

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

(“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 2020

TRANSFORMATIVE YEAR DELIVERING HIGHER QUALITY PORTFOLIO AND STRENGTHENED BALANCE SHEET

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 2020.

These results reflect the success the Company has achieved in progressing its strategic initiatives set out approximately 18 months ago, namely a substantial reduction in retail exposure, a lower leverage capital structure and a more focussed allocation of capital. Despite the significant impact on valuations and earnings, particularly with respect to our operating assets as a result of COVID-19, the Company is now in a far stronger position with retail exposure limited to 10.1 per cent of the pro forma portfolio and pro forma leverage reduced to 32.6 per cent.

Separately, the Company has today announced that Mike Watters will be retiring in December 2020. Stephen Oakenfull, Deputy CEO will take over as CEO and will join the Board later today.

Financial highlights

	Year ended 31 August 2020	Year ended 31 August 2019 (excl. Aviva Portfolio)	Year ended 31 August 2019
Income statement			
Underlying earnings (£m)	26.2	44.8	49.4
Underlying earnings per share (p)	6.9	11.8	13.0
Net rental income (£m) ⁽¹⁾	51.2	70.9	80.8
Dividend per share (full year) (p)	5.0	10.0	10.0
Balance sheet			
EPRA NAV per share (p)	151.5		185.5
IFRS NAV (Group share) (£m)	557.2		685.6
Portfolio valuation (incl. JV share) (£m)	1,166.7		1,423.3
Loan to value (%)	32.6 ⁽²⁾		42.0 ⁽²⁾

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 has been classified as a discontinued operation.

⁽²⁾ LTV of 46.7 per cent, adjusted to reflect transactions between 31 August 2020 and the date of the announcement (31 August 2019: 46.8 per cent)

Material progress on strategic repositioning

- £371.4 million of largely retail disposals exchanged or completed at an average 3.5 per cent discount to the last reported value
- Pro forma retail exposure reduced to 10.1 per cent (31 August 2019: 28.1 per cent)
- Pro forma LTV reduced to 32.6 per cent (31 August 2019: 42.0 per cent)
- High quality Distribution, Industrial and Office portfolios now comprise 56.5 per cent of portfolio on a pro forma basis
- Cash and available facilities has increased to approximately £240.0 million post year end
- Dividend reinstated at 5.0 pence per share, with dividend cover of 1.4 times

Robust operational performance

- EPRA occupancy increased to 98.8 per cent (31 August 2019: 95.9 per cent)
- 121 leasing events completed during the year, 5.1 per cent (£0.8 million) above ERV
- Like-for-like net rental income declined 23.5 per cent reflecting a reduction in income from operational assets, continued CVA activity in the retail sector and a deterioration in collection rates
- Like-for-like net rental income excluding operational assets declined 5.3 per cent
- All properties including Hotels and London Serviced Offices reopened
- London Serviced Office portfolio delivered a resilient performance despite the COVID-19 restrictions with EBITDA of £8.5 million
- Early signs of a moderate recovery in Hotel portfolio occupancy and room rates, prior to new lockdown measures

COVID-19 trading update and financial position

- Like-for-like valuation decline of 9.8 per cent, weighted toward the second half of the financial year
- Average rent collection rate of 91.9 per cent, of rents demanded between March and September
- Disciplined measures to reduce asset related operating costs
- Committed capital expenditure limited to £2.3 million

CEO Succession

- Mike Watters will retire and step down from the Board as an Executive Director during December 2020
- Stephen Oakenfull to succeed Mike Watters as CEO and will join the Board later today

Gavin Tipper, Chairman, commented:

"The substantial efforts that have been successfully undertaken over the past 18 months, against an extremely challenging background, have delivered a streamlined, higher quality portfolio together with a strong balance sheet. While there is work to be done in shaping the future trajectory of the portfolio, the Company is well positioned for growth and we are pleased, therefore, to be able to reinstate the dividend."

Mike Watters, Chief Executive, commented:

"Credit is due to the team at RDI for the transactions they have been able to complete in the current market conditions, in particular since the year end, which have brought pro forma retail exposure and LTV down substantially to 10.1 per cent and 32.6 per cent respectively. While conditions remain challenging for the Company's operating assets, we believe that the types of assets we hold should be quick to recover once the market turns a corner. Following this period of consolidation, the strength of the repositioned portfolio, the ultimate recovery of our operating assets and £240 million of liquidity provide strong drivers to rebuild income on a sustainable basis."

Results presentation, webcast and conference call

A webcast for analysts and investors will take place on Thursday 5 November 2020 at 9.00 a.m. (UK time) / 11.00 a.m. (SA time). The webcast can be accessed via the homepage of the Company's website: www.rdireit.com.

Conference call dial-in numbers and access code

United Kingdom (Local)	020 3936 2999
United Kingdom (Toll Free)	0800 640 6441
South Africa	087 550 8441
All other locations	+44 20 3936 2999
Participant Access Code:	185467

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
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

The person responsible for arranging the release of this announcement on behalf of the Company is Lisa Hibberd, Company Secretary.

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

2020 is a year which will not be easily forgotten. The full impact of the COVID-19 pandemic is yet to be determined but has already had profound social and economic impacts. We have seen pre-existing consumer and occupational trends being accelerated, highlighting the importance of capital allocation and alignment to the structural changes taking place across our markets.

Roughly 18 months ago, we set out a number of strategic initiatives to reposition the Company. Despite the challenging economic backdrop, through this repositioning the Company is in a substantially stronger position as a result of the progress made in the following areas:

- **Reduction in retail exposure:** At the end of the 2018 financial year, retail assets represented 45 per cent of the Group's portfolio. A reduction in retail exposure to 20 per cent was targeted through the disposal of the German retail portfolio and certain smaller UK assets. The majority of the German portfolio has been sold or contracted for sale during the course of the 2020 financial year. In addition, the recent disposal of the UK Retail Parks portfolio has reduced retail exposure on a pro forma basis to 10.1 per cent of the portfolio. A full exit from all retail assets is now being targeted;
- **Lower leverage capital structure:** An LTV ratio of between 30 – 40 per cent was targeted to strengthen the balance sheet, provide greater financial flexibility and more consistent shareholder returns across real estate cycles. The success of the disposals programme has supported a significant reduction in debt and an increase in cash and available facilities. Notwithstanding the impact of lower valuations, pro forma LTV has been reduced from 47.3 per cent in 2018 to 32.6 per cent; and
- **Focused capital allocation:** In order to deliver a simplified investor proposition, a more strategic approach to capital allocation was set out with a focus on fewer sectors backed by occupational demand. Over a two year period, £389.2 million of largely retail disposals have been realised or exchanged, delivering wholesale change to the composition of the portfolio. The reduction in retail and the ongoing exit from Germany have enhanced the quality of the portfolio and simplified the business. Looking forward, we will capitalise on the strength of the existing Distribution, Industrial and Office portfolios and review options on the hotel portfolio, including the potential to realise value from the portfolio once economic and trading conditions improve.

COVID-19

The significant progress achieved during such an extraordinary period required rapid decision making and support from our stakeholders. I would like to take the opportunity to thank all our stakeholders, including my RDI colleagues, advisers, occupiers, clients, lenders and shareholders for their continued commitment, support and co-operation. Our response to COVID-19 has been wide ranging and is covered in more detail throughout this report. New restrictions announced for November 2020 will likely delay the timeline for recover further.

Capital allocation

While there are clearly a number of macro-economic and political risks ahead, the Company is now well positioned to be both defensive in the short term and to take advantage of opportunities should they arise from this period of uncertainty. Following a period of significant portfolio rationalisation, future capital allocation will be disciplined and target occupier-led strategies that can be clearly communicated to our shareholders.

Further to our recent retail disposals, we will now target a full exit from the limited number of remaining retail assets. The Hotel portfolio has increased to 26.5 per cent of the Group portfolio as a result of disposal activity rather than a strategic decision to increase absolute exposure to the sector. As part of the ongoing repositioning of the portfolio, strategic options are being actively considered for the Hotel portfolio in medium term. Given the quality of the portfolio and our expectation of a recovery in the trading performance, a near term exit is not expected to deliver best value to shareholders.

Earnings and dividend

We were net sellers of assets during the year as part of our strategy to reduce our retail exposure and strengthen the balance sheet. As has been communicated to shareholders, the longer-term benefits of a higher quality, more streamlined portfolio together with lower levels of leverage will result in lower earnings in the short term.

COVID-19 had a material impact on underlying earnings which decreased by 41.5 per cent to £26.2 million (31 August 2019 (excl. Aviva): £44.8 million). Underlying earnings per share decreased to 6.9 pence per share (31 August 2019 (excl. Aviva): 11.8 pence per share).

Following the decision not to declare an interim dividend, the Board has declared a dividend in respect of the full year of 5.0 pence per share (31 August 2019: 10.0 pence per share). The dividend reflects a 72.5 per cent pay-out ratio on underlying earnings and in line with the Company's UK REIT distribution obligations. The decision to reinstate dividend payments follows the significant improvement in the Group's cash, liquidity and leverage position.

Balance sheet and financing

EPRA NAV decreased by 18.3 per cent to 151.5 pence per share (31 August 2019: 185.5 pence per share), largely as a result of a like-for-like portfolio valuation decline of 9.8 per cent for the full year.

As expected, valuation movements varied significantly between sectors. The overall like-for-like valuation decline was heavily impacted by the retail sector and the Group's operating assets in the second half of the year. With pro forma retail exposure now 10.1 per cent, exposure to the structural risks in this sector have been significantly reduced. The valuation impact on the Hotels and London Serviced Office portfolios is temporary, in our view, with a recovery largely linked to a return to economic growth. Distribution and Industrial values were broadly flat with the sector remaining well supported. The portfolio repositioning has increased the pro forma weighting to this sector to 26.6 per cent.

The Group's share of net debt reduced by £122.0 million to £544.6 million (31 August 2019: £666.6 million). Adjusting for transactions exchanged or completed post year end, pro forma LTV reduced to 32.6 per cent (31 August 2019 pro forma: 42.0 per cent) supported by the strategic disposal programme and higher cash balances of £70.2 million (31 August 2019: £33.9 million). Since the balance sheet date, the Group's cash position has been significantly enhanced following disposals exchanged or completed post year end

and now stands at approximately £131 million. In addition, the Group's revolving credit facility has headroom of £114 million which, subject to financial covenants, provides total cash and available facilities of approximately £240 million.

Progressive sustainability and social responsibility performance

As a Company we have made significant progress in implementing our Sustainability & Social Responsibility objectives. A Gold rating was achieved for the second year running from EPRA sBPR and we improved our GRESB Real Estate assessment score, highlighting our commitment to our environmental, social and governance ("ESG") agenda.

The health, safety and welfare of our staff, contractors and communities remains at the forefront of the Group's Sustainability & Social Responsibility strategy, and we are ensuring that this continues, notwithstanding the disruption and challenges related to COVID-19.

Looking forward, ESG will be embedded in our overall investment and capital allocation decisions as it becomes increasingly important in attracting and retaining successful occupiers. Commitment to the Company's Sustainability & Social Responsibility objectives has also now been included in the performance objectives of the executive management team, creating a link to remuneration.

Changes to the Board

During the year, the size of the Board reduced from eleven to seven directors.

Robert Orr, an independent non-executive, resigned in October 2019, due to external work commitments. Marc Wainer retired at the January 2020 AGM, leaving Pieter Prinsloo as the sole representative of Redefine Properties. Stephen Oakenfull and Adrian Horsburgh, the Deputy CEO and Property Director respectively, stepped down from the Board at the AGM, but retained all of their executive responsibilities.

These changes restored the balance of independent and non-independent Directors, aligned the composition of the Board with the requirements of the 2018 UK Corporate Governance Code (the "Code") and improved the level of female representation.

In June 2020, our longstanding major shareholder, Redefine Properties, agreed the sale of its 29.4 per cent shareholding in the Company to controlled affiliates of the Starwood Capital Group ("Starwood"). Following completion of the sale, Pieter Prinsloo of Redefine Properties stepped down from the Board, and was replaced by Matthew Parrott of Starwood, on 22 July 2020. The Board looks forward to a productive relationship with Starwood.

Following today's announcement, I will retire in December 2020 at which point Stephen Oakenfull will take over the role of CEO. He will re-join the Board later today.

Outlook and strategy

The actions we have taken over the last 18 months have repositioned the Company entirely. There is further work to be done, including rebuilding income returns across our operating assets, but the strength of the balance sheet and significant cash resources on hand have created a strong platform from which to focus on the future and growth opportunities. In a world with ever increasing complexity, we look forward to getting back to basics - a simplified business backed by a strong balance sheet and disciplined capital allocation.

While there are many obvious uncertainties related to the economic impacts from COVID-19 and the UK's exit from the European Union, the risks and opportunities related to structural changes in consumer habits, environmental change and technology are likely to have a far more significant and lasting impact on real estate markets. The wholesale repositioning of our portfolio has delivered a significant realignment toward sectors and assets that are likely to benefit from these changes.

Our immediate focus remains on completing the disposal of the residual retail assets in the UK and Germany and the ongoing streamlining of the business to focus both capital and management time.

Longer term, the Company's balance sheet and cash position provide a strong platform to capitalise on opportunities that may arise. Following a period of consolidation, the strength of the repositioned portfolio, the ultimate recovery of our operating assets and the £240 million of firepower available, provide a strong platform upon which to rebuild income on a sustainable basis.

Mike Watters

Chief Executive Officer

5 November 2020

OPERATING REVIEW

COVID-19

The onset of the COVID-19 pandemic has posed many challenges across the business. Our focus has been on the welfare, safety and security of our stakeholders, and on ensuring that asset values are protected, revenues are carefully managed and costs are minimised. The actions we have taken have been wide ranging, from ensuring the safety of our own staff and customers to active engagement with our shareholders and lenders.

Our approach to rent collection has been on a case-by-case basis with financial assistance or payment plans being provided to those occupiers most in need. We have engaged openly with occupiers across our portfolio and sought to arrive at solutions which are fair and reflect occupiers' individual circumstances but which also protect broader stakeholder value, including that of our shareholders and lenders.

The following section provides details of the performance of each sector, together with the actions that have been taken to protect value and support a strong recovery. In general, there has been a steady recovery in activity across the portfolio, however we remain conscious that the re-introduction of new measures to curb the spread of the pandemic may prolong the recovery in certain sectors.

Cash, liquidity and banking covenants

Disposals during the year and post year end have reduced pro forma leverage to 32.6 per cent (31 August 2019: 42.0 per cent) with cash and available facilities increasing to approximately £240.0 million, subject to financial covenants. Covenant waivers have been extended on a number of facilities, particularly where these relate to operational assets experiencing income disruption related to COVID-19.

Capital expenditure

All non-essential capital expenditure was postponed in the second half of the year. Ongoing essential maintenance and, in particular, expenditure related to security, health and safety requirements, continued as usual. The Group's current cash position allows greater flexibility, however capital commitments remain low and are typically focused on secured letting and value accretive opportunities. Previously committed or essential capital expenditure over the next twelve months is limited to approximately £2.3 million.

Rent collection

Rent collection across the portfolio varied significantly, with both overall and individual sector collection rates were typically in line with comparable industry figures, where available. Since the onset of the pandemic to September, the adjusted weighted average collection rates for the Group has been 91.9 per cent.

	Annualised gross rental income £m ⁽¹⁾	Rent collected – adjusted wtd average %	Rent collected – adjusted ⁽²⁾ 30 September 2020 %	Rent collected – adjusted ⁽²⁾ 30 June 2020 %	Rent collected – adjusted ⁽²⁾ 31 March 2020 %
Rent collection summary					
Offices	7.1	92.5	90.5	90.4	96.6
Distribution and Industrial	15.0	95.5	95.7	92.4	98.3
Retail	19.0	81.6	82.7	82.1	80.1
UK total (excl. UK Hotels and LSO)	41.1	89.7	90.0	88.0	91.0
Europe ⁽³⁾	7.2	94.2	98.2	92.9	92.9
Total (excl. UK Hotels and LSO)	48.3	90.1	90.7	88.6	91.2
RBH managed hotels ⁽⁴⁾	8.9	-	-	-	-
Travelodge portfolio	1.3	100.0	100.0	100.0	100.0
London Serviced Offices ⁽³⁾	8.5	97.9	93.9	99.3	100.0
Total	67.0	91.9	91.1	90.2	94.5

⁽¹⁾ Annualised gross rental income as at 31 August 2020. Rent collection percentages relate to the rent demanded and due.

⁽²⁾ Rent collection, adjusted for certain tenants which have indicated they are paying monthly and have paid one third of quarterly rent demanded

⁽³⁾ Rent collection typically reflects payments made monthly in advance

⁽⁴⁾ Rent concessions agreed for all hotels for second six months of the financial year. Full rent received for the six months to 29 February 2020

Distribution and Industrial

The Distribution and Industrial portfolio has proved resilient reaching 98.8 per cent occupancy (31 August 2019: 93.7 per cent) following the letting of Unit 1B at Link 9, Bicester. The sharp increase in online sales to 28.1 per cent in August (source: ONS) has created additional demand for storage and logistics which has supported the sector. The level of online sales is expected to fall back following the initial COVID-19 impact, however the medium term trajectory is expected to remain well above pre COVID-19 levels of roughly 20 per cent, indicating a step change in online sales and an acceleration of change in consumer habits. Rent collection has remained strong, averaging over 95.5 per cent from March through to September.

Offices

In general rent collection across the London and Regional Office portfolios has been in line with sector averages. Approximately 36 per cent of the rent roll is from the UK Government or utility related companies. Certain smaller tenants have been provided with financial assistance in the form of rent deferrals or rent-free periods, but this has been limited.

London Serviced Offices

The London Serviced Office portfolio comprises four assets managed by Office Space in Town ("OSIT"). All four assets were re-opened in June following a three month closure in line with the UK Government's work from home guidance. In order to support clients through this period, a 50 per cent reduction in licence fees was offered for April and May. This was subsequently reduced to 25 per cent through to July and returned to full rates in August. Collection of licence fees billed remained at over 98 per cent throughout the second half of the year. Service income, which typically reflects about 10 per cent of EBITDA, has been nominal in the second half of the year.

The London Serviced Office portfolio typically has an EBITDA to total revenue margin of approximately 60 per cent. The anticipated net EBITDA (before head rents) for the current financial year was approximately £10.5 million (Group share: £8.4 million) prior to the onset of COVID-19. The outturn for the year was £8.5 million, reflecting a relatively resilient performance given the circumstances. The most significant underlying operating costs are, inter alia, business rates, staff costs, utilities, sales and marketing and management fees. A high proportion of these costs are variable which allowed for a material reduction in the underlying operating costs while the offices remained closed.

UK Retail

While the retail sector provided many challenges during the year, our exposure has been significantly reduced. Looking forward, the risk related to ongoing weakness in many parts of the retail sector has now been minimised with a full exit from our remaining retail assets targeted.

Collection rates varied considerably depending on the nature of the assets and the exposure to different retail categories. The UK Retail Parks portfolio delivered a stronger performance, partly due to the accessibility of the assets but also a reflection of the higher proportion of food, DIY, homewares and convenience retailers which have proved more resilient. Shopping centres, with a higher proportion of leisure and fashion, were hardest hit.

Despite many individual stores being closed from March through to June, all assets remained open through the period to support essential retailers where required. Co-ordination and support across the retail portfolio has been critical to the re-opening of retail units in a safe and responsible manner.

Hotels

The UK Hotel portfolio comprises 18 assets, including 13 assets managed by the Company's associate, RBH Hotel Group Limited ("RBH"). The remaining five assets are let to Travelodge UK Holdings Limited ("Travelodge").

Of the 13 assets managed by RBH, eight were closed following UK Government guidelines. Initially, five hotels were let to local authorities at discounted rates to accommodate NHS key workers and the homeless, however this was subsequently reduced to three due to spare capacity. A significant amount of work was carried out to reduce operating and overhead costs while the hotels remained closed. A high proportion of the managed hotels operating costs are variable which, together with the various UK Government support packages, including the 12 month business rates holiday and the Coronavirus Job Retention Scheme, helped to facilitate a temporary but significant reduction in the cost base.

RDI provided support and financial assistance to RBH during the second half of the year to bridge certain short term cash flow requirements totalling £3.9 million. All the RBH managed hotels re-opened during June and July. Occupancy across the RBH managed portfolio has seen a steady improvement in recent months from 15.2 per cent in April to 46.9 per cent at the end of August, although new lockdown restrictions announced for November 2020 are likely to reverse this trend and further delay the timeline for recovery.

Rents associated with the RBH managed hotels are paid quarterly in arrears. As previously announced, no rental payments were received during the second half of the financial year.

Travelodge portfolio

The Travelodge CVA came into effect in June 2020. The five assets let to Travelodge had a pre-CVA passing rent of £2.5 million p.a. (Group share: £2.1 million p.a.). Under the terms of the CVA, and assuming no rent reviews, the Group's share of rent has and will be reduced by:

- £0.5 million for the financial year ending 31 August 2020;
- £0.9 million for the financial year ending 31 August 2021; and
- £0.3 million for the financial year ending 31 August 2022.

Following 31 December 2021, rents will revert to the full contractual position assuming RDI does not utilise its sole right, within the terms of the CVA, to break the lease on our Travelodge Hotel in Slough. All outstanding payments have recently been received in full, in accordance with the CVA.

Portfolio overview and capital allocation

The 2020 financial year has seen a substantial repositioning of the portfolio in line with our strategy of reducing exposure to the retail sector and having a narrower, more clearly defined capital allocation strategy.

Retail exposure, including transactions post year end, has been reduced to 10.1 per cent on a pro forma basis, below our previous target of 20 per cent. A full exit from all retail exposure is now being targeted with the majority of remaining retail assets subject to disposal processes.

The Distribution and Industrial and Office portfolios now comprise 56.5 per cent of the portfolio on a pro forma basis, which is expected to rise as a result of further disposals in the retail sector and future focused capital allocation and investment decisions.

A consequence of recent disposal activity has been an increase in weighting to the Hotel portfolio which now stands at 26.5 per cent. We remain confident that limited service hotels will prove resilient and early to benefit from a recovery in the sector. However, in addition to managing the hotel portfolio through a period of recovery, options to realise value will be actively considered in order to focus the Company's capital and management resources on the industrial and office sectors.

Portfolio summary

Portfolio summary 31 August 2020	Market value £m	Annualised gross rental income ^{(1) (2)} £m	ERV £m	EPRA NIY %	EPRA topped up NIY %	Rever- sionary yield ⁽³⁾ %	WAULT ⁽⁴⁾ yrs	EPRA occupancy by ERV ⁽⁴⁾ %	Indexed %
UK Commercial	524.7	30.6	31.0	4.8	5.3	5.4	6.3	98.1	19.6
UK Hotels	309.7	10.2	12.0	2.2	2.2	3.3	21.0	100.0	12.9
UK Retail	210.1	19.0	17.5	6.8	7.7	7.8	6.6	99.6	12.8
Total UK	1,044.5	59.8	60.5	4.4	4.9	5.3	6.9	98.8	16.3
Europe	122.2	7.2	6.7	4.4	5.0	5.1	4.7	98.5	94.5
Total	1,166.7	67.0	67.2	4.4	4.9	5.2	6.6	98.8	24.7
Controlled assets	1,155.1	66.1	66.3	4.4	4.9	5.2	6.6	98.8	25.1
Held in JVs (Group share)	11.6	0.9	0.9	3.9	6.9	7.0	5.6	100.0	-

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

(2) Annualised gross rental income for UK Hotels reflects rents collected on the RBH managed hotels during the year.

(3) Reversionary yields for London Serviced Offices and RBH managed hotels reflect management expectations of the underlying EBITDAs for the 2021 financial year

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

Leasing activity

Despite the impact of COVID-19, it has been an active period with 121 lease events reflecting £16.0 million of annualised gross rental income being concluded. This represents a 27.9 per cent, or £3.4 million, increase in gross rental income on units subject to lease events and was 5.1 per cent ahead of ERV.

Portfolio occupancy increased to 98.8 per cent (31 August 2019: 95.9 per cent), supported by the letting of 288,753 sqft at Link 9, Bicester in two separate transactions.

Lease events year ended 31 August 2020	Number of lease events	Like-for-like annualised gross rental income 31 August 2019 £m	Change in gross rental income £m	Annualised gross rental income 31 August 2020 £m	Gross rental income relative to ERV on lease events %
UK Commercial	57	18.9	3.4	22.3	8.9
UK Retail	25	20.2	(0.1)	20.1	2.5
Europe	39	7.3	0.1	7.4	(3.9)
Leasing activity (like-for-like)	121	46.4	3.4	49.8	5.1
RBH managed hotels and LSO	-	34.4	(17.0)	17.4	n/a
Other activity (incl. CVA and vacancies)	-	2.4	(2.6)	(0.2)	n/a
Total	121	83.2	(16.2)	67.0	5.1

- 13 leases were renewed on break or expiry and 52 new leases and lease regears were signed in the year, accounting for total gross rental income of £9.8 million (previous gross rental income £6.9 million), 1.1 per cent (£0.1 million) above ERV;
- The new leases include lettings on previously vacant space totalling 183,722 sq ft across ten units, generating an additional £1.5 million in gross rental income including the letting of unit 1b to Arrival at Link 9, Bicester;
- 54 rent reviews were completed including indexed or fixed uplifts on £6.2 million of gross rental income, 9.4 per cent above the previous passing rent and 12.4 per cent above ERV; and
- Seven units were vacated in the period totalling 22,537 sq ft. Previous gross rental income on the units vacated was £0.2 million.

Valuation overview

The overall portfolio value declined 9.6 per cent across the year on a constant currency and like-for-like basis, impacted most significantly by ongoing pressure on UK Retail assets and, in the second half of the year, the impact of COVID-19 restrictions on the Group's UK Hotel and London Serviced Office portfolios. Our expectation is that the impact on hotels and serviced offices is likely to be largely cyclical with a recovery in operating metrics and investment markets linked to the removal of travel restrictions and stronger economic activity. Excluding UK Hotels and London Serviced Offices, like-for-like topped-up net rental income increased £2.2 million, or 5.1 per cent, largely due to successful letting activity and an increase in occupancy to 98.8 per cent.

Distribution and Industrial values were largely unchanged on a like-for-like basis, which excludes Link 9, Bicester that is shown as an acquisition during the year. Link 9, Bicester delivered a yield on total development cost of 7.5 per cent and has been revalued to a 6.6 per cent topped-up initial yield.

The London Serviced Office portfolio declined 9.2 per cent, in the main reflecting lower occupancies and revenues in the second half of the year. The London Office portfolio was relatively resilient with all four assets supported by redevelopment opportunities and comparatively low capital values per sq ft. Regional Offices now represent less than 2.0 per cent of the portfolio. The material reduction in regional office values in percentage terms was almost entirely attributable to increased vacancy at Plymouth.

The Hotels portfolio suffered a 14.0 per cent reduction in values as a result of the significant COVID-19 related impact on underlying trading performances and the near term outlook while travel restrictions continue to apply. The Travelodge portfolio reflects both the impact of the CVA terms and higher yields being applied to the Travelodge covenant.

UK Shopping Centre values continue to have little investment market support with COVID-19 resulting in a further acceleration of online retailing and abrupt impacts on footfall and trading since March. Exposure to UK shopping centres is now limited to two assets representing less than 5 per cent of the Group's portfolio. UK Retail Parks were sold post year end for £156.9 million, a 3.0 per cent discount to the 29 February 2020 valuation.

The German retail portfolio value increased marginally on a like-for-like basis, excluding the disposal of the Schloss-Strassen Center in Berlin during the year for €65.5 million (29 February 2020: €78.1 million).

Valuation overview	Market Value ⁽¹⁾	EPRA topped up NIY	Reversionary yield	Topped-up net rental income change	Loss ⁽²⁾	Local currency (loss)/gain
31 August 2020	£m	%	%	%	£m	%
Distribution and Industrial ⁽³⁾	213.7	5.7	5.7	23.1	(1.7)	(0.8)
London Serviced Offices	148.3	5.0	4.9	(23.6)	(15.1)	(9.2)
London Offices	111.0	4.5	5.2	19.0	(3.0)	(2.7)
Regional Offices	18.7	7.1	5.7	5.7	(2.5)	(11.9)
UK Commercial	491.7	5.3	5.4	4.5	(22.3)	(4.4)
RBH managed hotels	264.9	2.1	3.0	(70.5)	(45.6)	(14.5)
Travelodge portfolio	44.8	2.8	5.0	(45.2)	(5.1)	(10.2)
UK Hotels	309.7	2.2	3.3	(67.8)	(50.7)	(14.0)
Shopping centres	53.2	8.6	11.3	(24.3)	(29.5)	(36.5)
Retail parks	156.9	7.4	6.6	0.9	(16.7)	(9.7)
UK Retail	210.1	7.7	7.8	(7.8)	(46.2)	(18.3)
Total UK	1,011.5	4.9	5.3	(22.0)	(119.2)	(10.6)
Shopping centres	81.2	4.9	4.9	1.1	-	2.5
Other retail	12.8	5.9	7.1	(4.4)	(0.6)	(2.2)
Europe	94.0	5.0	5.1	0.4	(0.6)	1.7
Total (like-for-like)	1,105.5	4.9	5.2	(20.1)	(119.8)	(9.6)
Acquisitions	33.0					
Development	28.2					
Total property portfolio market value	1,166.7					

⁽¹⁾ Market value adjusted to reflect lease liabilities and lease incentives.

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

⁽³⁾ The letting of unit 1a at Link 9, Bicester is included in annualised topped-up net rental income movements as it was reflected as a vacancy as at 31 August 2019.

Capital expenditure

Capital expenditure during the year totalled £5.7 million with works on Ingolstadt now substantially complete. Notwithstanding the planning activity across all four of our Greater London offices, at this stage no material capital commitments have been made in respect of these redevelopment opportunities, most of which are medium to long term in nature. Committed capital expenditure at the year end was limited to £2.3 million.

Disposal activity

Disposals totalling £131.9 million were completed during the year and a further £239.5 million has been exchanged or completed post year end, including the disposal of the UK Retail Parks portfolio for £156.9 million.

Bahnhof Altona, Hamburg was exchanged for sale in September 2019 and, while the terms of the original sales contract remain binding, the timing of completion remains uncertain following the previously announced pre-emption right in favour of the City of Hamburg. Further details are provided below.

Disposals	Sales price ⁽¹⁾ £m	Market value prior to sale ⁽¹⁾ £m	Premium/ (discount) to market value %	Topped-up Net rental income £m	EPRA topped-up NIY ⁽²⁾ %
Park Place, Leeds	9.0	8.8	2.3	0.6	5.9
Albion Street, Derby	2.5	2.5	-	0.3	10.5
Kaiserslautern, Germany (held in joint venture)	3.8	3.5	8.6	0.2	5.0
Waldkraiburg, Germany (held in joint venture)	5.8	5.3	9.4	0.3	5.1
Waterside Court, Leeds	6.5	4.7	37.2	0.4	5.8
Omnibus Building, Reigate	14.9	15.9	(6.3)	1.2	7.6
Leipzig, Germany	6.8	7.4	(8.1)	0.5	7.1
OBI, Herzogenrath	10.1	10.2	(1.0)	0.7	6.9
OBI, Schwandorf	8.5	8.5	-	0.6	6.6
OBI, Hucklehoven (held in joint venture)	5.5	6.0	(8.3)	0.4	6.1
Schloss-Strassen Center, Berlin	58.5	69.7	(16.1)	3.7	5.8
Disposals completed during the year	131.9	142.5	(7.4)	8.9	6.3
Bahnhof Altona, Hamburg	82.6	80.6	2.5	3.9	4.4
Disposals completed or exchanged during the year	214.5	223.1	(3.9)	12.8	5.6
UK Retail Parks portfolio	156.9	161.7	(3.0)	12.4	7.5
Disposals exchanged and completed post year end	156.9	161.7	(3.0)	12.4	7.5
Total	371.4	384.8	(3.5)	25.2	6.3

⁽¹⁾ Joint ventures at proportionate share.

⁽²⁾ Topped-up EPRA NIY, based on the sales price.

Park Place, Leeds

Park Place was sold for £9.0 million, a 2.3 per cent premium to the last reported market value, reflecting a net initial yield of 5.9 per cent. The disposal follows a lease regear to the Department for Works and Pensions on a new ten-year lease with limited further upside anticipated in either rental or capital values.

Albion Street, Derby

The sale of Albion Street completed for £2.5 million, in line with the last reported market value, reflecting a net initial yield of 10.5 per cent.

Kaiserslautern and Waldkraiburg, Germany

The portfolio of two retail warehouses held in a joint venture with Menora Mivtachim, was sold for €20.4 million (Group share: €10.6 million), a 9.1 per cent premium to the last reported market value.

Waterside Court, Leeds

Waterside Court, Leeds sold for £6.5 million, reflecting a topped-up net initial yield of 5.8 per cent and a 37.2 per cent premium to the last reported market value. The 35,966 sq ft office is fully let to the Secretary of State until July 2029 following a lease regear completed in July 2019.

Omnibus, Reigate

The Omnibus office building in Reigate was sold for £14.9 million, reflecting a discount of 6.3 per cent to the last reported market value. The 62,756 sq ft regional office had an occupancy rate of 55.1 per cent.

Leipzig, Germany

The food-anchored, mixed-use asset was sold for a price of €7.9 million (£6.8 million), reflecting an 8.1% discount to the 31 August 2019 market value.

OBI Retail Warehouse portfolio, Germany

The sale of the portfolio, comprising three DIY retail warehouses, for €34.2 million (Group share: €22.8 million), reflects a 3.5 per cent discount to 31 August 2019 market value.

Two of the properties, Herzogenrath and Schwandorf, were 75 per cent held by RDI with a minority partner holding the residual 25 per cent. A third property, in Huckelhoven, was held in joint venture with Menora Mivtachim. The portfolio was sold by way of a corporate sale of various special purpose vehicle interests and included the transfer of existing debt facilities with outstanding balances of €19.5 million (Group share: €13.1 million).

The portfolio is let principally to OBI, one of Germany's leading DIY retailers, which makes up 89.5 per cent of the rental income. The average WAULT across the portfolio is 4.7 years with all leases subject to escalations of between 60 and 75 per cent of CPI.

Schloss-Strassen Center, Berlin

The Primark and Rewe anchored shopping centre was sold at the end of the year for gross consideration of €65.5 million, reflecting a net initial yield of 5.8 per cent. The disposal included the transfer of the associated €62.0 million bank facility with a maturity date of 31 March 2021.

The Schloss-Strassen Center is an 18,600 sqm retail centre located on the main retail pitch in the Steglitz-Zehlendorf area in South West Berlin and is integrally linked to the underground transport network. The centre produced net rental income of approximately €4.7 million p.a. (£4.2 million p.a.) and is anchored by Primark and Rewe, with other key tenants including Contipark, Smyths Toys and Fitness First.

Bahnhof Altona Center, Hamburg

As previously announced, contracts were exchanged in September 2019 for the sale of the Bahnhof Center for €91.0 million, reflecting a 2.5 per cent premium to the 31 August 2019 market value. While the position with regard to the City of Hamburg's statutory pre-emption right is ongoing, the terms of the original sales contract remain binding whether the asset is acquired by the original purchaser or the City of Hamburg. RDI will continue to benefit from the income returns while the pre-emption position is resolved and until the disposal is completed.

Disposals post year end

UK Retail Parks portfolio

As announced on 7 September 2020, the UK Retail Parks portfolio was exchanged for sale for a gross consideration of £156.9 million, reflecting a topped-up net initial yield of 7.5 per cent and a 3.0 per cent discount to book value. The disposal completed on 30 October 2020. As at 29 February 2020, and as last reported, the portfolio had gross annualised rental income of £12.5 million, a WAULT of 7.3 years and occupancy of 98.4 per cent.

Sustainability

The Group's sustainability performance was reviewed with nine key objectives set for 2020, including both new and ongoing objectives. Despite the COVID-19 related challenges, solid progress has been made implementing our annual objectives across the resilient assets, investment and governance pillars. Good quality data and robust reporting processes are key for driving our journey towards a low carbon portfolio and to achieving the Group's energy target.

During the year, our green building certified portfolio, which includes SKA, BREEAM In-Use and BREEAM New Construction, was improved upon. St. Dunstan's, Monument and Little Britain, St Pauls both having both achieved 'Very Good' BREEAM In-Use ratings.

UK Distribution and Industrial

(21.2 per cent of the portfolio)

Our distribution and industrial strategy is focused on an in-depth understanding of occupational demand and trends linked to changing consumer habits and the impact on supply chains and logistics networks. Our portfolio is typically "standard warehousing" units of under 200,000 sq ft linked to key transport networks and strong demographics, in order to capture a broad base of occupier demand, including third party logistics, distribution and manufacturing.

Following the disposals exchanged or completed post year end, the Distribution and Industrial portfolio has increased to 26.6 per cent of the pro forma portfolio.

Occupancy within the portfolio increased to 98.8 per cent (31 August 2019: 93.7 per cent) following the letting of Unit 1B at Link 9, Bicester with topped-up net rental income across the portfolio increasing by £2.8 million or 23.1 per cent.

The second letting at Bicester delivers on the original business plan of growing our exposure to the distribution sector at attractive entry prices by taking on well researched letting risk. The scheme, which is now fully let, has delivered a yield on total development cost of 7.5 per cent.

Key asset management initiatives and leasing activity in the year

- Link 9, Bicester - Unit 1A and 1B totalling 288,000 sq ft were let to Arrival for 15 year terms in two separate transactions. The aggregate contracted gross rent of £2.3 million p.a. was 18.2 per cent ahead of ERV and subject to the higher of open market rental value or RPI capped and collared at 2 per cent and 4 per cent.
- Camino Park, Crawley - a rent review was agreed at £0.6 million, 60.0 per cent ahead of the previous passing rent
- Southwood Business Park, Farnborough - five new leases or lease renewals were signed totalling £0.7 million, 9.1 per cent above the previous passing rent and 8.6 per cent above ERV

UK Distribution and Industrial	Market value	Annualised gross rental income		EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
		£m	ERV						
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Distribution and industrial	202.7	11.9	12.4	4.3	5.5	5.7	7.1	98.6	19.5
Automotive	44.0	3.1	2.4	6.6	6.6	5.0	9.3	100.0	91.2
Total	246.7	15.0	14.8	4.7	5.7	5.6	7.5	98.8	34.4

UK Offices

(23.8 per cent of the portfolio)

Our office strategy is focused on higher yielding assets in Greater London, located in areas benefiting from infrastructure investment and opportunities to add value through repositioning or planning gain. Short to medium term income returns combined with identifiable asset management opportunities and relatively low capital values per sq ft, aim to deliver non-cyclical, income led total returns. This, combined with our serviced office platform, provides the ability to meet the rapidly changing demands of office occupiers requiring flexible lease terms together with the provision of high-quality services.

UK Offices	Market value	Annualised gross rental income		EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
		£m	ERV						
31 August 2020	£m	£m	£m	%	%	%	Yrs	%	%
Offices – Serviced	148.3	8.5	8.2	5.0	5.0	4.9	n/a	n/a	-
Offices – Greater London	111.0	5.5	6.2	4.4	4.5	5.2	2.4	99.5	12.3
Offices – Regions	18.7	1.6	1.8	5.3	7.1	8.9	7.4	87.1	8.9
Total	278.0	15.6	16.2	4.8	5.0	5.3	3.6	96.7	5.2

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

(2) Reversionary yield for the London Serviced Office portfolio reflects management expectations of the underlying EBITDAs for the 2021 financial year.

(3) Excluding London Serviced Office portfolio. Relevant operational metrics disclosed separately.

London Serviced Office (“LSO”) portfolio

Following COVID-19 related restrictions, the LSO portfolio was closed to clients from April and re-opened in June. During this period of restricted access, clients were offered discounted licence fees, however services and support which could be delivered remotely were continued wherever possible. Licence fees reverted to full contracted rates from August.

Although occupancy and therefore licence fee revenue has reduced, performance to date has been more resilient than otherwise anticipated and has outperformed the wider flexible office market. Occupancy across the full year averaged 86.8 per cent (31 August 2019: 94.0 per cent) falling to 76.0 per cent at the end of August 2020. Viewings and sales have showed steady improvement in recent months, however the impact of the renewed restrictions announced in September is yet to be determined.

EBITDA was 22.0 per cent lower than last year, almost entirely related to the second half of the year following the impact of UK Government guidelines and restrictions. Service income related to meeting rooms, conferencing and catering, which typically represents approximately 10 per cent of EBITDA, has been nominal in the second half of the financial year with a recovery likely to coincide with a relaxation of social distancing measures.

Despite the anticipated increase in vacancy rates across the London office market, the impact of COVID-19 has highlighted the importance of flexibility, both in terms of working practices and occupiers’ need to adjust their space requirements quickly and efficiently in response to business cycles. We continue to see evidence of smaller and mid-size firms seeking flexible lease terms and high-quality services which allow them to focus on their core business, both at the office and remotely. Equally, there is increased demand from larger corporates for flexibility and turn-key solutions for larger elements of their office requirement. Without underestimating the impact of the current economic conditions and the likelihood of lower aggregate demand in the short term, the longer term support for dedicated office space with flexible lease terms and high levels of support services remains intact.

London Serviced Office portfolio

Operational metrics

	31 August 2020	31 August 2019
Average desk occupancy (%)	86.8	94.0
Average monthly desk rate – licence fees only (£) ⁽¹⁾	611.3	679.0
Average total revenue per available desk (£) ⁽¹⁾	665.4	823.8
EBITDA per sq ft (£)	50.4	67.0
EBITDA conversion from total revenue (%)	58.6	61.5
Average weighted stay (months)	35.7	31.5

⁽¹⁾ Includes the impact of discounted licence fees from April 2020 to July 2020.

Greater London and regional offices

The Group's office exposure has been rationalised over recent years and is now predominately focused on assets in Greater London delivering short to medium term income returns with clearly identifiable opportunities to enhance value through planning gain or asset repositioning.

Occupancy within the portfolio remained high at 96.7 per cent (31 August 2019: 97.9 per cent) with annualised gross rental income increasing by £0.6 million following lettings at Charing Cross Road and Canbury Park, Kingston.

Following the successful planning process to extend the overall area at Charing Cross Road by approximately 40 per cent to 56,576 sq ft, there have been numerous unsolicited approaches to acquire the building. Given a potential window of continued strong demand for this specific investment location, a marketing process has commenced to test market pricing. Given the current strength of the Group's balance sheet and the positive long term outlook for the location, all options are being kept open, including extending existing leases for shorter periods.

Key asset management initiatives and leasing activity in the year

- *Newington House, Southwark, London* – feasibility and planning work continues to be progressed with the potential to deliver a material mixed-use regeneration scheme, in partnership with a consortium of three neighbouring landowners, in an area of London benefitting from significant infrastructure and capital investment.
- *Canbury Park, Kingston* - the remaining 12,545 sq ft of vacant office space was let to Interval International for £0.3 million p.a., marginally below ERV.
- *Charing Cross Road, London* – a short-term letting of the previously vacant basement space was completed for £0.3 million p.a., in line with ERV.

UK Hotels

(26.5 per cent of the portfolio)

The second half of the financial year has been exceptionally challenging for the hotel sector with COVID-19 related restrictions impacting occupancy and revenue from late February onwards. Decisive management action together with various UK Government support packages, including the twelve month rates holiday until March 2021 and the Coronavirus Job Retention Scheme, have served to limit operating costs within the RBH managed hotel portfolio during a period of limited revenue.

RBH managed hotels

The majority of RBH managed hotels were closed from late March, however, a limited number remained open and operational throughout the period in order to accommodate key workers and the homeless. The Southampton Holiday Inn Express also benefited from June to September by accommodating various ECB staff, media and security teams in connection with international cricket events at the Ageas Bowl.

All hotels re-opened from July and, on average, have experienced steady increases in demand and bookings. Hotels in Greater London continue to experience lower levels of demand relative to regional hotels, largely a result of travel restrictions and a slower return to work given the relatively higher reliance on public transport.

Average occupancy levels across the year were 54.6 per cent (31 August 2019: 84.8 per cent). Occupancy dropped to a low point of 15.2 per cent in April and has since climbed steadily to 46.9 per cent in August. Room rates, on average, were 15.7 per cent lower than the comparable period last year. Current room rates are approximately 35 per cent lower than the 2019 average but have also shown steady increases from the low point in April. As noted elsewhere, rents for the RBH managed portfolio are paid quarterly in arrears. Full rental payments were received for the first half of the year, but no rental payments were received in the second half of the year.

At this stage there is not sufficient clarity to provide reliable income expectations for the portfolio, especially considering new lockdown measures announced for November 2020. However, we remain confident that the assets are well positioned to capture renewed demand when economic activity recovers. The budget hotel sector is expected to have a quicker recovery relative to mid-market hotels as individuals and corporates seek more cost-effective options.

Underlying EBITDA for the 2021 financial year has been forecast at £9.6 million, an increase of 6.7 per cent on the prior year, reflecting the anticipated period for recovery.

RBH managed hotel portfolio

Operational metrics	31 August 2020	31 August 2019
Weighted average room rate (£)	78.9	93.5
Weighted average occupancy (%)	54.6	84.8
Weighted average revenue per available room ("RevPAR") (£)	43.1	79.3

Travelodge CVA

Following the Travelodge CVA in June 2020, rental payments have now resumed with the current level of rent reflecting 41 per cent of the previous £2.5 million p.a. position. Rents will revert to the full contractual position from December 2021 albeit the Slough Travelodge remains subject to a landlord break option up to December 2021.

Under the terms of the CVA, landlords were given the right to terminate leases for certain categories by giving notice prior to 19 November 2020. Landlords were also given the option to extend the term of leases in return for foregoing the landlord's ability to terminate the leases. This option was taken up on three of the four assets subject to these rights. One asset, as a result of its CVA classification, was not subject to these terms given the original terms of the lease were unchanged as part of the CVA process.

	Market value	Annualised Gross rental income ⁽¹⁾	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield ⁽²⁾	WAULT ⁽³⁾	EPRA occupancy by ERV ⁽³⁾	Indexed
UK Hotels	value	income⁽¹⁾							
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Greater London	159.4	5.1	4.1	2.4	2.4	2.4	n/a	n/a	-
Regional	105.5	3.8	5.5	1.6	1.6	3.9	n/a	n/a	2.6
RBH managed portfolio	264.9	8.9	9.6	2.1	2.1	3.0	n/a	n/a	1.1
Travelodge	44.8	1.3	2.4	2.8	2.8	5.0	21.0	100.0	91.5
Total	309.7	10.2	12.0	2.2	2.2	3.3	21.0	100.0	12.9

⁽¹⁾ Annualised gross rental income and related metrics for the RBH Managed portfolio reflects rents collected during the year

⁽²⁾ Reversionary yields for the RBH managed portfolio reflects management expectations of underlying EBITDAs for the 2021 financial year

⁽³⁾ Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately. Travelodge, Slough did not contribute to the WAULT calculation as at 31 August 2020 given there was no rent under the CVA terms

UK Retail

(18.0 per cent of the portfolio)

The UK retail sector continues to experience a tough trading environment, as a result of the impact of COVID-19 and the acceleration of online retailing and structural changes in consumer habits. Within this context, the disposal of the UK Retail Parks portfolio for £156.9 million representing a 3.0 per cent discount to the 29 February 2020 valuation was a considerable success. The disposal and the pricing achieved, was largely due to the asset management of the portfolio and the positioning of the assets to more resilient parts of the sector including food, discount and convenience retailers. At the year end, the portfolio was almost fully occupied with occupancy at 99.6 per cent (31 August 2019: 97.8 per cent). Retail exposure in the UK is now limited to two assets representing 5.7 per cent of the pro forma portfolio with a view to a full exit from the sector.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
UK Retail	value	income							
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Retail parks	156.9	12.4	11.0	6.4	7.4	6.6	7.1	100.0	13.4
Shopping centres	53.2	6.6	6.5	8.0	8.6	11.3	5.8	99.0	11.7
Total	210.1	19.0	17.5	6.8	7.7	7.8	6.6	99.6	12.8

Europe

(10.5 per cent of the portfolio)

Germany has typically experienced less severe COVID-19 restrictions than the UK and, prior to the recently announced lockdown for November 2020, had seen a relatively quick return to more normalised activity levels. Notwithstanding this, the strategic decision to exit our German retail portfolio is supported by a notable deterioration in the strength of the occupational market and a corresponding change in the depth and pricing within the investment market.

Further progress was made with the disposal programme, with the Schloss-Strassen Center in Berlin being sold for €66.5 million. Four assets valued at €45.9 million remain subject to disposal and are all at various stages of negotiation. Certain assets are subject to completion of asset management initiatives in order to maximise the disposal proceeds.

Occupancy across the European portfolio remained high at 98.5 per cent (31 August 2019: 99.1 per cent) with like-for-like topped-up net rental income up marginally in constant currency terms.

Europe	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Rever-sionary yield	WAULT	EPRA occupancy by ERV	Indexed
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
German shopping centres ⁽¹⁾	109.4	6.2	5.7	4.3	4.9	4.9	4.8	99.3	95.6
German other	12.8	1.0	1.0	5.9	5.9	7.1	3.7	94.0	87.2
Total	122.2	7.2	6.7	4.4	5.0	5.1	4.7	98.5	94.5

⁽¹⁾ Includes Bahnhof, Altona, Hamburg which is subject to an exchange of contracts for sale.

FINANCIAL REVIEW

Overview

It has been a year of two distinct halves. The first six months to 29 February 2020 saw the Group's earnings track very much in line with expectations. Then, subsequent to events on 11 March 2020, when the World Health Organisation recognised the outbreak of COVID-19 as a global pandemic, there was a swift and significant shift. The second half of the year has been characterised by significant market uncertainty and extremely challenging trading conditions has impacted on the Group's financial performance, both from an earnings and valuation perspective. At the date of this announcement, the full impact of the COVID-19 pandemic including timelines to a full recovery, remain unclear.

At a corporate level, the focus since the outbreak has been to improve liquidity and operational flexibility to ensure the Group could withstand an extended period of disruption, whilst continuing a rigorous focus on strategic priorities of reducing leverage and exposure to the retail sector. As a result, the balance sheet is well positioned, with reduced leverage and increased liquidity. Cash on hand and undrawn committed facilities increased to approximately £240 million following completion of the sale of the UK Retail Park portfolio post year end.

Revaluation losses of £126.1 million contributed to an EPRA NAV decline of 18.3 per cent to 151.5 pence per share at 31 August 2020 (31 August 2019: 185.5 pence per share). The Group recorded an IFRS loss of £103.8 million for the year driven by valuation declines.

The Group's key recurring earnings metric, underlying earnings, decreased by 47.0 per cent to £26.2 million (31 August 2019: £49.4 million). Removing the contribution from the Aviva financed UK Shopping Centres portfolio from the 2019 comparative, underlying earnings per share decreased by 41.5 per cent from 11.8 pence to 6.9 pence.

Loan to value at 31 August 2020 was 46.7 per cent. Pro forma loan to value (reflecting transactions exchanged or completed post year end) decreased notably to 32.6 per cent and the weighted average cost of debt of 3.0 per cent, remained broadly in line with that of 31 August 2019. Interest cover reduced below target to 2.7 times, as a result of the material impact of COVID-19 on net rental income in the second half of the year.

Performance against strategic financial targets

Strategic metrics	Medium term target	31 August 2020	31 August 2019
Growth in underlying EPS (%)	3.0 - 5.0	(46.9)	(8.5)
Income growth (like-for-like) (%)	2.0 - 5.0	(23.5)	-
Rent collection	>95% within 7 days	78.1	96.3
Pro forma LTV (%) ⁽¹⁾	30.0 - 40.0	32.6	42.0
Interest cover (times)	>3.0	2.7	3.3
Cost of debt (%)	< 3.2	3.0	2.9
EPRA cost ratio (excl. direct vacancy costs) (%) ⁽²⁾	<15.0	22.4	16.4
Dividend pay-out ratio (%)	90.0 - 95.0	72.5	76.9

⁽¹⁾ LTV adjusted for transactions completed between the balance sheet date and the date of results announcement.

⁽²⁾ The EPRA cost ratio at 31 August 2020 excludes the provision for tenant lease incentives of £1.4 million as this was a prudent 'worst-case' impairment assumption in light of COVID-19 uncertainties.

On a like-for-like basis, net rental income fell by 23.5 per cent, the combined result of lower earnings since the outbreak of COVID-19 (particularly in respect of the Group's Hotel and London Serviced Offices portfolios), prudent bad debt assumptions applied in light of the ongoing uncertainty and a continuation of CVA activity in the retail sector.

Despite the significant decline in asset valuations, pro forma LTV improved to 32.6 per cent due to disposal activity prior to and just after the reporting date.

Interest cover, which has been adjusted to remove the impact of adopting IFRS 16, fell below target in the second half of the year, as a result of reduced income and the bad debt assumptions referenced above.

The EPRA cost ratio stands at 22.4 per cent. Excluding non-recurring transaction costs of £0.7 million, the ratio would have declined to 21.1 per cent. These ratios compare to 17.8 per cent and 15.7 per cent as reported in our Interim results and are again reflective of the material impact of COVID-19 on the Group's key performance metrics during the second half of the financial year. Although strict cost control measures were put in place, the reduction in net rental income far outweighed the cost savings achieved. This deterioration is expected to be temporary in nature.

Acquisitions

During the year ended 31 August 2019, the Group acquired a 13.5 acre land interest in Bicester, Oxfordshire and entered into a forward funded development agreement for the construction of two distribution units. Construction of the second unit reached practical completion in December 2019, at which time the Group made its final payment of £10.3 million (excluding transaction costs).

Disposals

European portfolio

During the year, the Group progressed the disposal of the European portfolio, which is classified as a disposal group held for sale, albeit transactional activity slowed in the second half due to market dislocation caused by COVID-19. As a result, disposal of the remaining properties, that remain subject to contract, may take longer than originally anticipated.

On 17 September 2019, the Group exchanged contracts for the disposal of Altona Shopping Centre, Hamburg for €91.0 million, €2.2 million above market value at 31 August 2019. The City of Hamburg triggered its pre-emptive right over the property once contracts had been exchanged and negotiations between the buyer and the City have been ongoing. Although the contract remains legally binding, control is not deemed to have transferred from the Group at the reporting date and the property has not been derecognised.

On 27 December 2019, the Group completed on the sale of two German retail warehouses at Waldkraiburg and Kaiserslautern (held in joint venture) for a total consideration of €20.4 million (Group share - €10.6 million).

On 15 January 2020, the Group exchanged contracts on another retail property at Leipzig for consideration of €7.9 million. The transaction completed on 3 April 2020.

On 5 March 2020, the Group exchanged contracts for the sale of three properties at Schwandorf, Herzogenrath and Hucklehoven (Hucklehoven held in a joint venture), for a gross consideration of €34.2 million. The transaction subsequently completed on 17 March 2020.

On 31 August 2020, the Group disposed of the Schloss-Strassen Center, Berlin for a gross consideration of €65.5 million. On the date of sale, the carrying value of the investment property was €78.1 million. As the transaction was structured as a corporate disposal, the bank facility (€62.0 million), which was due to mature in March 2021, was also transferred on completion. Net proceeds were received on 2 September 2020, after the reporting date.

UK portfolio

Four mature asset sales, previously targeted for sale, completed during the year. The Group's high street retail asset in Derby and three regional offices located in Reigate and Leeds were sold for a gross consideration of £32.9 million.

After the reporting date, the Group exchanged on the sale of six UK retail parks for a gross consideration of £156.9 million. The transaction subsequently completed on 30 October 2020. This transaction is a significant milestone in the ongoing repositioning of the Company's portfolio and reflects a pro forma reduction in UK retail exposure to 5.3 per cent.

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

Effective 1 March 2019, the Group determined that the co-ordinated sale of the European portfolio met the criteria of a disposal group held for sale and constituted a discontinued operation. To comply with the presentation requirements of a discontinued operation under IFRS, the post-tax profit/loss 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.

Aviva financed UK Shopping Centre Portfolio ("Aviva Portfolio")

Given the significance of the derecognition of these four UK shopping centres in April 2019 and to aid comparability, this financial review presents the comparative income statement and cash flow for the year ended 31 August 2019 including and excluding the Aviva Portfolio. Commentary focuses, where relevant, on financial information excluding the Aviva Portfolio.

IFRS 16 'Leases' ("IFRS 16")

On 1 September 2019, the Group adopted IFRS 16, the new leasing standard. Under the previous standard, operating lease payments were charged to the income statement as a rental expense on a straight-line basis. On transition to IFRS 16, the Group recognised lease liabilities in relation to its operating leases (measured at the present value of future remaining lease payments at the date of transition) and corresponding right-of-use ("ROU") assets. Lease liabilities and ROU assets of £42.7 million, in relation to the Groups' leasehold interests in investment property were recognised on transition. There has been no impact to the Groups' net assets or earnings at 1 September 2019 and the standard has been adopted using the simplified method, meaning the comparative reporting period has not been restated. For the year ended 31 August 2020, the Group has subsequently measured the lease liabilities by increasing the carrying value to reflect the effective interest cost in each lease obligation (recognised as a finance cost in the income statement) and then reducing the carrying value to reflect head rent payments. Head rent payments are no longer recognised as a rental expense. While rental expense has decreased, underlying finance costs have increased by a corresponding amount and therefore there has been no overall change to underlying earnings. Differences in the total income statement charge as a result of recognising the effective interest costs on the lease liabilities, are presented as a Company specific adjustment in reconciling underlying earnings to IFRS. For the year ended 31 August 2020, this amounted to less than £0.1 million (including both continuing and discontinued operations). Certain performance measures, such as the interest cover ratio, have also been adjusted for comparability.

Reassessment of the Group's contracts with customers

The Group has reassessed certain contractual arrangements across both the UK and German portfolios and concluded that it acts in the capacity of principal in respect of service charge and service fees recharged. Service charges and service fee income have therefore been grossed up from the recoverable service charge and service fee expenditure in the financial statements with gross service charge income and service fee income now included in revenue. The Group's revised accounting policy is set out in Note 2.4 'Accounting policies'. Comparative revenues (revenue, rental income and other operating income) and related expenses have been restated to gross up service charge income and service fee income in the income statement in line with the current year presentation. There has been no impact on IFRS profit or loss, net asset value or cashflows as a result of these restatements. In addition, there has been no impact on the key performance metrics of the Group nor the presentation of this financial review.

Interest in joint ventures previously not recognised

As is required by the equity method of accounting, the Esplanade joint venture was carried at £nil in the Group's financial statements at 31 August 2019 as cumulative losses to date had exceeded the cost of the Group's investment, primarily due to the negative mark-to-market on the joint venture's derivative. At 31 August 2020, the share of these losses no longer exceeded the Group's net investment in the Esplanade and as a result the Group has recognised its share of profits by way of reversal of previous impairment charges taken against loans made to the joint venture.

Alternative performance measures

The Board uses a number of financial measures to assess and monitor the Group's performance and position, most notable of which are underlying earnings and EPRA best practice metrics. 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 is assessed. Detailed disclosures of alternative performance measures including, where applicable, reconciliation to IFRS follows this financial review.

Income statement	31 August 2020			31 August 2019				
	IFRS	Joint	Group	IFRS	Joint	Group	Aviva	Total excl.
	£m	ventures	total	£m	ventures	total	Portfolio	Aviva
		£m	£m		£m	£m	£m	£m
Net rental income	51.2	0.8	52.0	80.8	0.8	81.6	(9.9)	71.7
Other income and expense	2.3	-	2.3	2.7	-	2.7	-	2.7
Administrative expenses	(11.3)	-	(11.3)	(13.2)	0.2	(13.0)	-	(13.0)
Net operating income	42.2	0.8	43.0	70.3	1.0	71.3	(9.9)	61.4
Net finance costs	(20.8)	(0.5)	(21.3)	(25.0)	(0.5)	(25.5)	5.3	(20.2)
Tax and other	(0.4)	-	(0.4)	0.8	(0.1)	0.7	-	0.7
Restricted JV losses	0.3	(0.3)	-	-	(0.4)	(0.4)	-	(0.4)
Non-controlling interests	(1.6)	-	(1.6)	(4.6)	-	(4.6)	-	(4.6)
Continuing underlying earnings	19.7	-	19.7	41.5	-	41.5	(4.6)	36.9
Discontinued operation (incl. JVs and NCI)	6.5	-	6.5	7.9	-	7.9	-	7.9
Total Group underlying earnings	26.2	-	26.2	49.4	-	49.4	(4.6)	44.8
<i>Company adjustments:</i>								
Debt fair value accretion adjustments	-	-	-	(0.4)	-	(0.4)	0.4	-
Foreign exchange gain	0.2	-	0.2	-	-	-	-	-
IFRS 16 Company adjustments	(0.1)	-	(0.1)	-	-	-	-	-
Discontinued operation	(0.1)	-	(0.1)	(0.2)	-	(0.2)	-	(0.2)
EPRA earnings	26.2	-	26.2	48.8	-	48.8	(4.2)	44.6
Fair value (loss)/gain on property	(113.6)	0.4	(113.2)	(56.6)	(0.3)	(56.9)	17.9	(39.0)
Loss on disposal of property	(1.3)	-	(1.3)	(1.7)	-	(1.7)	-	(1.7)
Fair value movement on derivatives	(1.8)	0.2	(1.6)	(9.4)	(0.3)	(9.7)	-	(9.7)
Loss of control of Aviva	-	-	-	(55.6)	-	(55.6)	55.6	-
Loss on acquiring subsidiaries	-	-	-	(0.4)	-	(0.4)	-	(0.4)
(Impairment)/impairment reversal of investment in associate and JVs	(1.2)	(0.6)	(1.8)	(1.4)	-	(1.4)	-	(1.4)
Restricted JV losses	(0.2)	-	(0.2)	-	0.6	0.6	-	0.6
Tax and other	(2.5)	-	(2.5)	(0.7)	-	(0.7)	-	(0.7)
Discontinued operation (incl. JVs and NCI)	(23.2)	-	(23.2)	(2.9)	-	(2.9)	-	(2.9)
Non-controlling interests	13.8	-	13.8	2.3	-	2.3	-	2.3
IFRS loss attributable to shareholders	(103.8)	-	(103.8)	(77.6)	-	(77.6)	69.3	(8.3)
Weighted average ordinary shares (millions)			380.3					380.1
EPRA earnings per share (pence)			6.9					12.8
Underlying earnings per share (pence)			6.9					13.0
Underlying earnings per share (pence), excl. Aviva			6.9					11.8

Underlying earnings from discontinued operation (Europe segment)

	31 August 2020			31 August 2019		
	IFRS	Joint	Group	IFRS	Joint	Group
	£m	ventures £m	total £m	£m	ventures £m	total £m
Net rental income	10.0	0.3	10.3	11.6	0.9	12.5
Administrative expenses	(0.5)	(0.2)	(0.7)	(0.7)	(0.2)	(0.9)
Net operating income	9.5	0.1	9.6	10.9	0.7	11.6
Net finance costs	(2.8)	(0.1)	(2.9)	(3.1)	(0.1)	(3.2)
Joint venture profits	-	-	-	0.6	(0.6)	-
Tax and other	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Non-controlling interests	(0.1)	-	(0.1)	(0.4)	-	(0.4)
Underlying earnings	6.5	-	6.5	7.9	-	7.9

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 31 to these consolidated financial statements.

Net rental income, excluding the Aviva Portfolio, decreased by £19.7 million or 27.5 per cent, primarily as a result of targeted disposals during the year. The impact of COVID-19 on revenue and increased provisions for bad and doubtful debts. The Group's operational portfolio's, being UK Hotels and London Serviced Offices, were the primary contributors to the reduction in net income.

Six month rent concessions were agreed for all RBH managed UK hotels, which has largely contributed to the £11.8 million reduction relative to prior year. Net rental income from the Travelodge portfolio decreased by £0.5 million as a result of CVA arrangements approved by its creditors on 19 June 2020.

Net rental income from the London Serviced Offices portfolio decreased by £1.8 million due to a reduction in licence fee income during lockdown but offset in part by lower variable costs.

Across all sectors, prudent assumptions have been applied in respect of bad and doubtful debts and tenant lease incentives, which increased the rental expense by £2.6 million relative to the prior year. Disposal activity from continuing operations has further reduced net rental income by £2.5 million.

Administrative costs have fallen in the main due to lower staff costs relative to the comparative year. The average employee head count has reduced following the wind-down of the Group's European operations.

As discussed earlier, net finance costs increased, primarily, following the transition to IFRS 16.

Tax and other includes the performance of the Groups associate interest in RBH Hotels Group Limited, which recorded a loss of £0.4 million for the year ended 31 August 2020, relative to a profit of £0.9 million in the prior year.

Non-controlling interests reflects the share of income attributable to minority shareholders within the UK Hotels and London Serviced Offices portfolios. The decrease of £3.0 million relative to prior year is in line with the reduction in operating earnings of those portfolios following the outbreak of COVID-19.

The decrease of £1.4 million in underlying earnings from the discontinued European portfolio follows continued disposal activity, which reduced net rental income by £1.7 million and which is offset by reduced finance costs on settlement or derecognition of secured debt facilities following disposals.

Like-for-like net rental income analysis

	Year ended		Change £m	Change %	Local currency Change %
	31 August 2020	31 August 2019			
	£m	£m			
Net rental income					
UK Commercial	24.8	27.3	(2.5)	(9.1)	(9.1)
UK Hotels	9.4	23.0	(13.6)	(59.1)	(59.1)
UK Retail	16.7	18.8	(2.1)	(11.2)	(11.2)
UK total	50.9	69.1	(18.2)	(26.3)	(26.3)
Europe (discontinued operation)	8.7	8.9	(0.2)	(1.7)	(0.5)
Like-for-like net rental income	59.6	78.0	(18.4)	(23.5)	(23.4)
Acquisitions	2.4	1.6			
Development (discontinued operation)	1.4	1.5			
Disposals and other ⁽¹⁾	(1.1)	4.9			
Loss of control of Aviva	-	9.9			
IFRS 16 transitional adjustments ⁽²⁾	-	(1.8)			
Total net rental income	62.3	94.1			

⁽¹⁾ Includes provisions for tenant lease incentives of £1.4 million at 31 August 2020

⁽²⁾ Head rents payable under operating leases, were previously treated as a rental expense. These payments are now reclassified as lease liability payments under IFRS 16. While comparatives are not required to be restated for IFRS reporting purposes, the prior period expense has been separated out in the like-for-like disclosure for comparability.

Like-for-like income in the UK Commercial portfolio decreased 9.1 per cent or £2.5 million, the primary contributor being a reduction in licence fee income from the London Serviced Office portfolio, following lockdown restrictions.

The decrease of 59.1 per cent in UK Hotels net rental income follows rent concessions extended to all RBH managed UK Hotels for the second half of the year, together with a reduction in the annual rent received in the first half. Like-for-like income from the Travelodge portfolio decreased by 22.2 per cent, the result of the CVA arrangements.

UK Retail like-for-like income decreased 11.2 per cent, largely attributable to bad and doubtful debts. Rental income was further impacted by CVA activity, most notably Debenhams at West Orchards, Coventry and Monsoon at St George's, Harrow.

In local currency terms, the European portfolio's like-for-like net rental income decreased 0.5 per cent, following increased service charge costs at Berlin (included within like-for-like as disposed of on 31 August 2020), in addition to increased bad and doubtful debt provisions across the residual portfolio. In Sterling terms, income fell 1.7 per cent, reflecting the stronger average GBP/EUR exchange rate during the year.

	31 August 2020			31 August 2019		
	IFRS £m	Joint ventures £m	Group total £m	IFRS £m	Joint ventures £m	Group total £m
Balance sheet						
Property portfolio - carrying value ⁽¹⁾	1,194.2	11.3	1,205.5	1,392.6	26.1	1,418.7
Investment in and loans to JVs	03.2	(3.2)	-	8.0	(8.0)	-
Net borrowings, incl. lease liabilities	(652.5)	(8.1)	(660.6)	(653.5)	(14.4)	(667.9)
Other assets and liabilities	54.8	-	54.8	(4.1)	(3.7)	(7.8)
Non-controlling interests	(42.5)	-	(42.5)	(57.4)	-	(57.4)
IFRS NAV	557.2	-	557.2	685.6	-	685.6
Fair value of derivatives			15.3			12.7
Deferred tax liabilities			5.3			8.2
EPRA NAV			577.8			706.5
Diluted number of shares (millions)			381.4			380.9
EPRA NAV per share (pence)			151.5			185.5

⁽¹⁾ Market value adjusted to reflect lease liabilities (incl. adoption of IFRS 16) and lease incentives. Includes both investment property and property held for sale.

EPRA net asset value decreased 18.3 per cent to 151.5 pence per share. This was primarily as a result of valuation declines of £126.1 million across the Group's portfolio and net losses on disposals of £14.3 million. A marginally weaker Euro at the balance sheet date reduced net asset value by £2.1 million.

EPRA issued updated best practice guidelines in 2019 which become effective for accounting periods beginning on or after 1 January 2020. The most significant change proposed was in respect to the calculation of net asset value. Although not applicable to the Group this year, we have presented these measures early alongside the existing best practice measure set out above. Full reconciliation and disclosure of these new measures, along with their 2019 comparatives is provided in Note 32.

Property portfolio

	31 August 2020 £m	31 August 2019 £m	Valuation ⁽¹⁾		Local currency Gain/(loss) %
			Gain/(loss) £m	Gain/(loss) %	
Market value of the property portfolio					
UK Commercial	491.7	510.7	(22.3)	(4.4)	(4.4)
UK Hotels	309.7	363.3	(50.7)	(14.0)	(14.0)
UK Retail	210.1	252.5	(46.2)	(18.3)	(18.3)
UK total	1,011.5	1,126.5	(119.2)	(10.6)	(10.6)
Europe	94.0	94.0	(0.6)	(0.6)	1.7
Like-for-like property portfolio	1,105.5	1,220.5	(119.8)	(9.8)	(9.6)
Acquisitions	33.0	17.7			
Development	28.2	32.3			
Disposals (incl. loss of control)	-	152.8			
Total property portfolio market value	1,166.7	1,423.3			

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

At the latest valuation date, a number of material uncertainty clauses were adopted by the Group's valuers in their reports, with some real estate markets experiencing significantly lower levels of transactional activity and liquidity as a result of COVID-19.

UK Commercial valuations decreased by 4.4 per cent during the year, mainly the result of a weaker performance from the London Serviced Offices, where valuations declined by 9.2 per cent or £15.1 million.

The UK Hotels portfolio valuation decreased by 14.0 per cent. The Group's RBH managed hotels reduced by 14.5 per cent due to uncertainties over the forecast trading performance of the underlying operational business' during the continued disruption period and the timelines for full recovery. The recent valuation uplifts in the Travelodge portfolio as a result of fixed rent reviews have been mitigated by the impact of the CVA arrangements agreed in the second half, with valuation declines of 10.2 per cent for the full year.

The downward valuation in UK Retail of £46.2 million was driven by valuation losses of 36.5 per cent across the two remaining UK Shopping Centres, with the structural change in retail trends having been accelerated during COVID-19. The UK Retail Parks portfolio was valued in line with the gross sales price of the assets, which was contracted after the reporting date.

In local currency terms, the European portfolio valuations increased 1.7 per cent primarily as a result of the valuation uplift on the Hamburg shopping centre to reflect the contracted sales price, €2.2 million above the comparative valuation. In Sterling terms, a 0.6 per cent decrease in value was recorded due the weakness of the Euro at 31 August 2020 relative to 31 August 2019.

Debt and gearing

	31 August 2020 £m	31 August 2019 £m
Nominal value of drawn debt	(614.8)	(700.5)
Cash and short term deposits	70.2	33.9
Net debt	(544.6)	(666.6)
Market value of the property portfolio	1,166.7	1,423.3
LTV (%)	46.7	46.8
LTV (% , pro forma) ⁽¹⁾	32.6	42.0
Weighted average debt maturity (years)	3.0	3.7
Weighted average interest rate (%)	3.0	2.9
Interest cover (times) ⁽²⁾	2.7	3.3
Debt with interest rate protection (%)	87.5	91.7
Undrawn committed facilities	14.0	20.0

⁽¹⁾ Pro forma LTV adjusted for transactions completed between the balance sheet date and the date of result announcement.

⁽²⁾ Pro forma calculated as net rental income over net finance expense, excluding IFRS 16 transitional adjustments.

Net debt decreased by £122.0 million during the year, principally due to proceeds from property disposals and the deferral of the interim dividend, less the consideration paid to acquire the second distribution unit at Bicester in December 2019.

Adjusting for properties exchanged for sale and contracts which exchanged since 31 August 2020, the Group's pro forma loan to value has reduced to 32.6 per cent, a very positive outcome in the context of the significant valuation declines.

With no material refinancing activity during the year, the Group's weighted average debt maturity reduced to 3.0 years. A £13.1 million facility held with Santander (secured over three RBH managed hotels), which was due to mature in July 2020 has been extended to March 2021 while refinancing negotiations progress.

There was a slight increase in the weighted average cost of debt since 31 August 2019 to 3.0 per cent, as a result of the settlement of European portfolio facilities on disposals, which had a relatively lower cost of debt compared with the UK debt facilities.

Cash and undrawn committed facilities at 31 August 2020 were £84.2 million (31 August 2019: £53.9 million), with capital commitments of £2.3 million (31 August 2019: £16.4 million).

Covenants

Since the onset of COVID-19, the Group has negotiated covenant waivers and amortisation holidays for the majority of the Group's facilities given the likely impact on, in particular, interest cover. At the last reported dates, covenant waivers remained in place on 89.0 per cent of debt subject to financial covenants and, subject to any further extensions agreed, expire between 15 October 2020 and 31 December 2021.

During the period to 31 August 2020, covenant waivers mitigated events of default on facilities totalling £204.9 million, secured over the Group's UK Hotels and UK Shopping Centres.

Cash flow

	31 August 2020			31 August 2019			
	IFRS £m	Joint ventures £m	Group £m	IFRS £m	Joint ventures £m	Aviva Portfolio £m	Group excl. Aviva £m
Continuing operating cash flows	19.6	0.1	19.7	49.2	0.3	(5.6)	43.9
Discontinued operating cash flows	4.3	(0.1)	4.2	7.2	0.3	-	7.5
Operating cash flows	23.9	-	23.9	56.4	0.6	(5.6)	51.4
Disposals	34.2	-	34.2	0.2	-	-	0.2
Acquisitions and development	(13.7)	-	(13.7)	(51.9)	-	0.5	(51.4)
Other	(0.1)	-	(0.1)	(0.1)	-	-	(0.1)
Discontinued investing cash flows	24.3	6.1	30.4	1.3	(0.1)	-	1.2
Investing cash flows	44.7	6.1	50.8	(50.5)	(0.1)	0.5	(50.1)
Net debt drawn/(repaid)	4.1	(0.2)	3.9	17.1	(0.2)	0.4	17.3
Cash lost on Aviva derecognition	-	-	-	(17.5)	-	-	(17.5)
Dividends paid	(22.8)	-	(22.8)	(40.9)	-	-	(40.9)
Other	(3.8)	-	(3.8)	(4.5)	-	-	(4.5)
Discontinued financing cash flows	(13.4)	(4.2)	(17.6)	13.3	(0.2)	-	13.1
Financing cash flows	(35.9)	(4.4)	(40.3)	(32.5)	(0.4)	0.4	(32.5)
Impact of foreign exchange movement	(0.9)	-	(0.9)	0.6	-	-	0.6
Movement in restricted cash	2.8	-	2.8	-	-	-	-
Net cash flow	34.6	1.7	36.3	(26.0)	0.1	(4.7)	(30.6)

Operating cash flows are aligned to the Group's underlying earnings and are a key metric for assessing dividend cover. The overall net cash inflow reflects both net disposals in excess of acquisitions and debt repayments, in addition to a deferral of the first-half dividend payment to ensure sufficient liquidity during the period of disruption. Cash flows from the Aviva Portfolio have been excluded from the prior year for comparability purposes.

Going concern

Due to the significant and ongoing uncertainties faced, the Board has placed particular focus on the appropriateness of adopting the going concern basis in preparing the Group's consolidated financial statements for the year ended 31 August 2020.

In light of the significantly improved liquidity and gearing position of the Group, the Directors have concluded that in reasonably possible adverse scenarios, there remain adequate resources and mitigants to continue in operational existence for a period of not less than 18 months from the date of approval of these financial statements.

The Directors therefore concluded it appropriate to adopt the going concern basis of accounting in preparing the Group's financial statements.

Attention is drawn to Note 2.2 of the financial statements for further details surrounding the conclusion reached.

Dividend

The Board concluded alongside its interim results in May 2020 not to declare a first half dividend, and to prioritise maintaining liquidity and operational flexibility as it entered a period of significant uncertainty. The Board committed to review this position prior to releasing full year results and to restart dividends as soon as it was considered prudent to do so.

During the second half of the year, the Board continued to closely monitor the impact of COVID-19 on the business, its cashflows and the wider economic and capital markets environment. While the full impact of the pandemic remains uncertain, the Group's balance sheet is healthy and the Group's cash and available facilities have significantly improved.

After careful consideration of the potential downside risks, the Directors have concluded that it would be prudent to reinstate dividend payments. As such, the Board has declared a dividend of 5.0 pence per share for the full year ended 31 August 2020. The cash dividend will be paid as a Property Income Distribution (PID) on 22 December 2020, to shareholders on the register at 4 December 2020.

This dividend represents a 72.5 per cent pay-out ratio on underlying earnings, below the Group's target of 90-95 per cent, but in line with its REIT obligations. The Board recognises the importance of dividends to its shareholders, but is cognisant of meeting its obligations whilst maintaining a conservative pay-out ratio in light of the unpredictable and challenging environment faced.

Donald Grant

Chief Financial Officer

5 November 2020

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	2020	2019
Earnings	Earnings from operational activity	Note 31	£26.2m	£48.8m
Net asset value	NAV adjusted for investments held at fair value and excluding items not expected to be realised	Note 32	£577.8m	£706.5m
Triple net asset value	EPRA NAV adjusted to include fair value of financial instruments, debt and deferred taxes	Note 32	£556.4m	£682.6m
Net disposal value	NAV measure that assumes assets are sold and/or liabilities are not held until maturity. Deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected on the balance sheet	Note 32	£557.2m	£685.6m
Net tangible assets	NAV measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability which is included	Note 32	£575.2m	£702.4m
Net reinstatement value	NAV measure to highlight the value of net assets on a long-term basis. Fair value movements on financial derivatives and deferred taxes are excluded	Note 32	£577.0m	£703.5m
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	4.4%	5.4%
Topped up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives	Other information	4.9%	5.6%
Vacancy rate	Estimated rental value of vacant space divided by that of the portfolio as a whole ⁽¹⁾	Other information	1.2%	4.1%
Cost ratio (incl. direct vacancy costs)	Administrative and operating costs expressed as a percentage of gross rental income	Other information	27.4%	19.6%
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	22.4%	16.4%
Like-for-like net 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	(23.5%)	-
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	(9.8%)	(2.9%)

⁽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 13 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 2020.

Capital expenditure analysis

Refer to other information for detailed disclosure on the Group's capital expenditure during the year ended 31 August 2020.

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	2020	2019
Underlying earnings	EPRA earnings adjusted for the impact of non-cash debt accretion charges, non-cash IFRS 16 transitional adjustments and FX gains and losses reflected in the income statement	Note 31	£26.2m	£49.4m
Headline earnings	Additional earnings per share measure as required by the JSE which exclude separately identifiable remeasurements in accordance with Circular 01/2019	Note 31	£22.0m	£37.7m
Net debt	Total nominal value of the Group's proportionate bank borrowings, less cash and cash equivalents	Note 20	£544.6m	£666.6m
Loan to value	The ratio of net debt divided by the market value of investment property ⁽¹⁾	Financial review	46.7%	46.8%
Interest cover	The Group's net rental income divided by net finance expenses ⁽²⁾	Other information	2.7	3.3
Dividend pay-out ratio	Total dividend per share paid out to shareholders relative to the underlying earnings per share for the year	Other information	72.5%	76.9%
Dividend cover	Inverse of dividend pay-out ratio	Other information	1.4	1.3
Rent collection rate	Collection of quarterly rent as a percentage of total rent within seven days of billing	Financial review	78.1%	96.3

⁽¹⁾ Pro forma adjusted to 32.6 per cent to reflect transactions between the balance sheet date and date of result announcement. (31 August 2019: 42.0 per cent).

⁽²⁾ Pro forma calculated as net rental income over net underlying finance expense and excluding IFRS 16 transitional adjustments for the year ended 31 August 2020.

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's Annual Report 2020. 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 loss 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 5 November 2020

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

for the year ended 31 August 2020

		Year ended 31 August 2020 £m	Restated ^{(1) (2)} Year ended 31 August 2019 £m
Continuing operations	Note		
Revenue	3	69.0	103.9
Rental income		66.0	100.1
Rental expense		(14.8)	(19.3)
Net rental income	4	51.2	80.8
Other operating income		3.0	3.8
Other operating expense		(0.7)	(1.1)
Other operating income and expense	5	2.3	2.7
Administrative costs and other fees	6	(11.3)	(13.2)
Net operating income		42.2	70.3
Loss on revaluation of investment property	13	(113.0)	(56.6)
Loss on disposal of investment property	13	(2.2)	(1.7)
Loss on revaluation of investment property held for sale	19	(0.6)	-
Gain on disposal of investment property held for sale	19	0.9	-
Loss of control of Aviva Portfolio	8	-	(55.6)
Acquisition of subsidiaries	9	-	(0.4)
Other expenses	16	(0.6)	(0.2)
Foreign exchange gain		0.2	-
Loss from operations		(73.1)	(44.2)
Finance income	10	-	0.2
Finance expense	10	(20.9)	(25.6)
Other finance expense	11	(1.9)	(0.3)
Change in fair value of derivative financial instruments		(1.8)	(9.4)
		(97.7)	(79.3)
Impairment reversal of loan to continuing joint venture interest	14	0.7	-
Impairment of associate	15	(1.8)	(1.4)
Share of post-tax (loss)/profit from associate	15	(0.4)	0.9
Loss before tax		(99.2)	(79.8)
Taxation	12	-	(0.3)
Loss for the year attributable to continuing operations		(99.2)	(80.1)
(Loss)/profit from discontinued operation ⁽³⁾	3	(16.8)	5.3
Loss for the year		(116.0)	(74.8)
(Loss)/profit attributable to:			
Equity holders of the Parent			
Continuing operations		(87.0)	(82.4)
Discontinued operation		(16.8)	4.8
		(103.8)	(77.6)
Non-controlling interests			
Continuing operations	27	(12.2)	2.3
Discontinued operation	27	-	0.5
		(12.2)	2.8
		(116.0)	(74.8)
Earnings per share			
Weighted average number of shares (millions)	31	380.3	380.1
Diluted weighted average number of shares (millions) ⁽⁴⁾	31	380.3	380.1
Earnings per share from continuing operations			
Basic earnings per share (pence)	31	(22.9)	(21.7)
Diluted earnings per share (pence)	31	(22.9)	(21.7)
Total earnings per share			
Basic earnings per share (pence)	31	(27.3)	(20.4)
Diluted earnings per share (pence)	31	(27.3)	(20.4)

⁽¹⁾ The Group transitioned to IFRS 16 'Leases' effective 1 September 2019 and has applied the modified retrospective approach. In accordance with the standard the Group's financial results for the prior year have therefore not been restated. Refer to Note 2.1 Statement of Compliance.

⁽²⁾ Comparative revenues (revenue, rental income and other operating income) and related expenses have been restated to gross up service charge income and service fee income where the Group acts as principal in providing the service. Refer to 2.2 Basis of Preparation.

⁽³⁾ Included in (loss)/profit from discontinued operation is the Group's share of post-tax loss from joint ventures of £0.1 million (31 August 2019: post-tax profit £0.9 million). Refer to Note 14.

⁽⁴⁾ For both years ended 31 August 2020 and 31 August 2019, contingently issuable shares have an anti-dilutive effect on IFRS earnings per share due to the loss incurred by the Group in those years. Therefore, for IFRS purposes the weighted and dilutive weighted average number of shares are 380.3 million (31 August 2019: 380.1 million).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2020

	Year ended 31 August 2020 £m	Year ended 31 August 2019 £m
Continuing operations		
Loss for the year	(116.0)	(74.8)
Other comprehensive income/(expense)		
Items that may be transferred to the income statement		
Other comprehensive (expense)/income from discontinued operation	(2.4)	0.9
Total other comprehensive (expense)/income	(2.4)	0.9
Total comprehensive expense for the year	(118.4)	(73.9)
Total comprehensive expense attributable to:		
Equity holders of the Parent	(106.2)	(76.7)
Non-controlling interests	(12.2)	2.8
	(118.4)	(73.9)
Total comprehensive expense attributable to equity holders of the Parent arising from:		
Continuing operations	(87.0)	(82.4)
Discontinued operation	(19.2)	5.7
	(106.2)	(76.7)

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

CONSOLIDATED BALANCE SHEET

as at 31 August 2020

		31 August 2020 £m	Represented ⁽¹⁾ 31 August 2019 £m
	Note		
Non-current assets			
Investment property	13	1,069.2	1,150.3
Investment in joint ventures	14	2.5	2.9
Loans to joint ventures	14	0.7	5.1
Investment in associate	15	5.5	7.6
Other non-current assets	16	0.8	0.9
Other receivables	17	11.3	10.1
Total non-current assets		1,090.0	1,176.9
Current assets			
Trade and other receivables	17	17.3	22.8
Cash and cash equivalents	18	67.6	33.0
		84.9	55.8
Non-current assets and disposal group held for sale	19	125.0	242.3
Total current assets		209.9	298.1
Total assets		1,299.9	1,475.0
Non-current liabilities			
Borrowings	20	(535.7)	(650.6)
Lease liabilities	21	(49.9)	(6.8)
Derivative financial instruments	22	(12.3)	(12.7)
Deferred tax	23	(5.3)	(7.5)
Other payables	24	-	(0.1)
Total non-current liabilities		(603.2)	(677.7)
Current liabilities			
Borrowings	20	(66.1)	(28.7)
Lease liabilities	21	(0.8)	(0.4)
Derivative financial instruments	22	(0.3)	(0.1)
Trade and other payables	24	(27.7)	(24.0)
Tax liabilities		(2.1)	(1.1)
Total current liabilities		(97.0)	(54.3)
Total liabilities		(700.2)	(732.0)
Net assets		599.7	743.0
Equity			
Share capital	25	152.1	152.0
Share premium	25	534.8	534.6
Other components of equity		(129.7)	(1.0)
Total attributable to equity holders of the Parent		557.2	685.6
Non-controlling interests	27	42.5	57.4
Total equity		599.7	743.0

⁽¹⁾ The comparative balance sheet has been represented to split out finance lease liabilities previously included in loans and borrowings. Refer to Note 2.2 Basis of Preparation.

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

The consolidated financial statements were approved by the Board of Directors on 5 November 2020 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 2020

	Note	Share capital £m	Share premium £m	Retained losses £m	Share based payment reserve £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 2019		152.0	534.6	(20.6)	0.8	18.8	685.6	57.4	743.0
Loss for the year		-	-	(103.8)	-	-	(103.8)	(12.2)	(116.0)
<i>Items that may be transferred to the income statement</i>									
Foreign currency translation on subsidiary foreign operations		-	-	-	-	(2.4)	(2.4)	-	(2.4)
Total comprehensive expense for the year		-	-	(103.8)	-	(2.4)	(106.2)	(12.2)	(118.4)
Transactions with equity holders of the Parent									
Issue of shares	25	0.1	0.2	-	-	-	0.3	-	0.3
Dividends paid		-	-	(22.8)	-	-	(22.8)	-	(22.8)
Release of share-based payment reserve	26	-	-	0.3	(0.3)	-	-	-	-
Additional payment in relation to restricted stock plan	26	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Fair value of share-based payments	26	-	-	-	0.4	-	0.4	-	0.4
		0.1	0.2	(22.6)	0.1	-	(22.2)	-	(22.2)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	27	-	-	-	-	-	-	(1.4)	(1.4)
Disposal of non-controlling interests	27	-	-	-	-	-	-	(1.3)	(1.3)
		-	-	-	-	-	-	(2.7)	(2.7)
Balance at 31 August 2020		152.1	534.8	(147.0)	0.9	16.4	557.2	42.5	599.7

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2020

	Note	Share capital £m	Share premium £m	Retained earnings/ (losses) £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)/profit for the year		-	-	(77.6)	-	-	(77.6)	2.8	(74.8)
<i>Items that may be transferred to the income statement</i>									
Foreign currency translation on subsidiary foreign operations		-	-	-	-	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	26	-	-	1.0	(1.0)	-	-	-	-
Release of share-based payment reserve	26	-	-	1.7	(1.7)	-	-	-	-
Additional payment in relation to restricted stock plan	26	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Fair value of share-based payments	26	-	-	-	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	27	-	-	-	-	-	-	(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 CASH FLOWS

for the year ended 31 August 2020

		Year ended 31 August 2020	Year ended 31 August 2019
	Note	£m	£m
Continuing operations			
Cash generated from operations	28	39.4	71.6
Interest received		-	0.2
Finance expense and head lease payments		(19.8)	(22.6)
Net cash inflow from continuing operating activities		19.6	49.2
Discontinued operation			
Net cash inflow from discontinued operating activities		4.3	7.2
Net cash inflow from discontinued operating activities		4.3	7.2
Net cash inflow from operating activities		23.9	56.4
Cash flows from investing activities			
Acquisition and disposal of subsidiaries		-	(0.7)
Sale of investment property		34.2	0.5
Purchase and development of investment property		(13.7)	(51.4)
Acquisition of property, plant and equipment		-	(0.1)
Investment in associate	15	(0.6)	-
Distributions from associate	15	0.5	1.0
Settlement of taxes relating to investment held at fair value		-	(1.1)
Net cash inflow/(outflow) from continuing investing activities		20.4	(51.8)
Discontinued operation			
Net cash inflow from discontinued investing activities		24.3	1.3
Net cash inflow from discontinued investing activities		24.3	1.3
Net cash inflow/(outflow) from investing activities		44.7	(50.5)
Cash flows from financing activities			
Issue of shares	25	0.3	-
Proceeds from borrowings	20	25.0	102.0
Repayment of borrowings	20	(20.9)	(80.9)
Cash disposed on loss of control of Aviva Portfolio ⁽¹⁾	8	-	(17.5)
Other finance expense		-	(4.0)
Settlement of derivative financial instruments		0.1	-
Dividends paid to equity holders		(22.8)	(40.9)
Dividends paid to non-controlling interests		(1.4)	(3.8)
Movement in restricted cash and cash equivalents		(2.8)	(0.7)
Net cash outflow from continuing financing activities		(22.5)	(45.8)
Discontinued operation			
Net cash (outflow)/inflow from discontinued financing activities		(13.4)	12.6
Movement in restricted cash and cash equivalents		-	0.7
Net cash (outflow)/inflow from discontinued financing activities		(13.4)	13.3
Net cash outflow from financing activities		(35.9)	(32.5)
Net increase/(decrease) in unrestricted cash and cash equivalents		32.7	(26.6)
Effect of exchange rate fluctuations on cash and cash equivalents		(0.9)	0.6
Unrestricted cash and cash equivalents at 1 September		32.3	58.3
Unrestricted cash and cash equivalents at 31 August	18	64.1	32.3
Restricted cash and cash equivalents	18	3.5	0.7
Cash and cash equivalents at 31 August	18	67.6	33.0

⁽¹⁾ 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 as 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 8 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 2020

1. GENERAL INFORMATION

RDI REIT 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 2020 for the year ended 31 August 2020 will be available on the Company's website (www.rdireit.com) in early December 2020. The auditor, KPMG, has reported on the audited financial statements; their report was unqualified and did include an emphasis of matter regarding uncertain valuation of investment property without qualifying their report. 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

These consolidated financial statements ("financial statements") for the year ended 31 August 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Accounting standards, amendments and interpretations adopted during the year

The relevant new standards, amendments and interpretations that have been adopted during the year are as follows:

International Financial Reporting Standards
Annual improvements to IFRSs 2015-2017 cycle
IFRS 16 'Leases' ("IFRS 16")
IFRS 9 'Financial Instruments' (amendment) ("IFRS 9")
IAS 19 'Employee Benefits' (amendment) ("IAS 19")
IAS 28 'Investments in Associates and Joint Ventures' (amendment) ("IAS 28")
IFRIC 23 'Uncertainty over Income Tax Treatments'

The impact of the adoption of IFRS 16 on the Group (as a lessee) in these consolidated financial statements is disclosed below and the new accounting policy is set out in Note 2.4 'Accounting Policies'. There has been no significant impact on the Group as a lessor as a result of the transition. The adoption of the other amendments and interpretations has not had a material impact on the consolidated financial statements of the Group and has resulted in changes to presentation and disclosure only.

IFRS 16 'Leases'

On 1 September 2019, the Group transitioned to IFRS 16. The Group has adopted IFRS 16 retrospectively using the simplified method permitted by the standard and has not restated the comparative reporting period in these consolidated financial statements, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments required under the new standard are therefore recognised in the opening balance sheet on 1 September 2019.

On 31 August 2019, the Group had the following material lease interests, as a lessee, after due consideration of the risks and rewards of ownership:

- Land held under long leasehold, classified as investment property with the related property under IAS 40 'Investment Property' ("IAS 40"), and accounted for as finance leases;
- Land held under long leasehold, classified as investment property with the related property under IAS 40, and accounted for as finance leases, but subject to peppercorn rent;
- Land held under long leasehold, classified as investment property with the related property under IAS 40, and accounted for as operating leases; and
- Office space occupied by the Group's head office operations and accounted for as an operating lease.

The Group has elected not to reassess whether contracts were, or contained, leases at the date of initial application. Instead, for contracts entered into before the date of application of IFRS 16, the Group has relied on previous assessments made under IAS 17 'Leases' ("IAS 17") and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group has used the practical expedients permitted by the standard in accounting for low value operating leases with respect to head office property, plant and equipment.

Finance lease interests, under IAS 17, were recognised as both an asset and a liability (excluding peppercorn ground rents), measured at the lower of fair value and the present value of any future minimum lease payments and presented within investment property and borrowings on the balance sheet. Lease payments were apportioned between finance charges and the capital reduction of the lease obligations. Lease payments under lease interests classified as operating leases were charged to the consolidated income statement as a rental expense for investment property and as an administration cost for the head office lease on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Upon adoption of IFRS 16, the accounting treatment of the Group's lease interests previously classified as finance leases remains unchanged and there have been no measurement changes to the recognised finance lease liabilities or lease assets, which are now classified as right-of-use ("ROU") assets.

Long leasehold interests in land that were treated as operating leases relate to interests in certain hotel and serviced office properties acquired during the year ended 31 August 2018. The remaining lease terms for the leasehold arrangements range between 91 and 168 years. Upon adoption of IFRS 16, the Group has recognised lease liabilities in relation to these leases and corresponding ROU assets. The lease liabilities have been initially measured at the present value of the remaining lease payments at the date of application (including outstanding payments), discounted using the incremental rate of borrowing rate specific to each lease. ROU assets have been measured equal to the lease liability but adjusted for head rent prepayments and with regards to the head office lease, lease incentives at the date of transition. There has been no impact to opening retained earnings at 1 September 2019.

Whilst judgement and estimates were required in applying IFRS 16, these were not deemed to be significant. The potential exposure to future cash outflows not reflected in the measurement of the lease liabilities is not expected to be material, with the exception of the turnover rent element of one of the hotel lease arrangements.

The balance sheet impact of recognising the lease liabilities and associated ROU assets on transition on 1 September 2019 relative to the recognised lease interest balances as at 31 August 2019 is set out below.

	31 August 2019	Transition to IFRS 16	1 September 2019
Balance Sheet caption	£m	£m	£m
Investment property	5.7	42.7	48.4
Non-current assets and disposal groups held for sale	1.5	-	1.5
Other non-current assets	-	0.8	0.8
Trade and other receivables (prepayments)	0.1	(0.1)	-
Non-current and current lease liabilities (new line item in current year)	(7.2)	(43.6)	(50.8)
Trade and other payables (tenant lease incentives and accruals)	(0.2)	0.2	-
	(0.1)	-	(0.1)

Subsequent to the date of application, the Group has measured the lease liabilities by increasing the carrying amount to reflect effective interest in each lease obligation and by reducing the carrying amount to reflect the head rent payments. There has been a rent review during the year requiring a remeasurement of the related lease liability.

The investment property ROU assets have been subsequently measured at fair value in line with IAS 40 and adjusted to the closing carrying value of the respective lease liabilities at the balance sheet date. The adjustment has been recognised within 'loss on revaluation of investment property' in the consolidated income statement. The head office ROU asset has been measured at depreciated cost with depreciation charges recognised within 'administrative expenses and other fees' in the consolidated income statement.

The earnings impact of transitioning to IFRS 16 for the year ended 31 August 2020, has increased the loss after tax by £Nil as shown in the table below. There has been no impact on earnings per share or diluted earnings per share as a result of the transition.

	31 August 2020 (pre IFRS 16) £m	IFRS 16 adjustment £m	31 August 2020 (post IFRS 16) £m
Net rental income	49.6	1.6	51.2
Administrative expenses and other fees	(11.3)	-	(11.3)
Finance expense	(19.3)	(1.6)	(20.9)
	19.0	-	19.0

The table below sets out a reconciliation between gross operating lease commitments presented under IAS 17 at 31 August 2019 and the opening lease liabilities (measured at the present value of future lease payments) recognised under IFRS 16 on 1 September 2019:

	£m
Head lease commitments as at 31 August 2019	527.8
Office lease commitments as at 31 August 2019	0.9
Total lease commitments based on gross cash flows as at 31 August 2019	528.7
Discounted using incremental borrowing rate at the date of initial application	(485.1)
IFRS 16 lease liability recognised as at 1 September 2019	43.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

The Group has updated its accounting policies to reflect the requirements of IFRS 16 as applicable to the Group and as set out below in Note 2.4 'Accounting Policies'. In addition, lease classification between finance and operating leasehold interests, as required under IAS 17, has been removed as a significant judgement.

Accounting standards, amendments and interpretations not yet adopted

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. The Group is considering the impact of these amendments on the Group's financial statements and the impact of the IFRS 3 'Business combinations' amendment is set out below the table.

International Financial Reporting Standards	Effective annual periods beginning on or after:
IFRS 3 'Business Combinations' – amendment	1 January 2020
IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments – recognition and measurement' and IFRS 7 'Financial Instruments – disclosures' – amendment (interest rate benchmark reform)	1 January 2020
IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' – amendment (definition of materiality)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 16 – amendment (COVID-19 related rent concessions)	1 June 2020

Amendments to IFRS 3 – definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets constitute a business or not. The amendments mainly include:

- clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs;
- adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs; and
- adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is in the first reporting period beginning on or after 1 January 2020. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

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, including investment property held for sale and derivative financial instruments, all of which are carried at fair value.

REASSESSMENT OF THE GROUP'S CONTRACTS WITH CUSTOMERS (NON-LEASE)

The Group's previous accounting policy in relation to service charge arrangements was as follows:

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 consolidated income statement.

After a reassessment of the Group's service charge arrangements across both the UK and German portfolios, it has been concluded that the Group does act as principal. Rental income and rental expense have therefore been grossed up by £9.3 million in the consolidated income statement. The segmental note (Note 3) and net rental income note (Note 4) have also been restated as a result. There has been no change to net rental income as a result of these restatements. The Group's revised revenue policy in relation service charge is set out in Note 2.4 'Accounting policies'.

The same principal has also been applied to service fee income generated from the Group's London Serviced Offices portfolio, where ancillary service costs are recharged to tenants at a margin and these fees were previously recognised on a net basis in other operating income. Other operating income and other operating expense (new line item) have been grossed up by £1.1 million in the consolidated income statement. segmental note (Note 3) other operating income and expense note (Note 5) have also been restated as a result. There has been no change to net operating income as a result of these restatements.

As a result of both of the above adjustments, revenue has been restated by £10.4 million in the consolidated income statement and in the segmental note (Note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

The impact of this revised assessment of service charge and service fee arrangements, in addition to the revised comparative income statement presentation is set out in the table below.

	Year ended 31 August 2019 £m	Adjustment £m	Year ended 31 August 2019 (restated) £m
Continuing operations			
Revenue	93.5	10.4	103.9
Rental income	90.8	9.3	100.1
Rental expense	(10.0)	(9.3)	(19.3)
Net rental income	80.8	-	80.8
Other operating income	2.7	1.1	3.8
Other operating expense	-	(1.1)	(1.1)
Other operating income and expense	2.7	-	2.7

There has been no change in the net asset value as at 31 August 2019 or the loss for the year then ended and accordingly no impact on net asset value per share or earnings per share. There has also been no impact to net cash flows.

REPRESENTATION OF COMPARATIVE LEASE LIABILITIES

The comparative balance sheet has been represented to split out both non-current and current finance lease obligations from loans and borrowings as separate line items on the consolidated balance sheet.

GOING CONCERN

In light of the current COVID-19 pandemic and the ongoing uncertainty around the United Kingdom's future trading relationship with the European Union, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's financial statements for the year ended 31 August 2020.

At 31 August 2020, the Group's cash and undrawn facilities were £84.2 million and its capital commitments were £2.3 million. The Group's cash and undrawn facilities increased to approximately £240.0 million after the reporting date, following the receipt of proceeds from the sale of the Schloss-Strassen Center, Berlin and the completion of the disposal of the UK Retail Parks portfolio (Note 34). The disposal of these retail assets represents a significant milestone in the ongoing repositioning of the Group's portfolio and has resulted in a reduction, post year end, in the Group's overall retail exposure to 10.1 per cent and leverage to 32.6 per cent.

The Group has negotiated covenant waivers and amortisation holidays for the majority of the Group's facilities since the outbreak of COVID-19 in response to the potential negative impact on the financial performance of the Group's secured assets. At the last reported dates, covenant waivers remained in place on 89.0 per cent of debt subject to financial covenants. Refinancing negotiations for all UK facilities due to mature during the review period are progressing.

The Directors have considered the Group's principal risks and severe but plausible downside scenarios in assessing the Group's going concern for a period of not less than 18 months from the date of approval of these consolidated financial statements. The Directors have considered, in particular with reference to COVID-19:

- material reduction in rental income during 2021;
- gradual recovery of the performance of the Group's RBH managed hotels and London Serviced Office portfolio's during the going concern period;
- significant increases in rent deferrals and bad debts, notably in 2021, continuing throughout the going concern period;
- mature asset disposals programme stalls;
- an inability to refinance maturing facilities at comparable levels of gearing;
- material declines in property values; and
- cash cures requirements as a result of property valuation and earnings declines once covenant waiver periods end.

In addition, the Directors have considered potential mitigants to the downside scenarios which include, but are not limited to, utilising existing liquidity reserves, further disposal of assets, pledging as additional security ungeared properties currently valued at £51.2 million, and suspending all non-committed capital expenditure over the going concern period.

Having made enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 18 months from the date of approval of the consolidated financial statements. In addition, having reassessed the Group's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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

GOING CONCERN

In light of the current COVID-19 pandemic and the ongoing uncertainty around the United Kingdom's future trading relationship with the European Union, significant judgement has been applied in considering certain key assumptions which underpin the appropriateness of adopting the going concern basis in preparing the Group's consolidated financial statements for the year ended 31 August 2020.

Key assumptions included, amongst others, the timelines for recovery from the COVID-19 pandemic including its potential impact on the mature asset disposal programme; and the continued willingness of lenders to refinance maturing debt facilities.

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 could 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 was 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 to Note 8 for further information on the derecognition of the Aviva Portfolio during the year ended 31 August 2019.

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 27.4 per cent (31 August 2019: 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, notwithstanding the increased investment during the current year. The investment in RBH has therefore been classified as an associate.

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 then the degree of potential variability in valuations may widen. As a result of the outbreak of COVID-19, a number of material uncertainty clauses were adopted by the Group's valuers in their year-end valuation reports. Further details with respect to assumptions and estimation uncertainties are provided in Note 13.

IMPAIRMENT OF RECEIVABLES

The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments required, in particular, the Group's assessment: of expected insolvency filings or company voluntary arrangements; deferrals of payments due; and those tenants that may be offered a rent reduction or rent free period as a result of temporary closures and restrictive measures imposed to limit the spread of COVID-19. As a result, the value of the provisions for impairment of the Group's receivable balances, with particular reference to trade receivables and tenant lease incentives, are subject to a significant degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly with respect to the year ended 31 August 2020, following the unprecedented uncertainty created by COVID-19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 consolidated 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 consolidated 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 consolidated 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 or expense for the year attributable to non-controlling interests are presented separately in the consolidated income statement and the consolidated 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 attributable 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 with respect to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 remeasured 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 consolidated 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 consolidated 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. The Group assesses the continuing recoverability and useful life of the intangible asset at each reporting date.

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 consolidated 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 consolidated income statement and consolidated 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 consolidated 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 Offices 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 consolidated income statement.

Service charge income is recorded as income over time in the year in which the services are rendered. Service charge is recognised as revenue over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual service provided during each reporting period is determined using cost incurred as the input method.

Other operating 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 operating 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 operating income are only recognised when it is probable that the economic benefits will flow to the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 remeasured 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 consolidated income statement.

INCOME TAXES

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 consolidated 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 nor 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 long term 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 13 to the consolidated 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 or ROU assets..

Gains or losses arising from changes in the fair value of investment property are included in the consolidated 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.

Acquisitions and disposals of investment property are recognised when control of the property has transferred to, or from, the Group. This will ordinarily occur on completion when performance obligations are satisfied or on unconditional exchange of contracts when completion is imminent at the reporting date. The profit or loss on disposal of investment property is recognised separately in the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

consolidated 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.

Property will be transferred to or from investment property when, and only when, there is a change in use and there is substantive evidence to support that change in use. 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 has been initiated;
- the sale is highly probable (within twelve months of classification as held for sale unless circumstances are beyond the control of the Group);
- 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.

LEASES

The Group assesses whether a contract is or contains a lease at inception. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group recognises a right-of-use ("ROU") asset and the lease liability at the commencement date of the lease.

Lease liabilities are measured at the present value of future lease payments, which include fixed payments and variable payments that depend on an index. Each lease payment is allocated between the liability and finance expense. The lease payments are discounted using the incremental rate of borrowing specific to each lease. The finance cost is charged to finance expense in the consolidated income statement over the lease term so as to produce a constant rate of interest on the outstanding liability over the lease term. Total lease payments are presented as cash flows from operating activities.

The ROU assets are initially measured at cost based on the amount of the initial measurement of the lease liability, as adjusted for any prepayments and lease incentives received.

After initial measurement, where ROU assets relate to land or property that meet the definition of investment property under IAS 40, the ROU assets are subsequently accounted for as investment property and carried at fair value (see investment property accounting policy). The ROU assets are presented within investment property (including investment property held for sale) and the related lease obligations are presented as separate line items, 'lease liabilities' on the consolidated balance sheet.

Other ROU assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. These ROU assets are subject to impairment review, should indicators of impairment exist. Other ROU assets are presented within property, plant and equipment and the related lease obligations are presented as separate line items, 'lease liabilities', on the consolidated balance sheet as above.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to twelve months, or for low value leases.

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. 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 of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 consolidated 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 consolidated income statement, 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 25 per cent provision against all balances (excluding VAT) 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 consolidated 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 consolidated 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 remeasurement and impairment losses subsequent to classification as held for sale are presented within continuing operations in the consolidated 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 consolidated income statement and the consolidated statement of other comprehensive income respectively and detailed analysis of the revenue, expense and pre-tax profits of the discontinued operation is disclosed in the notes to the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement. The adjustment to the carrying value of the modified loan is subsequently reversed through the consolidated 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 consolidated 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 year and represented for the prior years.

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 year comparatives, together with subsequent years.

In line with the JSE Listing Requirements, the Group also presents headline earnings per share (Circular 01/2019).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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 the following segments:

- 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 one high street retail asset (disposed during the year ended 31 August 2020);
- UK Hotels: The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels:
- five Travelodge branded and externally managed hotels; and
 - 13 RBH managed hotels, of which ten are branded Holiday-Inn Express, two Hilton and one Crowne Plaza.
- The Group's hotel interests also include the 27.4 per cent (31 August 2019: 25.3 per cent) investment in RBH. 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, comprised of shopping centres, discount supermarkets and retail parks. Since 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 consolidated income statement. Detailed analysis of the post-tax profit/(loss) from the Dis Op is presented in the segmental income statements; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Segmental income statement for the year ended 31 August 2020	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
Revenue										
Rental income	33.6	9.7	18.9	12.7	-	74.9	(1.2)	73.7	(12.3)	61.4
Service charge income	1.5	-	3.1	3.9	-	8.5	-	8.5	(3.9)	4.6
Other operating income	2.2	-	-	-	0.8	3.0	-	3.0	-	3.0
Total revenue	37.3	9.7	22.0	16.6	0.8	86.4	(1.2)	85.2	(16.2)	69.0
Net rental income	27.3	9.4	15.3	10.3	-	62.3	(1.1)	61.2	(10.0)	51.2
Other operating income and expense	1.5	-	-	-	0.8	2.3	-	2.3	-	2.3
Administrative costs and other fees	(1.4)	(0.1)	(0.1)	(0.6)	(9.8)	(12.0)	0.2	(11.8)	0.5	(11.3)
Net operating income/(expense)	27.4	9.3	15.2	9.7	(9.0)	52.6	(0.9)	51.7	(9.5)	42.2
Loss on revaluation of investment property	(16.3)	(50.7)	(45.6)	-	-	(112.6)	(0.4)	(113.0)	-	(113.0)
Loss on disposal of investment property	(2.2)	-	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Loss on revaluation of investment property held for sale	(0.6)	-	-	(12.9)	-	(13.5)	0.5	(13.0)	12.4	(0.6)
Gain/(loss) on disposal of investment property held for sale	1.1	-	(0.2)	(0.3)	-	0.6	(0.7)	(0.1)	1.0	0.9
Disposal of subsidiaries (Note 7)	-	-	-	(12.7)	-	(12.7)	0.2	(12.5)	12.5	-
Other expenses	-	-	-	-	(0.6)	(0.6)	-	(0.6)	-	(0.6)
Foreign exchange gain	-	-	-	-	0.2	0.2	-	0.2	-	0.2
Finance income on loans to joint ventures	-	-	-	-	-	-	0.1	0.1	(0.1)	-
Finance expense	(10.2)	(6.2)	(4.9)	(3.1)	-	(24.4)	0.6	(23.8)	2.9	(20.9)
Other finance expense	-	(1.9)	-	(0.4)	-	(2.3)	0.3	(2.0)	0.1	(1.9)
Change in fair value of derivative financial instruments	(1.1)	0.1	(0.6)	1.6	-	-	(0.2)	(0.2)	(1.6)	(1.8)
Impairment of associate	-	(1.8)	-	-	-	(1.8)	-	(1.8)	-	(1.8)
Share of post-tax loss from associate	-	(0.4)	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Loss before tax per reportable segments	(1.9)	(51.6)	(36.1)	(18.1)	(9.4)	(117.1)	(0.5)	(117.6)	17.7	(99.9)
Taxation	-	-	-	1.2	-	1.2	(0.2)	1.0	(1.0)	-
Loss after tax per reportable segments	(1.9)	(51.6)	(36.1)	(16.9)	(9.4)	(115.9)	(0.7)	(116.6)	16.7	(99.9)
Continuing operation										
Impairment reversal of loan to continuing joint venture interest	-	-	-	-	-	-	0.7	0.7	-	0.7
Movement in losses restricted	-	-	-	-	-	(0.2)	0.2	-	-	-
Discontinued operation										
Movement in joint venture non-controlling interest	-	-	-	-	-	0.1	(0.1)	-	-	-
Share of post-tax loss from joint ventures	-	-	-	-	-	-	(0.1)	(0.1)	0.1	-
Loss for the year from discontinued operation	-	-	-	-	-	-	-	-	(16.8)	(16.8)
IFRS loss for the year						(116.0)	-	(116.0)	-	(116.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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
Revenue										
Rental income	37.2	23.0	31.4	14.7	-	106.3	(1.8)	104.5	(13.7)	90.8
Service charge income	1.7	0.1	7.5	4.0	-	13.3	-	13.3	(4.0)	9.3
Other operating income	2.9	-	-	-	0.9	3.8	-	3.8	-	3.8
Total revenue (restated)	41.8	23.1	38.9	18.7	0.9	123.4	(1.8)	121.6	(17.7)	103.9
Net rental income	31.2	21.8	28.6	12.5	-	94.1	(1.7)	92.4	(11.6)	80.8
Other operating income and expense	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/(expense)	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 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 of control of Aviva Portfolio	-	-	(55.6)	-	-	(55.6)	-	(55.6)	-	(55.6)
Acquisition and disposal of subsidiaries	(0.2)	(0.2)	-	(0.1)	-	(0.5)	-	(0.5)	0.1	(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	-	(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)
Continuing operation										
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 14, the Group's joint venture interest in the Esplanade was reduced to £Nil in the financial statements at 31 August 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Segmental balance sheet as at 31 August 2020	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
Investment property	536.6	336.9	207.0	-	1,080.5	(11.3)	1,069.2
Investment in associate	-	5.5	-	-	5.5	-	5.5
Trade and other receivables	5.5	3.4	10.9	7.8	27.6	(0.8)	26.8
Cash and cash equivalents	31.4	1.3	16.6	4.2	53.5	(2.6)	50.9
Investment property held for sale	3.5	-	-	121.5	125.0	-	125.0
Borrowings, including lease liabilities (IFRS 16)	(276.7)	(187.9)	(137.8)	(57.5)	(659.9)	8.1	(651.8)
Trade and other payables	(10.9)	(3.1)	(7.9)	(1.5)	(23.4)	0.2	(23.2)
Segmental net assets	289.4	156.1	88.8	74.5	608.8	(6.4)	602.4
Unallocated assets and liabilities:							
Other non-current assets					0.8	-	0.8
Trade and other receivables					1.8	-	1.8
Cash and cash equivalents					16.7	-	16.7
Derivative financial instruments					(15.4)	2.8	(12.6)
Lease liabilities					(0.7)	-	(0.7)
Deferred tax					(5.3)	-	(5.3)
Trade and other payables					(4.5)	-	(4.5)
Current tax liabilities					(2.2)	0.1	(2.1)
					600.0	(3.5)	596.5
<i>Joint venture adjustments:</i>							
Joint venture non-controlling interests					(0.3)	0.3	-
Investment in joint ventures					-	2.5	2.5
Recognised loan to joint ventures					-	0.7	0.7
IFRS net assets					599.7	-	599.7

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 (IAS 17)	(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
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
<i>Joint venture adjustments:</i>							
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 14, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

4. NET RENTAL INCOME

	31 August 2020 £m	Restated ⁽¹⁾ 31 August 2019 £m
Continuing operations		
Rental income ⁽²⁾		
Gross lease payments from third parties	50.9	69.5
Third party tenant lease incentives	2.7	0.7
	53.6	70.2
Gross lease payments from related party (Note 30)	11.1	23.5
Related party tenant lease incentives (Note 30)	(3.3)	(2.9)
	7.8	20.6
Service charge income	4.6	9.3
	66.0	100.1
Rental expense		
Service charge expenditure (recoverable and non-recoverable)	(5.4)	(10.2)
Direct property operating expenses	(4.0)	(3.8)
Expected credit losses against rent and service charge receivables	(1.4)	(0.2)
Expected credit losses against tenant lease incentives	(1.4)	-
Repairs and maintenance	(0.5)	(0.4)
Property services provided by related party (Note 30)	(0.5)	(0.6)
Operating lease expense ⁽³⁾	-	(1.8)
Letting costs	(0.4)	(0.6)
London Serviced Offices portfolio direct staff and sales costs	(1.2)	(1.7)
	(14.8)	(19.3)
Net rental income	51.2	80.8

⁽¹⁾ Refer to Note 2.2 for further information on the restatement of service charge income and recoverable service charge expenditure.

⁽²⁾ Further disaggregation of the Group's revenues, including revenue from contracts with customers, based on segment is contained in Note 3.

⁽³⁾ Operating lease charges relating to long-leasehold interests in investment property were recognised as a rental expense under IAS 17. The operating lease payments have been reallocated as a reduction of the lease liabilities recognised under IFRS 16. Comparatives have not been restated as permitted under the accounting standard. Refer to Note 2 for further information on the impact of the transition.

The future aggregate minimum rent receivable under non-cancellable operating leases at the balance sheet date, as presented under IFRS 16 disclosure requirements, is as follows:

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Not later than one year	64.8	76.4
Later than one year not later than two years	37.9	42.0
Later than two years not later than three years	32.2	35.6
Later than three years not later than four years	28.1	27.9
Later than four years not later than five years	24.2	23.9
Later than five years	143.0	122.9
	330.2	328.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

5. OTHER OPERATING INCOME AND EXPENSE

	31 August 2020 £m	Restated ⁽¹⁾ 31 August 2019 £m
Continuing operations		
Other operating income ⁽²⁾		
Service fee income ⁽³⁾	2.2	2.9
Management fees from joint ventures (Note 30)	0.2	0.1
Insurance rebates	0.3	0.4
Salary recharges	0.3	0.3
Other property related income	-	0.1
	3.0	3.8
Other operating expense		
Service fee expense ⁽²⁾	(0.7)	(1.1)
	(0.7)	(1.1)
Other operating income and expense	2.3	2.7

⁽¹⁾ Refer to Note 2.2 for further information on the restatement of service fee income and service fee expense.

⁽²⁾ Further disaggregation of the Group's other operating income by segment is contained in Note 3.

⁽³⁾ Service fees relate to recoverable costs incurred by the Group in the London Serviced Offices portfolio that are recharged to tenants at a margin.

6. ADMINISTRATIVE COSTS AND OTHER FEES

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Staff costs, incl. Executive Directors	5.1	6.4
Non-executive Director fees and insurance	0.4	0.5
Professional fees	2.0	2.4
Corporate costs	0.6	0.7
Non-recurring transaction costs	0.7	-
Head office costs	0.8	1.1
Share-based payments (Note 26)	0.4	0.2
Investment management fees to related party (Note 30)	0.7	0.9
Depreciation	0.3	0.2
General administrative expenses	0.3	0.8
Administrative costs and other fees	11.3	13.2

During the year ended 31 August 2020, staff costs were reduced by £0.2 million by UK government grants that Group has availed of under the Coronavirus Job Retention Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

7. DISPOSAL OF SUBSIDIARIES

The impact of corporate disposals during the year to 31 August 2020 and the related net cash inflow is presented below:

	Schloss- Strassen Center, Berlin £m	OBI Portfolio £m	31 August 2020 £m
Discontinued operation			
Carrying value of net assets disposed			
Investment property	(68.9)	(19.6)	(88.5)
Trade and other receivables	(1.4)	-	(1.4)
Cash and cash equivalents	(0.3)	(0.1)	(0.4)
Borrowings	55.5	12.1	67.6
Derivative financial instruments	0.3	-	0.3
Trade and other payables	0.2	0.2	0.4
Net assets disposed	(14.6)	(7.4)	(22.0)
Non-controlling interest disposed (Note 30)	-	1.3	1.3
Group share of net assets disposed	(14.6)	(6.1)	(20.7)
Consideration received	-	5.9	5.9
Consideration receivable	3.2	-	3.2
Non-controlling interest loan (Note 30)	0.4	-	0.4
Transaction costs	(0.8)	(0.5)	(1.3)
Loss on disposal of subsidiaries	(11.8)	(0.7)	(12.5)

Income and cash generating corporate disposals during the year ended 31 August 2020 relate to the Group's portfolio in Germany, classified as a discontinued operation. The net loss on disposal of these discontinued subsidiaries is therefore included in (loss)/profit from discontinued operation in the consolidated income statement and cash consideration received at the reporting date within cash inflow from discontinued investing activities in the consolidated statement of cash flows.

On 5 March 2020, the Group exchanged contracts for the sale of three properties at Hucklehoven, Schwandorf and Herzogenrath Germany ("OBI Portfolio"), for gross consideration of €34.2 million. Schwandorf and Herzogenrath were held in controlled subsidiaries (75.0 per cent) and Hucklehoven was held in a joint venture. Gross consideration attributable to Schwandorf and Herzogenrath was €21.9 million. The transaction was structured as a corporate disposal, such that, along with the disposal of debt and working capital, net proceeds of €6.6 million (£5.9 million) were received in relation to the subsidiary disposals. The transaction subsequently completed on 17 March 2020. The Group share of the net assets of the target subsidiaries was €7.0 million (£6.1 million) on the date of sale and the Group recognised a loss on disposal of €0.8 million (£0.7 million), net of transaction costs.

On 31 August 2020, the Group disposed of the Schloss-Strassen Center, Berlin for gross consideration of €65.5 million. On the date of sale, the carrying value of investment property was €78.1 million, on which €62.0 million of bank debt was secured. As the transaction was structured as a corporate disposal, the bank facility was also transferred on completion. Net proceeds of €3.6 million (£3.2 million) were received on 2 September 2020 after the reporting date, in addition to settlement of a loan to the non-controlling interest relating to the transaction. Net assets of the subsidiary were €16.5 million (£14.6 million) on the date of sale and the Group recognised a loss on disposal of €12.1 million (£11.8 million), net of transaction costs. The transaction constituted a disposal at the reporting date as the Group had satisfied its reporting obligations and proceeds were imminent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

8. LOSS OF CONTROL OF AVIVA

	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), were financed by long-term fixed rate debt facility with Aviva. The facility was non-recourse to the Group, 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 1 September 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 event of default 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 cumulative 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. On 23 April 2019, a Standstill Agreement ("Standstill") was signed which allowed for a consensual sales process to be carried out to Aviva's benefit, without Aviva taking legal ownership of the subsidiary shares or the underlying properties held by those subsidiaries. Aviva's rights under the facility agreement remained in force during the Standstill period and the agreement could be terminated at any time. The Standstill period expired in February 2020 and Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centres on 6 May 2020. With Aviva's consent, the Group is in the process of arranging for the orderly wind-up of former subsidiary companies which held the centres. A press release dated 8 September 2020 confirmed the sale of three centres in Northampton, Warrington and Seaham had since completed with an unrelated party.

Notwithstanding that ownership of the Aviva Portfolio had not legally transferred during the year ended 31 August 2019, the Group determined that the transaction constituted a loss of control event in line with IFRS 10 'Consolidated Financial Statements' as, from an economic perspective, Aviva had the ability to enforce its rights at any time from the date of the Standstill and make material decisions regarding the portfolio at its absolute discretion. Whilst the Group continued to manage the assets on Aviva's behalf until the fixed charged receivers were appointed, the Group was no longer exposed to the variable returns from the portfolio's performance nor did the Group have an ability to influence that performance without formal consent from Aviva. Sale of the assets and the value at which they have been and are to be sold has been and will be solely determined by Aviva and the Group has had no involvement in this respect.

The Group therefore ceased to consolidate the Aviva subsidiaries with effect from 23 April 2019, by derecognising the net assets at their carrying amounts, and the resulting difference recognised as a loss in the income statement. Loss of control of the Aviva Portfolio reduced the Group's net asset value by £55.6 million during the year ended 31 August 2019.

9. ACQUISITION OF SUBSIDIARIES

There were no business combinations in the year to 31 August 2020 or 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 the acquisition of both the LSO Portfolio and International Hotel Properties Limited ("IHL").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

10. FINANCE INCOME AND FINANCE EXPENSE

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Finance income		
Finance income on bank deposits	-	0.2
Total finance income	-	0.2
Finance expense		
Finance expense on bank loans	(17.8)	(23.5)
Amortisation of debt issue costs	(1.2)	(1.1)
Accretion of fair value adjustments	-	(0.4)
Finance expense on existing lease liabilities	(0.3)	(0.6)
Finance expense on transitioning to IFRS 16 ⁽¹⁾	(1.6)	-
Total finance expense	(20.9)	(25.6)
Net finance expense	(20.9)	(25.4)

⁽¹⁾ As a result of transitioning to IFRS 16, finance charges have been recognised on lease liabilities recognised on balance sheet, calculated with reference to the incremental rate of borrowing specific to each lease. The incremental rates of borrowing range between 2.0 and 3.3 per cent. The additional turnover rent charge specific to one of the UK Hotel long-leasehold interests is also included in the finance cost above and amounted to £0.1 million for the year ended 31 August 2020. Comparatives have not been restated as permitted under the accounting standard. Refer to Note 2 for further information on the impact of the transition.

11. OTHER FINANCE EXPENSE

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Expected credit losses on amounts receivable from related party (Note 30)	1.9	-
Other finance costs	-	0.3
Other finance expense	1.9	0.3

During the year ended 31 August 2020, the Group advanced loans of £3.9 million to RBH to cover cash shortfalls of the underlying trading business' during the disruption period. At the reporting date, the cash flow forecasts of RBH for the year ended 31 August 2021 assume full repayment of the loans advanced. Given the uncertainty on the duration of the ongoing disruption, including the reintroduction of further restrictions, which have had a significant negative impact on the hospitality sector, the Group has considered it prudent to assume a 50 per cent loss allowance against amounts outstanding at the reporting date based on uncertainties over the forecast cash flows of the RBH hotel trading business due to COVID-19. As this is an impairment of a financial instrument, the income statement charge has been recognised as a non-recurring finance expense.

During the year ended 31 August 2019, the Group incurred break costs of £0.3 million on refinancing of the existing facility secured against three of the LSO portfolio assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

12. TAXATION

a) Tax recognised in the consolidated income statement:

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Current income tax		
Income tax in respect of current year	-	0.1
Adjustments in respect of prior years	-	0.2
Tax charge for the year recognised in the consolidated income statement	-	0.3
Discontinued operation		
Current income tax	1.0	0.4
Deferred income tax	(2.0)	(2.0)
Tax credit for the year included in post-tax (loss)/profit from discontinued operation	(1.0)	(1.6)
Total tax credit for the year	(1.0)	(1.3)

There was £nil tax recognised in equity or other comprehensive income during the year (31 August 2019: £nil).

b) Reconciliation

The tax rate for the year is lower than the average standard rate of corporation tax in the UK of 19.0 per cent (31 August 2019: 19.0 per cent). The differences are explained below:

	31 August 2020 £m	31 August 2019 £m
Continuing operations		
Loss before tax	(99.2)	(79.8)
Loss before tax multiplied by standard rate of corporation tax	(18.9)	(15.2)
Effect of:		
- Loss on revaluation of investment property (including held for sale)	21.6	10.8
- Net loss on disposal of investment property (including held for sale)	0.2	0.3
- Loss of control of Aviva Portfolio	-	10.6
- Change in fair value of derivative financial instruments	0.3	1.8
- Income/(expense) not subject to UK income tax	0.3	(0.3)
- REIT exempt property rental profits	(5.7)	(10.4)
- Losses utilised	-	(0.1)
- Unutilised losses carried forward	0.7	2.0
- Expenses not deductible for tax	1.5	0.6
- Adjustments in respect of prior years	-	0.2
Tax charge for the year recognised in the consolidated income statement	-	0.3

As shown in the reconciliations above, the effective tax rate of the Group is not meaningful given the loss position for both the current and comparative years.

The main rate of corporation tax was set by Section 7 of Finance Act 2015 to reduce from 19 per cent to 18 per cent for the financial year 2020. Legislation was introduced in the Finance Bill 2020 to extend the main rate of 19 per cent for the financial years 2020 and 2021.

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 such as the profits and gains outside of the UK. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

13. INVESTMENT PROPERTY

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
31 August 2020							
Opening carrying value at 1 September 2019	538.1	360.5	251.7	-	1,150.3	846.0	304.3
Recognition of head lease assets (IFRS 16)	16.1	26.6	-	-	42.7	-	42.7
Head lease adjustment due to rent review	-	0.2	-	-	0.2	-	0.2
Acquisition of property	10.3	-	-	-	10.3	10.3	-
Capitalised expenditure	1.7	0.3	0.9	-	2.9	1.9	1.0
Disposals through sale of property	(15.5)	-	-	-	(15.5)	(15.5)	-
Transfer to assets held for sale (Note 19)	(8.7)	-	-	-	(8.7)	(8.7)	-
Loss on revaluation of investment property	(16.7)	(50.7)	(45.6)	-	(113.0)	(70.9)	(42.1)
IFRS carrying value at 31 August 2020	525.3	336.9	207.0	-	1,069.2	763.1	306.1
Adjustments:							
Head lease assets (Note 21)	(18.0)	(27.2)	(3.4)	-	(48.6)	-	(48.6)
Tenant lease incentives (Note 17)	2.1	-	6.5	-	8.6	7.8	0.8
Market value of Group portfolio at 31 August 2020	509.4	309.7	210.1	-	1,029.2	770.9	258.3
Market value of assets held for sale (Note 19)	3.7	-	-	122.2	125.9	95.1	30.8
Market value of Group portfolio at 31 August 2020	513.1	309.7	210.1	122.2	1,155.1	866.0	289.1
Joint ventures							
Share of joint venture investment property	11.6	-	-	-	11.6	11.6	-
Market value of total portfolio at 31 August 2020 (on a proportionately consolidated basis)	524.7	309.7	210.1	122.2	1,166.7	877.6	289.1
	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 8)	-	-	(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 19)	(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 head 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:							
Head lease assets (Note 21)	(1.9)	(0.4)	(3.4)	-	(5.7)	-	(5.7)
Tenant lease incentives (Note 17)	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	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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.

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), with the exception of properties exchanged for sale by or just after the reporting date. These properties have been valued in line with the contractual sales price at year-end. 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 year ended 31 August 2020 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 (joint venture property) and by Savills for the 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, as available.

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. Before the disruption period, this had been of particular relevance to the Group's UK Retail sector and primarily the UK Shopping centres sub-sector, where there has been continued weakening of investor sentiment, retail failures and ongoing structural change in consumer behaviour. At the latest valuation date, with some real estate markets experiencing significantly lower levels of transactional activity and liquidity, as a result of the outbreak of COVID-19, a number of material uncertainty clauses were adopted by the Group's valuers in their reports across the portfolio.

Fair value disclosures

The Group considers all its investment property to fall within 'Level 3', as defined by IFRS 13 (refer to Note 29). 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 2020 Group	Market value £m	Lettable area sqm	Average rent per sqm £	Weighted average lease length years ⁽¹⁾	Weighted average net initial yield %	Net initial yield % range	Average market rent per sqm £
UK Commercial	513.1	192,846	157.1	6.3	4.8	3.2 – 15.6	156.0
UK Hotels	309.7	77,391	132.2	21.0	2.2	3.3 – 8.3	154.6
UK Retail	210.1	102,166	186.3	6.6	6.8	3.4 – 12.8	171.4
Europe	122.2	37,847	196.8	4.7	4.4	3.9 – 6.7	178.2
Joint venture							
UK Commercial	11.6	2,753	315.4	5.6	3.9	7.3	315.5
Total	1,166.7	413,003					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

31 August 2019 Group	Market value £m	Lettable area sqm	Average rent per sqm £	Weighted average lease length years ⁽¹⁾	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					

⁽¹⁾ Excluding the RBH managed hotels and London Serviced Offices portfolios given the operational nature of the underlying trading businesses.

Valuation sensitivities

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

		+5%	-5%	-25bps Yield/ Capitali- sation	+25bps Yield/ capitali- sation	+20%	-20%	-100bps Yield/ capitali- sation	+100bps Yield/ capitali- sation
31 August 2020 Group	Market value £m	ERV/ EBITDA £m ⁽¹⁾	ERV/ EBITDA £m ⁽¹⁾	rate £m ⁽¹⁾	rate £m ⁽¹⁾	EBITDA £m ⁽¹⁾	EBITDA £m ⁽¹⁾	rate £m ⁽¹⁾	rate £m ⁽¹⁾
UK Commercial	513.1	25.2	(21.0)	26.4	(23.9)	95.1	(89.3)	123.8	(84.3)
UK Hotels	309.7	16.3	(13.2)	14.7	(10.3)	61.1	(57.9)	61.4	(41.4)
UK Retail	210.1	4.8	(9.7)	7.5	(7.3)	27.1	(31.4)	34.4	(26.1)
Europe	122.2	5.2	(5.2)	2.3	(2.2)	16.4	(16.3)	7.3	(6.7)
Total	1,155.1	51.5	(49.1)	50.9	(43.7)	199.7	(194.9)	226.9	(158.5)

		+5%	-5%	-25bps Yield/ capitali- sation	+25bps Yield/ capitali- sation	+15%	-15%	-75bps Yield/ capitali- sation	+75bps Yield/ capitali- sation
31 August 2019 Group	Market value £m	ERV/ EBITDA £m ⁽¹⁾	ERV/ EBITDA £m ⁽¹⁾	Rate £m ⁽¹⁾	Rate £m ⁽¹⁾	EBITDA £m ⁽¹⁾	EBITDA £m ⁽¹⁾	rate £m ⁽¹⁾	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)

⁽¹⁾ EBITDA and capitalisation rate inputs are applicable to the RBH managed hotels 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 year 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 2020.

For the purposes of viability and going concern, the Directors have considered the impact of declines in the current investment property valuations in a downside scenario as follows; UK Shopping Centres - 15 per cent; UK Commercial, UK Hotels and Europe - five per cent. These sensitivities seek to quantify the 'worst-case' scenario per sector as a result of the ongoing uncertainty around and impact of the outbreak of COVID-19 as a global pandemic and the UK's official exit the European Union on 31 January 2020, given the work-out arrangements have been postponed. Based on the market value of the Group's portfolio at 31 August 2020 (including investment property classified as held for sale), the decline in valuations would result in a fair value loss to the income statement of £55.3 million.

Acquisitions

During the year ended 31 August 2019, the Group acquired 13.5 acres of land interest in Bicester, Oxfordshire. In December 2019, the Group acquired the second of two distribution units constructed on the site to which it was committed, on practical completion for £10.3 million (excluding costs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Disposals

The Group made one investment property disposal during the year ended 31 August 2020 by way of asset sale from the UK Commercial portfolio, namely The Omnibus commercial office building in Reigate.

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Fair value adjustments £m	Loss on disposal £m
31 August 2020						
Continuing operations						
The Omnibus, Reigate	14.9	(1.1)	13.8	(15.5)	(0.5)	(2.2)
Total disposals during the year	14.9	(1.1)	13.8	(15.5)	(0.5)	(2.2)

The Group made three investment property disposals during the year ended 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.

	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)

Committed expenditure

At 31 August 2020, the Group was contractually committed to expenditure of £2.3 million for the future development and enhancement of investment property (31 August 2019: £16.4 million).

Transition to IFRS 16

On 1 September 2019, the carrying value of investment property was adjusted by £42.7 million to reflect right-of-use assets under lease arrangements which have been recognised on adoption of IFRS 16. Corresponding head lease liabilities are disclosed separately on the face of the consolidated balance sheet and in Note 21. At 31 August 2020, the carrying value of total investment property ROU assets was £48.6 million, £50.0 million including investment property held for sale (31 August 2019: finance lease assets only £5.7 million, £7.2 million including investment property held for sale). The carrying value of total leasehold investment property interests (including peppercorn rents) at 31 August 2020 was £306.1 million, £336.8 million including investment property held for sale. Comparatives have not been restated as permitted under the accounting standard. Refer to Note 2 for further information on the impact of the transition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

14. INVESTMENT IN AND LOANS TO JOINT VENTURES

	31 August 2020 £m	31 August 2019 £m
Investment in joint ventures		
Opening balance at 1 September	2.9	1.9
Share of post-tax (loss)/profit	(0.1)	0.9
Distributions to joint venture non-controlling interest	(0.2)	-
Foreign currency translation	(0.1)	0.1
Investment in joint ventures	2.5	2.9
Loan to joint ventures		
Opening balance at 1 September	5.1	5.2
Repayment of loans	(5.0)	(0.1)
Reversal of impairment of loans to continuing joint venture	0.7	-
Foreign currency translation	(0.1)	-
Loan to joint ventures	0.7	5.1
Carrying value of net interest in joint ventures	3.2	8.0

During the year ended 31 August 2020, 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 owned properties in Waldkraiburg, Huckelhoven and Kaiserslautern, Germany. Notwithstanding the economic shareholding, the contractual terms provide for joint control and so the Company does not control the entity. The joint venture disposed of all properties during the year ended 31 August 2020 through both asset and corporate sales and the residual structure is in the process of being formally liquidated;
- (ii) 49 per cent interest in Wichford VBG Holding S.à.r.l., a joint venture with Menora Mivtachim. The joint venture disposed of its property-owning subsidiaries on 1 January 2017 and the structure is in the process of being formally liquidated; 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 previously not recognised

Under the equity method, the Esplanade was carried at £Nil in the Group's financial statements at 31 August 2019 as cumulative losses to date had exceeded or materially equalled the cost of the Group's net investment, primarily due to the negative mark-to-market on the joint venture's derivative. At 31 August 2020, the share of these losses no longer exceeded the Group's cumulative cost of investment in, and loans to, the Esplanade as a result of property valuation uplifts and positive mark-to-market movement on the derivative. As such, the Group has recognised its share of profits by way of reversal of previous impairment charges taken against the loan made to the joint venture. On a proportionate basis and for segmental reporting purposes, the Group's interest in the Esplanade is recognised on a line-by-line basis. Refer to Note 3.

Fair value disclosures

The fair value of the Group's recognised loan to joint venture at 31 August 2020 was £0.7 million (31 August 2019: £5.3 million) and the Group considers that this financial asset falls within 'Level 3' as defined by IFRS 13 (refer to Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Summarised financial information

The summarised financial information of the Group's joint ventures, in addition to reconciliations to the amounts presented in the financial statements, are set out separately below:

	Discontinued operation		Partially recognised 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 2020						
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Net rental income	-	0.6	1.6	2.2	(1.1)	1.1
Administrative costs and other fees	-	(0.4)	-	(0.4)	0.2	(0.2)
Net operating income	-	0.2	1.6	1.8	(0.9)	0.9
Gain on revaluation of investment property	-	-	0.8	0.8	(0.4)	0.4
Loss on revaluation of investment property held for sale	-	(1.0)	-	(1.0)	0.5	(0.5)
Gain on disposal of investment property held for sale	-	1.4	-	1.4	(0.7)	0.7
Loss on disposal of subsidiaries	-	(0.3)	-	(0.3)	0.1	(0.2)
Finance expense on loans from joint venture partners	-	(0.2)	-	(0.2)	0.1	(0.1)
Finance expense on external borrowings	-	(0.2)	(1.0)	(1.2)	0.6	(0.6)
Other finance expense	-	(0.6)	-	(0.6)	0.3	(0.3)
Change in fair value of derivative financial instruments	-	-	0.4	0.4	(0.2)	0.2
(Loss)/profit before tax	-	(0.7)	1.8	1.1	(0.6)	0.5
Taxation	-	0.3	-	0.3	(0.1)	0.2
(Loss)/profit and total comprehensive income for the year	-	(0.4)	1.8	1.4	(0.7)	0.7
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	-	0.2	(0.9)	(0.7)	0.7	-
Elimination of non-controlling interests	-	0.1	-	0.1	-	0.1
Movement in losses restricted in joint ventures	-	-	(0.2)	(0.2)	-	(0.2)
Group share of joint venture results	-	(0.1)	0.7	0.6	-	0.6
<i>Presented as:</i>						
Share of post-tax loss from joint ventures (<i>discontinued operation</i>) (<i>Note 3</i>)						(0.1)
Impairment reversal of loan to continuing joint venture interest						0.7
Summarised balance sheet						
Investment property	-	-	22.6	22.6	(11.3)	11.3
Trade and other receivables	0.1	0.8	0.6	1.5	(0.7)	0.8
Cash and cash equivalents	0.7	4.0	0.3	5.0	(2.4)	2.6
Total assets	0.8	4.8	23.5	29.1	(14.4)	14.7
External borrowings	-	-	(16.2)	(16.2)	8.1	(8.1)
Loans from joint venture partners	-	-	(6.6)	(6.6)	3.3	(3.3)
Derivative financial instruments	-	-	(5.6)	(5.6)	2.8	(2.8)
Trade and other payables (including current tax liabilities)	-	(0.2)	(0.3)	(0.5)	0.2	(0.3)
Total liabilities	-	(0.2)	(28.7)	(28.9)	14.4	(14.5)
Net assets/(liabilities)	0.8	4.6	(5.2)	0.2	-	0.2
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(2.2)	2.6	-	-	-
Elimination of non-controlling interests	-	(0.3)	-	(0.3)	-	(0.3)
Impairment reversal of loan to joint venture (<i>Note 30</i>) ⁽¹⁾	-	-	0.7	0.7	-	0.7
Opening impairment of net investment in joint ventures	-	-	2.6	2.6	-	2.6
Carrying value of net interest in joint ventures	0.4	2.1	0.7	3.2	-	3.2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

	Discontinued operation		Unrecognised Joint Venture	Total £m	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						
Net rental income	-	1.7	1.7	3.4	(1.7)	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)	1.7
Gain/(loss) on revaluation of investment property	-	0.2	(0.6)	(0.4)	0.2	(0.2)
Gain on revaluation of investment property held for sale	-	1.3	-	1.3	(0.6)	0.7
Finance expense on loans from joint venture partners	-	(0.6)	-	(0.6)	0.3	(0.3)
Finance expense on external borrowings	-	(0.3)	(1.0)	(1.3)	0.7	(0.6)
Change in fair value of derivative financial instruments	-	-	(0.6)	(0.6)	0.3	(0.3)
(Loss)/profit before tax	(0.1)	2.1	(0.2)	1.8	(0.8)	1.0
Taxation	-	(0.3)	(0.2)	(0.5)	0.2	(0.3)
(Loss)/profit and total comprehensive (expense)/income for the year	(0.1)	1.8	(0.4)	1.3	(0.6)	0.7
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	0.1	(0.9)	0.2	(0.6)	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	(10.9)	11.0
Trade and other receivables	-	0.8	0.2	1.0	(0.5)	0.5
Cash and cash equivalents	0.8	0.5	0.5	1.8	(0.9)	0.9
Non-current assets held for sale	-	29.1	-	29.1	(14.0)	15.1
Total assets	0.8	30.4	22.6	53.8	(26.3)	27.5
External borrowings	-	(13.6)	(16.5)	(30.1)	14.8	(15.3)
Loans from joint venture partners	-	(9.3)	(6.6)	(15.9)	7.7	(8.2)
Derivative financial instruments	-	-	(6.1)	(6.1)	3.0	(3.1)
Deferred tax	-	(1.5)	-	(1.5)	0.7	(0.8)
Trade and other payables	-	(0.8)	(0.3)	(1.1)	0.6	(0.5)
Total liabilities	-	(25.2)	(29.5)	(54.7)	26.8	(27.9)
Non-controlling interests	-	(0.4)	-	(0.4)	0.2	(0.2)
Net assets/(liabilities)	0.8	4.8	(6.9)	(1.3)	0.7	(0.6)
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(2.3)	3.4	0.7	(0.7)	-
Recognised loan to joint venture (Note 30) ⁽¹⁾	-	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

⁽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 exceeded the cost of the Group's investment at 31 August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

15. INVESTMENT IN ASSOCIATE

	31 August 2020 £m	31 August 2019 £m
Investment in RBH		
Opening balance at 1 September	7.6	9.1
Additions (Note 30)	0.6	-
Distributions (Note 30)	(0.5)	(1.0)
Impairment of investment	(1.8)	(1.4)
Share of post-tax (loss)/profit	(0.4)	0.9
Carrying value of investment in associate	5.5	7.6

RBH

The summarised financial information of RBH is set out below.

	31 August 2020 £m	31 August 2019 £m
Summarised income statement		
Revenue	39.7	77.7
Other income	7.0	3.7
Expenses	(48.5)	(77.1)
(Loss)/profit from operations	(1.8)	4.3
Taxation	0.3	(0.9)
(Loss)/profit for the year	(1.5)	3.4
Elimination of third party interest	1.1	(2.5)
Group share of results	(0.4)	0.9
<i>Classified as:</i>		
Share of post-tax (loss)/profit	(0.4)	0.9
Summarised balance sheet		
Non-current assets	2.1	2.9
Intangible asset	28.1	28.1
Trade and other receivables	3.1	6.2
Cash and cash equivalents	3.8	7.0
Total assets	37.1	44.2
Loans from RDI	(3.9)	-
Trade and other payables	(7.4)	(14.5)
Total liabilities	(11.3)	(14.5)
Net assets	25.8	29.7
Capital contribution adjustment	-	2.9
Adjusted net assets	25.8	32.6
Elimination of third-party interest	(18.7)	(24.4)
Share of net assets attributable to the Group	7.1	8.2
Impairment of Group share of net assets	(1.6)	(0.6)
Carrying value of the Group's investment in associate	5.5	7.6

During the year ended 31 August 2020, the Group increased its interest in RBH from 25.3 per cent to 27.4 per cent, by acquiring the equity interests of a minority shareholder. Consideration for the shares was £0.6 million. Notwithstanding the increased interest in RBH, continued classification as an investment in associate is considered appropriate.

Distributions received from RBH for the year ended 31 August 2020 were £0.5 million (31 August 2019: £1.0 million).

At 31 August 2020, 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 £5.5 million. The independent valuation was determined on a capitalisation of earnings basis, cross-checked to market comparables. Using a discount rate range of 12.5 - 13.5 per cent, an enterprise value range of £17.9 - £21.6 million was attributed to the investment (caveated with heightened valuation uncertainty as a result of COVID-19), with a mid-point valuation of £20.0 million (Group share: £5.5 million). This resulted in an impairment charge of £1.8 million to the income statement during the year ended 31 August 2020.

An impairment charge of £1.4 million was recognised during the year ended 31 August 2019 following an independent valuation. 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) and the Directors considered that the recoverable amount of the Group's net investment in RBH was £7.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

16. OTHER NON-CURRENT ASSETS

	31 August 2020 £m	31 August 2019 £m
Property, plant and equipment		
Opening balance at 1 September	0.3	0.5
Head office right-of-use asset ⁽¹⁾	0.8	-
Additions	-	0.1
Depreciation	(0.3)	(0.2)
Disposals, net of accumulated depreciation	-	(0.1)
Closing balance	0.8	0.3
Intangible assets		
Opening balance at 1 September	0.6	0.8
Amortisation	(0.1)	(0.2)
Derecognition	(0.5)	-
Closing balance	-	0.6
Total other non-current assets	0.8	0.9

⁽¹⁾ The right-of-use asset recognised on 1 September 2019 on transitioning to IFRS 16 relates to the Group's head office lease. Comparatives have not been restated as permitted under the accounting standard. Refer to Note 2 for further information on the impact of the transition.

Intangible assets were recognised on the corporate acquisition of Redefine International Management Holdings Limited group ("RIMH") and represented the fair value of the advisory agreements with external parties acquired by the Group. The value attributed to the contracts between RIMH and third parties, including joint ventures of the Group and non-controlling interests, was £1.9 million. The intangible asset was being amortised on a straight-line basis over the remaining term of the contracts which had an average life of eight years. The Directors considered it appropriate to derecognise the intangible asset during the year ended 31 August 2020, as the Group's remaining joint venture had sold all three assets to which RIMH had provided asset management services. The total income statement charge relating to the amortisation and derecognition of the intangible asset for the year ended 31 August 2020 was £0.6 million, presented as other expenses (31 August 2019: £0.2 million).

17. RECEIVABLES

	31 August 2020 £m	31 August 2019 £m
Non-current		
Tenant lease incentives (gross) ⁽¹⁾	11.0	7.4
Expected credit losses ⁽¹⁾	(1.4)	-
	9.6	7.4
Tenant lease incentives to related party ⁽¹⁾ (Note 30)	-	1.3
Letting costs	1.7	1.1
Other receivables	-	0.3
Total non-current other receivables	11.3	10.1
Current		
Gross rent and other accounts receivable	6.0	1.0
Expected credit losses	(1.3)	(0.1)
	4.7	0.9
Gross service charge receivable	1.3	0.2
Expected credit losses	(0.3)	(0.1)
	1.0	0.1
Recoverable service charge expenditure	0.4	-
Tenant lease incentives ⁽¹⁾	1.3	1.2
Tenant lease incentives to related party ⁽¹⁾ (Note 30)	-	1.9
Other amounts receivable from related parties (gross) (Note 30)	4.5	0.1
Expected credit losses on other amounts receivable from related parties (Note 30)	(1.9)	-
	2.6	0.1
Accrued income in relation to corporate and property disposals	3.2	13.8
Prepayments and accrued income	1.2	1.6
Other receivables	2.9	3.2
Total current trade and other receivables	17.3	22.8
Total receivables	28.6	32.9

⁽¹⁾ Total tenant lease incentives of £10.9 million (31 August 2019: £11.8 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 13 (£8.6million) and Note 19 (£2.3million) respectively (31 August 2019: £9.2m and £2.6m respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

18. CASH AND CASH EQUIVALENTS

	31 August 2020 £m	31 August 2019 £m
Unrestricted cash and cash equivalents	64.1	32.3
Restricted cash and cash equivalents	3.5	0.7
Cash and cash equivalents	67.6	33.0

At 31 August 2020, the Group's share of total cash and cash equivalents, including its share of joint venture cash, was £70.2 million (31 August 2019: £33.9 million), with a further £14.0 million of undrawn committed facilities available (31 August 2019: £20.0 million). At 31 August 2020, cash and cash equivalents to which the Group did not have instant access amounted to £3.5 million (31 August 2019: £0.7 million). Restricted cash at the reporting date was comprised of:

- £0.7 million held on deposit under an hereditary building right agreement for the property at Ingolstadt (31 August 2019: £0.7 million);
- £0.7 million held in a cash sweep by Santander, as lender, after the Group reported an event of default on a facility secured over three hotels controlled by the Group;
- £0.2 million held in a voluntary cash sweep by Santander, as lender, with respect to the facility secured against West Orchard's Shopping Centre, Coventry;
- £0.7 million held on deposit in favour of the superior landlord of the West Orchard's Shopping Centre; and
- £1.2 million held in a cash sweep by Aberdeen Standard Investments, the lender with security over the London Serviced Offices portfolio, until the end of the covenant waiver period (April 2021).

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

	UK Commercial £m	UK Retail £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
Investment property						
Opening carrying value at 1 September 2018	-	-	-	-	-	-
Transfers from investment property (Note 13)	8.8	2.2	229.7	240.7	206.8	33.9
Capitalised expenditure	-	-	0.3	0.3	-	0.3
Loss on revaluation of investment property	-	-	(2.4)	(2.4)	(1.1)	(1.3)
Disposals through the sale of property	-	-	(9.8)	(9.8)	(9.8)	-
Foreign currency translation	-	-	13.5	13.5	11.3	2.2
Opening carrying value at 1 September 2019	8.8	2.2	231.3	242.3	207.2	35.1
Transfers from investment property (Note 13)	8.7	-	-	8.7	8.7	-
Capitalised expenditure	-	-	2.8	2.8	-	2.8
Loss on revaluation of investment property	(0.6)	-	(12.4)	(13.0)	(6.6)	(6.4)
Disposals through the sale of subsidiaries (Note 7)	-	-	(88.5)	(88.5)	(88.5)	-
Disposals through the sale of property	(13.4)	(2.2)	(7.7)	(23.3)	(23.3)	-
Foreign currency translation	-	-	(4.0)	(4.0)	(3.2)	(0.8)
IFRS carrying value at 31 August 2020	3.5	-	121.5	125.0	94.3	30.7
Adjustments:						
Head lease asset (Note 21)	-	-	(1.4)	(1.4)	-	(1.4)
Tenant lease incentives (Note 17)	0.2	-	2.1	2.3	0.8	1.5
Market value of Group assets held for sale at 31 August 2020	3.7	-	122.2	125.9	95.1	30.8

Discontinued Europe portfolio

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. All assets within the Europe portfolio (including the Group's share of joint venture investment property) have been classified as a disposal group held for sale since Board approval, 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 2020, exclusivity agreements had been entered into or were at the final stages with preferred parties for the residual assets. As a result of the market dislocation since the outbreak of the COVID-19 pandemic in March 2020, it is anticipated that the sales programme will be delayed and that the disposal of the individual remaining assets may take longer than originally anticipated.

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 the transaction completed on 31 October 2019.

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. The City Council of Hamburg triggered its right of first refusal over the property once contracts had been exchanged (customary for sales in Germany) and negotiations between the buyer and the City Council are ongoing. Although the contract remains legally binding, control is not deemed to have transferred from the Group at the reporting date and the property has not been derecognised.

On 27 December 2019, the Group completed on the sale of two German retail warehouses at Waldkraiburg and Kaiserslautern for total consideration of €20.4 million (Group share - €10.6 million as held in Menora joint venture).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

On 15 January 2020, the Group exchanged contracts on another retail property at Leipzig for consideration of €7.9 million. The transaction completed on 3 April 2020.

On 5 March 2020, the Group exchanged contracts for the sale of three properties at Schwandorf, Herzogenrath and Huckelhoven (Huckelhoven held in Menora joint venture), Germany for gross consideration of €34.2 million. The transaction subsequently completed on 17 March 2020.

On 31 August 2020, the Group disposed of the Schloss-Strassen Center, Berlin for gross consideration of €65.5 million. On the date of sale, the carrying value of investment property was €78.1 million. As the transaction was structured as a corporate disposal, the bank facility (€62.0 million) was also transferred on completion. Net proceeds were received on 2 September 2020 after the reporting date.

UK portfolio

There are several mature UK assets that the Group has targeted for sale. During the year to 31 August 2020, two UK Commercial assets met the criteria of IFRS 5 as held for sale, namely Waterside, Leeds and North Street, Plymouth and were transferred from investment property. The Waterside property was subsequently disposed, along with two other mature assets classified as held for sale at 31 August 2019. North Street, Plymouth remained classified as held for sale at the reporting date.

Disposals

The Group disposed of seven held for sale assets during the year ended 31 August 2020, two from the UK Commercial portfolio, one from the UK Retail portfolio and four from the Europe portfolio. Three of the Europe portfolio sales were structured as corporate disposals (refer to Note 7).

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Fair value adjustments £m	Foreign currency translation £m	Gain/ (loss) on disposal £m
31 August 2020							
Continuing operations							
Park Place and St. Paul's, Leeds	9.0	(0.1)	8.9	(8.8)	-	-	0.1
Waterside, Leeds	6.5	(0.8)	5.7	(4.6)	(0.1)	-	1.0
Albion Street, Derby	2.5	(0.2)	2.3	(2.2)	(0.3)	-	(0.2)
	18.0	(1.1)	16.9	(15.6)	(0.4)	-	0.9
Discontinued operation							
Leipzig	6.9	(0.3)	6.6	(7.7)	-	0.1	(1.0)
	6.9	(0.3)	6.6	(7.7)	-	0.1	(1.0)
Total disposals during the year	24.9	(1.4)	23.5	(23.3)	(0.4)	0.1	(0.1)

The gain on disposal of the Munich property during the year ended 31 August 2019 is included in the comparative post-tax profit from discontinued operation in the income statement.

	Sales proceeds £m	Carrying value £m	Foreign currency translation £m	Gain on disposal £m
31 August 2019				
Discontinued operation				
Munich	10.0	(9.8)	0.3	0.5
Total disposals during the year	10.0	(9.8)	0.3	0.5

Fair value disclosures

All non-current assets held for sale fall within 'Level 3', as defined by IFRS 13 (refer to Note 29). Accordingly, there has been no transfer within the fair value hierarchy during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

20. BORROWINGS

	31 August 2020 £m	Represented 31 August 2019 £m
Non-current		
Bank loans	540.3	656.1
Less: unamortised debt issue costs	(3.9)	(5.2)
Less: fair value adjustments	(0.7)	(1.0)
	535.7	649.9
Other external loan	-	0.7
Total non-current borrowings	535.7	650.6
Current		
Bank loans	66.4	29.1
Less: unamortised debt issue costs	(0.3)	(0.4)
	66.1	28.7
Total current borrowings	66.1	28.7
Total borrowings	601.8	679.3

The comparative disclosure has been represented as lease liabilities are now disclosed in a separate note. Refer to Note 21.

Analysis of movement in net borrowings,

The table below presents the movements in net borrowings for the years ended 31 August 2020 and 31 August 2019, split between cash and non-cash movements as required by IAS 7.

	Non-current £m	Current £m	Cash and cash equivalents £m	Net borrowings £m
Represented opening balance at 1 September 2018	764.5	4.6	(59.0)	710.1
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 on loss of control of Aviva Portfolio	(124.8)	-	-	(124.8)
Debt issue costs movements	1.2	-	-	1.2
Accretion of debt fair value adjustments	0.6	-	-	0.6
Reclassification between current and non-current	(28.4)	28.4	-	-
	(151.4)	28.4	-	(123.0)
Other net cash movements	-	-	57.6	57.6
Foreign currency translation	2.3	-	(0.7)	1.6
Represented opening balance at 1 September 2019	650.6	28.7	(33.0)	646.3
Financing activities (cash)				
<i>Continuing operations</i>				
Borrowings drawn	25.0	-	(25.0)	-
Borrowings repaid	(19.2)	(1.7)	20.9	-
<i>Discontinued operation</i>				
Borrowings repaid	(12.7)	(0.6)	13.3	-
	(6.9)	(2.3)	9.2	-
Financing activities (non-cash)				
Debt issue costs movements	1.3	-	-	1.3
Accretion of debt fair value adjustments	0.2	-	-	0.2
Reclassification between current and non-current	(39.7)	39.7	-	-
	(38.2)	39.7	-	1.5
Disposal of subsidiaries (discontinued operation)	(67.6)	-	(4.9)	(72.5)
Other net cash movements	-	-	(39.8)	(39.8)
Foreign currency translation	(2.2)	-	0.9	(1.3)
Closing balance at 31 August 2020	535.7	66.1	(67.6)	534.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

The comparative net borrowings reconciliation has been represented to exclude lease liabilities, now disclosed in a separate note. Refer to Note 21.

Bank loans

	31 August 2020			31 August 2019		
	Carrying value £m	Nominal value £m	Fair value £m	Carrying value £m	Nominal value £m	Fair value £m
Non-current liabilities						
Bank loans	540.3	540.3	540.3	656.1	656.1	656.1
Less: unamortised debt issue costs	(3.9)	-	-	(5.2)	-	-
Less: fair value adjustments	(0.7)	-	0.1	(1.0)	-	2.0
Total non-current bank loans	535.7	540.3	540.4	649.9	656.1	658.1
Current liabilities						
Bank loans	66.4	66.4	66.4	29.1	29.1	29.1
Less: unamortised debt issue costs	(0.3)	-	-	-	-	-
Less: fair value adjustments	-	-	-	(0.4)	-	(0.4)
Total current bank loans	66.1	66.4	66.4	28.7	29.1	28.7
Total IFRS bank loans	601.8	606.7	606.8	678.6	685.2	686.8
Joint ventures						
Share of joint ventures bank loans	8.1	8.1	8.1	15.3	15.3	15.3
Total bank loans (on a proportionately consolidated basis)	609.9	614.8	614.9	693.9	700.5	702.1
Cash and cash equivalents	(67.6)	(67.6)	(67.6)	(33.0)	(33.0)	(33.0)
Share of joint ventures cash and cash equivalents	(2.6)	(2.6)	(2.6)	(0.9)	(0.9)	(0.9)
Net debt (on a proportionately consolidated basis)	539.7	544.6	544.7	660.0	666.6	668.2

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 2020, the Group's bank loans were secured over investment property of £1,103.9 million (31 August 2019: £1,352.1 million) and were carried at amortised cost.

The Group's principal value of drawn debt (on a proportionately consolidated basis) has decreased during the year by £85.7 million (31 August 2019: £700.5 million) as a result of foreign currency movements, scheduled amortisation and 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 2019, the Bayern LB facility secured against the Bremen property which was due to mature in October 2019 was extended to April 2020. The facility was subsequently repaid in full at the end of the extension period;
- in October 2019, following the Munich disposal from the Premium portfolio, the loan held with Münchener Hypothekenbank eG was repaid in full (€10.8 million);
- in December 2019, following the Waldkraiburg and Kaiserslautern disposals (held in a joint venture), the secured loans held with Bayern LB were repaid in full (€4.4 million – Group share);
- in December 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 facility which was due to mature in July 2020 has been extended to March 2021 and the Group has agreed with the lender that the facility remains in a cash sweep as longer-term refinancing negotiations progress;
- in February 2020, the Group agreed with the lender to enter into a voluntary cash sweep on the Santander facility secured against West Orchard's Shopping Centre in Coventry, in the absence of the lender carrying out a revised bank valuation.
- in February 2020, the Group repaid £5.0 million on the AUK revolving credit facility ("RCF"), increasing the total available facility to £25.0 million;
- in March 2020, the Group drew down fully £25.0 million on the RCF to ensure sufficient liquidity and operational flexibility during the disruption period;
- in March 2020, the OBI Portfolio Bayern LB facilities were derecognised following completion of the corporate sales (Group share: £14.5 million);
- in July 2020, the Group repaid £14.0 million on the RCF (at 31 August 2020, the facility had a drawn balance of £261.0 million and an undrawn balance of £14.0 million); and
- on 31 August 2020, the €62.0 million facility with HSH Nordbank, secured against the Schloss-Strassen Center, was derecognised on the corporate sale of the subsidiary. The facility was due to mature in March 2021.

During the year ended 31 August 2020, the Group negotiated covenant waivers and amortisation holidays for the majority of the Group's facilities as a result of COVID-19. At the latest compliance, covenant waivers were in place on 89.0 per cent of debt subject to financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Fair value disclosures

The Group considers that all bank loans, at a total carrying value of £601.8 million, fall within 'Level 3' as defined by IFRS 13 (refer to Note 29). The fair value equivalent at reporting date was £606.8 million as presented in the bank loans table. The nominal 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 indicative interest rates for similar debt instruments, with indicative quotes provided by each lender, which are considered unobservable. Given current market volatility, the potential spreads on the rates provided by the lenders at the reporting date had widened considerably. An increase in the discount rate by 10 per cent would result in a decrease of the fair value of the bank loans by £1.4 million. A decrease in the discount rate by 10 per cent would result in an increase of the fair value of the bank loans by £1.4 million.

Maturity

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

	31 August 2020 £m	31 August 2019 £m
Less than one year	66.4	29.1
Between one year and five years	460.4	572.4
More than five years	79.9	83.7
	606.7	685.2

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

21. LEASE LIABILITIES

Obligations under the Group's lease arrangements at the reporting date were as follows:

	31 August 2020 £m	31 August 2019 £m
<i>Minimum lease payments under lease obligations:</i>		
Not later than one year	2.1	0.4
Later than one year not later than five years	7.6	1.7
Later than five years	535.8	21.8
	545.5	23.9
Less: finance charges allocated to future periods	(494.8)	(16.7)
Present value of minimum lease payments	50.7	7.2

Present value of minimum lease obligations:

Not later than one year	2.1	0.4
Later than one year not later than five years	7.5	1.4
Later than five years	41.1	5.4
Present value of minimum lease payments	50.7	7.2
Less current portion of head lease obligations	(0.8)	(0.4)
Amounts due after more than one year	49.9	6.8

Reconciled to the following categories of right-of-use assets:

Investment property (Note 13)	48.6	5.7
Property, plant and equipment (Note 16)	0.5	-
Investment property held for sale (Note 19)	1.4	1.1
Straight-lining differences on depreciation of property, plant and equipment	0.2	-
	50.7	6.8

The comparative disclosure is presented under the old leasing standard, IAS 17, and excludes lease arrangements that were classified as operating leases under that standard.

Lease obligations relate to the Group's leasehold interests in investment property and the lease on the Group's head office. These leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in an 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 (including lease obligations previously classified as finance leases). The fair value of the lease obligations at 31 August 2020 was £54.4 million (31 August 2019: £10.8 million - finance leases only) and the Group considers that these liabilities fall within 'Level 3' as defined by IFRS 13 (refer to Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

22. 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 limited 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 2020 £m	31 August 2019 £m
Non-current derivative liabilities		
Interest rate swaps	(12.3)	(12.7)
	(12.3)	(12.7)
Current derivative liabilities		
Interest rate swaps	(0.3)	(0.1)
	(0.3)	(0.1)
Net derivative financial instruments	(12.6)	(12.8)

The Group holds interest rate caps at ceiling rates of 1.0 to 3.0 per cent, maturing between November 2021 and June 2023. The Group also holds interest rate swaps with maturities from April 2021 to February 2024 and rates ranging between 0.4 - 2.0 per cent.

23. DEFERRED TAX

The table below presents a reconciliation of the recognised deferred tax balances:

	On investment property £m	On derivative financial instruments £m	On losses carried forward £m	Total £m
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)	-	-
Opening balance 1 September 2019	10.3	(0.7)	(2.1)	7.5
(Credit)/charge for the year recognised in the income statement (within loss from discontinued operation)	(4.5)	0.4	2.1	(2.0)
Foreign currency translation	(0.1)	(0.1)	-	(0.2)
Closing balance at 31 August 2020	5.7	(0.4)	-	5.3

At 31 August 2020, there were unrecognised deferred tax assets of £3.9 million (31 August 2019: £1.9 million) due to carried forward losses in the residual business.

Deferred tax has been recognised on the Europe segment's investment property and derivative financial instruments as local tax would arise on disposal of property and settlement of the derivatives, irrespective of the UK REIT status of the Group. Tax losses carried forward from the Europe segment are recognised by the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

24. PAYABLES

	31 August 2020 £m	31 August 2019 £m
Non-current		
Other sundry payables	-	0.1
Total non-current other payables	-	0.1
Current		
Amounts payable to related parties (Note 30)	1.5	0.4
Rent received in advance	3.8	4.6
Trade payables	1.5	1.0
Deferred service charge income	3.4	1.5
Finance expense accruals	2.2	2.7
VAT payable	5.3	3.5
Accruals	5.9	5.8
Tenant deposits ⁽¹⁾	2.3	2.9
Other sundry payables	1.8	1.6
Total current trade and other payables	27.7	24.0
Total payables	27.7	24.1

⁽¹⁾ At 31 August 2020, £2.3million of tenant deposits were held with respect to the LSO Portfolio (31 August 2019: £2.9 million).

At 31 August 2020, the Group had deferred payment of £3.1 million of outstanding VAT liabilities as allowed under the UK government grant as a result of COVID-19.

25. SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED	Number of shares	Share capital £m
At 31 August 2018 (ordinary shares of 8.0 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 and 31 August 2020 (ordinary shares of 40.0 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 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 1 September 2019	380,089,923	152.0	534.6
Share issuance – 2 December 2019	225,700	0.1	0.2
At 31 August 2020	380,315,623	152.1	534.8

SHARE TRANSACTIONS

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 40.0 pence each. The consolidation resulted in 380,089,923 ordinary shares of 40.0 pence each being in issue.

Deferred bonus share awards

On 29 November 2019, deferred bonus awards made to Executive Directors under the Company's short-term incentive plan, as approved by shareholders at the Annual General Meeting held on 23 January 2017, vested in full. The vesting price per ordinary share was 127.4 pence. On 2 December 2019, 225,700 ordinary shares were issued to participants (after a number of shares were settled by the Company in cash to meet tax and national insurance liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

26. RESERVES

OTHER RESERVES

Share-based payment reserve

The share-based payment reserve at 31 August 2020 of £0.9 million (31 August 2019: £0.8 million) arises from conditional awards of shares in the Company granted to the Executive Directors and certain employees. The awards will vest on the third anniversary of the grant date, subject to certain performance conditions being achieved over the vesting period. The Group released £0.3 million from the reserve to retained earnings of the cumulative IFRS 2 charge relating to lapsed and vested awards (31 August 2019: £1.7 million). The Group incurred a further £0.1 million in relation to awards that vested with certain employees under the Restricted Stock Plan and has recognised the charge directly in retained earnings (31 August 2019: £0.3 million), such that the net credit to retained earnings for the period in relation to share-based payments was £0.2 million (31 August 2019: £1.4 million). Detailed information on the share-based payment plans in place is included in the 2020 Annual Report.

The IFRS 2 share-based payment charge for the year was £0.4 million (31 August 2019: £0.2 million).

Other reserves

During the year ended 31 August 2019, other reserves of £1.0 million which arose from the acquisition of subsidiaries were released on liquidation of the related subsidiary.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve at 31 August 2020 of £16.4 million (31 August 2019: £18.8 million) represents exchange differences arising from the translation of the Group's net investment in foreign operations, including both subsidiary and joint venture interests.

27. NON – CONTROLLING INTERESTS

	31 August 2020 £m	31 August 2019 £m
Opening balance at 1 September	57.4	59.5
<i>Comprehensive income for the year:</i>		
Share of (loss)/profit for the year – continuing operations	(12.2)	2.3
Share of profit for the year – discontinued operation	-	0.5
<i>Changes in ownership interests in subsidiaries:</i>		
Dividends paid	(1.4)	(4.9)
Disposal of non-controlling interests	(1.3)	-
Total non-controlling interests	42.5	57.4

On 5 March 2020, the Group exchanged contracts for the sale of two subsidiaries in which there was a 25 per cent non-controlling interest. The transaction subsequently completed on 17 March 2020 and the non-controlling interest was derecognised. Refer to Note 7 and Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

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

	31 August 2020					31 August 2019				
	LSO £m	IHL £m	RHHL £m	Europe Dis Op £m	Total non- controlling interests £m	LSO £m	IHL £m	RHHL £m	Europe Dis Op £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%	17.5%	Individually immaterial		20.0%	25.9%	17.5%	Individually immaterial	
Summarised balance sheet										
Investment property	164.4	123.2	197.3			163.4	116.5	226.7		
Other non-current assets	0.1	-	-			-	-	-		
Receivables	0.6	1.8	1.5			0.7	1.1	2.8		
Cash and cash equivalents	7.0	0.9	0.3			5.4	2.3	2.1		
Borrowings, including lease liabilities	(89.7)	(77.2)	(113.6)			(73.9)	(47.9)	(113.4)		
Derivative financial instruments	-	(0.3)	-			-	(0.4)	-		
Trade and other payables	(6.1)	(2.1)	(1.3)			(5.1)	(5.6)	(1.5)		
Net assets	76.3	46.3	84.2			90.5	66.0	116.7		
Elimination of RDI interests	(61.0)	(34.3)	(69.4)			(72.4)	(48.9)	(96.3)		
NCI share of net assets	15.3	12.0	14.8	0.4	42.5	18.1	17.1	20.4	1.8	57.4
Summarised statement of comprehensive income										
Revenue	12.8	4.1	4.7			17.5	8.5	13.7		
(Loss)/profit for the year	(9.5)	(19.9)	(29.7)			6.8	(0.9)	7.1		
(Loss)/profit attributable to NCI	(1.9)	(5.1)	(5.2)	-	(12.2)	1.4	(0.3)	1.2	0.5	2.8
Dividends paid to NCI	0.9	-	0.5	-	1.4	1.4	-	2.4	1.1	4.9
Summarised cash flow statement										
Cash inflow/(outflow) from operating activities	6.6	1.1	(0.5)			7.3	4.1	11.5		
Cash outflow from investing activities	-	(0.2)	(0.4)			-	(2.6)	(0.5)		
Cash outflow from financing activities	(4.9)	(2.7)	(0.4)			(5.9)	(1.9)	(13.6)		
Net increase/(decrease) in cash and cash equivalents	1.7	(1.8)	(1.3)			1.4	(0.4)	(2.6)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

28. CASH GENERATED FROM OPERATIONS

		31 August 2020 £m	31 August 2019 £m
Continuing operations	Note		
Cash flows from operating activities			
Loss before tax		(99.2)	(79.8)
<i>Adjustments for:</i>			
Straight-lining of rental income		1.9	2.2
Depreciation	6	0.3	0.2
Share-based payments	6	0.4	0.2
Employee share award costs recognised directly in equity	26	(0.1)	(0.3)
Loss on revaluation of investment property	13	113.0	56.6
Loss on disposal of investment property	13	2.2	1.7
Loss on revaluation of investment property held for sale	19	0.6	-
Gain on disposal of investment property held for sale	19	(0.9)	-
Loss of control of Aviva Portfolio	8	-	55.6
Acquisition of subsidiaries	9	-	0.4
Other expenses	16	0.6	0.2
Foreign exchange gain		(0.2)	-
Finance income	10	-	(0.2)
Finance expense	10	20.9	25.6
Other finance expense	11	1.9	0.3
Change in fair value of derivative financial instruments		1.8	9.4
Impairment reversal of loan to continuing joint venture interest	14	(0.7)	-
Impairment of associate	15	1.8	1.4
Share of post-tax loss/(profit) from associate	15	0.4	(0.9)
		44.7	72.6
Changes in working capital		(5.3)	(1.0)
Cash generated from operations		39.4	71.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

29. 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 and notably impacted by COVID-19 in the current year.

The tables below present information about the Group's financial instruments carried at fair value as at 31 August 2020 and 31 August 2019.

	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
31 August 2020				
Financial liabilities				
Derivative financial liabilities (Note 22)	-	(12.6)	-	(12.6)
	-	(12.6)	-	(12.6)
31 August 2019				
Financial liabilities				
Derivative financial liabilities (Note 22)	-	(12.8)	-	(12.8)
	-	(12.8)	-	(12.8)

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 13 and Note 19, the Group considers investment property, including held for sale assets, to be categorised as 'Level 3'. The fair value of loans to joint ventures is presented in Note 14 and this financial asset is classified as 'Level 3'. As stated in Note 20, the Group considers all bank loans to be categorised as 'Level 3' and the fair value adjustment on fixed rate borrowings is disclosed therein. Lease obligations are classified as 'Level 3, the fair value of which is presented in Note 21.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

30. RELATED PARTY TRANSACTIONS

Related parties of the Group include: associate undertakings; joint ventures; Directors and key management personnel; connected parties; the major shareholder; as well as entities connected through common directorships.

	31 August 2020 £m	31 August 2019 £m
Related party transactions		
Revenue transactions		
Rental income (Note 4)		
Gross lease payments from RBH	11.1	23.5
Lease incentive contributions to RBH	(3.3)	(2.9)
	7.8	20.6
Rental expense (Note 4)		
Office Space Cleaning Company Limited cleaning fees	(0.5)	(0.6)
Other operating income (Note 5)		
<i>Joint venture investment management income</i>		
RI Menora German Holdings S.à.r.l.	0.2	0.1
Administration costs and other fees (Note 6)		
OSIT investment management fees	(0.7)	(0.9)
Finance income - discontinued operation (Note 3)		
<i>Joint venture loan interest income</i>		
RI Menora German Holdings S.à.r.l.	0.1	0.3
Other finance expense (Note 11)		
Expected credit losses on amounts receivable from RBH	(1.9)	-
	31 August 2020 £m	31 August 2019 £m
Capital transactions		
Investment property - capitalised expenditure		
Project monitoring fee to RBH – construction works	-	0.1
Investment in associate (Note 15)		
Additional investment in RBH	0.6	-
Dividends received from RBH	(0.5)	(1.0)
	0.1	(1.0)
Non-controlling interests (Note 7, Note 27)		
Disposal of Bizline Limited equity interest in Europe portfolio	(1.3)	-
Related party balances		
Recognised loans to joint ventures (Note 14)		
RI Menora German Holdings S.à.r.l.	-	5.1
26 The Esplanade (reversal of impairment)	0.7	-
	0.7	5.1
Trade and other receivables (Note 17)		
RBH – tenant lease incentives	-	3.2
RBH – gross amounts advanced to associate	3.9	-
Osirus Berlin Limited – loan in relation to corporate sale (Note 7)	0.4	-
RI Menora German Holdings S.à.r.l – accrued performance fee income	0.2	-
RI Menora German Holdings S.à.r.l – interest receivable	-	0.1
	4.5	3.3
RBH – expected credit losses against amounts advanced	(1.9)	-
	2.6	3.3
Trade and other payables (Note 24)		
RI Menora German Holdings S.à.r.l – trading balances	(0.4)	(0.4)
Tsogo Sun – outstanding loan and interest	(1.1)	-
	(1.5)	(0.4)
	31 August 2020 £m	31 August 2019 £m
Related party transactions with equity holders of the Parent		
Redefine Properties Limited – cash dividends	6.7	12.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

MAJOR SHAREHOLDER

In July 2020, Redefine Properties Limited sold its 29.42 per cent shareholding in the Company to controlled affiliates of Starwood Capital Group.

OSIT

OSIT indirectly holds the 20 per cent non-controlling interest in the LSO portfolio and is contracted as the asset manager of each property. On initial investment, RDI entered into management contracts 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. Management fees of £0.7 million were charged by OSIT for the year ended 31 August 2020 (31 August 2019: £0.9 million). In addition, there are number of operating and administrative expenses that OSIT incurs and recharges to the Group at cost. These amounted to less than £0.1 million for the year ended 31 August 2020 and 31 August 2019.

Office Space Cleaning Limited is also considered a related party as it is a controlled subsidiary of OSIT. Fees charged for cleaning services to the LSO portfolio during the year ended 31 August 2020 amounted to £0.5 million (31 August 2019: £0.6 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 2020 was £0.3 million (31 August 2019: £0.4 million), which represents Directors fees only.

The remuneration payable to Executive Directors for the year ended 31 August 2020 was £1.6 million (31 August 2019: £1.9 million), representing salaries, benefits and bonuses. 1.8 million contingent share awards were issued to Executive Directors during the year ended 31 August 2020 (31 August 2019: 1.3 million).

The IFRS 2 share-based payment charge associated with the cumulative contingent share awards to the Executive Directors was £0.2 million for the year ended 31 August 2020 (31 August 2019: £0.2 million).

The table below shows Directors dealings in shares for the period 1 September 2018 to 30 August 2020:

Name	Date of transaction	Transaction	Number of ordinary shares acquired	Price per ordinary share acquired
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	28,723	111.8p
Mike Watters	2 December 2019	Share issue	95,258	127.4p
Stephen Oakenfull ⁽¹⁾	2 December 2019	Share issue	37,264	127.4p
Adrian Horsburgh ⁽¹⁾	2 December 2019	Share issue	61,662	127.4p
Donald Grant	2 December 2019	Share issue	31,516	127.4p

⁽¹⁾ Stephen Oakenfull and Adrian Horsburgh stepped down from the Board at the Company's Annual General Meeting on 23 January 2020. They continue to be employed by the Group and are considered key management personnel.

Full disclosure of Director dealings is included in the 2020 Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

31. EARNINGS PER SHARE

	31 August 2020 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:		
Continuing operations	(87.0)	(82.4)
Discontinued operation	(16.8)	4.8
	(103.8)	(77.6)
Continuing operations adjustments:		
<i>Group</i>		
Loss on revaluation of investment property	113.0	56.6
Loss on disposal of investment property	2.2	1.7
Loss on revaluation of investment property	0.6	-
Gain on disposal of investment property held for sale	(0.9)	-
Loss of control of Aviva Portfolio	-	55.6
Acquisition and disposal of subsidiaries	-	0.4
Other expenses	0.6	0.2
Other finance expense	1.9	0.3
Change in fair value of derivative financial instruments	1.8	9.4
Impairment of associate	1.8	1.4
Current tax	-	0.2
<i>Joint ventures</i>		
(Gain)/loss on revaluation of investment property	(0.4)	0.3
Change in fair value of derivative financial instruments	(0.2)	0.3
Elimination of joint venture unrecognised profits/(losses) ⁽¹⁾	0.2	(0.6)
<i>Non-controlling interests</i>		
Loss on revaluation of investment property	(13.4)	(1.9)
Change in fair value of derivative financial instruments	-	(0.1)
Other finance costs	(0.4)	(0.1)
Current tax	-	(0.2)
	106.8	123.5
Discontinued operation adjustments:		
<i>Group</i>		
Loss on revaluation of investment property	-	1.3
Loss on revaluation of investment property held for sale	12.4	2.4
Loss on disposal of investment property	-	0.2
Loss/(gain) on disposal of investment property held for sale	1.0	(0.5)
Loss on disposal of subsidiaries	12.5	0.1
Change in fair value of derivative financial instruments	(1.6)	1.6
Other finance costs	0.1	-
Deferred tax	(2.0)	(2.0)
Current tax	0.9	0.3
<i>Joint ventures</i>		
Gain on revaluation of investment property	-	(0.1)
Loss/(gain) on revaluation of investment property held for sale	0.5	(0.7)
Gain on disposal of investment property held for sale	(0.7)	-
Loss on disposal of subsidiaries	0.2	-
Other finance costs	0.3	-
Deferred tax	(0.7)	0.2
Current tax	0.5	-
Joint venture NCI elimination	(0.1)	-
<i>Non-controlling interests</i>		
Gain on revaluation of investment property held for sale	-	0.1
Loss on disposal of investment property held for sale	(0.1)	-
Disposal of subsidiaries	(0.1)	-
Deferred tax	0.2	-
Current tax	(0.1)	-
	23.2	2.9
EPRA earnings	26.2	48.8
<i>Attributable to:</i>		
Continuing operations	19.8	41.1
Discontinued operation	6.4	7.7
<i>Company adjustments:</i>		
Accretion of debt fair value adjustments	-	0.4
IFRS 16 adjustments	0.1	-
Foreign currency movements	(0.2)	-
Discontinued operation Company adjustments	0.1	0.2
Underlying earnings	26.2	49.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Attributable to:

Continuing operations	19.7	41.5
Discontinued operation	6.5	7.9

	31 August 2020 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:		
Continuing operations	(87.0)	(82.4)
Discontinued operation	(16.8)	4.8
	(103.8)	(77.6)

Number of ordinary shares (millions)

IFRS weighted average	380.3	380.1
IFRS diluted weighted average ⁽²⁾	380.3	380.1

IFRS earnings per share (pence)

Continuing operations

- Basic	(22.9)	(21.7)
- Diluted	(22.9)	(21.7)

Total Group

- Basic	(27.3)	(20.4)
- Diluted	(27.3)	(20.4)

⁽¹⁾ At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 14).

⁽²⁾ At 31 August 2020 and 31 August 2019, contingently issuable shares had an anti-dilutive effect on IFRS earnings per share due to the loss of the Group. Therefore, for IFRS purposes the weighted and diluted weighted average number of shares are 380.3 million (31 August 2019: 380.1 million).

	31 August 2020 £m	31 August 2019 £m
EPRA earnings		
<i>Attributable to:</i>		
Continuing operations	19.8	41.1
Discontinued operation	6.4	7.7
	26.2	48.8

Underlying earnings

Attributable to:

Continuing operations	19.7	41.5
Discontinued operation	6.5	7.9
	26.2	49.4

Number of ordinary shares (millions)

Non-IFRS measures weighted average	380.3	380.1
------------------------------------	--------------	-------

Dilutive effect of:

Contingently issuable share awards under the Long Term Performance Share Plan	0.7	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2

Non-IFRS measures diluted weighted average	381.4	380.9
--	--------------	-------

EPRA earnings per share (pence)

Continuing operations

- Basic	5.2	10.8
- Diluted	5.2	10.8

Total Group

- Basic	6.9	12.8
- Diluted	6.9	12.8

Underlying earnings per share (pence)

Continuing operations	5.2	10.9
Total Group	6.9	13.0

Dividend per share (pence)

Full year dividend per share (pence)	5.0	10.0
--------------------------------------	------------	------

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

Headline earnings per share is calculated in accordance with Circular 01/2019 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 2020 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:		
Continuing operations	(87.0)	(82.4)
Discontinued operation	(16.8)	4.8
	(103.8)	(77.6)
Continuing operations adjustments:		
<i>Group</i>		
Loss on revaluation of investment property	113.0	56.6
Loss on disposal of investment property	2.2	1.7
Loss on revaluation of investment property held for sale	0.6	-
Gain on disposal of investment property held for sale	(0.9)	-
Loss of control of Aviva Portfolio	-	55.6
Impairment of associate	1.8	1.4
<i>Joint ventures</i>		
(Gain)/loss on revaluation of investment property	(0.4)	0.3
Elimination of joint venture unrecognised losses ⁽¹⁾	0.2	(0.3)
<i>Non-controlling interests</i>		
Loss on revaluation of investment property	(13.4)	(1.9)
	103.1	113.4
Discontinued operation adjustments:		
<i>Group</i>		
Loss on revaluation of investment property	-	1.3
Loss on revaluation of investment property held for sale	12.4	2.4
Loss on disposal of investment property	-	0.2
Loss/(gain) on disposal of investment property held for sale	1.0	(0.5)
Loss on disposal of subsidiaries	12.5	0.1
Deferred tax	(2.4)	(1.1)
<i>Joint ventures</i>		
Gain on revaluation of investment property	-	(0.1)
Loss/(gain) on revaluation of investment property held for sale	0.5	(0.7)
Gain on disposal of investment property held for sale	(0.7)	-
Loss on disposal of subsidiaries	0.2	-
Deferred tax	(0.7)	0.2
<i>Non-controlling interests</i>		
Gain on revaluation of investment property held for sale	-	0.1
Loss on disposal of investment property held for sale	(0.1)	-
Disposal of subsidiaries	(0.1)	-
Deferred tax	0.2	-
Joint venture NCI adjustments	(0.1)	-
	22.7	1.9
Headline earnings attributable to equity holders of the Parent	22.0	37.7
<i>Attributable to:</i>		
Continuing operations	16.1	31.0
Discontinued operation	5.9	6.7
Number of ordinary shares (millions)		
Weighted average	380.3	380.1
Diluted weighted average	381.4	380.9
Headline earnings per share (pence)		
Continuing operations		
- Basic	4.2	8.2
- Diluted	4.2	8.1
Total Group		
- Basic	5.8	9.9
- Diluted	5.8	9.9

⁽¹⁾ At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

32. NET ASSET VALUE PER SHARE

	31 August 2020 £m	31 August 2019 £m
Net assets attributable to equity holders of the Parent	557.2	685.6
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	12.6	12.8
Deferred tax	5.3	7.5
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	2.8	3.1
Elimination of unrecognised derivative financial instruments ⁽¹⁾	-	(3.1)
Deferred tax	-	0.8
<i>Non-controlling interest adjustments:</i>		
Fair value of derivative financial instruments	(0.1)	(0.1)
Deferred tax	-	(0.1)
EPRA NAV	577.8	706.5
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	(12.6)	(12.8)
Excess of fair value of debt over carrying value	(0.8)	(3.0)
Deferred tax	(5.3)	(7.5)
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	(2.8)	(3.1)
Elimination of unrecognised derivative financial instruments ⁽¹⁾	-	3.1
Deferred tax	-	(0.8)
<i>Non-controlling interest adjustments:</i>		
Fair value of derivative financial instruments	0.1	0.1
Deferred tax	-	0.1
EPRA NNAV	556.4	682.6
Number of ordinary shares (millions)		
In issue	380.3	380.1
<i>Dilutive effect of:</i>		
Contingently issuable share awards under the Long Term Performance Share Plan	0.7	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2
Diluted	381.4	380.9
Net asset value per share (pence):		
- Basic	146.5	180.4
- Diluted	146.1	180.0
EPRA diluted NAV per share (pence)	151.5	185.5
EPRA diluted NNAV per share (pence)	145.9	179.2

⁽¹⁾ At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

In October 2019, EPRA issued updated best practice guidelines, which are effective for accounting periods starting on or before 1 January 2020. The biggest changes in the guidelines are with respect to the net asset value measures, aimed at reflecting the changing nature of property companies, with existing measures being replaced by three new net asset value measures: EPRA Net Reinstatement Value ("NRV"), EPRA Net Tangible Assets ("NTA") and EPRA Net Disposal Value ("NDV").

In these results for the year ended 31 August 2020, the Group has chosen to present early the revised best practice net asset value measures, in addition to disclosing the existing November 2016 best practice measures, for both the current and comparative accounting periods. The new measures have been reconciled to the existing net asset value calculations in line with requirements.

	31 August 2020 £m	31 August 2019 £m
Net assets attributable to equity holders of the Parent	557.2	685.6
EPRA NDV	557.2	685.6
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	12.6	12.8
Deferred tax ⁽¹⁾	2.7	3.7
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	2.8	3.1
Elimination of unrecognised derivative financial instruments ⁽²⁾	-	(3.1)
Deferred tax ⁽¹⁾	-	0.4
<i>Non-controlling interest adjustments:</i>		
Fair value of derivative financial instruments	(0.1)	(0.1)
EPRA NTA	575.2	702.4
<i>Group adjustments:</i>		
Excess of fair value of debt over carrying value	(0.8)	(3.0)
Carrying value of intangible assets	-	(0.6)
Fair value of intangible assets	-	0.6
Deferred tax	2.6	3.8
<i>Joint venture adjustments:</i>		
Deferred tax	-	0.4
<i>Non-controlling interest adjustments:</i>		
Deferred tax	-	(0.1)
EPRA NRV	577.0	703.5
<i>Reconciliation to existing EPRA NAV metrics:</i>		
Excess of fair value of debt over carrying value	0.8	3.0
EPRA NAV	577.8	706.5
Fair value of derivative financial instruments	(15.3)	(12.7)
Excess of fair value of debt over carrying value	(0.8)	(3.0)
Deferred tax	(5.3)	(8.2)
EPRA NNAV	556.4	682.6
Number of ordinary shares (millions)		
In issue	380.3	380.1
<i>Dilutive effect of:</i>		
Contingently issuable share awards under the Long Term Performance Share Plan	0.7	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2
Diluted	381.4	380.9
EPRA diluted NDV per share (pence)	146.1	180.0
EPRA diluted NTA per share (pence)	150.8	184.4
EPRA diluted NRV per share (pence)	151.3	184.7

⁽¹⁾ The Group has chosen to exclude 50 per cent of deferred taxes under the three allowable options in the October 2019 EPRA BPR guidelines.

⁽²⁾ At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2020

33. CONTINGENCIES, GUARANTEES AND COMMITMENTS

At 31 August 2020, the Group was contractually committed to expenditure of £2.3 million (31 August 2019: £16.4 million), of which £2.3 million (31 August 2019: £16.4 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 liquidator is expected to finalise his report shortly.

The European Commission has obtained a European Court ruling that certain aspects of the UKs 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, Cref Europe Limited, has claimed benefit from exemptions available under Chapter 9 of the Taxation (International and Other Provisions) Act 2010 and was therefore in receipt of two information requests from HMRC on which the Company has responded. While the Company believes it is in a strong position to defend such claim, 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 its exposure to be in the region of £6 million.

34. SUBSEQUENT EVENTS

On 7 September 2020, the Group exchanged contracts for the disposal of its UK Retail Parks portfolio of six assets for gross consideration of £156.9 million. The disposal completed on 30 October 2020 by way of share sales. The portfolio was not considered held for sale at the reporting date.

On 30 October 2020, the Group exchanged contracts for the disposal of another retail asset from its discontinued Europe portfolio, located in Molln, for €3.8 million. The sale is anticipated to complete in December 2020.

As a result of the widespread growth in COVID-19 rates of infection across the UK and Germany since the reporting date, restrictions have been reintroduced by the UK and German Governments, effective 5 November 2020 and 2 November 2020 respectively. In the UK, non-essential shops, restaurants, bars and entertainment venues shall be closed and people are being asked to work from home where possible until 2 December 2020. These measures and the timelines required for full recovery are expected to continue to have a material impact on the Group's financial performance during the year ending 31 August 2021.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

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.

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

Portfolio summary	Market value	Annualised gross rental income ⁽¹⁾⁽²⁾	ERV	EPRA NIY	EPRA topped up NIY	Reversionary yield ⁽³⁾	WAULT ⁽⁴⁾	EPRA occupancy by ERV ⁽⁴⁾	Indexed
31 August 2020	£m	£m	£m	%	%	%	Yrs	%	%
UK Commercial	524.7	30.6	31.0	4.8	5.3	5.4	6.3	98.1	19.6
UK Hotels	309.7	10.2	12.0	2.2	2.2	3.3	21.0	100.0	12.9
UK Retail	210.1	19.0	17.5	6.8	7.7	7.8	6.6	99.6	12.8
Total UK	1,044.5	59.8	60.5	4.4	4.9	5.3	6.9	98.8	16.3
Europe	122.2	7.2	6.7	4.4	5.0	5.1	4.7	98.5	94.5
Total	1,166.7	67.0	67.2	4.4	4.9	5.2	6.6	98.8	24.7
Controlled assets	1,155.1	66.1	66.3	4.4	4.9	5.2	6.6	98.8	25.1
Held in JVs (Group share)	11.6	0.9	0.9	3.9	6.9	7.0	5.6	100.0	-

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

⁽²⁾ Annualised gross rental income for UK Hotels reflects rents collected on the RBH managed hotels during the year.

⁽³⁾ Reversionary yields for London Serviced Offices and RBH managed hotels reflect management expectations of the underlying EBITDAs for the 2021 financial year.

⁽⁴⁾ Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

UK Commercial

	Market value	Annualised gross rental income ⁽¹⁾	ERV	EPRA NIY	EPRA topped up NIY	Reversionary yield ⁽²⁾	WAULT ⁽³⁾	EPRA occupancy by ERV ⁽³⁾	Indexed
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Offices – Serviced	148.3	8.5	8.2	5.0	5.0	4.9	n/a	n/a	-
Offices – Greater London	111.0	5.5	6.2	4.4	4.5	5.2	2.4	99.5	12.3
Offices – Regions	18.7	1.6	1.8	5.3	7.1	8.9	7.4	87.1	8.9
UK Offices	278.0	15.6	16.2	4.8	5.0	5.3	3.6	96.7	5.2
Distribution and Industrial	246.7	15.0	14.8	4.7	5.7	5.6	7.5	98.8	34.4
UK Commercial	524.7	30.6	31.0	4.8	5.3	5.4	6.3	98.1	19.6

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

⁽²⁾ Reversionary yield for the London Serviced Office portfolio reflects management expectations of the underlying EBITDAs for the 2021 financial year.

⁽³⁾ Excluding London Serviced Office portfolio. Relevant operational metrics disclosed separately.

UK Hotels

	Market value	Annualised gross rental income ⁽¹⁾	ERV	EPRA NIY	EPRA topped up NIY	Reversionary yield ⁽²⁾	WAULT ⁽³⁾	EPRA occupancy by ERV ⁽³⁾	Indexed
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Greater London	159.4	5.1	4.1	2.4	2.4	2.4	n/a	n/a	-
Regional	105.5	3.8	5.5	1.6	1.6	3.9	n/a	n/a	2.6
RBH managed portfolio	264.9	8.9	9.6	2.1	2.1	3.0	n/a	n/a	1.1
Travelodge	44.8	1.3	2.4	2.8	2.8	5.0	21.0	100.0	91.5
UK Hotels	309.7	10.2	12.0	2.2	2.2	3.3	21.0	100.0	12.9

⁽¹⁾ Annualised gross rental income and related metrics for the RBH Managed portfolio reflects rents collected during the year.

⁽²⁾ Reversionary yield for the RBH managed portfolio reflects management expectations of underlying EBITDAs for the 2021 financial year.

⁽³⁾ Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately. The Travelodge, Slough did not contribute to the WAULT calculation as at 31 August 2020 given there was no rent under the CVA terms.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

UK Retail

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up NIY	Rever-sionary yield	WAULT	EPRA occupancy by ERV	Indexed
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
Retail parks	156.9	12.4	11.0	6.4	7.4	6.6	7.1	100	13.4
Shopping centres	53.2	6.6	6.5	8.0	8.6	11.3	5.8	99.0	11.7
UK Retail	210.1	19.0	17.5	6.8	7.7	7.8	6.6	99.6	12.8

Europe

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Rever-sionary yield	WAULT	EPRA occupancy by ERV	Indexed
31 August 2020	£m	£m	£m	%	%	%	yrs	%	%
German shopping centres ⁽¹⁾	109.4	6.2	5.7	4.3	4.9	4.9	4.8	99.3	95.6
German other	12.8	1.0	1.0	5.9	5.9	7.1	3.7	94.0	87.2
Total	122.2	7.2	6.7	4.4	5.0	5.1	4.7	98.5	94.5

⁽¹⁾ Includes Bahnhof, Altona, Hamburg which is subject to an exchange of contracts for sale.

EPRA NIY

The below tables present 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	UK Hotels	UK Retail	Europe	Group total
31 August 2020	£m	£m	£m	£m	£m
Investment property – wholly owned	513.1	309.7	210.1	122.2	1,155.1
Investment property – held in joint ventures	11.6	-	-	-	11.6
Market value of total portfolio	524.7	309.7	210.1	122.2	1,166.7
Allowance for estimated purchasers' costs ⁽¹⁾	35.7	21.1	14.3	7.7	78.8
Grossed up property portfolio valuation	560.4	330.8	224.4	129.9	1,245.5
Triple net rent	26.7	7.2	15.3	5.8	55.0
Impact of expiration of rent-free periods	3.0	-	2.0	0.7	5.7
Topped up triple net rent	29.7	7.2	17.3	6.5	60.7
EPRA NIY (%)	4.8	2.2	6.8	4.4	4.4
EPRA topped up NIY (%)	5.3	2.2	7.7	5.0	4.9

	UK Commercial	UK Hotels	UK Retail	Europe	Group total
31 August 2019	£m	£m	£m	£m	£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 ⁽¹⁾	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

⁽¹⁾ Estimated purchaser's costs are determined by applying the relevant percentage costs of notional acquisition (stamp duty liability and an estimate of agent and legal fees) on the market value of each property.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

EPRA cost ratio

The tables below present 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.

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Other £m	Group total £m
31 August 2020						
Rental income	33.6	9.7	18.9	12.7	-	74.9
Adjusted for:						
London Serviced Offices rental income and operating lease expense ⁽¹⁾	(12.8)	-	-	-	-	(12.8)
EPRA adjusted rental income	20.8	9.7	18.9	12.7	-	62.1
Net service charge income	(1.5)	-	(3.1)	(3.9)	-	(8.5)
Net service charge expense	1.5	-	3.8	5.1	-	10.4
Other rental expense	6.3	0.3	2.9	1.1	-	10.6
Administrative costs and other fees	1.4	0.1	0.1	0.6	9.8	12.0
JV management fees	-	-	-	(0.1)	-	(0.1)
	7.7	0.4	3.7	2.8	9.8	24.4
Adjusted for:						
London Serviced Offices rental and administrative expenses ⁽¹⁾	(6.1)	-	-	-	-	(6.1)
Expected credit losses against tenant lease incentives ⁽²⁾	(0.7)	-	(0.7)	-	-	(1.4)
EPRA adjusted operating expenses	0.9	0.4	3.0	2.8	9.8	16.9
Direct vacancy costs	(0.4)	(0.2)	(1.3)	(1.2)	-	(3.1)
EPRA adjusted operating expenses (excluding direct vacancy costs)	0.5	0.2	1.7	1.6	9.8	13.8
EPRA cost ratio (inc. direct vacancy costs) (%)						27.4
EPRA cost ratio (exc. direct vacancy costs) (%)						22.4

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Other £m	Group total £m
31 August 2019						
Rental income	37.2	23.0	31.4	14.7	-	106.3
Operating lease expense	(0.6)	(1.2)	-	-	-	(1.8)
Adjusted for:						
London Serviced Offices 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)
Adjusted for:						
London Serviced Offices 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⁾ The London Serviced Offices portfolio is excluded from the EPRA cost ratio due to the operational nature of that business.

⁽²⁾ The EPRA cost ratio excludes expected credit losses against tenant lease incentives as this was a prudent 'worst-case' impairment assumption in light of COVID-19 uncertainties.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

EPRA vacancy rate

The tables below present 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 ⁽¹⁾	Group total £m
31 August 2020					
ERV of vacant space	0.4	-	0.1	0.1	0.6
ERV of total portfolio	31.0	12.0	17.5	6.7	67.2
Serviced Offices, RBH and Ingolstadt adjustments	(8.3)	(9.6)	-	(0.1)	(18.0)
Revised ERV	22.7	2.4	17.5	6.6	49.2
EPRA vacancy rate (%)⁽²⁾	1.9	-	0.4	1.5	1.2
Occupancy rate (%)⁽²⁾	98.1	100.0	99.6	98.5	98.8

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m ⁽¹⁾	Group total £m
31 August 2019					
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 (%)⁽²⁾	8.0	-	2.2	0.9	4.1
Occupancy rate (%)⁽²⁾	92.0	100.0	97.8	99.1	95.9

⁽¹⁾ Calculated in local currency.

⁽²⁾ Presented as the occupancy rate (inverse to vacancy rate) in the operating review.

EPRA capital expenditure analysis

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Group total £m
31 August 2020					
Capital expenditure on like-for-like portfolio	1.7	0.3	0.9	-	2.9
Capital expenditure	1.7	0.3	0.9	-	2.9

	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

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

UK Commercial

Offices

£0.5 million incurred on the development at Charing Cross, £0.3 million on the refurbishment of a Greater London office in Kingston and £0.4 million on planning applications for Newington House in London (31 August 2019: £1.8 million);

Distribution & Industrial

£0.5 million incurred on the fit-out and refurbishment of units let to new tenants at Southwood Business Park, Farnborough.

UK Hotels

£0.2 million on final completion of the refurbishment and extension of the Holiday Inn, Edinburgh and £0.1 million on external works to the DoubleTree, Edinburgh (31 August 2019: £3.2 million).

UK Retail

UK Retail Parks

£0.4 million capital expenditure on the final installation of the drive-thru pod in The Arches Retail Park and £0.5 million on the re-fit of a unit in Banbury Cross Retail Park (31 August 2019: £1.5 million); and

UK Shopping Centres

During the year ended 31 August 2019, £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.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

Top ten tenants

				Annualised gross rental income	Total Gross rental income
Ranking	Tenant (trading name)	Portfolio	Sector	£m	%
1	RBH	UK Hotels	Limited service	8.9	13.2
2	B&Q	UK Retail	Home and DIY	3.5	5.3
3	Royal Mail	UK Commercial	Services	2.5	3.8
4	UK Government bodies	UK Commercial	Government associated	2.4	3.7
5	Arrival	UK Commercial	Automotive	2.3	3.5
6	PRIMARK	UK Retail and Europe	Fashion	1.3	2.0
7	Travelodge	UK Hotels	Limited service	1.3	2.0
8	EDF Energy PLC	UK Commercial	Utilities	1.3	2.0
9	Kwik Fit	UK Commercial	Automotive	1.2	1.8
10	Currys	UK Retail	Technology and telecommunication	1.0	1.4
				25.7	38.7

Top 20 assets ⁽¹⁾

	Market value £m	Portfolio by market value %	Area m ²	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	WAULT Yrs	EPRA occupancy by ERV %	Indexed %
As at 31 August 2020										
Hamburg, Bahnhof Altona	81.2	7.0	15,042	4.3	4.1	3.7	4.5	4.3	99.9	96.4
Crawley, Camino Park Distribution Centre	76.0	6.5	33,171	4.0	4.2	4.9	4.9	2.5	100	-
London, Monument, St Dunstons	58.6	5.0	5,428	3.4	3.2	4.9	4.9	n/a	n/a	-
London, Charing Cross Road	58.5	5.0	3,716	2.0	2.5	3.0	3.2	1.7	100	33.4
Bridgwater, Express Park Distribution Centre	50.6	4.3	47,307	3.0	3.1	4.5	5.5	8.4	100	-
London, Harrow, St Georges	45.2	3.9	20,331	4.4	4.4	7.8	7.8	5.2	100	17.3
London, Southwark Holiday Inn Express	44.7	3.8	3,936	1.4	1.1	2.5	2.5	n/a	n/a	-
Edinburgh, DoubleTree Hilton	37.5	3.2	7,250	1.1	1.6	2.1	2.1	n/a	n/a	9.3
Bicester, Link 9	33.1	2.8	26,826	2.3	2.0	3.3	6.6	14.3	100	100.0
London, Liverpool Street, New Broad Street	31.4	2.7	3,291	1.9	1.9	4.9	4.9	n/a	n/a	0.0
Top ten assets	516.8	44.2								
Farnborough, Southwood Business Park	29.9	2.6	14,312	1.8	2.2	4.5	5.5	5.0	91.8	-
London, St Pauls, Little Britain	29.4	2.5	3,429	1.4	1.4	4.5	4.5	n/a	n/a	-
London, Waterloo, Boundary Row	28.9	2.5	3,326	1.8	1.8	5.8	5.8	n/a	n/a	-
Ingolstadt, City Arkaden	28.2	2.4	12,374	2.0	1.7	6.0	6.0	6.1	97.7	93.7
London, Earl's Court Holiday Inn Express	27.9	2.4	2,781	0.6	0.7	1.5	1.5	n/a	n/a	-
London, Limehouse Holiday Inn Express	27.5	2.4	5,747	1.2	0.7	3.6	3.6	n/a	n/a	-
IHL - Edinburgh, Holiday Inn Express	23.2	2.0	4,830	0.9	1.4	1.8	1.8	n/a	n/a	-
London, Kingston, Canbury Business Park	22.0	1.9	5,198	1.4	1.6	6.0	6.0	3.3	98.0	-
IHL - Gatwick, Hampton by Hilton	21.7	1.9	7,433	1.2	1.7	0.6	0.6	n/a	n/a	-
London, Royal Docks Holiday Inn Express	19.5	1.7	4,561	0.7	0.7	3.0	3.0	n/a	n/a	-
Top 20 assets	775.0	66.5								

⁽¹⁾ Excludes assets within UK Retail parks portfolio which were sold on 30 October 2020.

OTHER INFORMATION (UNAUDITED)

for the year ended 31 August 2020

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.

	31 August 2020 £m	31 August 2019 £m
Group (proportionately consolidated)		
Interest cover		
Net rental income	62.3	94.1
Operating lease charges (IFRS 16)	(1.6)	-
	60.7	94.1
Net finance expense	24.4	29.3
Debt fair value adjustments (discontinued operation)	(0.2)	(0.6)
Operating lease charges (IFRS 16)	(1.6)	-
	22.6	28.7
Interest cover (times)	2.7	3.3

Dividend pay-out ratio

	31 August 2020 Per share	31 August 2019 Per share
Group (proportionately consolidated, including discontinued operation)		
Dividends declared (pence)	5.0	10.0
Underlying earnings (pence)	6.9	13.0
Dividend pay-out ratio (%)	72.5	76.9

Dividend cover (inverse of dividend pay-out ratio)

	31 August 2020 Per share	31 August 2019 Per share
Group (proportionately consolidated, including discontinued operation)		
Underlying earnings (pence)	6.9	13.0
Dividends declared (pence)	5.0	10.0
Dividend cover	1.4	1.3

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 (including and excluding costs of direct vacancy) expressed as a percentage of gross rental income as defined by EPRA
EPRA earnings	Earnings from operational activities as defined by EPRA
EPRA NAV	EPRA Net Asset Value. The Group's IFRS NAV adjusted to exclude certain items not expected to crystallise such as deferred tax and derivatives
EPRA NDV	EPRA Net Disposal Value. The measure represents shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax
EPRA NIY	EPRA 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 (increased with estimated purchasers' costs)
EPRA NNAV	EPRA Triple Net Asset Value. EPRA NAV adjusted to include the fair value of deferred tax and derivatives, in addition to the fair value of debt
EPRA NRV	EPRA Net Reinvestment Value. The measure assumes that entities never sell assets and aims to represent the value required to rebuild the entity
EPRA NTA	EPRA Net Tangible Assets. The measure assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax
EPRA occupancy	Estimated market rental value (ERV) of occupied space divided by ERV of the whole portfolio
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 at the reporting date
EU	European Union
EUR or Euro	Euro, the lawful common currency of participating member states of the European Monetary Union
ESG	Environmental, Social and Governance
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 calculated with reference to an index, such as the Consumer Price Index
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 consideration or expense borne by the Group to secure a lease. Typically, an incentive will be an initial rent-free period or an upfront cash contribution for unit fit out or similar
Like-for-like net rental income	Like-for-like net rental income compares the growth in net rental income from the Group's portfolio that has been consistently in operation, and not under development, throughout the current and comparative period
Like-for-like property	Like-for-like property compares the growth in capital values of the Group's portfolio, excluding development assets, that were held at the current and comparative reporting dates
LSE	The London Stock Exchange plc
LSO	London Serviced Office Portfolio
LTV or Loan-to-value	Net debt as a percentage of the market value of the Group's property portfolio (proportionate). Refer to the financial review
NAV	Net Asset Value
NCI	Non-controlling interest
Net debt	Nominal value of the Group's bank debt net of cash and cash equivalents (proportionate)
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
Redefine Properties or RPL	Redefine Properties Limited, a company listed on the JSE and until July 2020, 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

GLOSSARY

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. To qualify as a UK REIT, the Group must be a publicly quoted company with at least 75 per cent of its profits and assets derived from a qualifying property rental business. As a UK REIT, income and capital gains from the UK property rental business are tax-exempt but REITs are required to distribute at least 90 per cent of those UK 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, non-cash transitional adjustments to IFRS 16 and FX gains and losses reflected in the income statement
WAULT	Weighted average unexpired lease term