim dividend of 6.75 pence per share for the year ended 31 August 2018 was distributed, as well as the interim dividend of 4.0 pence per share for the six-month period ended 28 February 2019. Both dividends were settled in cash.

The Board has declared a second interim dividend in respect of the year ended 31 August 2019 of 6.0 pence per share. The record date for the dividend will be Friday 22 November 2019, with payment made on Tuesday 10 December 2019. The payment will be made entirely in cash.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 24 October 2019.

OTHER INFORMATION

EPRA property analysis

The following tables and disclosures provide additional quantitative and qualitative information of the Group's property portfolio in line with the EPRA Best Practice Recommendations.

Portfolio summary

The following tables present the key property metrics of the Group's property portfolio and sub-sectors:

Portfolio summary 31 August 2019	Market value £m	Annualised gross rental income £m ⁽¹⁾	ERV £m	EPRA NIY %	EPRA topped up NIY %	Reversionary yield %	WAULT yrs ⁽²⁾	EPRA occupancy by ERV % ⁽²⁾	Indexed %
UK Commercial	557.8	32.0	34.5	4.8	5.1	5.7	5.7	92.0	15.3
UK Hotels	363.3	26.0	24.7	5.8	5.8	6.1	17.2	100.0	9.3
UK Retail	255.0	20.7	19.5	6.5	7.1	7.1	6.0	97.8	10.3
Total UK	1,176.1	78.7	78.7	5.5	5.7	6.1	6.5	94.9	12.0
Europe	247.2	15.0	14.5	5.0	5.0	5.5	5.0	99.1	94.7
Total	1,423.3	93.7	93.2	5.4	5.6	6.0	6.1	95.9	25.3
Controlled assets	1,397.2	91.9	91.4	5.4	5.6	6.0	6.1	95.8	24.7
Held in JVs (proportionate share)	26.1	1.8	1.8	6.3	6.3	6.6	5.1	99.9	53.2

⁽¹⁾ Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.

⁽²⁾ Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

UK Commercial

31 August 2019	Market value £m	Annualised gross rental income £m ⁽¹⁾	ERV £m	EPRA NIY %	EPRA topped up yield %	Rever- sionary yield %	WAULT yrs ⁽²⁾	EPRA occupancy by ERV % ⁽²⁾	Indexed %
Offices – Serviced	163.4	10.9	10.7	6.0	6.0	5.7	n/a	n/a	-
Offices – Greater London	112.7	4.8	6.1	3.6	3.7	5.0	3.2	91.0	13.9
Offices – Regions	50.4	3.9	4.3	5.8	6.5	8.0	5.8	88.2	25.3
UK Offices	326.5	19.6	21.1	5.1	5.3	5.8	4.3	89.8	8.4
Distribution and Industrial	231.3	12.4	13.4	4.4	4.8	5.4	6.6	93.7	26.1
UK Commercial	557.8	32.0	34.5	4.8	5.1	5.7	5.7	92.0	15.3

⁽¹⁾ Annualised gross rental income for the London serviced office portfolio included as EBITDA net of management fees.

⁽²⁾ Excluding London serviced office portfolio. Relevant operational metrics disclosed separately.

UK Hotels

31 August 2019	Market value £m	Annualised Gross Rental £m	ERV £m	EPRA NIY %	EPRA Topped Up Yield %	Rever- sionary yield %	WAULT yrs	EPRA Occupancy by ERV %	Indexed %
Greater London	186.4	12.3	11.6	5.5	5.5	5.8	n/a	n/a	-
Regional	127.1	11.2	10.5	6.5	6.5	6.9	n/a	n/a	0.9
RBH managed portfolio	313.5	23.5	22.1	5.9	5.9	6.3	n/a	n/a	0.4
Travelodge	49.8	2.5	2.6	4.6	4.6	4.9	17.2	100.0	95.3
UK Hotels	363.3	26.0	24.7	5.8	5.8	6.1	17.2	100.0	9.3

UK Retail

UK Retail 31 August 2019	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Rever- sionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Shopping centres	80.8	7.7	7.4	7.4	7.5	8.3	3.8	98.8	9.9
Retail parks and other retail	174.2	13.0	12.1	6.1	6.9	6.5	7.3	97.2	10.5
UK Retail	255.0	20.7	19.5	6.5	7.1	7.1	6.0	97.8	10.3

Europe

	Market value £m	Annualised gross rental Income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Rever- sionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
31 August 2019									
German Shopping Centres	191.0	10.9	10.3	4.6	4.7	5.0	5.2	99.4	94.4
German Supermarkets and Retail Parks	56.2	4.1	4.2	6.1	6.1	6.9	4.4	98.3	95.7
Europe	247.2	15.0	14.5	5.0	5.0	5.5	5.0	99.1	94.7

EPRA NIY

The below table presents the calculation of the Group's net initial yield which is the annualised rental income (based on cash rents passing at the reporting date) net of estimated non-recoverable property operating costs, as a percentage of the gross market value of the property portfolio. The topped-up yield allows for the expiration of rent-free periods.

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Group total £m
Investment property – wholly owned	546.8	363.3	255.0	232.1	1,397.2
Investment property – held in joint ventures	11.0	-	-	15.1	26.1
Market value of total portfolio	557.8	363.3	255.0	247.2	1,423.3
Allowance for estimated purchasers' costs	37.9	24.7	17.3	16.9	96.8
Grossed up property portfolio valuation	595.7	388.0	272.3	264.1	1,520.1
Triple net rent	28.8	22.4	17.8	13.1	82.1
Impact of expiration of rent-free periods	1.6	-	1.5	0.2	3.3
Topped-up triple net rent	30.4	22.4	19.3	13.3	85.4
EPRA NIY (%)	4.8	5.8	6.5	5.0	5.4
EPRA topped-up NIY (%)	5.1	5.8	7.1	5.0	5.6

EPRA Cost Ratio

The below table presents the calculation of the Group's cost ratio which is the Group's operating costs (as adjusted for certain items) as a percentage of the Group rental income net of ground rent.

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Other £m	Group total £m
Rental income	37.2	23.0	31.4	14.7	-	106.3
Operating lease expense	(0.6)	(1.2)	-	-	-	(1.8)
<i>Adjusted for:</i>						
Serviced Office rental income and operating lease expense ⁽¹⁾	(15.1)	-	-	-	-	(15.1)
EPRA adjusted rental income	21.5	21.8	31.4	14.7	-	89.4
Rental expense	6.0	1.2	2.8	2.2	-	12.2
Administrative costs and other fees	1.4	0.2	0.1	0.8	11.4	13.9
Operating lease expense	(0.6)	(1.2)	-	-	-	(1.8)
<i>Adjusted for:</i>						
Serviced Office rental and administrative expenses ⁽¹⁾	(6.8)	-	-	-	-	(6.8)
EPRA adjusted operating expenses	-	0.2	2.9	3.0	11.4	17.5
Direct vacancy costs	-	-	(1.7)	(1.1)	-	(2.8)
EPRA adjusted operating expenses (excluding direct vacancy costs)	-	0.2	1.2	1.9	11.4	14.7
EPRA Cost Ratio (%) inc. direct vacancy costs						19.6
EPRA Cost Ratio (%) exc. direct vacancy costs						16.4

⁽¹⁾ Excludes the London Serviced Offices portfolio due to the operational nature of that business

EPRA vacancy rate

The below table presents the calculation of the rental value of vacant space as a percentage of the rental value of the portfolio as a whole.

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m ⁽²⁾	Group total £m
ERV of vacant space	1.9	-	0.4	0.1	2.4
ERV of total portfolio	34.5	24.7	19.5	14.5	93.2
Serviced Office and RBH adjustment	(10.7)	(22.1)	-	(0.2)	(33.0)
Revised ERV	23.8	2.6	19.5	14.3	60.2
EPRA vacancy rate (%) ⁽¹⁾	8.0	-	2.2	0.9	4.1
EPRA occupancy rate (%) ⁽¹⁾	92.0	100.0	97.8	99.1	95.9

⁽¹⁾ Presented as the occupancy rate (inverse to vacancy rate) in the Operating Review.

⁽²⁾ Calculated in local currency

EPRA capital expenditure analysis

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Group total £m
31 August 2019					
Capital expenditure on like-for-like portfolio	1.8	3.2	2.1	1.1	8.2
Capital expenditure	1.8	3.2	2.1	1.1	8.2

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Group total £m
31 August 2018					
Capital expenditure on like-for-like portfolio	1.0	3.2	4.0	5.9	14.1
Capitalised finance costs ⁽¹⁾	-	-	-	0.7	0.7
Capital expenditure	1.0	3.2	4.0	6.6	14.8

⁽¹⁾ Interest was capitalised on the basis of the Group's weighted average cost of debt of 3.4 per cent at 31 August 2018, applied to the cost of a Europe segment property under development during that year. There was no capitalised interest during the year ended 31 August 2019, as the qualifying investment property was now substantially complete.

Capital expenditure on the like-for-like portfolio includes:

UK Commercial

Office

£1.3 million on the refurbishment of a Greater London office in Kingston on re-gearing of a tenant leases and £0.5 million of planning costs incurred on Charing Cross (31 August 2018: £1.0 million);

UK Hotels

£2.9 million on the refurbishment and extension of the Holiday Inn, Edinburgh and £0.3 million on external works to the DoubleTree, Edinburgh (31 August 2018: £3.2 million);

UK Retail

UK Shopping Centres

£0.4 million capital expenditure on the Aviva Portfolio shopping centres prior to disposal and £0.2 million on general improvement works across the residual portfolio (31 August 2018: £2.9 million);

UK Retail Parks and Other Retail

£1.3 million on Drive-thru Costa Coffee pods at Arches Retail Park and The Range, Edinburgh, £0.2 million on the refurbishment of Poundstretcher unit (31 August 2018: £1.1 million); and

Europe

£0.6 million on Ingolstadt mixed-use wing development (second phase) and £0.5 million on completion of the first phase of the redevelopment (31 August 2018: £5.9 million).

Top ten tenants

Ranking	Tenant (trading name)	Portfolio	Sector	Annualised gross rental income £m	Total gross rental income %
1	RBH	UK Hotels	Limited service	23.4	24.1
2	B&Q Plc	UK Retail	Home and DIY	3.5	3.6
3	Primark	UK Retail and Europe	Fashion	3.5	3.6
4	UK Government bodies	UK Commercial	Government associated	2.9	2.9
5	Royal Mail	UK Commercial	Services	2.5	2.6
6	Travelodge	UK Hotels	Limited service	2.4	2.5
7	OBI	Europe	Home and DIY	2.3	2.4
8	EDF Energy PLC	UK Commercial	Utilities	1.3	1.4
9	Kwik Fit	UK Commercial	Automotive	1.1	1.1
10	Currys	UK Retail	Technology and telecommunication	1.0	1.0
				43.9	45.2

Top 20 assets

As at 31 August 2019	Market Value £m	Portfolio by market value %	Area m ²	Annualised Gross Rental £m	ERV £m	EPRA NIY %	EPRA Topped Up Yield %	WAULT yrs	EPRA Occupancy By ERV %	Indexed %
Hamburg, Bahnhof Altona	80.6	5.7	15,042	4.4	4.2	4.6	4.6	4.3	100.0	96.4
Berlin, Schloss-Strassen Centre	78.1	5.5	18,588	4.6	4.3	4.5	4.7	5.2	98.7	91.1
Crawley, Camino Park Distribution Centre	76.0	5.3	33,171	3.8	4.2	4.6	4.6	3.5	100.0	8.0
London, Monument, St Dunstons	65.6	4.6	5,428	4.5	4.3	6.0	6.0	n/a	n/a	-
London, Harrow, St George's	62.8	4.4	20,332	5.0	4.5	6.4	6.5	2.6	100.0	15.5
London, Charing Cross Road	58.5	4.1	3,716	1.8	2.4	2.7	2.7	2.6	93.9	38.1
Bridgwater, Express Park Distribution Centre	50.6	3.6	47,207	2.9	3.1	3.8	5.4	9.4	100.0	-
London, Southwark Holiday Inn Express	48.2	3.4	3,936	3.1	3.2	5.6	5.6	n/a	n/a	-
London, Watford, The Arches Retail Park	46.0	3.2	11,599	3.2	2.8	6.2	6.6	8.2	100.0	-
Banbury, Banbury Cross Retail Park	44.5	3.1	16,631	3.4	3.5	6.3	6.9	5.8	91.4	4.9
Top ten assets	610.9	42.9								
Edinburgh, DoubleTree Hilton	42.4	3.0	7,250	3.2	3.0	6.4	6.4	n/a	n/a	3.1
London, Merton, Priory Retail Park	36.0	2.5	6,276	2.1	2.0	4.7	5.5	9.0	100.0	19.0
London, St Paul's, Little Britain	33.2	2.3	3,429	1.9	1.9	5.5	5.5	n/a	n/a	-
London, Liverpool Street, New Broad Street	33.2	2.3	3,291	2.2	2.2	5.6	5.6	n/a	n/a	-
London, Limehouse Holiday Inn Express	32.5	2.3	5,747	2.1	2.0	5.4	5.4	n/a	n/a	-
London, Earl's Court Holiday Inn Express	32.4	2.3	2,781	2.2	1.9	5.8	5.8	n/a	n/a	-
Ingolstadt, City Arkaden	32.3	2.3	12,316	1.9	1.9	5.1	5.1	7.2	100.0	97.5
London, Waterloo, Boundary Row	31.4	2.2	3,326	2.3	2.3	6.9	6.9	n/a	n/a	-
Farnborough, Southwood Business Park	29.5	2.1	14,312	2.0	2.0	6.1	6.4	3.5	100.0	-
Gatwick, Hampton by Hilton	27.8	2.0	7,433	2.9	3.0	6.3	6.3	n/a	n/a	-
Top 20 assets	941.6	66.2								

Other Alternative Performance measures

The following tables provide the basis of calculation of APMs that are not otherwise reconciled in other sections of this results announcement. Further discussion of these APMs is provided in the Financial Review.

Interest cover

	31 August 2019	Exc. Aviva 31 August 2019	31 August 2018	Exc. Aviva 31 August 2018
	£m	£m	£m	£m
Group (proportionately consolidated, including Discontinued operation)				
Net rental income	94.1	84.2	100.7	83.6
Net finance expense	(28.7) ⁽¹⁾	(23.4)	(29.0) ⁽¹⁾	(20.4)
Interest cover (times)	3.3	3.6	3.5	4.1

⁽¹⁾ As per Note 3, 2019 proportionate finance expense of £29.5 million less finance income £0.2 million and excluding debt fair value adjustments of £0.6 million. In the comparative, 2018 proportionate finance expense of £30.1 million less finance income £0.3 million and excluding debt fair value adjustments of £0.8 million.

Dividend Pay-out Ratio

		31 August 2019	31 August 2018
		Per share	Per share
Group (proportionately consolidated, including Discontinued operation)			
Dividends declared (pence)	Note 32	10.0	13.5
Underlying earnings (pence)	Note 32	13.0	14.2
Dividend Pay-out ratio (%)		76.9	95.1

GLOSSARY

Annualised gross rental income	Annualised gross rent generated by the asset at the balance sheet date, which is made up of the contracted rent, including units that are in rent-free periods, and estimates of turnover rent.
AUK	Aegon UK property portfolio
Aviva	Aviva Commercial Finance Limited
Aviva Portfolio	Aviva financed UK Shopping Centre portfolio
Board	The Board of Directors of RDI REIT P.L.C.
BVI	British Virgin Islands
CPI	Consumer Price Index
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPRA	European Public Real Estate Association
EPRA cost ratio	Administrative and operating costs expressed as a percentage of gross rental income as defined by EPRA
EPRA earnings	Earnings from operational activities as defined by EPRA's Best Practice guidelines
EPRA NAV	European Public Real Estate Association Net Asset Value
EPRA NIY	European Public Real Estate Association Net Initial Yield. The annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property
EPRA NNNAV	European Public Real Estate Association Triple Net Asset Value
EPRA occupancy	Occupancy expressed as a percentage of ERV, representing a measure of let space
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives
EPS	Earnings per share
ERV	The estimated market rental value of lettable space which could reasonably be expected to be obtained on a new letting or rent review
EU	European Union
EUR or Euro	Euro, the lawful common currency of participating member states of the European Monetary Union
GBP, Pound or Sterling	Great British Pound, the legal currency of the UK
GRESB	Global Real Estate Sustainability Benchmark
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IHL	International Hotel Properties Limited
Indexed leases	A lease with rent review provisions which are dependent upon calculations with reference to an index such as the consumer price index or the retail price index
IPD	Investment Property Databank
JSE	JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange
Lease incentives	Any incentives offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit out or similar costs
Like-for-like net income	Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income and used to illustrate change in comparable income values
Like-for-like property	Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development and used to illustrate change in comparable capital values
LSE	The London Stock Exchange plc
LSO	London Serviced Office Portfolio
Loan-to-value or LTV	The ratio of net debt divided by the market value of investment property. Calculated on a proportionate (share of value) basis. See Financial Review for basis of calculation
LuxSE	The Luxembourg Stock Exchange
NAV	Net Asset Value
NCI	Non-controlling interest
Net debt	Total nominal value of bank borrowings less cash and cash equivalents
OSIT	Office Space in Town, the Group's strategic partner and non-controlling shareholder in the LSO portfolio
RCF	Revolving Credit Facility
RDI REIT P.L.C. RDI, the Company or the Group	RDI REIT P.L.C. and, when taken together with all its subsidiaries and Group undertakings, collectively referred to as the "Group"
RBH	RBH Hotel Group Limited, formerly RedefineBDL Hotel Group Limited
Redefine Properties or RPL	Redefine Properties Limited, a company listed on the JSE, and the largest shareholder of the Company
Reversionary yield	The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.
RevPar	Revenue per available room
RICS	Royal Institute of Chartered Surveyors
RIHL	Redefine International Holdings Limited
RIMH	Redefine International Management Holdings Limited

RHHL	Redefine Hotel Holdings Limited
SAICA	South African Institute of Chartered Accountants
TSogo Sun	Southern Sun Africa
UK	United Kingdom
UK-REIT	A UK Real Estate Investment Trust. A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90 per cent of those profits to shareholders. Tax is payable on non-qualifying activities of the residual business
Underlying earnings	EPRA earnings adjusted for the impact of non-cash debt accretion charges and FX gains and losses reflected in the income statement
WAULT	Weighted average unexpired lease term