

RDI REIT P.L.C.
 (“RDI” or the “Company” or the “Group”)
 (Registration number 010534V)
 LSE share code: RDI
 JSE share code: RPL
 ISIN: IM00B8BV8G91
 LEI: 2138006NHZUMMRQ1745

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018
STRONG FIRST HALF DELIVERING SUPERIOR, SUSTAINABLE AND GROWING INCOME

RDI, the FTSE 250 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 28 February 2018.

Financial highlights	Six months ended 28 February 2018	Six months ended 28 February 2017	Change
Income statement			
Underlying earnings (£m)	27.4	24.3	+12.8%
Underlying earnings per share (p)	1.46	1.35	+8.2%
Dividend per share (p)	1.35	1.3	+3.9%
	As at 28 February 2018	As at 31 August 2017	Change
Balance sheet			
EPRA NAV per share (p)	42.3	41.4	+2.2%
Portfolio valuation (incl. JV share) (£m)	1,646.9	1,538.7	
Loan-to-value (%)	48.0	50.0 ⁽¹⁾	-200bps

⁽¹⁾ Pro forma adjusted from 51.3% to reflect transactions completed between 31 August 2017 and 26 October 2017

Strong growth in underlying earnings per share

- Underlying earnings per share of 1.46 pence, an increase of 8.2%, well ahead of medium term growth targets
- Gross rental income increased 2.1% on a like-for-like basis (HY2017: increased by 3.3% like-for-like) with strong performance across the majority of the portfolio
- EPRA cost ratio (excluding direct vacancy costs) improved to 15.7% (HY2017: 20.7%)
- Cost of debt increased 20bps to 3.3% following transactional activity, however remains within target range
- Interim dividend of 1.35 pence per share, an increase of 3.9%, fully covered by a pay-out ratio of 92.5%

Further progress in strengthening the balance sheet

- EPRA NAV per share increased 2.2% to 42.3 pence
- Portfolio valuation up 0.3% like-for-like in local currency terms
- LTV continues to trend downwards, now reduced to 48.0%
- Total annualised accounting return (growth in NAV plus dividend paid) of 10.7% for the period

Portfolio quality enhanced

- Disposal proceeds totalling £211.8 million at an average premium of 8.7% to August 2017 market values
- Increased stake in £104.4 million IHL hotel portfolio to 74.1% (31 August 2017: 17.2%) at an implied net initial yield of 6.9% and yield on equity of over 10%
- Acquisition of an 80% interest in the £161.7 million London serviced office portfolio at an implied net initial yield in excess of 6% and yield on equity of over 9%
- Continued reduction in overall retail exposure to 45.3% (31 August 2017: 60.0%) with UK Shopping Centres now down to 18.8% by market value

Income-led active asset management reflected in solid operational metrics

- EPRA occupancy remains high at 97.3% (31 August 2017: 97.7%)
- Long WAULT of 6.8 years to first break (8.2 years to lease expiry); this metric excludes hotels managed by RBH and the newly acquired London serviced office portfolio
- London serviced offices trading ahead of expectation; occupancy stable at 92.9% with average desk rates increasing marginally since acquisition
- RBH managed hotel portfolio trading in-line with expectations; occupancy averaging over 80% in the period and revenue per available room 2.6% above the same period last year

Greg Clarke, Chairman, commented:

“RDI has once again demonstrated its commitment to becoming the UK’s leading income focused REIT with another strong set of results. The strategy of improving the quality of the portfolio is well on track, following the completion of a number of successful disposals and well-timed income enhancing acquisitions.”

Mike Watters, Chief Executive, commented:

“We continue to make good progress against our strategic priorities, with underlying earnings per share growth of 8.2%, which is well ahead of target. The income producing qualities of our portfolio have improved through further recycling of capital out of low growth assets into assets and sectors aligned with our strategy of delivering long term sustainable and growing income. We are also seeing an increasing opportunity for real estate owners to become high quality service providers. We are well positioned to take advantage of this trend, given our operational platforms and experience with our hotel portfolio and the more recent expansion into London serviced offices.

“We are confident that our income-led business model, designed to deliver market leading shareholder distributions, remains attractive in a world starved of predictable and recurring income.”

Results presentation, webcast and conference call

A meeting for analysts and investors will take place on Wednesday 25 April 2018 at 9.00 a.m. (UK time) at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. There will be a presentation and a live webcast for analysts at 9.00 a.m. (UK time), 10.00 a.m. (SA time) on Wednesday 25 April 2018, which can be accessed via the homepage of the Company's website: www.rdireit.com.

Conference call dial-in numbers and access code

Participant Access Code: **436667**

United Kingdom: 0800 640 6441

United Kingdom (Local): 020 3936 2999

South Africa (Local): 087 550 8441

South Africa Toll Free: 080 017 2952

All other locations: +44 20 3936 2999

For further information, please contact:

RDI REIT P.L.C.

Mike Watters, Stephen Oakenfull, Janine Ackermann

Tel: +44 (0) 20 7811 0100

FTI Consulting

UK Public Relations Adviser

Dido Laurimore, Claire Turvey, Ellie Sweeney

Tel: +44 (0) 20 3727 1000

Instinctif Partners

SA Public Relations Adviser

Frederic Cornet

Tel: +27 (0) 11 447 3030

JSE Sponsor

Java Capital

Tel: +27 (0) 11 722 3050

Disclaimer

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

STRATEGIC REPORT

Chief Executive's Report

I am pleased to report a solid set of interim results which demonstrate clear progress against our strategic objectives. Our portfolio has been enhanced through the sale of mature assets and efficient reinvestment into assets and sectors with stronger growth prospects. Leverage has been reduced, liquidity and operating efficiencies have improved and underlying earnings per share has been delivered ahead of guidance.

We are focused on delivering superior, sustainable and growing dividends to our shareholders. Dividends per share for the period delivered an annualised yield of 6.3 per cent on EPRA NAV compared to 4.2 per cent across the UK-REIT sector. This has been achieved through an income-led investment and active asset management approach together with financial discipline and operating efficiencies.

Results and dividend

Underlying earnings increased by 12.8 per cent to £27.4 million (28 February 2017: £24.3 million). Underlying earnings per share increased by 8.2 per cent to 1.46 pence per share (28 February 2017: 1.35 pence per share), well ahead of our medium term growth target of 3.0 to 5.0 per cent per annum.

EPRA NAV increased by 2.2 per cent to 42.3 pence per share (31 August 2017: 41.4 pence per share) supported by disposal proceeds of £211.8 million at an aggregate 8.7 per cent premium to the 31 August 2017 book value. The Group's portfolio increased 0.3 per cent on a like-for-like basis in local currency terms. This excludes a £14.4 million or 5.4 per cent increase in market value of the recently acquired International Hotel Properties Limited ("IHL") and London serviced office ("LSO") portfolios relative to agreed acquisition pricing.

The Board has declared an interim dividend of 1.35 pence per share, a 3.9 per cent increase on the same period last year. The dividend reflects a pay-out ratio of 92.5 per cent of underlying earnings, in line with our strategic priority of distributing superior income returns which are fully covered by underlying earnings and aligned with operating cash flow.

The total accounting return for the period was 10.7 per cent on an annualised basis.

Strategic priorities

In February 2017 we set out our medium term strategic priorities. These are aligned to our investment proposition of delivering superior, sustainable and growing income for our shareholders and our commitment to be the UK's leading income focused REIT.

Enhancing our income focused portfolio

The quality of our portfolio has improved significantly over the last three years. The portfolio has been further enhanced over the last six months through a significant level of capital recycling. £195.0 million of mature and ex-growth assets have been sold at 8.7 per cent above last reported market value, with proceeds reinvested in assets and sectors aligned with our strategy of delivering long term, sustainable and growing income. Our overall retail exposure has been reduced to 45.3 per cent (31 August 2017: 60.0 per cent) with UK Shopping Centres now representing just 18.8 per cent of our portfolio by market value. Our portfolio continues to demonstrate strong income characteristics with clear visibility of the medium term income profile and growth opportunities.

Capital recycling

It has been a busy period with three major transactions having concluded. We increased our exposure to the limited service hotel sector by increasing our investment in IHL from 17.2 per cent to 74.1 per cent. The subsequent de-listing of IHL will deliver a number of cost savings and efficiencies. The Leopard Portfolio of German supermarkets was sold in December 2017 for €205 million, €20 million above the 31 August 2017 market values. Finally, we entered the London serviced office sector through the acquisition of an 80.0 per cent interest in a £161.7 million portfolio of four high quality London serviced offices managed by Office Space in Town ("OSIT"), one of the UK's leading serviced office operators.

The efficient and timely reinvestment of the Leopard proceeds into London serviced offices, with only two weeks between transactions, again demonstrates our relentless focus on delivering income and our ability to effectively execute large transactions.

All these transactions are in line with our strategy of reducing exposure to mature assets and reinvesting in locations and sectors benefiting from structural change, infrastructure investment and changes in the way real estate is being used with a strong emphasis on customer service.

Efficient capital structure

Our LTV continues to trend downwards and has been reduced to 48.0 per cent, within our medium term target range of 45 per cent - 50 per cent. We are committed to making further progress on strengthening our balance sheet. Our weighted average cost of debt edged up to 3.3 per cent as a result of a net increase in the average debt funding costs between disposals and acquisitions. The transactions, however, remained yield accretive given the higher income yields at a property level. Interest cover at Group level improved to 3.5 times (31 August 2017: 3.2 times) which, combined with an average debt maturity of 7.0 years and material covenant headroom, ensures strong operating cash flow cover and limited refinancing risk.

STRATEGIC REPORT

Chief Executive's Report

Financial discipline

In February 2017 we improved the transparency of our earnings metric and its alignment to operational cash flow. We set a range of medium term targets which directly link to management incentives to drive accountability and ensure commitment to growing income across all aspects of the business. Strong progress has been made against key metrics. We are particularly pleased with the 8.2 per cent growth in underlying earnings per share and the continued downward trend in leverage. In respect to the forthcoming interim dividend, given the Company's share price relative to net asset value, we intend to match the scrip alternative through a share buy-back programme so as to minimise the dilutive effect that would otherwise occur through the issuance of new ordinary shares.

Board changes

In November 2017 Liz Peace was appointed to the Board as an independent Non-executive Director. Her wealth of relevant experience has brought additional strength, diversity, and expertise to the RDI Board. Liz joined the CSR Committee in January 2018 and will take over as chair in due course to drive our CSR initiatives forward.

Following seven years serving as Chairman, Greg Clarke announced his intention to step down in 2018. The Nominations Committee, now chaired by Michael Farrow, and supported by the addition of Robert Orr as an independent Non-executive Director, has commenced the search for a new Chairman and further updates will be provided in due course.

Growing our business sustainably

We are committed to measuring and benchmarking our environmental, social and governance performance through participation on the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate Assessment. We are also voluntarily collecting data to satisfy the latest EPRA Sustainability Best Practices Recommendations ("SBPR") and have established a green building certification strategy including independent ratings for assets. This process started with the Southwark Holiday Inn Express extension and refurbishment which is undergoing a BREEAM In-Use certification. Once complete, this will be one of only a few hotels certified under the In-Use scheme in the UK. We were proud to receive an SKA bronze rating for fit-out sustainability in respect of our recently refurbished food court at West Orchards, Coventry. Other initiatives include electric vehicle charging points established at three of our shopping centres which have been a resounding success with 750 reported charging cycles completed by customers and over two tonnes of CO₂ saved in the process.

Outlook

Occupational and investment demand across the majority of the sectors we are invested in has remained robust, despite the heightened economic and political risks. We expect to see continued divergence in asset performance, with those assets benefiting from positive structural change, sustainable occupier demand and strong demographics likely to outperform. We are also seeing a requirement for real estate and real estate owners to be providers of high quality services. We are well positioned to take advantage of this trend, given our scalable operational platforms and with nearly a third of our portfolio invested in hotels and London serviced offices. Through proactive asset management and weighting towards non-discretionary retailers, we have maintained high occupancy levels across our retail portfolio. We do however expect continued rationalisation of certain retailers' physical store requirements and are therefore actively managing our overall exposure.

With the UK-REIT sector evolving to place greater importance on income and investors increasingly conscious of the quality and longevity of income returns, we believe our income focused investment strategy remains well placed. At an operational level, our portfolio has been significantly enhanced, our balance sheet has been strengthened and the efficiency with which we convert gross rental income to underlying earnings is strong and improving. Our dividend policy is clearly aligned to underlying earnings and operational cash flow with dividend cover. In a world characterised by ageing populations and low interest rates, sustainable asset backed income is increasingly important.

We will continue to recycle capital out of mature assets and into assets demonstrating support from structural factors and deep occupational demand. A further reduction in leverage will be targeted through reinvestment and refinancing at lower levels of debt, whilst operating costs will continue to be closely managed. Looking to the next six months our medium term targets remain unchanged.

Mike Watters

Chief Executive Officer

25 April 2018

STRATEGIC REPORT

Operating Review

Portfolio overview

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

Key portfolio characteristics include:

- Income from RBH managed hotels and London serviced offices accounts for almost 30 per cent of the portfolio by market value, with robust income supported by experienced operational partners with aligned interests and strong occupier demand;
- a weighted average lease length of 6.8 years to the first potential lease break and 8.2 years to expiry;
- 25.9 per cent of gross rental income subject to inflation-linked or fixed increases;
- rental growth potential with a reversionary yield of 6.3 per cent, 60 bps higher than the current portfolio net initial yield (excluding growth potential on RBH managed hotels and London serviced offices);
- high and stable occupancy demonstrating robust occupier demand; and
- over 500 tenants with no single tenant accounting for more than 3.8 per cent of gross rental income.

Portfolio summary	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
28 February 2018	£m	£m ⁽¹⁾	£m	%	%	%	yrs ⁽²⁾	% ⁽²⁾	%
UK Commercial	539.5	32.5	34.2	5.3	5.5	5.8	4.9	97.1	15.2
UK Retail	494.1	39.3	38.3	6.7	6.9	7.1	7.7	97.5	22.0
UK Hotels	361.2	25.9	26.1	6.0	6.0	6.5	18.7	100.0	9.7
Total UK	1,394.8	97.7	98.6	5.9	6.1	6.5	7.2	97.5	16.5
Europe	252.1	13.5	15.0	4.5	4.6	5.5	4.9	96.9	93.9
Total	1,646.9	111.2	113.6	5.7	5.9	6.3	6.8	97.3	25.9
Controlled assets	1,621.6	109.4	111.8	5.7	5.9	6.3	6.8	97.3	25.4
Held in joint ventures (proportionate share)	25.3	1.8	1.8	6.4	6.4	6.7	6.0	100.0	52.5

⁽¹⁾ Gross annualised rent 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.

Portfolio positioning by business plan

The portfolio's ability to deliver sustainable income returns and growth has improved significantly over the last three years. This has been achieved through active recycling of capital into new income-led opportunities. RDI's ability to create marginal revenue and enhance the quality of assets is fundamental to its overall strategy. The Company's medium term target to deliver rental income growth of between 2.0 per cent and 5.0 per cent is supported by 47.0 per cent of the portfolio, split between "Growth Income" and assets subject to more intensive asset management plans.

Core income assets typically exhibit long lease lengths, high cash-on-cash returns and are predominantly multi-let, often with some form of indexation. Growth income assets are typically lower yielding but with higher intrinsic growth prospects. Asset management plans underway are typically income-led with a significant percentage of pre-let income being secured before development commences.

Portfolio by business plan	Annualised gross rental income	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT	EPRA occupancy by ERV	Indexed
28 February 2018	%	£m ⁽¹⁾	£m	%	%	%	yrs ⁽²⁾	% ⁽²⁾	%
Core Income	48.0	53.1	51.8	6.1	6.2	6.4	7.8	97.8	42.8
Growth Income	35.0	39.2	40.0	5.9	5.9	6.3	6.3	100.0	0.7
Asset Management	12.0	12.8	15.6	4.0	4.4	5.8	4.6	96.9	40.7
Mature	5.0	6.1	6.2	6.3	7.2	7.4	2.8	92.2	9.6
Total	100.0	111.2	113.6	5.7	5.9	6.3	6.8	97.3	25.9

⁽¹⁾ Gross annualised rent for the London serviced office portfolio included as EBITDA net of management fees.

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

Valuation overview

The like-for-like portfolio value decreased marginally by £4.7 million or 0.4 per cent on a like-for-like basis, however this included the impact of a weaker Euro relative to Sterling at the end of the period. On a local currency basis, like-for-like valuations increased 0.3 per cent. The change in value was driven by a 4.4 per cent increase in net rental income and a 20bps outward shift in net initial yields on a like-for-like basis. The overall portfolio currently reflects a 5.7 per cent EPRA net initial yield and a 6.3 per cent reversionary yield.

The UK Commercial portfolio delivered the strongest value growth increasing £10.2 million or 2.9 per cent, largely as a result of the strength of the industrial and distribution portfolio and London offices. UK Hotels and Europe increased 1.1 and 1.5 per cent respectively in local currency demonstrating steady performance. UK Retail declined £12.1 million or 2.4 per cent, weighted heavily to UK shopping centres which continue to experience challenging trading conditions and a weak investment market.

STRATEGIC REPORT

Operating Review

Leasing activity

In the last 6 months, 103 lease events were agreed providing a total rent of £8.3 million, an 8.8 per cent (£0.6 million) increase above the previous passing rent and a 1.5 per cent (£0.1 million) increase on ERV. Pro-active asset management ensured that the portfolio occupancy remained high and stable at 97.3 per cent (31 August 2017: 97.7 per cent).

Acquisitions

Investment activity over the period totalled £284.9 million including the strategic acquisitions of the IHL and London serviced office portfolios. Capital recycling activity has focussed on allocating our capital to assets, sectors and locations experiencing strong occupier demand supported by infrastructure investment and structural changes in the way real estate is being utilised.

Acquisitions	Completion date	Ownership %	Market Value at Acquisition ⁽³⁾ £m	Net rental income at acquisition ⁽¹⁾ £m	Implied NIY on acquisition %	Expected yield on equity %
IHL portfolio	November 2017	74.1	104.4	7.7	6.9	>10.0
Canbury Business Park, Kingston	December 2017	100.0	18.8	1.2	5.8	n/a ⁽²⁾
London services office portfolio	January 2018	80.0	161.7	10.3	>6.0	>9.0
Total			284.9	19.2	>6.3	

⁽¹⁾ Gross annualised rent for the London serviced office portfolio included as EBITDA net of management fees.

⁽²⁾ Canbury Business Park, Kingston has no debt funding.

⁽³⁾ Value of IHL reflects agreed acquisition pricing. Valuation details relevant to the date the group acquired control of IHL, are set out in Note 9.

International Hotel Properties Limited ("IHL")

Our investment in IHL increased significantly from 17.2 per cent to 74.1 per cent, with IHL subsequently being de-listed from the JSE and LuxSE following a successful scheme of arrangement. The majority of the acquisition was settled by way of a share-for-share exchange with IHL shareholders. Further information is contained within Note 9 to the financial statements.

The IHL portfolio comprises nine high quality UK hotels. Four Travelodge hotels, comprising 27.7 per cent of the portfolio, are let on long term leases with an average unexpired lease term of over 20 years. These assets reflect an implied net initial yield of 5.3 per cent and benefit from five yearly upward only CPI escalations that provide attractive rental growth prospects, particularly in a higher inflationary environment. The remaining five hotels are leased to the Company's associate, RBH Hotel Group. Four of the hotels are franchised to Holiday Inn Express and one to Hampton by Hilton. The five franchised hotels are expected to deliver a net initial yield of over 7.5 per cent.

The portfolio is currently financed at 45.9 per cent loan-to-value, at an all-in cost of debt of 3.3 per cent. Following the transaction, UK Hotels now make up 21.9 per cent of the Group's portfolio. The integration of the IHL business is progressing to plan with associated cost savings being achieved through the de-listing and integration of the hotel assets into the Company's existing hotel portfolio and REIT status.

As at 28 February 2018, the IHL portfolio was valued at £117.8 million, an impressive 12.8 per cent increase in the portfolio value on acquisition pricing.

Canbury Business Park, Kingston

On 22 December 2017, Canbury Business Park was acquired for £18.8 million excluding transaction costs and reflects a net initial yield of 5.8 per cent. The property is within a short walking distance of the Kingston-upon-Thames mainline railway station and forms part of a wider strategic site with medium to long term development potential. The business park includes 3,480 sqm (37,457 sqft) of offices and a number of smaller light industrial and business units. The acquisition provides a combination of an attractive near-term yield and medium term redevelopment opportunities. The acquisition is in line with our strategy of increasing exposure to assets with strong fundamentals, including positive demographics with proximity to good transport links.

London Serviced Office Portfolio ("LSO")

On 15 January 2018, RDI announced it had acquired an 80.0 per cent interest in a portfolio of four London serviced offices valued at £161.7 million. OSIT, the Company's strategic partner, will continue as the operator of these assets. As one of the sector's most experienced managers with a track record of over 25 years developing and managing serviced offices in the UK. OSIT is led by founders Giles Fuchs and Niki Fuchs, who have extensive industry experience and will have a strong alignment of interests through OSIT's 20.0 per cent co-investment and an EBITDA based management fee.

London is the global leader in the serviced office market, where structural and behavioural changes are driving strong demand for quality, flexible, cost efficient space. In a global workplace with technology supporting employee mobility and flexibility, businesses are demanding the ability to adapt and save costs. This trend is not only visible in small and start-up companies, but also large corporates which are increasingly embracing flexible space.

The acquisition is in line with the Company's strategy of recycling capital into assets and locations benefiting from sustainable long term growth opportunities, structural change in occupational demand and strategic infrastructure investment. Two of the assets are located within close proximity to the new Elizabeth Line Crossrail stations, with Boundary Row, Waterloo adding to the Company's existing exposure to the rapidly developing Southbank area.

STRATEGIC REPORT

Operating Review

LSO provides a premium flexible office service at mid-market rates which has consistently delivered high levels of occupancy and client satisfaction. The newly acquired assets offer a high ratio of good quality shared and amenity space, while design and services are focused on key client requirements including sound attenuation and market leading IT services. All four properties have been extensively refurbished and redeveloped by OSIT in the last four years and each presents a unique offering with flexibility in design to accommodate customers' bespoke requirements.

The portfolio value of £161.7 million at acquisition reflected an implied net initial yield of over 6.0 per cent. The acquisition included existing debt facilities of £73.5 million reflecting an LTV of 45 per cent, in line with the strategic priority of reducing Group leverage. The net cash yield on equity is anticipated to be in excess of 9.0 per cent.

Disposals

Our active programme of recycling capital out of mature and ex-growth assets has continued with successful disposals generating £211.8 million, representing an average premium of 8.7 per cent to the 31 August 2017 market values.

The sale of the German supermarket portfolio completed on 29 December 2017. The consideration reflected a purchase price for the portfolio of €205 million, a 10.8 per cent (€20 million) premium to the 31 August 2017 market value. The disposal capitalised on a very strong German investment market, enabling capital to be recycled out of mature assets. The portfolio consisted of 66 individual retail assets with a small average individual lot size of €3.1 million. The disposal provides a reduction in overall retail exposure and an effective increase in the average lot size of the remaining portfolio.

Other strategic disposals included regional offices in Bristol, Plymouth and Edgbaston reducing our exposure to a maturing regional office investment market. The House of Fraser department store in Hull was also sold in the period for £11.0 million, despite a discount to book value, we decided to proactively remove exposure to a potential covenant risk.

Disposals	Completion	Market value £m	Sales price £m	Net rental income £m	EPRA NIY on sales price %	Reversionary yield on sales price %
German supermarket portfolio	December 2017	163.7 ⁽¹⁾	181.5	11.3	5.8	6.1
House of Fraser, Hull	November 2017	12.9	11.0	0.8	9.7	9.7
Regional offices	Various	18.4	19.3	1.7	8.1	8.6
Total		195.0	211.8	13.8	6.3	6.5

⁽¹⁾ Market value at 31 August 2017 retranslated at the date of disposal, 29 December 2017.

Development and capital expenditure

Development activity is largely income-led and focused on refurbishing existing assets and adding incremental space to meet occupier demand. Total committed and outstanding capital expenditure at period end was £8.5 million.

Significant Projects	Description	Completion	Outstanding capital expenditure £m	Total capital expenditure £m	Yield on cost %
Albion Street, Derby	TK Maxx development	February 2018	-	1.4	9.8
City Arcaden, Ingolstadt	Primark development	March 2018	3.5	22.0	4.6
UK Retail Park expansions	Drive through pods	December 2018	1.6	1.9	13.7
Total			5.1	25.3	5.5

⁽¹⁾ Albion Street, Derby and City Arcaden, Ingolstadt yields reflect overall scheme yields.

Albion Street, Derby

The redevelopment of 9-11 Albion Street to accommodate a new 2,005 sqm (21,581 sqft) store for TK Maxx completed in February 2018 which will improve the retail pitch materially. The location links Derby's Intu Shopping Centre to Primark and the historic old town. The seven adjoining retail units totalling 3,014 sqm (32,446 sqft) have all been let, leaving only two small basement units vacant.

City Arcaden, Ingolstadt

The scheme totals 12,000 sqm (129,000 sqft) including two retail units let to Primark and H&M of approximately 9,700 sqm (104,000 sqft). The 7,000 sqm (75,000 sqft) unit developed for Primark was handed over in March 2018. The works to complete the remaining 3,000 sqm (32,000 sqft) of offices and residential units are anticipated to complete in 2019. Of the total anticipated rent roll of €2.5 million, 83 per cent has been secured.

UK Retail Park expansions

Two drive through pods are to be developed for Costa at Watford and Edinburgh, with work scheduled to begin shortly subject to planning consent.

STRATEGIC REPORT

Operating Review

UK Commercial

The UK Commercial portfolio has undergone significant capital recycling activity in response to our view on the future performance of certain assets as well as reinvestment in assets with structural support, notably well-located London serviced offices. We have continued to dispose of regional offices into a strong, but maturing, investment market, particularly where we have completed asset management initiatives and where rental growth opportunities appear limited. The industrial and distribution sector continues to see strong structural support as retailers adjust their business models to fewer stores and enhanced distribution networks, however the weight of capital targeting the sector has made additional investment challenging.

UK Commercial	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs ⁽²⁾	EPRA occupancy by ERV	Indexed
28 February 2018	£m	£m ⁽¹⁾	£m	%	%	%		% ⁽²⁾	%
Offices – Serviced	162.7	10.9	10.9	6.0	6.0	6.0	n/a	n/a	-
Offices – Greater London	111.6	4.7	6.0	3.3	3.7	5.0	3.5	96.7	14.5
Offices – Regions	96.7	7.7	7.5	6.6	7.4	7.2	3.5	97.2	15.9
UK Offices	371.0	23.3	24.4	5.3	5.7	6.0	3.5	97.0	8.1
Distribution & Industrial	125.0	6.3	7.6	4.7	4.7	5.7	4.6	96.3	3.1
Automotive	43.5	2.9	2.2	6.2	6.2	4.8	11.8	100.0	98.5
UK Commercial	539.5	32.5	34.2	5.3	5.5	5.8	4.9	97.1	15.2

⁽¹⁾ Gross annualised rent 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

The London serviced office market has seen remarkable growth in 2017. Serviced office operators are reported to have accounted for 18 per cent of leasing transactions in the City and the West End last year (source: Savills), highlighting the rapid growth of the sector. It is estimated that serviced offices now account for approximately 7.0 per cent of total Central London office stock with the potential to reach 30.0 per cent by 2030 (source: JLL).

The growth of the sector has been driven by changes in the way in which offices are being utilised by occupiers. The provision of space for smaller and growing companies is being formalised and delivered professionally with a focus on flexibility and service quality. Service sectors are witnessing disproportionate employment growth and technology is supporting the creation of new firms and their ability to compete. However, there is also a marked shift in the strategies of large corporates who are recognising the benefits of a more flexible model as well as the need to provide spaces and services required to attract talent. We believe the London serviced office portfolio provides a high-quality product at mid-market rates which, combined with the strategic benefit of owning the underlying assets, creates an attractive offer to clients and a defensive investment.

The acquisition completed on 12 January 2018. Although our ownership during the reporting period was under two months, income performance is currently ahead of expectations. Occupancy and desk rates were stable and new client enquiries continue to prove robust. The portfolio was valued at £162.7 million, a 0.6 per cent increase on the purchase price of £161.7 million.

London serviced office portfolio

Operational metrics	28 February 2018	At acquisition	Change %
Average monthly desk rate (£)	697	695	+0.3
Desk occupancy (%)	92.9	93.8	-0.9
Average stay (months) ⁽¹⁾	30	28	+7.1

⁽¹⁾ Excluding St. Dunstan's which opened in 2015.

Distribution and Industrial

The distribution portfolio produced exceptional growth largely as a result of rental uplifts and lower investment yields at Camino Park, Crawley. The portfolio increased in value by 11.5 per cent on a like-for-like basis supported by ERV growth of 3.5 per cent. Over 60 per cent of rental income at Camino Park, Crawley is subject to rent review in the next six months. The current average topped up passing rent of £7.60 per sqft is expected to show strong growth against both passing rent and ERV.

STRATEGIC REPORT

Operating Review

UK Retail

General investor sentiment towards the sector remains weak with the ongoing themes of structural change, the impact of online retailing combined with slowing retail sales and weaker consumer confidence. As a result, certain retailers are having to rationalise their physical store portfolios to be fit for purpose in the new retail landscape. We retain a more positive outlook on our well-located retail parks. Vacancy rates across the UK retail park sector of c.6 per cent remain at their lowest level for ten years.

We have been pro-active in the management of our portfolio to address many of these challenges. Overall UK Retail exposure has reduced to 30.0 per cent of the portfolio and occupancy across the UK Retail portfolio remained high at 97.5 per cent (31 August 2017: 96.8 per cent).

Occupancy and income have been supported by active engagement with retailers and local communities. Our in-house commercialisation activities, many of which have a strong community and CSR foundation, delivered £0.7 million in the period, a modest decrease on the same period last year.

The start of 2018 has seen a number of retail failures although many of these were largely anticipated. Our exposure to retailers such as Toys R Us, New Look and Maplin was relatively modest.

As previously reported, the former 3,838 sqm (41,315 sqft) BHS unit at Grand Arcade, Wigan was let to Poundland.

At West Orchards, Coventry, the food court has been refurbished delivering a £0.5 million turnaround in net income and a 19 per cent return on the £2.6 million capital investment with a further two smaller units still to be let to further enhance the return.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs	EPRA occupancy by ERV	Indexed
	£m	£m	£m	%	%	%		%	%
UK Retail									
28 February 2018									
Shopping Centres	309.9	26.3	26.1	6.9	7.0	7.7	7.7	97.9	27.8
Retail Parks	178.9	12.4	11.7	6.1	6.4	6.1	7.9	96.6	10.7
Other Retail	5.3	0.6	0.5	6.2	9.3	7.6	4.4	100.0	-
UK Retail	494.1	39.3	38.3	6.7	6.9	7.1	7.7	97.5	22.0

The portfolio declined 2.4 per cent on a like-for-like basis with yields moving out 30 bps reflecting weaker investment sentiment.

UK Hotels

2017 was a very strong year for hotels in London with RevPar growth anticipated to have reached 6 per cent. Trading performances have been supported by a stronger global and Eurozone economy. The weaker pound has supported London as a tourist destination, although business travel has been tempered reflecting current economic and business uncertainty.

Supply of new hotel rooms continues to grow. Following the additional 8,500 new rooms in London in 2017, a further 7,500 are anticipated to open in 2018; a factor expected to moderate RevPar growth this year. PwC has forecast RevPar growth for 2018 in London and the Regions at 2.4 per cent and 2.3 per cent respectively, driven in large part by expectations of rate growth. This more moderate growth when compared to 2017 reflects the recent supply response and general economic uncertainty. Notwithstanding these factors, positive growth expectations highlight London's resilience and the fact that London benefits from some of the highest global occupancy levels averaging above 80 per cent over the last 10 years.

The Group's hotel portfolio remains heavily weighted to Greater London. Following the IHL acquisition, UK Hotels has increased to 21.9 per cent of the overall portfolio (31 August 2017: 15.6 per cent). The acquisition will provide further exposure to Edinburgh and to Gatwick Airport, the UK's second busiest airport. In addition, the acquisition of a further four Travelodge hotels provides exposure to long-dated inflation linked income.

	Market value	Annualised gross rental income	ERV	EPRA NIY	EPRA topped up yield	Reversionary yield	WAULT yrs ⁽¹⁾	EPRA occupancy by ERV	Indexed
	£m	£m	£m	%	%	%		% ⁽¹⁾	%
UK Hotels									
28 February 2018									
Greater London	186.0	12.5	12.5	5.8	5.8	6.3	n/a	n/a	-
Regional	128.7	11.0	11.0	6.7	6.7	7.2	n/a	n/a	0.9
RBH managed portfolio	314.7	23.5	23.5	6.2	6.2	6.7	n/a	n/a	0.4
Travelodge ⁽²⁾	46.5	2.4	2.6	4.9	4.9	5.2	18.7	100.0	100.0
UK Hotels	361.2	25.9	26.1	6.0	6.0	6.5	18.7	100.0	9.7

⁽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.

The portfolio increased in value by 1.1 per cent on a like-for-like basis supported by occupancy and RevPar growth. This excludes a £13.4 million or 12.8 per cent increase on the recently acquired IHL portfolio.

STRATEGIC REPORT

Operating Review

RBH managed hotel portfolio (excluding IHL)

Operational metrics	HY 18	FY 17	HY 17
RevPar (£)	80.2	76.6	78.5
Average occupancy (%)	80.4	83.9	81.3

RBH

Our 25.3 per cent stake in RBH (formerly RedefineBDL) contributed £0.3 million to underlying earnings during the period, a 6.2 per cent increase on the same period last year. RBH has established itself as the leading independent hotel operator in the UK after being awarded the management contract for a further 26 four-star luxury hotels located throughout the UK. RBH now manages more than 11,000 rooms across 75 hotels in the UK.

Europe

The German market remains buoyant supported by a stronger economy and low unemployment. Investor appetite has remained strong with over €57 billion in commercial property transactions last year, assisted by large portfolio transactions and international capital looking for safe-haven investments.

We are witnessing a number of trends which are not dissimilar to those experienced over the last few years in the UK, notably the strength of the industrial and distribution sector, the rise of alternative models including flexible and co-working office space and some early signs of slowing retailer demand, particularly in mid-market fashion. In the short-term, the weight of capital chasing good quality and value add investments remains significant and supportive of values.

	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Europe									
28 February 2018									
German Shopping Centres	184.8	8.9	10.2	4.1	4.1	5.2	4.6	97.2	93.2
German Supermarkets and Retail Parks	67.3	4.6	4.8	5.8	5.8	6.6	5.4	96.2	95.4
Europe	252.1	13.5	15.0	4.5	4.6	5.5	4.9	96.9	93.9

Several asset management initiatives at the Schloss Strassen Centre, Berlin were delivered during the period. The 1,076 sqm (100 sqm) extension to the dm pharmacy has been completed with the lease being extended for a 10 year term. The marginal increase in rent reflects a 8.8 per cent yield on the cost of €0.1 million. The previously announced 171 sqm (1,840 sqft) REWE extension is anticipated to be completed in late 2018. A new ten-year lease has been agreed with the marginal increase in rent reflecting a 8.3 per cent yield on a cost of €0.1 million. These initiatives have reduced the number of in-line units and provide a greater weighting toward food, discount and convenience shopping.

The portfolio increased in value by 1.5 per cent in local currency terms and on a like-for-like basis.

STRATEGIC REPORT

Financial Review

Overview

The first half of the year has seen a continued theme of capital recycling, building on the solid foundation of 2017 with ongoing improvement to the portfolio's quality and positioning. Overall, the period has delivered an annualised accounting return of 10.7 per cent, comprising the dividend paid in December 2017 and the growth in EPRA NAV during the period.

Underlying earnings were £27.4 million or 1.46 pence per share, representing growth of 8.2 per cent when compared to the first six months of 2017. This is the combined result of growth in net rents following the IHL acquisition, reduced finance costs flowing through from debt restructuring activity in 2017 and lower gearing levels. Further contributing to this growth is an improved cost ratio, resulting from termination charges incurred in the prior year being non-recurring.

Acquisition and disposal activity during the six months has added £19.3 million or 1.0 pence per share to EPRA net asset value. This was driven from the disposal of a €185.0 million German supermarket portfolio in December which generated, after costs, an €18.2 million (£16.2 million) profit. The majority of the proceeds from this sale were recycled into a £161.7 million portfolio of four London serviced offices at an initial yield of over 6 per cent. The acquisition completed just two weeks later, in early January.

In November, control of the former listed hotel group, International Hotel Properties Limited ("IHL") was acquired. A gain of £5.5 million was recognised on acquisition.

Four further small disposals were completed during the period at a net loss of £1.4 million to the 31 August 2017 book value. The loss was driven by the disposal of the House of Fraser unit in Hull, where a discount to book value was accepted to remove what was considered a potential covenant risk.

The above, coupled with modest like-for-like valuation growth, has delivered a 2.2 per cent increase in the Group's EPRA net asset value per share, which has risen from 41.4 pence at 31 August 2017 to 42.3 pence at 28 February 2018, with the property portfolio valued at £1.65 billion.

These results continue to demonstrate solid progress against the Group's key financial targets. We continue to strike a balance between income growth and leverage reduction and we end the period with an LTV of 48.0 per cent, down from 50.0 per cent at 31 August 2017.

IHL

The IHL acquisition was completed in stages. The first, in late October, saw the Group acquire an 8.9 per cent interest from Redefine Properties Limited ("RPL") in consideration for the issue of 12.5 million new shares in RDI. In November, a scheme of arrangement completed whereby minority shareholders holding 29.3 per cent of IHL were issued 2.5 new shares in RDI for every 1 IHL share held, and a further 3.4 per cent interest in IHL was acquired from Redefine Properties Limited in return for the issue of 45.9 million new RDI shares collectively. Finally, the Group acquired Redefine Properties Limited's residual 15.2 per cent holding in IHL for £7.5 million in cash and a further 2.5 million new RDI shares.

In aggregate, the transaction value of £31.8 million was settled by the issue of 60.9 million new ordinary shares and the payment of £7.5 million in cash. The transactions took the Group's interest in IHL from 17.2 per cent to 74.1 per cent. IHL is now accounted for as a subsidiary of the Group with its results and position reflected in the consolidated income statement, balance sheet and cash flow statement on a line by line basis.

Following the IHL transactions, the Group has no further investments or joint ventures with its major shareholder, Redefine Properties Limited.

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.

STRATEGIC REPORT

Financial Review

Income Statement

	Six months ended					
	28 February 2018			28 February 2017		
	IFRS £m	Joint Ventures ⁽¹⁾ £m	Group Total £m	IFRS £m	Joint Ventures £m	Group Total £m
Rental income	54.6	0.9	55.5	45.8	5.0	50.8
Rental expense	(4.8)	(0.1)	(4.9)	(4.3)	(0.5)	(4.8)
Net rental income	49.8	0.8	50.6	41.5	4.5	46.0
Other income	0.6	-	0.6	4.8	(2.0)	2.8
Administrative expenses	(7.2)	(0.1)	(7.3)	(8.4)	(0.4)	(8.8)
Net operating income	43.2	0.7	43.9	37.9	2.1	40.0
Net finance costs	(14.3)	(0.3)	(14.6)	(11.6)	(3.4)	(15.0)
Joint venture profits/(losses) allocated to individual line items	0.2	(0.2)	-	(1.2)	1.2	-
Current tax and other	(1.2)	(0.2)	(1.4)	0.3	0.1	0.4
Non-controlling interests	(1.8)	-	(1.8)	(1.6)	-	(1.6)
EPRA earnings	26.1	-	26.1	23.8	-	23.8
<i>Company Specific Adjustments:</i>						
Debt fair value accretion adjustments	0.4	-	0.4	0.5	-	0.5
Foreign exchange gain	0.9	-	0.9	-	-	-
Underlying earnings	27.4	-	27.4	24.3	-	24.3
Net gain on sale of joint ventures interests	-	-	-	5.2	(0.2)	5.0
Fair value gain/(loss) on investment property, assets held for sale and listed shares	8.5	(0.2)	8.3	3.6	(0.6)	3.0
Gain on disposal of investment property and non-current assets held for sale	0.4	-	0.4	5.9	-	5.9
Gain on disposal of subsidiaries	14.3	-	14.3	-	-	-
Net gain on business combinations	4.6	-	4.6	-	-	-
Other finance expenses	(0.5)	-	(0.5)	(1.5)	-	(1.5)
Change in fair value of derivatives	5.2	0.6	5.8	4.4	0.9	5.3
Share of non-underlying joint venture gains/(losses) allocated to individual line items	(0.2)	0.2	-	(1.5)	1.5	-
Deferred tax provision	0.1	(0.2)	(0.1)	(0.4)	(0.7)	(1.1)
Current tax and other	(1.9)	(0.4)	(2.3)	(0.6)	(0.9)	(1.5)
Non-controlling interests	(2.7)	-	(2.7)	1.4	-	1.4
IFRS profit attributable to shareholders	55.2	-	55.2	40.8	-	40.8
Diluted weighted average ordinary shares (millions)			1,875.5			1,804.4
EPRA earnings per share (pence)			1.39			1.3
Underlying earnings per share (pence)			1.46			1.35

⁽¹⁾ Reallocates joint venture EPRA earnings of £0.2 million (28 February 2017: loss of £1.2 million) from a single line item as required by IFRS to presentation on a line-by-line basis.

Gross rental income increased by £4.7 million which included £3.7 million related to the net impact of investment and disposal activity during the period. Gross rental income from the like-for-like portfolio increased 2.1 per cent driven by growth in the UK Commercial portfolio and the Group's like-for-like hotel portfolio.

UK Commercial experienced the strongest performance following positive rent review activity, particularly at the Group's Camino Park Distribution Centre in Crawley. The London office market continues to perform well with focused asset management efforts driving rental growth.

Despite the challenges in the retail portfolio, like-for-like income has held firm at £19.3 million, largely a result of occupancy levels remaining high at 97.5 per cent.

Underlying trading in the hotel portfolio remains strong. The UK achieved average occupancy of 82 per cent and 4.6 per cent RevPar growth in 2017 (source: PwC). This contributed to a 4.1 per cent increase in the hotel portfolio like-for-like income, relative to the first half of 2017.

In Sterling terms rental income from our investments in Europe was flat at £6.2 million like-for-like. In local currency terms a 2.0 per cent fall was recorded due to decreased footfall impacting turnover rents, in particular at our Berlin shopping centre.

STRATEGIC REPORT

Financial Review

Income from acquisitions including IHL and the serviced office portfolio added £4.5 million and £2.1 million in gross income respectively, with the residual arising from a smaller acquisition of a commercial property in Kingston, south west London.

	Six months ended			Local currency	
	28 February 2018	28 February 2017	Change	Change	Change
	£m	£m	£m	%	%
Gross rental income					
UK Commercial	10.6	10.0	0.6	6.0	6.0
UK Retail	19.3	19.3	0.0	0.0	0.0
UK Hotels	7.7	7.4	0.3	4.1	4.1
UK Total	37.6	36.7	0.9	2.5	2.5
Europe	6.2	6.2	0.0	0.0	(2.0)
Like-for-like gross rental income	43.8	42.9	0.9	2.1	1.8
Acquisitions	6.8	0.0			
Disposals	4.7	7.8			
Development	0.2	0.1			
Total gross rental income	55.5	50.8			

Net rental income has risen in line with gross rental income, reflecting the efficient nature of the newly acquired IHL portfolio's operating cost structure.

Other income was £2.2 million lower due to the non-recurring performance fee generated on disposal of the VBG portfolio in the comparative period.

Administrative costs have reduced by £1.5 million, largely due to the termination fee charged in the previous financial year in respect of a legacy asset management contract. Notwithstanding non-recurring items, the Group's EPRA cost ratio has improved from 18.0 per cent in the first half of 2017 to 15.7 per cent for the first half of 2018, demonstrating good progress towards the Group's target EPRA cost ratio of 15 per cent or less.

Net finance costs have reduced £0.4 million or 2.7 per cent, reflecting both lower leverage and refinancing activity completed in early 2017. The reduction in finance charges combined with growth in rental income has enhanced interest cover from 3.2 times to 3.5 times.

Non-controlling interests reflects the share of income attributable to the minority shareholders, most notably in IHL (25.9 per cent), the London serviced office portfolio (20.0 per cent) and the legacy hotel portfolio (17.5 per cent).

Due to market expectations of rising interest rates, a significant credit has been recorded in respect of the fair value of the Group's interest rate derivative contracts. This credit is removed from both the Group's underlying earnings measure and EPRA earnings.

Balance sheet

EPRA NAV per share increased by 2.2 per cent or 0.9 pence to 42.3 pence per share. This was driven by the gain on disposal of the German supermarket portfolio and the gain recognised on acquisition of control of IHL.

	28 February 2018			31 August 2017		
	IFRS £m	Joint Ventures £m	Group Total £m	IFRS £m	Joint Ventures £m	Group Total £m
Property portfolio carrying value ⁽¹⁾	1,625.9	25.3	1,651.2	1,520.7	25.6	1,546.3
Net borrowings	(771.2)	(14.8)	(786.0)	(769.0)	(15.7)	(784.7)
Other assets, liabilities and NCI	(60.1)	(10.5)	(70.6)	(11.3)	(9.9)	(21.2)
IFRS NAV	794.6	-	794.6	740.4	-	740.4
Fair value of derivatives			2.9			7.4
Deferred tax liabilities			10.3			10.5
EPRA NAV			807.8			758.3
Diluted number of shares (millions)			1,909.4			1,830.1
EPRA NAV per share (pence)			42.3			41.4

⁽¹⁾ Market value adjusted to reflect finance leases and tenant lease incentives.

STRATEGIC REPORT

Financial Review

Property portfolio

			Valuation ⁽¹⁾		Local currency
	28 February 2018	31 August 2017	Gain/(loss)	Gain/(loss)	Gain/(loss)
Market value of the property portfolio	£m	£m	£m	%	%
UK Commercial	357.0	345.8	10.2	2.9	2.9
UK Retail	494.1	501.8	(12.1)	(2.4)	(2.4)
UK Hotels	243.4	239.6	2.6	1.1	1.1
UK Total	1,094.5	1,087.2	0.7	0.1	0.1
Europe	221.3	226.5	(5.4)	(2.4)	1.5
Like-for-like property portfolio	1,315.8	1,313.7	(4.7)	(0.4)	0.3
Acquisitions	300.7	-			
Disposals	-	201.6			
Development	30.4	23.4			
Total property portfolio market value	1,646.9	1,538.7			

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

The above like-for-like capital comparison excludes gains realised from capital recycling, in particular the €20 million uplift on the German Supermarket portfolio generated since the last balance sheet date.

The UK Commercial portfolio recorded a solid 2.9 per cent gain for the first half of the year led by distribution warehouses and London offices.

Challenges continue to be experienced across the UK Retail portfolio. The Group's retail parks have not been impacted in the same manner as secondary UK shopping centres, which continue to suffer from a weak investment market driven by falling retailer sales and increased online retailing.

The UK Hotel portfolio saw a 1.1 percent valuation uplift, which excludes the newly acquired IHL portfolio. This performance was somewhat subdued as pressure on UK household income and increased supply rein in expectations for RevPar and ADR growth.

The European portfolio increased in value by 1.5 per cent in local currency terms, following a good performance in the centrally located Hamburg shopping centre, accompanied by a general increase across the portfolio reflecting the strong German investment market. The Euro to Sterling rate has weakened by 3.7 per cent since the last balance sheet date, offsetting local currency growth, albeit from a relatively strong position at 31 August 2017.

Debt and gearing

Since 31 August 2017, progress has been made in reducing leverage. The Group LTV has been reduced to 48.0 per cent, within our medium term target of 45 to 50 per cent. Drawn debt remained broadly unchanged at £844.7 million despite the level of recycling and net investment activity during the period which has resulted in a seven per cent increase in the portfolio to £1.65 billion.

	28 February 2018	31 August 2017
	£m	£m
Nominal value of drawn debt	(844.7)	(842.2)
Cash and short-term deposits	54.9	53.4
Net debt	(789.8)	(788.8)
Market value of the property portfolio	1,646.9	1,538.7
LTV (%)	48.0	51.3
Pro forma LTV (%) ⁽¹⁾	-	50.0
Weighted average debt maturity (years)	7.0	7.3
Weighted average interest rate (%)	3.3	3.1
Interest cover (times)	3.5	3.2
Debt with interest rate protection (%)	99.2	93.0

⁽¹⁾ Pro forma LTV adjusted from 51.3 per cent to reflect transactions completed between 31 August 2017 and 26 October 2017.

The proceeds from the disposal of the German supermarket portfolio, which at 31 August 2017 was geared at 58.9 per cent, were reinvested into four Central London serviced offices at a gearing level of 45.0 per cent. Successful leverage reduction was achieved by prepayment of the Group's revolving credit facility, following smaller disposals.

The weighted average cost of debt has increased to 3.3 per cent from 3.1 per cent as a result of the increase in average debt funding costs between disposals and acquisitions, however, interest cover has continued to improve demonstrating the higher yields being achieved at the property level.

Debt with interest rate protection remains comfortably in line with Group targets.

STRATEGIC REPORT

Financial Review

Cash flow

	Six months ended					
	28 February 2018			28 February 2017		
	IFRS £m	Joint Ventures £m	Group Total £m	IFRS £m	Joint Ventures £m	Group Total £m
Operating cash flows	25.4	0.6	26.0	29.0	1.5	30.5
Disposals	142.6	-	142.6	66.8	(0.6)	66.2
Acquisitions and development	(99.9)	-	(99.9)	(7.8)	-	(7.8)
Other	(0.7)	0.2	(0.5)	0.6	(0.6)	-
Investing cash flows	42.0	0.2	42.2	59.6	(1.2)	58.4
Net debt repaid	(44.1)	(0.4)	(44.5)	(35.4)	(0.6)	(36.0)
Dividends paid	(18.8)	-	(18.8)	(21.6)	-	(21.6)
Other	(2.4)	-	(2.4)	(2.0)	-	(2.0)
Financing cash flows	(65.3)	(0.4)	(65.7)	(59.0)	(0.6)	(59.6)
Impact of foreign exchange movements	(1.0)	-	(1.0)	0.1	-	0.1
Net cash flow	1.1	0.4	1.5	29.7	(0.3)	29.4

Operating cash flows during the period of £26.0 million provides cover for the dividend paid. Asset disposals, net of reinvestment activities generated £42.7 million, which has been primarily applied towards leverage reduction.

Cash and undrawn committed facilities at 28 February 2018 were £99.9 million, with capital commitments of £8.5 million.

Performance against strategic financial targets

In February 2017 we set out a range of medium term strategic targets with clear linkage to our strategic priorities and long term incentives to drive accountability. These targets focus on income growth and strengthening the balance sheet across all aspects of the business. Progress since February 2017 is set out below, which for all metrics other than rent collection demonstrates performance in line with medium term targets, or progress in the right direction. Although rent collection for the March 2018 quarter day was not as strong as we would have liked, the target was comfortably exceeded by day 21, demonstrating subsequent collection.

Strategic metrics	Medium term target	28 February 2018	31 August 2017	28 February 2017
Growth in underlying EPS (%)	3.0 - 5.0	8.2	n/a	n/a
Dividend pay-out ratio (%)	90.0 - 95.0	92.5	94.5	96.3
Rental income growth (like-for-like) (%)	2.0 - 5.0	2.1	3.7	3.3
Rent collection	>95% within 7 days	89.3	94.3	94.0
LTV (%)	45.0 - 50.0	48.0	50.0 ⁽¹⁾	49.9
Interest cover (times)	>3.0	3.5	3.2	3.1
Cost of debt (%)	3.2 - 3.4	3.3	3.1	3.3
EPRA cost ratio (excl. direct vacancy costs) (%)	<15.0	15.7	19.8 ⁽²⁾	20.7 ⁽²⁾

⁽¹⁾ Pro forma adjusted from 51.3 per cent to reflect transactions between 31 August 2017 and 26 October 2017.

⁽²⁾ 17.2 per cent and 18.0 per cent respectively when adjusted for non-recurring items.

Principal risks and uncertainties

The Directors have concluded that there have been no significant changes to the principal risks and uncertainties faced by the Group, nor are there anticipated to be any significant changes during the remaining six months to 31 August 2018. Full disclosure of the risks and uncertainties faced by the Group are set out on pages 16 and 17 of the 2017 Annual Report.

Dividend

The Directors have declared an interim dividend of 1.35 pence per share for the first six months of 2018. When paid, this will represent an annualised yield of 6.4 per cent on EPRA NAV at 28 February 2018 or 7.8 per cent based on the Company's closing share price on 28 February 2018.

The dividend represents a 92.5 per cent pay-out ratio on underlying earnings and is covered by operational cash flows.

Subject to South African Reserve Bank approval, the Company intends to continue to offer a scrip alternative. Given the Company's share price currently trades at a significant discount to net asset value, the Directors intend to match the scrip allocation by a share buy-back programme to minimise the dilutive impact of issuing new ordinary shares.

An announcement will be made once the circular and timetable becomes available on the Company's website. A dividend payment date of 25 June 2018 has been proposed.

Donald Grant

Chief Financial Officer

25 April 2018

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 to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the condensed consolidated interim financial statements include a true and fair view of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The operating and financial review refers to important events which have taken place during the period.

Related party transactions are set out in Note 31 to the condensed consolidated interim financial statements.

By order of the Board

Mike Watters
Chief Executive

Donald Grant
Chief Financial Officer

25 April 2018

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

Introduction

We have been engaged by RDI REIT P.L.C. (“the Group”) to review the condensed set of consolidated financial statements (“the consolidated financial statements”) in the half-yearly financial report for the six months ended 28 February 2018 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council’s (“FRC”) International Standard on Review Engagements (“ISRE”) (UK and Ireland) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements in the half-yearly report for the six months ended 28 February 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) and the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority (“FCA”).

Basis of our report, responsibilities and restriction on use

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 Disclosure and Transparency Rules of the UK’s FCA. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB. The Directors are responsible for ensuring that the consolidated financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the IASB. Our responsibility is to express to the Group a conclusion on the consolidated financial statements in the half-yearly financial report based on our review.

We conducted our review having regard to the FRC’s ISRE (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. 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. 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.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the Disclosure and Transparency Rules of the UK’s FCA. Our review has been undertaken so that we might state to the Group 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 Group for our review work, for this report, or for the conclusions we have reached.

N. Marshall

25 April 2018

For and on behalf of



Chartered Accountants, Statutory Audit Firm,

1 Harbourmaster Place

International Financial Services Centre

Dublin 1

Ireland

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 28 February 2018

		Reviewed Six months ended 28 February 2018 £m	Reviewed Six months ended 28 February 2017 £m	Audited Year ended 31 August 2017 £m
Continuing operations	Note			
Revenue	3	55.2	50.6	102.1
Rental income	4	54.6	45.8	97.2
Rental expense	5	(4.8)	(4.3)	(9.0)
Net rental income		49.8	41.5	88.2
Other income	6	0.6	4.8	4.7
Administrative costs and other fees	7	(7.2)	(8.4)	(15.3)
Net operating income		43.2	37.9	77.6
Gain on revaluation of investment property		8.5	2.6	10.8
Loss on revaluation of investment property held for sale		-	-	(3.9)
Gain on disposal of investment property		0.6	5.9	9.2
(Loss)/gain on disposal of investment property held for sale	20	(0.1)	-	1.5
Net gain on disposal of subsidiaries	8	14.3	-	-
Net gain on business combinations	9	4.6	-	-
Distributions from investment at fair value		-	-	0.2
Gain/(loss) on revaluation of investment at fair value		-	1.0	(0.3)
Amortisation of intangible assets		(0.2)	(0.1)	(0.2)
Loss on disposal of other non-current assets held for sale	20	(0.1)	-	-
Foreign exchange loss		(0.9)	-	-
Profit from operations		69.9	47.3	94.9
Finance income	10	0.4	2.9	3.4
Finance expense	10	(14.5)	(14.5)	(28.4)
Other finance expense	11	(0.6)	(1.5)	(6.5)
Change in fair value of derivative financial instruments		5.2	4.4	4.5
		60.4	38.6	67.9
Net gain on sale of joint venture interests		-	5.0	4.9
Net impairment reversal/(impairment) of joint ventures and associate interests		0.1	0.7	(0.1)
Share of post-tax loss from joint ventures		-	(2.6)	(2.3)
Share of post-tax profit from associate		0.3	0.3	1.1
Transfer of foreign currency translation on disposal of joint venture interest		-	-	2.0
Profit before tax		60.8	42.0	73.5
Taxation	12	(1.1)	(1.0)	(3.9)
Profit for the period		59.7	41.0	69.6
Profit attributable to:				
Equity holders of the Parent		55.2	40.8	66.1
Non-controlling interests		4.5	0.2	3.5
		59.7	41.0	69.6
Earnings per share				
Weighted average number of shares (millions)	33	1,871.2	1,802.0	1,809.9
Diluted weighted average number of shares (millions)	33	1,875.5	1,804.4	1,811.9
Basic earnings per share (pence)	33	3.0	2.3	3.7
Diluted earnings per share (pence)	33	3.0	2.3	3.6

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 28 February 2018

	Reviewed Six months ended 28 February 2018 £m	Reviewed Six months ended 28 February 2017 £m	Audited Year ended 31 August 2017 £m
Continuing operations			
Profit for the period	59.7	41.0	69.6
Other comprehensive income/(expense)			
Transfer of foreign currency translation on disposal of joint venture interests	-	(2.2)	(4.2)
Foreign currency translation on subsidiary foreign operations	(6.7)	2.1	15.9
Foreign currency translation on joint ventures held by subsidiary foreign operations	(0.3)	0.4	1.0
Total other comprehensive (expense)/income	(7.0)	0.3	12.7
Total comprehensive income for the period	52.7	41.3	82.3
Total comprehensive income attributable to:			
Equity holders of the Parent	48.2	41.1	78.7
Non-controlling interests	4.5	0.2	3.6
	52.7	41.3	82.3

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

CONDENSED CONSOLIDATED BALANCE SHEET

as at 28 February 2018

	Note	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Non-current assets			
Investment property	13	1,599.0	1,494.9
Investment at fair value through profit or loss	14	-	8.5
Investment in joint ventures	15	1.9	1.9
Loans to joint ventures	15	4.7	4.3
Investment in associate	16	9.2	9.4
Intangible assets	17	0.9	1.1
Property, plant and equipment		0.5	0.1
Derivative financial instruments	22	0.8	0.4
Trade and other receivables	18	10.2	8.4
Total non-current assets		1,627.2	1,529.0
Current assets			
Trade and other receivables	18	14.8	15.5
Cash and cash equivalents	19	53.9	52.8
		68.7	68.3
Non-current assets held for sale	20	26.9	27.3
Total current assets		95.6	95.6
Total assets		1,722.8	1,624.6
Non-current liabilities			
Borrowings, including finance leases	21	(816.5)	(818.9)
Derivative financial instruments	22	(3.5)	(7.8)
Deferred tax	23	(9.9)	(10.4)
Trade and other payables	24	(0.1)	-
Total non-current liabilities		(830.0)	(837.1)
Current liabilities			
Borrowings, including finance leases	21	(8.6)	(2.9)
Trade and other payables	24	(29.0)	(21.2)
Tax liabilities		(2.1)	(1.2)
Total current liabilities		(39.7)	(25.3)
Total liabilities		(869.7)	(862.4)
Net assets		853.1	762.2
Equity			
Share capital	25	152.4	146.2
Share premium	25	535.6	511.8
Other components of equity		106.6	82.4
Total attributable to equity holders of the Parent		794.6	740.4
Non-controlling interests	27	58.5	21.8
Total equity		853.1	762.2

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 25 April 2018 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 28 February 2018

	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 2017		146.2	511.8	54.8	4.2	23.4	740.4	21.8	762.2
Profit for the period		-	-	55.2	-	-	55.2	4.5	59.7
Foreign currency translation on subsidiary foreign operations		-	-	-	-	(6.7)	(6.7)	-	(6.7)
Foreign currency translation on joint venture interests held by subsidiary foreign operations	15	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Total comprehensive income for the period		-	-	55.2	-	(7.0)	48.2	4.5	52.7
Transactions with equity holders of the Parent									
Issue of shares		4.9	19.4	-	-	-	24.3	-	24.3
Dividends paid		-	-	(18.8)	-	-	(18.8)	-	(18.8)
Scrip dividends	25	1.3	4.4	(5.7)	-	-	-	-	-
Release of share-based payments reserve	26	-	-	1.9	(2.0)	-	(0.1)	-	(0.1)
Fair value of share-based payments		-	-	-	0.5	-	0.5	-	0.5
		6.2	23.8	(22.6)	(1.5)	-	5.9	-	5.9
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	27	-	-	-	-	-	-	(1.7)	(1.7)
Non-controlling interests on business combinations	27	-	-	-	-	-	-	33.8	33.8
Net gain on acquisition of non-controlling interests	28	-	-	0.1	-	-	0.1	0.1	0.2
		-	-	0.1	-	-	0.1	32.2	32.3
Balance at 28 February 2018		152.4	535.6	87.5	2.7	16.4	794.6	58.5	853.1

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 28 February 2018

	Note	Share capital £m	Share premium £m	Reverse acquisition reserve £m	Retained loss £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2016		143.6	502.1	134.3	(94.2)	3.2	10.8	699.8	33.6	733.4
Profit for the period		-	-	-	40.8	-	-	40.8	0.2	41.0
Transfer of foreign currency translation on disposal of joint venture interests		-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Foreign currency translation on subsidiary foreign operations		-	-	-	-	-	2.1	2.1	-	2.1
Foreign currency translation on joint venture interests held by subsidiary foreign operations		-	-	-	-	-	0.4	0.4	-	0.4
Total comprehensive income for the period		-	-	-	40.8	-	0.3	41.1	0.2	41.3
Transactions with equity holders of the Parent										
Dividends paid		-	-	-	(21.6)	-	-	(21.6)	-	(21.6)
Scrip dividends	25	1.3	5.3	-	(6.6)	-	-	-	-	-
Fair value of share-based payments		-	-	-	-	0.5	-	0.5	-	0.5
		1.3	5.3	-	(28.2)	0.5	-	(21.1)	-	(21.1)
Changes in ownership interests in subsidiaries										
Reclassification of non-controlling interest shareholder loans to liabilities		-	-	-	-	-	-	-	(0.3)	(0.3)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(0.6)	(0.6)
Acquisition of non-controlling interests		-	-	-	0.6	-	-	0.6	(12.7)	(12.1)
		-	-	-	0.6	-	-	0.6	(13.6)	(13.0)
Balance at 28 February 2017		144.9	507.4	134.3	(81.0)	3.7	11.1	720.4	20.2	740.6

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 28 February 2018

	Note	Share capital £m	Share premium £m	Reverse acquisition reserve £m	Retained profit/(loss) £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2016		143.6	502.1	134.3	(94.2)	3.2	10.8	699.8	33.6	733.4
Profit for the year		-	-	-	66.1	-	-	66.1	3.5	69.6
Transfer of foreign currency translation on disposal of joint venture interests	26	-	-	-	-	-	(4.2)	(4.2)	-	(4.2)
Foreign currency translation on subsidiary foreign operations		-	-	-	-	-	15.8	15.8	0.1	15.9
Foreign currency translation on joint venture interests held by subsidiary foreign operations	15	-	-	-	-	-	1.0	1.0	-	1.0
Total comprehensive income for the year		-	-	-	66.1	-	12.6	78.7	3.6	82.3
Transactions with equity holders of the Parent										
Dividends paid		-	-	-	(39.5)	-	-	(39.5)	-	(39.5)
Scrip dividends	25	2.6	9.7	-	(12.3)	-	-	-	-	-
Merger reserve release	26	-	-	(134.3)	134.3	-	-	-	-	-
Fair value of share-based payments		-	-	-	-	1.0	-	1.0	-	1.0
		2.6	9.7	(134.3)	82.5	1.0	-	(38.5)	-	(38.5)
Changes in ownership interests in subsidiaries										
Reclassification of non-controlling interest shareholder loans to liabilities	27	-	-	-	-	-	-	-	(0.3)	(0.3)
Dividends paid to non-controlling interests	27	-	-	-	-	-	-	-	(1.7)	(1.7)
Non-controlling interests on acquisition of control of former joint venture		-	-	-	-	-	-	-	(0.7)	(0.7)
Acquisition of non-controlling interests	28	-	-	-	0.4	-	-	0.4	(12.7)	(12.3)
		-	-	-	0.4	-	-	0.4	(15.4)	(15.0)
Balance at 31 August 2017		146.2	511.8	-	54.8	4.2	23.4	740.4	21.8	762.2

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 28 February 2018

		Reviewed Six months ended 28 February 2018 £m	Reviewed Six months ended 28 February 2017 £m	Audited Year ended 31 August 2017 £m
Continuing operations				
Cash generated from operations	Note 29	40.3	40.7	75.6
Interest received		0.2	3.5	2.6
Interest paid		(14.3)	(13.9)	(27.0)
Net tax paid		(0.8)	(1.3)	(1.8)
Net cash inflow from operating activities		25.4	29.0	49.4
Cash flows from investing activities				
Net cash disposed on sale of subsidiaries	8	(1.6)	-	-
Net proceeds on sale of subsidiaries ⁽¹⁾		112.7	-	-
Net cash acquired on business combinations	9	7.8	-	-
Cash paid on business combinations ⁽²⁾		(79.2)	-	-
Escrow funds transferred on business combinations		(1.5)	-	-
Purchase and development of investment property		(28.5)	(7.8)	(18.9)
Net proceeds on sale of investment property		20.7	48.7	54.9
Net proceeds on sale of investment property held for sale		10.8	-	40.9
Distributions from investments at fair value		-	0.5	0.7
Net proceeds received on sale of joint venture interests		-	18.1	18.7
Acquisition of control of joint venture		-	-	(42.1)
Cash transferred on acquisition of control of joint venture		-	-	2.3
Increase in investments in joint ventures		(0.1)	-	-
Movement in loans to joint ventures		(0.2)	0.6	0.7
Distributions from associate (including held for sale)		0.3	1.1	1.2
Acquisition of property, plant and equipment		(0.5)	-	-
Disposal of other non-current assets held for sale		1.3	-	-
Increase in loan to external party		-	(1.6)	(2.1)
Net cash inflow from investing activities		42.0	59.6	56.3
Cash flows from financing activities				
Share issue costs paid		(0.1)	-	-
Proceeds from borrowings		10.0	16.8	199.5
Repayment of borrowings		(54.1)	(52.2)	(236.8)
Payment of Aviva share of profit		-	(1.1)	(1.4)
Settlement of Aviva profit share right on refinancing		-	-	(5.5)
Other finance expense		(0.5)	(0.2)	(0.6)
Derivative financial instruments purchased and settled		-	(0.1)	(0.1)
Dividends paid to equity holders		(18.8)	(21.6)	(39.5)
Dividends paid and loans re-paid to non-controlling interests		(1.7)	(0.6)	(1.5)
Acquisitions from non-controlling interests		(0.1)	-	-
Movement in restricted cash and cash equivalents		-	-	2.6
Net cash outflow from financing activities		(65.3)	(59.0)	(83.3)
Net increase in unrestricted cash and cash equivalents		2.1	29.6	22.4
Effect of exchange rate fluctuations on cash and cash equivalents		(1.0)	0.1	1.0
Unrestricted cash and cash equivalents at 1 September		52.1	28.7	28.7
Unrestricted cash and cash equivalents at end of the period		53.2	58.4	52.1
Restricted cash and cash equivalents		0.7	3.3	0.7
Cash and cash equivalents at end of the period		53.9	61.7	52.8

⁽¹⁾ Includes transaction costs paid of £1.3 million.

⁽²⁾ Includes transaction costs paid of £0.6 million.

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 28 February 2018

1. GENERAL INFORMATION

RDI REIT P.L.C. (formerly Redefine International P.L.C.) was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 111198C) and was re-registered under the Isle of Man Companies Act 2006 on 3 December 2013 (Registered Number: 010534V).

On 4 December 2013, the Company converted to a UK-REIT and transferred its tax residence from the Isle of Man to the United Kingdom ("UK").

The Company holds a primary listing on the Main Market of the London Stock Exchange ("LSE") and a secondary listing on the Main Board of the Johannesburg Stock Exchange ("JSE").

The financial information 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 interim financial statements should therefore be read in conjunction with the consolidated financial statements as at and for the year ended 31 August 2017 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 28 February 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The relevant new standards, amendments and interpretations that have been adopted during the period are set out in the following table:

International Financial Reporting Standard
<i>Annual improvements to IFRSs 2014-2016 cycle</i>
IFRS 12 'Disclosure of Interests in Other Entities' (amendment) ("IFRS 12")
IAS 28 'Investments in Associates and Joint Ventures' (amendment) ("IAS 28")
<i>Other amendments</i>
IAS 7 'Statement of Cash Flows' (amendment) ("IAS 7")
IAS 12 'Income Taxes' (amendment) ("IAS 12")

The adoption of these improvements and amendments has not had a material impact on the interim financial statements of the Group. 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 2017, as set out on pages 106-110 of the 2017 Annual Report, with the exception of the following addition to the Investment Property accounting policy. The change is required as a result of certain operating leasehold interests acquired through business combinations since 31 August 2017.

INVESTMENT PROPERTY AMENDMENT

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.

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 impact of these improvements and amendments on the consolidated financial statements of the Group is being assessed.

International Financial Reporting Standard	Effective annual periods beginning on or after:
<i>Annual improvements to IFRSs 2015-2017 cycle</i>	
IFRS 3 'Business combinations' (amendment) ("IFRS 3")	1 January 2019
IFRS 11 'Joint arrangements' (amendment) ("IFRS 11")	1 January 2019
IAS 12 'Income Taxes' (amendment)	1 January 2019
IAS 23 'Borrowing costs' (amendment) ("IAS 23")	1 January 2019
<i>Other amendments</i>	
IFRS 2 'Share-Based Payment' (amendment) ("IFRS 2")	1 January 2018
IFRS 9 'Financial Instruments' ("IFRS 9")	1 January 2018
IFRS 9 'Financial Instruments' (amendment) ("IFRS 9")	1 January 2019
IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15")	1 January 2018
IFRS 16 'Leases' ("IFRS 16")	1 January 2019
IAS 19 'Employee benefits' (amendment) ("IAS 19")	1 January 2019
IAS 28 'Investments in Associates and Joint Ventures' (amendment)	1 January 2019
IAS 40 'Investment Property' (amendment)	1 January 2018
<i>Interpretations</i>	
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

2.2 BASIS OF PREPARATION

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

GOING CONCERN

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason the interim financial statements have been prepared on a going concern basis.

2.3 KEY JUDGEMENTS AND ESTIMATES

The preparation of the interim 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 period. 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:

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 also make reference to market evidence of transaction prices for similar properties. Further details are provided in Note 13.

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 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.

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" - formerly named RedefineBDL Hotel Group Limited), on lease terms which are subject to annual review. At each review, the revised rent is set with reference to the forecast EBITDA of each hotel. RBH runs the hotels' operating business and is therefore exposed to fluctuations in the underlying trading performance of each hotel under management. RBH is responsible for the key decision making of the business operations and the day-to-day upkeep of the properties. The Group is not involved with the operation of the hotel management business and there are limited transactions between RDI and RBH. As a result, the hotels are classified as investment property in accordance with IAS 40.

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

FAIR VALUE OF RESTRUCTURED LIABILITIES

New borrowings or existing borrowings which have been substantially modified are recognised at fair value. The determination of fair value involves the application of judgement. The Group determines fair value by discounting the cash flows associated with the liability at a market discount rate. The key judgement surrounds the determination of an appropriate market benchmark. Management determine the discount rate on a loan by loan basis having regard to the term, duration and security arrangements of the new liability and an estimation of the current rates charged in the market for similar instruments issued to companies of similar sizes.

This judgement is made more difficult given the bespoke nature of certain loans obtained by the Group. Any difference between the nominal value of the loan and its fair value equivalent is recognised immediately in the income statement insofar as the fair value measurement is based on observable inputs. The deemed fair value adjustment will subsequently be accreted through the income statement over the term of the loan using the effective interest rate method.

LEASE CLASSIFICATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

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 other high street retail assets;
- UK Hotels: The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels (nine of which were acquired as part of the IHL transaction – refer to Note 9):
- five Travelodge branded and externally managed hotels; and
 - thirteen RBH managed hotels, of which ten are Holiday-Inn Express, two Hilton branded and one Crowne Plaza.
- The Group's hotel interests also include the 25.3 per cent investment in RBH (an additional 5.1 per cent, previously classified as held for sale, was disposed on 14 February 2018). RBH is an independent hotel management company engaged in developing and managing a diverse portfolio of hotels in partnership with reputable international hotel brands;
- Europe: The Group's portfolio in Germany, comprised of shopping centres, discount supermarkets and retail parks. On 29 December 2017, the Group disposed of its interests in the Leopard Portfolio which comprised 66 retail properties, being a mixture of stand-alone supermarkets, food-store anchored retail parks and cash & carry stores. In the prior period, the Group's interests also included Government-let offices until 1 January 2017; 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Segmental income statement for the six months ended 28 February 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Continuing operations								
Revenue								
Rental income	13.2	19.6	12.2	10.5	-	55.5	(0.9)	54.6
Other income	0.2	-	-	-	0.4	0.6	-	0.6
Total revenue	13.4	19.6	12.2	10.5	0.4	56.1	(0.9)	55.2
Rental income	13.2	19.6	12.2	10.5	-	55.5	(0.9)	54.6
Rental expense	(1.5)	(1.2)	(0.6)	(1.6)	-	(4.9)	0.1	(4.8)
Net rental income	11.7	18.4	11.6	8.9	-	50.6	(0.8)	49.8
Other income	0.2	-	-	-	0.4	0.6	-	0.6
Gain/(loss) on revaluation of investment property	10.3	(12.1)	4.0	6.1	-	8.3	0.2	8.5
Gain/(loss) on disposal of investment property	0.7	-	-	(0.1)	-	0.6	-	0.6
Loss on disposal of investment property held for sale	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Net gain on disposal of subsidiaries	-	(1.9)	-	16.2	-	14.3	-	14.3
Net gain on business combinations	(0.9)	-	5.5	-	-	4.6	-	4.6
Loss on disposal of other non-current assets held for sale	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Foreign exchange loss	-	-	-	(0.9)	-	(0.9)	-	(0.9)
Finance income on loans to joint ventures	-	-	-	-	-	-	0.2	0.2
Other underlying finance income	-	-	-	-	0.2	0.2	-	0.2
Finance expense	(3.3)	(7.4)	(2.5)	(1.6)	-	(14.8)	0.3	(14.5)
Other finance expense	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Change in fair value of derivative financial instruments	1.7	1.8	1.1	1.2	-	5.8	(0.6)	5.2
Reversal of impairment of loan to joint venture	0.1	-	-	-	-	0.1	-	0.1
Share of post-tax profit from associate	-	-	0.3	-	-	0.3	-	0.3
Total per reportable segments	20.4	(1.2)	19.9	29.2	0.6	68.9	(0.7)	68.2
Unallocated income and expenses: ⁽¹⁾								
Administrative costs and other fees						(7.3)	0.1	(7.2)
Amortisation of intangible assets						(0.2)	-	(0.2)
Profit before tax						61.4	(0.6)	60.8
Taxation						(1.3)	0.2	(1.1)
						60.1	(0.4)	59.7
<i>Joint venture adjustments:</i>								
Movement of losses restricted in joint ventures ⁽²⁾						(0.4)	0.4	-
IFRS profit for the period						59.7	-	59.7

⁽¹⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽²⁾ As detailed in Note 15, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Segmental balance sheet as at 28 February 2018							
Investment property	512.2	499.0	359.6	253.5	1,624.3	(25.3)	1,599.0
Investment in associate	-	-	9.2	-	9.2	-	9.2
Trade and other receivables	6.1	8.6	6.5	2.6	23.8	(0.1)	23.7
Cash and cash equivalents	23.2	10.4	6.1	5.8	45.5	(1.0)	44.5
Non-current assets held for sale	26.9	-	-	-	26.9	-	26.9
Borrowings, including finance leases	(221.6)	(321.8)	(167.3)	(130.2)	(840.9)	15.8	(825.1)
Trade and other payables	(9.0)	(10.7)	(5.8)	(2.5)	(28.0)	0.7	(27.3)
Segmental net assets	337.8	185.5	208.3	129.2	860.8	(9.9)	850.9
Unallocated assets and liabilities:							
Other non-current assets					1.4	-	1.4
Trade and other receivables					1.3	-	1.3
Cash and cash equivalents					9.4	-	9.4
Net derivative financial instruments					(5.6)	2.9	(2.7)
Deferred tax					(10.5)	0.6	(9.9)
Trade and other payables					(1.8)	-	(1.8)
Current tax liabilities					(2.1)	-	(2.1)
					852.9	(6.4)	846.5
<i>Joint venture adjustments:</i>							
Joint venture non-controlling interests					(0.1)	0.1	-
Cumulative losses restricted in joint ventures ⁽¹⁾					0.3	(0.3)	-
Investment in joint ventures					-	1.9	1.9
Loans to joint ventures					-	4.7	4.7
IFRS net assets					853.1	-	853.1

⁽¹⁾ As detailed in Note 15, the Group's interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. The cumulative losses of this joint venture that the Group has not recognised on an equity accounted basis at the reporting date are presented to reconcile segmental information to the IFRS statements.

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Other segmental information as at 28 February 2018							
<i>Additions to investment property during the period</i> <i>per reportable segment:</i>							
Business combinations	161.7	-	115.4	-	277.1	-	277.1
Acquisition of property	20.7	-	-	-	20.7	-	20.7
Capitalised expenditure	0.6	3.6	0.9	4.9	10.0	-	10.0
Capitalised finance costs	-	-	-	0.3	0.3	-	0.3
	183.0	3.6	116.3	5.2	308.1	-	308.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Segmental income statement for the six months ended 28 February 2017	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Continuing operations								
Revenue								
Rental income	12.8	19.9	7.4	10.7	-	50.8	(5.0)	45.8
Other income ⁽¹⁾	-	-	-	-	2.8	2.8	2.0	4.8
Total revenue	12.8	19.9	7.4	10.7	2.8	53.6	(3.0)	50.6
Rental income	12.8	19.9	7.4	10.7	-	50.8	(5.0)	45.8
Rental expense	(0.6)	(2.8)	(0.1)	(1.3)	-	(4.8)	0.5	(4.3)
Net rental income	12.2	17.1	7.3	9.4	-	46.0	(4.5)	41.5
Other income ⁽¹⁾	-	-	-	-	2.8	2.8	2.0	4.8
(Loss)/gain on revaluation of investment property	10.3	(1.8)	(2.2)	(4.3)	-	2.0	0.6	2.6
Gain on disposal of investment property	5.9	-	-	-	-	5.9	-	5.9
Gain on revaluation of investment at fair value	-	-	1.0	-	-	1.0	-	1.0
Finance income on loans to joint ventures	-	-	-	-	-	-	2.4	2.4
Other underlying finance income	-	-	-	-	0.5	0.5	-	0.5
Finance expense	(3.3)	(8.1)	(1.6)	(2.5)	-	(15.5)	1.0	(14.5)
Other finance expenses	(0.1)	(1.3)	-	-	(0.1)	(1.5)	-	(1.5)
Change in fair value of derivative financial instruments	2.5	1.6	(0.1)	1.3	-	5.3	(0.9)	4.4
Group gain on sale of joint venture interests	-	-	-	5.2	-	5.2	(0.2)	5.0
Joint venture loss on sale of subsidiaries	-	-	-	(0.2)	-	(0.2)	0.2	-
Reversal of impairment of investment in associate	-	-	0.6	-	-	0.6	-	0.6
Share of post-tax profit from associate	-	-	0.3	-	-	0.3	-	0.3
Total per reportable segments	27.5	7.5	5.3	8.9	3.2	52.4	0.6	53.0
Unallocated income and expenses: ⁽²⁾								
Administrative costs and other fees ⁽¹⁾						(8.8)	0.4	(8.4)
Amortisation of intangible assets						(0.1)	-	(0.1)
Profit before tax						43.5	1.0	44.5
Taxation						(1.6)	0.6	(1.0)
						41.9	1.6	43.5
<i>Joint venture adjustments:</i>								
Movement of losses restricted in joint ventures ⁽³⁾						(0.9)	0.9	-
Reversal of impairment of loans to joint ventures						-	0.1	0.1
Share of post-tax loss from joint ventures						-	(2.6)	(2.6)
IFRS profit for the period						41.0	-	41.0

⁽¹⁾ Other income includes management fee income from joint ventures. On a proportionate basis, and for segmental reporting purposes, the Group share of the total joint venture investment management expense has been reclassified from administrative costs and other fees.

⁽²⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽³⁾ As detailed in Note 15, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Segmental balance sheet as at 28 February 2017							
Investment property	369.5	526.4	228.8	303.1	1,427.8	(99.8)	1,328.0
Investment at fair value through profit or loss	-	-	9.8	-	9.8	-	9.8
Investment in associate	-	-	10.0	-	10.0	-	10.0
Trade and other receivables	2.8	5.8	1.1	3.0	12.7	(1.6)	11.1
Cash and cash equivalents	7.4	8.9	5.5	9.3	31.1	(2.0)	29.1
Non-current assets held for sale	17.4	16.8	1.3	5.5	41.0	-	41.0
Borrowings, including finance leases	(171.3)	(333.1)	(111.2)	(173.1)	(788.7)	53.2	(735.5)
Trade and other payables	(5.7)	(9.7)	(1.7)	(2.8)	(19.9)	2.0	(17.9)
Segmental net assets	220.1	215.1	143.6	145.0	723.8	(48.2)	675.6
Unallocated assets and liabilities:							
Other non-current assets					1.3	-	1.3
Trade and other receivables					2.7	-	2.7
Cash and cash equivalents					32.6	-	32.6
Net derivative financial instruments					(11.1)	3.8	(7.3)
Deferred tax					(5.7)	1.9	(3.8)
Trade and other payables					(2.3)	-	(2.3)
Current tax liabilities					(1.7)	-	(1.7)
					739.6	(42.5)	697.1
<i>Joint venture adjustments:</i>							
Fair value adjustment on acquisition of joint venture interest					0.9	(0.9)	-
Joint venture non-controlling interest					(0.6)	0.6	-
Cumulative losses restricted in joint ventures ⁽¹⁾					0.7	(0.7)	-
Investment in joint ventures					-	3.0	3.0
Loans to joint ventures					-	40.5	40.5
IFRS net assets					740.6	-	740.6

⁽¹⁾ As detailed in Note 15, the Group's interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. The cumulative losses of this joint venture that the Group has not recognised on an equity accounted basis at the reporting date are presented to reconcile segmental information to the IFRS statements.

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Other segmental information as at 28 February 2017							
<i>Additions to investment property during the period</i> <i>per reportable segment:</i>							
Capitalised expenditure	0.7	0.9	1.2	5.2	8.0	-	8.0
Capitalised finance costs	-	-	0.2	0.2	0.4	-	0.4
	0.7	0.9	1.4	5.4	8.4	-	8.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Segmental income statement for the year ended 31 August 2017	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Continuing operations								
Revenue								
Rental income	24.8	39.8	14.8	23.7	-	103.1	(5.9)	97.2
Other income ⁽¹⁾	-	-	-	0.1	2.6	2.7	2.0	4.7
Distributions from investment at fair value	-	-	0.2	-	-	0.2	-	0.2
Total revenue	24.8	39.8	15.0	23.8	2.6	106.0	(3.9)	102.1
Rental income	24.8	39.8	14.8	23.7	-	103.1	(5.9)	97.2
Rental expense	(1.0)	(5.1)	-	(3.5)	-	(9.6)	0.6	(9.0)
Net rental income	23.8	34.7	14.8	20.2	-	93.5	(5.3)	88.2
Other income ⁽¹⁾	-	-	-	0.1	2.6	2.7	2.0	4.7
(Loss)/gain on revaluation of investment property	27.8	(21.2)	6.6	(3.3)	-	9.9	0.9	10.8
Loss on revaluation of investment property held for sale	-	(3.9)	-	-	-	(3.9)	-	(3.9)
Gain on disposal of investment property	5.9	3.3	-	-	-	9.2	-	9.2
Gain on disposal of investment property held for sale	0.9	-	-	0.6	-	1.5	-	1.5
Distributions from investment at fair value	-	-	0.2	-	-	0.2	-	0.2
Loss on revaluation of investment at fair value	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Finance income on loans to joint ventures	-	-	-	-	-	-	2.7	2.7
Other underlying finance income	-	-	-	-	0.7	0.7	-	0.7
Finance expense	(6.3)	(15.6)	(3.3)	(4.5)	-	(29.7)	1.3	(28.4)
Other finance income and expense	(0.1)	(6.3)	-	0.3	(0.1)	(6.2)	(0.3)	(6.5)
Change in fair value of derivative financial instruments	2.8	2.2	(0.7)	1.3	-	5.6	(1.1)	4.5
Group gain on sale of joint venture interests	-	-	-	5.6	-	5.6	(0.7)	4.9
Joint venture loss on sale of subsidiaries	-	-	-	(0.7)	-	(0.7)	0.7	-
Impairment of investment in associate	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Share of post-tax profit from associate	-	-	1.1	-	-	1.1	-	1.1
Transfer of foreign currency translation on disposal of joint venture interest	-	-	-	2.0	-	2.0	-	2.0
Total per reportable segments	54.8	(6.8)	17.9	21.6	3.2	90.7	0.2	90.9
Unallocated income and expenses: ⁽²⁾								
Administrative costs and other fees ⁽¹⁾						(15.6)	0.3	(15.3)
Amortisation of intangible assets						(0.2)	-	(0.2)
Profit before tax						74.9	0.5	75.4
Taxation						(4.4)	0.5	(3.9)
						70.5	1.0	71.5
Joint venture adjustments:								
Movement of losses restricted in joint ventures ⁽³⁾						(0.9)	0.9	-
Reversal of impairment of loans to joint ventures						-	0.4	0.4
Share of post-tax loss from joint ventures						-	(2.3)	(2.3)
IFRS profit for the year						69.6	-	69.6

⁽¹⁾ Other income includes management fee income from joint ventures. On a proportionate basis, and for segmental reporting purposes, the Group share of the total joint venture investment management expense has been reclassified from administrative costs and other fees.

⁽²⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽³⁾ As detailed in Note 15, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Segmental balance sheet as at 31 August 2017							
Investment property	355.7	507.5	239.3	418.0	1,520.5	(25.6)	1,494.9
Investment at fair value through profit or loss	-	-	8.5	-	8.5	-	8.5
Investment in associate	-	-	9.4	-	9.4	-	9.4
Trade and other receivables	3.6	7.8	0.8	7.8	20.0	(0.4)	19.6
Cash and cash equivalents	28.1	5.2	5.0	5.3	43.6	(0.6)	43.0
Non-current assets held for sale	9.3	12.9	1.5	3.6	27.3	-	27.3
Borrowings, including finance leases	(188.9)	(317.3)	(113.1)	(218.8)	(838.1)	16.3	(821.8)
Trade and other payables	(2.9)	(9.4)	(1.2)	(4.3)	(17.8)	0.8	(17.0)
Segmental net assets	204.9	206.7	150.2	211.6	773.4	(9.5)	763.9
Unallocated assets and liabilities:							
Other non-current assets					1.2	-	1.2
Trade and other receivables					4.3	-	4.3
Cash and cash equivalents					9.8	-	9.8
Net derivative financial instruments					(10.9)	3.5	(7.4)
Deferred tax					(10.8)	0.4	(10.4)
Trade and other payables					(4.2)	-	(4.2)
Current tax liabilities					(1.2)	-	(1.2)
					761.6	(5.6)	756.0
<i>Joint venture adjustments:</i>							
Joint venture non-controlling interest					(0.1)	0.1	-
Cumulative losses restricted in joint ventures ⁽¹⁾					0.7	(0.7)	-
Investment in joint ventures					-	1.9	1.9
Loans to joint ventures					-	4.3	4.3
IFRS net assets					762.2	-	762.2

⁽¹⁾ As detailed in Note 15, the Group's interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. The cumulative losses of this joint venture that the Group has not recognised on an equity accounted basis at the reporting date are presented to reconcile segmental information to the IFRS statements.

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m	Joint Venture Adj £m	IFRS Total £m
Other segmental information as at 31 August 2017							
<i>Additions to investment property during the year per reportable segment:</i>							
Capitalised expenditure	1.0	3.5	2.9	12.2	19.6	-	19.6
Capitalised finance costs	-	-	0.2	0.3	0.5	-	0.5
Acquisition of control of former joint venture	-	-	-	80.8	80.8	75.0	155.8
	1.0	3.5	3.1	93.3	100.9	75.0	175.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

4. RENTAL INCOME

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Gross lease payments from third parties	43.6	38.8	83.2
Gross lease payments from related parties (Note 31)	11.0	7.0	14.0
Rental income	54.6	45.8	97.2

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

Not later than one year	96.9	87.6	98.0
Later than 1 year not later than 5 years	294.6	290.0	329.8
Later than 5 years	338.8	331.8	347.7
	730.3	709.4	775.5

5. RENTAL EXPENSE

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Non-recoverable service charge	1.9	1.9	4.1
Direct property operating expenses	1.8	2.4	4.7
Operating lease expense	0.6	-	-
Letting costs	0.3	-	0.2
Serviced office portfolio direct staff and sales costs	0.2	-	-
Rental expense	4.8	4.3	9.0

6. OTHER INCOME

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Service fee income	0.4	-	-
Service fee expense	(0.2)	-	-
Service fee margin ⁽¹⁾	0.2	-	-
Management fees from joint ventures – including performance fee ⁽²⁾ (Note 31)	-	4.4	3.8
Insurance rebates	0.1	0.2	0.4
Salary recharges	0.2	0.1	0.3
Other property related income	0.1	0.1	0.2
Other income	0.6	4.8	4.7

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

⁽²⁾ The Group was responsible for the investment management of the property portfolio of the Wichford VBG Holding S.à.r.l. joint venture. The Group was incentivised during the investment period by a Performance Fee dependent on the internal rate of return achieved on disposal which occurred during the year ended 31 August 2017.

7. ADMINISTRATIVE COSTS AND OTHER FEES

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Administrative and other operating expenses	1.8	2.0	4.5
Professional fees	1.6	2.7	2.7
Staff costs	3.2	3.2	5.5
Fair value of share-based payments	0.5	0.5	1.0
Investment management fees (Note 31)	0.1	-	-
Non-recurring investment management fees (including termination fee)	-	-	1.6
Administrative costs and other fees	7.2	8.4	15.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

8. DISPOSAL OF SUBSIDIARIES

The impact of corporate disposals during the period and the net cash inflow is presented below:

	Paragon Square, Hull £m	Leopard Portfolio £m	Reviewed 28 February 2018 £m
Carrying value of net assets disposed			
Investment property	(12.9)	(158.4)	(171.3)
Trade and other receivables	-	(0.3)	(0.3)
Cash and cash equivalents	-	(1.6)	(1.6)
Borrowings	-	73.1	73.1
Trade and other payables	0.2	0.8	1.0
Net assets disposed	(12.7)	(86.4)	(99.1)
Gross consideration received	11.0	103.0	114.0
Transaction costs	(0.2)	(1.2)	(1.4)
Deferred consideration	-	0.8	0.8
Net gain/(loss) on disposal of subsidiaries	(1.9)	16.2	14.3

The Leopard Portfolio was comprised of 66 retail properties - a mixture of stand-alone supermarkets, food-store anchored retail parks and cash & carry stores. On 29 December 2017, the Group disposed of all but one of the property-owning subsidiaries of the Leopard Portfolio to an external party for £103.0 million (€116.0 million), after the deduction of transaction costs of £1.2 million (€1.3 million) and subject to a completion adjustment. A completion adjustment of £0.8 million (€0.9 million) in the Group's favour has been submitted to the buyer for approval and is considered recoverable at the balance sheet date. On the date of sale, the carrying value of investment property within these subsidiaries was £158.4 million (€178.4 million), on which £73.1 million (€82.3 million) of bank debt was secured. The net assets of the target group on the date of sale was £86.4 million (€97.3 million) and the Group has recognised a gain on disposal of £16.2 million (€18.2 million). The investment property of the remaining property-owning entity was acquired by the same party by way of a direct asset sale (see Note 13).

Redefine Paragon Square Limited, a wholly owned subsidiary of the Group, owned the House of Fraser department store in Hull. On 15 November 2017, the Group disposed of this subsidiary for £11.0 million. The net assets of the subsidiary were £12.7 million on disposal and the Group recognised a loss of £1.9 million in the income statement, after transaction costs. Net cash received at the balance sheet date, after transactions costs paid, was £10.9 million.

No subsidiaries of the Group were disposed of during the year ended 31 August 2017.

9. BUSINESS COMBINATIONS

The impact of business combinations during the period and the net cash outflow is presented below:

	LSO £m	IHL £m	Reviewed 28 February 2018 £m
Fair value of identifiable net assets acquired			
Investment property	161.7	115.4	277.1
Trade and other receivables	0.9	1.9	2.8
Cash and cash equivalents	5.7	2.1	7.8
Borrowings	(73.5)	(54.4)	(127.9)
Derivative financial instruments	0.4	(1.0)	(0.6)
Trade and other payables	(6.2)	(2.2)	(8.4)
Net assets acquired	89.0	61.8	150.8
Consideration transferred			
- Equity (share-for-share exchange)	-	(19.3)	(19.3)
- Cash	(71.1)	(7.5)	(78.6)
- Deferred	(0.1)	-	(0.1)
	(71.2)	(26.8)	(98.0)
Investment in associate (Note 16)	-	(13.5)	(13.5)
Non-controlling interests proportionate share of the identifiable net assets (Note 27)	(17.8)	(16.0)	(33.8)
Transaction costs	(0.9)	-	(0.9)
Net gain/(loss) on business combinations	(0.9)	5.5	4.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

LSO

On 12 January 2018, RDI completed the corporate acquisition of 80 per cent of the issued share capital of St Dunstan's Hold Co Limited and LSO Services Limited, for initial consideration of £71.1 million subject to a completion adjustment. The LSO portfolio consists of the freehold and long-leasehold interests in four established high-quality flexible offices in London. This acquisition significantly enhanced the quality of the overall property portfolio of the Group with strong property fundamentals and reduced leverage. Our strategic partner, OSIT, operates the serviced office business of each property under management contracts, while the Group employs staff directly for the day-to-day operations.

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

The fair value of the net assets acquired on 12 January 2018 was £89.0 million. Total consideration paid and payable at the balance sheet date was the £71.2 million while OSIT's minority share of the identifiable net assets is £17.8 million. As the final consideration has been determined with reference to net asset value, the Group has not paid a premium or obtained a discount. Transaction costs of £0.9 million have been incurred by the Group which have been expensed in the income statement within the net gain on business combinations. This portfolio has been classified as investment property in line with the Group's accounting policies. Receivables acquired were £0.9 million, all of which are fully collectable. Revenue from LSO since acquisition was £2.1 million.

IHL

International Hotel Properties Limited was established as a hotel investment company and listed on the Euro MTF market of the LuxSE and on the AltX of the JSE. IHL comprises nine limited service UK hotels and at 31 August 2017 the Group held a 17.2 per cent interest, classified as an investment at fair value through profit of loss (see Note 14). RDI submitted a proposal to the IHL board to increase its shareholding in IHL by way of a scheme of arrangement. RDI would acquire the shares of all scheme participants, being the minority interests (29.3 per cent) of IHL. IHL shareholder approval was obtained on 15 September 2017, at which point the transaction became subject only to court approval. The Group was considered to have significant influence over IHL from this date and the investment was reclassified as an investment in associate (Note 16).

On 13 November 2017 and on fulfilment of all conditions precedent to the scheme of arrangement, the Group acquired 16.4 million shares in IHL from scheme participants and 1.9 million shares from Redefine Properties, increasing RDI's interest in IHL from 26.2 to 58.9 per cent. The value attributed to each IHL share was £1, settled in a share-for-share exchange with RDI shares at a value of 40.0 pence. 45.9 million RDI shares were issued in total representing gross consideration of £18.3 million. On 17 November 2017, 5.0 million shares in IHL were purchased at £1 per share. Consideration for these shares was £7.5 million cash and the issuance of 2.5 million RDI shares at 40.0 pence per share (£1.0 million in total). The transactions increased the Group's interests in IHL to 74.1 per cent. The residual 25.9 per cent non-controlling interest in IHL is held by one party, Southern Sun Africa ("TSogo Sun").

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

The fair value of the net assets of IHL acquired on the acquisition date of 15 September 2017 was £61.8 million. The fair value of the cash and equity consideration transferred was £26.8 million, while the carrying value of the Group's associate interest was £13.5 million. TSogo Sun's proportionate share of the identifiable net assets was £16.0 million and, as a result, the Group has recognised a net gain on bargain purchase of IHL of £5.5 million. This represents the difference between the share price and swap ratio agreed with shareholders and the net assets based on a third party valuation of the investment property at completion date. The gain has been recognised in the income statement within the net gain on business combinations. Minimal acquisition costs were incurred by the Group on account of the structuring of the transaction. RDI share issue costs have been recognised directly in equity as a reduction of share premium. The hotels acquired have been classified as investment property on initial recognition as outlined in Note 13. Receivables acquired were £5.5 million, all of which are fully collectable. Revenue from IHL since acquisition was £4.5 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

10. FINANCE INCOME AND FINANCE EXPENSE

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Finance income on loans to external parties	0.2	-	0.2
Finance income on loans to joint ventures	0.2	2.4	2.7
Finance income on loans to other related parties (Note 31)	-	0.5	0.5
Finance income	0.4	2.9	3.4
Finance expense on secured bank loans	(13.4)	(12.9)	(25.8)
Interest capitalised to qualifying investment property under development	0.3	-	0.4
Amortisation of debt issue costs	(0.6)	(0.7)	(1.3)
Accretion of fair value adjustments	(0.4)	(0.5)	(0.9)
Finance lease interest	(0.4)	(0.4)	(0.8)
Finance expense	(14.5)	(14.5)	(28.4)
Net finance expense	(14.1)	(11.6)	(25.0)

11. OTHER FINANCE EXPENSE

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Aviva profit share:			
- share of earnings for the period	-	-	0.2
- re-measurement of financial liability	-	1.3	1.3
Net change in fair value adjustments on substantial modification of borrowings	-	-	4.3
Write-off of unamortised debt issue costs	0.1	-	0.4
Other finance costs	0.5	0.2	0.3
Other finance expense	0.6	1.5	6.5

Aviva profit share

As part of the Aviva debt restructure in 2013, Aviva retained the right to participate in 50 per cent of the income generated by Grand Arcade Shopping Centre, Wigan (after all costs, expenses and interest). The profit share participation right was recognised as a financial liability, initially at fair value and was subsequently measured at amortised cost. During the year ended 31 August 2017 the debt was again restructured and, following a break cost payment of £5.5 million to terminate the existing facility, the Group was released from the historic profit arrangement and, therefore, released the financial liability of £4.2 million. This resulted in a net charge of £1.3 million to the income statement. Aviva was entitled to £0.2 million of the net income of Grand Arcade Shopping Centre up to date of termination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

12. TAXATION

a) Tax recognised in the consolidated income statement:

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Current income tax			
Income tax in respect of current period	0.5	0.6	0.3
Adjustments in respect of prior periods	0.6	-	0.1
Deferred tax			
On revaluation of investment property	1.4	0.4	3.5
On non-UK losses	(1.4)	-	-
Tax charge for the period recognised in the consolidated income statement	1.1	1.0	3.9

There was no tax recognised in equity or other comprehensive income during the period (28 February 2017: £Nil, 31 August 2017: £Nil).

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 2017: 20.0 per cent, 31 August 2017: 19.58 per cent). The differences are explained below:

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Profit before tax	60.8	42.0	73.5
Profit before tax multiplied by standard rate of corporation tax	11.6	8.4	14.4
Effect of:			
- Revaluation of investment property	(1.7)	(0.1)	1.3
- Gain on disposal of investment property	-	(1.2)	(2.1)
- Gain on disposal of subsidiaries	(2.7)	-	-
- Gain on business combinations	(0.9)	-	-
- Loss on revaluation of investment at fair value	-	-	0.1
- Debt fair value adjustments	-	-	1.0
- Change in fair value of derivative financial instruments	(1.0)	(0.9)	(0.9)
- Income not subject to UK income tax	(1.5)	(2.6)	(3.4)
- REIT exempt property rental profits	(4.8)	(4.1)	(7.9)
- Non-resident landlord tax attributable to non-controlling interest	-	0.5	-
- Losses utilised	-	-	(0.1)
- Unutilised losses carried forward	1.1	0.9	0.7
- Impact of foreign tax	0.4	-	0.3
- Expenses not deductible for tax	-	0.1	0.4
- Adjustments in respect of prior periods	0.6	-	0.1
Tax charge for the period recognised in the consolidated income statement	1.1	1.0	3.9

In the reconciliation above for the period ended 28 February 2018, the effective tax rate of the Group was 1.8 per cent (28 February 2017: 2.4 per cent, 31 August 2017: 5.3 per cent).

The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 reduced the main rate of corporation tax from 20 per cent to 19 per cent with effect 1 April 2017, with a further reduction to 17 per cent from April 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

13. INVESTMENT PROPERTY

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe ⁽¹⁾ £m	Total £m	Freehold £m	Leasehold £m
28 February 2018							
Opening carrying value at 1 September 2017	344.1	507.5	239.3	404.0	1,494.9	1,239.7	255.2
Business combinations (Note 9)	161.7	-	115.4	-	277.1	104.9	172.2
Acquisition of property	20.7	-	-	-	20.7	20.7	-
Capitalised expenditure	0.6	3.6	0.9	4.9	10.0	2.9	7.1
Capitalised finance costs	-	-	-	0.3	0.3	-	0.3
Disposals through the sale of subsidiaries (Note 8)	-	-	-	(158.4)	(158.4)	(158.4)	-
Disposals through the sale of property	(14.1)	-	-	(6.0)	(20.1)	(20.1)	-
Transfer to assets held for sale (Note 20)	(23.6)	-	-	-	(23.6)	(23.6)	-
Transfer from assets held for sale (Note 20)	0.9	-	-	3.6	4.5	3.6	0.9
Gain/(loss) on revaluation of investment property	10.6	(12.1)	4.0	6.0	8.5	2.4	6.1
Foreign exchange movement in foreign operations	-	-	-	(14.9)	(14.9)	(13.9)	(1.0)
IFRS carrying value at 28 February 2018	500.9	499.0	359.6	239.5	1,599.0	1,158.2	440.8
Adjustments:							
Non-current assets held for sale (Note 20)	26.9	-	-	-	26.9	23.6	3.3
Minimum payments under head leases (Note 21)	(1.9)	(10.1)	(0.4)	(1.6)	(14.0)	-	(14.0)
Tenant lease incentives (Note 18)	2.3	5.2	2.0	0.2	9.7	7.2	2.5
Market value of Group portfolio at 28 February 2018	528.2	494.1	361.2	238.1	1,621.6	1,189.0	432.6
Joint ventures							
Share of joint venture investment property (Note 15)	11.3	-	-	14.0	25.3	25.3	-
Market value of total portfolio at 28 February 2018 (on a proportionately consolidated basis)	539.5	494.1	361.2	252.1	1,646.9	1,214.3	432.6
	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe ⁽¹⁾ £m	Total £m	Freehold £m	Leasehold £m
31 August 2017							
Opening carrying value at 1 September 2016	407.3	541.9	229.6	217.6	1,396.4	1,052.2	344.2
Capitalised expenditure	1.0	3.5	2.9	12.2	19.6	7.0	12.6
Capitalised finance costs	-	-	0.2	0.3	0.5	0.2	0.3
Acquisition of control of former joint venture (Note 32)	-	-	-	155.8	155.8	155.8	-
Disposals through the sale of property	(42.6)	(2.1)	-	-	(44.7)	(42.9)	(1.8)
Transfer to non-current assets held for sale (Note 20)	(49.0)	(16.8)	-	(9.7)	(75.5)	(65.3)	(10.2)
Head lease movements	(0.5)	2.2	-	(0.1)	1.6	71.6	(70.0)
(Loss)/gain on revaluation of investment property	27.9	(21.2)	6.6	(2.5)	10.8	32.1	(21.3)
Foreign exchange movement in foreign operations	-	-	-	30.4	30.4	29.0	1.4
IFRS carrying value at 31 August 2017	344.1	507.5	239.3	404.0	1,494.9	1,239.7	255.2
Adjustments:							
Non-current assets held for sale (Note 20)	9.2	12.9	-	3.7	25.8	19.3	6.5
Minimum payments under head leases (Note 21)	(2.6)	(10.1)	(0.4)	(1.7)	(14.8)	-	(14.8)
Tenant lease incentives (Note 18)	1.9	4.3	0.7	0.3	7.2	5.2	2.0
Market value of Group portfolio at 31 August 2017	352.6	514.6	239.6	406.3	1,513.1	1,264.2	248.9
Joint ventures							
Share of joint venture investment property (Note 15)	11.6	-	-	14.0	25.6	25.6	-
Market value of total portfolio at 31 August 2017 (on a proportionately consolidated basis)	364.2	514.6	239.6	420.3	1,538.7	1,289.8	248.9

⁽¹⁾ Included within the Europe segment at 28 February 2018 is property under development of £30.4 million (31 August 2017: £23.4 million).

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 period are also included so that the market value of the total portfolio can be determined. This format is not a requirement of IFRS and is for informational purposes as it is used in reports presented to the Group's Chief Operating Decision Maker.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Recognition

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

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

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

Valuation

The carrying amount of investment property is the market value of the property 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.

The fair value of the Group's property for the period ended 28 February 2018 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 rest of the 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 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. 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 described above are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions and the property's highest and best use at the reporting date. The Group considers that all of its investment property falls within 'Level 3', as defined by IFRS 13 (refer to Note 30). There has been no transfer of property within the fair value hierarchy during the period.

Acquisitions

The Group acquired four serviced offices and nine hotels for £161.7 million and £115.4 million respectively, by way of business combinations during the period. Refer to Note 9 for further information. The Group also acquired a commercial property during the period for £20.7 million, including acquisition costs, in Kingston, Southwest London.

Disposals

The Group disposed of one asset from the UK Commercial portfolio and two assets from the European portfolio (part of the Leopard Portfolio disposal) during the period, realising a net gain after disposal costs, of £0.6 million (31 August 2017: £9.2 million). As at 28 February 2018, net proceeds of £20.7 million had been received by the Group (31 August 2017: £54.9 million). The Group also disposed of all remaining properties in the Leopard Portfolio through the disposal of subsidiaries. Refer to Note 8 for further information.

	Sales proceeds	Disposal costs	Net sales proceeds	Carrying value	Gain/(loss) on disposal
	£m	£m	£m	£m	£m
28 February 2018					
The Crescent Centre, Bristol	15.0	(0.2)	14.8	14.1	0.7
Bunde & Uelzen, Germany (Leopard asset disposal)	5.9	-	5.9	6.0	(0.1)
Disposals during the period	20.9	(0.2)	20.7	20.1	0.6

Committed expenditure

The Group was contractually committed to expenditure of £8.5 million for the future development and enhancement of investment property at 28 February 2018 (31 August 2017: £16.5 million).

Commercial Property Price Risk

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

14. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table details the movement in the Group's investment in International Hotel Properties Limited, designated at fair value through profit or loss:

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Opening balance at 1 September	8.5	7.9
Transfer to investment in associate (Note 16)	(8.5)	-
Additions	-	0.9
Loss on revaluation of investment at fair value	-	(0.3)
Closing balance	-	8.5

As at 31 August 2017, the Group held 9.7 million of IHL's 56.0 million total issued shares at a fair value of £8.5 million and the Directors determined that the classification of IHL as an investment at fair value through profit or loss was appropriate.

On 15 September 2017, the Group obtained consent from the shareholders of IHL to acquire 16.4 million shares (29.3 per cent) from minority shareholders via a scheme of arrangement. From this date, the Group was considered to have significant influence over IHL and the investment was reclassified as an investment in associate (Note 16).

15. INVESTMENT IN AND LOANS TO JOINT VENTURES

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Investment in joint ventures		
Opening balance at 1 September	1.9	5.8
Additional investment in joint ventures	0.1	-
Acquisition of control of former joint venture	-	(1.1)
Loss on disposal of joint venture interests	-	(0.7)
Share of post-tax loss from joint ventures	-	(2.3)
Foreign currency translation	(0.1)	0.2
Investment in joint ventures	1.9	1.9
Loans to joint ventures		
Opening balance at 1 September	4.3	52.9
Increase in loans to joint ventures	0.6	-
Decrease in loans to unrecognised joint ventures	(0.1)	-
Reversal of impairment of loan to unrecognised joint venture	0.1	-
Acquisition of control of former joint venture	-	(36.6)
Disposal of loan to joint venture	-	(12.5)
Repayment of loans by joint ventures	-	(0.7)
Reversal of impairment of loans to joint ventures	-	0.4
Foreign currency translation	(0.2)	0.8
Loans to joint ventures	4.7	4.3
Carrying value of interests in joint ventures	6.6	6.2

During the period ended 28 February 2018, the Group's material investments in joint ventures which are presented in the tables of this note included the following interests:

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Wichford VBG Holding S.à.r.l.

On 1 January 2017, Wichford VBG Holding S.à.r.l. exchanged on the sale of its four German office assets. The disposal was structured as a share sale of the joint venture's property-owning subsidiaries. The joint venture recognised a net loss on disposal of these subsidiaries of £1.4 million (Group share: £0.7 million) after settlement of loans with nominal carrying values with the joint venture partners. The Group, however, recognised a net gain on disposal of £4.9 million, including cumulative foreign currency translation of £2.2 million for the year ended 31 August 2017.

Leopard Portfolio

The Group originally held a 50 per cent interest in the Leopard Portfolio, a joint venture with Redefine Properties Limited ("RPL"), the Company's largest shareholder. This portfolio included 66 retail properties in Germany comprising a mix of stand-alone supermarkets, food-store anchored retail parks and cash & carry stores.

During the 2017 financial year, the Group acquired 88 per cent of RPL's equity interest and all RPL's shareholder loan interests in the Leopard Portfolio. The Leopard Portfolio became a controlled subsidiary group with economic effect from 1 March 2017. The Group's joint venture equity and loan interests were derecognised on loss of joint control and the acquisition of control. See Note 32 for further details.

The Group has subsequently sold the majority of its interest in the Leopard Portfolio as detailed in Note 8.

Interest in joint ventures not recognised

Under the equity method, the Esplanade was carried at £Nil in the Group's financial statements at 1 September 2017 and remains at £Nil at 28 February 2018. This investment is in a net liability position with the cumulative losses exceeding the cost of the Group's investment. The Group has ceased to recognise further losses beyond the original cost of this joint venture and loans advanced have been fully impaired in line with IAS 28. The Group share of cumulative losses amounted to £0.3 million at 28 February 2018 (31 August 2017: £0.7 million). On a proportionate basis and for segmental reporting purposes, the Group's interest in the Esplanade is recognised line-by-line. Refer to Note 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Summarised Financial Information

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

28 February 2018	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m	Total £m	Elimination of joint venture partners' interest £m	Proportionate Total £m
Percentage ownership interest	49%	52%	50%			
Summarised Income Statement						
Rental income	-	0.9	0.9	1.8	(0.9)	0.9
Rental expense	-	(0.1)	-	(0.1)	-	(0.1)
Net rental income	-	0.8	0.9	1.7	(0.9)	0.8
Administrative costs and other fees ⁽¹⁾	(0.1)	(0.1)	-	(0.2)	0.1	(0.1)
Net operating (expense)/income	(0.1)	0.7	0.9	1.5	(0.8)	0.7
Gain/(loss) on revaluation of investment property	-	0.2	(0.6)	(0.4)	0.2	(0.2)
Finance expense on loans from joint venture partners	-	(0.4)	-	(0.4)	0.2	(0.2)
Finance expense	-	(0.1)	(0.6)	(0.7)	0.4	(0.3)
Change in fair value of derivative financial instruments	-	-	1.2	1.2	(0.6)	0.6
(Loss)/profit before tax	(0.1)	0.4	0.9	1.2	(0.6)	0.6
Taxation	-	(0.4)	-	(0.4)	0.2	(0.2)
(Loss)/profit and total comprehensive (expense)/income	(0.1)	-	0.9	0.8	(0.4)	0.4
Reconciliation to IFRS:						
Elimination of non-controlling and joint venture partners' interests	0.1	-	(0.5)	(0.4)	0.4	-
Movement in losses restricted in joint ventures	-	-	(0.4)	(0.4)	-	(0.4)
Group share of joint venture results	-	-	-	-	-	-
Summarised Balance Sheet						
Investment property	-	27.0	22.6	49.6	(24.3)	25.3
Trade and other receivables	-	0.1	0.1	0.2	(0.1)	0.1
Cash and cash equivalents	1.0	0.3	0.6	1.9	(0.9)	1.0
Total assets	1.0	27.4	23.3	51.7	(25.3)	26.4
External borrowings	-	(13.7)	(17.5)	(31.2)	15.4	(15.8)
Loans from joint venture partners	-	(8.6)	(6.6)	(15.2)	7.2	(8.0)
Derivative financial instruments	-	-	(5.8)	(5.8)	2.9	(2.9)
Deferred tax	-	(1.2)	-	(1.2)	0.6	(0.6)
Trade and other payables	-	(0.8)	(0.6)	(1.4)	0.7	(0.7)
Total liabilities	-	(24.3)	(30.5)	(54.8)	26.8	(28.0)
Non-controlling interests	-	(0.3)	-	(0.3)	0.2	(0.1)
Net assets/(liabilities)	1.0	2.8	(7.2)	(3.4)	1.7	(1.7)
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.5)	(1.4)	3.6	1.7	(1.7)	-
Loan to joint ventures ⁽³⁾ (Note 31)	-	4.7	-	4.7	-	4.7
Interest in joint ventures not recognised	-	-	3.3	3.3	-	3.3
Cumulative losses restricted ⁽⁴⁾	-	-	0.3	0.3	-	0.3
Carrying value of interests in joint ventures	0.5	6.1	-	6.6	-	6.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Leopard Portfolio £m	Esplanade £m	Total £m	Elimination of joint venture partners' interest £m	Proportionate Total £m
31 August 2017							
Percentage ownership interest	49%	50.5%	50%	50%			
Summarised Income Statement							
Rental income	2.4	1.8	6.0	1.7	11.9	(6.0)	5.9
Rental expense	(0.3)	(0.1)	(0.8)	-	(1.2)	0.6	(0.6)
Net rental income	2.1	1.7	5.2	1.7	10.7	(5.4)	5.3
Administrative costs and other fees ⁽¹⁾	(4.0)	(0.2)	(0.5)	-	(4.7)	2.4	(2.3)
Net operating (expense)/income	(1.9)	1.5	4.7	1.7	6.0	(3.0)	3.0
Loss on revaluation of investment property	-	(0.9)	(0.6)	(0.2)	(1.7)	0.8	(0.9)
Loss on sale of subsidiaries	(1.4)	-	-	-	(1.4)	0.7	(0.7)
Finance expense on loans from joint venture partners	(1.6)	(0.5)	(3.0)	-	(5.1)	2.4	(2.7)
Finance expense	(0.5)	(0.5)	(0.6)	(1.2)	(2.8)	1.5	(1.3)
Other finance income	-	0.6	-	-	0.6	(0.3)	0.3
Change in fair value of derivative financial instruments	0.2	0.2	0.1	1.8	2.3	(1.2)	1.1
(Loss)/profit before tax	(5.2)	0.4	0.6	2.1	(2.1)	0.9	(1.2)
Taxation	(0.8)	0.2	(0.3)	(0.3)	(1.2)	0.7	(0.5)
(Loss)/profit and total comprehensive (expense)/income	(6.0)	0.6	0.3	1.8	(3.3)	1.6	(1.7)
Reconciliation to IFRS:							
Elimination of non-controlling and joint venture partners' interests	3.0	(0.3)	(0.2)	(0.9)	1.6	(1.6)	-
Movement in losses restricted in joint ventures	-	-	-	(0.9)	(0.9)	-	(0.9)
Group share of joint venture results	(3.0)	0.3	0.1	-	(2.6)	-	(2.6)
<i>Presented as:</i>							
Reversal of impairment of loans to joint ventures	-	0.3	0.1	-	0.4	-	0.4
Loss on disposal of joint venture interests ⁽²⁾	(0.7)	-	-	-	(0.7)	-	(0.7)
Share of post-tax loss from joint ventures	(2.3)	-	-	-	(2.3)	-	(2.3)
Summarised Balance Sheet							
Investment property	-	27.8	-	23.2	51.0	(25.4)	25.6
Trade and other receivables	0.6	0.1	-	0.1	0.8	(0.4)	0.4
Cash and cash equivalents	0.5	0.2	-	0.5	1.2	(0.6)	0.6
Total assets	1.1	28.1	-	23.8	53.0	(26.4)	26.6
External borrowings	-	(14.8)	-	(17.6)	(32.4)	16.1	(16.3)
Loans from joint venture partners	-	(8.2)	-	(6.6)	(14.8)	7.2	(7.6)
Derivative financial instruments	-	-	-	(6.9)	(6.9)	3.4	(3.5)
Deferred tax	-	(0.8)	-	-	(0.8)	0.4	(0.4)
Trade and other payables	-	(1.0)	-	(0.7)	(1.7)	0.9	(0.8)
Total liabilities	-	(24.8)	-	(31.8)	(56.6)	28.0	(28.6)
Non-controlling interests	-	(0.3)	-	-	(0.3)	0.2	(0.1)
Net assets/(liabilities)	1.1	3.0	-	(8.0)	(3.9)	1.8	(2.1)
Reconciliation to IFRS:							
Elimination of joint venture partners' interests	(0.6)	(1.6)	-	4.0	1.8	(1.8)	-
Loan to joint ventures ⁽³⁾ (Note 31)	-	4.3	-	-	4.3	-	4.3
Interest in joint ventures not recognised	-	-	-	3.3	3.3	-	3.3
Cumulative losses restricted ⁽⁴⁾	-	-	-	0.7	0.7	-	0.7
Carrying value of interests in joint ventures	0.5	5.7	-	-	6.2	-	6.2

⁽¹⁾ Included within administrative costs and other fees of Wichford VBG at 31 August 2017 is the Performance Fee expense of £3.4 million, payable to the Group as investment manager, on disposal of the property portfolio.

⁽²⁾ Presented within 'Net gain on sale of joint venture interests' in the condensed consolidated income statement.

⁽³⁾ Loans to joint ventures include the opening balance, any advances or repayments and foreign currency movements during the period.

⁽⁴⁾ Cumulative losses restricted represent the Group's share of losses in the Esplanade which exceed the cost of the Group's investment. As a result, the carrying value of the investment is £Nil in accordance with the requirements of IAS 28.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

16. INVESTMENT IN ASSOCIATE

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Associate investment in IHL and RBH		
Opening balance at 1 September	9.4	10.2
IHL		
Transfer from investment at fair value through profit or loss (Note 14)	8.5	-
Additions	5.0	-
Reclassification as investment in subsidiary (Note 9)	(13.5)	-
RBH		
Share of post-tax profit from associate	0.3	0.9
Distributions from associate (Note 31)	(0.5)	(1.2)
Net impairment of investment in associate	-	(0.5)
Carrying value of net investment in associate	9.2	9.4

IHL

On 15 September 2017, the Group obtained consent from the shareholders of IHL to acquire 16.4 million shares (29.3 per cent) being all of the non-controlling interest in IHL via a scheme of arrangement. From this date, the Group was considered to have significant influence over IHL and the investment was reclassified from an investment at fair value through profit or loss (Note 14). On 26 October 2017, the Group acquired an additional 5.0 million shares in IHL for £5.0 million from Redefine Properties and increased its interest to 26.2 per cent. The additional interests acquired allowed RDI to continue to participate in the financial and operating decisions of IHL, but not to direct those decisions, and therefore the cumulative investment of £13.5 million continued to be classified as an associate.

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

RBH

The summarised financial information of RBH is set out below.

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Summarised Income Statement		
Revenue	6.6	12.6
Other income	-	2.5
Expenses	(5.0)	(9.6)
Profit from operations	1.6	5.5
Taxation	(0.3)	(1.3)
Profit for the period	1.3	4.2
Elimination of third party interest	(1.0)	(3.1)
Group share of results	0.3	1.1
<i>Classified as:</i>		
Share of post-tax profit	0.3	0.9
Impairment adjustment	-	0.2

Summarised Balance Sheet

Non-current assets	4.7	4.7
Intangible asset	28.1	28.1
Trade and other receivables	7.8	6.3
Cash and cash equivalents	1.3	3.7
Total assets	41.9	42.8
Current liabilities	(8.1)	(8.7)
Total liabilities	(8.1)	(8.7)
Net assets	33.8	34.1
Elimination of third party interest	(25.4)	(25.5)
Share of net assets attributable to the Group	8.4	8.6
Recoverable amount of excess net investment in associate	0.8	0.8
Carrying value of the Group's net investment in associate	9.2	9.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

During the year ended 31 August 2017, the Group's cumulative investment in RBH increased from 25.3 to 30.4 per cent. On 7 February 2017, the Group acquired an additional 5.1 per cent interest in RBH for £1.3 million which was classified as held for sale on initial recognition as the shares were acquired exclusively with a view to subsequent re-sale. The shares were subsequently sold on 14 February 2018. Refer to Note 20 for further information. The table above includes movements in the Group's existing 25.3 per cent interest in RBH only.

Distributions from the associate for the period ended 28 February 2018 of £0.5 million (31 August 2017 of £1.2 million) were comprised of cash distributions of £0.2 million and accrued dividend income of £0.3 million (31 August 2017: cash only).

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 £9.4 million at 31 August 2017. The independent valuation was determined on a value-in-use basis but was also cross-checked to market comparables. Using a discount rate range of 11.5 - 12.5 per cent, an enterprise value range of £33.5 - £40.5 million was attributed to the investment, with a mid-point valuation of £37.0 million (Group share: £9.4 million). This resulted in an impairment charge of £0.5 million. The Directors considered this valuation still to be appropriate at 28 February 2018, as adjusted for excess distributions received or receivable over share of profits.

17. INTANGIBLE ASSETS

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Opening balance at 1 September	1.1	1.3
Amortisation	(0.2)	(0.2)
Closing balance	0.9	1.1

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

18. TRADE AND OTHER RECEIVABLES

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Non-current		
Tenant lease incentives ⁽¹⁾	6.4	5.4
Tenant lease incentives to related parties ⁽¹⁾ (Note 31)	0.8	0.4
Loans to external parties	1.9	1.6
Letting costs	1.1	1.0
Total non-current trade and other receivables	10.2	8.4
Current		
Rent receivable	2.1	1.1
Rent receivable from related parties (Note 31)	3.3	-
Tenant lease incentives ⁽¹⁾	1.3	1.0
Tenant lease incentives to related parties ⁽¹⁾ (Note 31)	1.2	0.4
Other amounts receivable from related parties (Note 31)	0.6	0.5
Consideration outstanding on disposal of investment property held for sale	-	6.6
Loans to external parties	-	2.2
Prepayments and accrued income	3.3	2.1
Other receivables	3.0	1.6
Total current trade and other receivables	14.8	15.5
Total trade and other receivables	25.0	23.9

⁽¹⁾ Total tenant lease incentives of £9.7 million (31 August 2017: £7.2 million) have been deducted from investment property in determining fair value at the balance sheet date. Refer to Note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

19. CASH AND CASH EQUIVALENTS

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Unrestricted cash and cash equivalents	53.2	52.1
Restricted cash and cash equivalents	0.7	0.7
Cash and cash equivalents	53.9	52.8

At 28 February 2018, cash and cash equivalents to which the Group did not have instant access amounted to £0.7 million (31 August 2017: £0.7 million). The restricted cash is held on deposit in Germany under an hereditary building right agreement for the property at Ingolstadt.

The Group's share of total cash and cash equivalents, including its share of joint venture cash, at 28 February 2018 was £54.9 million (31 August 2017: £53.4 million), with a further £45.0 million of undrawn committed facilities available (31 August 2017: £10.0 million).

20. NON-CURRENT ASSETS HELD FOR SALE

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total £m
Investment property					
Opening balance at 1 September 2017	9.2	12.9	-	3.7	25.8
Transfers from investment property (Note 13)	23.6	-	-	-	23.6
Transfers to investment property (Note 13)	(0.9)	-	-	(3.6)	(4.5)
Disposals through the sale of subsidiary	-	(12.9)	-	-	(12.9)
Disposals through the sale of property	(5.0)	-	-	-	(5.0)
Foreign currency translation	-	-	-	(0.1)	(0.1)
	26.9	-	-	-	26.9
Investment in associate					
Opening balance at 1 September 2017	-	-	1.5	-	1.5
Distributions from associate (Note 31)	-	-	(0.1)	-	(0.1)
Disposals	-	-	(1.4)	-	(1.4)
	-	-	-	-	-
Closing balance at 28 February 2018	26.9	-	-	-	26.9

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

Investment property held for sale

As at 31 August 2017, the Group carried six properties as held for sale. During the period ended 28 February 2018, one property was reclassified as held for sale, while two were transferred back to investment property (Note 13). Two properties from the UK Commercial portfolio remain classified as held for sale at the reporting date as they were being actively marketed and management are committed to a plan for their sale. It is considered highly probable that the carrying value of these assets will be recovered through a sale transaction, rather than through continuing use, within the next twelve months.

The Group disposed of two held for sale assets, one from the UK Retail portfolio and one from the UK Commercial portfolio during the period realising a net loss, after disposal costs, of £0.1 million (31 August 2017: £1.5 million). As at 28 February 2018, net proceeds of £10.8 million had been received by the Group which included the net proceeds from a prior year sale (31 August 2017: £40.9 million). The Group also disposed of Paragon Square, Hull as a disposal of subsidiary. Refer to Note 8 for further details.

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Finance lease liability £m	Loss on disposal £m
28 February 2018						
Duchess Place, Edgbaston	1.6	-	1.6	2.3	(0.7)	-
West Point and Centre Court, Plymouth	2.7	(0.1)	2.6	2.7	-	(0.1)
Disposals during the period	4.3	(0.1)	4.2	5.0	(0.7)	(0.1)

The Company also exchanged contracts for the disposal of City Point, Leeds and Severalls, Colchester post period end (refer to Note 36).

Investment in associate held for sale

On 7 February 2017, as part of the settlement of the loan outstanding from 4C UK Investments Limited ("4C Investments"), the Company acquired 659 shares in RBH for an attributed value of £1,942 per share (refer to Note 31). This represented 5.1 per cent of the issued share capital of RBH. As part of the settlement agreement, 4C Investments had the right to buy back the shares at the transfer price of £1.3 million at any time on or before 31 January 2018 subject to written notice. This right was extended by the Group and 4C Investments served notice and formally re-acquired the shares on 14 February 2018. As the carrying value of the investment was £1.4 million, the Group has recognised a loss of £0.1 million in the income statement on disposal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

21. BORROWINGS, INCLUDING FINANCE LEASES

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Non-current		
Bank loans	820.6	822.8
Less: unamortised debt issue costs	(3.1)	(3.9)
Less: fair value adjustments	(14.2)	(14.7)
	803.3	804.2
Other external loans	-	0.8
Finance leases	13.2	13.9
Total non-current borrowings, including finance leases	816.5	818.9
Current		
Bank loans	8.2	3.1
Less: unamortised debt issue costs	(0.2)	(0.3)
Less: fair value adjustments	(0.8)	(0.8)
	7.2	2.0
Other external loans	0.6	-
Finance leases	0.8	0.9
Total current borrowings, including finance leases	8.6	2.9
Total borrowings, including finance leases	825.1	821.8
Cash and cash equivalents	(53.9)	(52.8)
Net borrowings, including finance leases	771.2	769.0

Analysis of movement in net borrowings, including finance leases

The table below presents the movements in net borrowings for the period ended 28 February 2018, split between cash and non-cash movements and as required by IAS 7.

	Non-current £m	Current £m	Cash and cash equivalents £m	Net debt £m
Opening balance at 1 September 2017	818.9	2.9	(52.8)	769.0
Financing activities (cash)				
Borrowings drawn	10.0	-	(10.0)	-
Borrowings repaid	(52.2)	(1.9)	54.1	-
	(42.2)	(1.9)	44.1	-
Financing activities (non-cash)				
Debt release on disposal of subsidiaries (Note 8)	(73.1)	-	-	(73.1)
Debt assumed on business combinations (Note 9)	127.9	-	-	127.9
Debt issue costs movements	0.8	-	-	0.8
Accretion of fair value adjustments	0.4	-	-	0.4
Finance lease movements	(0.7)	-	-	(0.7)
Reclassification between current and non-current	(7.6)	7.6	-	-
	47.7	7.6	-	55.3
Other net cash movements	-	-	(45.2)	(45.2)
Foreign currency translation	(7.9)	-	-	(7.9)
Closing balance as at 28 February 2018	816.5	8.6	(53.9)	771.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Bank loans

	28 February 2018			31 August 2017		
	Carrying Value £m	Nominal Value £m	Fair Value £m	Carrying Value £m	Nominal Value £m	Fair Value £m
Non-current liabilities						
Bank loans	820.6	820.6	820.6	822.8	822.8	822.8
Less: unamortised debt issue costs	(3.1)	-	-	(3.9)	-	-
Less: fair value adjustments	(14.2)	-	(10.4)	(14.7)	-	(10.6)
Total non-current bank loans	803.3	820.6	810.2	804.2	822.8	812.2
Current liabilities						
Bank loans	8.2	8.2	8.2	3.1	3.1	3.1
Less: unamortised debt issue costs	(0.2)	-	-	(0.3)	-	-
Less: fair value adjustments	(0.8)	-	(0.6)	(0.8)	-	0.1
Total current bank loans	7.2	8.2	7.6	2.0	3.1	3.2
Total IFRS bank loans	810.5	828.8	817.8	806.2	825.9	815.4
Joint ventures						
Share of joint ventures bank loans	15.9	15.9	15.9	16.3	16.3	16.3
Share of joint ventures unamortised debt issue costs	-	-	-	-	-	-
Total bank loans (on a proportionately consolidated basis)	826.4	844.7	833.7	822.5	842.2	831.7
Cash and cash equivalents	(53.9)	(53.9)	(53.9)	(52.8)	(52.8)	(52.8)
Share of joint ventures cash and cash equivalents	(1.0)	(1.0)	(1.0)	(0.6)	(0.6)	(0.6)
Net debt (on a proportionately consolidated basis)	771.5	789.8	778.8	769.1	788.8	778.3

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.

The Group's bank loans are secured over investment property of £1,567.2 million (31 August 2017: £1,484.1 million) and are carried at amortised cost. On a proportionately consolidated basis, bank loans are secured over investment property of £1,592.6 million (31 August 2017: £1,509.7 million).

The Group's nominal value of drawn debt (on a proportionately consolidated basis) has increased marginally during the period to £844.7 million (31 August 2017: £842.2 million) following scheduled amortisation payments, principal repayments following disposals, some minor refinancings and most significantly the major transactions the Group has been engaged in over the last six months. These include;

- the acquisition of the IHL portfolio in November 2017. The Group assumed a number of facilities with Santander for a cumulative total of £54.4 million. The facilities have a range of rates from 2.7 – 3.4 per cent and are due to mature between July 2020 and December 2021;
- in December 2017, the disposal of the majority of the Group's interest in the Leopard Portfolio. As part of the transaction, all associated bank debt with Berlin Hyp and BayernLB was settled. The Berlin Hyp debt was held at rates of 1.3 – 2.9 per cent;
- in January 2018, the assumption of a further £73.5 million of bank debt on completion of the LSO transaction. The balance is held across facilities with Barclays and Deutsche Bank, due to mature in December 2019 and August 2022 respectively. The rates as at 28 February 2018 ranged from 2.6 – 2.9 per cent and they are capped from 3.1 – 4.1 per cent;
- in September 2017, following the Brückmühl disposal from the Premium Portfolio, £3.7 million of sales proceeds were repaid against the loan held with MunchenerHyp;
- in September and October 2017, the Group also finalised extensions for the BayernLB facilities secured against one property in the RI Menora joint venture (June 2024) and both German OBI properties (December 2022). These included prepayments of £0.2 million (Group share) and £0.1 million respectively and under the amended agreements, the loans will carry fixed interest rates of 1.59 – 1.72 per cent; and
- during the period, the Group also applied £35.0 million of available cash against the AUK revolving credit facility ("RCF").

Maturity

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

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Less than one year	8.2	3.1
Between one year and five years	621.1	620.5
More than five years	199.5	202.3
	828.8	825.9

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

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 having regard to the term, duration and security arrangements of the relevant loan and an estimation of the current rates charged in the market for similar instruments issued to companies of similar sizes.

The Group considers that all bank loans, including the Group's share of joint venture bank loans at a total carrying value of £695.0 million, fall within 'Level 3' as defined by IFRS 13 (refer to Note 30). At 31 August 2017, £131.6 million of fixed rate debt was classified by the Group as 'Level 2' as a result of refinancing activity. As the fair value of the restructured debt is no longer determined with reference to observable inputs at the reporting date, it has been transferred to 'Level 3'.

Finance leases

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

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Minimum lease payments under finance lease obligations:		
Not later than one year	0.8	0.9
Later than one year not later than five years	3.2	3.3
Later than five years	110.0	113.9
	114.0	118.1
Less: finance charges allocated to future periods	(100.0)	(103.3)
Present value of minimum lease payments	14.0	14.8

Present value of minimum finance lease obligations:

Not later than one year	0.8	0.9
Later than one year not later than five years	2.6	2.8
Later than five years	10.6	11.1
Present value of minimum lease payments	14.0	14.8

Finance lease obligations relate to the Group's leasehold interests in investment property. Finance leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default. The discount rates used in calculating the present value of the minimum lease payments range from 1.8 to 6.3 per cent.

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 eliminated exposure to interest rate fluctuations. Likewise, interest rate caps are used to limit the downside exposure to significant changes to the low interest rates currently prevailing in the market.

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

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Derivative Assets		
Non-current		
Interest rate caps	0.7	0.2
Interest rate swaps	0.1	0.2
	0.8	0.4
Derivative Liabilities		
Non-current		
Interest rate swaps	(3.5)	(7.8)
	(3.5)	(7.8)
Net derivative financial instruments	(2.7)	(7.4)

The Group holds interest rate cap assets at rates of 1.0 to 3.0 per cent, maturing between December 2019 and November 2021. The interest rate swap assets are held at a rate of 1.1 per cent, maturing from April 2021 to January 2022. The interest rate swap liabilities have maturities from January 2019 to January 2022 and the rates range from 0.4 to 2.0 per cent.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

23. DEFERRED TAX

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

	On investment property £m	On losses carried forward £m	Total £m
Opening balance 1 September 2016	3.4	-	3.4
Additions on acquisition of control of joint venture	2.8	-	2.8
Expense for the year recognised in the income statement	3.5	-	3.5
Foreign currency translation	0.7	-	0.7
Opening balance 1 September 2017	10.4	-	10.4
Expense/(credit) for the period recognised in the income statement	1.4	(1.4)	-
Foreign currency translation	(0.5)	-	(0.5)
Closing balance at 28 February 2018	11.3	(1.4)	9.9

No unrecognised deferred tax assets at 28 February 2018 (31 August 2017: £0.2 million).

24. TRADE AND OTHER PAYABLES

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Non-current		
Other sundry payables	0.1	-
Total non-current trade and other payables	0.1	-
Current		
Amounts payable to related parties (Note 31)	1.5	0.6
Rent received in advance	4.2	4.3
Trade payables	2.2	1.1
Accrued interest	2.8	2.4
VAT payable	4.9	4.0
Accruals	7.8	6.1
Other payables	5.6	2.7
Total current trade and other payables	29.0	21.2
Total trade and other payables	29.1	21.2

25. SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED	Number of Shares	Authorised Share Capital £m
- At 31 August 2017 (Ordinary shares of 8 pence each)	3,000,000,000	240.0
- At 28 February 2018 (Ordinary shares of 8 pence each)	3,000,000,000	240.0

ISSUED, CALLED UP AND FULLY PAID	Number of Shares	Share capital £m	Share premium £m
At 31 August 2016	1,794,598,650	143.6	502.1
Scrip dividend – issued December 2016	17,141,172	1.3	5.3
Scrip dividend – issued June 2017	16,320,324	1.3	4.4
At 31 August 2017	1,828,060,146	146.2	511.8
Share issuance – 1 November 2017	12,500,000	1.0	4.0
Share issuance – 13 November 2017	41,074,224	3.3	13.1
Share issuance – 13 November 2017	4,783,697	0.4	1.5
Share issuance – 24 November 2017	2,496,630	0.2	0.8
Scrip dividend – issued December 2017	16,218,190	1.3	4.4
At 28 February 2018	1,905,132,887	152.4	535.6

SHARE CAPITAL AND SHARE PREMIUM

In October 2016, the Company declared a second interim dividend of 1.575 pence per share for the six months ended 31 August 2016 and offered shareholders an election to receive either a cash dividend or a scrip dividend by way of an issue of new RDI shares credited as fully paid up. The Company received election forms from shareholders holding 489.1 million ordinary shares of 8 pence each representing a 27.3 per cent take up by shareholders, in respect of which 17.1 million scrip dividend shares were issued in December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

In April 2017, the Company declared an interim dividend of 1.3 pence per share for the six months ended 28 February 2017 and offered shareholders an election to receive either a cash dividend or a scrip dividend by way of an issue of new RDI shares credited as fully paid up. The Company received election forms from shareholders holding 522.2 million ordinary shares of 8 pence each representing a 28.8 per cent take up by shareholders, in respect of which 16.3 million scrip dividend shares were issued in June 2017.

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

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

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

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

26. RESERVES

REVERSE ACQUISITION RESERVE

The reverse acquisition reserve of £134.3 million arose on the reverse acquisition of Wichford P.L.C. (subsequently renamed Redefine International and now RDI REIT P.L.C.) by Redefine International Holdings Limited ("RIHL") in August 2011 and reflected the difference between the capital structure of the Company, as the legal acquirer, and RIHL, as the accounting acquirer, at the date of the transaction.

On 28 July 2017, the capital of RIHL was reduced by way of a capital reduction and transferred to retained earnings. On consolidation, this capital reduction has resulted in the release of £134.3 million from the reverse acquisition reserve which has also been transferred to the retained earnings of the Group.

OTHER RESERVES

Share-Based Payment Reserve

The share-based payment reserve at 28 February 2018 of £1.7 million (31 August 2017: £3.2 million) arises from conditional awards of shares in the Company made to certain employees and the Executive Directors. The awards will vest on the third anniversary of the grant, subject to certain performance conditions being achieved over the vesting period. The Group released from the reserve to retained earnings £2.0 million of 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 and has recognised the charge directly in retained earnings such that the net credit to retained earnings for the period in relation to share-based payments was £1.9 million. Detailed information on the share-based payment plans in place is included in the 2017 Annual Report.

Other Reserves

Other reserves of £1.0 million (31 August 2017: £1.0 million) arose from the acquisition of subsidiaries.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve at 28 February 2018 of £16.4 million (31 August 2017: £23.4 million) represents exchange differences arising from the translation of the Group's net investment in foreign operations, including both subsidiary and joint venture interests. £4.2 million of cumulative translation gains were transferred to the income statement during the year ended 31 August 2017 on disposal of joint venture interests.

27. NON – CONTROLLING INTERESTS

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Opening balance at 1 September	21.8	33.6
<i>Comprehensive income for the period:</i>		
Share of profit for the period	4.5	3.5
Foreign currency translation on subsidiary foreign operations	-	0.1
<i>Changes in ownership interest in subsidiaries:</i>		
Recognition of non-controlling interests on business combinations (Note 9)	33.8	-
Acquisition of non-controlling interests (Note 28)	0.1	(12.7)
Dividends paid to non-controlling interests	(1.7)	(1.7)
Recognition of non-controlling interests on acquisition of control of former joint venture ⁽¹⁾	-	(0.7)
Reclassification of non-controlling interest shareholder loans to liabilities	-	(0.3)
Total non-controlling interests	58.5	21.8

⁽¹⁾ On acquisition of control of the Leopard Portfolio (Note 32), the non-controlling interest's proportionate share (6 per cent) of the identifiable net assets of £0.7 million was recognised (debit balance).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

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.

	28 February 2018			31 August 2017				
	LSO £m	IHL £m	RHHL £m	Other individually immaterial subsidiaries £m	Total non- controlling interest £m	RHHL £m	Other individually immaterial subsidiaries £m	Total non- controlling interest £m
Principal place of business	United Kingdom	United Kingdom	United Kingdom			United Kingdom		
Country of incorporation	Isle of Man	BVI	BVI			BVI		
NCI %	20.0%	25.9%	17.52%			17.52%		
Summarised balance sheet								
Investment property	162.7	117.5	226.0			223.7		
Derivative financial instruments	0.5	0.1	0.2					
Trade and other receivables	0.6	3.7	4.9			8.0		
Cash and cash equivalents	4.2	1.4	4.7					
Borrowings, including finance leases	(73.2)	(54.1)	(113.2)			(113.1)		
Trade and other payables	(5.0)	(3.9)	(1.9)			(1.0)		
Adjusted net assets	89.8	64.7	120.7			117.6		
NCI share of adjusted net assets	18.0	16.7	21.2			20.6		
Tax attributable to NCI	-	-	-			-		
Carrying amount of NCI	18.0	16.7	21.2	2.6	58.5	20.6	1.2	21.8
Summarised statement of comprehensive income								
Revenue	2.3	4.5	7.3			14.0		
Profit for the period	2.0	4.9	8.3			14.2		
Profit attributable to NCI	0.4	1.3	1.4	1.4	4.5	3.0	0.5	3.5
Other comprehensive income attributable to NCI	-	-	-	-	-	-	0.1	0.1
Dividends paid to NCI	0.2	0.6	0.9	-	1.7	1.6	0.1	1.7
Summarised cash flow statement								
Cash inflow from operating activities	-	2.1	5.0			11.4		
Cash outflow from investing activities	-	(0.4)	(0.2)			(3.0)		
Cash outflow from financing activities	(1.5)	(2.4)	(5.2)			(5.4)		
Net increase in cash and cash equivalents	(1.5)	(0.7)	(0.4)			3.0		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

28. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

At 1 September 2016, 4C Investments was a non-controlling shareholder of RHHL, with an 11.43 per cent equity interest (1,938 shares) in the issued share capital. The Company had a loan balance outstanding from 4C Investments, for which a share charge was created in favour of the Company over 4C Investment's entire shareholding in RHHL. The total loan balance outstanding, of both principal and interest, was £14.2 million on maturity at 31 December 2016. In the absence of repayment, the Company exercised its security over the shares. On 7 February 2017, the 1,938 shares formally transferred to the Company for an agreed transfer price of £6,295 per share, valuing the total shareholding at £12.1 million. The carrying value of the non-controlling interest at the date of transfer was £12.7 million and, as a result, a gain of £0.4 million was recognised directly in equity after transaction costs including tax paid by the Group on behalf of 4C Investments. During the period ended 28 February 2018, the Group clawed back historic tax paid on behalf of 4C Investments. This has been treated as an adjustment to the carrying amount of the non-controlling interest acquired and has resulted in a gain of £0.6 million directly in equity.

In advance of the Leopard Portfolio disposal (refer to Note 8), the non-controlling interest of a Leopard Portfolio subsidiary, Leopard Germany Property Ed 2 GmbH & Co. KG ("LGPEd2") was acquired by the Group for £0.4 million. The non-controlling interests share of net liabilities at the date of sale were £0.1 million and therefore a loss of £0.5 million has been recognised directly in equity.

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
<i>Carrying amount of non-controlling interest acquired:</i>		
4C Investments	0.6	12.7
Non-controlling interests of LGPEd2	(0.1)	-
	0.5	12.7
Transfer value attributed to 4C Investments (net of transaction costs)	-	(12.3)
Consideration paid to non-controlling interests of LGPEd2	(0.4)	-
Increase in equity attributable to equity holders of the Parent	0.1	0.4

29. CASH GENERATED FROM OPERATIONS

	Note	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Continuing operations				
Cash flows from operating activities				
Profit before tax		60.8	42.0	73.5
<i>Adjustments for:</i>				
Straight lining of rental income		-	(0.8)	(1.1)
Depreciation		0.1	-	-
Share-based payments ⁽¹⁾		0.4	0.5	1.0
Gain on revaluation of investment property		(8.5)	(2.6)	(10.8)
Loss on revaluation of investment property held for sale		-	-	3.9
Gain on disposal of investment property		(0.6)	(5.9)	(9.2)
Loss/(gain) on disposal of investment property held for sale	20	0.1	-	(1.5)
Net gain on disposal of subsidiaries	8	(14.3)	-	-
Net gain on business combinations	9	(4.6)	-	-
Distributions from investment at fair value		-	-	(0.2)
(Gain)/loss on revaluation of investment at fair value		-	(1.0)	0.3
Amortisation of intangible asset		0.2	0.1	0.2
Loss on disposal of other non-current assets held for sale		0.1	-	-
Foreign exchange loss		0.9	-	-
Finance income	10	(0.4)	-	(3.4)
Finance expense	10	14.5	11.6	28.4
Other finance expense	11	0.6	1.5	6.5
Change in fair value of derivative financial instruments		(5.2)	(4.4)	(4.5)
Net gain on sale of joint venture interests		-	(5.0)	(4.9)
Net impairment/(reversal of impairment) of joint ventures and associate interests		(0.1)	(0.7)	0.1
Share of post-tax loss from joint ventures		-	2.6	2.3
Share of post-tax profit from associate		(0.3)	(0.3)	(1.1)
Transfer of foreign currency translation on disposal of joint venture interest		-	-	(2.0)
		43.7	37.6	77.5
Changes in working capital		(3.4)	3.1	(1.9)
Cash generated from operations		40.3	40.7	75.6

⁽¹⁾ Fair value of share-based payments for the period ended 28 February 2018 of £0.5 million, as adjusted for £0.1 million of costs incurred by the Group on settling vested employee awards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

BASIS FOR DETERMINING FAIR VALUES

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

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

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

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

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

The tables below present information about the Group's financial instruments carried at fair value as of 28 February 2018 and 31 August 2017.

	Level 1 £m	Level 2 £m	Level 3 £m	Total Fair Value £m
28 February 2018				
Financial assets				
Derivative financial assets (Note 22)	-	0.8	-	0.8
	-	0.8	-	0.8
Financial liabilities				
Derivative financial liabilities (Note 22)	-	(3.5)	-	(3.5)
	-	(3.5)	-	(3.5)
31 August 2017				
Financial assets				
Investment at fair value (Note 14)	8.5	-	-	8.5
Derivative financial assets (Note 22)	-	0.4	-	0.4
	8.5	0.4	-	8.9
Financial liabilities				
Derivative financial liabilities (Note 22)	-	(7.8)	-	(7.8)
	-	(7.8)	-	(7.8)

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. In the 2017 financial year, the investment in IHL was categorised as a 'Level 1' investment and priced using quoted prices in an active market; the AltX of the JSE.

As stated in Note 13 and 20 respectively, the Group considers investment property and non-current assets held for sale to be categorised as 'Level 3'. As stated in Note 21, the Group considers all bank loans to be categorised as 'Level 3'. £131.6 million of fixed rate debt was reclassified by the Group from 'Level 2' during the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

31. RELATED PARTY TRANSACTIONS

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

	Reviewed six months ended 28 February 2018 £m	Reviewed six months ended 28 February 2017 £m	Audited Year ended 31 August 2017 £m
Related Party Transactions			
Revenue Transactions			
Rental income			
RBH	11.0	7.0	14.0
Other income			
<i>Joint Venture investment management and performance fee income</i>			
Leopard Portfolio	-	0.3	0.3
Wichford VBG Holding S.à.r.l.	-	4.1	3.5
		4.4	3.8
Administration costs and other fees			
OSIT investment management fees	(0.1)	-	-
Finance income			
<i>Joint Venture loan interest income</i>			
Leopard Portfolio	-	1.5	1.5
Wichford VBG Holding S.à.r.l.	-	0.8	0.8
RI Menora German Holdings S.à.r.l.	0.2	0.1	0.4
4C UK Investments Limited	-	0.5	0.5
	0.2	2.9	3.2
		Reviewed As at 28 February 2018 £m	Audited As at 31 August 2017 £m
Capital Transactions			
Investment property (capitalised expenditure)			
Project monitoring fee to RBH – construction works		-	0.1
Investment at fair value through profit or loss			
International Hotel Properties Limited (shares acquired/transferred at cost)		-	1.0
Investment in associate			
Transfer price of 4C Investments interests in RBH		(1.3)	1.3
Dividends received from RBH (including held for sale investment)		(0.6)	(1.2)
Non-controlling interests			
Transfer price of 4C UK Investments Limited's interests in RHHL		-	12.1
Adjustment to carrying value of the non-controlling interest in RHHL (Note 29)		0.6	-
Related Party Balances			
Loans to joint ventures			
RI Menora German Holdings S.à.r.l.		4.7	4.3
Trade and other receivables			
RBH – tenant lease incentives		2.0	0.8
RBH – rent receivable		3.3	-
RBH – distribution receivable		0.3	-
RI Menora German Holdings S.à.r.l.- interest receivable		0.3	0.5
		5.9	1.3
Trade and other payables			
RBH – other payables		(1.5)	-
Wichford VBG Holding S.à.r.l - other payables		-	(0.6)
		(1.5)	(0.6)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
<i>Related Party Transactions with equity holders of the Parent</i>		
Redefine Properties Limited – IHL acquisition – share-for-share exchange	7.9	-
Redefine Properties Limited – IHL acquisition – cash	7.5	-
Redefine Properties Limited – cash dividends	7.3	13.8
Redefine Properties Limited – scrip dividends	-	1.7

REDEFINE PROPERTIES LIMITED

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

4C UK INVESTMENTS LIMITED

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

- 4C Investments non-controlling interest in RHHL for a transfer price of £12.1 million (Note 28);
- 4C Investments shareholding in RBH for a transfer price of £1.3 million (Note 20); and
- 4C Investments shareholding in IHL for a transfer price of £1.0 million.

As the total transfer price for the shares was £14.4 million, £0.2 million cash was paid back by the Company to 4C Investments. On the same date, the Company entered into a lock-up agreement with 4C Investments whereby the latter had the right to buy back the transferred shares in RHHL and RBH on or before 31 January 2018 at the transfer price. 4C Investments did not exercise the right to reacquire the RHHL shares before 31 January 2018. The right to acquire the RBH shares was formally extended and 4C Investments formally re-acquired the shares on 14 February 2018. As part of the transaction, 4C Investments contractually agreed to reimburse the Group for historic non-resident landlord tax paid on 4C Investments behalf in relation to its non-controlling interest in RHHL. This reimbursement has been treated as an adjustment to the carrying amount of the non-controlling interest. Refer to Note 28.

OSIT

OSIT indirectly holds the 20 per cent non-controlling interest in the newly acquired LSO portfolio and is contracted as the manager of each property. RDI entered into revised management contracts on acquisition for OSIT to continue as manager for a minimum term of ten years. Management fees are payable on a ratcheted basis with reference to the forecast EBITDA of each property. OSIT has charged £0.1 million of management fees since the Group acquired control of the portfolio on 12 January 2018.

DIRECTORS

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the period ended 28 February 2018 was £0.2 million (31 August 2017: £0.4 million) which represents Directors fees only. The remuneration payable to Executive Directors for the period ended 28 February 2018 was £1.4 million (31 August 2017: £2.7 million), representing salaries, benefits and bonuses. 5.8 million contingent share awards were issued to Executive Directors during the period (31 August 2017: 4.9 million). The IFRS 2 share-based payment charge associated with the cumulative contingent share awards to the Executive Directors was £0.5 million (31 August 2017: £0.9 million) for the period.

The table below shows Directors dealings in shares for the period 1 September 2016 to 28 February 2018:

Name	Date of Transaction	Transaction	Number of ordinary shares acquired	Price per ordinary share acquired
Adrian Horsburgh	25 November 2016	Scrip dividend	347	38.9p
Bernie Nackan	25 November 2016	Scrip dividend	682	38.9p
Stephen Oakenfull	27 February 2017	Share acquisition	50,000	36.6p
Adrian Horsburgh	27 February 2017	Share acquisition	50,000	36.4p
Donald Grant	27 February 2017	Share acquisition	50,000	36.3p
Adrian Horsburgh	26 June 2017	Scrip dividend	1,842	36.2p
Bernie Nackan	26 June 2017	Scrip dividend	619	36.2p
Marc Wainer	13 November 2017	IHL consideration	3,157,846	40.0p
Mike Watters	13 November 2017	IHL consideration	70,790	40.0p
Donald Grant	16 January 2018	Share acquisition	25,000	35.94p
Mike Watters	17 January 2018	Share acquisition	67,000	35.95p

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

32. ACQUISITION OF SUBSIDIARIES (ASSET ACQUISITION)

On 6 April 2017, the Group reached a conditional agreement to acquire the controlling interest in the Leopard Portfolio, previously held as a joint venture with RPL (refer to Note 15). Shareholder approval was subsequently received on 25 April 2017 and the transaction completed with economic effect from 1 March 2017. Aggregate consideration paid to RPL was €49.0 million (£41.9 million) and allocated as follows:

- €0.3 million (£0.3 million) for the equity interests acquired; and
- €48.7 million (£41.6 million) for the shareholder loans acquired.

Including transaction costs, the total cash outflow in respect of the acquisition was £42.1 million.

On completion, the Group obtained control of the Leopard Portfolio, becoming exposed to the variable returns of the portfolio and having the ability to affect those returns by directing its activities. The Group therefore began consolidating the Leopard Portfolio on a line-by-line basis from 1 March 2017, with the resulting elimination of intra-group shareholder loans. The transaction was not considered a business combination, having regard to associated processes acquired, and was therefore recognised as an asset acquisition. The net assets of Leopard on acquisition were €87.2 million (£74.5 million). The carrying value of the Group's existing joint venture interest, which was derecognised on loss of joint control, was €44.3 million (£37.7 million).

The premium paid to RPL on acquisition of €6.8 million (£5.9 million) including transactions costs, was solely allocated to investment property as it was not separately identifiable. The carrying value of the Leopard property portfolio on 1 March 2017 was €175.5 million (£149.9 million) and, as a result, the total amount recognised as an addition on consolidation was €182.3 million (£155.8 million). Refer to Note 13.

The Group has subsequently sold the majority of its interest in the Leopard Portfolio during the period ended 28 February 2018 as further outlined in Note 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

33. EARNINGS PER SHARE

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

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Profit attributable to equity holders of the Parent	55.2	40.8	66.1
<i>Group Adjustments:</i>			
Gain on revaluation of investment property	(8.5)	(2.6)	(10.8)
Loss on revaluation of investment property held for sale	-	-	3.9
Gain on disposal of investment property	(0.6)	(5.9)	(9.2)
Loss/(gain) on disposal of investment property held for sale	0.1	-	(1.5)
Net gain on disposal of subsidiaries	(14.3)	-	-
Net gain on business combinations	(4.6)	-	-
(Gain)/loss on revaluation of investment at fair value	-	(1.0)	0.3
Amortisation of intangible assets	0.2	0.1	0.2
Re-measurement of financial liability	-	1.3	1.3
Net change in fair value adjustments on substantial modification of borrowings	-	-	4.3
Other finance costs	0.5	0.2	0.3
Change in fair value of derivative financial instruments	(5.2)	(4.4)	(4.5)
Gain on sale of joint venture interests	-	(5.2)	(5.6)
Net (impairment reversal)/impairment of joint ventures and associate interests	(0.1)	(0.6)	0.2
Deferred tax	-	0.4	3.5
Current tax	0.6	-	-
<i>Joint Venture Adjustments:</i>			
Loss on revaluation of investment property	0.2	0.6	0.9
Loss on sale of subsidiaries	-	0.2	0.7
Change in fair value of derivative financial instruments	(0.6)	(0.9)	(1.1)
Deferred tax	0.2	0.7	0.6
Elimination of joint venture unrecognised profits ⁽¹⁾	0.3	0.8	0.8
<i>Non-Controlling Interest Adjustments:</i>			
Gain/(loss) on revaluation of investment property	1.1	(0.8)	1.1
Change in fair value of derivative financial instruments	0.3	-	(0.1)
Gain on disposal of subsidiaries	1.3	-	-
Reversal of impairment/(impairment) of investment in associate	-	0.1	(0.1)
Deferred tax	-	-	(0.4)
EPRA earnings	26.1	23.8	50.9
<i>Company Specific Adjustments:</i>			
Accretion of fair value adjustments	0.4	0.5	0.9
Foreign currency movements	0.9	-	(2.0)
Underlying earnings	27.4	24.3	49.8
Number of ordinary shares (millions)			
- Weighted average	1,871.2	1,802.0	1,809.9
<i>Dilutive effect of:</i>			
Contingently issuable share awards under the Long Term Performance Share Plan	3.4	1.3	1.3
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.9	1.1	0.7
- Diluted weighted average	1,875.5	1,804.4	1,811.9
Earnings per share (pence)			
- Basic	3.0	2.3	3.7
- Diluted	3.0	2.3	3.6
EPRA earnings per share and diluted EPRA earnings per share (pence)	1.4	1.3	2.8
Underlying earnings per share (pence)	1.46	1.35	2.75
Dividend per share (pence)	1.35	1.3	2.6
First interim dividend per share (pence)	1.35	1.3	1.3
Second interim dividend per share (pence)	-	-	1.3

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 15). This adjustment eliminates the restricted losses for the period attributable to the Esplanade.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

Headline earnings per share is calculated in accordance with Circular 2/2015 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.

	Reviewed 28 February 2018 £m	Reviewed 28 February 2017 £m	Audited 31 August 2017 £m
Profit attributable to equity holders of the Parent	55.2	40.8	66.1
<i>Group Adjustments:</i>			
Gain on revaluation of investment property	(8.5)	(2.6)	(10.8)
Loss on revaluation of investment property held for sale	-	-	3.9
Gain on disposal of investment property	(0.6)	(5.9)	(9.2)
Loss/(gain) on disposal of investment property held for sale	0.1	-	(1.5)
Net gain on disposal of subsidiaries	(14.3)	-	-
Net gain on acquisition of subsidiaries	(5.5)	-	-
Loss on disposal of other non-current assets held for sale	0.1	-	-
Gain on sale of joint venture interests	-	(5.2)	(5.6)
Net (impairment reversal)/impairment of joint ventures and associate interests	(0.1)	-	0.2
Transfer of foreign currency translation on disposal of joint venture interests	-	-	(2.0)
Deferred tax	-	0.4	3.5
<i>Joint Venture Adjustments:</i>			
Loss on revaluation of investment property	0.2	0.6	0.9
Loss on sale of subsidiaries	-	0.2	0.7
Deferred tax	0.2	0.7	0.6
Elimination of joint venture unrecognised profits/(losses) ⁽¹⁾	(0.3)	0.1	(0.1)
<i>Non-Controlling Interest Adjustments:</i>			
Gain/(loss) on revaluation of investment property	1.1	(0.8)	1.1
Gain on disposal of subsidiaries	1.3	-	-
Reversal of impairment/(impairment) of investment in associate	-	-	(0.1)
Deferred tax	-	-	(0.4)
Headline earnings attributable to equity holders of the Parent	28.9	28.3	47.3
Number of ordinary shares (millions)			
- Weighted average	1,871.2	1,802.0	1,809.9
- Diluted weighted average	1,875.5	1,804.4	1,811.9
Headline earnings per share (pence)			
- Basic	1.5	1.6	2.6
- Diluted	1.5	1.6	2.6

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 15). This adjustment eliminates the restricted losses for the period attributable to the Esplanade.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2018

34. NET ASSET VALUE PER SHARE

	Reviewed 28 February 2018 £m	Audited 31 August 2017 £m
Net assets attributable to equity holders of the Parent	794.6	740.4
<i>Group Adjustments:</i>		
Fair value of derivative financial instruments	2.7	7.4
Deferred tax	9.9	10.4
<i>Joint Venture Adjustments:</i>		
Fair value of derivative financial instruments	2.9	3.5
Elimination of unrecognised derivative financial instruments ⁽¹⁾	(2.9)	(3.5)
Deferred tax	0.6	0.4
<i>Non-Controlling Interest Adjustments:</i>		
Fair value of derivative financial instruments	0.2	-
Deferred tax	(0.2)	(0.3)
EPRA NAV	807.8	758.3
<i>Group Adjustments:</i>		
Fair value of derivative financial instruments	(2.7)	(7.4)
Excess of fair value of debt over carrying value	(4.1)	(5.0)
Deferred tax	(9.9)	(10.4)
<i>Joint Venture Adjustments:</i>		
Fair value of derivative financial instruments	(2.9)	(3.5)
Elimination of unrecognised derivative financial instruments ⁽¹⁾	2.9	3.5
Deferred tax	(0.6)	(0.4)
<i>Non-Controlling Interest Adjustments:</i>		
Fair value of derivative financial instruments	(0.2)	-
Deferred tax	0.2	0.3
EPRA NNAV	790.5	735.4
Number of ordinary shares (millions)		
- In issue	1,905.1	1,828.1
<i>Dilutive effect of:</i>		
Contingently issuable share awards under the Long Term Performance Share Plan	3.4	1.3
Contingently issuable share awards under the Long Term Restricted Stock Plan	0.9	0.7
- Diluted	1,909.4	1,830.1
Net asset value per share (pence):		
- Basic	41.7	40.5
- Diluted	41.6	40.5
EPRA diluted NAV per share (pence)	42.3	41.4
EPRA diluted NNAV per share (pence)	41.4	40.2

⁽¹⁾ The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment (refer to Note 15). This adjustment eliminates the derivative financial instruments attributable to the Esplanade from the proportionate adjustments.

35. CONTINGENCIES, GUARANTEES AND COMMITMENTS

At 28 February 2018, the Group was contractually committed to expenditure of £8.5 million (31 August 2017: £16.8 million), of which £8.5 million (31 August 2017: £16.5 million) was committed to the future development and enhancement of investment property.

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. The Directors 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.

36. SUBSEQUENT EVENTS

In early April 2018, the Group exchanged contracts to dispose of Severalls, Colchester for £3.4 million and City Point, Leeds for £26.1 million. The sales completed on 16 April and 19 April 2018 respectively.

GLOSSARY

ADR	Average daily rate
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
Board	The Board of Directors of RDI REIT P.L.C.
BVI	British Virgin Islands
CPI	Consumer Price Index
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPRA	European Public Real Estate Association
EPRA cost ratio	Administrative and operating costs expressed as a percentage of gross rental income as defined by EPRA
EPRA earnings	Earnings from operational activities as defined by EPRA's Best Practice guidelines
EPRA NAV	European Public Real Estate Association Net Asset Value
EPRA NIY	European Public Real Estate Association Net Initial Yield. The annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property
EPRA NNNAV	European Public Real Estate Association Triple Net Asset Value
EPRA occupancy	Occupancy expressed as a percentage of ERV, representing a measure of let space
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent free periods or other incentives
EPS	Earnings per share
ERV	The estimated market rental value of lettable space which could reasonably be expected to be obtained on a new letting or rent review
EU	European Union
EUR or Euro	Euro, the lawful common currency of participating member states of the European Monetary Union
GBP, Pound or Sterling	Great British Pound, the legal currency of the UK
GRESB	Global Real Estate Sustainability Benchmark
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IHL	International Hotel Properties Limited
Indexed leases	A lease with rent review provisions which are dependent upon calculations with reference to an index such as the consumer price index or the retail price index
IPD	Investment Property Databank
JSE	JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange
Lease incentives	Any incentives offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit out or similar costs
Like-for-like income	Income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income and used to illustrate change in comparable income values
Like-for-like property	Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development and used to illustrate change in comparable capital values
LSE	The London Stock Exchange
LSO	London Serviced Office Portfolio
Loan-to-value or LTV	The ratio of net debt divided by the market value of investment property. Calculated on a proportionate (share of value) basis
LuxSE	The Luxembourg Stock Exchange
NAV	Net Asset Value
NCI	Non-controlling interest
Net debt	Total nominal value of bank borrowings less cash and cash equivalents
OSIT	Office Space in Town, the Group's strategic partner and non-controlling shareholder in the LSO portfolio
RCF	Revolving Credit Facility
RDI REIT P.L.C, RDI, the Company or the Group	RDI REIT P.L.C. and, when taken together with all its subsidiaries and Group undertakings, collectively referred to as the "Group".
RBH	RBH Hotel Group Limited, formerly RedefineBDL Hotel Group Limited
Redefine Properties or RPL	Redefine Properties Limited, a company listed on the JSE, and a 29.79% shareholder of the Company
Reversionary yield	The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.
RevPar	Revenue per available room
RICS	Royal Institute of Chartered Surveyors
RIHL	Redefine International Holdings Limited
RIMH	Redefine International Management Holdings Limited
RHHL	Redefine Hotel Holdings Limited
SAICA	South African Institute of Chartered Accountants

GLOSSARY

TSogo Sun	Southern Sun Africa
UK	United Kingdom
UK-REIT	A UK Real Estate Investment Trust. A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90 per cent of those profits to shareholders. Tax is payable on non-qualifying activities of the residual business
WAULT	Weighted average unexpired lease term