

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

RECENT STRATEGIC ACTIONS ENHANCE RESILIENCE

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 six months ended 29 February 2020.

Financial highlights

	Six months ended 29 February 2020	Six months ended 28 February 2019 (excl. the Aviva portfolio)	Six months ended 28 February 2019
Income statement			
Underlying earnings (£m)	20.8	22.7	26.4
Underlying earnings per share (p)	5.5	6.0	6.9
Net rental income (£m) ⁽¹⁾	35.7	36.3	44.2
Dividend per share (p)	-	4.0	4.0

	As at 29 February 2020	As at 31 August 2019	As at 28 February 2019 (excl. the Aviva portfolio)
Balance sheet			
EPRA NAV per share (p)	172.0	185.5	190.2
IFRS NAV (Group share) (£m)	639.7	685.6	713.9
Portfolio valuation (incl. JV share) (£m)	1,336.5	1,423.3	1,440.4
Loan to value (%) ⁽²⁾	41.8	42.0	45.4

Tables include certain non-IFRS performance measures which are explained and referenced to IFRS reconciliations in the Alternative Performance Measures tables.

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

⁽²⁾ LTV adjusted to reflect transactions between balance sheet date and the date of the results announcement.

Robust H1 2020 operational and asset management performance leaves business well placed to face current challenges

- EPRA occupancy remains high at 96.5 per cent (31 August 2019: 95.9 per cent)
- 69 leasing events completed during the period, 6.1 per cent (£0.7 million) above ERV
- Like-for-like net rental income declined 1.3 per cent reflecting a reduction in income from operational assets and continued CVA activity in the retail sector
- Resilient income returns from the London Serviced Office portfolio with average desk rates maintained despite lower occupancy of 89.6 per cent (31 August 2019: 93.6 per cent)
- Managed hotel portfolio RevPAR declined 10 per cent to £71.4 (31 August 2019: £79.3) following lower occupancy and rates

COVID-19 trading update and financial position

- Approximately £85.0 million of cash providing good levels of liquidity
- Rent collection of 59 per cent for the March 2020 quarter (83.1 per cent excluding RBH managed Hotels and London Serviced Offices)
- Disciplined measures to reduce asset related operating costs
- Committed capital expenditure limited to £1.8 million

Strong progress on strategic disposal programme

- £156.0 million of disposals completed or exchanged during the period at an average premium of 1.7 per cent to market value (including transactions post period end)

- Group Retail exposure reduced to 33.6 per cent (31 August 2019: 35.3 per cent) with a further reduction to 28.1 per cent following the sale of the German DIY portfolio and subject to completion of the Bahnhof Altona shopping centre disposal in Hamburg
- UK Retail exposure limited to 17.7 per cent

Balance sheet and leverage

- EPRA NAV per share declined 7.3 per cent to 172.0 pence per share, largely due to the reduction in the like-for-like portfolio value of 4.1 per cent
- Pro forma LTV stable at 41.8 per cent (31 August 2019 pro forma: 42.0 per cent)
- Cost of debt remains low 2.9 per cent (31 August 2019: 2.9 per cent)

Gavin Tipper, Chairman, commented:

"We are releasing interim results in unprecedented times, but are pleased to report that the strategic actions taken over the last 12 months, including our disposal programme and proactive balance sheet management, have put the Company in a position to weather the extraordinary conditions we face. Our focus during this time 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. In order to preserve liquidity, we have not declared an interim dividend, and will revisit distributions based on the results for the full financial year."

Mike Watters, Chief Executive, commented:

"Over the last few weeks, we have been focused on actively engaging with our tenants and taking necessary pragmatic actions across the business to ensure that we are best equipped to withstand this challenging period. The ongoing implementation of our consistent strategy means that the underlying portfolio is well positioned to resume activity as government restrictions begin to be lifted and, we hope, the onset of strengthening economic conditions. Our assets are focused on sectors and locations with long term positive structural demand characteristics, further reinforced by high portfolio occupancy, a diversified tenant base and a balance sheet that provides access to significant cash reserves."

Results presentation, webcast and conference call

A live webcast for analysts and investors will take place on Monday 11 May 2020 at 9.00 a.m. (UK time) / 10.00 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

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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

This interim results announcement comes at an unprecedented time for the UK and global economies.

The Board and the executive management team thank RDI's stakeholders, including our staff, advisers, occupiers, clients, funders and shareholders for their continued commitment, support and co-operation during what is a challenging period for a huge number of businesses. We endeavour to protect shareholder value in a manner which is responsible and cognisant of the current environment. While the immediate impact of the COVID-19 related shutdown has been exceptionally sharp, we are confident that a return to better economic conditions will see renewed demand for good quality real estate.

We have provided a separate section in this report in relation to the COVID-19 pandemic given that the impact has been most severe after the balance sheet date. While the immediate focus is on current trading conditions, the performance of the business for the reporting period was to a large extent unaffected by the current market conditions. The commentary below relates predominantly to the six month period to 29 February 2020.

Operating performance

The Company delivered a sound set of operating results for the first half of the financial year in the context of the weaker macroeconomic environment and political uncertainty surrounding Brexit and the UK General Election. Occupancy across the portfolio remained high, increasing to 96.5 per cent (31 August 2019: 95.9 per cent) supported by key lettings at Link 9, Bicester and Canbury Park, Kingston. 69 leasing events were concluded totalling £11.4 million of gross rental income, 6.1 per cent ahead of ERV. Overall, the portfolio's annualised like-for-like topped-up triple net rental income increased by 1.2 per cent on a constant currency basis against the position at 31 August 2019.

The underlying operational performance from the London Serviced Office portfolio remained resilient despite Brexit uncertainty, however as previously highlighted, certain regional hotels experienced weaker trading conditions.

Earnings and dividend

RDI was a net seller of assets during the period as part of the Company's strategy of reducing retail exposure and lowering leverage. As has been well flagged 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.

Underlying earnings decreased by 8.4 per cent to £20.8 million (28 February 2019 (excl. Aviva): £22.7 million). Underlying earnings per share decreased by 8.3 per cent to 5.5 pence per share (28 February 2019 (excl. Aviva): 6.0 pence per share).

The Board has not declared an interim dividend as it feels that it is not appropriate to do so given the current disruption and lack of visibility on future cashflows. The Board is of the opinion that conserving liquidity is critical and in the long-term interest of all stakeholders.

The Board is mindful of the Company's REIT obligation in respect of distributing its UK property rental profits. Such profits represent approximately 85 per cent of this period's underlying earnings, however the Board has until 31 August 2021 to meet its distribution requirements for the current financial year. The Board will re-evaluate the Company's cash and liquidity position with respect to its dividend policy alongside its full year results due in late October 2020.

Balance sheet and financing

EPRA NAV decreased by 7.3 per cent to 172.0 pence per share (31 August 2019: 185.5 pence per share), largely as a result of a like-for-like portfolio value decline of 4.1 per cent for the six months. Valuation movements varied significantly between sub-sectors with the UK Distribution and Industrial portfolio decreasing 1.0 per cent or £1.7 million, while UK Retail declined 7.5 per cent or £18.9 million. The European portfolio declined 3.2 per cent or €6.9 million in local currency and was subject to a 5.7 per cent decline in the Euro relative to Sterling.

The Group's share of net debt reduced by over £40 million to £622.8 million (31 August 2019: £666.6 million). Adjusting for transactions exchanged or completed post period end, pro-forma LTV remained broadly unchanged at 41.8 per cent (31 August 2019 pro forma: 42.0 per cent) supported by the strategic disposal programme and higher cash balances of £49.1 million (31 August 2019: £33.9 million). Since the balance sheet date, the Group's cash position has improved, following further disposals and the draw down of available headroom from the Group's revolving credit facility, and now stands at approximately £85.0 million.

Disposal programme

Further progress on the strategic disposals programme was made with £49.3 million of disposals completed during the period at an average premium of 2.5 per cent to the last reported values. A further £106.7 million of disposals were exchanged or completed after the balance sheet date.

An additional £141.2 million of assets, not already sold or exchanged for sale, form part of the Company's strategic disposal plan, of which approximately £101.7 million are under offer and at various stages of negotiation. However, given the current unprecedented market conditions, anticipated that the transactions will be delayed and may take longer than initially expected.

2020 Annual General Meeting ("AGM") update statement

As required by Provision 4 of the 2018 UK Corporate Governance Code, the Company wishes to provide its update statement relating to the three resolutions which received substantial votes against at its AGM on 23 January 2020.

Resolutions 13, 14 and 15, relating to the Directors' authority to issue shares, received in excess of 20% of votes against with Resolution 15 marginally failing to be passed. Although the authority levels were below standard UK recommendations, they exceeded South African guidelines. This position is not uncommon, with most of our dual listed peers receiving similar votes against the authority to issue shares. The Company will continue to liaise with shareholders in advance of the next AGM, to agree authority levels that may be more acceptable to our South African shareholder base.

Pursuant to Provision 4 of the UK Corporate Governance Code, the Company will include a final statement in its Annual Report and in the AGM notice, of the actions taken or changes to the resolutions proposed.

Board Changes

Following the conclusion of the AGM on 23 January 2020, Marc Wainer retired as a Director of RDI and the executives Stephen Oakenfull and Adrian Horsburgh stepped down as members of the Board, but have continued in their roles as Deputy CEO and Property Director, respectively, on the executive committee.

The RDI board now comprises seven directors, which better reflects the current size of the Company. The changes have improved the balance between independent and non-independent directors, aligning the composition of the Board with the requirements of the 2018 UK Corporate Governance Code, whilst also improving Board diversity.

Tribute to Marc Wainer

As stated above, Marc Wainer retired at the AGM in January 2020 after serving on the board for over 8 years. Marc was instrumental in the creation and growth of the company and the board notes with regret the news of his passing on 20 April 2020. We offer our sincere condolences to Marc's family following this tragic news.

Progressive sustainability performance

During these challenging and unprecedented times, our focus on resilient assets, lower leverage and governance continues to be of the utmost importance and we are pleased to have achieved sound progress implementing the Group's annual CSR objectives. Health, safety and welfare of our staff, contractors and communities has always been at the forefront of the Group's CSR strategy, and we are ensuring that this continues notwithstanding the disruption and challenges related to COVID-19. We will continue to address sustainability risks and opportunities across our assets, whilst prioritising delivery and management of initiatives remotely where feasible in the near term.

Outlook

At the time of writing there is insufficient clarity on the potential duration and impact of COVID-19 to provide any meaningful outlook for the remainder of the 2020 financial year. Notwithstanding this uncertainty, the welfare, safety and security of our staff, our occupiers and the communities which interact with our business and our portfolio is our priority together with ensuring that our short term cash position and liquidity remain as strong as possible.

Our strategic objectives remain as relevant as ever. Progress on improving the quality of the portfolio and the strength of the balance sheet has put the Company on a stronger footing. We are closely monitoring investment and occupational markets and expect that current conditions may accelerate some of the longer term trends that were already in place. Weaker operating models and structurally challenged sectors are likely to be exposed, while better quality assets in stronger economic locations are likely to be the least impacted and experience the fastest recovery.

Despite the challenging near term outlook, we remain confident that the Company can absorb the short term disruption in trading and cashflow. We will continue to work with our occupiers and partners with a view to generating shared long term success.

Mike Watters

Chief Executive Officer

11 May 2020

COVID-19

The following section provides specific commentary with respect to trading and operations for the period post 29 February 2020, which coincides with the uncertainty and disruption due to the COVID-19 outbreak.

Cash, liquidity and financing

At the date of this announcement, the Group's cash balance is approximately £85.0 million, which includes the post period end proceeds from the disposal of the German DIY portfolio and Leipzig properties and the drawdown of £25.0 million from the Group's revolving credit facility. In addition, the Company has £46.4 million of ungeared assets.

The pro-forma LTV for the Group, including disposals exchanged by or completed after period end, is 41.8 per cent against a weighted average LTV covenant across the Group's facilities of 66.7 per cent.

We have ongoing and close engagement with all of the Group's lenders and have received supportive responses in dealing with the impact of cashflow disruptions on facility agreements. Of those facilities subject to financial covenants, formal covenant waivers have been signed or are being negotiated on 96 per cent of the Group's facilities by value. In many instances, financial covenant waivers have not been required but have been requested and agreed in any event.

Pro-active refinancing activity over the last two years has resulted in limited near term debt maturities. As at 29 February 2020, two facilities totalling £16.1 million (Group share: £12.8 million) were due for maturity in the second half of the financial year. £3.0 million has subsequently been repaid and terms to extend the remaining £13.1 million (Group share: £9.8 million) facility have been agreed with the existing lender, though remain subject to credit approval.

All of the Group's financing facilities are secured against portfolios or individual assets with no recourse to the wider Group.

Capital expenditure

All non-essential capital expenditure has been postponed until there is more clarity on the operating environment and visibility on future cashflows. Previously committed or essential capital expenditure over the next 12 months is limited to approximately £1.8 million. Ongoing essential maintenance, and in particular expenditure related to security, health and safety requirements, will continue as usual.

Rent collection

The rental collection statistics in the table below reflect the percentage of rents collected against rents or income due and demanded. Across the Group's portfolio, approximately 59.0 per cent of gross rental income was collected for either the March quarter or the month of March, where rents are billed monthly. The figures below have been updated from those previously disclosed on 6 April 2020.

Rent collected across the UK portfolio (excluding RBH managed Hotels and London Serviced Offices) totalled 78.7 per cent of rents demanded, adjusted for tenants paying monthly.

Rents collected across the European portfolio, which are typically due monthly in advance, were 97.9 per cent of rents due for the month of March. Rents collected for the month of April were 53.2 per cent with a significant proportion of the reduced collection rate, when compared to March, attributable to a limited number of large, well capitalised international retail tenants which have unilaterally withheld payment which remains due and payable.

RBH managed hotel rents are paid quarterly in arrears. The full rental payment was received for the second quarter to 29 February 2020, however no rental payments are anticipated for the third quarter ending 31 May 2020.

In respect to the London Serviced Office portfolio, approximately 97 per cent of licence fees and IT service fees, which typically comprise circa 90 per cent of net revenues, have been collected for the month of March. Net revenues derived from ancillary services such as meeting rooms and catering, which typically represent the remaining ten per cent, are assumed to be nominal for March resulting in an overall, estimated, 87.6 per cent collection rate for net revenue. Headline collection rates for April licence fees and IT service fees have remained high at approximately 94.5 per cent, however a temporary licence fee discount of 50 per cent has been agreed with a number of clients for April resulting in a net effective collection rate in April of approximately 50 per cent against the contracted licence fee position.

An operational update giving further details on the UK Retail, UK Hotels and London Serviced Office portfolios is provided below.

Rent collection summary	Annualised gross rental	
	Income £m ⁽¹⁾	% of rent collected – adjusted ⁽²⁾
Offices	7.1	92.5
Distribution and Industrial	13.8	92.8
Retail	20.2	74.0
UK Hotels (Travelodge)	2.5	-
UK total (excl. UK Hotels (RBH) and LSO)	43.6	78.7
Europe ⁽³⁾	13.0	97.9
Total (excl. UK Hotels (RBH) and LSO)	56.6	83.1
UK Hotels (RBH managed)	22.1	0.3
London Serviced Offices ⁽³⁾	10.5	87.6
Total	89.2	59.0

⁽¹⁾ Annualised gross rental income as at 29 February 2020

⁽²⁾ Rent collection for March 2020 demands, adjusted for certain tenants which have indicated they are paying monthly and have paid one third of quarterly rent demanded

⁽³⁾ Rent collections typically reflects payment monthly in advance for March. April 2020 collection rate was lower at 53 per cent for Europe and 50 per cent for LSO.

Operations and trading

Following government directives in both the UK and Germany, a number of assets or specific units within assets were closed in March - in particular, non-essential retail stores and hotels. The London Serviced Office portfolio has also been closed to observe guidelines on working from home. More recently, certain restrictions have been lifted in Germany to allow retail units of less than 800 sqm to be re-opened and certain retail tenants including some DIY outlets have reopened in the UK subject to government guidelines.

The necessary government restrictions have had the biggest impact on the hospitality, leisure and retail sectors; particularly those related to discretionary consumer spending. We are actively engaging with tenants and clients across the portfolio. Financial assistance in the form of rent free periods or rent deferrals are being prioritised for those occupiers most in need during this challenging period.

UK Retail

The UK Retail portfolio comprises eight assets representing less than 18 per cent of the overall portfolio by market value and weighted toward well located, largely discount and convenience, retail parks. The majority of stores across the retail portfolio have been closed, however all assets remain open to varying degrees to support those essential retailers that continue to trade. At our two UK shopping centres, operating costs will be reduced wherever practical to limit costs.

UK Hotels portfolio

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

Of the 13 assets managed by RBH, eight have been closed following UK Government guidelines. Five hotels were let to local authorities at discounted rates to be utilised for NHS key workers and the homeless, however this has subsequently been reduced to three due to spare capacity. A significant amount of work has been done to reduce operating and overhead costs while the hotels remain 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, will facilitate a temporary but significantly reduced cost base.

RDI is actively engaging with RBH as the tenant and manager to provide support and, where appropriate, financial assistance to bridge any short term cashflow requirements.

The five assets let to Travelodge have a current passing rent of £2.5 million p.a. (Group share: £2.1 million p.a.). Travelodge has indicated it will not pay rent for the March 2020 quarter. Discussions with Travelodge are ongoing, however all terms under the leases remain in force.

London Serviced Office portfolio

The London Serviced Office portfolio comprises four assets managed by Office Space in Town ("OSIT"). All four assets are closed following UK Government guidelines.

The London Serviced Office portfolio typically has an EBITDA margin to total revenue 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 the COVID-19 pandemic. The most significant underlying operating costs are inter alia, business rates, staff costs, utilities, sales and marketing and management fees. As with the hotel portfolio, a high proportion of these costs are variable which, when combined with the UK Government support packages including the Coronavirus Job Retention Scheme, will allow a material reduction in the underlying operating costs while the offices remain closed.

Clients have been offered a 50 per cent reduction in licence fees for April and May, subject to certain conditions. These measures, which are temporary, are to support clients when many businesses are experiencing cashflow disruptions.

Longer term, we remain confident in the quality of our operational assets which have a strong track record of income resilience.

The Board believes the strategic actions over the last 12 months, including our disposal programme, decreased retail exposure and leverage reduction, have put the Company in a better position to withstand these extraordinary conditions.

OPERATING REVIEW

Portfolio overview

The portfolio continues to evolve as the strategic disposal programme reduces exposure to the retail sector and focuses capital on assets, sectors and locations with long term positive structural demand factors.

Key portfolio characteristics include:

- a weighted average lease length, excluding RBH managed hotels and London Serviced Offices, of 6.3 years to the first potential lease break and 8.1 years to expiry;
- 24.1 per cent of gross rental income subject to inflation-linked or fixed increases;
- a reversionary yield of 6.1 per cent, 30 basis points higher than the current portfolio EPRA topped-up net initial yield;
- Occupancy at period end increased to 96.5% (31 August 2019: 95.9%);
- RBH managed hotels and London Serviced Offices (excluding leases to gym operators) account for 35.9 per cent of the portfolio by annualised gross rental income; and
- over 300 tenants with no single tenant accounting for more than 4.0 per cent of gross rental income, excluding RBH managed hotels.

Portfolio summary 29 February 2020	Market value £m	Annualised gross rental income £m ⁽¹⁾	ERV £m	EPRA NIY %	EPRA topped up NIY %	Reversionary yield %	WAULT yrs ⁽²⁾	EPRA occupancy by ERV % ⁽²⁾	Indexed %
UK Commercial	533.4	31.4	33.4	4.8	5.3	5.7	5.7	93.5	14.4
UK Hotels	354.5	24.6	24.7	5.7	5.7	6.2	16.4	100.0	10.2
UK Retail	237.0	20.2	18.3	6.6	7.4	7.2	6.6	98.1	10.5
Total UK	1,124.9	76.2	76.4	5.5	5.9	6.2	6.7	95.8	12.0
Europe	211.6	13.0	12.4	4.9	5.2	5.5	4.9	98.7	94.8
Total	1,336.5	89.2	88.8	5.4	5.8	6.1	6.3	96.5	24.1
Controlled assets Held in JVs (proportionate share)	1,320.0 16.5	87.9 1.3	87.5 1.3	5.4 6.9	5.7 6.9	6.1 7.1	6.3 4.3	96.4 100.0	24.0 31.2

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

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

Capital allocation and portfolio strategy

Good progress was made during the period with further disposals and an improved weighting of capital to those sectors with stronger long-term growth prospects. The disposals were in line with the strategy of reducing exposure to retail and delivering a lower leverage capital structure.

Retail exposure across the portfolio has seen a further reduction to 33.6 per cent (31 August 2019: 35.3 per cent) following disposals completed in the period. Retail exposure is anticipated to reduce further to 28.1 per cent following the disposal of OBI Retail Warehouse portfolio in Germany post period end and the anticipated future completion of the Bahnhof, Altona shopping centre in Hamburg.

A further £141.2 million of assets, not already sold or exchanged for sale, form part of the Company's strategic disposal plan, of which approximately £101.7 million are under offer and at various stages of negotiation. The disposal programme targets a reduction in retail exposure to approximately 20.0 per cent based on current market values. The timeframe for the remaining disposals is likely to be extended as a result of current market conditions and an inevitable reduction in transaction volumes in the short term.

Notwithstanding the short term impact on operational assets from COVID-19, we continue to see the benefit of an increased exposure to Greater London and the South East, and high-quality operating platforms.

Portfolio summary 29 February 2020		Market value £m	Annualised gross rental income £m ⁽¹⁾	ERV £m	EPRA NIY %	EPRA topped up NIY %	Rever- sionary yield %	WAULT yrs ⁽²⁾	EPRA Occupancy by ERV % ⁽²⁾	Indexed %
UK Offices	20.3	270.7	16.0	16.9	5.1	5.3	5.6	2.8	99.5	4.2
UK Distribution and Industrial	18.3	244.1	13.8	14.6	4.3	5.1	5.6	6.7	92.2	26.8
UK Hotels	26.5	354.5	24.6	24.7	5.7	5.7	6.2	16.4	100.0	10.2
UK Retail	16.8	224.2	17.5	16.0	6.3	7.0	6.7	6.7	98.9	12.2
Continuing portfolio	81.9	1,093.5	71.9	72.2	5.4	5.7	6.0	6.8	96.6	12.5
Assets Identified for disposal										
Europe	15.8	211.6	13.0	12.4	4.9	5.2	5.5	4.9	98.7	94.8

UK mature assets	2.3	31.4	4.3	4.2	9.2	10.0	12.1	6.0	89.0	3.1
Total	100.0	1,336.5	89.2	88.8	5.4	5.8	6.1	6.3	96.5	24.1

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

(2) WAULT, occupancy and indexation excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

Valuation overview

Like-for-like valuations across the portfolio declined 3.3 per cent in constant currency terms. Continued weakness in the retail sector was the primary driver with UK Retail valuations 7.5 per cent lower, almost entirely driven by topped-up net initial yields increasing by 40 basis points, reflecting weak investor sentiment and general market concerns around rental sustainability. Overall, the portfolio topped-up net initial yield moved out 20 basis points to 5.8 per cent, with topped-up triple net rents up 1.2 per cent on a constant currency basis.

The UK Commercial portfolio declined 2.0 per cent on a like-for-like basis. The London Serviced Offices experienced slightly softer occupancy resulting in EBITDA reducing by 3.2 per cent. The 3.1 per cent decline in the London and regional office portfolio was largely attributable to Plymouth, one of the final regional offices which is part of the disposal programme. As expected, Distribution and Industrial was largely unchanged.

The 2.2 per cent decline in the UK Hotels portfolio reflected weaker underlying trading performance across certain regional assets. London and South East hotels, which form 76 per cent of the portfolio by value, were relatively more resilient.

Our UK Retail portfolio, now less than 20 per cent of the overall, is predominantly weighted to well located, discount and convenience retail parks, providing greater income resilience. Across the UK Retail portfolio, topped-up net rental income on an annualised basis was broadly unchanged, significantly outperforming the wider market.

The European portfolio declined 3.2 per cent in local currency terms. Topped-up net initial yields increased 20 basis points reflecting a weaker retail investment market, particularly for shopping centres.

Valuation overview	Market value	EPRA topped up NIY	Reversionary yield	Topped-up net rental income change	Gain/(loss)	Local currency gain/(loss)
29 February 2020	£m	% ⁽¹⁾	% ⁽¹⁾	%	£m ⁽²⁾	%
London Serviced Offices	158.7	5.9	6.1	(4.3)	(4.7)	(2.9)
London and regional offices	130.6	4.8	5.7	14.6	(4.0)	(3.1)
Distribution and Industrial ⁽³⁾	212.8	5.1	5.1	10.0	(1.4)	(0.7)
UK Commercial	502.1	5.3	5.7	5.7	(10.1)	(2.0)
Managed hotels	304.7	5.9	6.5	(4.0)	(8.0)	(2.6)
Travelodge portfolio	49.8	4.7	4.9	3.7	-	-
UK Hotels	354.5	5.7	6.2	(3.1)	(8.0)	(2.2)
Shopping centres	75.3	8.0	8.6	(0.8)	(7.5)	(9.3)
Retail parks	161.7	7.2	6.5	0.8	(11.4)	(6.6)
UK Retail	237.0	7.4	7.2	0.2	(18.9)	(7.5)
Total UK	1,093.6	5.9	6.2	1.4	(37.0)	(3.3)
Shopping centres	144.4	5.0	5.4	-	(14.6)	(3.4)
Other retail	36.6	6.3	7.0	(1.1)	(3.1)	(2.0)
Europe	181.0	5.4	5.8	(0.2)	(17.7)	(3.2)
Total (like-for-like)	1,274.6	5.8	6.1	1.2	(54.7)	(3.3)
Acquisitions	31.3					
Development	30.6					
Total property portfolio market value	1,336.5					

(1) Market value adjusted to reflect finance 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

Leasing activity

It has been an active period with 69 lease events totalling £11.4 million being concluded, a 27.5 per cent or £2.5 million increase in gross rental income, 6.1 per cent ahead of ERV.

Portfolio occupancy increased to 96.5 per cent (31 August 2019: 95.9 per cent), supported by the letting of 120,599 sq ft at Link 9, Bicester.

Lease events 6 months to 29 February 2020	Number of lease events	Annualised gross rental income 31 August 2019 (£m)	Increase in gross rental income (£m)	Annualised gross rental income 29 February 2020 £m	Gross rental income relative to ERV on lease events (%)
UK Commercial	11	18.9	2.0	20.9	8.9
Travelodge portfolio	3	2.4	0.1	2.5	(2.9)
UK Retail	17	20.2	0.3	20.5	10.6
Europe	38	13.8	0.1	13.9	0.6
Leasing activity (like-for-like)	69	55.3	2.5	57.8	6.1
Rental income related to acquisitions ⁽¹⁾				-	
Sub-total	69	55.3	2.5	57.8	6.1
Managed hotels and LSO		34.5	(1.9)	32.6	
Other activity (incl. FX loss and vacancies) ⁽²⁾			(1.2)	(1.2)	
Total		89.8	(0.6)	89.2	

⁽¹⁾ The letting of unit 1a at Link 9, Bicester is included in like-for-like income as this unit was reflected as a vacant at 31 August 2019

⁽²⁾ Includes by £0.8 million attributable to FX losses incurred in the period

- Six leases were renewed on break or expiry and 26 new leases and lease regears were signed in the period, accounting for total gross rental income of £5.6 million (previous gross rental income £3.7 million), 6.1 per cent (£0.3 million) above ERV;
- The new leases include lettings on previously vacant space totalling 158,684 sq ft across 11 units, generating an additional £1.9 million in gross rental income including the letting to Arrival at Link 9, Bicester;
- 37 rent reviews were completed including indexed or fixed uplifts on £54.8 million of gross rental income, 9.5 per cent above the previous passing rent and 6.1 per cent above ERV
- Five units were vacated in the period totalling 19,139 sq ft. including the 9,500 sq ft Next unit at Banbury. The remainder of this vacant space is within properties that were being actively marketed for sale at the period end. Previous gross rental income on units vacated was £0.3 million with landlord shortfalls increasing by £0.3 million.

Disposal activity

Disposals totalling £49.3 million were completed during the period. A further £106.7 million has been exchanged for sale, or completed post period end. Bahnhof Altona, Hamburg which 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 %	Net rental income £m	EPRA NIY ⁽²⁾ %
Park Place, Leeds	9.0	8.8	2.3	0.6	6.0
Albion Street, Derby	2.5	2.5	-	0.3	10.5
Kaiserslautern, Germany (Joint venture)	3.8	3.5	8.6	0.2	5.5
Waldkraiburg, Germany (Joint venture)	5.8	5.3	9.4	0.3	5.6
Waterside Court, Leeds	6.5	4.7	37.2	0.4	7.9
Omnibus Building, Reigate	14.9	15.9	(6.3)	1.2	7.1
Leipzig, Germany	6.8	7.4	(8.1)	0.5	6.5
Disposals during the period	49.3	48.1	2.5	3.5	6.8
Bahnhof Altona, Hamburg	82.6	80.6	2.5	4.0	4.6
Disposals completed or exchanged during the period	131.9	128.7	2.5	7.5	5.5
OBI, Herzogenrath	10.1	10.2	(1.0)	0.7	6.8
OBI, Schwandorf	8.5	8.5	0	0.6	6.6
OBI, Hucklehoven (Joint venture)	5.5	6.0	(8.3)	0.4	5.6
Disposals exchanged and completed post period end	24.1	24.7	(2.4)	1.7	6.4
Total	156.0	153.4	1.7	9.2	5.6

⁽¹⁾ Market value as at 31 August 2019. Joint Ventures at proportionate share.

⁽²⁾ EPRA NIY based on the sales price.

Bahnhof Altona Center, Hamburg

As previously announced, contracts were exchanged 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 regards 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, but the disposal has not been recognised during the period. RDI will continue to benefit from the income returns while the pre-emption position is resolved and until the disposal is completed.

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 6.0 per cent. The disposal follows a lease regeared to the Department of Works and Pensions on a new ten year lease with limited further upside anticipated in either rental or capital values.

Albion Street, Derby

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 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, 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 regeared completed in July 2019.

Omnibus, Reigate

The Omnibus office building in Reigate has been 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 has an occupancy rate of 55.1 per cent and was one of the UK mature assets identified for disposal as part of the Group's strategic disposal programme.

Leipzig, Germany

Contracts were exchanged during the period for the sale of a food-anchored, mixed-use asset in Leipzig for a price of €7.9 million (£6.8 million), reflecting an 8.1% discount to the 31 August 2019 market value. Completion occurred post period end.

Disposals post period end

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 the last reported 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 has been sold by way of a corporate sale of various special purpose vehicle interests and includes 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, making 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 to 75 per cent of CPI.

Capital expenditure

Capital expenditure during the period totalled £2.2 million with future committed capital expenditure limited to £1.8 million, largely in relation to the completion of the Ingolstadt development, see below. Given current market conditions, all non-essential capex expenditure has been postponed, wherever practical.

Ingolstadt, City Arcaden

The second phase of development to finalise the remaining residential, office and retail units, totalling approximately 1,700 sqm (18,300 sq ft), is nearing completion. Completion was originally anticipated in March 2020, however minor delays are being experienced due to recent COVID-19 related restrictions on working practices. The remaining construction works are non-structural in nature and will be completed as soon as possible.

Sustainability

In October 2019, we reviewed the Group's sustainability performance and set nine CSR objectives for 2020, including both new and continuous goals. Since then, we have demonstrated solid progress implementing our annual objectives across the resilient assets, investment and governance pillars and will continue to deliver on the Group's CSR commitments in the second half of the year. Last year we set a target of achieving a 25 percent reduction in our portfolio energy intensity by 2030 and had a strong focus on improving measurement and reporting of the Group's environmental data. 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, and we continue to make enhancements to our environmental data management system and reporting of the asset level ESG data. We aim to ensure that our asset management teams have the right information, in the right format and at the right time to enable them to actively manage asset sustainability performance and identify opportunities for improvement. This also supports the Group's objectives to independently verify the performance of our assets through building certification and implementation of the ISO14001 Environmental Management System. We completed the BREEAM In-Use certification at our serviced office, 20 St. Dunstan's, achieving the 'Very Good' rating, and have now commenced the BREEAM In-Use certification at Little Britain. Following the completion of an internal audit at Coburg House, Southwark, we expect our ISO14001 certified portfolio to include an additional office in the coming months. Our CSR strategy and governance has been further strengthened by the development of the Group's biodiversity policy, outlying our commitment to protecting ecosystems and working towards a "net positive" approach. Our teams across all divisions have established their annual sustainability objectives, which supports the Group's corporate CSR goals and now forms part of the annual employee performance review.

UK Commercial (40.0 per cent of portfolio by market value)

Further progress has been made in repositioning the portfolio through the disposal of mature regional office assets thereby increasing the effective exposure to Greater London and the South East as well the Distribution and Industrial sector. The UK Office portfolio is now 93.6 per cent weighted to Greater London with exposure to new Crossrail stations and London's developing Southbank market. Exposure to the Distribution and Industrial sector has increased to 18.3 per cent of the overall portfolio following the completion of the second and final phase of Link 9, Bicester.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Rever-sionary yield	WAULT yrs ⁽²⁾	EPRA occupancy by ERV	Indexed
UK Commercial 29 February 2020	£m	£m ⁽¹⁾	£m	%	%	%		% ⁽²⁾	%
Offices – Serviced	158.7	10.5	10.7	5.9	5.9	6.1	n/a	n/a	-
Offices – Greater London	112.0	5.5	6.2	4.1	4.4	5.1	2.8	99.5	12.3
Offices – Regions	18.6	1.6	1.9	6.8	6.8	9.3	6.3	83.8	8.3
UK Offices	289.3	17.6	18.8	5.2	5.4	5.9	3.6	95.9	4.6
Distribution and Industrial	244.1	13.8	14.6	4.3	5.1	5.6	6.7	92.2	26.8
UK Commercial	533.4	31.4	33.4	4.8	5.3	5.7	5.7	93.5	14.4

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

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

London Serviced Offices (11.9 per cent of portfolio by value)

Notwithstanding the impact of additional supply across the London market, the portfolio delivered a resilient income return for the six month period, clearly outperforming the broader London flexible office market. Desk rates increased by 1.3 per cent despite reduced occupancy and market reports of weaker desk rates across London.

Given the growth in flexible and serviced office supply in London, competition amongst operators has put pressure on desk rates in the short term. However, we expect an increasing divergence in performance between established operators delivering a high quality service-led offering from an owned rather than leased portfolio.

The growth of small and medium sized firms, flexible and mobile working arrangements, the demand for high quality space and services and the ability to attract talent, remain strong drivers for long-term growth in the sector despite the short term impact.

RDI's strategic operating partner, Office Space in Town ('OSIT'), has recently initiated a number of direct marketing strategies to reduce frictional leasing costs and establish a more direct engagement with clients at the point of sale.

London Serviced Office portfolio		
Operational metrics	29 February 2020	31 August 2019
Desk occupancy (%)	89.6	94.0
Average monthly desk rate – license fees only (£)	687.7	679.0
Average total revenue per available desk (£)	797.8	823.8
EBITDA per sq ft (£)	64.9	67.0
EBITDA conversion from total revenue (%)	62.3	61.5
Average weighted stay (months)	34.3	31.5

Greater London and regional offices (9.8 per cent of portfolio by value)

The office portfolio is well positioned to capture growth from locations benefiting from major regeneration and capital investment into infrastructure and transport. The London office market continues to be characterised by low levels of vacancy, limited speculative development and relatively high levels of pre-letting activity. Vacancy across the London office market stood at 4.1 per cent at the end of 2019, significantly below the 10 year average of 5.5 per cent and the lowest level since the middle of 2016. This provides a relatively strong market position in the event of a short term demand shock. While the impact of COVID-19 is yet to be determined, the London market has to date proved relatively resilient following the EU referendum.

Disposals of regional offices have resulted in the office portfolio's exposure to Greater London increasing to 85.7 per cent. Medium and longer term development opportunities at Charing Cross Road, Southwark and Canbury Park, Kingston provide a strong underpin to values and potential future upside.

Occupancy increased to 95.9 per cent (31 August 2019: 89.8 per cent) with topped-up net rental income 14.6 per cent higher on a like-for-like basis, largely as a result of higher occupancies.

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

- Following the receipt of planning permission at Charing Cross Road for a 41.4 per cent increase in the overall area of the property to 56,576 sq ft, activity is now focused on cost engineering and programming around potential vacant possession dates, the earliest of which is expected to be late 2021. Subject to market conditions, marketing of the scheme for pre-letting is targeted for later this year.
- A consortium of landowners has been established to support a master planning exercise at Newington House, Southwark. The consortium includes three key landowners neighbouring Newington House with the potential to deliver a material mixed-use regeneration scheme. Feasibility studies remain at an early stage.
- A short-term letting of the previously vacant basement space was completed at Charing Cross Road for £0.3 million p.a., 70.6 per cent ahead of ERV
- The remaining 12,545 sq ft of vacant office space at Canbury Park, Kingston was let to Interval International for £0.4 million p.a., marginally below ERV

UK Distribution and Industrial (18.3 per cent of portfolio by value)

The portfolio is well positioned to capture future rental growth with 35.2 per cent of the portfolio located in London and the South East, providing exposure to locations with higher growth prospects. The portfolio is typically focused on 'standard warehousing' which captures a broad base of occupier demand including third party logistics, retail distribution and manufacturing.

Exposure to the sector increased to 18.3 per cent of the overall portfolio by market value (31 August 2019: 16.3 per cent). Occupancy decreased to 92.2 per cent (31 August 2019: 93.7 per cent) reflecting the completion of Unit 1b at Link 9, Bicester which is now available to let. Topped-up net rental income showed strong growth increasing by £1.2 million or 10.0 per cent in the year following the letting of unit 1a at Link 9 Bicester, as detailed below.

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

- Unit 1a totalling 120,599 sq ft was let to Arrival at Link 9 Bicester. The contracted gross rent of £1.0 million p.a. was 16.1 per cent ahead of ERV
- A rent review was agreed at Camino Park, Crawley for £0.6 million, 60.0 per cent ahead of the previous passing rent

UK Hotels (26.5 per cent of portfolio by market value)

The outlook for UK hotels prior to the onset of the COVID-19 pandemic was mixed. A weaker macro-economic environment, including Brexit related uncertainty, was expected to impact business confidence and activity. PWC's outlook for 2020 was for tougher trading conditions in the regions as additional supply was absorbed. London was expected to be more resilient despite relatively high levels of new supply in 2019 and a further 6,400 rooms expected in 2020.

Our own experience is largely in line with market expectations. While RDI's hotel portfolio is heavily weighted towards Greater London and the South East (76.0 per cent by value), certain regional hotels continued a trend of weaker underlying trading performance.

RBH managed hotel portfolio			
Operational metrics		29 February 2020	31 August 2019
Weighted average room rate (£)		88.4	93.5
Weighted average occupancy (%)		80.7	84.8
Weighted average revenue per available room (RevPAR) (£)		71.4	79.3

Underlying occupational metrics for the period declined in the second quarter, in part reflecting the early signs of reduced international travel from the far east. Like-for-like triple net rental decreased by £0.7 million, or 3.1 per cent, during the period.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Rever-sionary yield	WAULT yrs⁽¹⁾	EPRA occupancy by ERV	Indexed
UK Hotels	£m	£m	£m	%	%	%		%⁽¹⁾	%
29 February 2020									
Greater London	183.0	11.6	11.6	5.4	5.4	5.9	n/a	n/a	-
Regional	121.7	10.5	10.5	6.6	6.6	7.2	n/a	n/a	0.9
RBH managed portfolio	304.7	22.1	22.1	5.9	5.9	6.5	n/a	n/a	0.4
Travelodge ⁽²⁾	49.8	2.5	2.6	4.7	4.7	4.9	16.4	100.0	95.5
UK Hotels	354.5	24.6	24.7	5.7	5.7	6.2	16.4	100.0	10.2

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

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

UK Retail (17.7 per cent of portfolio by market value)

The Group's remaining UK Retail portfolio is now heavily weighted to retail parks and Greater London and South East locations. The combination of stronger demographics and largely discount and convenience offerings, is anticipated to prove more resilient as demonstrated by the steady operational performance for the period.

Online sales continue to grow approaching 20 per cent of all retail sales in the UK. The impact of these figures depends largely on each retailers' sales channels with the likes of Next reporting a 3.9 per cent decline in in-store sales, with close to 50 per cent of online sales being fulfilled through click and collect. In general mid-market fashion continues to struggle while certain value oriented DIY and homewares brands have shown good growth.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs	EPRA occupancy by ERV	Indexed
UK Retail 29 February 2020	£m	£m	£m	%	%	%		%	%
Shopping centres	75.3	7.7	7.0	7.6	8.0	8.6	5.4	97.7	9.9
Retail parks	161.7	12.5	11.3	6.2	7.2	6.5	7.3	98.4	10.9
UK Retail	237.0	20.2	18.3	6.6	7.4	7.2	6.6	98.1	10.5

UK Shopping Centres (5.6 per cent of portfolio by value)

The Group's overall exposure to UK Shopping Centres remains limited to two assets representing 5.6 per cent of the overall portfolio. Occupancy declined marginally to 97.7 per cent (31 August 2019: 98.8 per cent) with topped-up net rental income largely unchanged. Footfall across the two centres marginally decreased by 0.4 per cent, significantly outperforming the national average which was down by 6.0 per cent over the same period (source: Springboard).

St George's, Harrow represents 83 per cent of this exposure by value and continues to deliver robust income returns. Footfall increased by 2.6 per cent against the same period last year and Vue cinema, a key occupier at St George's, extended its lease to 20 years during the period.

The Group has exposure to one Debenhams store at West Orchards, Coventry. Debenhams entered into an administration process in April 2020 and has subsequently looked to restructure leases across the business. Revised terms have been agreed for a turnover lease inclusive of service charges with Debenhams continuing to pay rates and insurance. The previous annual net rent was £0.5 million.

Retail parks (12.1 per cent of portfolio by value)

At an operational level, the Retail parks portfolio performed well and ahead of general market trends. Approximately 81.8 per cent of the portfolio by value is located in London, Edinburgh and the Southern part of the UK, is underpinned by strong demographics and is typically let to discount and convenience operators.

Occupancy increased to 98.4 per cent (31 August 2019: 97.2 per cent) with topped-up net rental income increasing by 0.8 per cent on a like-for-like basis. Occupancy increased following a new lease with Wren Kitchens at a previously vacant unit of 9,761 sq ft. The rent of £0.2 million p.a. reflects a 2.0 per cent premium to the ERV

Europe (15.8 per cent of portfolio by market value)

The German portfolio continues to be held for sale with all the remaining assets at various stages of negotiation and due diligence. The DIY retail warehouse portfolio was sold post period end for €34.2 million (Group share: €22.8 million), and the Bahnhof, Altona shopping centre in Hamburg exchanged for a sales price of €91.0 million, leaving €128.6 million (£109.8 million) at current market values. As noted elsewhere, the timeframe to complete the remaining disposals is likely to be extended as a result of current market conditions and the need for greater clarity as to future trading conditions.

Occupancy across the European portfolio decreased very slightly to 98.1 per cent (31 August 2019: 99.1 per cent) with like-for-like topped-up net rental income unchanged in constant currency terms. Rental income from the portfolio benefits from high levels of indexation, with 94.8 per cent of gross rental income subject to various forms of inflation linked rent reviews.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs	EPRA occupancy by ERV	Indexed
Europe 29 February 2020	£m	£m	£m	%	%	%		%	%
German shopping centres ⁽¹⁾	175.0	10.2	9.6	4.6	5.0	5.2	5.1	98.8	94.4
German OBI portfolio and other ⁽²⁾	36.6	2.8	2.8	6.3	6.3	7.0	4.1	98.2	96.6
Europe	211.6	13.0	12.4	4.9	5.2	5.5	4.9	98.7	94.8

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

⁽²⁾ The German OBI portfolio was sold post period end

FINANCIAL REVIEW

Overview

Whilst events of recent weeks will no doubt cast a cloud over 2020, the asset management performance for the first half of the financial year was solid. At a corporate level the focus has remained on the key strategic priorities of reducing leverage and exposure to the retail sector, in addition to a targeted sales programme of mature assets. Notwithstanding the robust operational metrics during the period, the Group recorded an IFRS loss of £17.5 million, driven by valuation declines (28 February 2019: IFRS loss £4.9 million).

The Group's key recurring earnings metric, underlying earnings, decreased by 21.2 per cent from £26.4 million for the six months to 28 February 2019 to £20.8 million. Removing the earnings contribution from the Aviva financed UK Shopping Centre Portfolio from the comparative, underlying earnings decreased by 8.3 per cent from 6.0 pence per share to 5.5 pence per share.

Revaluation losses of £40.7 million contributed to an EPRA NAV decline of 7.3 per cent from 185.5 pence per share at 31 August 2019, to 172.0 pence per share at 29 February 2020.

The Group's key debt metrics remained robust with the pro forma loan to value (reflecting transactions exchanged or completed post period end) decreasing to 41.8 per cent. Interest cover improved to 3.6 times and the Group's weighted average cost of debt remains at 2.9 per cent, in line with that of 31 August 2019.

Performance against strategic financial targets

Strategic metrics	Medium term target	29 February 2020	31 August 2019	28 February 2019
Growth in underlying EPS (%)	3.0 - 5.0	(20.3)	(8.5)	(5.2)
Dividend pay-out ratio (%)	90.0 - 95.0	-	76.9	57.6
Income growth (like-for-like) (%)	2.0 - 5.0	(1.3)	-	0.2
Rent collection	>95% within 7 days	76.5	96.3	95.3
LTV (%)	30.0 - 40.0	41.8 ⁽¹⁾	42.0 ⁽¹⁾	48.5
Interest cover (times)	>3.0	3.6	3.3	3.1
Cost of debt (%)	< 3.2	2.9	2.9	3.5
EPRA cost ratio (excl. direct vacancy costs) (%)	<15.0	17.8	16.4	16.2

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

Underlying earnings per share declined 20.3 per cent as a result of the derecognition of the Aviva financed UK Shopping Centre Portfolio in April 2019, in addition to the impact on earnings of net divestment activity.

On a like-for-like basis, income fell by 1.3 per cent, the combined result of a continuation of CVA activity in the retail sector, a reduction in the annual rent received from the Group's RBH managed UK Hotels and reduced licence fee income from the London Serviced Office Portfolio.

Despite declining asset valuations, pro forma LTV improved marginally to 41.8 per cent due in the main due to the disposal activity during and just after the reporting period. Interest cover, which has been adjusted to remove the impact of adopting IFRS 16, remains comfortably above target. Cost of debt at 2.9 per cent remains within target at less than 3.2 per cent.

The EPRA cost ratio now stands at 17.8 per cent. Excluding non-recurring transaction costs during the period of £0.8 million, the ratio would have declined to 15.7 per cent. Progress towards target should continue as the costs of administering a declining European portfolio fall away.

In light of the current uncertainty caused by the outbreak of COVID-19, the Board has concluded that a more cautious approach to liquidity is required to ensure the Company is able to withstand the heightened financial stress that may continue for some time. As a result, the Board has not declared an interim dividend but will keep the situation under review with an intention to restart dividend payments as soon as it is prudent to do so.

Acquisitions

During the year ended 31 August 2019, the Group acquired a 13.5 acre land interest in Bicester, Oxfordshire and then 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 period to 29 February 2020, the Group continued to progress the disposal of the European portfolio, classified as a disposal group held for sale.

In September 2019, the Group exchanged on the disposal of the Altona Shopping Centre, Hamburg for total consideration of €91.0 million, €2.2 million above the market value at 31 August 2019. Following exchange, the City Council in Hamburg exercised its pre-emptive right over the property and negotiations between the prospective purchaser and the 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.

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

In January 2020, the Group exchanged contracts for the sale of a retail supermarket in Leipzig for €7.9 million. The transaction was recognised as a disposal on exchange as there were no significant conditions pending completion. The sale subsequently completed in early April 2020.

UK Portfolio

Four mature assets, previously targeted for sale, completed in the period. The Group's high street retail asset in Derby and three regional offices located in Reigate and Leeds were sold for gross consideration of £33.2 million.

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 Europe 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. Comparative information for the six months ended 28 February 2019 has been re-presented in line with requirements and for comparability purposes. The financial review has been aligned in this regard.

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

Given the significance of the derecognition in April 2019, to aid comparability this financial review presents the comparative income statement and cash flow for the six months ended 28 February 2019 both including and excluding the Aviva Portfolio. Commentary focuses, where relevant, on financial information excluding the Aviva Portfolio.

IFRS 16 'Leases'

On 1 September 2019 the Group adopted IFRS 16, the new leasing standard. Under the existing IFRS leasing standard, lease payments under leasehold interests in investment property classified as operating leases were charged to the income statement as a rental expense on a straight-line basis. On transitioning to IFRS 16, the Group has 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 £42.9 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 comparative reporting periods have not been restated. For the period ended 29 February 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 period ended 29 February 2020, this amounted to less than £0.1 million. Certain performance measures, such as interest cover ratio, have also been adjusted to align with the previous treatment and ensure consistency with comparative periods.

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

	29 February 2020			28 February 2019				
	IFRS	Joint ventures	Group total	IFRS	Joint ventures	Group total	Aviva Portfolio	Total excl. Aviva
	£m	£m	£m	£m	£m	£m	£m	£m
Income statement								
Rental income	39.2	0.4	39.6	49.0	0.5	49.5	(9.0)	40.5
Rental expense	(3.9)	-	(3.9)	(5.3)	-	(5.3)	1.1	(4.2)
Net rental income	35.3	0.4	35.7	43.7	0.5	44.2	(7.9)	36.3
Other income	1.2	-	1.2	1.3	-	1.3	-	1.3
Administrative expenses	(6.4)	-	(6.4)	(7.0)	0.2	(6.8)	-	(6.8)
Net operating income	30.1	0.4	30.5	38.0	0.7	38.7	(7.9)	30.8
Net finance costs	(10.2)	(0.3)	(10.5)	(14.2)	(0.5)	(14.7)	4.2	(10.5)
Tax and other	(0.2)	-	(0.2)	1.0	(0.2)	0.8	-	0.8
Restricted JV underlying earnings	-	(0.1)	(0.1)	-	-	-	-	-
Non-controlling interests	(2.4)	-	(2.4)	(2.4)	-	(2.4)	-	(2.4)
Continuing underlying earnings	17.3	-	17.3	22.4	-	22.4	(3.7)	18.7
Discontinued operation (incl. JVs and NCI)	3.5	-	3.5	4.0	-	4.0	-	4.0
Total Group underlying earnings	20.8	-	20.8	26.4	-	26.4	(3.7)	22.7
Company adjustments:								
Debt fair value accretion adjustments	-	-	-	(0.3)	-	(0.3)	0.3	-
Foreign exchange loss	(0.2)	-	(0.2)	(0.2)	-	(0.2)	-	(0.2)
Discontinued operation	(0.1)	-	(0.1)	(0.1)	-	(0.1)	-	(0.1)
EPRA earnings	20.5	-	20.5	25.8	-	25.8	(3.4)	22.4
Fair value loss on property	(33.8)	-	(33.8)	(29.0)	(0.3)	(29.3)	17.9	(11.4)
Loss on disposal of property	(1.2)	-	(1.2)	-	-	-	-	-
Acquisition and disposal of subsidiaries	0.1	-	0.1	(0.1)	-	(0.1)	-	(0.1)
Fair value movement on derivatives	0.5	0.2	0.7	(1.9)	0.1	(1.8)	-	(1.8)
Impairment of investment in associate	(0.3)	-	(0.3)	-	-	-	-	-
Restricted JV non-underlying earnings	-	(0.2)	(0.2)	-	0.1	0.1	-	0.1
Tax and other	(0.6)	-	(0.6)	(0.6)	0.1	(0.5)	-	(0.5)
Discontinued operation (incl. JVs and NCI)	(5.5)	-	(5.5)	-	-	-	-	-
Non-controlling interests	2.8	-	2.8	0.9	-	0.9	-	0.9
IFRS (loss)/profit attributable to shareholders	(17.5)	-	(17.5)	(4.9)	-	(4.9)	14.5	9.6
Weighted average ordinary shares (millions)			380.2					380.1
EPRA earnings per share (pence)			5.4					6.8
Underlying earnings per share (pence)			5.5					6.9
Underlying earnings per share, excl. Aviva Portfolio (pence)			5.5					6.0

Underlying earnings from discontinued operation (Europe segment)

	29 February 2020			28 February 2019		
	IFRS £m	Joint ventures £m	Group total £m	IFRS £m	Joint ventures £m	Group total £m
Rental income	6.5	0.4	6.9	6.8	0.4	7.2
Rental expense	(1.3)	(0.1)	(1.4)	(0.9)	-	(0.9)
Net rental income	5.2	0.3	5.5	5.9	0.4	6.3
Administrative expenses	(0.2)	(0.1)	(0.3)	(0.3)	(0.1)	(0.4)
Net operating income	5.0	0.2	5.2	5.6	0.3	5.9
Net finance costs	(1.5)	-	(1.5)	(1.7)	-	(1.7)
Joint venture profits	0.2	(0.2)	-	0.3	(0.3)	-
Tax and other	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Non-controlling interests	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Underlying earnings	3.5	-	3.5	4.0	-	4.0

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 condensed consolidated interim financial statements.

Net rental income, excluding the Aviva Portfolio, decreased by £0.6 million or 1.7 per cent, primarily due to the disposal of UK mature assets, the continuation of CVA activity in the retail sector, a reduction in the annual rent received from the Group's RBH managed UK Hotels and reduced licence fee income from the London Serviced Office Portfolio. This reduction in net rental income was offset by successful letting activity at two recently acquired distribution warehouses in Farnborough and Bicester and £0.8 million positive variance on transitioning to IFRS 16, as discussed above.

Administrative costs reduced by £0.4 million, primarily due to lower staff costs relative to the comparative period. The average employee head count has reduced on winding-down of the Group's European operations. Also included in the current period administration costs is a non-recurring transaction cost of £0.8 million.

Net finance costs are in line with the comparative period, with the negative variance of transitioning to IFRS 16 being offset by a one-off charge on refinancing the Group's principal debt facility in the prior period.

Tax and other includes the performance of the Groups associate interest in RBH Hotels Group Limited, which recorded a loss of £0.2 million in the six months to 29 February 2020, compared to a profit of £0.5 million in the comparative period.

Non-controlling interests reflects the share of income attributable to minority shareholders, most notably within the UK Hotels and London Serviced Offices portfolios and is in line with prior period.

The decrease of £0.5 million in underlying earnings from the discontinued European portfolio has arisen due to the planned property disposals (notably Munich), in addition to increased non-recoverable maintenance costs at the shopping centre in Berlin.

Like-for-like net rental income analysis

	Six months ended		Change £m	Change %	Local currency Change %
	29 February 2020 £m	28 February 2019 £m			
Net rental income					
UK Commercial	14.1	14.4	(0.3)	(1.8)	(1.8)
UK Hotels	11.3	11.5	(0.2)	(2.1)	(2.1)
UK Retail	8.9	9.0	(0.1)	(0.6)	(0.6)
UK total	34.3	34.9	(0.6)	(1.6)	(1.6)
Europe (discontinued operation)	4.7	4.7	-	(1.2)	0.7
Like-for-like net rental income	39.0	39.6	(0.6)	(1.6)	(1.3)
Acquisitions	1.1	0.7			
Disposals and loss of control of Aviva	0.4	10.3			
Development	0.7	0.7			
IFRS 16 transitional adjustments ⁽¹⁾	-	(0.8)			
Total net rental income	41.2	50.5			

⁽¹⁾ 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 1.8 per cent or £0.3 million, due primarily to a reduction in licence fee income from the London Serviced Office Portfolio.

The decrease of 2.1 per cent in UK Hotels is due to a reduction in the annual rent received from the Group's RBH managed UK Hotels. The like-for-like income from the Travelodge portfolio increased by 4.1 per cent due to fixed indexed-linked rental uplifts at the beginning of the current period.

UK Retail like-for-like income decreased 0.6 per cent, largely attributable to the Debenham's CVA at West Orchards, Coventry and the Monsoon CVA at St George's, Harrow.

In local currency terms, Europe like-for-like net rental income increased 0.7 per cent, primarily due to a number of lease events completing during the prior period and certain service charge recoveries. In Sterling terms, income fell 1.2 per cent, reflecting the stronger average GBP/EUR exchange rate during the period.

	29 February 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⁾	1,356.6	16.5	1,373.1	1,392.6	26.1	1,418.7
Investment in and loans to JVs	4.0	(4.0)	-	8.0	(8.0)	-
Net borrowings, incl. lease liabilities	(659.6)	(9.0)	(668.6)	(653.5)	(14.4)	(667.9)
Other assets and liabilities	(5.1)	(3.5)	(8.6)	(4.1)	(3.7)	(7.8)
Non-controlling interests	(56.2)	-	(56.2)	(57.4)	-	(57.4)
IFRS NAV	639.7	-	639.7	685.6	-	685.6
Fair value of derivatives			11.0			12.7
Deferred tax liabilities			5.8			8.2
EPRA NAV			656.5			706.5
Diluted number of shares (millions)			381.6			380.9
EPRA NAV per share (pence)			172.0			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 7.3 per cent to 172.0 pence per share. This was primarily as a result of valuation declines of £40.7 million across the Group's portfolio and a weaker Euro, which decreased NAV by £6.5 million or 1.7 pence per share.

Property portfolio	29 February 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	502.1	510.8	(10.1)	(2.0)	(2.0)
UK Hotels	354.5	363.3	(8.0)	(2.2)	(2.2)
UK Retail	237.0	252.5	(18.9)	(7.5)	(7.5)
UK total	1,093.6	1,126.6	(37.0)	(3.3)	(3.3)
Europe	181.0	198.3	(17.7)	(8.9)	(3.2)
Like-for-like property portfolio	1,274.6	1,324.9	(54.7)	(4.1)	(3.3)
Acquisitions	31.3	17.7			
Disposals (incl. loss of control)	-	48.4			
Development	30.6	32.3			
Total property portfolio market value	1,336.5	1,423.3			

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

UK Commercial valuations decreased by 2.0 per cent during the period, mainly the result of a weaker performance from the London Serviced Offices, where valuations declined by 2.9 per cent.

The Hotel portfolio valuation decreased by 2.2 per cent. This arose from the Group's RBH managed hotels, with those let to Travelodge flat relative to 31 August 2019, as fixed rental uplifts had been factored into the comparative valuations.

The downward valuation in UK Retail of £18.9 million was driven by valuation losses across the two remaining UK Shopping Centres, although primarily at West Orchards, Coventry and within the Retail Park portfolio. As was the case at 31 August 2019, the valuation declines are again yield led, reflecting ongoing weak investor sentiment and concerns over retailer viability.

In local currency terms, the European portfolio valuations declined 3.2 per cent. The most notable decline arose on the Group's shopping centre in Berlin offset by the valuation uplift on the Hamburg shopping centre to the contracted sales price, €2.2 million above the last reported valuation. In Sterling terms, a 8.9 per cent decrease in value was recorded due the weakness of the Euro at 29 February 2020.

Debt and gearing

	29 February 2020 £m	31 August 2019 £m	28 February 2019 (excluding Aviva portfolio) £m	28 February 2019 £m
Nominal value of drawn debt	(671.9)	(700.5)	(689.2)	(833.9)
Cash and short term deposits	49.1	33.9	35.7	49.4
Net debt	(622.8)	(666.6)	(653.5)	(784.5)
Market value of the property portfolio	1,336.5	1,423.3	1,440.4	1,617.6
LTV (%)	46.6	46.8	45.4	48.5
LTV (% , pro forma) ⁽¹⁾	41.8	42.0	-	-
Weighted average debt maturity (years)	3.3	3.7	3.7	7.1
Weighted average interest rate (%)	2.9	2.9	3.1	3.5
Interest cover (times) ⁽²⁾	3.6	3.3	3.6	3.1
Debt with interest rate protection (%)	92.1	91.7	92.3	93.6
Undrawn committed facilities	25.0	20.0	25.0	25.0

⁽¹⁾ Pro forma LTV adjusted for transactions completed between the balance sheet date and 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 £43.8 million during the period, due principally to proceeds from property disposals less the consideration paid for the second Bicester distribution in December.

Adjusting for properties exchanged for sale and contracts which exchanged since 29 February 2020, the Group's loan to value ratio has reduced to 41.8 per cent, a reasonable outcome in the context of the revaluation declines.

The Group's weighted average debt maturity reduced to 3.3 years due to no refinancing activity. Likewise, there has been no change to the weighted average cost of debt since 31 August 2019.

Cash and undrawn committed facilities at 29 February 2020 were £74.1 million (31 August 2019: £53.9 million), with capital commitments of £1.8 million (31 August 2019: £16.4 million).

Cash flow

	29 February 2020			28 February 2019			
	IFRS £m	Joint ventures £m	Group £m	IFRS £m	Joint ventures £m	Aviva Portfolio £m	Group excl, Aviva £m
Continuing operating cash flows	20.4	0.1	20.5	21.6	0.1	(4.2)	17.5
Discontinued operating cash flows	2.9	(0.1)	2.8	4.1	0.2	-	4.3
Operating cash flows	23.3	-	23.3	25.7	0.3	(4.2)	21.8
Disposals	34.5	-	34.5	(0.5)	-	-	(0.5)
Acquisitions and development	(14.7)	-	(14.7)	(38.9)	-	0.1	(38.8)
Other	(0.1)	-	(0.1)	(0.8)	-	-	(0.8)
Discontinued investing cash flows	12.1	5.2	17.3	2.1	(0.1)	-	2.0
Investing cash flows	31.8	5.2	37.0	(38.1)	(0.1)	0.1	(38.1)
Net debt drawn/(repaid)	(6.3)	(0.1)	(6.4)	17.1	(0.1)	0.4	17.4
Dividends paid	(22.8)	-	(22.8)	(25.7)	-	-	(25.7)
Cumulative cash restricted on Aviva Portfolio	-	-	-	(11.6)	-	11.6	-
Other	(2.3)	-	(2.3)	(4.2)	-	-	(4.2)
Discontinued financing cash flows	(9.7)	(4.0)	(13.7)	15.0	(0.1)	-	14.9
Financing cash flows	(41.1)	(4.1)	(45.2)	(9.4)	(0.2)	12.0	2.4
Impact of foreign exchange movement	(1.6)	-	(1.6)	(0.2)	-	-	(0.2)
Net cash flow	12.4	1.1	13.5	(22.0)	-	7.9	(14.1)

Operating cash flows are aligned to the Group's underlying earnings and is a key metric for assessing dividend cover. The overall net cash inflow reflects both net disposals in excess of investment activity and debt repayments. Cash flows arising from the Aviva Portfolio have been excluded from the prior period for comparability purposes.

Dividend

On 11 March 2020, the World Health Organisation recognised the outbreak of COVID-19 as a global pandemic. The Board has considered the Company's liquidity requirements in light of the uncertainty and disruption caused and the impact that the measures taken by the UK and German Governments to mitigate the risk are expected to have on the Group's financial performance and working capital requirements for the second half of the year.

The Group's immediate focus has been on the welfare, safety and security of its stakeholders, ensuring that capital is preserved and costs are minimised in the short term. In order to ensure that the Group has sufficient liquidity, in the event that the current market conditions persist for an extended period, the Board has not declared an interim dividend for the period but will keep the situation under review and restart dividend payments as soon as it is prudent to do so.

Going concern

At 29 February 2020, the Group's cash and undrawn facilities were £74.1 million and its capital commitments were £1.8 million. The Group's cash reserves increased to approximately £85.0 million after the reporting period, following the drawdown of committed facilities and the completion of planned disposals.

Notwithstanding the Group's sound liquidity position, in light of the current COVID-19 pandemic and the continued uncertainty around the United Kingdom's future trading relationship with the European Union, macro economic uncertainty currently exists which may in an adverse scenario, without applying all mitigants possible, cast doubt on the Group's ability to continue as a going concern.

Possible mitigants include the sale of or pledging as security certain ungeared properties; further overhead cost reduction; or approaching key relationship banks for a continuation of covenant waivers to cover extended periods of disruption.

Although these condensed consolidated financial statements have been prepared on a going concern basis, attention is drawn to Note 2.2 for further details.

Donald Grant

Chief Financial Officer

11 May 2020

ALTERNATIVE PERFORMANCE MEASURES

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.

In October 2019, EPRA issued updated best practice guidelines which are effective for accounting periods starting on or before 1 January 2020, introducing three new net asset value metrics: EPRA Net Reinstatement Value, EPRA Net Tangible Assets and EPRA Net Disposal Value. The Group has elected to early adopt the revised best practice net asset value metrics, in addition to disclosing the existing November 2016 best practice metrics.

Measure	Definition of measure	Note/ reference	29 February 2020	31 August 2019
Earnings	Earnings from operational activity ⁽¹⁾	Note 31	£20.5m	£48.8m
Net asset value	NAV adjusted for investments held at fair value and excluding items not expected to be realised	Note 32	£656.5m	£706.5m
Triple net asset value	EPRA NAV adjusted to include fair value of financial instruments, debt and deferred taxes	Note 32	£635.7m	£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	£639.7m	£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	£653.6m	£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	£652.5m	£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	Operating review	5.4%	5.4%
Topped up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives	Operating review	5.8%	5.6%
Vacancy rate	Estimated rental value of vacant space divided by that of the portfolio as a whole ⁽¹⁾	Operating review	3.5%	4.1%
Cost ratio (incl. direct vacancy costs)	Administrative and operating costs expressed as a percentage of gross rental income	Operating review	21.9%	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	Operating review	17.8%	16.4%
Like-for-like rental income	Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income. This measure illustrates the change in comparable income values	Financial review	(1.6%)	-
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. This measure illustrates the change in comparable capital values	Financial review	(4.1%)	(2.9%)

⁽¹⁾ EPRA earnings for the period ended 28 February 2019 were £25.8 million.

⁽²⁾ Presented as EPRA occupancy rate (the inverse of vacancy rate) in the Operating review.

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	29 February 2020	31 August 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 ⁽¹⁾	Note 31	£20.8m	£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	£20.4m	£37.7m
Net debt	Total nominal value of the Group's proportionate borrowings, less cash and cash equivalents	Note 20	£622.8m	£666.6m
Loan to value	The ratio of net debt divided by the market value of investment property	Financial review	46.6% ⁽²⁾	46.8% ⁽²⁾
Interest cover	The Group's net rental income divided by net finance expenses	Financial review	3.6 ⁽³⁾	3.3
Dividend pay-out ratio	Total dividend per share paid out to shareholders relative to the underlying earnings per share during the year	Financial review	-	76.9%
Rent collection rate	Collection of quarterly rent as a percentage of total rent within seven days of billing	Financial review	76.5%	96.3%

⁽¹⁾ Underlying earnings for the period ended 28 February 2019 were £26.4 million.

⁽²⁾ Pro forma adjusted to 41.8 per cent to reflect transactions between 29 February and the date of the results announcement (31 August 2019: 42.0%).

⁽³⁾ Pro forma calculated as net rental income over net finance expense, excluding IFRS 16 transitional adjustments.

PRINCIPAL RISKS

Below are the key risks to which the Group is currently exposed, along with their potential impact and mitigation factors. Changes to disclosures included in the 2019 Annual Report primarily relate to impact of the COVID-19 pandemic on the Group's operations, future financial performance, position and liquidity.

Strategic risks

Risk	Impact potential	Mitigation factors
Primary responsibility: Mike Waters (CEO) and Stephen Oakenfull (Deputy CEO)		
Significant business interruption (e.g. pandemic, terrorist event or cybercrime)	• Inability to access or operate properties • Operational interruption and disruption • Significant reduction in footfall • Tenant failures, reduced rental income, covenant defaults and cash flow disruption cast doubt on the Group's continued going concern • Increased refinancing risk and pressure on capital maintenance • Resource constraints and disruption to flow of management information • Share price volatility • Injury, sickness or loss of life of occupier, customer, employee or contractor • Loss of key supplier	• Appropriate insurance in place at both a corporate and property level • Geographic diversity of portfolio • Maintenance of a comprehensive business continuity plan • Major incident planning and monitoring of NaCTSO security advice • Implementation and regular review of corporate cyber security systems • Disaster recovery planning including frequent replication of data and offsite storage • Active engagement with and financial assistance to tenants during severe disruption • Government support packages • Utilisation of undrawn commitments to increase short-term liquidity and operational flexibility • Temporary suspension of dividend • Disposal of assets • Deferral of all non-essential capital expenditure • Alternate use strategy for operational assets during periods of disruption • Robust security including CCTV and access controls
Continuing uncertainty surrounding economic climate and volatility in the global markets. Breakdown in negotiations with the European Union in respect to its future trading relationship with the UK.	• Ongoing and heightened economic uncertainty leading to general market dislocation, increased volatility with potential impact on property valuations, share price and delayed strategic decision making of investors, lenders and occupiers • Constrained access to debt or capital markets impacting ability to address liquidity or covenant concerns • Reduction in earnings as result of a lack of investor and occupiers confidence • Inability to execute asset disposals	• Close relationships with key shareholders and lenders • Close monitoring of loan covenants and required cash cures • Ongoing monitoring of proposals and emerging policy and legislation • Balance sheet structure provides a degree of flexibility • Stress testing the Group's medium-term forecast to ensure financial position is sufficiently robust to support a theoretical no-deal Brexit
Failure to formulate and execute an appropriate sustainable investment strategy and income returns. This includes but is not limited to gearing levels, diversification, incorrect timing of investment and capital recycling decisions, inadequate consideration of social and environmental impact of investment strategy, resulting in erosion of shareholder value	• Declining net asset value and total property return (income and capital), particularly with respect to UK Retail • Declining total shareholder returns and increased share price volatility • M&A activity	• Annual review of investment strategy • Defined asset appraisal process • Investment Committee reviews all opportunities against pre-determined criteria • Monitoring of macro-economic and property market trends • Flexible and agile decision making • Clear and frequent messaging of Group strategy to the market and to analysts

		• Ongoing dialogue and communication with lenders and brokers
Change in investment strategy of significant shareholder or joint venture partner	• Adverse movement in share price • Perceived loss of confidence • Disruption to implementation of strategic objectives	• Close relationships and open dialogue maintained with key shareholders and partners • Clear income focused total return strategy targeting upper quartile performance • Actively target new investors

Financial risks

Risk	Impact potential	Mitigation factors
Primary responsibility: Donald Grant (CFO)		
Reduction in investor and occupier demand for UK real estate, and structural changes in retail consumer and commercial workforce behaviour. Significant decline in market conditions and exceptional market disruption, increasing the need for liquidity during periods of extended disruption	• Reduced availability of financing as a result of past or future events • Inability to fund property investments • Increased cost of finance • Declining valuations and earnings leading to covenant breaches, cash cure requirements and constrained liquidity • Pressure on maintaining sustainable income and a stable and growing dividend	• Mix of lenders and maturities of facilities • Non-recourse debt structure • Early refinancing of debt and focus on lower leverage capital structure • Ensure sufficient liquidity and undrawn commitments to meet commitments and plausible stress scenarios • Reduce or temporarily suspend dividends or dispose of assets to ensure sufficient liquidity in the face of heightened market volatility • Negotiation of covenant waivers and payment holidays during disruption periods • Commitment to operational efficiencies and low-cost base • Regular assessment of market conditions including bi-annual external valuations and monitoring of covenants • Detailed capital planning and forecasting • Portfolio diversified across sectors and geography; targeted reduction of Retail exposure in both the UK and Germany and allocation of capital to sectors with stronger growth prospects
Adverse interest rate movements and inflationary pressures	• Increased cost of borrowing and hedging reducing financial and operational flexibility • Adverse impact on property valuations	• Interest rate hedging policy providing interest rate protection • Target staggered debt maturities • Early refinancing where economically viable to lock in lower rates for longer
Adverse foreign currency movements	• Reduced operating income prior to Europe Portfolio targeted disposals • Decreased sterling equivalent asset or disposal values	• Debt facilities arranged in the currency of the related investment act as a partial hedge • Exchange rates continuously monitored • Amounts converted to Sterling at earliest opportunity • Foreign currency forward contracts entered into prior to significant transactions • Disposal of European assets

Operational risks

Risk	Impact potential	Mitigation factors
Primary responsibility: Adrian Horsburgh (Property Director)		
Failure to anticipate changes in the property cycle.	• Reduced investment demand and declining property values	• Biannual external valuation of properties • Diversified portfolio

Inability to support stakeholders during periods of severe market dislocation	• Potential pressure on banking covenants • Occupier or supplier failures • Reputational damage	• Active asset management • Regular monitoring of covenants, including scenario modelling • Continued focus on reducing Retail exposure and capital recycling of mature assets • Provision of assistance to tenants in the form of rent deferrals and reduced service charge budgets
Reduced occupier demand for space and deferral of decisions, increased supply, or occupier defaults, impacting the ability to buy, develop, manage and sell assets	• Reduced rental income and cash flow • Loss of key tenants • Increased void costs • Declining property values	• Diverse tenant base • Long leases and strong tenant covenants • Open dialogue with tenants and property managers • Review consumer trends • Regular monitoring of tenants at risk • Proactive monitoring of lease expiries and/or breaks to minimise periods of vacancy. • Reputable property managers and efficient rent collection procedures
Inappropriate cladding or construction materials	• Increased devastation in case of fire	• Annual fire risk assessment • Comprehensive review of cladding and insulation in place across portfolio and close liaison with national Health & Safety Executive
Reliance on third-party service providers (asset and property managers, offshore administrators and accountants) due to complex Group structure	• Financial or reputational impact • Operational ineffectiveness • Failure to comply with regulatory requirements in offshore jurisdictions	• Robust service level agreements in place • Appropriate due diligence and tendering process for reputable service providers • Regular engagement and active management of all service providers • Periodic review and formal update of services provided in line with changes in the business

Legal, regulatory and human resource risks

Risk	Impact potential	Mitigation factors
Primary responsibility: All four Executive Directors		
Health, safety and environmental risk	• Loss, sickness or injury to employees, tenants or contractors • Impact on reputation, adverse publicity or financial impact	• Policies in place with audit and risk assessments undertaken • Environmental programme in place • All properties actively managed • Appointed dedicated Health & Safety Manager • Comprehensive tendering process for contractors • Engagement with regulators and health and safety authorities to ensure that ongoing compliance is being adhered
Changes in or breach of regulatory or legislative requirements	• Financial or reputational impact • Reduced financial returns as a result of increased taxes across the Group's non-REIT residual business • Adverse tenant behaviour	• Sound governance and internal policies • Appointment of appropriately qualified employees • Regular review of compliance e.g. REIT legislation • Proactive identification of changes in legal and regulatory environment with planned

		response to changes prior to implementation • Maintenance of a data protection policy to ensure compliance with EU GDPR Regulations • Early engagement with regulators
Failure to recruit, develop and retain employees with the right skills and experience.	• Ineffective decision-making and failure to deliver against business objectives and performance • Operational ineffectiveness	• Active succession planning to mitigate key person risk • Clear employee objectives and annual performance appraisal to ensure alignment to business objectives • Competitive and benchmarked remuneration to attract and retain talent • Periodic employee engagement surveys and employee health and well-being initiatives

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the condensed consolidated interim financial statements, in accordance with applicable laws and regulations.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) The operating and financial review refers to important events which have taken place during the period.

Related party transactions are set out in Note 30 to the condensed consolidated interim financial statements.

By order of the Board

Mike Watters

Chief Executive Officer

Donald Grant

Chief Financial Officer

11 May 2020

Independent Review Report to RDI REIT P.L.C.

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2020 which comprises condensed consolidated statement of financial position, related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity, cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2020 is not prepared, in all material respects, in accordance with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board ("IFRSs as issued by the IASB") and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Material uncertainty relating to going concern

We draw attention to Note 2.2 to the condensed set of financial statements which indicates that the Directors have considered the impact of COVID-19 on the business including the forecast reduction in rent receipts and exchanged sales contracts failing to complete, both impacting the Groups ability to continue to meet or cure financial covenants. These events and conditions, along with the other matters explained in Note 2.2, constitute a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Group and Company are prepared in accordance with IFRSs as issued by the IASB. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as issued by the IASB.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Richard Kelly

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

11 May 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 29 February 2020

		Unaudited Six months ended 29 February 2020 £m	Unaudited Re-presented ⁽¹⁾ Six months ended 28 February 2019 £m	Audited ⁽²⁾ Year ended 31 August 2019 £m
Continuing operations	Note			
Revenue	3	40.4	50.4	93.5
Rental income	4	39.2	49.1	90.8
Rental expense	5	(3.9)	(5.3)	(10.0)
Net rental income		35.3	43.8	80.8
Other operating income	6	1.2	1.3	2.7
Administrative costs and other fees	7	(6.4)	(6.9)	(13.2)
Net operating income		30.1	38.2	70.3
Loss on revaluation of investment property		(33.8)	(29.0)	(56.6)
Loss on disposal of investment property	13	(2.0)	-	(1.7)
Gain on disposal of investment property held for sale	19	0.8	-	-
Loss of control of Aviva Portfolio	8	-	-	(55.6)
Acquisition and disposal of subsidiaries	9	0.1	(0.1)	(0.4)
Other expenses	16	(0.6)	(0.1)	(0.2)
Foreign exchange loss		(0.2)	(0.2)	-
(Loss)/profit from operations		(5.6)	8.8	(44.2)
Finance income	10	-	0.1	0.2
Finance expense	10	(10.2)	(14.6)	(25.6)
Other finance expense	11	-	-	(0.3)
Change in fair value of derivative financial instruments		0.5	(1.9)	(9.4)
		(15.3)	(7.6)	(79.3)
Impairment of associate and impairment reversal of continuing joint venture interest		(0.3)	0.1	(1.4)
Share of post-tax (loss)/profit from associate		(0.2)	0.5	0.9
Loss before tax		(15.8)	(7.0)	(79.8)
Taxation	12	-	(0.3)	(0.3)
Loss for the period attributable to continuing operations		(15.8)	(7.3)	(80.1)
(Loss)/profit from discontinued operation ⁽³⁾		(1.8)	4.0	5.3
Loss for the period		(17.6)	(3.3)	(74.8)
(Loss)/profit attributable to:				
Equity holders of the Parent				
From Continuing operations		(15.4)	(8.8)	(82.4)
From Discontinued operation		(2.1)	3.9	4.8
		(17.5)	(4.9)	(77.6)
Non-controlling interests				
From Continuing operations		(0.4)	1.5	2.3
From Discontinued operation		0.3	0.1	0.5
		(0.1)	1.6	2.8
		(17.6)	(3.3)	(74.8)
Earnings per share				
Weighted average number of shares (millions)	31	380.2	380.1	380.1
Diluted weighted average number of shares (millions)	31	380.2 ⁽⁴⁾	380.1 ⁽⁴⁾	380.1 ⁽⁴⁾
Earnings per share from Continuing operations				
Basic earnings per share (pence)	31	(4.1)	(2.3)	(21.7)
Diluted earnings per share (pence)	31	(4.1)	(2.3)	(21.7)
Total earnings per share				
Basic earnings per share (pence)	31	(4.6)	(1.3)	(20.4)
Diluted earnings per share (pence)	31	(4.6)	(1.3)	(20.4)

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

⁽²⁾ The Group transitioned to IFRS 16 'Leases' effective 1 September 2019 and have applied the modified retrospective approach. In accordance with the standard the Group's financial results for prior periods have therefore not been restated. Refer to Note 2.1 Statement of Compliance.

⁽³⁾ Included in (loss)/profit from discontinued operation is the Group's share of post-tax profits from joint ventures of £0.1 million (28 February 2019: £Nil, 31 August 2019: £0.9 million). Refer to Note 14.

⁽⁴⁾ For all periods presented, contingently issuable shares have an anti-dilutive effect on IFRS earnings per share due to the loss of the Group. Therefore, for IFRS purposes the weighted and dilutive weighted average number of shares are 380.2 million (31 August 2019 and 28 February 2019: 380.1 million).

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 29 February 2020

	Unaudited Six months ended 29 February 2020 £m	Unaudited Six months ended 28 February 2019 £m	Audited Year ended 31 August 2019 £m
Continuing operations			
Loss for the period	(17.6)	(3.3)	(74.8)
Other comprehensive income/(expense)			
Items that may be transferred to the income statement			
Other comprehensive (expense)/income from discontinued operation	(6.1)	(4.8)	0.9
Total other comprehensive (expense)/income	(6.1)	(4.8)	0.9
Total comprehensive expense for the period	(23.7)	(8.1)	(73.9)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Parent	(23.5)	(9.7)	(76.7)
Non-controlling interests	(0.2)	1.6	2.8
	(23.7)	(8.1)	(73.9)
Total comprehensive (expense)/income attributable to equity holders of the Parent arising from:			
Continuing operations	(15.4)	(8.8)	(82.4)
Discontinued operation	(8.1)	(0.9)	5.7
	(23.5)	(9.7)	(76.7)

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

CONDENSED CONSOLIDATED BALANCE SHEET

as at 29 February 2020

		Unaudited 29 February 2020 £m	Represented ⁽¹⁾ Audited 31 August 2019 £m
	Note		
Non-current assets			
Investment property	13	1,147.4	1,150.3
Investment in joint ventures	14	2.6	2.9
Loans to joint ventures	14	1.4	5.1
Investment in associate	15	7.2	7.6
Other non-current assets	16	1.0	0.9
Other receivables	17	11.9	10.1
Total non-current assets		1,171.5	1,176.9
Current assets			
Trade and other receivables	17	17.3	22.8
Cash and cash equivalents	18	47.1	33.0
		64.4	55.8
Non-current assets and disposal group held for sale	19	209.2	242.3
Total current assets		273.6	298.1
Total assets		1,445.1	1,475.0
Non-current liabilities			
Borrowings	20	(637.4)	(650.6)
Lease liabilities	21	(50.0)	(6.8)
Derivative financial instruments	22	(11.1)	(12.7)
Deferred tax	23	(5.8)	(7.5)
Other payables	24	-	(0.1)
Total non-current liabilities		(704.3)	(677.7)
Current liabilities			
Borrowings	20	(18.5)	(28.7)
Lease liabilities	21	(0.8)	(0.4)
Derivative financial instruments	22	-	(0.1)
Trade and other payables	24	(24.4)	(24.0)
Tax liabilities		(1.2)	(1.1)
Total current liabilities		(44.9)	(54.3)
Total liabilities		(749.2)	(732.0)
Net assets		695.9	743.0
Equity			
Share capital	25	152.1	152.0
Share premium	25	534.8	534.6
Other components of equity		(47.2)	(1.0)
Total attributable to equity holders of the Parent		639.7	685.6
Non-controlling interests	27	56.2	57.4
Total equity		695.9	743.0

⁽¹⁾ The comparative balance sheet has been represented to split out finance lease liabilities previously including in loan and borrowings on transition to IFRS 16. Refer to Note 2.1 Statement of Compliance.

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

The condensed consolidated interim financial statements were approved by the Board of Directors on 11 May 2020 and were signed on its behalf by:

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 29 February 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 period		-	-	(17.5)	-	-	(17.5)	(0.1)	(17.6)
<i>Items that may be transferred to the income statement</i>									
Foreign currency translation on subsidiary foreign operations		-	-	-	-	(6.0)	(6.0)	(0.1)	(6.1)
Total comprehensive (expense)/income for the period		-	-	(17.5)	-	(6.0)	(23.5)	(0.2)	(23.7)
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 payments 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		-	-	-	0.2	-	0.2	-	0.2
		0.1	0.2	(22.6)	(0.1)	-	(22.4)	-	(22.4)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	27	-	-	-	-	-	-	(1.0)	(1.0)
		-	-	-	-	-	-	(1.0)	(1.0)
Balance at 29 February 2020		152.1	534.8	(60.7)	0.7	12.8	639.7	56.2	695.9

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 29 February 2020

	Note	Share capital £m	Share premium £m	Retained earnings £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 period		-	-	(4.9)	-	-	(4.9)	1.6	(3.3)
<i>Items that may be transferred to the income statement</i>									
Foreign currency translation on subsidiary foreign operations		-	-	-	-	(4.8)	(4.8)	-	(4.8)
Total comprehensive (expense)/income for the period		-	-	(4.9)	-	(4.8)	(9.7)	1.6	(8.1)
Transactions with equity holders of the Parent									
Dividends paid		-	-	(25.7)	-	-	(25.7)	-	(25.7)
Release of share-based payments reserve	26	-	-	1.7	(1.7)	-	-	-	-
Release of non-distributable reserve	26	-	-	1.0	(1.0)	-	-	-	-
Additional payment in relation to restricted stock plan	26	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Fair value of share-based payments		-	-	-	0.3	-	0.3	-	0.3
		-	-	(23.2)	(2.4)	-	(25.6)	-	(25.6)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	27	-	-	-	-	-	-	(1.3)	(1.3)
		-	-	-	-	-	-	(1.3)	(1.3)
Balance at 28 February 2019		152.0	534.6	67.4	0.9	13.1	768.0	59.8	827.8

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 29 February 2020

		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
	Note								
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>									
Other comprehensive income from discontinued operation – foreign currency translation		-	-	-	-	0.9	0.9	-	0.9
Total comprehensive (expense)/income for the year		-	-	(77.6)	-	0.9	(76.7)	2.8	(73.9)
Transactions with equity holders of the Parent									
Dividends paid		-	-	(40.9)	-	-	(40.9)	-	(40.9)
Release of non-distributable reserve	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 condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 29 February 2020

		Unaudited Six months ended 29 February 2020	Unaudited Re-presented ⁽¹⁾ Six months Ended 28 February 2019	Audited Year ended 31 August 2019
	Note	£m	£m	£m
Continuing operations				
Cash generated from operations	28	30.2	34.9	71.6
Interest received		-	0.1	0.2
Interest paid		(9.8)	(13.4)	(22.6)
Net cash inflow from continuing operating activities		20.4	21.6	49.2
Discontinued operation				
Net cash inflow from discontinued operating activities		2.9	4.1	7.2
Net cash inflow from discontinued operating activities		2.9	4.1	7.2
Net cash inflow from operating activities		23.3	25.7	56.4
Cash flows from investing activities				
Acquisition and disposal of subsidiaries		-	(0.3)	(0.7)
Sale of investment property		17.6	(0.2)	0.5
Sale of investment property held for sale		16.9	-	-
Purchase and development of investment property ⁽²⁾		(14.7)	(38.8)	(51.4)
Acquisition of property, plant and equipment		-	(0.1)	(0.1)
Investment in associate		(0.6)	-	-
Distributions from associate		0.5	0.3	1.0
Settlement of taxes relating to investment held at fair value		-	(1.1)	(1.1)
Net cash inflow/(outflow) from continuing investing activities		19.7	(40.2)	(51.8)
Discontinued operation				
Net cash inflow from discontinued investing activities		12.1	2.1	1.3
Net cash inflow from discontinued investing activities		12.1	2.1	1.3
Net cash inflow/(outflow) from investing activities		31.8	(38.1)	(50.5)
Cash flows from financing activities				
Issue of shares	25	0.3	-	-
Proceeds from borrowings		-	22.0	102.0
Repayment of borrowings		(6.3)	(4.9)	(80.9)
Cash disposed on loss of control of Aviva Portfolio ⁽³⁾	8	-	-	(17.5)
Other finance expense		-	(2.2)	(4.0)
Settlement of derivative financial instruments		0.1	-	-
Dividends paid to equity holders		(22.8)	(25.7)	(40.9)
Dividends paid to non-controlling interests		(1.0)	(1.3)	(3.8)
Movement in restricted cash and cash equivalents		(1.7)	(12.3)	(0.7)
Net cash outflow from continuing financing activities		(31.4)	(24.4)	(45.8)
Discontinued operation				
Net cash (outflow)/inflow from discontinued financing activities		(9.7)	14.3	12.6
Movement in restricted cash and cash equivalents		-	0.7	0.7
Net cash (outflow)/inflow from discontinued financing activities		(9.7)	15.0	13.3
Net cash outflow from financing activities		(41.1)	(9.4)	(32.5)
Net increase/(decrease) in unrestricted cash and cash equivalents		14.0	(21.8)	(26.6)
Effect of exchange rate fluctuations on cash and cash equivalents		(1.6)	(0.2)	0.6
Unrestricted cash and cash equivalents at 1 September		32.3	58.3	58.3
Unrestricted cash and cash equivalents at end of the period		44.7	36.3	32.3
Restricted cash and cash equivalents		2.4	12.3	0.7
Cash and cash equivalents at end of the period		47.1	48.6	33.0

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

(2) Including VAT paid of £2.1 million on the acquisition of the final Bicester property unit which will be recovered after the reporting period.

(3) The £17.5 million cash outflow as a result of loss of control of the Aviva Portfolio is considered to be a cash flow from financing activities at this was the cumulative cash that the lender, Aviva, had restricted since the Group first reported an event of default, in line with the terms of the facility agreement. Refer to Note 8 for further information on loss of control of the Aviva Portfolio.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 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 contained in these interim financial statements does not constitute a complete set of financial statements and does not include all of the information required for full annual financial statements (including all comparative figures and all required notes) prepared in accordance with International Financial Reporting Standards ("IFRS"). The comparative figures for the financial year ended 31 August 2019 are not in the same format as the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The interim financial statements should therefore be read in conjunction with the consolidated financial statements as at and for the year ended 31 August 2019 which are available on the Company's website (www.rdireit.com).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements ("interim financial statements") for the six months ended 29 February 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied by the Group are the same as those applied in the audited consolidated financial statements as at and for the year ended 31 August 2019, as set out on pages 140-146 of the 2019 Annual Report, with the exception of the application of the new standard, amendments and interpretation set out below and clarification on revenue recognition as a result of material transactions during the period. Changes made are set out in 2.4 'Changes to Significant Accounting Policies'.

Accounting standards, amendments and interpretations adopted during the period

The relevant new standard, amendments and interpretation that have been adopted during the period 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 interim financial statements and the new accounting policies are disclosed below. 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 interpretation has not had a material impact on the interim 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 periods in these interim 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.

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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 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.

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 leased assets, which is 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 are 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	42.9	48.6
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 - prepayment	0.1	(0.1)	-
Loans and borrowings, including finance leases	(7.2)	7.2	-
Lease liabilities – non-current and current	-	(51.0)	(51.0)
Trade and other payables – 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 have been no rent reviews during the period requiring a remeasurement of the lease liabilities.

The investment property ROU assets have been subsequently measured at fair value in line with IAS 40 and adjusted to 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 condensed 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 condensed consolidated income statement.

The earnings impact of transitioning to IFRS 16 for the period ended 29 February 2020, has increased the loss after tax by £0.1 million 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.

	29 February 2020 (pre IFRS 16) £m	IFRS 16 Adjustment £m	29 February 2020 (post IFRS 16) £m
Rental expenses	4.7	(0.8)	3.9
Administrative expenses and other fees	6.4	-	6.4
Finance expense	9.3	0.9	10.2
	20.4	0.1	20.5

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Although there will be increased charges to condensed consolidated income statement initially, the cumulative expense will even out over the term of the lease (after adjusting for inflation) as the carrying value of the lease obligations and the effective interest reduce.

The below table 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
Office lease commitments as at 31 August 2019	527.8
Head 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	(484.9)
IFRS 16 lease liability recognised as at 1 September 2019	43.8

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 'Changes to Significant 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

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 is 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 interim condensed 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.

GOING CONCERN

These condensed consolidated financial statements have been prepared on a going concern basis.

In light of the current COVID-19 pandemic and the continued uncertainty around the United Kingdom's future trading relationship with the European Union, the Directors have considered severe but plausible downside scenarios in assessing the Group's ability to continue as a going concern. Given the potential negative economic impacts and the uncertainty in respect of the timeline for recovery, in a reasonably possible adverse scenario, a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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The scenario's considered included a material reduction in rental income, including a significant increase in bad debts; non completion of exchanged sales contracts; an inability to refinance maturing facilities at comparable levels of gearing; and cash cures resulting from material declines in property values.

The Group does have potential mitigants at its disposal to address these uncertainties which include, but are not limited to, utilising existing cash balances, further disposals of assets, pledging as additional security ungeared properties currently valued at £46.4 million and seeking lender consent to an extension of financial covenant waivers to cover extended periods of disruption.

RE-PRESENTATION OF PRIOR YEAR COMPARATIVES

Effective 1 March 2019, the Group has determined that the co-ordinated sale of the Europe portfolio, being a segment in line with the criteria of IFRS 8 'Operating Segments', meets the criteria of a disposal group held for sale and further, constitutes a discontinued operation as a separable cash-generating unit and geographical operation of the Group. To comply with the presentation requirements of IFRS 5, the post-tax profit and other comprehensive income of the Europe segment have been presented separately in the income statement and statement of other comprehensive income, in addition to the cash flows of the segment under the relevant activities in the statement of cash flows. Comparative profit and loss, cash flow statements and related notes for the period ended 28 February 2019 have been therefore re-presented. The Europe portfolio assets are presented separately under non-current assets on the balance sheet. These presentational changes have no impact on the Group's total earnings, net asset position or cash flows in the current or prior interim period.

In addition, the comparative balance sheet has been represented to split out both non-current and current finance lease obligations (under IAS 17) as separate line items on the consolidated balance sheet.

2.3 KEY JUDGEMENTS AND ESTIMATES

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

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

JUDGEMENTS

CORPORATE AND PROPERTY ACQUISITIONS

When control is obtained over an entity or group of entities, judgement is required in determining whether the transaction constitutes a business combination with reference to the inputs, processes and outputs of the subsidiary or subsidiary group acquired. If it is determined that the transaction is a business combination, the requirements of IFRS 3 'Business Combinations' ('IFRS 3') are applied.

In addition, when a property is acquired directly, the Directors have regard to the substance of the transaction and whether related processes and activities have been assumed which would represent a business. When such an acquisition is considered to be the acquisition of a business, the requirements of IFRS 3 apply as above, otherwise the transaction is treated as an acquisition of a property asset in line with IAS 40. During the period ended 29 February 2020, the one property acquired by the Group was considered to be an asset acquisition (31 August 2019: two property acquisitions).

LOSS OF CONTROL OF SUBSIDIARIES

The Group controls an investee when it:

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

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

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ESTIMATES

INVESTMENT PROPERTY VALUATION

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

2.4 CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

The following accounting policy has been added to the Group's existing accounting policies as a result of transitioning to IFRS 16 are set out below:

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 cost. The lease payments are discounted using the incremental rate of borrowing specific to each lease. The finance cost is charged to finance expense in consolidated income statement over the lease term so as to produce a constant rate of interest on the remaining balance of the liability for each period. Cash payments relating to the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion 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 asset relates 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 properties 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 12 months, or for low value leases.

The following accounting policy in respect of the Group's accounting for leases under IAS 17 has been removed from the Group's existing accounting policies:

Investment property

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

The following accounting policy has been amended to provide clarity on revenue recognition in relation to disposals on account of material transactions that occurred during the period:

Investment property

Acquisition 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 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.

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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 period ended 29 February 2020);
UK Hotels:	The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels: • five Travelodge branded and externally managed hotels; and • thirteen RBH managed hotels, of which ten are 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. On 1 March 2019, this segment met the criteria of IFRS 5 to be classified as a Discontinued operation ("Dis Op"); and is therefore presented as a single line item on the income statement. Detailed analysis of the post-tax profit/(loss) from the Dis Op is presented in the segmental income statements. Comparative interim information has been re-presented as required under the accounting standard; and
Other:	The Group's holding and management companies that carry out the head office and centralised asset management activities of the Group.

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

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Segmental income statement for the period ended 29 February 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	18.3	11.3	10.0	6.9	-	46.5	(0.8)	45.7	(6.5)	39.2
Other operating income	0.9	-	-	-	0.3	1.2	-	1.2	-	1.2
Total revenue	19.2	11.3	10.0	6.9	0.3	47.7	(0.8)	46.9	(6.5)	40.4
Rental income	18.3	11.3	10.0	6.9	-	46.5	(0.8)	45.7	(6.5)	39.2
Rental expense	(3.0)	-	(1.0)	(1.3)	-	(5.3)	0.1	(5.2)	1.3	(3.9)
Net rental income	15.3	11.3	9.0	5.6	-	41.2	(0.7)	40.5	(5.2)	35.3
Other operating income	0.9	-	-	-	0.3	1.2	-	1.2	-	1.2
Administrative costs and other fees	(0.8)	(0.1)	-	(0.3)	(5.5)	(6.7)	0.1	(6.6)	0.2	(6.4)
Net operating income/(expense)	15.4	11.2	9.0	5.3	(5.2)	35.7	(0.6)	35.1	(5.0)	30.1
Loss on revaluation of investment property	(6.9)	(8.0)	(18.9)	-	-	(33.8)	-	(33.8)	-	(33.8)
Loss on revaluation of investment property held for sale	-	-	-	(6.9)	-	(6.9)	0.5	(6.4)	6.4	-
Loss on disposal of investment property	(2.0)	-	-	-	-	(2.0)	-	(2.0)	-	(2.0)
Gain/(loss) on disposal of investment property held for sale	1.0	-	(0.2)	(0.3)	-	0.5	(0.7)	(0.2)	1.0	0.8
Acquisition and disposal of subsidiaries	0.1	-	-	(0.1)	-	-	-	-	0.1	0.1
Other expenses	-	-	-	-	(0.6)	(0.6)	-	(0.6)	-	(0.6)
Foreign exchange loss	-	-	-	-	(0.2)	(0.2)	-	(0.2)	-	(0.2)
Finance income on loans to joint ventures	-	-	-	-	-	-	0.1	0.1	(0.1)	-
Finance expense	(4.8)	(3.2)	(2.5)	(1.6)	-	(12.1)	0.3	(11.8)	1.6	(10.2)
Other finance expense	-	-	-	(0.3)	-	(0.3)	0.3	-	-	-
Change in fair value of derivative financial instruments	0.4	0.1	0.2	0.9	-	1.6	(0.2)	1.4	(0.9)	0.5
Impairment of associate	-	(0.3)	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Share of post-tax loss from associate	-	(0.2)	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Profit/(loss) before tax per reportable segments	3.2	(0.4)	(12.4)	(3.0)	(6.0)	(18.6)	(0.3)	(18.9)	3.1	(15.8)
Taxation	-	-	-	1.4	-	1.4	(0.2)	1.2	(1.2)	-
Profit/(loss) after tax per reportable segments	3.2	(0.4)	(12.4)	(1.6)	(6.0)	(17.2)	(0.5)	(17.7)	1.9	(15.8)
<i>Joint venture adjustments:</i>										
Movement of losses restricted in joint ventures ⁽¹⁾						(0.4)	0.4	-	-	-
Share of post-tax profit from joint ventures						-	0.1	0.1	(0.1)	-
Discontinued operation										
Loss for the period from discontinued operation						-	-	-	(1.8)	(1.8)
IFRS loss for the period						(17.6)	-	(17.6)	-	(17.6)

⁽¹⁾ As detailed in Note 14, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line.

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Represented Segmental income statement for the period ended 28 February 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	18.7	11.5	19.3	7.2	-	56.7	(0.9)	55.8	(6.7)	49.1
Other operating income	0.8	-	-	-	0.5	1.3	-	1.3	-	1.3
Total revenue	19.5	11.5	19.3	7.2	0.5	58.0	(0.9)	57.1	(6.7)	50.4
Rental income	18.7	11.5	19.3	7.2	-	56.7	(0.9)	55.8	(6.7)	49.1
Rental expense	(3.0)	(0.6)	(1.7)	(0.9)	-	(6.2)	-	(6.2)	0.9	(5.3)
Net rental income	15.7	10.9	17.6	6.3	-	50.5	(0.9)	49.6	(5.8)	43.8
Other operating income	0.8	-	-	-	0.5	1.3	-	1.3	-	1.3
Administrative costs and other fees	(0.6)	(0.1)	(0.1)	(0.4)	(6.0)	(7.2)	(0.1)	(7.3)	0.4	(6.9)
Net operating income/(expense)	15.9	10.8	17.5	5.9	(5.5)	44.6	(1.0)	43.6	(5.4)	38.2
Gain/(loss) on revaluation of investment property	0.3	(2.7)	(26.9)	(1.2)	-	(30.5)	0.2	(30.3)	1.3	(29.0)
Loss on disposal of investment property	-	-	-	(0.2)	-	(0.2)	-	(0.2)	0.2	-
Loss on acquisition of subsidiaries	-	(0.1)	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Other expenses	-	-	-	-	(0.1)	(0.1)	-	(0.1)	-	(0.1)
Foreign exchange loss	-	-	-	-	(0.2)	(0.2)	-	(0.2)	-	(0.2)
Finance income on loans to joint ventures	-	-	-	-	-	-	0.2	0.2	(0.2)	-
Other underlying finance income	-	-	-	-	0.1	0.1	-	0.1	-	0.1
Finance expense	(5.0)	(2.7)	(7.1)	(1.7)	-	(16.5)	0.3	(16.2)	1.6	(14.6)
Change in fair value of derivative financial instruments	(1.1)	(0.1)	(0.6)	(0.3)	-	(2.1)	(0.1)	(2.2)	0.3	(1.9)
Impairment reversal of continuing joint venture interest	0.1	-	-	-	-	0.1	-	0.1	-	0.1
Share of post-tax profit from associate	-	0.5	-	-	-	0.5	-	0.5	-	0.5
Profit/(loss) before tax per reportable segments	10.2	5.7	(17.1)	2.5	(5.7)	(4.4)	(0.4)	(4.8)	(2.2)	(7.0)
Taxation	(0.1)	-	-	1.6	(0.3)	1.2	0.1	1.3	(1.6)	(0.3)
Profit/(loss) after tax per reportable segments	10.1	5.7	(17.1)	4.1	(6.0)	(3.2)	(0.3)	(3.5)	(3.8)	(7.3)
<i>Joint venture adjustments:</i>										
Movement of losses restricted in joint ventures ⁽¹⁾						(0.1)	0.1	-	-	-
Share of post-tax profit from joint ventures						-	0.2	0.2	(0.2)	-
Discontinued operation										
Profit for the period from discontinued operation						-	-	-	4.0	4.0
IFRS loss for the period						(3.3)	-	(3.3)	-	(3.3)

⁽¹⁾ As detailed in Note 14, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line.

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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
Other operating income	1.8	-	-	-	0.9	2.7	-	2.7	-	2.7
Total revenue	39.0	23.0	31.4	14.7	0.9	109.0	(1.8)	107.2	(13.7)	93.5
Rental income	37.2	23.0	31.4	14.7	-	106.3	(1.8)	104.5	(13.7)	90.8
Rental expense	(6.0)	(1.2)	(2.8)	(2.2)	-	(12.2)	0.1	(12.1)	2.1	(10.0)
Net rental income	31.2	21.8	28.6	12.5	-	94.1	(1.7)	92.4	(11.6)	80.8
Other operating income	1.8	-	-	-	0.9	2.7	-	2.7	-	2.7
Administrative costs and other fees	(1.4)	(0.2)	(0.1)	(0.8)	(11.4)	(13.9)	-	(13.9)	0.7	(13.2)
Net operating income/(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)
<i>Joint venture adjustments:</i>										
Movement of losses restricted in joint ventures ⁽¹⁾						0.2	(0.2)	-	-	-
Share of post-tax profit from joint ventures						-	0.9	0.9	(0.9)	-
Discontinued operation										
Profit for the year from discontinued operation						-	-	-	5.3	5.3
IFRS loss for the year						(74.8)	-	(74.8)	-	(74.8)

⁽¹⁾ As detailed in Note 14, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line.

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for the six months ended 29 February 2020

Segmental balance sheet as at 29 February 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	545.3	379.4	233.7	-	1,158.4	(11.0)	1,147.4
Investment in associate	-	7.2	-	-	7.2	-	7.2
Trade and other receivables	4.8	3.7	8.3	11.5	28.3	(0.5)	27.8
Cash and cash equivalents	24.7	9.0	6.0	3.5	43.2	(2.0)	41.2
Investment property held for sale	4.2	-	-	210.5	214.7	(5.5)	209.2
Borrowings, including lease liabilities (IFRS 16)	(267.3)	(187.7)	(136.4)	(125.5)	(716.9)	11.0	(705.9)
Trade and other payables	(8.3)	(3.9)	(6.6)	(1.7)	(20.5)	0.6	(19.9)
Segmental net assets	303.4	207.7	105.0	98.3	714.4	(7.4)	707.0
Unallocated assets and liabilities:							
Other non-current assets					1.0	-	1.0
Trade and other receivables					1.4	-	1.4
Cash and cash equivalents					5.9	-	5.9
Net derivative financial instruments					(13.9)	2.8	(11.1)
Lease liabilities					(0.8)	-	(0.8)
Deferred tax					(5.8)	-	(5.8)
Trade and other payables					(4.5)	-	(4.5)
Current tax liabilities					(1.4)	0.2	(1.2)
					696.3	(4.4)	691.9

Joint venture adjustments:

Cumulative restricted loss in joint venture ⁽¹⁾	(0.2)	0.2	-
Joint Venture non-controlling interests	(0.2)	0.2	-
Investment in joint ventures	-	2.6	2.6
Recognised loan to joint ventures	-	1.4	1.4
IFRS net assets	695.9	-	695.9

⁽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.

Segmental balance sheet as at 28 February 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	553.1	362.6	459.2	243.3	1,618.2	(24.6)	1,593.6
Investment in associate	-	9.2	-	-	9.2	-	9.2
Trade and other receivables	4.3	3.4	8.4	3.6	19.7	(0.4)	19.3
Cash and cash equivalents	10.8	8.2	20.5	2.9	42.4	(0.8)	41.6
Borrowings, including finance leases (IAS 17)	(257.5)	(161.7)	(270.0)	(139.7)	(828.9)	15.1	(813.8)
Trade and other payables	(9.5)	(2.8)	(11.9)	(2.0)	(26.2)	0.5	(25.7)
Segmental net assets	301.2	218.9	206.2	108.1	834.4	(10.2)	824.2
Unallocated assets and liabilities:							
Other non-current assets					1.1	-	1.1
Trade and other receivables					2.6	-	2.6
Cash and cash equivalents					7.0	-	7.0
Net derivative financial instruments					(6.3)	2.6	(3.7)
Deferred tax					(8.0)	0.6	(7.4)
Trade and other payables					(2.3)	-	(2.3)
Current tax liabilities					(0.7)	-	(0.7)
					827.8	(7.0)	820.8

Joint venture adjustments:

Investment in joint ventures	-	2.0	2.0
Loans to joint ventures	-	5.0	5.0
IFRS net assets	827.8	-	827.8

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.

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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
Net derivative financial instruments					(15.9)	3.1	(12.8)
Deferred tax					(8.3)	0.8	(7.5)
Trade and other payables					(4.5)	-	(4.5)
Current tax liabilities					(1.1)	-	(1.1)
					742.8	(7.8)	735.0
<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.

4. RENTAL INCOME

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Gross lease payments from third parties	29.2	38.8	70.2
Gross lease payments from related parties (Note 30)	10.0	10.3	20.6
Rental income	39.2	49.1	90.8

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:

Not later than one year	62.8	80.3	76.4
Later than one year not later than two years	39.9	53.6	42.0
Later than two years not later than three years	33.6	45.7	35.6
Later than three years not later than four years	27.1	37.0	27.9
Later than four years not later than five years	23.8	30.8	23.9
Later than five years	132.4	194.0	122.9
	319.6	441.4	328.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 2020

5. RENTAL EXPENSE

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Non-recoverable service charge	0.4	0.5	0.9
Direct property operating expenses	2.0	2.3	4.0
Repairs and maintenance	0.3	-	0.4
Property services provided by related party (Note 30)	0.3	0.3	0.6
Operating lease expense ⁽¹⁾	-	0.8	1.8
Letting costs	0.2	0.3	0.6
Serviced office portfolio direct staff and sales costs	0.7	1.1	1.7
Rental expense	3.9	5.3	10.0

⁽¹⁾ 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.

6. OTHER OPERATING INCOME

	Unaudited 29 February 2020 £m	Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Service fee income	1.4	1.4	2.9
Service fee expense	(0.5)	(0.5)	(1.1)
Service fee margin ⁽¹⁾	0.9	0.9	1.8
Management fees from joint ventures (Note 30)	-	-	0.1
Insurance rebates	0.2	0.2	0.4
Salary recharges	0.1	0.2	0.3
Other property related income	-	-	0.1
Other operating income	1.2	1.3	2.7

⁽¹⁾ Service fees relates to recoverable costs incurred by the Group in the serviced office portfolio that are recharged to tenants at a margin.

7. ADMINISTRATIVE COSTS AND OTHER FEES

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Staff costs, incl. Executive Directors	2.6	3.2	6.4
Non-executive Director fees and insurance	0.2	0.3	0.5
Professional fees	0.9	1.1	2.4
Corporate costs	0.3	0.4	0.7
Non-recurring transaction costs	0.8	-	-
Head office costs	0.4	0.5	1.1
Share-based payments (Note 26)	0.2	0.3	0.2
Investment management fees to related party (Note 30)	0.4	0.5	0.9
Depreciation	0.1	0.1	0.2
General administrative expenses	0.5	0.5	0.8
Administrative costs and other fees	6.4	6.9	13.2

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for the six months ended 29 February 2020

8. LOSS OF CONTROL OF AVIVA

	Audited 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 a long-term fixed rate debt facility with Aviva. The facility was non-recourse to the Company, with a fixed rate of 5.5 per cent per annum and a maturity date in April 2042 and had an outstanding principal balance of £145.1 million at 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 breach and, in addition to the capital outlay, all net operating cash flows were restricted in the facility to reduce the outstanding balance as per the terms of the agreement.

A further valuation was called by Aviva in April 2019, given the ongoing structural challenges facing the retail sector, slowing sales and retailer failures. This resulted in a loan to value of 89.4 per cent, after adjusting for the 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 were still in force during the Standstill period and the agreement could be terminated at any time. The standstill period expired in February 2020 and Aviva are in the process of appointing fixed charge receivers over the four centres.

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

The Group therefore ceased to consolidate the Aviva subsidiaries with effect from 23 April 2019, by de-recognising 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 AND DISPOSAL OF SUBSIDIARIES

There were no income generating corporate disposals during the period ended 29 February 2020 or the year ended 31 August 2019. A deferred service charge settlement of £0.1 million relating to the disposal of Redefine Lochside Limited during the year ended 31 August 2018 was received in the current period. Wind-up of costs of £0.1 million in relation to the Leopard structure were also incurred during the period which are included in post-tax loss from Discontinued operation in the condensed consolidated income statement (31 August 2019: £0.1 million).

There were no business combinations in the six months to 29 February 2020 or in the year to 31 August 2019. Further transactions costs of £0.1 million were incurred during the six months to 28 February 2019 and £0.4 million during the year ended 31 August 2019, relating to the acquisition of both the LSO Portfolio and International Hotel Properties Limited ("IHL").

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for the six months ended 29 February 2020

10. FINANCE INCOME AND FINANCE EXPENSE

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Finance income on bank deposits	-	0.1	0.2
Finance income	-	0.1	0.2
Finance expense on bank loans	(8.3)	(13.4)	(23.5)
Amortisation of debt issue costs	(0.8)	(0.5)	(1.1)
Accretion of fair value adjustments	-	(0.3)	(0.4)
Finance cost on existing lease liabilities	(0.2)	(0.4)	(0.6)
Finance cost on transitioning to IFRS 16 ⁽¹⁾	(0.9)	-	-
Finance expense	(10.2)	(14.6)	(25.6)
Net finance expense	(10.2)	(14.5)	(25.4)

⁽¹⁾ As a result of transitioning to IFRS 16, finance costs 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 – 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 period ended 29 February 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

	Unaudited 29 February 2020 £m	Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Other finance costs	-	-	0.3
Other finance expense	-	-	0.3

During the second half of 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.

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12. TAXATION

a) Tax recognised in the consolidated income statement:

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Current income tax			
Income tax in respect of current period	-	0.1	0.1
Adjustments in respect of prior periods	-	0.2	0.2
Tax charge for the period recognised in the consolidated income statement	-	0.3	0.3
Discontinued operations			
Current income tax	0.1	-	0.4
Deferred income tax	(1.3)	(1.6)	(2.0)
Tax credit for the period included in post-tax (loss)/profit from discontinued operation	(1.2)	(1.6)	(1.6)
Total tax credit for the period	(1.2)	(1.3)	(1.3)

There was no tax recognised in equity or other comprehensive income during all periods presented.

b) Reconciliation

The tax rate for the period is lower than the average standard rate of corporation tax in the UK of 19.0 per cent (28 February 2019: 19.0 per cent, 31 August 2019: 19.0 per cent). The differences are explained below:

	Unaudited 29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations			
Loss before tax	(15.8)	(7.0)	(79.8)
Loss before tax multiplied by standard rate of corporation tax	(3.0)	(1.3)	(15.2)
Effect of:			
- Revaluation of investment property	6.4	5.5	10.8
- Loss on disposal of investment property	0.2	-	0.3
- Loss of control of Aviva Portfolio	-	-	10.6
- Change in fair value of derivative financial instruments	(0.1)	0.4	1.8
- Income not subject to UK income tax	(0.3)	(0.1)	(0.3)
- REIT exempt property rental profits	(3.6)	(5.2)	(10.4)
- Losses utilised	-	-	(0.1)
- Unutilised losses carried forward	-	0.4	2.0
- Expenses not deductible for tax	0.4	0.3	0.6
- Adjustments in respect of prior periods	-	0.3	0.2
Tax charge for the period recognised in the consolidated income statement	-	0.3	0.3

As shown in all of the reconciliations above, the effective tax rate of the Group is not meaningful given the loss position for all periods presented.

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.

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13. INVESTMENT PROPERTY

	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
29 February 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)	16.2	26.7	-	-	42.9	-	42.9
Acquisition of property	10.3	-	-	-	10.3	10.3	-
Capitalised expenditure	0.8	0.2	0.9	-	1.9	1.4	0.5
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	(6.9)	(8.0)	(18.9)	-	(33.8)	(18.8)	(15.0)
IFRS carrying value at 29 February 2020	534.3	379.4	233.7	-	1,147.4	814.7	332.7
Adjustments:							
Head lease assets	(18.0)	(27.2)	(3.4)	-	(48.6)	-	(48.6)
Tenant lease incentives (Note 17)	1.7	2.3	6.7	-	10.7	9.1	1.6
Market value of Group portfolio at 29 February 2020	518.0	354.5	237.0	-	1,109.5	823.8	285.7
Market value of assets held for sale (Note 19)	4.4	-	-	206.1	210.5	177.1	33.4
Market value of Group portfolio at 29 February 2020	522.4	354.5	237.0	206.1	1,320.0	1,000.9	319.1
Joint ventures							
Share of joint venture investment property, including assets held for sale (Note 14)	11.0	-	-	5.5	16.5	16.5	-
Market value of total portfolio at 29 February 2020 (on a proportionately consolidated basis)	533.4	354.5	237.0	211.6	1,336.5	1,017.4	319.1
	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	(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 (Note 14)	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.

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Recognition

Judgement may be required to determine whether a property qualifies as 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. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, and in limited circumstances in aggregation with other assets, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change to determine an appropriate valuation. Fees paid to valuers are based on arms-length fixed price contracts.

The fair value of the Group's property for the period ended 29 February 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 and by Savills for remainder of the Group's portfolio. The valuations are reviewed internally by senior management and presented to the Audit and Risk Committee. The presentation includes discussion around the assumptions used by the external valuers, as well as a review of the resulting valuations.

Valuation inputs

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

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

At the latest valuation date, transaction volumes continued to provide a sufficient amount of up-to-date comparable market evidence upon which to base opinions of property values, with no COVID-19 material uncertainty clauses adopted by the Group's valuers in their reports.

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 period. The key unobservable valuation inputs of the Group's total portfolio, including assets held for sale, are set out in the tables below:

29 February 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	522.4	192,847	174.4	5.7	4.8	3.2 – 15.6	168.5
UK Hotels	354.5	77,391	317.9	16.4	5.7	3.3 – 8.3	319.7
UK Retail	237.0	102,171	202.0	6.6	6.6	3.4 – 12.8	179.3
Europe	206.1	75,807	168.5	4.9	4.9	3.9 – 6.7	158.3
Joint ventures							
UK Commercial	11.0	2,752	312.9	3.1	7.3	7.3	314.9
Europe	5.5	5,913	66.1	7.1	6.0	6.0	66.6
Total	1,336.5	456,881					

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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 Office portfolios given the operational nature of the underlying trading business'.

Sensitivities

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

29 February 2020 Group	Market value (£m)	+5% ERV/ EBITDA (£m) ⁽¹⁾	-5% ERV/ EBITDA (£m) ⁽¹⁾	-25bps Yield/ capitali- sation rate (£m) ⁽¹⁾	+25bps Yield/ capitali- sation rate (£m) ⁽¹⁾	+15% ERV/ EBITDA (£m) ⁽¹⁾	-15% ERV/ EBITDA (£m) ⁽¹⁾	-75bps Yield/ capitali- sation rate (£m) ⁽¹⁾	+75bps Yield/ capitali- sation rate (£m) ⁽¹⁾
UK Commercial	522.4	26.2	(22.1)	26.9	(15.6)	74.7	(69.7)	89.5	(67.8)
UK Hotels	354.5	18.0	(17.5)	14.7	(13.1)	53.2	(53.0)	47.7	(36.8)
UK Retail	237.0	8.7	(8.4)	9.5	(9.0)	25.9	(25.4)	31.3	(25.0)
Europe	206.1	9.0	(8.8)	4.0	(3.8)	26.7	(26.5)	12.4	(11.5)
Total	1,320.0	61.9	(56.8)	55.1	(41.5)	180.5	(174.6)	180.9	(141.1)

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

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

For the purposes of going concern, the Directors have considered the impact of a decline in the current investment property valuations in a downside scenario as follows; UK Shopping Centres - 25 per cent; other UK Retail assets - five per cent; UK Hotels and Europe - ten per cent; and UK Commercial - five per cent. These sensitivities seek to quantify the 'worst-case' scenario per sector as a result of the outbreak of COVID-19 as a global Pandemic after the reporting date and the ongoing uncertainty of the impact of 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 29 February 2020, the decline in valuations would result in a fair value loss to the income statement of £109.1 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).

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Disposals

The Group made one disposal during the period ended 29 February 2020 by way of asset sale from the UK Commercial portfolio, namely The Omnibus commercial office building in Reigate. As at 29 February 2020, net proceeds of £17.6 million had been received by the Group, including the proceeds from completion of the Lakeview, Warrington prior year sale.

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Fair value adjustments £m	Loss on disposal £m
29 February 2020						
Continuing Operations						
The Omnibus, Reigate	14.9	(0.9)	14.0	(15.5)	(0.5)	(2.0)
Total disposals during the period	14.9	(0.9)	14.0	(15.5)	(0.5)	(2.0)

The Group made three 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. As at 31 August 2019, net proceeds of £3.5 million had been received by the Group after adjusting for additional prior year disposal costs (£0.5 million from Continuing operations).

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

Committed expenditure

At 29 February 2020, the Group was contractually committed to expenditure of £1.8 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 £42.9 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 29 February 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 29 February 2020 was £322.7 million, £364.7 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.

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14. INVESTMENT IN AND LOANS TO JOINT VENTURES

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Investment in joint ventures		
Opening balance at 1 September	2.9	1.9
Share of post-tax profit	0.1	0.9
Distributions to joint venture non-controlling interests	(0.2)	-
Foreign currency translation	(0.2)	0.1
Investment in joint ventures	2.6	2.9
Loan to joint ventures		
Opening balance at 1 September	5.1	5.2
Repayment of loans	(3.4)	(0.1)
Foreign currency translation	(0.3)	-
Loan to joint ventures	1.4	5.1
Carrying value of interest in joint ventures	4.0	8.0

During the period ended 29 February 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 owns 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;
- (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 and remains at £Nil at 29 February 2020. This investment is in a net liability position with the cumulative losses to date exceeding or materially equalling the cost of the Group's investment, primarily due to the negative mark-to-market on the joint ventures' derivative. The Group has ceased to recognise further losses beyond the original cost of this joint venture and loans advanced have been fully impaired in line with IAS 28. At 29 February 2020, the share of these cumulative losses no longer exceeded the Group's cumulative cost of investment in and loans to the Esplanade by £0.2 million (31 August 2019: exceeded by £0.2 million). The Group has not reversed previous impairment charges in this reporting period however, given the continued fluctuations of the derivative mark-to-market and on a materiality basis. For the purposes of segmental reporting however, the Esplanade results and net liabilities are recognised line-by-line and then adjusted to reconcile to the IFRS totals. Refer to Note 3.

Fair value disclosures

The fair value of the Group's recognised loan to joint venture at 29 February 2020 approximates to fair value as the loan balance was fully repaid on disposal of the residual joint venture property asset just after the end of the reporting period (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).

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Summarised Financial Information

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

	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			
29 February 2020						
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Rental income	-	0.8	0.8	1.6	(0.8)	0.8
Rental expense	-	(0.2)	-	(0.2)	0.1	(0.1)
Net rental income	-	0.6	0.8	1.4	(0.7)	0.7
Administrative costs and other fees	-	(0.1)	-	(0.1)	-	(0.1)
Net operating income	-	0.5	0.8	1.3	(0.7)	0.6
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
Finance expense on loans from joint venture partners	-	(0.2)	-	(0.2)	0.1	(0.1)
Finance expense on external borrowings	-	(0.2)	(0.5)	(0.7)	0.4	(0.3)
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	-	(0.1)	0.7	0.6	(0.3)	0.3
Taxation	-	0.3	-	0.3	(0.1)	0.2
Profit and total comprehensive income for the period	-	0.2	0.7	0.9	(0.4)	0.5
Reconciliation to IFRS:	-	-	-	-	-	-
Elimination of joint venture partners' interests	-	(0.1)	(0.3)	(0.4)	0.4	-
Movement in losses restricted in joint ventures	-	-	(0.4)	(0.4)	-	(0.4)
Group share of joint venture results (included in post-tax loss from discontinued operation)	-	0.1	-	0.1	-	0.1
Summarised balance sheet						
Investment property	-	-	22.0	22.0	(11.0)	11.0
Trade and other receivables	-	0.8	0.1	0.9	(0.4)	0.5
Cash and cash equivalents	0.7	2.5	0.7	3.9	(1.9)	2.0
Investment property held for sale	-	10.5	-	10.5	(5.0)	5.5
Total assets	0.7	13.8	22.8	37.3	(18.3)	19.0
External borrowings	-	(5.5)	(16.3)	(21.8)	10.8	(11.0)
Loans from joint venture partners	-	(2.5)	(6.6)	(9.1)	4.4	(4.7)
Derivative financial instruments	-	-	(5.6)	(5.6)	2.8	(2.8)
Trade and other payables (including current tax liabilities)	-	(0.9)	(0.5)	(1.4)	0.6	(0.8)
Total liabilities	-	(8.9)	(29.0)	(37.9)	18.6	(19.3)
Non-controlling interests	-	(0.4)	-	(0.4)	0.2	(0.2)
Net assets/(liabilities)	0.7	4.5	(6.2)	(1.0)	0.5	(0.5)
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(2.2)	3.1	0.5	(0.5)	-
Recognised loan to joint venture (Note 30) ⁽¹⁾	-	1.4	-	1.4	-	1.4
Impairment of net investment in joint ventures	-	-	3.1	3.1	-	3.1
Carrying value of interests in joint ventures	0.3	3.7	-	4.0	-	4.0

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

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	Discontinued operation		Unrecognised Joint Venture		Elimination of joint venture partners' interest	Proportionate total
	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m	Total £m		
31 August 2019						
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Rental income	-	1.9	1.7	3.6	(1.8)	1.8
Rental expense	-	(0.2)	-	(0.2)	0.1	(0.1)
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.

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15. INVESTMENT IN ASSOCIATE

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Investment in RBH		
Opening balance at 1 September	7.6	9.1
Additions	0.6	-
Share of post-tax (loss)/profit	(0.2)	0.9
Distributions (Note 30)	(0.5)	(1.0)
Impairment of investment	(0.3)	(1.4)
Carrying value of investment in associate	7.2	7.6

RBH

The summarised financial information of RBH is set out below.

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Summarised income statement		
Revenue	35.0	77.7
Other income	1.7	3.7
Expenses	(37.6)	(77.1)
(Loss)/profit from operations	(0.9)	4.3
Taxation	0.3	(0.9)
(Loss)/profit for the period	(0.6)	3.4
Elimination of third party interest	0.4	(2.5)
Group share of results	(0.2)	0.9
<i>Classified as:</i>		
Share of post-tax (loss)/profit	(0.2)	0.9
Summarised balance sheet		
Non-current assets	2.5	2.9
Intangible asset	28.1	28.1
Trade and other receivables	7.2	6.2
Cash and cash equivalents	2.5	7.0
Total assets	40.3	44.2
Trade and other payables	(13.5)	(14.5)
Total liabilities	(13.5)	(14.5)
Net assets	26.8	29.7
Capital contribution adjustment	0.4	2.9
Adjusted net assets	27.2	32.6
Elimination of third-party interests	(19.7)	(24.4)
Share of net assets attributable to the Group	7.5	8.2
Impairment of Group share of net assets	(0.3)	(0.6)
Carrying value of net investment in associate	7.2	7.6

During the period ended 29 February 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 period ended 29 February 2020 were £0.5 million (31 August 2019: £1.0 million).

At 31 August 2019, following an internal impairment assessment and on receipt of an independent valuation of RBH, the Directors considered that the recoverable amount of the Group's net investment in RBH was £7.6 million. The independent valuation was determined on a capitalisation of earnings basis, cross-checked to market comparables and a recent shareholder transaction. Using a discount rate range of 10.5 - 11.5 per cent, an enterprise value range of £26.3 - £32.5 million was attributed to the investment, with a mid-point valuation of £30.0 million (Group share: £7.6 million). The impairment charge of £1.4 million recognised during the year ended 31 August 2019, was comprised of impairment of the Group's share of RBH net assets of £0.6 million and reduction of the excess net investment in RBH of £0.8 million to £nil.

At 29 February 2020, the Directors considered the lower end of the enterprise valuation range, £26.3 million (Group share: £7.2 million), to be a reasonable approximation of the recoverable amount of the Group's increased net investment in RBH, based on revised trading forecasts received from the hotel operator. This has resulted in the recognition of an impairment charge of £0.3 million for the period ended 29 February 2020.

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16. OTHER NON-CURRENT ASSETS

INTANGIBLE ASSETS

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Opening balance at 1 September	0.6	0.8
Amortisation	(0.1)	(0.2)
Derecognition	(0.5)	-
Closing balance	-	0.6

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 period ended 29 February 2020, as the Group's remaining joint venture had sold two of the three assets to which RIMH had provided asset management services, the third property was sold just after the reporting date and income ceased to accrue to RIMH as of the reporting date.

PROPERTY, PLANT AND EQUIPMENT

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Opening balance at 1 September	0.3	0.5
Head office right-of-use asset ⁽¹⁾	0.8	-
Additions	-	0.1
Depreciation	(0.1)	(0.2)
Disposals net of accumulated depreciation	-	(0.1)
Closing balance	1.0	0.3
Total other non-current assets	1.0	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.

17. RECEIVABLES

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Non-current		
Tenant lease incentives ⁽¹⁾	9.6	7.4
Tenant lease incentives to related parties ⁽¹⁾ (Note 30)	0.8	1.3
Letting costs	1.5	1.1
Other receivables	-	0.3
Total non-current other receivables	11.9	10.1
Current		
Rent receivable	2.2	1.0
Tenant lease incentives ⁽¹⁾	1.5	1.2
Tenant lease incentives to related parties ⁽¹⁾ (Note 30)	1.5	1.9
Other amounts receivable from related parties (Note 30)	0.2	0.1
Accrued income in relation to property disposals	6.8	13.8
Prepayments and accrued income	1.5	1.6
Other receivables	3.6	3.2
Total current trade and other receivables	17.3	22.8
Total receivables	29.2	32.9

⁽¹⁾ Total tenant lease incentives of £13.4 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 (£10.7 million) and Note 19 (£2.7 million) respectively.

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18. CASH AND CASH EQUIVALENTS

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Unrestricted cash and cash equivalents	44.7	32.3
Restricted cash and cash equivalents	2.4	0.7
Cash and cash equivalents	47.1	33.0

At 29 February 2020, the Group's share of total cash and cash equivalents, including its share of joint venture cash, was £49.1 million (31 August 2019: £33.9 million), with a further £25.0 million of undrawn committed facilities available (31 August 2019: £20.0 million). At 29 February 2020, cash and cash equivalents to which the Group did not have instant access amounted to £2.4 million (31 August 2019: £0.7 million). Restricted cash at the reporting date was comprised of:

- £0.7 million held on deposit under an hereditable building right agreement for the property at Ingolstadt (31 August 2019: £0.7 million);
- £0.9 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, in respect of the facility secured against West Orchard's Shopping Centre, Coventry; and
- £0.6 million held on deposit in favour of superior landlord of the West Orchard's Shopping Centre.

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

	UK Commercial £m	UK Retail £m	Europe Dis Op £m ⁽¹⁾	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	205.5	35.2
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	12.6	0.9
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) ⁽²⁾	8.7	-	-	8.7	8.7	-
Capitalised expenditure	-	-	1.4	1.4	-	1.4
Loss on revaluation of investment property	-	-	(6.4)	(6.4)	(5.2)	(1.2)
Disposals through the sale of property	(13.4)	(2.2)	(7.4)	(23.0)	(23.0)	-
Foreign currency translation	-	-	(13.8)	(13.8)	(11.7)	(2.1)
IFRS carrying value at 29 February 2020	4.1	-	205.1	209.2	176.0	33.2
Adjustments:						
Head lease asset	-	-	(1.4)	(1.4)	-	(1.4)
Tenant lease incentives (Note 17)	0.3	-	2.4	2.7	1.1	1.6
Market value of Group assets held for sale at 29 February 2020	4.4	-	206.1	210.5	177.1	33.4

⁽¹⁾ Included within the Europe segment at 29 February 2020 is property under development with a market value of £30.6 million (31 August 2019: £32.3 million).

⁽²⁾ Investment property was revalued before being reclassified as held for sale in line with IFRS 5. This resulted in a loss in the income statement of £2.3 million in the period ended 29 February 2020.

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 29 February 2020, exclusivity agreements had been entered into or were at the final stages with preferred parties. As a result of the market dislocation since the outbreak of the COVID-19 pandemic after the reporting date, it is anticipated that the sales programme will be delayed and that the disposal of the individual 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).

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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.

There are several mature UK assets that the Group has targeted for sale. During the period to 29 February 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.

Disposals

The Group disposed of four held for sale assets during the period ended 29 February 2020, two from the UK Commercial portfolio, one from the UK Retail portfolio and one from the Europe Portfolio. As at 29 February 2020, net proceeds of £26.6 million had been received by the Group which included the proceeds from the prior year sale of Munich (£16.9 million from Continuing operations).

	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
29 February 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)	(0.2)	-	0.9
Albion Street, Derby	2.5	(0.2)	2.3	(2.2)	(0.3)	-	(0.2)
	18.0	(1.1)	16.9	(15.6)	(0.5)	-	0.8
Discontinued Operations							
Leipzig	6.8	(0.3)	6.5	(7.4)	-	(0.1)	(1.0)
	6.8	(0.3)	6.5	(7.4)	-	(0.1)	(1.0)
Total disposals during the period	24.8	(1.4)	23.4	(23.0)	(0.5)	(0.1)	(0.2)

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				
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 period.

20. BORROWINGS

	Unaudited 29 February 2020 £m	Re-presented Audited 31 August 2019 £m
Non-current		
Bank loans	642.1	656.1
Less: unamortised debt issue costs	(4.5)	(5.2)
Less: fair value adjustments	(0.8)	(1.0)
	636.8	649.9
Other external loan	0.6	0.7
Total non-current borrowings	637.4	650.6
Current		
Bank loans	18.8	29.1
Less: unamortised debt issue costs	(0.3)	(0.4)
	18.5	28.7
Total current borrowings	18.5	28.7
Total borrowings	655.9	679.3

The comparative disclosure has been re-presented as lease liabilities are now disclosed in a separate note on transitioning to IFRS 16. Refer to Note 21.

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Analysis of movement in net borrowings,

The table below presents the movements in net borrowings for the period ended 29 February 2020, split between cash and non-cash movements and as required by IAS 7.

	Non-current £m	Current £m	Cash and cash equivalents £m	Net borrowings £m
Re-presented 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
Re-presented opening balance at 1 September 2019	650.6	28.7	(33.0)	646.3
Financing activities (cash)				
<i>Continuing operations</i>				
Borrowings repaid	(5.2)	(1.1)	6.3	-
<i>Discontinued operation</i>				
Borrowings repaid	(9.2)	(0.4)	9.6	-
	(14.4)	(1.5)	15.9	-
Financing activities (non-cash)				
Debt issue costs movements	0.8	-	-	0.8
Accretion of debt fair value adjustments	0.2	-	-	0.2
Reclassification between current and non-current	8.7	(8.7)	-	-
	9.7	(8.7)	-	1.0
Other net cash movements	-	-	(31.6)	(31.6)
Foreign currency translation	(8.5)	-	1.6	(6.9)
Closing balance as at 29 February 2020	637.4	18.5	(47.1)	608.8

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

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Bank loans

	29 February 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	642.1	642.1	642.1	656.1	656.1	656.1
Less: unamortised debt issue costs	(4.5)	-	-	(5.2)	-	-
Less: fair value adjustments	(0.8)	-	3.2	(1.0)	-	2.0
Total non-current bank loans	636.8	642.1	645.3	649.9	656.1	658.1
Current liabilities						
Bank loans	18.8	18.8	18.8	29.1	29.1	29.1
Less: unamortised debt issue costs	(0.3)	-	-	(0.4)	-	-
Less: fair value adjustments	-	-	-	-	-	(0.4)
Total current bank loans	18.5	18.8	18.8	28.7	29.1	28.7
Total IFRS bank loans	655.3	660.9	664.1	678.6	685.2	686.8
Joint ventures						
Share of joint ventures bank loans	11.0	11.0	11.0	15.3	15.3	15.3
Total bank loans (on a proportionately consolidated basis)	666.3	671.9	675.1	693.9	700.5	702.1
Cash and cash equivalents	(47.1)	(47.1)	(47.1)	(33.0)	(33.0)	(33.0)
Share of joint ventures cash and cash equivalents	(2.0)	(2.0)	(2.0)	(0.9)	(0.9)	(0.9)
Net debt (on a proportionately consolidated basis)	617.2	622.8	626.0	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 29 February 2020, the Group's bank loans are secured over investment property of £1,259.6 million (31 August 2019: £1,352.1 million) and are carried at amortised cost. On a proportionately consolidated basis, bank loans are secured over investment property of £1,276.1 million (31 August 2019: £1,378.2 million).

The Group's principal value of drawn debt (on a proportionately consolidated basis) has decreased during the period to £671.9 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 period. 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 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 is due to mature in July 2020 and the Group has agreed with the lender that the facility remain in a cash sweep as refinancing negotiations progress;
- in February 2020, the Group repaid £5.0 million on the AUK revolving credit facility ("RCF"), increasing the total available facility (at 29 February 2020, the facility had a drawn balance of £250.0 million and an undrawn balance of £25.0 million); and
- 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 at Coventry, in the absence of the lender carrying out a revised bank valuation.

Fair value disclosures

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 a market interest rate for similar debt instruments. The market interest rate has been determined with reference to indicative quotes provided by each lender and current rates charged in the market for similar instruments issued to companies of similar sizes.

The Group considers that all bank loans, including the Group's share of joint venture bank loans at a total carrying value of £666.3 million, fall within 'Level 3' as defined by IFRS 13 (refer to Note 29).

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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:

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Less than one year	18.8	29.1
Between one year and five years	561.8	572.4
More than five years	80.3	83.7
	660.9	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:

	Unaudited 28 February 2019 £m	Audited 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	7.5	1.7
Later than five years	525.2	21.8
	534.8	23.9
Less: finance charges allocated to future periods	(484.0)	(16.7)
Present value of minimum lease payments	50.8	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	6.8	1.4
Later than five years	41.9	5.4
Present value of minimum lease payments	50.8	7.2
Less current portion of head lease obligations	(0.8)	(0.4)
Amounts due after more than one year	50.0	6.8

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

Investment property (Note 13)	48.6	5.7
Investment property held for sale (Note 19)	1.4	1.1
Property, plant and equipment (Note 16)	0.7	-
Straight-lining differences on depreciation of property, plant and equipment	0.1	-
Total right-of-use assets	50.8	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 the event of default. The discount rates used in calculating the present value of the minimum lease payments range from 1.8 to 6.3 per cent (including lease obligations previously classified as finance leases). The fair value of the lease obligations at 29 February 2020 was £54.2 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).

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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.

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Derivative Liabilities		
Non-current		
Interest rate swaps	(11.1)	(12.7)
	(11.1)	(12.7)
Current		
Interest rate swaps	-	(0.1)
	-	(0.1)
Net derivative financial instruments	(11.1)	(12.8)

The Group holds interest rate cap 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 July 2020 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 period recognised in the income statement (within loss from discontinued operation)	(1.4)	0.1	-	(1.3)
Foreign currency translation	(0.6)	0.1	0.1	(0.4)
Closing balance at 29 February 2020	8.3	(0.5)	(2.0)	5.8

At 29 February 2020, there were unrecognised deferred tax assets of £Nil (31 August 2019: £1.9 million) due to interest disallowed as a result of the Corporate Interest Restrictions under UK Corporation Tax.

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 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.

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for the six months ended 29 February 2020

24. PAYABLES

	Unaudited 29 February 2020 £m	Audited 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	4.3	4.6
Trade payables	1.7	1.0
Service charge	1.5	1.5
Accrued interest	2.1	2.7
VAT payable	2.1	3.5
Accruals	6.4	5.8
Tenant deposits ⁽¹⁾	2.9	2.9
Other sundry payables	1.9	1.6
Total current trade and other payables	24.4	24.0
Total payables	24.4	24.1

⁽¹⁾ At 29 February 2020, £2.9 million of tenant deposits were held with respect to the LSO Portfolio (31 August 2019: £2.9 million).

25. SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED	Number of shares	Share capital £m
At 31 August 2018 (ordinary shares of 8 pence each)	3,000,000,000	240.0
Share consolidation (one share for every five shares issued) – 11 February 2019	(2,400,000,000)	-
At 31 August 2019 and 29 February 2020 (ordinary shares of 40 pence each)	600,000,000	240.0

ISSUED, CALLED UP AND FULLY PAID	Number of Shares	Share capital £m	Share premium £m
At 31 August 2018	1,900,449,536	152.0	534.6
Share consolidation (1 share for every 5 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 29 February 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 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 for £nil consideration (after a number of shares were settled by the Company in cash to meet tax and national insurance liabilities).

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26. RESERVES

OTHER RESERVES

Share-Based Payment Reserve

The share-based payment reserve at 29 February 2020 of £0.7 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 on lapsed and vested awards. 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, such that the net credit to retained earnings for the period in relation to share-based payments was £0.2 million. Detailed information on the share-based payment plans in place is included in the 2019 Annual Report.

The IFRS 2 share-based payment charge for the period was £0.2 million (31 August 2019: £0.2 million, 28 February 2019: £0.3 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 29 February 2020 of £12.8 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

	Unaudited 29 February 2020 £m	Audited 31 August 2019 £m
Opening balance at 1 September	57.4	59.5
<i>Comprehensive income for the period:</i>		
Share of (loss)/profit for the period – continuing operations	(0.4)	2.3
Share of profit for the period – discontinued operation	0.3	0.5
Foreign currency translation	(0.1)	-
Dividends paid	(1.0)	(4.9)
Total non-controlling interests	56.2	57.4

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

	29 February 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	174.8	138.3	223.8			163.4	116.5	226.7		
Receivables	1.0	1.2	2.2			0.7	1.1	2.8		
Cash and cash equivalents	6.8	4.5	4.5			5.4	2.3	2.1		
Borrowings, including lease liabilities	(89.9)	(74.2)	(113.5)			(73.9)	(47.9)	(113.4)		
Derivative financial instruments	-	(0.3)	-			-	(0.4)	-		
Trade and other payables	(5.6)	(5.6)	(1.3)			(5.1)	(5.6)	(1.5)		
Net assets	87.1	63.9	115.7			90.5	66.0	116.7		
Elimination of RDI interests	(67.7)	(47.3)	(95.4)			(72.4)	(48.9)	(96.3)		
NCI share of net assets	17.4	16.6	20.3	1.9	56.2	18.1	17.1	20.4	1.8	57.4
Summarised statement of comprehensive income										
Revenue	7.6	4.3	6.6			17.5	8.5	13.7		
(Loss)/profit for the period	(0.8)	(2.2)	1.9			6.8	(0.9)	7.1		
(Loss)/profit attributable to NCI	(0.2)	(0.5)	0.3	0.3	(0.1)	1.4	(0.3)	1.2	0.5	2.8
Dividends paid to NCI	0.5	-	0.5	-	1.0	1.4	-	2.4	1.1	4.9
Summarised cash flow statement										
Cash inflow from operating activities	4.2	2.8	5.2			7.3	4.1	11.5		
Cash outflow from investing activities	-	(0.2)	(0.1)			-	(2.6)	(0.5)		
Cash outflow from financing activities	(2.8)	(0.4)	(2.7)			(5.9)	(1.9)	(13.6)		
Net increase/(decrease) in cash and cash equivalents	1.4	2.2	2.4			1.4	(0.4)	(2.6)		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 2020

28. CASH GENERATED FROM OPERATIONS

		29 February 2020 £m	Re-presented Unaudited 28 February 2019 £m	Audited 31 August 2019 £m
Continuing operations	Note			
Cash flows from operating activities				
Loss before tax		(15.8)	(7.0)	(79.8)
<i>Adjustments for:</i>				
Straight-lining of rental income		(0.2)	(0.5)	2.2
Depreciation	7	0.1	0.1	0.2
Share-based payments	7	0.2	0.3	0.2
Employee share award costs recognised directly in equity		(0.1)	(0.2)	(0.3)
Loss on revaluation of investment property		33.8	29.0	56.6
Loss on disposal of investment property	13	2.0	-	1.7
Gain on disposal of investment property held for sale	19	(0.8)	-	-
Loss of control of Aviva Portfolio	8	-	-	55.6
Acquisition and disposal of subsidiaries	9	(0.1)	0.1	0.4
Other expenses		0.6	0.1	0.2
Foreign exchange loss		0.2	0.2	-
Finance income	10	-	(0.1)	(0.2)
Finance expense	10	10.2	14.6	25.6
Other finance expense	11	-	-	0.3
Change in fair value of derivative financial instruments		(0.5)	1.9	9.4
Impairment of associate and (impairment reversal) of continuing joint venture interests		0.3	(0.1)	1.4
Share of post-tax loss/(profit) from associate		0.2	(0.5)	(0.9)
		30.1	37.9	72.6
Changes in working capital		0.1	(3.0)	(1.0)
Cash generated from operations		30.2	34.9	71.6

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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 financial markets.

The tables below present information about the Group's financial instruments carried at fair value as at 29 February 2020 and 31 August 2019.

	Level 1 £m	Level 2 £m	Level 3 £m	Total Fair Value £m
29 February 2020				
Financial liabilities				
Derivative financial liabilities (Note 22)	-	(11.1)	-	(11.1)
	-	(11.1)	-	(11.1)
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 as 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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30. RELATED PARTY TRANSACTIONS

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

	29 February 2020 £m	28 February 2019 £m	31 August 2019 £m
Related party transactions			
Revenue transactions			
Rental income (Note 4)			
RBH	10.0	10.3	20.6
Rental expense (Note 5)			
Office Space Cleaning Company Limited cleaning fees	(0.3)	(0.3)	(0.6)
Other operating income (Note 6)			
<i>Joint Venture investment management income</i>			
RI Menora German Holdings S.à.r.l.	-	-	0.1
Administration costs and other fees (Note 7)			
OSIT investment management fees	(0.4)	(0.5)	(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	0.2	0.3
	29 February 2020 £m	28 February 2019 £m	31 August 2019 £m
Capital transactions			
Investment property - capitalised expenditure			
Project monitoring fee to RBH – construction works	-	0.1	0.1
Investment in associate			
Additional investment in RBH	0.6	-	-
Dividends received from RBH	(0.5)	(0.4)	(1.0)
	0.1	(0.4)	(1.0)
Related party balances			
Recognised loans to joint ventures			
RI Menora German Holdings S.à.r.l.	1.4	4.9	5.1
26 The Esplanade	-	0.1	-
	1.4	5.0	5.1
Trade and other receivables			
RBH – tenant lease incentives	2.3	2.7	3.2
RI Menora German Holdings S.à.r.l – interest receivable and trading balances	0.2	-	0.1
	2.5	2.7	3.3
Trade and other payables			
RI Menora German Holdings S.à.r.l	(0.4)	(0.7)	(0.4)
Tsogo Sun – outstanding loan and interest	(1.1)	-	-
	(1.5)	(0.7)	(0.4)
	29 February 2020 £m	28 February 2019 £m	31 August 2019 £m
Related party transactions with equity holders of the Parent			
Redefine Properties Limited – cash dividends	6.7	7.6	12.0

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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 £0.4 million were charged by OSIT for the period ended 29 February 2020 (31 August 2019: £0.9 million, 28 February 2019: £0.5 million).

Office Space Cleaning Limited is also considered a related party as it is a wholly owned subsidiary of OSIT. Fees charged for cleaning services to the LSO portfolio during the period ended 29 February 2020 amounted to £ 0.3 million (31 August 2019: £0.6 million, 28 February 2019: £0.3 million).

DIRECTORS

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the period ended 29 February 2020 was £0.2 million (31 August 2019: £0.4 million, 28 February 2019: £0.2 million), which represents Directors fees only.

The remuneration payable to Executive Directors for the period ended 29 February 2020 was £1.1 million (31 August 2019: £1.9 million, 28 February 2019: £1.7 million), representing salaries, benefits and bonuses. 1.8 million contingent share awards were issued to Executive Directors during the period (31 August 2019: 1.4 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 period ended 29 February 2020 (31 August 2019: £0.2 million, 28 February 2019: £0.3 million).

The table below shows Directors dealings in shares for the period 1 September 2018 to 29 February 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	29 November 2019	Share Issue	95,258	127.4p
Stephen Oakenfull	29 November 2019	Share Issue	37,264	127.4p
Adrian Horsburgh	29 November 2019	Share Issue	61,662	127.4p
Donald Grant	29 November 2019	Share Issue	31,516	127.4p

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31. EARNINGS PER SHARE

	29 February 2020 £m	Re-presented 28 February 2019 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:			
Continuing operations	(15.4)	(8.8)	(82.4)
Discontinued operation	(2.1)	3.9	4.8
	(17.5)	(4.9)	(77.6)
Continuing operations adjustments:			
<i>Group</i>			
Loss on revaluation of investment property	33.8	29.0	56.6
Loss on disposal of investment property	2.0	-	1.7
Gain on disposal of investment property held for sale	(0.8)	-	-
Loss of control of Aviva Portfolio	-	-	55.6
Acquisition and disposal of subsidiaries	(0.1)	0.1	0.4
Other expenses	0.6	0.1	0.2
Other finance expense	-	-	0.3
Change in fair value of derivative financial instruments	(0.5)	1.9	9.4
Impairment of associate and impairment reversal of continuing joint venture interest	0.3	(0.1)	1.4
Current tax	-	0.3	0.2
<i>Joint ventures</i>			
Loss on revaluation of investment property	-	0.3	0.3
Change in fair value of derivative financial instruments	(0.2)	(0.1)	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	(2.8)	(0.8)	(1.9)
Change in fair value of derivative financial instruments	-	(0.1)	(0.1)
Other finance costs	-	-	(0.1)
Current tax	-	-	(0.2)
	32.5	30.6	123.5
Discontinued operation adjustments:			
<i>Group</i>			
Loss on revaluation of investment property	-	1.4	1.3
Loss on revaluation of investment property held for sale	6.4	-	2.4
Loss on disposal of investment property	-	0.2	0.2
Loss/(gain) on disposal of investment property held for sale	1.0	-	(0.5)
Loss on disposal of subsidiaries	0.1	-	0.1
Change in fair value of derivative financial instruments	(0.9)	0.3	1.6
Deferred tax	(1.3)	(1.7)	(2.0)
Current tax	-	-	0.3
<i>Joint ventures</i>			
Gain on revaluation of investment property	-	(0.1)	(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)	-	-
Other finance costs	0.3	-	-
Deferred tax	(0.7)	-	0.2
Current tax	0.5	-	-
<i>Non-controlling interests</i>			
(Loss)/gain on revaluation of investment property held for sale	(0.1)	-	0.1
Disposal of subsidiaries	0.2	-	-
Deferred tax	0.2	-	-
	5.5	0.1	2.9
EPRA earnings	20.5	25.8	48.8
<i>Attributable to:</i>			
Continuing operations	17.1	21.8	41.1
Discontinued operation	3.4	4.0	7.7
<i>Company adjustments:</i>			
Accretion of debt fair value adjustments	-	0.3	0.4
Foreign currency movements	0.2	0.2	-
Discontinued operation Company adjustments	0.1	0.1	0.2
Underlying earnings	20.8	26.4	49.4
<i>Attributable to:</i>			
Continuing operations	17.3	22.3	41.5
Discontinued operation	3.5	4.1	7.9

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	29 February 2020 £m	Re-presented 28 February 2019 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:			
Continuing operations	(15.4)	(8.8)	(82.4)
Discontinued operation	(2.1)	3.9	4.8
	(17.5)	(4.9)	(77.6)
Number of ordinary shares (millions)			
IFRS weighted average	380.2	380.1	380.1
IFRS diluted weighted average ⁽²⁾	380.2	381.1	380.1
IFRS earnings per share (pence)			
Continuing operations			
- Basic	(4.1)	(2.3)	(21.7)
- Diluted	(4.1)	(2.3)	(21.7)
Total Group			
- Basic	(4.6)	(1.3)	(20.4)
- Diluted	(4.6)	(1.3)	(20.4)

⁽¹⁾ The Group has 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⁾ For all periods presented, contingently issuable shares have an anti-dilutive effect on IFRS earnings per share due to the loss of the Group. Therefore, for IFRS purposes the weighted and dilutive weighted average number of shares are 380.2 million (31 August 2019 and 28 February 2019: 380.1 million).

	29 February 2020 £m	Re-presented 28 February 2019 £m	31 August 2019 £m
EPRA earnings			
<i>Attributable to:</i>			
Continuing operations	17.1	21.8	41.1
Discontinued operation	3.4	4.0	7.7
	20.5	25.8	48.8
Underlying earnings			
<i>Attributable to:</i>			
Continuing operations	17.3	22.3	41.5
Discontinued operation	3.5	4.1	7.9
	20.8	26.4	49.4
Number of ordinary shares (millions)			
Non-IFRS measures weighted average	380.2	380.1	380.1
<i>Dilutive effect of:</i>			
Contingently issuable share awards under the Long Term Performance Share Plan	0.9	1.1	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2	0.2
Non-IFRS measures diluted weighted average	381.5	381.4	380.9

EPRA earnings per share (pence)			
Continuing operations			
- Basic	4.5	5.7	10.8
- Diluted	4.5	5.7	10.8
Total Group			
- Basic	5.4	6.8	12.8
- Diluted	5.4	6.8	12.8
Underlying earnings per share (pence)			
Continuing operations	4.6	5.9	10.9
Total Group	5.5	6.9	13.0
Dividend per share (pence)			
First interim dividend per share (pence)	-	4.0	4.0
Second interim dividend per share (pence)	-	-	6.0
	-	4.0	10.0

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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.

	29 February 2020 £m	Re-presented 28 February 2019 £m	31 August 2019 £m
(Loss)/profit attributable to equity holders of the Parent:			
Continuing operations	(15.4)	(8.8)	(82.4)
Discontinued operation	(2.1)	3.9	4.8
	(17.5)	(4.9)	(77.6)
Continuing operations adjustments:			
<i>Group</i>			
Loss on revaluation of investment property	33.8	29.0	56.6
Loss on disposal of investment property	2.0	-	1.7
Gain on disposal of investment property held for sale	(0.8)	-	-
Loss of control of Aviva Portfolio	-	-	55.6
Acquisition and disposal of subsidiaries	(0.1)	0.3	-
Impairment of associate and impairment reversal of continuing joint venture interest	0.3	(0.1)	1.4
<i>Joint ventures</i>			
Loss on revaluation of investment property	-	0.3	0.3
Elimination of joint venture unrecognised losses ⁽¹⁾	-	-	(0.3)
<i>Non-controlling interests</i>			
Loss on revaluation of investment property	(2.8)	(0.8)	(1.9)
	32.4	28.7	113.4
Discontinued operation adjustments:			
<i>Group</i>			
Loss on revaluation of investment property	-	1.4	1.3
Loss on revaluation of investment property held for sale	6.4	-	2.4
Loss on disposal of investment property	-	0.2	0.2
Loss/(gain) on disposal of investment property held for sale	1.0	-	(0.5)
Loss on disposal of subsidiaries	0.1	-	0.1
Deferred tax	(1.4)	(1.7)	(1.1)
<i>Joint ventures</i>			
Gain on revaluation of investment property	-	(0.1)	(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)	-	-
Deferred tax	(0.7)	-	0.2
<i>Non-controlling interests</i>			
(Loss)/gain on revaluation of investment property held for sale	(0.1)	-	0.1
Disposal of subsidiaries	0.2	-	-
Deferred tax	0.2	-	-
	5.5	(0.2)	1.9
Headline earnings attributable to equity holders of the Parent	20.4	23.6	37.7
<i>Attributable to:</i>			
Continuing operations	17.0	19.9	31.0
Discontinued operation	3.4	3.7	6.7
Number of ordinary shares (millions)			
Weighted average	380.2	380.1	380.1
Diluted weighted average	381.5	381.4	380.9
Headline earnings per share (pence)			
Continuing operations			
- Basic	4.5	5.2	8.2
- Diluted	4.5	5.2	8.1
Total Group			
- Basic	5.4	6.2	9.9
- Diluted	5.3	6.2	9.9

⁽¹⁾ The Group has 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 2020

32. NET ASSET VALUE PER SHARE

	29 February 2020 £m	31 August 2019 £m
Net assets attributable to equity holders of the Parent	639.7	685.6
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	11.1	12.8
Deferred tax	5.8	7.5
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	2.8	3.1
Elimination of unrecognised derivative financial instruments ⁽¹⁾	(2.8)	(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	656.5	706.5
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	(11.1)	(12.8)
Excess of fair value of debt over carrying value	(4.0)	(3.0)
Deferred tax	(5.8)	(7.5)
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	(2.8)	(3.1)
Elimination of unrecognised derivative financial instruments ⁽¹⁾	2.8	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	635.7	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	0.9	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2
Diluted	381.6	380.9
Net asset value per share (pence):		
- Basic	168.2	180.4
- Diluted	167.6	180.0
EPRA diluted NAV per share (pence)	172.0	185.5
EPRA diluted NNAV per share (pence)	166.6	179.2

⁽¹⁾ The Group has 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 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 period ended 29 February 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.

	29 February 2020 £m	31 August 2019 £m
Net assets attributable to equity holders of the Parent	639.7	685.6
EPRA NDV	639.7	685.6
<i>Group adjustments:</i>		
Fair value of derivative financial instruments	11.1	12.8
Deferred tax ⁽¹⁾	2.9	3.7
<i>Joint venture adjustments:</i>		
Fair value of derivative financial instruments	2.8	3.1
Elimination of unrecognised derivative financial instruments ⁽²⁾	(2.8)	(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	653.6	702.4
<i>Group adjustments:</i>		
Excess of fair value of debt over carrying value	(4.0)	(3.0)
Carrying value of intangible assets	-	(0.6)
Fair value of intangible assets	-	0.6
Deferred tax	2.9	3.8
<i>Joint venture adjustments:</i>		
Deferred tax	-	0.4
<i>Non-controlling interest adjustments:</i>		
Deferred tax	-	(0.1)
EPRA NRV	652.5	703.5
<i>Reconciliation to existing EPRA NAV metrics:</i>		
Excess of fair value of debt over carrying value	4.0	3.0
EPRA NAV	656.5	706.5
Fair value of derivative financial instruments	(11.0)	(12.7)
Excess of fair value of debt over carrying value	(4.0)	(3.0)
Deferred tax	(5.8)	(8.2)
EPRA NNNAV	635.7	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	0.9	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.4	0.2
Diluted	381.6	380.9
EPRA diluted NDV per share (pence)	167.6	180.0
EPRA diluted NTA per share (pence)	171.3	184.4
EPRA diluted NRV per share (pence)	171.0	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⁾ The Group has 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 29 February 2020

33. CONTINGENCIES, GUARANTEES AND COMMITMENTS

At 29 February 2020, the Group was contractually committed to expenditure of £1.8 million (31 August 2019: £16.4 million), of which £1.8 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 UK's Controlled Foreign Company rules give rise to unlawful State Aid. The UK government has objected to the ruling and is seeking its annulment, however under EU law Her Majesty's Revenue and Customs ("HMRC") is required to seek recovery in line with the Commission's decision. A subsidiary of the Company, Ciref Europe Limited, has claimed benefit from exemptions available under Chapter 9 of the Taxation (International and Other Provisions) Act 2010 and was therefore in receipt of an information request from HMRC for which the Company has provided its initial response. The Company believes it is in a strong position to defend such claim, but there can be no certainty that HMRC will not seek recovery while it assesses its own legal position and that of the Company's. If this were to occur, the Company estimates exposure to be in the region of £6 million. To date, no such recovery has been sought.

34. SUBSEQUENT EVENTS

On 5 March 2020, the Group exchanged contracts for the sale of three properties at Hucklehoven, Schwandorf and Herzogenrath, Germany for gross consideration of €34.2 million. The transaction was structured as a corporate disposal, such that, along with the disposal of debt and working capital, net proceeds of €12.0 million were received (Group share: €9.4 million). The transaction subsequently completed on 17 March 2020.

On 11 March 2020, the World Health Organisation recognised the outbreak of COVID-19 as a global Pandemic. This was followed by a series of measures taken by both the UK and German Governments to control the spread of its infection. Measures taken were wide ranging and restrictive in nature. While it is not possible to quantify the exact impact of the disruption of the financial position and performance of the Group, the measures are expected to materially affect the Group's financial performance for at least the second half of the current financial year. See also Note 2.2 Basis of Preparation.

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 & 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
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
IPD	Investment Property Databank
JSE	JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange
Lease incentives	Any 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 compares the growth in net rental income from the Group's portfolio that have 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
Loan-to-value or LTV	Net debt as a percentage of the market value of the Group's property portfolio (proportionate). See 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 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