Investing in opportunity

Annual Report 2020

User guide

Welcome to the RDI REIT P.L.C. Annual Report 2020. In this interactive pdf you can do many things to help you easily access the information that you want, whether that's printing, searching for a specific item or going directly to another page, section or website.

These are explained below.

Document controls

Use the document controls located at the top of the pages to help you navigate through this report.

Navigating with tabs

Use the tabs to quickly go to the start of a different section.

Links within this document

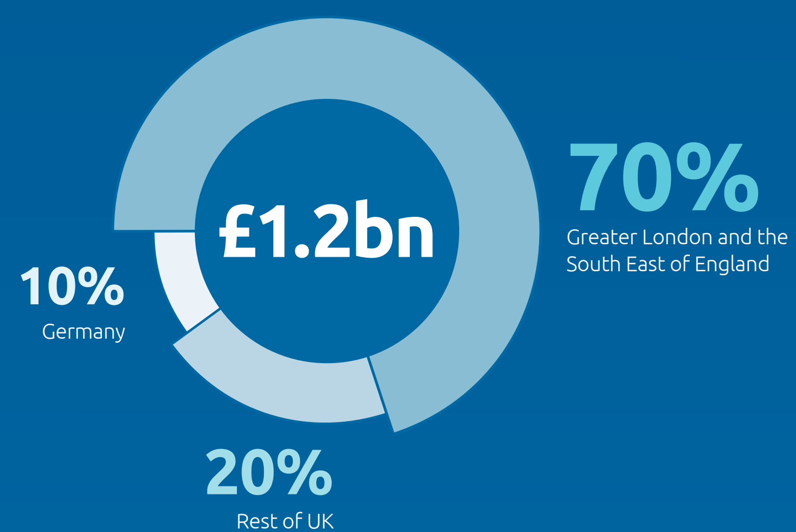
Throughout this report there are links to pages, other sections and web addresses for additional information.

RDI is an established UK REIT focused on delivering long term sustainable income returns backed by strong real estate fundamentals. Our income focused philosophy is supported by a relentless focus on maximising income returns across all aspects of our business.

Our purpose

To create and manage income-led value from sustainable real estate assets through disciplined investment in sectors and locations with structural growth opportunities.

Where we invest

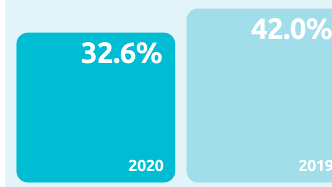


Our 2019 Annual Report was, once again, awarded the EPRA Gold Standard for both Financial Reporting and Sustainability Reporting.

Introduction

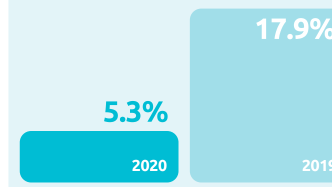
At a glance

LTV



32.6%
Improved gearing (including transactions post period end)

UK RETAIL EXPOSURE

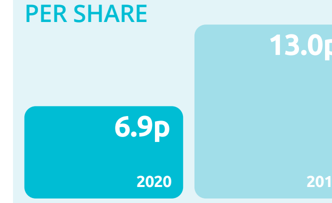


5.3%
Significantly improved (including transactions post period end)

UNDERLYING EARNINGS

-46.9%
IFRS loss £103.8m (2019: £74.8m)
Reflecting disposal activity and the impact of COVID-19

UNDERLYING EARNINGS PER SHARE



-46.9%
IFRS EPS (diluted) -27.3p (2019: -20.4p)

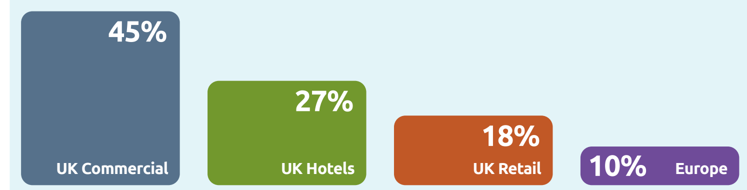
EPRA NAV PER SHARE

-18.3%
IFRS NAV per share (diluted) 146.1p (2019: 180.0p)

DIVIDEND PER SHARE

-50.0%
Reflecting disposal activity and the impact of COVID-19

PORTFOLIO BY MARKET VALUE



£1.2bn
at 31 August 2020

Investment proposition

Our portfolio is increasingly focused on sectors and assets where we are able to gain advantage from structural change and strong occupier demand, including the distribution and industrial sector, as well as our market leading Hotel and London Serviced Office operating platforms.

Superior income
Committed to delivering an upper quartile dividend yield on NAV when compared to other UK REITs

Sustainable income
Strong visibility on income supported by a diversified portfolio and tenant base

Growing income
Medium term target of growing underlying earnings per share between 3 per cent and 5 per cent per annum

2020 in review

A transformative year delivering a higher quality portfolio and strengthened balance sheet

- Meeting our strategic objectives
- Underpinned by our values
- Upholding our purpose

Read more on pages 6 to 13

September 2019

Sale of Bahnhof Altona, Hamburg

RDI enters into binding contract to sell the Bahnhof Altona Center, Hamburg for €91.0 million. The sale reflects a net initial yield of 4.6 per cent and a 9.6 per cent premium to last reported market value.

January 2020

Sale of UK regional office and German Retail Parks

Waterside, Leeds, a UK regional office, is sold for £6.5 million, a 37.2 per cent premium to last reported market value, and two German retail parks held in joint venture are disposed for €20.4 million, a 9.1 per cent premium to last reported market value.

March 2020

Sale of German DIY retail warehouse portfolio

Three DIY retail warehouses are disposed for €34.2 million, a 3.5 per cent discount to last reported market value.

July 2020

Matthew Parrott joins the Board following Starwood Capital Group's acquisition of strategic shareholding

In June 2020, Redefine Properties, the South African listed REIT, announced the sale of its 29.4 per cent holding in the Company to affiliates of Starwood Capital Group, one of the world's largest real estate investors. Following completion in July 2020, Matthew Parrott joined the RDI Board as their representative, replacing Pieter Prinsloo.

July 2020

Link 9, Bicester fully let

RDI's 288,000 sqft industrial and distribution development at Link 9, Bicester is fully let to Arrival Automotive Limited, achieving a 7.5 per cent yield on cost.

August 2020

Sale of Schloss-Strassen Center, Berlin

RDI completes on the sale of this large Berlin shopping centre for €65.5 million, reflecting a net initial yield of 6.6 per cent, a 16 per cent discount to last reported market value.

September 2020

Sale of UK Retail Parks portfolio

Contracts are exchanged for the sale of six UK retail parks for £156.9 million, reflecting a 7.5 per cent net initial yield and a 3.0 per cent discount to last reported market value.

RDI's response since the start of the COVID-19 pandemic

11 March 2020
World Health Organisation declares COVID-19 a global pandemic.

Welfare, safety and security of staff, occupiers and communities
All staff were encouraged to work from home from the outset of the pandemic. Our four London Serviced Offices were closed, as were all UK Hotels, other than those that remained open to support key workers or rough sleepers.

Cash and liquidity preserved
Costs were minimised wherever possible, non-essential capex was postponed and payment of the half year dividend suspended and reinstated for the full year.

Financial assistance for occupiers
Rates of rent collection were closely monitored. Where necessary, assistance was provided to occupiers in the form of rent-free periods, rent deferrals or concessions. Financial assistance was prioritised for those occupiers most in need in order to help support their businesses and maintain occupancy during an extremely challenging period.

Covenant waivers
All lenders were approached proactively to secure financial covenant waivers. At the end of the financial year, waivers remained in place on 89% of debt facilities subject to financial covenants.

Regular market updates
Quarterly updates were provided to the market on trading performance, key COVID-19 related initiatives and rent collection rates.

Read more in our operating review on pages 30 to 33

Market context

The use of technology, flexibility and an increased focus on health and wellbeing are all pre-existing trends that have been accelerated.

At the time of writing this report, the COVID-19 pandemic continues to have lasting social and economic impacts. From a real estate perspective, changes that would otherwise have taken years to occur are now taking place in a very short space of time.

The use of technology, flexibility and an increased focus on health and wellbeing are all pre-existing trends that have been accelerated. Now more than ever, understanding occupiers' occupational requirements will be critical in informing our investment strategy.

Economy

The COVID-19 pandemic has materially changed the outlook for the real estate market globally, with the recovery expected to be more gradual. Closer to home, the economy continues to be impacted by the Government's progress in navigating the UK's exit from the EU.

2020 has seen an unprecedented contraction in economic activity with economic output falling by a cumulative 22.1 per cent in the first six months of the year, compared to the end of 2019. Predictions vary widely, but it is clear that the UK will see a much sharper fall in GDP than during the 2008-09 financial crisis.

Unemployment and redundancy rates are on the rise, with the number of employees on payroll in the UK in August 2020 down by around 2.4 per cent compared to March 2020, according to the Office of National Statistics. This number is expected to rise as the UK Government phases out its Job Retention Scheme.

Following an initial reduction from 0.75 per cent to 0.25 per cent on 11 March 2020, the Bank of England base rate was reduced for the second time on 19 March to 0.1 per cent in an emergency move to help cushion the economic shock of the coronavirus pandemic.

Our response

Our primary focus has been the welfare, safety and security of our stakeholders and the actions we have taken in response to the impact of the pandemic have been wide ranging.

There has been open and honest dialogue with occupiers across our business to understand both financial and operational challenges and to offer support. With regard to rent collection, we have provided financial assistance to tenants on a case-by-case basis whilst protecting broader shareholder value.

All non-essential capital expenditure was postponed until there is more clarity on the operating environment and visibility on future cash flows.

We have actively engaged with funders to agree financial covenant waivers where necessary and to ensure clear communication of underlying trading performance and rent collection positions.

Technology

Real estate is a traditional industry, but occupiers' demands and behaviours are changing more quickly than ever before.

Businesses and end-users want immediate access to all types of product information, whether the product is a retail stock-keeping unit, an office space, an apartment or a hotel room.

They want interactive and experiential journeys, too. Customers want, and expect, direct, immediate communication with product and service providers via social media and other channels.

Prior to the pandemic, commercial real estate technology was brimming with innovation which created as many challenges as solutions, with companies struggling to determine which products could offer the most value to their business.

A positive outcome of the current disruption is that it has shed some light on the needs and must-haves for the corporate real estate market.

The need for first-class IT infrastructure to enable productive remote working in the office sector to quality, customer-centric online platforms for retail destinations, will become a focus going forward.

Proptech's primary focus of building communities and bringing people together, particularly in challenging times such as those experienced in 2020, will likely continue to see real innovation – everything from social distancing aids, automated elevators, access control solutions and touchless experiences to name a few.

Our response

Our desire to build and foster long term relationships with our stakeholders relies on technology, now more so than ever before. Offering solutions that meet the demands of our occupiers, clients and customers was a focal point during the year across all areas of our business.

Our ongoing investment in a dedicated tenant communications app across our residual UK Shopping Centres has proven to be a valuable investment, particularly during the pandemic, when we were able to communicate with occupiers and staff seamlessly, not only on operational topics but also using the platform to generate content and conversations around health, mental health and wellbeing.

The investment in high quality IT infrastructure in our flexible offices over previous years has meant that we were able to support our clients as they switched to working from home during the height of the pandemic. We have introduced a number of new measures including touchless entry/exit technology across our serviced office portfolio and are currently reviewing a number of initiatives to further improve air quality and wellbeing within our buildings.

Occupational markets

2020 has seen widespread disruption in daily life, affecting all sectors of the property market; the long term impact will drive a fundamental shift in how occupiers use their space.

Hospitality, leisure and physical retail ground to a halt during the first phase of the pandemic, with the exception being non-discretionary retail including supermarkets and essential discount operators. With the relaxation of lockdown measures, all three sectors have shown signs of recovery although the timing and extent of a full recovery varies widely.

UK Retail was in the midst of a transformation prior to the pandemic and it is widely believed that the impact of COVID-19 will accelerate trends such as flexibility of leases, turnover linked rents and alternative uses for vacant space. Footfall in the sector began to improve in the second half of the year, with retail parks proving the most resilient whilst shopping centres and high streets remain subdued.

Within seven days, less than 45 per cent of rents were collected across the sector for the June quarter, improving to 59 per cent in the September quarter.

The food and beverage sector benefited from the Government's Eat Out to Help Out scheme which launched in August 2020 after months of forced closure, although the long term impact of restrictions and ongoing lockdowns remains to be seen.

Hotels in Europe began to re-open in June although, with restrictions of varying levels to both international and domestic travel, recovery will be disrupted. By the end of the August 2020 quarter, occupancy in UK hotels had returned to 47 per cent, with predictions that it will be at least 2022 before demand returns to pre-COVID-19 levels.

There has been much discussion on how the office environment will be transformed as a result of the pandemic. Despite the success of home working, offices still play a vital role in culture, community and connectivity. However, the large proportion of employees working away from the office in the wake of COVID-19 for an extended period may be the catalyst for accelerating flexible working patterns.

According to the Savills Global Sentiment Survey of research heads in 31 countries around the world, 84 per cent of respondents expected home working to somewhat increase, the remaining 16 per cent expect it to greatly increase. Over half expect the use of video conferencing to increase significantly after the pandemic. Technology is expected to continue to drive office take-up as demonstrated by H1 2020 activity; the TMT sector accounted for 31 per cent of total take-up, significantly up on the preceding five-year average figure of 18 per cent, according to Savills.

After a record year for flexible office space in 2019, operators remain positive with flexibility being important to occupiers and a potential rise in the adoption of a 'hub and spoke' location models which could see greater demand for space in suburban locations, benefiting both the regional and South East office market.

Industrial, logistics and distribution proved the most resilient sector during 2020, with the after-effects of the pandemic expected to support the sector. While the uncertain economic outlook will have an effect on all sectors, with further growth in online predicted, logistics and distribution should continue to benefit from the change in consumer habits.

Our response

Our strategy of repositioning the portfolio to sectors with positive occupational demand accelerated during 2020. Significant disposals within the UK Retail and European portfolios resulted in a material shift in the focus of the portfolio, which is now weighted towards the industrial, distribution and London office sectors. The portfolio is now well placed to expand further into sectors with strong structural growth opportunities.

Investment and capital markets

Investment and capital markets have been heavily influenced by COVID-19 and heightened levels of political and macro-economic uncertainty.

Prior to the pandemic, the UK real estate market was already viewed as late cycle, with most sectors showing negative rental and capital growth prior to March 2020. Since the beginning of March 2020, the CBRE monthly UK capital values index has fallen 7.2 per cent, largely driven by yield movement in large format retail, although all sectors have experienced varying degrees of capital value falls. Significant variations in performance have also been experienced between prime and secondary assets, with lower quality and typically higher yielding assets showing greater volatility and downside risk.

In line with expectations of performance across sectors, availability of capital and liquidity continues to be polarised with the pandemic only serving to increase concerns around the retail and leisure sectors while demand for distribution and logistics assets remains robust. The outlook for offices is uncertain with changing working habits expected to have some impact on demand in the short to medium term although longer term trends are unclear. These trends are being reflected across both equity and debt markets.

Total investment volumes for the eight months to August 2020 reached £23.1 billion according to Savills and would need to double in the remaining four months of the year to reach the long term average of £44.9 billion. The reduction in investment activity highlights the current uncertainty in the market and is more stark in certain sub-sectors.

Availability of bank financing outside of refinancing existing loans is expected to remain limited until there is more clarity on the economic recovery and control of the pandemic. Fortunately, levels of leverage within the real estate sector are significantly lower than in 2009, which should provide greater flexibility.

Our response

An active disposal strategy throughout 2020 significantly reduced our exposure to the retail and secondary office sectors.

Retail was reduced from 22 per cent as at 31 August 2020 to 10.1 per cent post period end.

This was the result of the sale of the UK Retail Parks portfolio for £156.9 million which exchanged in early September and completed in late October 2020.

Assets in the secondary office space class represented four per cent of the portfolio as at 31 August 2019. During the period, this was reduced to just one per cent, largely due to the disposal of the Omnibus Building in Reigate and Waterside Court and Park Place, both located in Leeds.

The disposal activity during the year has repositioned the portfolio to a focus on quality assets in strong sectors located predominantly in Greater London and the South East.

Our business model

Designed to deliver sustainable income-led total returns backed by strong real estate fundamentals.

Our purpose

To create and manage income-led value from sustainable real estate assets through disciplined investment in sectors and locations with structural growth opportunities.

Our strategy

Disciplined investment in sectors and locations with structural growth opportunities

Financial discipline
Clear and measurable medium term targets, focused on growing income and strengthening the balance sheet. Closely aligned to strategic objectives and management remuneration.

Read more on page 16

Scalable business
Greater scale to drive longer term benefits, including greater access to capital markets and liquidity, whilst limiting volatility. Capital recycling to ensure we secure the right earnings enhancing opportunities for our shareholders.

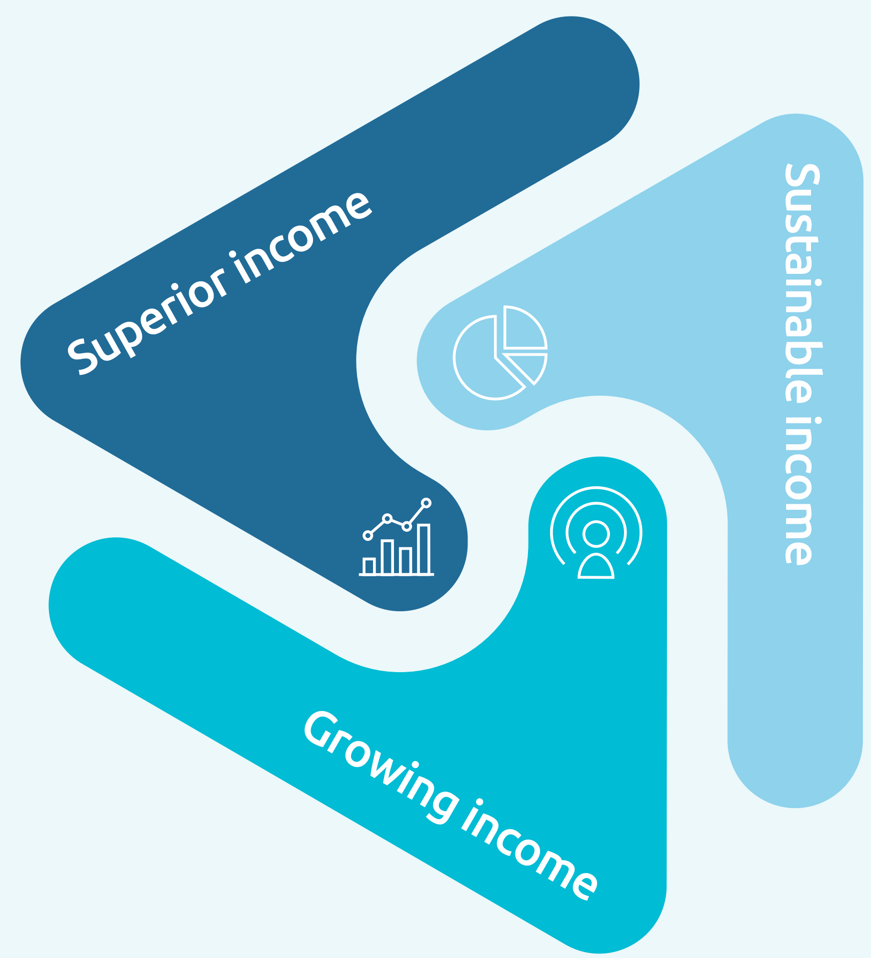
Read more on page 12

Income focused portfolio
Continuously improving our diversified portfolio's exposure to sectors demonstrating positive structural change, supporting security of income, with opportunities to drive income growth.

Read more on page 14

Efficient capital structure
Focused on reducing leverage and further strengthening the balance sheet in support of greater operational flexibility and a more competitive cost of capital.

Read more on page 12



Outcome

Investors
Income-led total return.

Employees
Rewarding career development in a high performance and enjoyable team environment.

Tenants
Creating spaces that meet occupiers' and clients' requirements to help their businesses prosper.

Suppliers
Fostering long term relationships with high performance, service oriented suppliers and service providers.

Communities
Striving to support and improve the communities in which we operate.

Environment
Improving environmental and social performance.

Our values and culture

Read more on pages 8 and 9

Supported by our stakeholder relationships

Read more on pages 10 and 11

- Indices
- Employees
- Investors
- Tenants
- Agents & Consultants
- Suppliers
- Governments & Local Councils
- Communities
- Environment

Our values and culture

Our values and culture enable us to deliver on our purpose and strategy.

Our values underpin our success and will continue to shape our future. They provide solid foundations for us to continue to drive value for our shareholders, our people, the businesses we work with and the communities in which we operate.

Our values

We value transparency
Communicating openly and honestly, we are transparent, fair and balanced.

We focus on results
We explore opportunities, address challenges and ultimately find solutions to deliver results.

We take ownership at all levels
We are reliable, respectful and credible. We do what we say we will do.

Our culture is critical to the success of our business and is evolving, in line with our approach to real estate investment and our strong brand values, to create an environment that enables our assets and our people to thrive.

We pride ourselves in our **proactive** and **progressive** approach to business. We promote an entrepreneurial outlook and an inquisitive nature from our employees, **nurturing** our talented team of people to think **innovatively** in all aspects of their role. This enables us to look at real estate, and its potential to deliver income, from every angle and find opportunities in places others might overlook.

We promote **diversity** throughout our business, from our Board to our employees and partners and we encourage **inclusivity**, ensuring equal opportunities and developing our people and practices to maximise potential.

We believe in doing things well and doing the right thing by our stakeholders. Our lean, hands-on management team ensures **accessibility** across our business and focuses resources, giving us the ability to be pragmatic, make informed decisions and act with **agility** – ultimately benefiting our occupiers, our partners, our shareholders and each other.

Our strategy, values and culture ensure we are well positioned to continue to deliver results for our stakeholders.

Measuring culture

64%	35.8 hrs	98%	0.4 days	76%
Percentage of female employees	Employee training (average hours)	Performance appraisal (% of employees)	Absenteeism (% of days scheduled)	Employees satisfied at work

Our engagement with stakeholders

During the year, our focus has been on the welfare, safety and security of our stakeholders, and on ensuring that asset values are protected, revenues are carefully managed and costs are minimised.

Our s172 statement can be found on page 89

Our stakeholders and how we have engaged

Employees

Engagement
- Intranet launched
- Employee surveys and team-building sessions
- Update meetings from the CEO
- Open forum with the Board employee representative

Topics
- Staff satisfaction and working conditions
- COVID-19, working from home, staff wellbeing and returning to work
- Business updates

Outcome
- Improved health benefits
- Safe working environment
- Productive workforce

Agents & Consultants

Engagement
- Monthly meetings
- Day-to-day communication

Topics
- Disposal and leasing activity
- Asset management planning
- Response to COVID-19 pandemic

Outcome
- £3.4 million increase in gross rental income
- 121 leasing events completed during the year
- £371.4 million of disposals exchanged or completed

Suppliers

Engagement
- Compliance with Code of Ethics
- Day-to-day communication

Topics
- Payment practice

Outcome
- Integrity of supply chain
- Protection of reputation
- Good payment practices

Investors

Engagement
- Regular meetings with investors and analysts
- Publication of press releases and quarterly factsheet
- Results webcasts

Topics
- Response to COVID-19 pandemic
- Significant events including disposal activity and rental collections
- Progress on strategic objectives

Outcome
- Good participation on webcasts
- Successful implementation of virtual webcasts and investor roadshows
- Positive investor feedback via analysts following investor focused activities

Lenders

Engagement
- Dialogue increased since onset of COVID-19
- Collection rates and asset management updates shared monthly with key lenders
- Early dialogue with respect to refinancing

Topics
- Covenants
- Refinancing
- Performance

Outcome
- Covenant waivers
- Refinancing terms secured early
- Proactive and supportive working relationships

Government & Local Councils

Engagement
- Regular meetings

Topics
- Planning processes
- Local area requirements

Outcome
- Planning permission granted to benefit the wider community

Tenants

Engagement
- Tenant communication tool, Mallcomm
- Regular communication
- COVID-19 information pack

Topics
- Impact of COVID-19
- Day-to-day operations
- Green clause for leases

Outcome
- Payment plans agreed with those tenants most in need
- 121 lease events completed during the period
- EPRA occupancy increased to 98.8%

Communities

Engagement
- e-newsletters
- Social media channels
- Public relations

Topics
- Health and wellbeing
- Response to COVID-19 pandemic
- Operational and procedural changes

Outcome
- Clients, guests, shoppers and occupiers engaged throughout lockdown
- Well-managed re-opening of buildings and centres across the portfolio
- Safe and secure environments focused on occupiers' and customers' needs

Environment
- Biodiversity policy approved
- EV charging points installed at Retail Parks
- Increased use of certification via BREEAM and ISO 14001:2015

Indices
- EPRA sBPR Gold status achieved for second year running
- GRESB score increased from 62% to 67%

Our strategic priorities

Delivering a simplified business backed by a strong balance sheet and disciplined capital allocation.

LTIP – Part of Executive Directors' long term incentive plan arrangements.
STIP – Part of Executive Directors' short term incentive plan (annual bonus).
ELTI – Part of employees' long term incentive arrangements.

	Targets	Risks	Link to remuneration	Outcomes	Accelerating our strategic priorities into 2021
Income focused portfolio	• High quality, well located portfolio invested in sectors and areas benefiting from positive structural change and regeneration • Maintaining and rebuilding income across operational assets • Engaging with occupiers on strategic real estate requirements post COVID-19 • Cost efficient portfolio and operational platforms	• Ongoing regional lockdown and related restrictions • Competition for investments • Weaker occupier and investor demand • Declining market conditions • Development and construction risk • Health, safety and environmental risks	LTIP – Earnings, total property return STIP – Earnings, NAV ELTI – Earnings, total property return	• 121 leasing events concluded at 5.1 per cent above ERV • Occupancy remains high at 98.8 per cent • Reversionary yield 310bps above current net initial yield	"A full exit from all retail assets is now being targeted"
Efficient capital structure	• Strengthen balance sheet through reduced leverage; focused capital allocation and an occupier-led approach • Operational flexibility • Competitive cost of capital	• General market dislocation and declining market conditions • Changes in regulatory requirements • Adverse movement in share price • Poor timing of investment decisions • Change in investment strategy of major shareholder	STIP – Cash flow, personal objectives	• Pro forma LTV reduced to 32.6 per cent • £215 million of mature asset disposals concluded or contracted with proceeds earmarked for debt reduction	"Balance sheet strength and liquidity remain a priority in the short term"
Financial discipline	• Maintain balance sheet strength and liquidity • Focus on cost efficiencies delivering an efficient conversion of rental income to underlying earnings • Fully covered dividend with 90-95 per cent pay-out ratio • Strong interest cover • Efficient debt collection • LTV to be maintained between 30-40 per cent	• Adverse interest rate movements or inflationary pressures • Reliance on third party service providers • Tenant defaults and CVAs • Declining valuations leading to covenant breaches and inability to reduce LTV	LTIP – Earnings, total property return, total shareholder return STIP – Earnings, cash flow, NAV ELTI – Earnings, total property return, total shareholder return	• Fully covered dividend • Cost of debt 3.0 per cent • 91.9 per cent of rents collected which were demanded during period since lockdown • Interest cover reduced to 2.7 times	"Overheads to be right sized following disposal activity"
Scalable business	• Material reduction in retail exposure • Recycling capital to areas with stronger demographics • Focus on structural growth opportunities • Improved liquidity	• Significant external, political or financial event • Structural change in consumer or occupier behaviour • Increased supply or competition • Competition in sought-after sectors	LTIP – Earnings, total property return STIP – Earnings, cash flow ELTI – Earnings, total property return	• UK Retail exposure reduced on a pro forma basis to 5.3 per cent • £214.5 million disposed at a 3.9 per cent discount to market value • 70 per cent of portfolio now located in London and the South East of England	"We plan to initiate a strategic review of the Hotel portfolio"

Strategy in action

Reducing our exposure to the challenged retail sector

Income focused portfolio

In 2018, following a sustained period of weak investor sentiment and structural change in shoppers' preference, we set a strategic target to reduce our exposure to the retail sector to 20 per cent. At the time, retail assets represented 45 per cent of the portfolio.

This was targeted to be achieved through the disposal of certain UK retail assets and the German retail portfolio, paving the way for a single geographic focus and a more targeted capital allocation.

By the end of 2020 this target had been achieved and surpassed, with retail exposure cut to 10.1 per cent, creating an opportunity for a full exit during 2021.

The majority of the German portfolio had been sold or contracted for sale prior to the onset of COVID-19. Prior to March 2020, the investment market in Germany had remained reasonably liquid with opportunities well bid and certain assets continuing to achieve premiums to market value.

Since March, there has been continued pressure on retail valuations resulting in an acceleration of online retailing and a significant decline in footfall and trade.

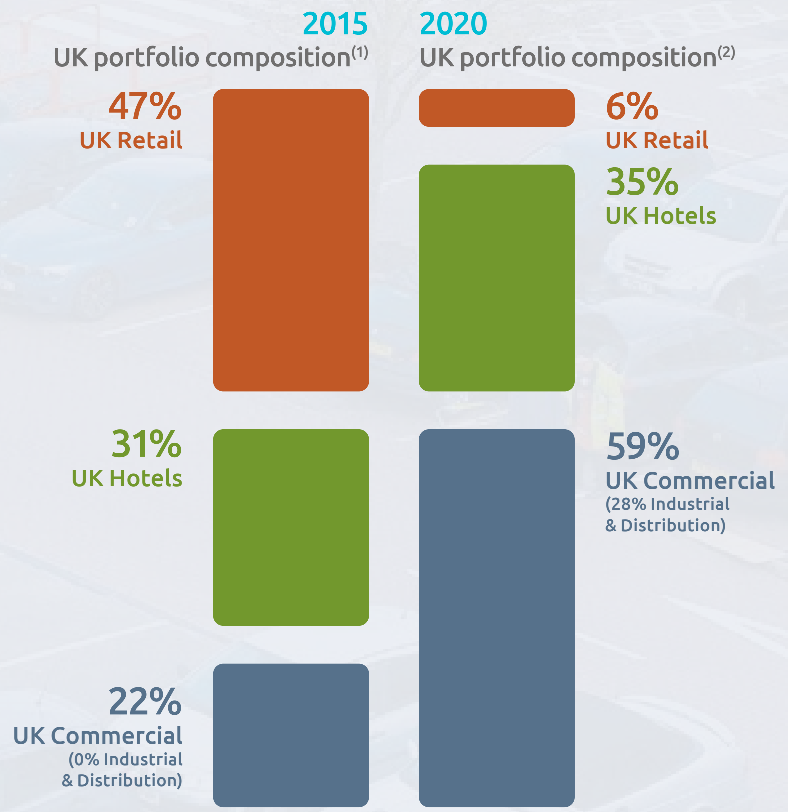
Late in the year, an opportunity arose to exit the UK Retail Parks portfolio. Contracts were exchanged in early September 2020 for £156.9 million, a 3.0 per cent discount to the February 2020 valuation. A considerable success in the context of the challenges this sector continues to face and testimony to the asset management of the portfolio, positioning the parks towards more resilient discount and convenience retailers and maintaining occupancy.

As a result of the reduction in retail and the ongoing exit from Germany, we have enhanced the quality of the portfolio and simplified the business proposition.

> The risk related to ongoing weakness in many parts of the retail sector has now been minimised, with a full exit from our remaining retail assets targeted.
>
> **Adrian Horsburgh**
> Property Director

As a result of the reduction in retail and the ongoing exit from Germany, we have enhanced the quality of the portfolio and simplified the business proposition.

Repositioning the portfolio for growth



(1) Percentage of total UK portfolio by market value.
(2) Including transactions post period end.

Strategy in action

Strengthening the balance sheet

Financial discipline

Due to the significant and ongoing uncertainties faced, the Board placed particular focus on improving the strength of the balance sheet.

At the start of 2019 the Group's loan to value target was adjusted downwards to 30-40 per cent, with a view that the lower end of this range was more appropriate given the maturity of the real estate cycle. At the time, Group LTV stood at 46.2 per cent.

Despite the impact on values related to COVID-19, we have managed to reduce LTV on a pro forma basis to 32.6 per cent and increased cash and available facilities to approximately £240 million. This renewed balance sheet strength provides a robust defensive position while market conditions remain challenging, and a strong platform for future growth and continued repositioning of the portfolio into growth sectors.

We have retained the 30-40 per cent LTV target but maintain the view that cash and liquidity should be prioritised in the short term. Our confidence in the balance sheet has allowed the Company to reinstate the payment of a dividend which was suspended at the half year.

Although lower levels of leverage will result in lower earnings in the short term, the Group's debt structure includes a £137.5 million revolving credit facility which has the benefit of a margin ratchet at different LTV levels. Our ability to park a significant proportion of the Group's cash reserves within this facility provides a reasonable return, limiting the cash drag that would otherwise be experienced and remains available to re-draw should opportunities arise.

A strengthened balance sheet positions the Group well for any extended period of disruption and provides financial flexibility to support our operational assets as they rebuild income with the ability to capitalise on opportunities that may arise.

> We have continued our rigorous focus on strategic priorities. As a result, the balance sheet is well positioned, with reduced leverage and significantly increased liquidity.
>
> **Donald Grant**
> Chief Financial Officer

Chief Executive's report

> 2020 is a year which will not be easily forgotten.
>
> **Mike Watters**
> Chief Executive Officer

I would like to take the opportunity to thank all our stakeholders, including my RDI colleagues, advisers, occupiers, clients, lenders and shareholders for their continued commitment, support and co-operation.

The full impact of the COVID-19 pandemic is yet to be determined but has already had profound social and economic impacts. We have seen pre-existing consumer and occupational trends being accelerated, highlighting the importance of capital allocation and alignment to the structural changes taking place across our markets.

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

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

Chief Executive's report continued

£371.4m disposed

Including exchanged contracts post year end, disposals have been transacted at an average discount of 3.5%

121 leasing events

Another active year with 121 leasing events totalling £16.0m, 5.1% above ERV

EPRA occupancy

Despite numerous challenges faced, the team has maintained occupancy at 98.8%

COVID-19

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

Capital allocation

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

Further to our recent retail disposals, we will now target a full exit from the limited number of remaining retail assets. The Hotel portfolio has increased to 26.5 per cent of the Group portfolio as a result of disposal activity rather than a strategic decision to increase absolute exposure to the sector.

As part of the ongoing repositioning of the portfolio, strategic options are being actively considered for the Hotel portfolio in the medium term. Given the quality of the portfolio and our expectation of a recovery in the trading performance, a near term exit is not expected to deliver best value to shareholders.

Earnings and dividend

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

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

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

Balance sheet and financing

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

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

The Group's share of net debt reduced by £122.0 million to £544.6 million (31 August 2019: £666.6 million). Adjusting for transactions exchanged or completed post year end, pro forma LTV reduced to 32.6 per cent (31 August 2019 pro forma: 42.0 per cent) supported by the strategic disposal programme and higher cash balances of £70.2 million (31 August 2019: £33.9 million). Since the balance sheet date, the Group's cash position has been significantly enhanced following disposals exchanged or completed post year end and now stands at approximately £131 million. In addition, the Group's revolving credit facility has headroom of £114 million which, subject to financial covenants, provides total cash and available facilities of approximately £240 million.

Progressive sustainability and social responsibility performance

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

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

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

Changes to the Board

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

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

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

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

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

Outlook and strategy

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

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

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

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

Mike Watters
Chief Executive Officer

5 November 2020

Key performance indicators

Linked to strategic priorities and management incentives to align with shareholder returns and drive accountability.

LTV (%)

2020	32.6
2019	42.0

How we measure it
Nominal value of drawn debt net of cash, divided by portfolio market value

Our progress
A strategic priority. Improved following disposal activity

UK Retail (%)

2020	5.3
2019	17.9

How we measure it
Market value of UK Retail investments as a percentage of the total portfolio's market value

Our progress
Continued reduction in exposure to this challenged sector

Interest cover (times)

2020	2.6
2019	3.3

How we measure it
Net rental income divided by net finance expense

Our progress
Below target range following reduction in net rental income brought about by COVID-19

Weighted average cost of debt (%)

2020	3.0
2019	2.9

How we measure it
Interest rate on loans, weighted by the amount borrowed relative to total borrowings

Our progress
Remains ahead of target, albeit a small increase in the year following the repayment of certain German facilities during the year and the relatively lower cost of debt in Germany

Rental income growth
(LfL % decrease)

2020	-23.5
2019	0.0

How we measure it
Change in net rental income for properties held throughout the current and prior year; excludes acquisitions, disposals and properties under development

Our progress
Due to the onset of COVID-19 in the second half of the year, rental income has been significantly impacted across all sectors in which we operate and we have made higher provisions for bad and doubtful debts

Underlying earnings per share (p)

2020	6.9
2019	13.0

How we measure it
EPRA earnings adjusted for forex and fair value accretion of debt, divided by the weighted average number of shares during the year

Our progress
Growth below target range following reduction in net rental income brought about by COVID-19

Income focused portfolio · Efficient capital structure · Financial discipline · Scalable business

EPRA cost ratio (%)

2020	22.4
2019	16.4

How we measure it
Administrative and direct property costs, excluding vacancy costs, as a percentage of rental income

Our progress
Although cost control initiatives were implemented when lockdown measures designed to prevent the spread of COVID-19 came into effect, the fall in net rental income outweighed the cost savings which could be achieved in the short term, resulting in an increase in the EPRA cost ratio

Weighted average debt maturity (yrs)

2020	3.0
2019	3.7

How we measure it
Number of years to maturity on individual loans, weighted by the nominal value of the loan relative to total borrowings

Our progress
No significant refinancing activity concluded during the year

EPRA NAV per share (p)

2020	151.5
2019	185.5

How we measure it
EPRA net assets divided by diluted number of shares outstanding at the year end

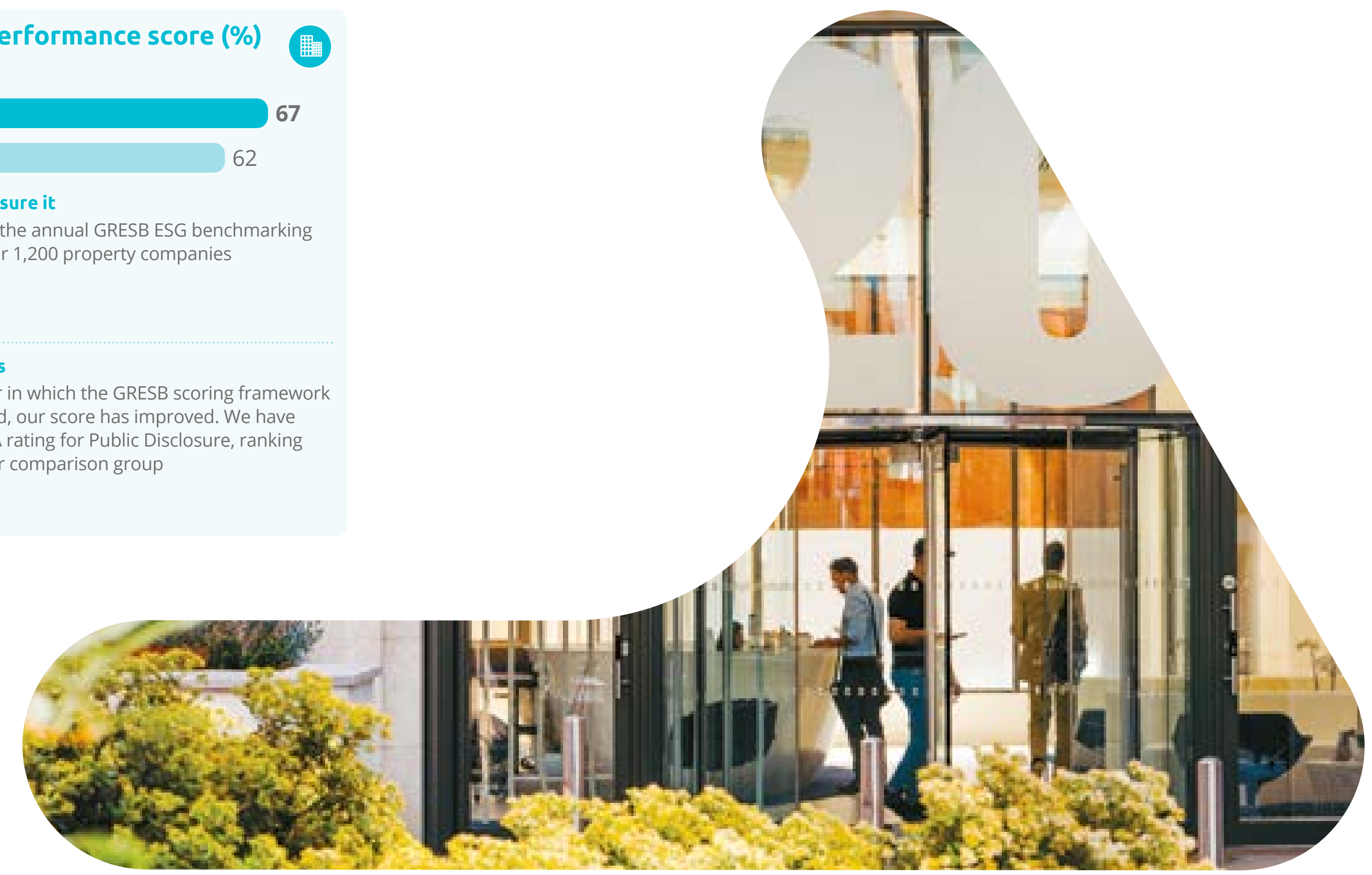
Our progress
Fallen due to valuation losses in the period, largely the result of the impact of COVID-19 on estimated rental values and an expansion in capitalisation rates

GRESB performance score (%)

2020	67
2019	62

How we measure it
The result of the annual GRESB ESG benchmarking review of over 1,200 property companies

Our progress
During a year in which the GRESB scoring framework was tightened, our score has improved. We have retained an A rating for Public Disclosure, ranking 1st within our comparison group



Principal risks and viability

The Group seeks to minimise, control and monitor the impact of risks on profitability and the Group's strategic priorities whilst maximising the opportunities they present in the context of longer term viability.

RDI recognises that it faces a number of risks which could impact the achievement of its strategy.

While it is not possible to identify or anticipate every risk, the Group has an established and robust risk management process to identify, manage and mitigate risk. The Group's process for identifying and managing risk is set by the Board. The Board has delegated the oversight of risk to the Audit and Risk Committee. Risks are identified by applying a dual approach, "bottom up" at the operational level having established responsible risk-owners throughout the business and layered with a "top down" or corporate overlay as determined by the Board. Identified risks are assessed by rating each risk gross and net of mitigating controls. The Board considers emerging risks and uncertainties which may prevent the Group achieving its strategic objectives and the evolution of existing and emerging risks during the year.

The Audit and Risk Committee reviews the risk management plan bi-annually with the design, implementation and monitoring being the responsibility of management on a day-to-day basis. Risks, both principal and emerging, are considered in terms of their impact and likelihood from both a financial and reputational perspective.

Principal risks

Although not exhaustive, the principal risks facing the Group are categorised into four broad risk types: Strategic, Financial, Operational and Legal, Regulatory and Human Resources. The nature of the Group's risks has changed considerably, due to the significant reduction in retail exposure and repositioning of the Group's portfolio, through disposals completed by or shortly after the reporting date.

COVID-19 presents an unprecedented and significant risk to the Company. While it is not possible to fully predict the impact on the global and UK economies, timelines for recovery and thus the consequential impact on our business, our key markets and sectors, assurance may be derived from the wide-ranging response by the business since the outbreak.

As a result, and at the date of this report, a significantly stronger balance sheet and cash reserves position supports a defensive position through an extended period of disruption. We have separately identified COVID-19 specific risks under each risk category in line with best practice, together with the impact of COVID-19 on existing risks.

Emerging risks

New and emerging risks identified during the risk management process and discussed by the Audit and Risk Committee and the Board included:

- impact of climate change and unforeseen environmental considerations;
- EU legislation and its ongoing impact on UK business;
- rising service charge costs;
- ability to secure sufficient insurance cover; and
- contract management.

Principal risks overview

Strategic risks
Primary responsibility: Mike Watters (CEO) and Stephen Oakenfull (Deputy CEO)

Financial risks
Primary responsibility: Donald Grant (CFO)

Operational risks
Primary responsibility: Adrian Horsburgh (Property Director)

Legal, regulatory and human resources risks
Primary responsibility: All Executives and Company Secretary

Strategic risks

Risk	Impact potential	Mitigation factors	Change in risk exposure	Link to strategy
COVID-19 Significant business interruption due to pandemic	• Tenant failures, reduced rental income, covenant defaults and cash flow disruption • Increased refinancing risk and pressure on capital maintenance • Resource constraints and disruption to the flow of management information • Injury, sickness or loss of life of occupier, customer, employee or contractor	• Active engagement with, and financial assistance to, tenants during the disruption period • Government support packages and easing of restrictive measures • Utilisation of undrawn commitments to increase short term liquidity and operational flexibility • Temporary suspension or reduction of dividend • Disposal of assets • Deferral of all non-essential capital expenditure • Alternate use strategy or exit strategy for assets and/or units where there are tenant failures or CVAs (e.g. Travelodge portfolio)	COVID-19 specific	
Significant business interruption, terrorist event or cyber crime	• Inability to access or operate properties • Operational interruption and disruption • Significant reduction in footfall • Share price volatility • Injury, sickness or loss of life of occupier, customer, employee or contractor • Loss of key supplier	• Appropriate insurance in place at both a corporate and property level • Geographic diversity of portfolio • Maintenance of a comprehensive business continuity plan • Major incident planning and monitoring of NaCTSO security advice • Implementation and regular review of corporate cyber security systems • Disaster recovery planning including frequent replication of data and offsite storage • Robust security including CCTV and access controls	Pre COVID-19 Post COVID-19	

Income focused portfolio · Efficient capital structure · Financial discipline · Scalable business

Principal risks and viability continued

Strategic risks continued

Risk	Impact potential	Mitigation factors	Change in risk exposure	Link to strategy
Continuing uncertainty surrounding economic climate and volatility in the global markets. Breakdown in negotiations with the European Union in respect to its future trading relationship with the UK	• Ongoing and heightened economic uncertainty leading to general market dislocation, increased volatility with potential impact on property valuations, share price and delayed strategic decision making of investors, lenders and occupiers • Constrained access to debt or capital markets impacting ability to address liquidity or covenant concerns • Reduction in earnings as a result of a lack of investor and occupier confidence • Inability to execute asset disposals	• Close relationships with key shareholders and lenders • Close monitoring of loan covenants and required cash cures • Ongoing monitoring of proposals and emerging policy and legislation • Balance sheet structure provides a degree of flexibility • Stress testing the Group's medium term forecast to ensure financial position is sufficiently robust to support a theoretical no-deal Brexit	Pre COVID-19 ↓ Post COVID-19 ↑	
Failure to formulate and execute an appropriate sustainable investment strategy that produces income returns. This includes, but is not limited to, gearing levels, diversification, incorrect timing of investment and capital recycling decisions, inadequate consideration of the social and environmental impact of the investment strategy, resulting in erosion of shareholder value	• Declining net asset value and total property return (income and capital) • Declining total shareholder returns and increased share price volatility • M&A activity	• Annual review of investment strategy • Defined asset appraisal process • Investment Committee reviews all opportunities against pre-determined criteria • Monitoring of macro-economic and property market trends • Flexible and agile decision making • Clear and frequent messaging of Group strategy to the market and to analysts • Ongoing dialogue and communication with lenders and brokers	Pre COVID-19 ↔ Post COVID-19 ↔	
Change in investment strategy of significant shareholder or minority interest	• Adverse movement in share price • Perceived loss of confidence • Disruption to implementation of strategic objectives	• Close relationships and open dialogue maintained with key shareholders and partners • Clear income focused total return strategy targeting upper quartile performance • Actively target new investors • Introduction of new significant shareholder	Pre COVID-19 ↔ Post COVID-19 ↓	

Income focused portfolio · Efficient capital structure · Financial discipline · Scalable business

Financial risks

Risk	Impact potential	Mitigation factors	Change in risk exposure	Link to strategy
COVID-19 Significant decline in market conditions and exceptional market disruption, increasing the need for liquidity during periods of extended disruption	• Declining valuations and earnings leading to covenant breaches, cash cure requirements and constrained liquidity • Pressure on maintaining sustainable income and a stable and growing dividend	• Ensure sufficient liquidity and undrawn commitments to meet commitments and plausible stress scenarios • Reduce or temporarily suspend dividends or dispose of assets to ensure sufficient liquidity in the face of heightened market volatility • Negotiation of covenant waivers and payment holidays during disruption periods • Commitment to operational efficiencies and low cost base	COVID-19 specific	
Reduction in investor and occupier demand for UK real estate, and acceleration in structural changes in retail consumer and commercial workforce behaviour	• Reduced availability of financing as a result of past or future events • Inability to fund property investments • Increased cost of finance	• Mix of lenders and maturities of facilities • Non-recourse debt structure • Early refinancing of debt and focus on lower leverage capital structure • Regular assessment of market conditions including bi-annual external valuations and monitoring of covenants • Detailed capital planning and forecasting • Repositioning of portfolio, with full exit from all retail assets in consideration	Pre COVID-19 ↑ Post COVID-19 ↑	
Adverse interest rate movements and inflationary pressures	• Increased cost of borrowing and hedging reducing financial and operational flexibility • Adverse impact on property valuations	• Interest rate hedging policy providing interest rate protection • Target staggered debt maturities • Early refinancing where economically viable to lock in lower rates for longer	Pre COVID-19 ↔ Post COVID-19 ↔	
Adverse foreign currency movements	• Reduced operating income prior to European portfolio disposals • Decreased Sterling equivalent asset or disposal values	• Debt facilities arranged in the currency of the related investment act as a partial hedge • Exchange rates continuously monitored • Amounts converted to Sterling at earliest opportunity • Foreign currency forward contracts entered into prior to significant transactions • Disposal of European assets	Pre COVID-19 ↓ Post COVID-19 ↓	

Income focused portfolio · Efficient capital structure · Financial discipline · Scalable business

Principal risks and viability continued

Operational risks

Risk	Impact potential	Mitigation factors	Change in risk exposure	Link to strategy
COVID-19 Inability to support stakeholders during periods of severe market dislocation	• Occupier or supplier failures • Reputational damage	• Provision of assistance to tenants in the form of rent deferrals, rent reductions and rent-free periods and reduced service charge budgets in addition to short term funding to hotel occupier to bridge trading shortfalls	COVID-19 specific	Income focused portfolio, Scalable business
Failure to anticipate changes in the property cycle or poor trading performance from operational assets	• Reduced investment demand and declining property values • Potential pressure on banking covenants	• Bi-annual external valuation of properties • Diversified portfolio • Active asset management • Regular monitoring of covenants, including scenario modelling • Flexible cost base of operational assets	Pre COVID-19 ↔ Post COVID-19 ↑	Income focused portfolio, Scalable business
Reduced occupier demand for space and deferral of decisions, increased supply, or occupier defaults, impacting the ability to buy, develop, manage and sell assets	• Reduced rental income and cash flow • Loss of key tenants • Increased void costs • Declining property values	• Diverse tenant base • Long leases and strong tenant covenants • Open dialogue with tenants and property managers • Review consumer trends • Regular monitoring of tenants at risk • Proactive monitoring of lease expiries and/or breaks to minimise periods of vacancy • Reputable property managers and efficient rent collection procedures	Pre COVID-19 ↔ Post COVID-19 ↑	Income focused portfolio, Financial discipline
Inappropriate cladding or construction materials	• Increased devastation in case of fire	• Annual fire risk assessment • Comprehensive review of cladding and insulation in place across portfolio and close liaison with national Health & Safety executive	Pre COVID-19 ↔ Post COVID-19 ↔	Income focused portfolio, Financial discipline
Reliance on third-party service providers (asset and property managers, offshore administrators and accountants) due to complex Group structure	• Financial or reputational impact • Operational ineffectiveness • Failure to comply with regulatory requirements in offshore jurisdictions	• Robust service level agreements in place • Appropriate due diligence and tendering process for reputable service providers • Regular engagement and active management of all service providers • Periodic review and formal update of services provided in line with changes in the business. Renewal of service level agreements	Pre COVID-19 ↔ Post COVID-19 ↑	Financial discipline, Scalable business

Income focused portfolio Efficient capital structure Financial discipline Scalable business

Legal, regulatory and human resources risks

Risk	Impact potential	Mitigation factors	Change in risk exposure	Link to strategy
COVID-19 Stakeholder welfare	• Sickness of employees, tenants or contractors during pandemic	• Adherence to government guidelines across portfolio and head office during the disruption period • Significant planning and co-ordination to ensure the safe re-opening of assets for customers, clients and occupiers • Deferral of all non-essential capital projects • Comprehensive planning and external review of phased return-to-work programme for employees (aligned to government guidelines)	COVID-19 specific	Income focused portfolio, Financial discipline
Health, safety and environmental risk	• Loss or injury to employees, tenants or contractors • Impact on reputation, adverse publicity or financial impact	• Policies in place with audit and risk assessments undertaken • Environmental programme in place • All properties actively managed • Appointed dedicated Health & Safety Manager • Comprehensive tendering process for contractors • Engagement with regulators and health and safety authorities to ensure that ongoing compliance is being adhered to	Pre COVID-19 ↔ Post COVID-19 ↑	Income focused portfolio, Financial discipline
Changes in, or breach of, regulatory or legislative requirements	• Financial or reputational impact • Reduced financial returns as a result of increased taxes across the Group's non-REIT residual business • Adverse tenant behaviour	• Sound governance and internal policies • Appointment of appropriately qualified employees • Regular review of compliance e.g. REIT legislation • Proactive identification of changes in legal and regulatory environment with planned response to changes prior to implementation • Maintenance of a data protection policy to ensure compliance with EU GDPR Regulations • Early engagement with regulators	Pre COVID-19 ↔ Post COVID-19 ↔	Efficient capital structure, Financial discipline, Scalable business
Failure to recruit, develop and retain employees with the right skills and experience	• Ineffective decision making and failure to deliver against business objectives and performance • Operational ineffectiveness	• Active succession planning to mitigate key person risk • Clear employee objectives and annual performance appraisal to ensure alignment to business objectives • Competitive and benchmarked remuneration to attract and retain talent • Periodic employee engagement surveys and employee health and wellbeing initiatives	Pre COVID-19 ↑ Post COVID-19 ↔	Financial discipline, Scalable business

Income focused portfolio Efficient capital structure Financial discipline Scalable business

Principal risks and viability continued

Viability

Viability assessment period

The Directors have considered a three year time horizon in assessing longer term viability. This is underpinned by an average unexpired lease term and weighted average debt maturity of three years or greater. In the view of the Directors, this time horizon strikes a balance between establishing viability and assessing the Group's longer term prospects.

The Group's strategy, set by the Board, is reviewed annually and considers a three year time horizon, therefore for the purposes of this assessment the business prospects have been considered and plans stress tested over the same period.

The Directors believe that focusing on the Group's strategic priorities will support the continued relevance, solvency and viability of the Group in the longer term. As outlined on page 13 the Group is focused on accelerating certain strategic priorities over the near and medium term, namely: the delivery of a lower leverage capital structure; more focused allocation of capital; and accelerated reduction in exposure to retail assets. The viability assessment has been aligned to these priorities.

Consideration of key risks and uncertainties facing the Group

The nature of the Group's business and the industry in which it operates exposes it to a variety of risks. The principal risks and uncertainties faced are outlined on pages 22 to 27, whilst significant areas of judgement and uncertainty are discussed on page 106. The Board regularly reviews these disclosures and assesses the appropriate controls and actions that can be taken to mitigate and manage the operations of the Group within an appropriate risk tolerance. The Directors have further considered their impact within the context of the Group's viability and prospects, with emphasis this year being placed on the unprecedented challenges posed to the business and the Group's occupiers since the outbreak of COVID-19 was recognised as a global pandemic on 11 March 2020, and the subsequent restrictive measures and regulations enforced by both the UK and German governments.

Assumptions

In reaching their opinion, the Directors considered the Group's internal control environment together with the results of plausible but conservative scenarios.

Key assumptions underlying the base-case scenario were as follows:

- other than UK Shopping Centres, the London Serviced Office portfolio and the RBH managed hotels, which are forecast to record a further decline in value, the residual portfolio valuations are assumed to remain broadly stable;
- proceeds of targeted property disposals are applied towards debt reduction, in line with the Group's strategic objective of a lower leverage capital structure;
- credit markets remain open and available to the Group to allow it to continue to refinance existing debt facilities as they mature, albeit at a likely higher cost of debt and lower leverage;
- lease expiries will result in a void period prior to reletting with incentives likely to be extended;
- inflation continues at levels in line with Bank of England targets; and
- Sterling remains stable relative to the Euro.

The Group's three year business plan was stress tested using both specific and cumulative "downside" assumptions to model a general deterioration in market conditions and operational returns, including flexing the key base-case assumptions set out above.

In particular, key assumptions underlying the downside scenario were as follows:

- annual valuation declines impacting all asset classes;
- an increase in the cost of planned developments, in addition to non-income producing or defensive capital requirements;
- a general reduction in the Group's underlying earnings being the combined result of reduced rental and other income, extension of void periods and additional tenant incentives, increased bad debts and higher rates of inflation; and
- an inability to refinance at comparable levels of gearing, with significant prepayments assumed.

COVID-19 pandemic

Considering the unprecedented disruption that has resulted from COVID-19 and the uncertainties regarding the timeline for recovery, further COVID-19 specific considerations have been applied to create a possible worst-case scenario which would not ordinarily be expected to occur.

Key assumptions which were further considered were:

- dislocation in the investment market hinders the ability to execute the planned sales of the residual European portfolio;
- the occurrence of rent deferrals and bad debts increases significantly;
- the performance of the operational assets (RBH managed hotels and London Serviced Office portfolio) is impacted for an extended period; and
- several cash cures are required as a result of property valuation and earnings declines once covenant waiver periods end.

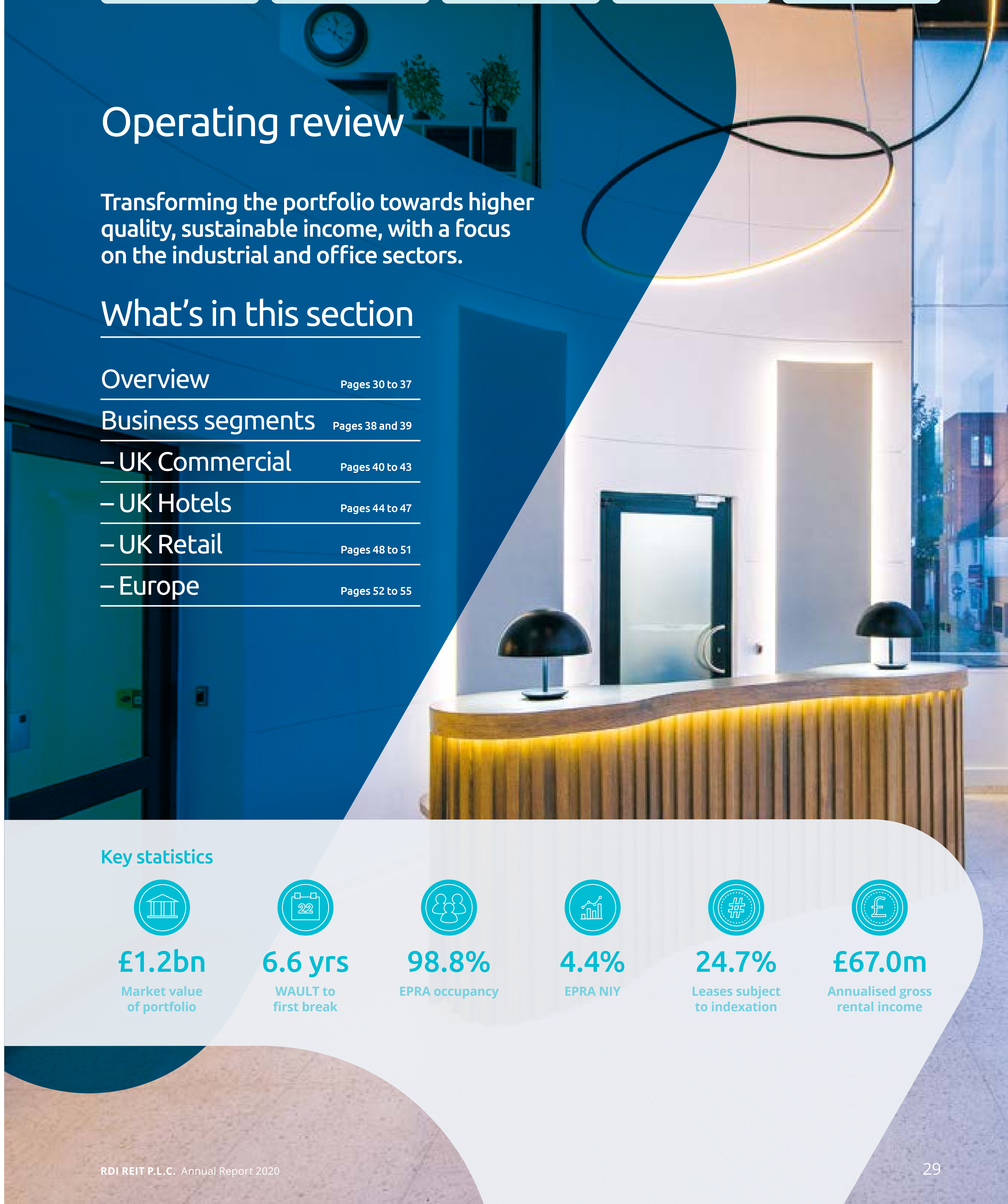
Mitigating actions

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

The Group's cash and undrawn facilities increased to approximately £240.0 million after the reporting date, following the receipt of proceeds from the sale of the Schloss-Strassen Center, Berlin and completion of the disposal of the UK Retail Park portfolio. This level of liquidity provides the Directors with comfort that a sustained period of disruption could be endured.

Conclusion

As a result of the work performed and the various mitigating actions available to the Board, in the unlikely event that the stress tests performed prove to be insufficient, the Directors are of the view that the Group's strategy will provide a sound platform upon which to continue its business. The Directors therefore conclude that there is a sufficiently reasonable expectation that the Group can continue in operation and is capable of meeting its debts and obligations as they fall due during the next three years.



Operating review

Transforming the portfolio towards higher quality, sustainable income, with a focus on the industrial and office sectors.

What's in this section

Key statistics

£1.2bn	6.6 yrs	98.8%	4.4%	24.7%	£67.0m
Market value of portfolio	WAULT to first break	EPRA occupancy	EPRA NIY	Leases subject to indexation	Annualised gross rental income

Overview

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

COVID-19

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

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

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

Cash, liquidity and banking covenants

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

Capital expenditure

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

Rent collection

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

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

(1) Annualised gross rental income as at 31 August 2020. Rent collection percentages relate to the rent demanded and due.
(2) Rent collection, adjusted for certain tenants which have indicated they are paying monthly and have paid one third of quarterly rent demanded.
(3) Rent collection typically reflects payments made monthly in advance.
(4) Rent concessions agreed for all hotels for second six months of the financial year. Full rent received for the six months to 29 February 2020.

Distribution and Industrial

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

Offices

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

London Serviced Offices

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

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

UK Retail

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

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

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

Overview continued

COVID-19 continued

Rent collection continued

Hotels

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

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

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

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

Travelodge portfolio

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

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

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

Portfolio overview and capital allocation

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

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

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

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

Portfolio summary

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

(1) Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.
(2) Annualised gross rental income for UK Hotels reflects rents collected on the RBH managed hotels during the year.
(3) Reversionary yields for London Serviced Offices and RBH managed hotels reflect management expectations of the underlying EBITDAs for the 2021 financial year.
(4) Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

Leasing activity

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

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

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

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

Overview continued

Valuation overview

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

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

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

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

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

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

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

(1) Market value adjusted to reflect lease liabilities and lease incentives.
(2) Includes the effect of capital expenditure, amortisation of head leases, tenant lease incentives and foreign currency translation where applicable.
(3) The letting of Unit 1a at Link 9, Bicester is included in annualised topped up net rental income movements as it was reflected as a vacancy as at 31 August 2019.

Capital expenditure

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

Disposal activity

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

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

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

(1) Joint ventures at proportionate share.
(2) Topped up EPRA NIY, based on the sales price.

Overview continued

Disposal activity continued

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

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

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

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

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

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

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

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

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

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

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

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

Disposals post year end

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

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

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

Business segments

UK Commercial

Market value
£524.7m

Percentage of portfolio

2020	2019
45%	39%

Highlights
- Industrial Distribution and Office accounts for 57 per cent of pro forma portfolio value
- London office portfolio located in areas benefiting from significant transport and infrastructure investment

Occupancy (%)	98.1
Lettable area (m²)	195,599
Annualised gross rental income (£m)	30.6
Properties	52

Incorporating
- Well located, multi-let distribution centres
- Four London serviced offices, centrally located within close proximity to public transport
- Four offices located in Greater London in areas benefiting from major regeneration and capital investment

UK Hotels

Market value
£309.7m

Percentage of portfolio

2020	2019
27%	26%

Highlights
- High proportion of variable operating costs
- Occupancy in managed portfolio returned to 47 per cent pre England's second lockdown in November 2020, compared to London average occupancy of 15 per cent

Occupancy (%)	100
Lettable area (m²)	77,391
Annualised gross rental income (£m)	10.2
Properties	18

Incorporating
- 18 predominantly limited service hotels primarily located in Greater London and Edinburgh
- Branded Holiday Inn, Holiday Inn Express, Crowne Plaza, Travelodge, DoubleTree by Hilton, Edinburgh and Hampton by Hilton
- 27.4 per cent interest in RBH Hotel Group, the UK's largest independent hotel manager

UK Retail

Market value
£210.1m

Percentage of portfolio

2020	2019
18%	18%

Highlights
- UK Retail Parks disposed post period end for £156.9 million
- UK shopping centre occupancy maintained at 99 per cent

Occupancy (%)	99.6
Lettable area (m²)	102,166
Annualised gross rental income (£m)	19.0
Properties	8

Incorporating
- Two wholly owned UK shopping centres, one of which is located in the London suburb of Harrow and tenanted by leading retailers, TK Maxx and Wilko

Europe

Market value
£122.2m

Percentage of portfolio

2020	2019
10%	17%

Highlights
- Contracts exchanged for the sale of Bahnhof Altona, Hamburg for €91 million
- Occupancy across residual portfolio remained high at 98.5 per cent
- One further asset contracted for sale post year end

Occupancy (%)	98.5
Lettable area (m²)	37,847
Annualised gross rental income (£m)	7.2
Properties	5

Incorporating
- Two well located shopping centres in Hamburg and Ingolstadt
- Centre in Hamburg has been contracted for sale at €91.0 million
- Other assets comprise smaller retail-led investments
- All properties are held for sale

UK Commercial

Our distribution and industrial strategy is focused on an in-depth understanding of occupational demand and trends linked to changing consumer habits and the impact on supply chains and logistics networks.

Key statistics

£30.6m	98.1%	6.3 yrs	195,599	52	4.8%
Annualised gross rental income	Occupancy	WAULT to first break (excl. London Serviced Offices)	sqm	Number of properties	EPRA NIY

UK Commercial continued

UK Distribution and Industrial
(21.2 per cent of the portfolio)

Our portfolio is typically "standard warehousing" units of under 200,000 sqft linked to key transport networks and strong demographics, in order to capture a broad base of occupier demand, including third party logistics, distribution and manufacturing.

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

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

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

Key asset management initiatives and leasing activity in the year

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

UK Offices
(23.8 per cent of the portfolio)

Our office strategy is focused on higher yielding assets in Greater London, located in areas benefiting from infrastructure investment and opportunities to add value through repositioning or planning gain.

Short to medium term income returns combined with identifiable asset management opportunities and relatively low capital values per sqft, aim to deliver non-cyclical, income led total returns. This, combined with our serviced office platform, provides the ability to meet the rapidly changing demands of office occupiers requiring flexible lease terms together with the provision of high quality services.

London Serviced Office ("LSO") portfolio

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

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

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

Despite the anticipated increase in vacancy rates across the London office market, the impact of COVID-19 has highlighted the importance of flexibility, both in terms of working practices and occupiers' need to adjust their space requirements quickly and efficiently in response to business cycles. We continue to see evidence of smaller and mid-size firms seeking flexible lease terms and high quality services which allow them to focus on their core business, both at the office and remotely.

Equally, there is increased demand from larger corporates for flexibility and turn-key solutions for larger elements of their office requirement. Without underestimating the impact of the current economic conditions and the likelihood of lower aggregate demand in the short term, the longer term support for dedicated office space with flexible lease terms and high levels of support services remains intact.

Greater London and regional offices

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

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

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

Key asset management initiatives and leasing activity in the year

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

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

UK Offices 31 August 2020	Market value £m	Annualised gross rental income £m[1]	ERV £m	EPRA NIY %	EPRA topped up NIY %	Reversionary yield %[2]	WAULT yrs[3]	EPRA occupancy by ERV %[3]	Indexed %
Offices – Serviced	148.3	8.5	8.2	5.0	5.0	4.9	n/a	n/a	—
Offices – Greater London	111.0	5.5	6.2	4.4	4.5	5.2	2.4	99.5	12.3
Offices – Regions	18.7	1.6	1.8	5.3	7.1	8.9	7.4	87.1	8.9
Total	**278.0**	**15.6**	**16.2**	**4.8**	**5.0**	**5.3**	**3.6**	**96.7**	**5.2**

(1) Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.
(2) Reversionary yield for the London Serviced Office portfolio reflects management expectations of the underlying EBITDAs for the 2021 financial year.
(3) Excluding London Serviced Office portfolio. Relevant operational metrics disclosed separately.

London Serviced Office portfolio Operational metrics	31 August 2020	31 August 2019
Average desk occupancy (%)	**86.8**	94.0
Average monthly desk rate – licence fees only (£)[1]	**611.3**	679.0
Average total revenue per available desk (£)[1]	**665.4**	823.8
EBITDA per sqft (£)	**50.4**	67.0
EBITDA conversion from total revenue (%)	**58.6**	61.5
Average weighted stay (months)	**35.7**	31.5

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

UK Hotels

The second half of the financial year has been exceptionally challenging for the hotel sector, with COVID-19 related restrictions impacting occupancy and revenue from late February onwards.

Key statistics

- **£10.2m** Annualised gross rental income
- **100.0%** Occupancy
- **21.0 yrs** Travelodge portfolio WAULT to first break
- **77,391** sqm
- **18** Number of properties
- **2.2%** EPRA NIY

UK Hotels continued

Decisive management action together with various UK Government support packages, including the twelve month rates holiday until March 2021 and the Coronavirus Job Retention Scheme, have served to limit operating costs within the RBH managed hotel portfolio during a period of limited revenue.

RBH managed hotels

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

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

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

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

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

Travelodge CVA

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

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

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

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

(1) Annualised gross rental income and related metrics for the RBH managed portfolio reflects rents collected during the year.
(2) Reversionary yields for the RBH managed portfolio reflects management expectations of underlying EBITDAs for the 2021 financial year.
(3) Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately. Travelodge, Slough did not contribute to the WAULT calculation as at 31 August 2020 given there was no rent under the CVA terms.

UK Retail

The UK Retail sector continues to experience a tough trading environment as a result of the impact of COVID-19 and the acceleration of online retailing and structural changes in consumer habits.

Key statistics

£19.0m	99.6%	6.6 yrs	102,166	8	6.8%
Annualised gross rental income	Occupancy	WAULT to first break	sqm	Number of properties	EPRA NIY

UK Retail continued

Within this context, the disposal of the UK Retail Parks portfolio for £156.9 million, representing a 3.0 per cent discount to the 29 February 2020 valuation, was a considerable success.

The disposal and the pricing achieved was largely due to the asset management of the portfolio and the positioning of the assets to more resilient parts of the sector, including food, discount and convenience retailers.

At the year end, the portfolio was almost fully occupied with occupancy at 99.6 per cent (31 August 2019: 97.8 per cent). Retail exposure in the UK is now limited to two assets representing 5.7 per cent of the pro forma portfolio, with a view to a full exit from the sector.

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

Europe

Germany has typically experienced less severe COVID-19 restrictions than the UK and, prior to the recently announced lockdown for November 2020, had seen a relatively quick return to more normalised activity levels.

Key statistics

£7.2m	98.5%	4.7 yrs	37,847	5	4.4%
Annualised gross rental income	Occupancy	WAULT to first break	sqm	Number of properties	EPRA NIY

Europe continued

Notwithstanding this, the strategic decision to exit our German retail portfolio is supported by a notable deterioration in the strength of the occupational market and a corresponding change in the depth and pricing within the investment market.

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

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

Europe 31 August 2020	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up NIY %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
German shopping centres[1]	109.4	6.2	5.7	4.3	4.9	4.9	4.8	99.3	95.64
German other	12.8	1.0	1.0	5.9	5.9	7.1	3.7	94.0	87.2
Total	**122.2**	**7.2**	**6.7**	**4.4**	**5.0**	**5.1**	**4.7**	**98.5**	**94.5**

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

Financial review

> Significant market uncertainty and extremely challenging trading conditions have impacted on the Group's financial performance, both from an earnings and valuation perspective.
>
> **Donald Grant**
> Chief Financial Officer

At a corporate level, the focus has been to improve liquidity and operational flexibility to ensure the Group could withstand an extended period of disruption.

Overview

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

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

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

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

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

Performance against strategic financial targets

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

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

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

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

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

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

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

Financial review continued

Acquisitions

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

Disposals

European portfolio

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

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

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

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

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

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

UK portfolio

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

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

Presentation of financial information

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

Discontinued operation

Effective 1 March 2019, the Group determined that the co-ordinated sale of the European portfolio met the criteria of a disposal group held for sale and constituted a discontinued operation. To comply with the presentation requirements of a discontinued operation under IFRS, the post-tax profit/loss of the Europe segment has been presented separately in the income statement, in addition to separating the cash flows of the segment under the relevant activities in the statement of cash flows.

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

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

IFRS 16 'Leases' ("IFRS 16")

On 1 September 2019, the Group adopted IFRS 16, the new leasing standard. Under the previous standard, operating lease payments were charged to the income statement as a rental expense on a straight-line basis. On transition to IFRS 16, the Group recognised lease liabilities in relation to its operating leases (measured at the present value of future remaining lease payments at the date of transition) and corresponding right-of-use ("ROU") assets. Lease liabilities and ROU assets of £42.7 million, in relation to the Group's leasehold interests in investment property, were recognised on transition. There has been no impact to the Group's net assets or earnings at 1 September 2019 and the standard has been adopted using the simplified method, meaning the comparative reporting period has not been restated. For the year ended 31 August 2020, the Group has subsequently measured the lease liabilities by increasing the carrying value to reflect the effective interest cost in each lease obligation (recognised as a finance cost in the income statement) and then reducing the carrying value to reflect head rent payments. Head rent payments are no longer recognised as a rental expense. While rental expense has decreased, underlying finance costs have increased by a corresponding amount and therefore there has been no overall change to underlying earnings.

Differences in the total income statement charge as a result of recognising the effective interest costs on the lease liabilities, are presented as a Company specific adjustment in reconciling underlying earnings to IFRS. For the year ended 31 August 2020, this amounted to less than £0.1 million (including both continuing and discontinued operations). Certain performance measures, such as the interest cover ratio, have also been adjusted for comparability.

Reassessment of the Group's contracts with customers

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

Interest in joint ventures previously not recognised

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

Alternative performance measures

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

Financial review continued

Income statement

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

Underlying earnings from discontinued operation (Europe segment)

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

The above income statement tables are not presented in line with the requirements of IFRS. The tables segment the IFRS income statement in order to illustrate underlying earnings and EPRA earnings, both key alternative performance measures. A full reconciliation from IFRS (loss)/profit attributable to equity holders of the Parent is set out in Note 31 to these consolidated financial statements.

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

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

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

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

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

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

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

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

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

Like-for-like net rental income analysis

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

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

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

Financial review continued

Like-for-like net rental income analysis continued

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

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

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

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

Balance sheet

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

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

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

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

Property portfolio

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

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

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

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

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

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

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

Financial review continued

Debt and gearing

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

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

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

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

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

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

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

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

Covenants

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

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

Cash flow

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

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

Going concern

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

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

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

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

Dividend

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

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

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

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

Donald Grant
Chief Financial Officer

5 November 2020

EPRA and other alternative performance measures

Analysing our performance in line with industry standard measures.

EPRA disclosures

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

Measure	Definition of measure	Note/ reference	2020	2019
Earnings	Earnings from operational activity	Note 31	**£26.2m**	£48.8m
Net asset value	NAV adjusted for investments held at fair value and excluding items not expected to be realised	Note 32	**£577.8m**	£706.5m
Triple net asset value	EPRA NAV adjusted to include fair value of financial instruments, debt and deferred taxes	Note 32	**£556.4m**	£682.6m
Net disposal value	NAV measure that assumes assets are sold and/or liabilities are not held until maturity. Deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected on the balance sheet	Note 32	**£557.2m**	£685.6m
Net tangible assets	NAV measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability which is included	Note 32	**£575.2m**	£702.4m
Net reinstatement value	NAV measure to highlight the value of net assets on a long term basis. Fair value movements on financial derivatives and deferred taxes are excluded	Note 32	**£577.0m**	£703.5m
Net initial yield	Annualised income based on passing rent less non-recoverable operating expenses expressed as a percentage of the market value of property	Other information	**4.4%**	5.4%
Topped up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives	Other information	**4.9%**	5.6%
Vacancy rate	Estimated rental value of vacant space divided by that of the portfolio as a whole(1)	Other information	**1.2%**	4.1%
Cost ratio (incl. direct vacancy costs)	Administrative and operating costs expressed as a percentage of gross rental income	Other information	**27.4%**	19.6%
Cost ratio (excl. direct vacancy costs)	Administrative and operating costs, adjusted for direct vacancy costs, expressed as a percentage of gross rental income	Other information	**22.4%**	16.4%
Like-for-like rental income	Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income. Is used to illustrate change in comparable income values	Financial review	**(23.5%)**	—
Like-for-like capital	Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development. Is used to illustrate change in comparable capital values	Financial review	**(9.8%)**	(2.9%)

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

Other EPRA investment property reporting

Accounting basis

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

Valuation information

Refer to Note 13 to the financial statements for valuation information.

Investment and development assets

Refer to the operating review for detailed disclosure on the Group's sub-portfolio metrics and further information on the Group's significant development projects during the year ended 31 August 2020.

Capital expenditure analysis

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

Other Alternative Performance Measures

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

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

Measure	Definition of measure	Note/ reference	2020	2019
Underlying earnings	EPRA earnings adjusted for the impact of non-cash debt accretion charges, non-cash IFRS 16 transitional adjustments and FX gains and losses reflected in the income statement	Note 31	**£26.2m**	£49.4m
Headline earnings	Additional earnings per share measure as required by the JSE which excludes separately identifiable remeasurements in accordance with Circular 01/2019	Note 31	**£22.0m**	£37.7m
Net debt	Total nominal value of the Group's proportionate bank borrowings, less cash and cash equivalents	Note 20	**£544.6m**	£666.6m
Loan to value	The ratio of net debt divided by the market value of investment property(1)	Financial review	**46.7%**	46.8%
Interest cover	The Group's net rental income divided by net finance expenses(2)	Note 33	**2.7**	3.3
Dividend pay-out ratio	Total dividend per share paid out to shareholders relative to the underlying earnings per share during the year	Other information	**72.5%**	76.9%
Dividend cover	Inverse of dividend pay-out ratio	Other information	**1.4**	1.3
Rent collection rate	Collection of quarterly rent as a percentage of total rent within seven days of billing	Financial review	**78.1%**	96.3%

(1) Pro forma adjusted to 32.6 per cent to reflect transactions between the balance sheet date and date of result announcement (31 August 2019: 42.0 per cent).
(2) Pro forma calculated as net rental income over net underlying finance expense and excluding IFRS 16 transitional adjustments for the year ended 31 August 2020.

Sustainability and Social Responsibility

RDI is committed to measuring and improving our environmental, social and governance ("ESG") performance.

How we look after our people

Pages 74 and 75

How we engage with our stakeholders

Pages 76 to 79

How we care for our assets and the environment

Pages 80 to 81

Key statistics

67
2020 GRESB performance score, up from 62 in 2019

13%
Like-for-like reduction in Scope 1 and 2 emissions

12%
Reduction in weighted average energy intensity

0%
Waste to landfill

RDI REIT P.L.C. Annual Report 2020

Sustainability and Social Responsibility

"In my view, RDI is a company that continues to punch above its weight in ESG matters."

Liz Peace
Chair of the Sustainability and Social Responsibility Committee

Committee members

Liz Peace (chair)
Independent
Appointed 25 January 2018

Mike Watters
CEO
Appointed 23 August 2014

Donald Grant
CFO
Appointed 1 December 2016

Adrian Horsburgh
Property Director
Appointed 23 August 2014

At each Committee meeting the following matters were discussed

- Progress against ESG targets
- Health and safety
- Energy rating (EPCs)
- Stakeholder engagement
- Governance updates
- Disclosure and indices
- Green lease clauses

Additional matters discussed at each of the Committee meetings are shown below

October 2019
- Setting the 2020 ESG targets
- GRESB results
- Biodiversity policy
- EPRA sBPR results
- Software enabled data management
- Sustainability assurance

April 2020
- Change of name from Corporate Social Responsibility to Sustainability and Social Responsibility
- Renewable electricity commitments
- GRESB response preparation and timeline
- Changes to 2020 GRESB assessment

January 2020
- AGM voting advisory report
- Proposed higher banding for EPCs
- Employee focus group with Liz Peace
- ESG focus on disclosure and indices including peer review
- Sector specific Net Zero commitments
- TCFD
- Building certification

June 2020
- Tenant fit-out guidance
- Tenant satisfaction survey results
- TCFD
- Consideration of new ESG targets

Resilient governance
To uphold the highest standards of ethical behaviour and support our workforce. We seek to operate in a manner that fosters open stakeholder engagement and demonstrates best practice in social and environmental risk management.

Resilient investment
We undertake to realise the full potential of our investments for both our shareholders and the communities in which we operate.

Resilient assets
We are mindful of our wider role as placemakers and we aim to contribute to the long term prosperity of the communities in which we invest. In doing so, we will undertake asset management which minimises risk and maximises asset value whilst providing the best experience possible for occupiers and visitors alike.

Committee composition

The Sustainability and Social Responsibility Committee is chaired by Liz Peace, an independent Non-executive Director.
As the primary purpose of the Sustainability and Social Responsibility Committee is to safeguard the interests of stakeholders, it was considered appropriate that Liz Peace be appointed the designated Director to represent employees' interests on the Board. The importance of Sustainability and Social Responsibility is such that the Committee includes three of the four executives. Meetings are also attended by Savills, the Committee's advisers, the asset managers, the head of marketing, the health and safety officer and the Company Secretary. The mix of attendees ensures that all those responsible for ESG can implement and embed the Group's sustainability strategy into day-to-day operations.

Committee operations

The Sustainability and Social Responsibility Committee met four times during the year. Attendance at those meetings can be found on page 95. The Committee operates within terms of reference, which were approved by the Board on 24 July 2018 and can be found on the website **www.rdireit.com**.
Our strategic framework is based on three key pillars, each of which is linked to key material social and environmental risks and opportunities that we have identified for our business, these being:

- resilient governance;
- resilient investment; and
- resilient assets.

Progress against Task Force on Climate-related Financial Disclosures ("TCFD")

RDI recognises the growing importance of reporting against the framework set out by the TCFD, and monitors its performance against the recommended disclosures with the objective of improving on these year-on-year. Progress made this year is shown on page 73.

GRESB performance

RDI aims to provide confidence to stakeholders through annual participation in the most prominent industry benchmark survey, the GRESB Real Estate Assessment. GRESB requires the Company to report against a wide array of ESG matters, and highlights areas for improvement and opportunities for growth. RDI uses the annual outcome from GRESB as a benchmark to assess its own sustainability performance.

Following a significant change to the 2020 GRESB scoring methodology and assessment structure, and the challenges placed on data collection due to the disruption of COVID-19, RDI was pleased to receive a significantly improved score of 67 (2019: 62), placing RDI third in its peer group, and first in the public disclosure assessment.

Each year the ESG targets are structured to pursue continual improvement in our GRESB score and the performance against the 2020 targets and the proposed new targets for 2021 are shown overleaf.

Sustainability and Social Responsibility continued

Progress achieved against ESG targets set for 2020

Resilient governance	Resilient investment	Resilient assets
✓ **Pilot supplier self-assessment questionnaire to adhere to RDI REIT P.L.C. Code of Ethics for suppliers.** A new questionnaire was developed during the year. Due to events related to the COVID-19 pandemic, the pilot was placed on hold and is scheduled to be rolled out in 2021.	✓✓ **Improve coverage of our managed properties to Environmental Management Systems to ISO 14001:2015 certification.** Our commitment to the management of their environmental impact has progressed during the year with Coburg House, Southwark having passed the audit, maintaining representation across two asset classes certified to ISO 14001.	✓✓ **Implement a biodiversity policy across the managed properties.** The biodiversity policy was approved by the Board in early 2020. Steps towards implementation have included education and raising awareness with the asset management team and commencement of a portfolio review in line with the policy.
✓✓✓ **Integrate annual Sustainability and Social Responsibility performance targets for our employees with progress reported on annually.** All our employees have committed to at least one Sustainability and Social Responsibility objective and will continue to do so annually.	✓✓✓ **Commit to procuring 100 per cent electricity on a renewable energy tariff, subject to availability, by 2022.** We have committed to procuring 100 per cent renewable electricity by 2022 (subject to availability) from certified renewable tariffs for the properties which fall within the Group's operational responsibility.	✓ **Continue to undertake actions to support the journey to achieving our corporate energy reduction target of 25 per cent by 2030.** We have continued to improve our data management to inform decision making and have increased our reporting frequency against the target. We will act on suitable energy efficiency recommendations over the coming year.
✓ **Promote a standard tenant fit-out guide in accordance with industry best practice for all assets.** Tenant fit-out guides are available across our Shopping Centres. We are investigating options for a fit-out guide to meet the requirements of the commercial portfolio.	✓✓✓ **Continue to independently verify the performance of our assets through certification of our portfolio.** Our certification coverage has increased from three per cent in 2019 to eight per cent this year. This is a result of: (i) Bicester Link 9 Plot 1B awarded "Very Good" for BREEAM New Construction; Design Stage; and (ii) London Serviced Office at St Paul's awarded BREEAM In-Use "Very Good" for Asset Performance.	✓✓ **Further integrate ESG data within day-to-day operational performance management.** During the year we continued to focus on embedding ESG reporting and system management processes. Actions undertaken include automation of asset specific reporting and accelerated reporting timelines.

✓✓✓ Good progress
✓✓ Sound progress
✓ Some progress

ESG targets set for 2021

Resilient governance	Resilient investment	Resilient assets
Roll out supplier self-assessment questionnaire to adhere to RDI's Code of Ethics for suppliers.	Improve coverage of our managed properties to Environmental Management Systems to ISO 14001:2015 certification.	Develop standard ESG clauses to be proposed for all new lease contracts and renewals to promote improvement in asset performance.
Strengthen alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.	Undertake a review of our sustainability and social responsibility strategy.	Develop integrated asset sustainability plans to support, amongst other aspects: (i) the journey to achieving our energy targets of 25 per cent reduction by 2030 and 100 per cent renewable purchases by 2022; (ii) biodiversity across the managed properties; and (iii) community engagement.
Ensure progress on ESG training and monitor sustainability and social responsibility targets for employees.	Continue to independently verify the performance of our assets through certification of our portfolio.	Further integrate ESG data within day-to-day operational performance management.

Progress against Task Force on Climate-related Financial Disclosures ("TCFD")

Governance

Describe the Board's oversight of climate related risks and opportunities.	• The Sustainability and Social Responsibility ("SSR") Committee oversees the Group's climate related risks, opportunities and mitigating actions, a summary of which is presented to the Board. Climate related risks are listed in the Group's risk register, managed in line with the Group's risk management processes and regularly reviewed by the Board.
Describe management's role in assessing and managing climate related risks and opportunities.	• The Group's SSR Committee includes asset, portfolio and investment managers, external advisers and three members of the Board. The Committee engages with external consultants to receive advice on the development and management of its sustainability strategy.

Strategy

Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term. Describe the impact of climate related risks and opportunities on the organisation's business, strategy and financial planning. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios including a two degree or lower scenario.	• RDI recognises that the potential impacts of climate related risks are wide ranging and can lead to, amongst others, increased operational costs or capital expenditure, reduced occupier demand and declining asset values. • The SSR Committee regularly assesses the climate related risks and opportunities which may have an impact on the Group's operations across short, medium and longer term horizons. Examples of short term climate related risks include change in regulation and requirements for Minimum Energy Efficiency standards and climate risk disclosure. Medium and longer term risks identified include failure to maintain sustainable buildings, leading to stranded assets and reputational damage, physicals risks including flooding and changes in weather patterns.

Risk management

Describe the organisation's processes for identifying, assessing and managing climate related risks.	• Climate related risks are identified and discussed at the SSR Committee meetings. As the composition of the Committee includes representatives from all departments, including asset managers and finance, processes can be quickly implemented and embedded into day-to-day operations. • Due diligence at acquisition includes the assessment of climate related investment risks including opportunities to add value. Across our managed portfolio, we seek to improve coverage of green building certifications, which encompasses the independent assessment and management of climate related risks. We target improved coverage of our managed properties to Environmental Management Systems to ISO 14001:2015 certification. • New and potential legislation and required standards are communicated to the SSR Committee, which measure the impact and decides how best these risks can be mitigated.
Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	• We seek to standardise the identification, assessment of likelihood and impact potential of climate related risks and opportunities and ensure that our approach supports the business strategy and long term value creation.

Metrics and targets

Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	• We seek to improve building operational performance and reduce the energy usage and associated greenhouse gas emissions across our managed portfolio. The energy performance of buildings is being monitored on an ongoing basis and reported quarterly to the Sustainability and Social Responsibility Committee. • EPRA sustainability performance measures for our managed portfolio are reported on pages 66 and 67.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.	• Disclosure of Scope 1, 2 and 3 emissions can be found on page 84.
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	• We are targeting a 25 per cent reduction in energy intensity by 2030 and procuring 100 per cent renewable electricity by 2022 (subject to availability) from certified renewable tariffs. • All Energy Performance Certificates ("EPCs") to be upgraded to a minimum rating of a D, on expiry. • Annual targets are established by the SSR Committee and these are approved by the Board. Progress against the 2020 targets, and the new targets for 2021, are shown opposite.

Sustainability and Social Responsibility continued

How we look after our people

Work environment

All employees are provided with a handbook outlining RDI's key policies, which are designed to encourage a working environment which is free from discrimination, undue stress or bullying. RDI recognises, respects and upholds all UK employment rights and human rights and outlaws any forms of modern slavery.

Health and safety

RDI employs specialist advisers to report on health and safety matters and provide guidance and support to tenants, contractors, customers and employees alike, the key objective being to improve reporting consistency and risk management across RDI.

The results of health and safety audits, along with details of open claims, are monitored by the Sustainability and Social Responsibility Committee and reported to the Board as necessary.

Code of Ethics

As a small organisation, in terms of number of employees, RDI considers everyone's contribution to be important and the success of our culture relies on every team member living up to the Group's values.

The Group's values are documented in a Code of Ethics which provides guiding principles to ensure adherence to the strictest standards of ethical conduct, fair dealing and integrity in business practices. The Group's philosophy is underpinned by the principles of honesty, transparency, integrity, respect and dignity, and includes (but is not limited to):

- conduct befitting the reputation of the Group;
- confidentiality of information;
- protection and proper use of assets;
- conflicts of interest;
- anti-bribery;
- legitimate share dealings;
- diversity;
- best practice corporate governance;
- protection of the environment;
- acting as a considerate landlord; and
- compliance and reporting of unlawful and unethical behaviour.

All our suppliers are asked to abide by a similar code, in order to ensure that our supply chain is, inter alia, free of slavery and that they uphold the highest standards of ethical behaviour. Our MSA statement can be found on the website at **www.rdireit.com**

Training

Training is provided across the Group, to assist employees in their roles and to aid their development. Training is also provided to employees to ensure they understand and abide by the Company's policies, such as Anti-Bribery, Insider Trading and GDPR. Focused sustainability training has been delivered to all employees based at RDI's head office and across its operational locations and has been incorporated into the RDI induction format. Ensuring our employees are sustainability literate and made aware of related matters helps bring sustainability to life and allows for the integration of many initiatives into everyday activities throughout the workplace.

Measuring culture

EPRA Social Performance measurements regarding, inter alia, training, turnover and health and safety can be found on page 86 and are considered year-on-year to monitor our culture.

Recruitment, reward and promotion

RDI is a small, hardworking team and individuals are well rewarded. Above average annual awards are usually extended to recognise extra responsibilities, progress made in professional exams or a change in role. Further details can be found on pages 114 and 117.

Employees and diversity

	Total[1]	Men	%[1]	Women	%[1]
Board non-executives	5 (7)	3	60 (71)	2	40 (29)
Board executives	2 (4)	2	100 (100)	0	0 (0)
Senior management	8 (9)	4	50 (33)	4	50 (67)
Other employees[3]	48 (218)	13	27 (56)	35	73 (45)
Total (including Board non-executives)	**63 (238)**	**22**	**34 (55)**	**41**	**65 (45)**
All employees working part time[2]	6 (36)	1	17	5	83
All employee leavers (total)[3]	173 (51)				

(1) Figures for 2019 are shown in brackets.

(2) All employees excludes Board non-executives.

(3) The number of leavers this year includes 167 employees whose contracts were transferred under TUPE regulations to Savills UK Limited. These employees worked at the Group's UK Shopping Centres and their services have been encompassed within the property management contract the Group holds with Savills UK Limited.

Diversity

RDI is an equal opportunities employer and will always aim to extend diversity within the Group as vacancies arise, although internal candidates will equally be given an opportunity for promotion.

We acknowledge, accept and accommodate the differences between individuals and strive to treat all employees, prospective employees, agents, contractors, tenants and suppliers fairly and equally, regardless of their gender, sexual orientation, family status, race, colour, nationality, religious or political belief, age or disability. We recognise our social and moral duty to offer opportunities to people with disabilities and are doing all that is practicable to meet their needs.

Gender diversity data has improved significantly during the year, as can be seen from the table on page 74. We are pleased to have worked with Anna Wilk Consulting Limited to provide maternity support to our female employees as they embark on the journey of parenthood, and then again supporting their return to the workplace following maternity leave. Great feedback has been received, with the service provided being viewed as a differentiator, encouraging diversity and supporting our female workforce to achieve their full potential.

The Nominations Committee regularly considers the skills, experience, knowledge, personality, ethnicity and gender of the Board and has set a target to extend the female representation at Board level to at least one third by the end of 2020 and to appoint a person of colour by 2024.

Gender pay gap

Demonstrating our commitment to improving the diversity and gender equality of the RDI workforce, we have voluntarily disclosed gender pay statistics in line with recent legislation and government requirements.

Below we set out this information relating to all relevant employees at 5 April 2020. Salary data includes base salary and allowances, while bonus payments relate to total variable pay over the twelve month period to 5 April 2020.

	Mean	Median
Gender pay gap	21%	4%
Gender bonus pay gap	0%	12%
Proportion of females receiving a bonus		94%
Proportion of males receiving a bonus		93%

Putting this in perspective, at RDI a woman's mean hourly rate is 21 per cent lower than that of a man. In other words, when comparing mean hourly rates, women earn 79 pence for every £1 that men earn. However, like many other companies in our sector, we have a lower proportion of females in senior roles than we would like, as demonstrated below.

Proportion of females and males in each quartile band

	Female	Male
Upper	40%	60%
Upper middle	27%	73%
Lower middle	21%	79%
Lower	63%	38%

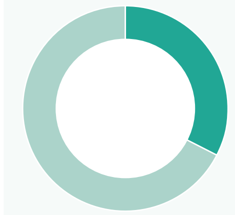
We are satisfied that the apparent divergence in pay is wholly attributable to female representation in higher-paying roles. RDI is committed to ensuring that equivalent roles attract equivalent pay, regardless of gender.

Whistleblowing

RDI is committed to a culture of openness and believes that an important aspect of accountability and transparency is a mechanism to enable employees, and all those working directly or indirectly on behalf of the Company, to raise concerns in a responsible and effective manner. RDI takes any misconduct or malpractice extremely seriously and encourages all those working on its behalf to disclose any information in good faith via its whistleblowing policy, which can be found on the website. No whistleblowing reports were received during the year.

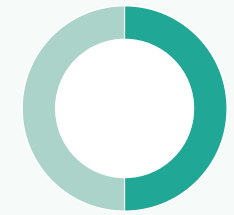
Gender split across RDI

58 Employees

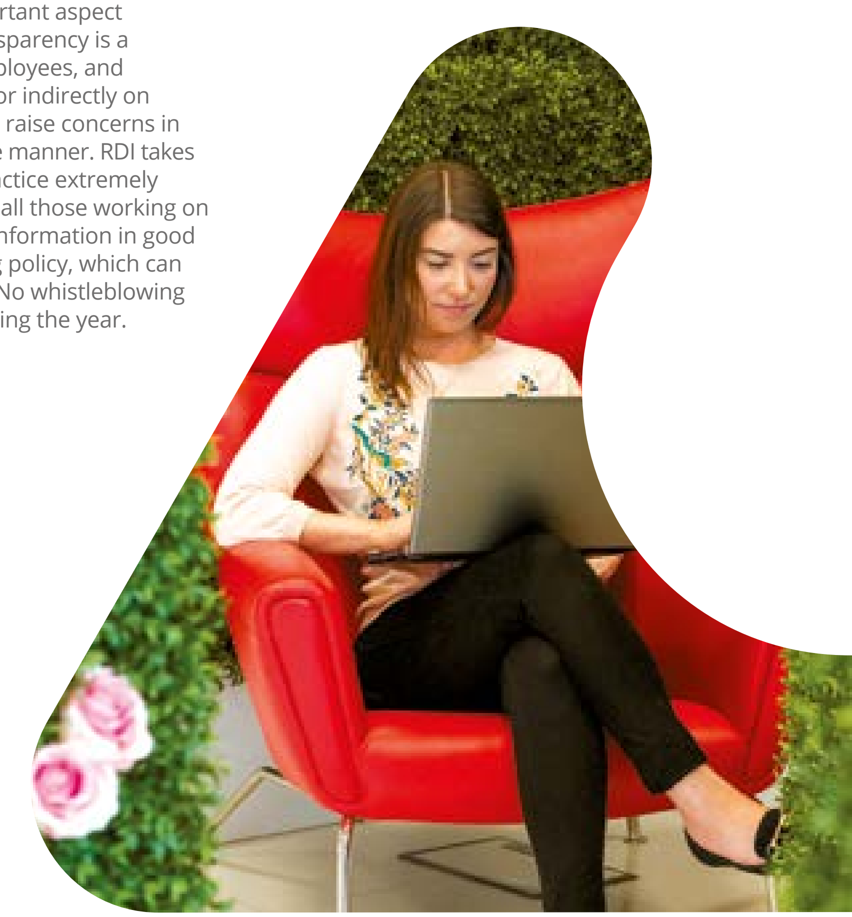


Men – 33%
Women – 67%

8 Senior management



Men – 50%
Women – 50%



Sustainability and Social Responsibility continued

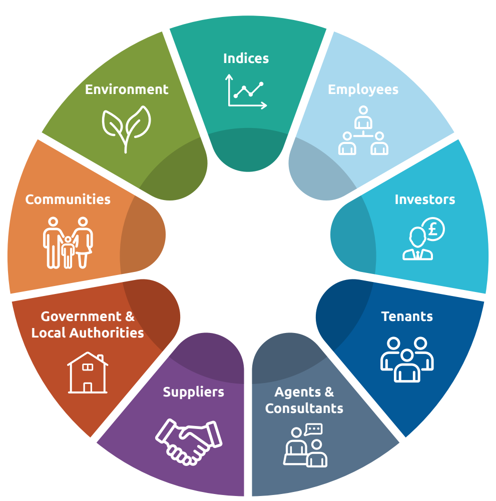
How we engage with our stakeholders

Over the last few years, the focus of the Board and the Company culture has evolved to encompass the needs of all stakeholders, not just investors. The Board openly accepts its obligation to operate as a good corporate citizen and recognises that broader stakeholder recognition is integral to the long term success of the Company.

A stakeholder engagement policy was adopted by the Board in 2018 and has now become embedded in day-to-day operations, with each employee being given a personal ESG objective as part of their remuneration targets to encourage them to be more "stakeholder friendly" in their work and each department reporting to the Sustainability and Social Responsibility Committee on a quarterly basis on stakeholder engagements undertaken. Each decision taken by the Board must take account of all stakeholders, in accordance with the Matters Reserved for the Board policy.

An overview of Board meetings and stakeholders considered can be found on page 97.

Our stakeholders



Read more about our stakeholders and s172 statement on pages 10, 11 and 89

Case Study 1

Stakeholders engaged:

How employee ESG targets help to embed Sustainability and Social Responsibility into our day-to-day operations

In 2019, all RDI employees were set a specific ESG target as part of their annual performance review process. Targets ranged from participating in charitable activities to environmental initiatives, depending on the role of each employee. Our Head of UK Retail Asset Management, Matthew Baddeley, was tasked with introducing an asset management environmentally focused initiative to his portfolio.

The RDI Retail portfolio has accommodated electric car charging points at a number of assets for some time, but as the number of EVs and PHEVs has grown in the last few years, we were seeing a greater demand for these nationwide. Research has shown that customers like the convenience of vehicle charging points within a retail destination as they can charge their cars whilst they shop. Expansion of vehicle charging points within our Retail portfolio became a focus with both environmental and asset management benefits.

Tesla, who have been at the forefront of electrical vehicle charging for many years, had a requirement to install their Supercharger technology specifically on the M40 motorway.

One of our assets, Banbury Cross Retail Park, was within range of their desired location and Matthew engaged with Tesla at the beginning of 2020 to further understand their product and their requirement. As discussions progressed, it became apparent that there was a real opportunity to locate Tesla's Supercharger, a market leading product that charges vehicles to 80 per cent battery capacity in approximately 20 minutes, in a quieter area of the retail park's car park. The initiative would not only support the expanding network of vehicle charging points nationally, with a positive impact on the environment, but would also provide an additional customer service benefiting both shoppers and retailers.

Currently, only Tesla vehicles can charge from their Supercharger network, so in order to appeal to a broader segment of the market, we installed four additional 50W chargers for other vehicles. We expect this initiative to be very successful over the coming years and will become increasingly commonplace across commercial assets such as retail parks, industrial parks and business parks.

Engagement with employees

Although employees are encouraged to ask questions and raise concerns at Group meetings, feedback and the level of staff satisfaction is more readily monitored through an anonymous employee survey which is carried out annually. Following a fall in the level of satisfied staff from 82 per cent to 76 per cent in 2020, an employee focus session was held in February 2020 to understand and address some of the points raised. This session was attended by Liz Peace, a Non-executive Director, who is the appointed employee representative on the Board, and her findings and the survey results were discussed with the Board. Consequently, a number of changes were implemented to support better communication, engagement and health and wellbeing.

The employee survey found that staff, on the whole, considered RDI to have a strong team spirit and was an enjoyable place to work. Senior management were seen to contribute to a positive work culture, demonstrating a strong work ethic that permeates through to the employees. The entrepreneurial nature of the executives and the agility of the Board to respond to opportunities created an exciting atmosphere in which to work, as an integrated team. Our people felt valued at work, with line managers operating an open-door policy and a willingness to listen to ideas, which could be quickly implemented. Employees had a clear understanding of their career path and felt encouraged to reach their full potential at RDI. Our employees feel respected and well rewarded, with the remuneration structure aligned in part with that of the executives.

A second employee survey was undertaken in June 2020, to monitor how employees were coping during lockdown and working from home and their concerns regarding a return to office based work. Details of this can be found on page 98. The results again were relayed to, and discussed with, the Board, following which an Employee Assistance Programme was introduced to help with employees' personal and professional concerns that could be affecting their home or work life, health and general wellbeing.

Suppliers

The Company's supply chain comprises contractors, subcontractors, goods and services suppliers and professional service providers. To ensure suppliers meet the high level of conduct that we set for ourselves, all current and new suppliers are required to confirm they have adhered to the RDI Suppliers Code of Ethics. This states that our suppliers should:

- not employ child labour;
- pay at least the living wage;
- ensure working hours are not excessive;
- respect the right to collective bargaining; and
- ensure no harsh or inhumane treatment is tolerated.

Payment practices towards suppliers are to be reviewed in the coming year, and although RDI only meets the threshold of the Payment Practice and Performance Regulations 2017 on a consolidated basis, it is intended that the Company will report on this matter in 2021.

Tenants

Tenant communication remains a vital element of our asset management strategy with tenant communication channels active throughout the year across our portfolios.

Whilst face-to-face meetings have not been possible for the majority of the year, the Company quickly adopted remote meeting platforms to ensure that communication channels between the business and our occupiers remained open at all levels. Previous investment in proptech, including a dedicated tenant communications app for our shopping centre portfolio and an active CRM database within our serviced office portfolio, enabled us to communicate effectively, covering many topics including day-to-day operational health and safety, and mental health and wellbeing.

Communities

In light of the impact of COVID-19 in 2020, community engagement became a challenging but even more important topic, particularly within our retail and serviced office portfolios, where our assets are adopted as community hubs for work and leisure. Despite the challenges faced, community strategies were promptly rewritten to utilise digital channels to ensure continued engagement at a time when communities needed it most. At St George's Shopping Centre in Harrow, an online campaign was launched in conjunction with Mental Health Awareness Week with more than 2,000 postcards being sent to the homes of local residents during lockdown featuring positive messaging and information on support with mental health. The campaign was so well received by the local community that it was trending on social media channels. Our serviced office tenant communities benefited from regular e-newsletters featuring ideas on things to do to stay positive in lockdown, from keep fit to recipe ideas.

Environment

RDI continues to improve its asset level environmental building certification coverage. Certification this year included a BREEAM In-Use "Very Good" rating at Little Britain and BREEAM New Construction (Interim design stage) "Very Good" rating for our second distribution unit at Bicester. Following the pilot of St George's Shopping Centre, Harrow in 2019 which achieved Environmental Management System ISO 14001:2015 certification, we added Coburg House to this certification scope during 2020.

Sustainability and Social Responsibility continued

How we engage with our stakeholders continued

Investors

The Board maintains an open dialogue with shareholders and engages with both existing and potential investors on Company strategy, management, remuneration and governance. The Chairman and the executives are the Company's primary representatives with institutional investors, analysts and major shareholders. All independent feedback is provided to the Board on a regular basis, along with recent analyst coverage.

The Company provides investors with regular announcements of significant events affecting the Group, including its business activity and financial performance. These announcements are available on the Group's website at **www.rdireit.com** along with results webcasts, analyst presentations, investor roadshows, property tours, capital market days, press releases and quarterly factsheets.

We believe that it is essential that the Company provides sound and transparent reporting to its stakeholders. To this end, we continue to participate annually in GRESB and strive for the Gold standard disclosure of our EPRA performance measures, which we have achieved for our reports in both 2018 and 2019. Additionally, in 2019 we engaged Grant Thornton to provide independent verification of our EPRA performance measures.

Shareholders are encouraged to contact the executives to raise any matters of concern and to attend the annual general meeting where possible to meet and discuss the Company's operations with the Board.

Corporate website www.rdireit.com

Our corporate website continues to be maintained and is regularly reviewed to ensure clear messaging and linkage to all areas of our business. Navigation to the latest updates, related presentation materials and regulatory shareholder information remains a focal point of the site.

All investor materials, including video content, are made available on the website, along with quarterly factsheets with all the latest news. An easily downloadable Excel workbook containing all key figures and analysis is provided alongside our internal and full year results.

Key contacts for our shareholders

We have included contact details for the Company and our Registrars on page 216.

If shareholders have any concerns, which the normal channels of communication with the executive team or Chairman have failed to resolve, please contact the Senior Independent Director, Michael Farrow.

Shareholder engagement and investor meetings

During the year the Company hosted over 100 meetings with potential and existing shareholders. RDI engaged with institutional investors and private wealth managers, with varying mandates across multiple geographies.

Shareholder engagements take the form of group meetings, one-on-one meetings, conference telephone calls, investor days, property site visits and the AGM. Investor meetings are typically attended by at least two members of the executive team. The executive management team also look to attend and contribute to key industry events and conferences.

Where significant views were expressed, either during or following the meetings, these were recorded and circulated to the Board.

A summary of our investor engagement programme is shown in the table opposite.

A list of all future key events can also be found on the website at **www.rdireit.com/investors/key-dates-calendar**

Annual General Meeting ("AGM") and shareholder feedback

The Board appreciated shareholders taking the time to attend the 2020 AGM, which gave investors the opportunity to meet with Directors and raise any questions they had concerning the operations of the Company.

2020 AGM results: 74.8 per cent of votes cast

There was a substantive vote against the resolutions relating to the Directors' authority to issue shares, notably from the South African shareholders. The resolutions regarding a general authority to allot shares up to the limits contained in the Notice of the AGM and for Directors to dis-apply pre-emption rights up to five per cent of the issued share capital received around 25 per cent of votes against, and a resolution authorising Directors to issue shares in connection with a Specified Investment marginally failed to pass. Following substantial votes against the same resolutions previously, management had dialogue with the major dissenting South African shareholders and reduced the Directors' authority to issue shares from 66 per cent in 2017, to just ten per cent in 2020. Liaison with shareholders has continued in order to find authority levels that may be more acceptable to them.

2021 AGM: To be held at 11.00 a.m. on 28 January 2021

The wellbeing of our investors and employees is paramount during these unprecedented times. Arrangements for the AGM will therefore be released in December and will take account of the latest Government guidance and advice.

AGMs are called on at least 20 business days' notice and shareholders are provided with comprehensive notes for the proposed resolutions.

The voting results of all general meetings are published on the Company's website **www.rdireit.com**

Investor meetings during 2020

September 2019	**Investor and analyst property tour** The management team hosted a group of South African investors and sell side analysts covering the Company's recent strategic initiatives together with site visits to a number of our London assets. **Annual EPRA conference** The Deputy CEO and CFO attended the conference as part of the Company's ongoing industry engagement.
October 2019	**Full year results roadshow (UK and South Africa)** All materials, including the presentation, webcast and analyst workbook, were made available on the Company's website. **Sales desk briefings** We actively engage with sell side analysts to ensure key messages, strategic and financial information are accurately communicated. Consensus forecasts are updated quarterly and reflect analysts' updated research reports as they become available.
November 2019	**Investor roadshow, London (Wealth Managers)** Roadshow focusing on wealth managers and smaller investors.
December 2019	**HSBC Real Estate Conference** The CEO and Chairman attended the industry event which hosted a number of institutional investors.
May 2020	**Half year results webcast and roadshow** All materials, including the presentation, webcast and analyst workbook, were made available on the Company's website. **Sales desk briefings**
July 2020	**Peel Hunt virtual Q&A** The Deputy CEO and the Property Director presented to an audience of approximately 30 institutional investors and participated in a Q&A session facilitated by Peel Hunt.

MiFID II

Following the implementation of MiFID II in 2018, RDI has strived to improve its direct investor outreach and feedback programme. With external research materials and reliable consensus increasingly difficult to obtain, a Company compiled consensus is now published on the website quarterly.

We are aware that certain retail investors have been unable to freely invest in RDI shares due to a lack of clarity around which companies are obliged to produce a Key Information Document ("KID"). As an internally managed Real Estate Investment Trust with a premium listing under Chapter 6 of the FCA's Listing Rules, the PRIIPs (Packaged Retail and Insurance-based Investment Products) regulation does not apply to the Company.

There is therefore no requirement to publish a KID, although the Company is looking at other means of ensuring investors are freely able to trade in the Company's shares.

Sustainability and Social Responsibility continued

How we care for our assets and the environment

RDI seeks to realise the full potential of our investments for both our shareholders and the communities in which we operate throughout the investment life cycle. We monitor and measure our resource consumption to identify efficiencies and seek to reduce our carbon emissions footprint by reducing energy use and associated costs and by facilitating the transition to greener energy use wherever possible.

Asset management initiatives are undertaken to maximise value whilst providing the best experience possible for occupiers and visitors alike by:

- maintaining a high level of tenant satisfaction;
- engaging with and contributing to charitable and community initiatives on an ongoing basis;
- engaging with local authorities and supporting their community campaigns;
- collaborating with tenants to conceive and promote joint community projects;
- focusing on creating and maintaining prosperous communities in the local areas where we invest; and
- ensuring key environmental and social risks are well managed when RDI is undertaking development activities.

Environmental Management System ("EMS") certification standard ISO 14001:2015

The benefits of implementing ISO 14001:2015 include the identification of areas for improvement and increased environmental efficiency, sharing best practice, identification of areas of non-compliance, protection against penalties, legal proceedings and reputational damage and providing essential credits for other certifications, such as GRESB and BREEAM In-Use. RDI piloted the EMS scheme in 2019 and achieved an impressive audit score of 81 per cent at St George's Shopping Centre, Harrow. Given the positive outcome of the pilot, the Group extended the portfolio coverage during the year, and a case study showing the implementation at Coburg House, Southwark can be seen on page 81.

We will continue to extend our environmental management systems certification coverage of the portfolio into 2021.

BREEAM certifications

BREEAM is an international scheme that provides independent third-party certification of the sustainability performance of individual buildings, communities and infrastructure projects. Following the first BREEAM In-Use assessment at our Southwark hotel in 2018, which achieved a "Very Good" rating for performance, RDI launched a programme to increase the number of assets that hold green building certificates, to verify building performance and help identify improvement opportunities. Last year, RDI undertook an assessment at (i) St Dunstan's serviced office which also achieved a "Very Good" rating for performance; (ii) a "Very Good" rating in BREEAM New Construction at Bicester Link 9 Plot 1A and Plot 1B (at interim design stage) for Shell & Core and; (iii) Interim stage for BREEAM Retail for a drive-thru food and beverage outlet at The Arches Retail Park, Watford (Shell only). The BREEAM In-Use scheme has since been extended to include our St Paul's serviced office during 2020, as the Sustainability and Social Responsibility Committee recognises the benefits and increasing need for properties to be refurbished, managed and operated responsibly.

Monitoring our energy consumption

RDI is implementing software enabled data management alongside the changes in the data collection processes which has led to greater visibility of our utilities consumption. Having access to good quality data and the ability to monitor consumption patterns, supported by more granular reporting at meter level, enables RDI to better understand where to focus in our effort to meet our 2030 energy intensity target. The groundwork undertaken to further develop the data management processes and improve data quality will underpin the creation of asset sustainability action plans, which is a 2021 objective.

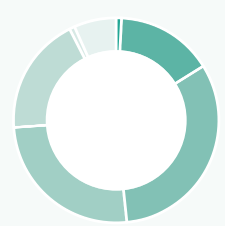
Energy Performance Certification ("EPC") target

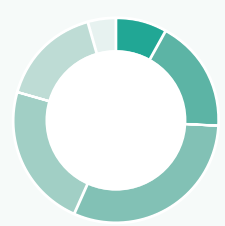
RDI's exposure to EPC risk has been well managed, with every applicable UK property having a valid EPC rating. To future-proof the portfolio, the Sustainability and Social Responsibility Committee has established a target to achieve a minimum EPC rating of D for all planned refurbishments and upgrade works to the portfolio. RDI acknowledges the shift towards a minimum EPC grade of B by 2030.

Having either reviewed or renewed over 300 EPC records in 2020, RDI now has less than five per cent of the portfolio (by lettable area) graded F and G, the vast majority of which is situated in Scotland, which is unaffected by MEES regulations. The improvement in the portfolio's EPC performance over the last two years is set out below.

Sum of lettable area

(31 August 2018)	(31 August 2020)
48.5% A to C rating	**56.8%** A to C rating





EPC Grade (2018)	EPC Grade (2020)
A – 0.4%	A – 8.3%
B – 15.3%	B – 17.8%
C – 32.8%	C – 30.7%
D – 25.8%	D – 22.8%
E – 18.7%	E – 16.1%
F – 0.4%	F – 0.0%
G – 6.5%	G – 4.3%

In two years our EPCs within the A to B rating boundary have increased from 15.6 per cent to 26.1 per cent.

In two years our EPCs within the A to C rating boundary have increased from 48.5 per cent to 56.8 per cent as we look to prepare ourselves for a potential shift in the MEES regulations from a minimum grade E to a minimum grade B by the year 2030.

Energy reduction target

RDI has committed to reduce energy intensity by 25 per cent, based on a 2017 baseline, by the year 2030.

Target methodology:

- reduction of 25 per cent by 2030;
- the energy intensity target applies across our managed UK retail parks, shopping centres and offices;
- with the intensity reported annually for each asset segment since 2017, expressed as electricity equivalent (kWh eq.) per segment specific area denominator per year;
- NLA (net lettable area) is used as a denominator for offices, estimated CPA (common parts area) for shopping centres and calculated car parking area for retail;
- the electricity equivalent is calculated to reflect the approximate thermodynamic differences between electricity, fuels and heat. Electricity = 1, fuels = 0.4 and thermals = 0.5, in line with REEB (the Real Estate Environmental Benchmark) methodology;
- change in energy use intensity is reported for each asset segment against the 2017 baseline year; and
- overall change in energy intensity is then calculated using the following predetermined weightings:
  - offices 80 per cent;
  - shopping centres 15 per cent; and
  - retail five per cent,

  meaning that our performance within the offices portfolio accounts for 80 per cent of our target, with shopping centres and retail contributing another 20 per cent.

Case Study 2

ISO 14001:2015 – Implementation at Coburg House

Stakeholders engaged:

A key target within our Resilient investment commitments was to improve the implementation of Environmental Management Systems across our portfolio. Coburg House, an office building located in the London Borough of Southwark and occupied by the Department for Work and Pensions, was identified as a potential asset to achieve ISO 14001:2015.

ISO 14001:2015 is an international standard which details key measures needed to achieve effective environmental management across an organisation or asset and is the most widely adopted environmental management standard. The use of energy and water, the disposal of waste and use of chemical substances in cleaning or maintenance all contribute to climate change, pollute local water supplies, contaminate ground and cause harm to human health.

We engaged the Savills sustainability team to work with site management at Coburg House, to review the property management practices and identify improvements necessary to meet the ISO 14001:2015 standard, as well as industry best practice recognised by the GRESB Real Estate Assessment.

Following the review, a site specific Environmental Aspects Register was established and the following environmental aspects were identified as having significant potential for environmental harm:

- operation and maintenance of air conditioning equipment;
- site drainage and potential pollution to local water courses;
- disposal of hazardous and non-hazardous waste;
- carbon emissions through the use of energy; and
- use of chemicals and cleaning agents.

To address and manage the potential risks identified, the site team has worked with Savills to create an ISO 14001:2015 compliant action plan. The plan includes recommendations to improve performance in line with ISO 14001:2015 and has helped to facilitate key improvement initiatives, including the following developments:

- a site plan detailing the location of all plant, waste storage, utility meters, air conditioning equipment and cleaning chemical stores;
- site drainage plan to identify potential entry sources for pollutive substances;
- site specific waste register detailing each waste stream and subsequent waste carrier licences and transfer notes;
- TM44 air conditioning energy efficiency inspection;
- F-Gas register to keep a record of potential leaks and ensure legal compliance;
- site specific pollution incident response plan; and
- formal environmental enquiries and complaints procedure.

Environmental considerations for the building are now a permanent item on the agenda of tenant, team and service provider meetings and have enabled wider awareness of environmental issues in the centre, which will ultimately facilitate future initiatives aimed at improving the performance of the property. Coburg House is now operating in line with ISO 14001:2015 and, following an external audit, is well placed to receive external certification in the coming months.

Independent practitioner's limited assurance report

to the Board of RDI REIT P.L.C. on selected environmental data

We have been engaged by RDI REIT P.L.C. ("RDI") to perform limited assurance procedures in respect of selected environmental data (hereafter "Selected Information") contained in the RDI Sustainability and Social Responsibility report for the year ended 31 August 2020 (the "Report").

Scope and subject matter

The Selected Information subject to our limited assurance engagement for the year ended 31 August 2020 consists of:

- energy – Totals in MWh for Electricity, District heating and cooling, Fuels;
- energy – Proportion estimated (%);
- electricity – Renewables (%);
- greenhouse gas emissions – Scope 1, Scope 2 (location and market based) and Scope 3 greenhouse gas (GHG) emissions in tonnes CO_2e;
- greenhouse gas emissions – Proportion estimated (%);
- water – Water usage in cubic metres;
- water – Proportion estimated (%);
- waste – Total waste in metric tonnes;
- waste – Proportion estimated (%);
- intensity ratios for Energy, GHG and Water; and
- disclosure coverage – Number of assets for Energy, GHG, Water and Waste.

The GHG data is reported in accordance with the criteria set out in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), jointly issued by the World Business Council for Sustainable Development and the World Resources Institute (the "GHG Protocol"). The location based GHG figures are calculated using emissions factors from both the UK Government and the International Energy Association for each respective reporting period. The market based GHG figures are calculated using supplier emissions factors. Together these form the "Reporting Criteria".

Responsibilities of RDI

Management is responsible for the preparation of the Selected Information contained in the Report in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' issued by the International Auditing and Assurance Standards Board, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Selected Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 (Revised)") and International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements" ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of RDI's use of the Reporting Criteria as the basis for the preparation of the Selected Information, assessing the risks of material misstatement of the Selected Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Selected Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our limited assurance procedures included:

The limited assurance procedures performed were based on our professional judgement and included:

- review and assessment of the systems processes and controls to aggregate, validate and report the data;
- discussions with key personnel responsible for the relevant process and governance thereof;
- review of information provided by third parties and through enquiry, assessment of the existence of any assurance provided on the quality of that information and the underlying processes and controls applied; and
- analytical procedures and sample testing on collated data and conversion factors applied.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Limited assurance conclusion

Based on the procedures we have performed, as described in this report, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 August 2020 is not prepared, in all material respects, in accordance with the Reporting Criteria.

Use of our report

This report is made solely to the Board of RDI, as a body, in accordance with the terms of our engagement letter dated 13 July 2020. Our work has been undertaken so that we might state to the Board of RDI those matters we are required to state to the Board of RDI in an independent limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than RDI and the Board of RDI as a body, for our work, for this report, or for the conclusions we have formed.

Grant Thornton UK LLP
Chartered Accountants, Cambridge

5 November 2020

EPRA sustainability performance measures for our managed portfolio

	EPRA sBPR code	Indicator	Index	2017 baseline	2019	2020	% change vs 2019	% change vs baseline	Two year Like-for-Like (LfL) 2019	2020	Trend	% change vs 2019
Energy	Elec-Abs, Elec-LFL	Electricity, MWh	Whole building	7,530	7,465	5,827	-22%	-23%	5,208	4,849	●	-7%
			Common parts/shared services	5,844	5,289	3,212	-39%	-45%	2,432	2,182	●	-10%
			Tenant areas	132	368	425	15%	222%	356	262	●	-27%
			Total landlord procured	**13,506**	**13,122**	**9,464**	**-28%**	**-30%**	**7,996**	**7,292**	●	**-9%**
			Renewable	**37%**	**48%**	**43%**	**-6%**	**5%**	**33%**	**42%**	●	**9%**
	DH&C-Abs, DH&C-LFL	District heating and cooling, MWh	Whole building	4,288	3,694	2,343	-37%	-45%	1,339	1,214	●	-9%
			Total landlord procured	**4,288**	**3,694**	**2,343**	**-37%**	**-45%**	**1,339**	**1,214**	●	**-9%**
			Renewable	**0%**	**0%**	**0%**	**0%**	**0%**				—
	Fuels-Abs, Fuels-LFL	Fuels, MWh	Whole building	4,013	3,015	2,143	-29%	-47%	1,950	1,603	●	-18%
			Common parts/shared services	1,282	1,542	542	-65%	-58%	1,062	535	●	-50%
			Tenant areas	224	35	0	-100%	-100%	0	0	—	—
			Total landlord procured	**5,519**	**4,592**	**2,685**	**-42%**	**-51%**	**3,012**	**2,137**	●	**-29%**
			Renewable	**0%**	**0%**	**0%**	**0%**	**0%**				
			TOTAL ENERGY	**23,313**	**21,408**	**14,492**	**-32%**	**-38%**	**12,347**	**10,643**	●	**-14%**
			Proportion estimated	**7%**	**2%**	**1%**						
			Coverage – no. of assets	**45**	**33**	**26**			**16**	**16**		—
			Total no. in organisational boundary	**53**	**34**	**29**			**19**	**19**		—
	Energ-Int	Energy intensity	Portfolio – kWh/£million net rental income	249.3	227.5	232.6						
			Retail (UK) – kWh/car parking area	4.7	4.4	3.6	-18%	-22%				
			Offices (UK) – kWh/NLA	211.8	211.9	171.3	-19%	-19%				
			Shopping centres (UK) – kWh/CPA	175.6	160.2	204.6	28%	17%				
			Change in energy intensity				**-12%**	**-14%**				

Building Certification & Labelling (Cert-Tot) % floor area (m^2) covered in managed boundary

	2019	2020
Managed portfolio BREEAM or SKA certified	3%	**8%**

Sustainability and Social Responsibility continued

EPRA sustainability performance measures for our managed portfolio continued

	EPRA sBPR code	Indicator	Index	2019	2020	% change vs 2019	Two year Like-for-Like (LfL) 2019	Two year Like-for-Like (LfL) 2020	Two year Like-for-Like (LfL) Trend	Two year Like-for-Like (LfL) % change vs 2019
GHG emissions	GHG-Dir-Abs, GHG-Dir-LfL, GHG-Indir-Abs, GHG-Indir-LfL	Direct emissions, tonnes CO_2e Indirect emissions, tonnes CO_2e	Scope 1	856	496	-42%	557	396	●	-29%
			Scope 2 (location based)	6,839	4,596	-33%	2,902	2,615	●	-10%
			Scope 2 (market based)	6,398	4,647	-27%	3,053	2,635	●	-14%
			Scopes 1 & 2 (location based)	7,695	5,093	-34%	3,459	3,010	●	-13%
			Scope 3[(1)]	366	275	-25%	250	198	●	-21%
			TOTAL GHG	**8,062**	**5,368**	**-33%**	**3,709**	**3,208**	●	**-14%**
			Proportion estimated	**2%**	**1%**					
			Coverage – no. of assets	**33**	**26**		**16**	**16**		
			Total no. in organisational boundary	**34**	**29**		**19**	**19**		
	GHG-Int	GHG intensity	tCO_2e/£million net rental income	85.7	86.2	1%				
Water	Water-Abs, Water-LfL	Water, m^3	Whole building	nr[(2)]	61,081	—	60,686	53,882	●	-11%
			Common parts/shared services	nr[(2)]	219	—	0	0	—	—
			Tenant areas	nr[(2)]	2,619	—	3,778	2,619	●	-31%
			TOTAL WATER	**119,915**	**63,919**	**-47%**	**64,463**	**56,501**	●	**-12%**
			Proportion estimated	**4%**	**5%**					
			Coverage – no. of assets	**22**	**17**		**11**	**11**		—
			Total no. in organisational boundary	**24**	**19**		**13**	**13**		—
	Water-Int	Water intensity	Portfolio – m^3/£million net rental income	1,274.3	1,026.0	-19%				
Waste	Waste-Abs, Waste-LfL	Total weight of waste by disposal route, tonnes	Recycled	839	285	-66%	213	244	●	15%
			Off-site Materials Recovery Facility	350	45	-87%	113	40	●	-65%
			Incineration with energy recovery	1,709	640	-63%	723	533	●	-26%
			Sent to landfill	11	0	-100%	0	0	—	—
		% weight by disposal rate	Recycled	29%	29%	1%	20%	30%	●	10%
			Off-site Materials Recovery Facility	12%	5%	-7%	11%	5%	●	-6%
			Incineration with energy recovery	59%	66%	7%	69.0%	65.3%	●	-4%
			Sent to landfill	0.4%	0%	0%	0.0%	0.0%	—	0%
			TOTAL WASTE	**2,909**	**970**	**-67%**	**1,048**	**817**		**-22%**
			Proportion estimated	**2%**	**10%**					
			Coverage – no. of assets	**23**	**17**		**11**	**11**		
			Total no. in organisational boundary	**32**	**26**		**17**	**17**		

(1) Scope 3 includes landlord-obtained consumption where sub-metered to tenants and transmission & distribution losses for electricity.

(2) Not previously reported.

Governance performance measures

EPRA code	Performance measure	Indicator	2019	2020
Gov-Board	Composition of the highest governance body	Number of executive Board members	4	2
		Number of independent/non-executive Board members	1 Chairman 4 independent non-executives 2 non-executives	1 Chairman 3 independent non-executives 1 non-executive
		Average tenure on the governance body	5.4 years	5.7 years
		Number of independent/non-executive Board members with competencies relating to environmental and social topics	1	1
Gov-Selec	Process for nominating and selecting the highest governance body	Narrative on process	**Process applicable for financial years 2019 and 2020:** • Nominations Committee reviews the mix of the Board to identify any potential area of weakness; • diversity is considered; • an external executive search agency is engaged when searching for a new non-executive; • a long list of diverse candidates with the right experience is drawn up; candidates with the right experience will be invited for an interview; • a smaller number of candidates will be shortlisted; • those shortlisted will be discussed by the Nominations Committee; • the best two candidates will be interviewed by the CEO followed by an interview with the Nominations Committee; • in-depth discussion between the Nominations Committee and all the independent non-executives to consider each candidate; and • final recommendation will be made to the Board followed by an announcement to the shareholders.	
Gov-Col	Process for managing conflicts of interest	Narrative on process	**Process applicable for financial years 2019 and 2020:** • Directors are not to accept any other appointment or any arrangements which might be expected to lead to a conflict of interest arising, without the consent of the Board; • any possible appointment is discussed with the Chairman to ensure that there are no conflicts of interest or that a Director's independence is not compromised; and • the Company maintains a Related Party Register.	

Sustainability and Social Responsibility continued

Social performance measures

EPRA code	Performance measure	Indicator		2019	2020
Diversity-Emp	Employee gender diversity	Board of Directors	Female	18%	29%
			Male	82%	71%
		Employees[1]	Female	45%	64%
			Male	55%	36%
Diversity-Pay	Gender pay ratio	Gender pay gap[2]	Mean	17%	21%
Emp-Training	Employee training and development	Average hours		17.0	35.8
Emp-Dev	Employee performance appraisals	Proportion of employees		31%	98%
Emp-Turnover	New hires	Total number and rate		51 (22%)	13 (22%)
	Turnover[3]	Total number and rate		64 (27%)	186 (321%)
H&S-Emp	Employee health and safety	Injury rate (per 100 hours worked)		0.6%	0.1%
		Absentee rate (per days scheduled)		2%	0.4%
		Number of work related fatalities		0	0
H&S-Asset	Asset health and safety assessments	Proportion of assets		100%	100%
H&S-Comp	Asset health and safety compliance	Number of incidents; unresolved within the required timeframe		0	0
Comty-Eng	Community engagement, impact assessments and development programmes	Proportion of assets		18%	20%

(1) The Employee ("Emp") data is based on the headcount as at 31 August 2020.
(2) Gender pay gap ratios reported in 2019 and 2020 relate to the twelve months ended 5 April 2018 and 5 April 2020 accordingly.
(3) The Emp-Turnover includes 167 employees whose contracts were transferred under TUPE regulations to Savills UK Limited. These employees worked at the Group's UK Shopping Centres and their services have been encompassed within the property management contract the Group holds with Savills UK Limited.

EPRA sBPR environmental measures

We present consolidated property energy, greenhouse gas ("GHG"), water and waste data on both an absolute ("Abs") and like-for-like ("LfL") basis, covering assets in our UK and German portfolios. We believe that adopting this approach provides greater transparency and comparability for our stakeholders with respect to the environmental performance of assets under management.

Our organisational boundary for environmental disclosure is based on the principle of operational control, and therefore includes all property assets where we are responsible for the procurement of energy, water and waste services.

A total of 30 assets fell within the boundary for 2020 and 34 for the 2019 reporting period. The reporting scope for each category is specified within our EPRA sBPR Environmental disclosure and may be equal to or less than our overarching reporting boundary. In 2020, we had 29 properties where RDI was responsible for energy management and associated GHG emissions.

We continue to focus on improving our environmental data management and increasing data accuracy. The challenges of COVID-19 have impacted many businesses, have disrupted our reporting processes and impacted the receipt of timely energy, water and waste management data from the Group's contractors, partners and the supply chain. Where appropriate, estimates have been included to ensure that we present the data consistently and account for the Group's energy and water use and waste management as accurately as possible.

This has resulted in five per cent of water and ten per cent of waste data being estimated, and an exclusion of several properties from our report on energy and water use. Data estimates were only used in instances where the data was missing for part of the reporting year and where it was possible to include estimates with reasonable confidence, based on the known actual consumption from the other reporting intervals.

We are pleased to have reduced the waste to landfill to zero, increased our recycling rates and have improved coverage of the portfolio green building certification from three per cent in 2019 to eight per cent this year. In 2020, The Group's weighted average energy intensity was 14 per cent lower when assessed against the 2017 baseline year and twelve per cent lower than last year. Besides the improvements in energy efficiency, this has been impacted by the disruption of COVID-19 as well as the changes in our property portfolio.

The relative proportion of renewable electricity purchases has been affected by the disposal of properties where we had a large number of Renewable Energy Guarantee of Origin ("REGO") backed supplies, however it was partially offset by the transition to REGOs across the current portfolio as we continue to work towards our target of 100 per cent by 2022.

In terms of the absolute energy consumption, our electricity usage decreased by 28 per cent, district heating by 37 per cent and fuels by 42 per cent in the past year. This totalled to an overall reduction of 6,916 MWh (32 per cent) in our portfolio energy use, largely due to a combination of property disposals within our UK Retail Shopping Centre portfolio and reduced demand for heating, cooling and power driven by efficiency improvements across our assets as well as the national and regional lockdowns across the markets we operate in. In addition, the complete energy data set was not available for one of our European portfolio properties for 2020 which has been accounted for in 2019, contributing to the overall decrease in our fuel use by 522 MWh (eleven per cent) and our total energy use by 530 MWh (two per cent). Consequently, the Group's absolute Scope 1 and 2 location-based emissions reduced by 34 per cent. Our like-for-like portfolio has seen a reduction of 14 per cent energy use and 13 per cent in the Scope 1 and 2 emissions within the same period. The Group's energy use for the first half of the year, which includes the data prior to the lockdowns, was seven per cent lower than during the same period in 2019.

The total water consumption decreased by 47 per cent (55,996 m^3) in absolute terms and by twelve per cent across our like-for-like portfolio. Notably, the absolute decrease in water usage was impacted by the metering issues at one of our retail properties, resulting in an exclusion from the 2020 report. The water usage reported for the property in question equalled 14,801 m^3 or 12% of the overall consumption in 2019.

Methodology

RDI's carbon emissions disclosure has been produced in accordance with guidance issued in the ISO 14064-1:2006 international standard and the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition). Location-based emission factors for the UK are sourced from BEIS for each respective reporting period and, for Germany, the latest emission factors available from Umweltbundesamt (environmental agency in Germany). We reported both the location-based and market-based emissions resulting from purchased electricity to comply with the guidance on the reporting of Scope 2 GHG emissions under the GHG Protocol. The location-based method uses an average emissions factor for the national grid on which electricity consumption occurs. The market-based method reflects emissions from the electricity that companies have chosen to purchase in the market. Where a market-based emissions factor is unavailable, the residual mix or location-based factor has been applied. This method has been used in alignment with the GHG Protocol's quality criteria. Data is disclosed in accordance with the requirements of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The boundary of RDI's carbon emissions disclosure is based on the principle of operational control. Therefore, emission sources within real estate assets owned and managed by RDI are included in the reported emission figures. We do not have responsibility for any emission sources that are not included in our consolidated statement. Emission sources relating to occupier activities that do not fall under the operational control of RDI are excluded where possible. Where landlords obtain energy and the data split of consumption within tenant demises and landlord-controlled areas is unavailable, emissions associated with the whole building's energy consumption are included in Scope 2.

For 2019 and 2020, there have been no reported fugitive emissions from air conditioning refrigerant leaks and top-up of refrigerant volume.

Building Certification & Labelling is reported as a percentage of the total gross internal floor area of the properties within the Group's operational reporting boundary. The data relates to SKA, BREEAM In-Use and BREEAM New Construction, including BREEAM New Construction interim certification at the Design Stage.

Sustainability adviser's statement

As RDI's strategic adviser on sustainability and ESG in its broadest term, Savills would like to acknowledge RDI's commitment to the ownership, development and management of responsible sustainable real estate. RDI actively fosters sustainability and social responsibility within their core operations and throughout the lifecycle of property investment in order to underpin short, medium and long term growth. Our engagement with RDI has shown that their employees maintain a broad level of interest in sustainability trends and initiatives and are well equipped to support their implementation. By ensuring that sufficient time and resources are made available, RDI continues to effectively prepare and manage for both the straightforward and the more challenging targets that lie ahead.

We confirm that the environmental data published in this report provides a true representation of RDI's current performance. Savills is continuing to act in their capacity as external sustainability advisers to RDI by providing suggestions for enhancement to its Sustainability and Social Responsibility strategy structure and focus, and in assisting improvements to data coverage, data collection and reporting and to attain their 2021 Environmental, Social and Governance ("ESG") targets.

Jonathan Hale
Associate Director
Savills

5 November 2020

Corporate Governance

RDI is a UK REIT with a premium listing on the Main Market of the LSE and a secondary listing on the "Real Estate – Real Estate Holding and Development" sector of the Main Board of the JSE. The Company was incorporated in the Isle of Man with registration number 111198C in 2004 and was re-registered under the Isle of Man Companies Act 2006 in December 2013, with registration number 010534V. The Company's home state is the United Kingdom.

Further to the secondary listing of the Company in South Africa on 28 October 2013, the JSE accepts that RDI will primarily comply with the UK Corporate Governance Code 2018 as opposed to the provisions of the King IV Report on Governance for South Africa 2016. This is the first financial year that the 2018 UK Corporate Governance Code, as issued by the Financial Reporting Council in July 2018 (www.frc.org.uk), has applied to RDI. The Board supports the Principles of the Code, and the applications of these can be found in the following pages, as sign-posted below. As a "smaller company", we are pleased to advise that RDI has complied with all the Provisions of the 2018 Code during the financial year although it should be noted that Gavin Tipper and Michael Farrow reached their nine year tenure in August 2020. Details of the action to be taken to address this matter can be found on page 102.

Main Principles	Disclosures	Page
Board leadership and Company purpose		
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Purpose, values and strategy	Our business model Our values and culture	6 8
Resources and effective controls	Board operations Audit and Risk Committee	96 108
Engagement with shareholders and stakeholders	Our stakeholders How we engage with our stakeholders Principal decisions	10 76 98
Workforce policies and practices and Company values	How we look after our people	74
Division of responsibilities		
The Chairman's role	Board of Directors	92
Composition of the Board	Board of Directors Nominations Committee	92 100
Role of the Non-executive Directors	Board of Directors Role of the committees	93 94
Policies, processes and resources of the Board	Board operations	96
Composition, succession and evaluation		
Procedure for appointments to the Board	Nominations Committee	100
Board skills, experience, knowledge and tenure	Board of Directors Nominations Committee	93 102
Board evaluation	Nominations Committee	103
Audit, risk and internal control		
Independence and effectiveness of internal and external audits	Audit and Risk Committee	107, 108
A fair, balanced and understandable assessment of RDI's position	Audit and Risk Committee	109
Management of risk and oversight of internal control framework	Audit and Risk Committee	107, 108
Remuneration		
Remuneration policies and practices	Remuneration Committee	111
Procedure for developing executive and senior management policy	Remuneration Committee	111
Directors should exercise independent judgement and discretion	Remuneration Committee	111, 117

Section 172(1) Statement

Historically, Board engagement and decision making has primarily focused around the needs of investors, however over the last few years, the focus of the Board and the Company has evolved to encompass the needs of all stakeholders.

The Board openly accepts its obligation to operate as a good corporate citizen and recognises that broader stakeholder recognition is integral to the long term success of the Company. It is for this reason that RDI, being an Isle of Man company, has chosen to voluntarily provide a Section 172(1) Statement showing how the Board of Directors, for the year under review, has had due regard for the following matters:

Section 172 requirements	Disclosures	Page
The likely consequences of any decision in the long term	Our business model Our values and culture Our stakeholders Our strategic priorities Board operations	6 8 10 12 96
The interests of the Company's employees	Our business model Our stakeholders How we look after our people How we engage with our stakeholders Principal decisions	6 10 74 76 98
The need to foster relationships with suppliers, customers and others	Our business model Our stakeholders How we engage with our stakeholders Principal decisions	6 10 76 98
The impact of the Company's operations on the community and on the environment	Our business model Community engagement How we care for our assets and the environment EPRA performance measures	6 77 80 83
The desirability of the Company maintaining a reputation for high standards of business conduct	Our values and culture How we look after our people How we engage with our stakeholders Audit and Risk Committee (internal controls)	8 74 76 107
The need to act fairly between members of the Company	Investors	78
Principal decisions	Board operations	98
Risks and risk management	Principal risks Progress against TCFD disclosures Audit and Risk Committee (risk)	22 73 109

Chairman's statement

> I would like to thank those who have supported the Company during this most difficult of years.
>
> **Gavin Tipper**
> Chairman of the Board

This has been an extraordinary year, with the Company having done well to withstand challenging conditions. Its ability to do so was a function of the successful implementation of the leverage reduction strategy set a number of years ago, the proactive approach taken to dealing with occupiers and lenders, and the dedication of our people.

Good progress has been made on our disposal programme, resulting in a further reduction in leverage and our exposure to the challenged retail sector. Our portfolio is now largely focused on sectors and locations with positive long term structural demand characteristics, high occupancies and diverse occupiers. The balance sheet has been strengthened and the Company has access to significant levels of liquidity.

Our hotel business was severely affected by the pandemic and while it is showing signs of recovery, a return to full occupancy will take time and be a function of lower infection levels and the resumption of business and leisure travel. We provided discounts to our serviced office tenants during the lockdown period but are seeing a pickup in the business with the offices well placed to benefit from the likely future trend to more flexible working conditions.

In light of the prevailing macro-economic environment and the progress on the current strategy, the Company's strategic objectives and purpose were reviewed by the Board to ensure they remain relevant and appropriate to a less predictable future. Further details can be found on page 12.

Governance

As a consequence of the difficult environment this year, the Board met more frequently than normal, with regular meetings and calls to keep Board members informed and to address matters of concern as they arose. Details of Board operations can be found on page 96.

The 2018 Corporate Governance Code (the "Code") became applicable to RDI from 1 September 2019 and the Board monitored the transition during the year to ensure the Company would be compliant with the new provisions. The structure of the Board was addressed by the Nominations Committee, the Remuneration Policy was amended to align with the new Code requirements and the Audit and Risk Committee placed increased emphasis on the Company's principal risks and viability.

Following the outbreak of the pandemic we increased our focus on the welfare, safety and security of our stakeholders, and on ensuring that asset values were protected, revenues were carefully managed with an appropriate balance between income and retaining occupancy levels, and costs were minimised. Direct tenant engagements increased significantly, as did discussions with our lenders. Details of engagements with stakeholders can be found on pages 10, 11 and 76.

Dividend

As a result of the uncertainty created by the pandemic, it was announced in May that the dividend would be suspended until the end of the financial year. Having considered the impact of COVID-19 on the business and its cash flows, as well as on capital markets and the wider economy, the Board is pleased to announce that it has sufficient comfort to restart the payment of dividends. Accordingly, a dividend of 5 pence per share has been declared for the year ended 31 August 2020. This dividend represents a pay-out of 72 per cent of underlying earnings.

Change of major shareholder

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

Sustainability and Social Responsibility ("SSR") Committee

The SSR Committee focused on environmental issues and stakeholder issues, and employees were encouraged to engage in socially responsible initiatives through the allocation of personal ESG objectives as part of their remuneration targets. It was pleasing to see that the majority of the targets were met.

The Board appointed the chair of the SSR Committee, Liz Peace, as the employee liaison Non-executive Director. The head office comprises a group of circa 30 staff and it was important to maintain a team culture and high levels of motivation during the difficult times this year. An employee survey was conducted, staff forums were held and attended by Liz Peace, and relevant employee concerns were raised at Board level.

The Company monitored its progress on environmental, social and governance matters through its participation in the Global Real Estate Sustainability Benchmark ("GRESB"), which was overseen by the SSR Committee. The Company is pleased to report that it has made significant improvements in several areas which has resulted in an improved score for the Company year-on-year. Further details can be found on page 71.

Nominations Committee

The Nominations Committee restructured and reduced the size of the Board to better reflect the size of the Company. The Deputy Chief Executive Officer and the Property Director stepped down from the Board, while retaining all of their executive responsibilities, and two of the Non-executive Directors who stepped down were not replaced. The composition of the Board now reflects a balance between independent and non-independent Directors, aligns with the requirements of the 2018 UK Corporate Governance Code, and has an improved level of gender diversity. Details of changes to the Board can be found on pages 95 and 100.

In August 2020, Michael Farrow's and my tenures on the RDI Board reached nine years. Michael Farrow will step down at the 2021 AGM and, on behalf of my colleagues, I thank him for his contribution to the Company. I intend to remain in office until the 2022 AGM to aid continuity. Succession planning will be a focus for the Committee in the coming year and will provide an opportunity to introduce fresh thinking to the Board.

Marc Wainer

Marc Wainer retired at the AGM in January 2020 after serving on the RDI Board for an extended period. Marc made a significant contribution to the evolution and growth of the Company, and it was with deep regret that the Board learnt of his passing on 20 April 2020.

Mike Watters

Mike founded the Company in 2006 and has played a large role in its development. After a long and successful innings, Mike will be retiring as Chief Executive Officer and as a Director in December 2020. On behalf of the Board, I would like to thank Mike for his hard work and dedication over the past 14 years.

Mike leaves the business in good shape, with a streamlined, higher quality portfolio and a strong balance sheet.

Stephen Oakenfull

Stephen will join the Board with immediate effect and will be appointed as Chief Executive Officer on Mike's departure. Stephen has been instrumental in repositioning the Company and the Board is confident in his ability to lead the Company and in his vision for its future.

Evaluation

An external evaluation of the Board was last held in 2016 and it was intended that it be repeated this year. In light of the unusual external circumstances and the changes to the Board, it was concluded that the performance of the Board and its committees was to be reviewed using an online Board evaluation tool and an external evaluation would be considered by the Nominations Committee next year.

Audit and Risk Committee

In light of the uncertainty arising from Brexit, and the COVID-19 pandemic, the Audit and Risk Committee focused on, inter alia, new and emerging risks facing the Company and the processes for their identification, monitoring and management.

As a result of the pandemic, a number of amendments were made to the assessment of the Company's principal risks, disclosure of which was provided in the Company's interim results. In line with normal practice, reports from the Company's valuers were reviewed in considering property valuations, with particular emphasis on the valuations of those properties most affected by the pandemic. Significant time was spent scrutinising going concern and covenant compliance scenarios in light of the impact of the pandemic on cash flows.

Valuations

Fair value losses on the Group's property portfolio have been significant, especially in the second half of the financial year, with the disruptions caused by COVID-19 having an impact on both estimated rental values and capitalisation rates. The Group has, however, made good progress in reducing its exposure to retail, which remains an extremely challenged sector.

Remuneration Committee

The performance of the executives was assessed in terms of the Remuneration Policy approved by shareholders at the AGM on 23 January 2020. The Remuneration Committee was mindful that the executives' remuneration should align with shareholder returns and the wider stakeholder group, however the Committee also recognised that RDI was in a strong position to withstand the effects of the pandemic as a result of the executives successfully implementing the strategy.

As the 2017 LTIP had returned a nil vesting for the fifth year in a row, the Committee viewed a bonus payment as an important retention mechanism. Although the STIP produced a low outturn of circa 30 per cent, the Committee applied an element of downward discretion to the result in recognition of the current market circumstances. Further details can be found on page 111.

Investment Committee

With the departures of Robert Orr and Marc Wainer from the Board and the Investment Committee in October 2019 and January 2020, respectively, disposals and opportunities were considered by the Board as a whole. In July 2020, the Committee was reconstituted to comprise myself (as chair), Mike Watters, Stephen Oakenfull and Matthew Parrott.

Annual General Meeting

The Annual General Meeting held on 23 January 2020 was well attended by shareholders.

Resolutions 13, 14 and 15, relating to the Directors' authority to issue shares, received negative votes from more than 20 per cent of shareholders voting. Although the authority levels were below standard UK recommendations, they exceeded South African guidelines. This is not uncommon, with most of our dual listed peers receiving similar negative votes. We will liaise with our South African shareholders in advance of the next AGM to agree authority levels that may be more acceptable to them.

Looking ahead

The year under review has been difficult, with a changing property landscape, the impact of the COVID-19 pandemic and, in our particular context, significant changes at RDI Board level. Mike leaves the business in good shape, with a streamlined higher quality portfolio and a strong balance sheet. We look forward to Stephen capitalising on this and delivering on the Group's strategy over the next few years.

The Board recommends that shareholders vote in favour of all resolutions proposed at the AGM to be held on 28 January 2021 at 11.00 a.m. Arrangements for the AGM will be released in December and will take account of the most recent Government advice to ensure the wellbeing of our employees and investors.

Finally, on behalf of the Board, I would like to thank all those who supported the Company during this most difficult of years. With your support, we look to the future with optimism.

Gavin Tipper
Chairman of the Board

5 November 2020

Board of Directors

GAVIN TIPPER
MBA, CA, BCom, BAcc

Role as Chairman
- Responsible for the leadership and governance of the Board
- Ensures that the Board operates effectively
- Available for engagement with major shareholders
- Ensures that there is sufficient time for discussion of complex and contentious issues
- Promotes open communication between executives and non-executives

Appointed: August 2011

Key skills:
Finance, UK listed companies and South Africa listed companies

Skills and experience:
- Appointed as Chairman of RDI REIT P.L.C. in July 2018 having served as independent Non-executive Director since 2011
- Over 20 years' experience of companies listed in both the UK and South Africa
- Extensive experience as Chairman of Boards
- Former technical partner at KPMG and previously COO of the Coronation Holdings Group

External appointments:
Chairman of Hyprop Investments Limited and AVI Limited

Committees:
N I R

MIKE WATTERS
MBA, BSc Eng. (Civil)

Role as Chief Executive Officer:
Leads the Executive Directors in the day-to-day management of the business:
- Keeps the Board informed of all significant matters
- Develops Group objectives and strategy
- Implements Board decisions
- Identifies new business opportunities
- Ensures effective communication with all shareholders
- Develops a succession plan for executives

Appointed: December 2013

Key skills:
Finance, Property, Hotels, UK listed companies and South Africa listed companies

Skills and experience:
- Over 30 years' experience in the investment banking and real estate industries
- Significant experience as a director of property and investment companies in the UK and South Africa
- Former director of Redefine Properties Limited, Sycom Property Fund and Hyprop Investments Limited in South Africa, Cromwell Property Group in Australia and Sapphire Retail Fund in the UK

External appointments:
Chairman of RBH Hotel Group Limited

Committees:
I S

DONALD GRANT
Chartered Accountant

Role as Chief Financial Officer:
Leads RDI's finance function, which incorporates:
- Treasury
- Tax
- Information technology
- Human resources

Appointed: August 2015

Key skills:
Finance and UK listed companies

Skills and experience:
- Over ten years' experience in various banking and corporate broking institutions
- Twelve years' experience working in the UK listed property sector

External appointments:
None

Committees:
S

MICHAEL FARROW
FCIS MSc (Corporate Governance)

Role as Senior Independent Director:
- Provides a sounding board for the Chairman
- Serves as an intermediary for the other Directors and shareholders
- Appraises the performance of the Chairman with the Non-executive Directors
- Chairs the Nominations Committee when it is considering succession of the Chairman

Appointed: August 2011

Key skills:
Finance, Property, Europe and UK listed companies

Skills and experience:
- Over 20 years' experience of UK listed and private property companies and funds as an executive and non-executive director
- Former Group Company Secretary of Cater Allen Offshore (now part of the Santander banking group)
- Founding director of Consortia Partnership Limited, a Jersey licensed trust company

External appointments:
Chairman of STANLIB Funds Limited (JSE listed). Non-executive Director of Invinity Energy Systems plc and Circle Property plc (AIM quoted)

Committees:
R N A

SUE FORD
ACA BSc (Hons)

Role as independent Non-executive Director:
- Appointment and removal of executives
- Scrutinise the performance of management and individual executives against performance objectives
- Support and constructively challenge the executives

Appointed: December 2013

Key skills:
Finance and UK listed companies

Skills and experience:
- Over 30 years' experience working within various leading organisations overseeing finance, strategy and governance matters
- Co-founder and former finance director of Metric Property Investment Plc, now Londonmetric Property Plc, an income focused, diversified FTSE 250 REIT

External appointments:
Chair of Westminster Almshouse Foundation

Committees:
A N

LIZ PEACE
BA (Hons) History

Role as independent Non-executive Director:
- Appointment and removal of executives
- Scrutinise the performance of management and individual executives against performance objectives
- Support and constructively challenge the executives
- Designated Non-executive Director representing employees' interests on the Board

Appointed: November 2017

Key skills:
Property and UK listed companies

Skills and experience:
- Over 40 years' experience in both the public and private sectors in the UK with 13 years as Chief Executive Officer of the British Property Federation, the body that represents the interests of the commercial property industry in the UK

External appointments:
Non-executive Director of R P S Group PLC and Howard de Walden Estate. Chair of various private companies and organisations

Committees:
S A

MATTHEW PARROTT
BA Business Economics

Role as Non-executive Director:
- Represents the interests of the major shareholder, Starwood Capital Group

Appointed: July 2020

Key skills:
Finance and Property

Skills and experience:
- Senior Vice President at Starwood Capital Group where he is responsible for the firm's real estate investments in the UK and Ireland
- Previously Principal at CBRE Global Investment Partners

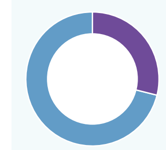
External appointments:
Various private companies

Committees:
I

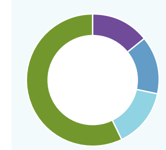
Experience

Qualifications

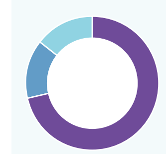
Gender diversity



Average age



Nationalities



Key to committees:
- A Audit and Risk Committee
- S Sustainability and Social Responsibility Committee
- I Investment Committee
- N Nominations Committee
- R Remuneration Committee
- Denotes chair of a committee

Roles of the Committees

The Board

Board delegation and Board control

To assist in the effectiveness of its operations, the Board delegates certain matters to committees to review and make recommendations back to the Board.
All committees must operate within terms of reference set by the Board.
Day-to-day operations are carried out by the executives, who must adhere to policies and delegated authorities set by the Board.

Nominations Committee
Considers the composition, skills and succession planning of the Board

Audit and Risk Committee
Ensures that the Group's financial reporting and risk management is properly monitored, controlled and reported

Remuneration Committee
Reviews remuneration of executives and senior management in accordance with an approved policy

SSR Committee
Safeguards the interests of, and monitors engagement with, stakeholders through the operation of efficient processes and procedures that demonstrate social and environmental risk management

Investment Committee
Operates in an informal manner.
Reviews all major acquisitions, disposals and capital expenditure and makes recommendations to the Board for final consideration.
The Investment Committee comprises Gavin Tipper (Chair), Mike Watters, Stephen Oakenfull and Matthew Parrott

Executive Committee
The Executive Committee comprises the four executives and meets informally on a weekly basis to discuss acquisitions and disposals, finance, asset management activities, operational matters, and to consider the status of any potential inside information.
Senior management attend monthly to aid communication across departments

Board skills

The Board collectively has a strong knowledge of UK and European property, finance and capital market transactions on both the UK and South African exchanges. The experience and qualifications of the Directors are outlined on the previous page and the required skill sets are adequately covered by the current members of the Board. The skill and experience of the independent non-executives matches those of the executives and they have an appropriate level of understanding to enable them to constructively challenge the executives on the operation of the Company. The depth of property investment knowledge on the Board was strengthened with the appointment of Matthew Parrott this year.

Board diversity

The results of the Board evaluation showed that diversity was considered to be one of the Board's strengths. The Board comprises Directors originating from the UK, Jersey, South Africa and New Zealand. All Directors have had a university education and hold a professional qualification. The age of Board members ranges from 34 to 67, with the average age of the Directors being 56. Gender diversity on the Board currently stands at 28.6 per cent, which narrowly misses the Company's diversity target of one third female membership by 2020. The Nominations Committee will continue to strive to meet this target and to include one Director of colour by 2024. This will be considered during the search for new independent non-executives to replace Michael Farrow in the year to 31 August 2021 and Gavin Tipper in the year to 31 August 2022.

Board culture

The boardroom culture is good natured and constructive and relationships between Executive and Non-executive Directors are good, although Non-executive Directors are not afraid to challenge executives during meetings, often leading to robust debates. The Chairman and CEO set a tone of openness and thoroughness, which is upheld by the Board, and Directors hold themselves to a high standard of integrity. The agility of the Board enables opportunities to be addressed at short notice. All Directors advised that they enjoyed Board meetings, which is a key characteristic of a motivated and successful team. Directors are highly committed to their roles. Attendance of meetings can be found on the page opposite.

Directors' attendance of meetings

Non-executive Directors are expected to be available for a minimum of eight days per year in order to discharge their duties.

During the year, Directors attended four quarterly Board meetings, ten ad hoc Board meetings, called on short notice, and four scheduled update calls, with some Directors attending meetings of additional committees, appointed by the Board to conclude certain matters. Attendance of all of these meetings is shown below.

In addition, meetings with advisers were held to offer advice or answer questions Directors may have on the matters concerned. As situations arose, regular updates, by email or telephone, were provided to keep the non-executives informed of events such as the COVID-19 crisis.

	Appointment	Resignation	Quarterly Board meetings	Update calls	Ad hoc Board meetings	Committee meetings	Nominations Committee	Audit and Risk Committee	Remuneration Committee	SSR Committee
Gavin Tipper	2011		4/4	4/4	9/10[a]	—	3/3		3/3	
Michael Farrow	2011		4/4	4/4	10/10	1	3/3	3/3	3/3	
Sue Ford	2013		4/4	4/4	10/10	3	3/3	3/3		
Mike Watters	2013		4/4	4/4	10/10	4				4/4
Donald Grant	2015		4/4	4/4	10/10	5				4/4
Liz Peace	2017		4/4	4/4	10/10			3/3		4/4
Matthew Parrott[6]			1/1	0/0	0/0	—				
Krysto Nikolic[7]			1/1	0/0	0/0	—				
Robert Orr[1]	2015	2019	0/0	1/1	2/2				—	
Marc Wainer[2]	2011	2020	2/2	2/2	2/4					
Andrew Konig[3]		2020	2/2	0	1					
Pieter Prinsloo[4]	2019	2020	3/3	3/3	10/10					
Stephen Oakenfull[5]	2013	2020	2/2	2/2	4/4	1				
Adrian Horsburgh[5]	2014	2020	2/2	2/2	4/4	2				2/4[b]

Changes to the Board

1. Robert Orr resigned from the Board on 9 October 2020, due to external commitments.
2. Marc Wainer, who represented the Company's major shareholder Redefine Properties Limited, retired from the Board following the conclusion of the AGM on 23 January 2020.
3. Andrew Konig served as the alternate to Marc Wainer, until 23 January 2020, after which he was appointed alternate to Pieter Prinsloo until 13 July 2020.
4. Pieter Prinsloo represented the major shareholder Redefine Properties Limited on the RDI Board. Following the sale of the Redefine Properties shareholding in RDI to Starwood Capital Group, Pieter Prinsloo resigned from the RDI Board on 13 July 2020.
5. Executive Directors Stephen Oakenfull and Adrian Horsburgh stepped down from the Board on 23 January 2020 but continued in their roles as Deputy CEO and Property Director, respectively.
6. Matthew Parrott was appointed to the Board on 22 July 2020 and represents the Company's major shareholder Starwood Capital Group.
7. Krysto Nikolic was appointed as the alternate to Matthew Parrott on 22 July 2020, and also represents Starwood Capital Group.

[a] The Chairman was unable to attend a Board meeting which had been called on short notice, but discussed the matter beforehand with the CEO, to ensure that his views were relayed to the rest of the Board.

[b] Adrian Horsburgh was unable to attend two SSR Committee meetings due to illness and holiday.

Board operations

The Board has historically met physically every quarter, but in this most unusual of years, all meetings during the pandemic have been held electronically. Since lockdown, management has strived to keep the non-executives regularly informed of operations, but without face-to-face communication, team and decision-making dynamics have been difficult. However, the Board has continued to operate to its usual schedule, holding four quarterly Board meetings, aligned with the financial calendar. These meetings operate under a formal quarterly schedule of matters reserved for the Board to ensure that the Company's strategy and objectives, risks, Group operations, internal controls, policies and debt providers are all addressed or reviewed throughout the year. The matters reserved schedule also specifies that Board decision making must give due consideration to all stakeholders, and Directors are reminded of this at each meeting, with a list of those stakeholders who may be affected by a particular Board decision.

To avoid conflicts of interest, Directors are asked to disclose their directorships and shareholdings before each meeting. The Articles of Association permit a Director who has disclosed an interest in a transaction to vote and count in the quorum in relation to any resolution of the Board concerning the related transaction, if the Board so approves.

Board and Committee packs are ordinarily provided by management seven days in advance of meetings to allow Directors sufficient time to prepare and request additional material if required. Management and advisers may be invited to attend meetings to provide further information or guidance on specific matters. Meetings are minuted, with discussions and challenges from non-executives recorded to demonstrate that due consideration has been given by the Board on each matter.

Update calls are scheduled between Board meetings to keep Directors abreast of operational matters, to prevent Directors being overloaded with information, and to provide feedback received from investors. Additional Board meetings may be called on short notice, such as a meeting regarding the Company's initial response to the COVID-19 crisis.

Committees of the Board may be held to consider matters (i) in line with pre-approved delegated authority levels; (ii) to provide final approval of items that have been reviewed by the Board but have not yet been finalised; or (iii) to ensure independent oversight of transactions. No committee requiring independent oversight was necessary this year.

Operational and transactional information is released to the market as soon as possible on the LSE, JSE and the Company website, to keep investors informed of developments. Where disclosure of inside information is delayed, insider lists are established, in accordance with the Company's share dealing policy and the Market Abuse Regulations, with the number of insiders minimised to maintain confidentiality and reduce the possibility of the information being leaked to the market.

Implementation of the strategy is carried out by management and co-ordinated by a small head office team of staff comprising asset managers, finance, marketing and company secretarial. The Executive Committee monitors the portfolio, recycling maturing assets in favour of properties demonstrating stronger fundamentals. Due to the size of the team the Company is agile and able to address issues and action transactions in a swift and efficient manner. Reports on progress against objectives are monitored each quarter and fed back to the Board and to the Remuneration Committee.

Quarterly Board agenda items	Strategic issues addressed under agenda items	Leading to achievement of strategic objectives
• Stakeholders	• List of proposed resolutions and stakeholders that could be affected by those decisions	Ensures that stakeholders are at the heart of the Board's decision making.
• CEO report • Transaction proposals and investment market • Property report	• Disposal of German portfolio • Disposal of mature UK assets • Response to CVAs • Acquisition of Link 9, Bicester • Redevelopment of Charing Cross Road	
• Finance report	• Review of leverage and covenants • Risk profile • Allocation of capital • Budget and scenario analysis • Suspension or declaration of dividend	
• Capital markets and investment relations	• Progress against strategic targets • Shareholder information and trading statistics • Reports on shareholder views • Shareholder communications	
• Operations	• Communications on website etc. • Marketing initiatives	
• Corporate governance	• Reports from the Committees • Appointment and resignation of Directors • Compliance and regulatory updates • Resolutions to be proposed at the AGM • Control of inside information • Health and safety	

Date	Scheduled Board meetings	Ad hoc or committee meetings	Announcements	Stakeholders considered
September 2019	Operations update call	Increase shareholding in RBH Hotel Group Limited	Sale of Hamburg	
October 2019	• Resignation of Robert Orr • Approve sale of certain UK and German assets • Financial results and associated matters • Compliance • AGM resolutions • Board evaluation • D&O insurance • Remuneration Policy • Biodiversity policy • FY20 SSR targets		• Changes to the Board • Preliminary statement • Dividend declaration	• Shareholders • Employees • Hotel customers
December 2019	Operations update call	Posting of Annual Report	Issue of deferred bonus shares to executives Contingent awards Posting of Annual Report	Shareholders
January 2020	• Review of Company policies • Modern Slavery Statement • Results of AGM and changes to the Board • Retirement of Marc Wainer • Resignations of Stephen Oakenfull and Adrian Horsburgh		• Disposal and lettings update • Results of AGM and changes to the Board	• Employees • Shareholders • Customers • Tenants • Suppliers
February 2020		• Staff forum hosted by designated NED		• Employees
March 2020	Operations update call	Loan agreement COVID-19	OBI disposal	Employees Shareholders Tenants
April 2020	• COVID-19 • Aviva shopping centres • Covenants • Re-forecast • Dividend • Review of matters reserved for the Board • Results of employee survey		• COVID-19 update	• Tenants • Employees • Shareholders • Suppliers
May 2020	• Interim results • Risk disclosures • Going concern • Dividend • Material uncertainty clause	• Finalisation of interim results	• Interim results • Dividend suspended	• Shareholders
June 2020	Operations update call		Redefine Properties Limited dispose of shareholding in RDI and subsequent resignation of Pieter Prinsloo	
July 2020	• Resignation of Pieter Prinsloo • Appointment of Matthew Parrott • COVID-19 • Risk register • Review of internal controls • Business continuity and major incident plan • Review of debt providers • Review of insurance • Reconstitution of the Investment committee		• Starwood Capital Group acquisition of major shareholding in RDI • Trading update • Appointment of Matthew Parrott • Lease of Bicester • Schloss-Strassen Center, Berlin disposal	• Shareholders • Employees • Tenants • Suppliers

Board operations continued

Principal decisions made by the Board

Principal decisions are those that are material to RDI but are also significant to any of our stakeholder groups. In deliberating principal decisions, the Board will consider feedback from stakeholders, ensure that high standards of business conduct are met, will strive to protect the Company's reputation, and will endeavour to act fairly between its members.

Principal decisions taken by the Board during the year included (i) the continued disposal of the German portfolio and UK mature assets; (ii) the re-financing of debt; and (iii) the Company's response to COVID-19.

The impact of COVID-19 on the Company, as for many, was substantial. The Board was mindful of balancing the impact on earnings with the need to ensure stakeholders were treated fairly.

At the start of the pandemic, the Company was in a fortunate position of holding cash reserves of circa £85 million from recent sales of German and UK mature assets, as a result of strategic priorities previously agreed by the Board.

However, the lack of visibility on future cash flows and the conservation of liquidity was considered critical, and the decision to defer the dividend was taken in the long term interest of the Company and all stakeholders.

The Company had recently reviewed its Major Incident and Business Continuity Plan (the "Plan"), which was designed to protect the safety of staff and the interests of stakeholders. Due to the size and culture of the team, when lockdown began, the Company worked quickly to implement the Plan, with HR safeguarding staff safety, the IT department ensuring that remote working platforms were established and maintained and the Board providing regular trading updates for investors.

A proactive approach was taken with occupiers to support their business, and with lenders to agree waivers of financial covenants whilst ensuring finance costs remained to be met in full.

Employees

- A COVID-19 response management plan, including working from home guidance and mental health and wellbeing, was issued to all staff in May and reissued in September to include return to work and travel to work guidance.
- A mental health and wellbeing employee questionnaire was undertaken in June to monitor and support staff, and the results discussed with staff via a Company-wide feedback session chaired by the CEO.
- The RDI intranet kept staff informed with business updates and team news.
- Return to work interviews, workplace assessments and a travel to work plan were discussed with each member of staff.
- Remote team building and social interactions were delivered throughout May and June which promoted communication and supported staff mental health.
- The office space was reorganised to create a safe, secure working environment, in line with Government guidelines.

Tenants

- Active engagement with tenants and clients was undertaken across the whole portfolio. Financial assistance in the form of rent-free periods or rent deferrals was prioritised for those occupiers most in need and in order to help support their businesses.
- A 50 per cent licence fee discount was offered in April and May to our London serviced offices, subsequently reduced to 25 per cent in June.
- Five hotels were allocated to local authorities and the NHS at discounted rates to be utilised for key workers and the homeless.
- A significant amount of planning and co-ordination was carried out to ensure the safe re-opening of assets across the portfolio and to support customers, clients and occupiers wherever possible.

Communities

- Social media channels were used to keep consumers and communities informed of regulations, changes in procedures, queue management and trading time information.
- Social engagement plans were implemented in our shopping centres. For example, at St. George's in Harrow, in line with Mental Health Awareness Week, more than 2,000 postcards were sent to the local community with positive messages and information on where to find support with mental health.

Investors

- Regular communication with investors has been maintained during lockdown, with an update provided in April, with the May interim results and again in July.
- During these difficult times, the Company has continued to implement strategy, and respond to shareholders' requests by reducing retail exposure and LTV.

Lenders

- Early engagement was undertaken with the Group's lenders, with waivers agreed on 96 per cent of debt subject to financial covenants.
- Regular updates on rent collection were provided with commentary provided on asset management initiatives and concessions.

Suppliers

- All payments to suppliers were maintained in line with pre-lockdown payment practice.

Composition, succession and evaluation

Nominations Committee

> Further work is required on succession, which will be the main focus this year.
>
> **Gavin Tipper**
> Chair of the Nominations Committee

Committee members

Gavin Tipper (chair)
Independent
Appointed 30 July 2014

Michael Farrow
Independent
Appointed 15 December 2017

Sue Ford
Independent
Appointed 30 January 2014

Matters discussed

October 2019
- Board composition
- Committee composition
- Board evaluation

April 2020
- Committee composition
- Board succession
- Board evaluation options

July 2020
- Committee composition
- Board succession
- Board evaluation process

Committee composition

Led by the Chairman, the Board is collectively responsible for the long term success of the Company. It is therefore appropriate for the Nominations Committee, which is responsible for the composition of the Board, to be led by the Chairman. Gavin Tipper assumed the chair in July 2018 and is assisted by two independent Directors. All of the Committee members have significant experience as directors of listed companies and are aware of the skills required to successfully manage a dual listed company with a diversified portfolio.

Committee operations

The Committee met three times during the year and the meetings were attended by all of the members and the Company Secretary.

The roles and responsibilities of the Nominations Committee are set out in its terms of reference, approved by the Board in January 2018.

The Nominations Committee's primary objectives are to lead the process for appointments, ensure plans are in place for the orderly succession of both the Board and senior management, and to oversee the development of a diverse succession pipeline.

The main topics discussed by the Committee this year were Board and committee composition, Board succession and the Board evaluation.

Committee performance

As part of the annual Board evaluation process, the performance of the Nominations Committee was assessed and compared to performance in the previous year. Although the overall assessment of performance remained unchanged and was considered sufficient with the Board size and composition having improved, it was concluded that further work is required on succession planning, which will be the main focus for the next year.

Nominations Committee continued

Composition

Board composition

At the start of the financial year the Board, excluding the Chairman, consisted of ten Directors; four executives, four independent non-executives and two non-executives, representing the Company's then major shareholder, Redefine Properties Limited ("RDF"). Although there was an imbalance of independent and non-independent Directors, historically the Board had worked well with no group of individuals dominating decision making. In September 2018, RDI left the FTSE 250 and, as a "smaller company", the Board was considered too large. In response, the Nominations Committee recommended that the RDF representation be reduced to one Director, and that the number of Executive Directors be reduced to two, the CEO and CFO.

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

This resulted in the Board, excluding the Chairman, comprising six Directors, restored the balance of independent and non-independent Directors, aligned the composition of the Board with the requirements of the 2018 UK Corporate Governance Code (the "Code"), and improved the level of female representation.

Appointment and induction of new Director

In July 2020 RDF, a major shareholder since 2010, sold its shareholding to the Starwood Capital Group, and Pieter Prinsloo, RDF's representative, stepped down from the Board on 13 July 2020.

The Starwood Capital Group, with a shareholding of 29.61 per cent, requested that it be represented on the Board by Matthew Parrott, whose CV was circulated to the Nominations Committee. As Matthew is a full time employee of the Starwood Capital Group, responsible for real estate investment in the UK and Ireland, and a director of a number of private companies, he was asked to confirm that he would have sufficient time to serve as a Non-executive Director of RDI. The Committee was of the view that Matthew's experience would complement RDI's efforts to reposition its portfolio and strengthen the balance sheet, and following an interview with the Nominations Committee, his appointment was recommended to, and approved at, a Board meeting on 22 July 2020. Matthew's terms of appointment can be found opposite.

Upon appointment, Matthew was given an induction session by the CEO that covered the Group's background, its historical activities, its key businesses and risks, its funding structure, strategy, property details and the latest financial information. The Company Secretary provided a list of matters reserved for the Board, the corporate calendar, details of stakeholders, the culture and an overview of a director's obligations for an Isle of Man company with a dual listing on the LSE and JSE. Since joining the Board, Matthew has met with some of the Company's key advisers and has toured a number of properties.

Committee composition

The composition of the five committees is reviewed throughout the year.

Subsequent to the director movements above, the Remuneration Committee comprised two members and the Investment Committee one member.

As a "smaller company", the Remuneration Committee is required to have a minimum membership of two independent non-executives and the membership was therefore compliant with the Code, and no additional members were appointed.

After the AGM, the role of the Investment Committee was undertaken by the Board. However, following the appointment of Matthew Parrott, the Investment Committee was reconstituted on 22 July 2020, and comprised Mike Watters, Gavin Tipper, as chair, Matthew Parrott and Stephen Oakenfull.

No changes were made to the other committees.

Directors to retire

Two Directors will not be standing for re-election at the AGM; Mike Watters will retire on 18 December 2020; and Michael Farrow, having reached the maximum nine year tenure on the Board, will be stepping down at the 2021 AGM.

Directors' re-election at AGM

Donald Grant, the CFO, will stand for re-election and Stephen Oakenfull and Matthew Parrott, appointed to the Board during the year, will be subject to election by shareholders for the first time at the AGM on 28 January 2021.

The interests of each of the three independent Directors standing for re-election are monitored, to ensure that their independence is not compromised.

The Board is satisfied that Gavin Tipper, Sue Ford and Liz Peace remain independent in both character and judgement and comply with the independence criteria of the Code.

Comments on the effectiveness of each of the independent non-executives are provided below:

- Gavin Tipper – The Board regards Mr Tipper as an exceptional Chairman. He attended in excess of 21 Board and Committee meetings during the year. He chairs both the Nominations and Investment Committees and is a member of the Remuneration Committee. He also receives details of the Audit and Risk Committee meetings, in order to ensure that he is fully aware of all aspects of the Company and the Board's operations. RDI therefore has no concerns regarding his ability to devote sufficient time to the Company;
- Sue Ford, a former finance director of a FTSE 250 property company, has in-depth knowledge of, and contacts within, the UK property sector and financial institutions, and provides pertinent advice on financial matters. Her rationale and experience have been invaluable as chair of the Audit and Risk Committee and she is a highly respected member of the Board; and
- Liz Peace has a wealth of relevant experience and her involvement in multiple facets of the real estate sector strengthens the expertise of the Board. As chair of the Sustainability and Social Responsibility Committee, and the designated non-executive to engage with the workforce, she has elevated the importance of the Committee, the environment and stakeholders, and has raised employee concerns at Board level. She is considered by her colleagues to be an excellent Director and her insight has been of considerable benefit to the Company.

Biographical details of those Directors to be appointed or re-appointed at the AGM can be found on page 92 and are contained in the Notice of Meeting. The Chairman is of the view that the current Directors function well as a team, continue to be effective members of the Board, and that they collectively hold the requisite range of skills to enable the Board to operate successfully.

Terms of appointment

Our Board is composed of highly skilled Directors, who bring a range of skills, diversity of thought and experience to the boardroom.

Non-executive Director terms of appointment

All new non-executives are provided with a letter of appointment detailing the terms of their appointment and their expected time commitment. On signing, they confirm that there are no conflicts of interest inherent in their appointment.

Non-executive Directors are not appointed for a specified term, but rather until they:

- are not re-appointed following retirement;
- are removed or they vacate office;
- resign or do not offer themselves for re-election; or
- terminate their appointment on three months' notice.

All Directors are expected to make themselves available for a minimum of eight days a year and to attend:

- quarterly Board meetings;
- ad hoc Board meetings;
- quarterly update calls;
- meetings of any committees of which they are a member; and
- shareholder meetings, as required.

Advice and D&O insurance

Any Director may, if necessary in the furtherance of their duties, take independent professional advice at the Company's expense, subject to having first notified the Company Secretary of their intent to take such advice. Any payments by the Company for such advice are subject to applicable restrictions under company law.

The Company maintains liability insurance which covers Directors and officers of the Company and any subsidiary companies in the RDI Group.

Conflicts of interest

On appointment, and before each Board meeting thereafter, all Directors are asked to disclose any directorships, relevant shareholdings or any other potential conflicts of interest. Directors may not, without the consent of the Board, accept any other listed appointments as a Non-executive Director, or enter into any arrangements which may reasonably be expected to lead to a conflict of interest. Prior to accepting any new appointments, they are also required to confirm that the appointments will not impact on their ability to meet their responsibilities as a Director of RDI.

If a conflict of interest arises, the conflicted Director may be asked to leave the meeting whilst the matter is discussed, or the matter may be reviewed by an independent committee of the Board.

Overboarding

External appointments of our Directors are monitored against the guidelines on overboarding published by the Institutional Shareholder Services.

As such, the Company is aware that Mr Tipper is classified as being overboarded, and there are shareholder concerns regarding his ability to devote sufficient time to the Company. The Board regards Mr Tipper as an exceptional Chairman who attended all scheduled Board and committee meetings during the year. He played an active role during the COVID-19 period and was heavily involved in all material and strategic discussions during the past twelve months. RDI therefore has no concerns regarding his ability to devote sufficient time to the Company.

Director training

As part of the Board evaluation process, each of the Directors was assessed by the Chairman, who discussed their performance and identified any training and development needs. All Directors are encouraged to update their skills and knowledge.

Advisers may be asked to present at meetings in order to provide Directors with relevant information on the Company and its regulatory environment. Opportunities are also provided for Directors to meet and discuss projects with members of senior management and property tours are undertaken to enable Directors to view the Company's assets, and to hold discussions with the responsible asset managers.

At each Board meeting, Directors are updated on regulatory issues and changes to legislation and corporate governance matters. During the year updates were provided on, inter alia, FRC publications, corporate climate reporting, remuneration guidance, the Brydon Review, culture, diversity and CIGA 2020.

Nominations Committee continued

Succession

Executives and senior management

Mike Watters was the CEO of the external management company from 2008 and, following the internalisation of management, Mike became CEO of Redefine International (the Company's former name) in 2013. The departure of such a long-standing employee has been noted as a significant risk to the Company for many years and the Nominations Committee has been diligent in overseeing the development of the Deputy CEO, Stephen Oakenfull, to ensure there was an appropriate and capable successor to Mike Watters. In order to prepare for the position of CEO, Stephen has been mentored, he has attended external management development programmes and increased his external networking contacts. He has also worked alongside the CEO since 2007 and with the retirement of Mike Watters, as announced on 5 November 2020, the Nominations Committee, and the Board, are confident that Stephen Oakenfull has the knowledge, experience and the skills to take over the leadership of the executive team and to successfully implement the Company's strategy to generate future value for all of our stakeholders.

The formulation of a succession plan for the CFO and Property Director was set as a performance objective for the CEO in 2019 in conjunction with the Remuneration Committee. With circa 30 head office personnel, internal senior management candidates have been identified to replace the CFO and the Property Director.

Given that the senior management layer is 50 per cent female, there is a strong, gender diverse succession pipeline for the male executive team. As vacancies arise, consideration will however be given to both external and internal candidates.

Non-executives

In August 2020, Michael Farrow and Gavin Tipper will each have served on the Board for nine years. The simultaneous departure of two experienced Directors is likely to be detrimental to the operation of the Board and its committees and their retirements will therefore be staggered.

Michael Farrow will step down at the 2021 AGM and the process for finding his replacement is underway. Michael has been an invaluable member of the Board and, in his role as Senior Independent Director, has been a support to the Chairman. His departure will leave a loss of experience and skills on the three Code committees on which he serves, and most notably on the Remuneration Committee, which he chairs.

During 2021 the Nominations Committee will, inter alia, focus on the recruitment of a new Board Chairman to replace Gavin Tipper when he steps down at the 2022 AGM. As the Chairman is not permitted to chair the Nominations Committee when dealing with the appointment of his successor, this will need to be addressed. Furthermore, in 2022, Sue Ford will have served for nine years. Both she and Gavin Tipper are qualified accountants, and this skill will need to be refreshed, and a suitably experienced candidate found to replace Sue as the chair of the Audit and Risk Committee.

Planning

Michael Farrow's departure will result in the following vacancies:

- Independent Non-executive Director;
- Senior Independent Director;
- chair of the Remuneration Committee;
- member of the Audit and Risk Committee; and
- member of the Nominations Committee.

When considering succession planning for the Board, the Nominations Committee will seek to appoint Directors with the right skill set, who can make a positive and diverse contribution, in order to maintain Board effectiveness. The Nominations Committee will commence the process by reviewing the current skills of directors, the skills required for the future and the diversity of members. Knowledge of European property markets, once an important requirement will no longer be needed once the German portfolio has been sold. Current Code requirements stipulate that all Remuneration Committee chairs must have served on a remuneration committee for at least twelve months and Michael's replacement will therefore need to be a person with at least that experience. In order to meet the diversity target of 33 per cent of women on the Board by the end of 2020, the Committee will continue to review gender representation. The objective of having a person of colour on the Board by 2024 will also be considered when refreshing the Board.

Current skills and diversity of the Board are summarised below.

Independent NEDs	Tenure	Due to step down	Experience	12 months on RemCo	Diversity (33% female by FY20)	(A person of colour by FY24)	Age	Qualifications
Gavin Tipper	9 years	January 2022	F U S	✓			55	MBA, CA, BCom, BAcc
Michael Farrow	9 years	January 2021	P F U E	✓			66	FCIS MSc (Corp Gov)
Sue Ford	7 years	December 2022	P F U	✓	✓		60	ACA, BSc (Hons)
Liz Peace	3 years	November 2026	P U	✓	✓		67	BA (Hons) History
Non-independent								
Matthew Parrott	—	n/a	P F				34	BA Business Economics
Mike Watters	7 years	n/a	P F U S E				61	MBA, BSC Eng. (Civil)
Donald Grant	5 years	n/a	F U				46	CA (NZ)

P Property F Finance U UK listed companies S SA listed companies E European property markets

Board evaluation

The performance of the individual Directors was reviewed by the Chairman, to ensure that all Directors remained effective and any concerns or training requirements were discussed. The Chairman's performance was appraised during an informal meeting of the non-executives at year end. This meeting considered the Chairman's clarity of communication, leadership of the Board, his relationship with the executives, the management of shareholder issues, and his corporate and technical knowledge. It was concluded that the Chairman had immense integrity, his communication with the Board was excellent, he dealt with all issues in a swift and efficient manner and, during this most difficult of years, had performed exceptionally well.

An external evaluation of the Board was last conducted in 2016 and it was intended that another external evaluation would be performed this year. However, in light of the unusual external circumstances and the changes to the Board, the performance of the Board and its Committees for 2020 was reviewed using an online Board evaluation tool. An external evaluation will be considered by the Nominations Committee next year.

The online evaluation questionnaire covered Board composition, Board meetings, relations between the Executive and Non-executive Directors, strategy, risks, engagements with stakeholders and the Board's performance during COVID-19. The core structure of the questionnaire used in previous years was maintained but was reviewed by the Chairman and amended to ensure that questions remained pertinent to the financial year and current economic circumstances. This allowed the results to be compared to prior years, and for progress to be tracked. Once the Directors had completed the evaluation anonymously, the results, and comments, were presented to the Board. Concerns raised were discussed and appropriate actions agreed.

The evaluation evidenced an improvement in Board performance, primarily due to the restructuring of the Board. With a smaller Board, meetings improved, there was more time for debate, and decision making became easier.

The areas which have historically been identified as areas of concern are shown below, together with the progress made during 2020 and the proposed actions for 2021.

	2018	2019	2020	2020 actions	2020	2021 action plan
Long term strategic decision making	✓✓	✓	✓✓	Strategic debate was a focus for 2020.	Implementation of the 2019 strategy continued and enabled the Company to withstand the COVID-19 disruption. A strategy day was held, but further discussion required.	Further strategic debate with an emphasis on the long term.
Thorough risk analysis	✓✓✓	✓✓	✓✓✓	There were concerns raised that the Company was not responding sufficiently to changes in the market caused by Brexit.	A detailed "Brexit" overlay, independently reviewed by KPMG, was presented to the Board and Audit and Risk Committee in October. The Company responded well to COVID-19, and new and emerging risks were identified and mitigated where possible.	Risk appetite to be defined with further emphasis on macro risks.
Shareholders and stakeholders	✓✓	✓	✓✓	The executives were tasked with dispelling misconceptions in the market regarding the sale of German assets and the Aviva shopping centres.	Clear communication was included in the Annual Report and results presentations. Investor meetings provided further clarification opportunities. Regular operational updates have been provided to the market.	Communication of the long term strategy to investors to be improved. Further integration of ESG matters into decision making.
Board composition	✓✓	✓	✓✓✓	The Board was regarded as too large as the Company is no longer in the FTSE 250.	The size of the Board has been reduced and is compliant with the Code.	Diversity targets are still to be met and will be considered when refreshing the Board.
Succession planning	✓✓	✓✓	✓✓	The Nominations Committee was to focus on succession planning.	Now that the Board has been restructured, the process to find Michael Farrow's replacement has begun.	The skill set of new directors will be aligned with the Company's strategy.

Annual General Meeting to be held on 28 January 2021 at 11.00 a.m.

Arrangements for the AGM will be released in December and will take account of the most recent Government advice to ensure the wellbeing of our employees and investors.

All Directors standing are recommended for re-election at the AGM.

Gavin Tipper
Chair of the Nominations Committee

5 November 2020

Key to Board evaluation table:

✓✓✓✓ Excellent
✓✓✓ Good
✓✓ Requires improvement
✓ Requires immediate attention

Audit and Risk Committee

> In light of the current COVID-19 pandemic, considerable time was invested by the Committee reviewing the key assumptions which underpin the Group's ongoing viability.
>
> **Sue Ford**
> Chair of the Audit and Risk Committee

Committee members

Sue Ford (chair)
Independent
Appointed 30 January 2014
(Appointed Chair 24 July 2018)

Michael Farrow
Independent
Appointed 23 August 2011

Liz Peace
Independent
Appointed 24 July 2018

Matters discussed

October 2019

- Report from the valuers of the UK Commercial portfolio
- De-recognition of the Aviva financed UK shopping centre portfolio
- Held for sale classification of the Europe segment
- Financial stress testing and covenant compliance
- Viability and going concern statements
- Risk disclosures
- Alternative performance measures
- Independence of external auditor
- External auditor's report regarding the 2019 full year results
- Internal auditor's report
- Review of annual attestations confirming that the 2019 results were fair, balanced and understandable
- Private meeting with the external auditor

May 2020

- Report from the valuers of the UK Commercial portfolio
- Implementation of IFRS 16
- UK Controlled Foreign Company rules
- 2020 interim statement
- Viability and going concern, with particular focus on the impact of COVID-19
- Interim risk review
- Report from the external auditor, including full year audit plan
- Internal auditor's report
- FRC guidance update

July 2020

- Significant areas of judgement and uncertainty
- Application of IFRS 15 to service charge income
- Annual risk management review
- Annual report on internal controls and effectiveness of internal audit
- Internal auditor's report
- Review of business continuity and major incident plans
- Review of non-audit fee policy
- Private meeting with the internal auditor

Committee composition

The Committee comprises three independent Non-executive Directors:

- Sue Ford is a qualified accountant who has previously held the post of CFO at a listed UK property company and has served on the Committee for six years;
- Michael Farrow has over 20 years' experience of UK listed and private property companies and funds where he worked as a director and a company secretary; and
- Liz Peace brings extensive knowledge of the property sector and has previously served as chair of the audit committee of a listed property company.

The Board is satisfied that Sue Ford has recent and relevant financial experience, and the Committee as a whole has competence relevant to the property sector.

Committee operations

The Committee met three times during the year. Meetings were attended by all members and were aligned with the Company's financial reporting and risk management cycle. All meetings were attended by the CEO, Deputy CEO, CFO, Financial Controller, Company Secretary and the internal and external auditors. In October and May, valuers were invited to present their property valuations to the Committee. The Committee operates within terms of reference, last approved by the Board in November 2020, which can be found on the Company's website **www.rdireit.com**. These set out the role of the Committee in accordance with the 2018 Corporate Governance Code and updated the policy on non-audit services to align with the Financial Reporting Council's Revised Ethical Standard published in December 2019 ("FRC's Ethical Standards").

Committee performance

As part of the Board's evaluation process, the effectiveness of the Committee, the performance of the chair and the quality of the feedback provided to the Board were assessed. The Directors considered that the Committee worked well and was challenging but supportive.

Committee responsibilities

The Committee is primarily responsible for discharging governance responsibilities in respect of audit, risk and internal control and will report to the Board as appropriate. In carrying out its duties, the Committee meets regularly with both the external and internal auditor and the external valuers.

A significant amount of the Committee's time this year was allocated to assessing and stress testing the impact of COVID-19 on the Company's financial performance, position and liquidity, together with its impact on principal risks. An overview of the Company's response to COVID-19 is set out on pages 3 and 98.

External auditor and the external audit

KPMG LLP was appointed as auditor of the Company in 2019 following a tender process during 2018. Pursuant to the Crown Dependencies Audit rules introduced in March 2020, EU rules regarding auditor independence and a ten year mandatory audit firm rotation now apply to Isle of Man companies. There is therefore no requirement to rotate the Group's auditor until 2029.

2019 was the first year KPMG LLP had held office. The Company has a complex Group structure and a debrief was held in December 2019 to discuss the process and identify areas for improvement for the coming year. A further meeting was held with management in March to discuss updates to the business and key audit issues. A draft audit plan was discussed in April, with a final plan presented to the Committee in May. The main areas of audit focus for this year were: valuation of investment property; management override of controls; and going concern, the latter being primarily due to the impact of COVID-19. Materiality was set at £13.0 million, which represented the level at which KPMG considered misstatements would reasonably influence users of the financial statements. Specific lower materiality was set at £2.15 million.

A closing meeting was held with management in November 2020 to discuss the auditor's report and any outstanding deliverables and a final meeting was held with the Committee to communicate the auditor's findings. The Committee also held a private discussion with KPMG, without management present, to discuss any issues that the auditor wished to bring directly to their attention.

Non-audit services

The provision of non-audit services by the external auditor was in accordance with prescribed services outlined in the FRC's Ethical Standards. The Standard became effective on 15 March 2020 and only allows auditors to provide certain non-audit services which are closely linked to the audit itself or are required by law or regulation. The prescribed list of "audit related services" includes:

- reporting required by law or regulation to be provided by an auditor;
- reviews of interim financial information;
- reporting on regulatory returns;
- reporting to a regulator on client assets;
- reporting on government grants;
- reporting on internal financial controls when required by law or regulation; and
- extended audit work that is authorised by those charged with governance performed on financial information, and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

During the year, non-audit fees comprised the fees paid to the external auditor for the review of the Group's interim results. In addition, the external auditor undertook the engagement of reporting accountant for the Company, which was not considered to compromise the auditor's independence.

The following fees were paid to the external auditor during the year and were included within net operating income in the Group's income statement.

£m	Year ended 31 August 2020	Year ended 31 August 2019
Audit and related fees	**0.4**	0.3
Total	**0.4**	0.3
Non-audit fees	**0.2**	0.1
Total	**0.6**	0.4

Audit and Risk Committee continued

Significant judgements

The Committee considered all significant areas of judgement and uncertainty. Those of particular relevance this year are set out below.

Valuation of investment property

Investment property valuation remains the most significant judgement in the Group's financial statements. A number of assumptions underlie the valuations, such as market yields, which were a reflection of market evidence and were highly judgemental.

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' 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. Where there is a lack of comparable transactional evidence, as was the case for the Group's most recent valuations given the impact of COVID-19, then the degree of potential variability in valuations may widen. Further details in respect of assumptions and estimation uncertainties are provided in Note 2.3.

Impairment of receivables

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

Going concern

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

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

Classification of UK Hotels as investment property

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

The Group cumulatively holds a 27.4 per cent (31 August 2019: 25.3 per cent) shareholding in RBH. Having considered the guidance in IFRS 10 'Consolidated Financial Statements' ("IFRS 10"), the respective rights of each of the shareholders in RBH and the relative size of the Group's shareholding, the Directors have determined that the Group has the ability to exercise significant influence over, but does not control, RBH, notwithstanding the increased investment during the current period. The investment in RBH has therefore been classified as an associate.

In all cases, the Committee was satisfied that judgements were well founded, and the conclusions reached were appropriate.

Loss of control of subsidiaries

In April 2019, an event of default occurred in respect to the Aviva financed UK Shopping Centres. A Standstill Agreement, which allowed for a consensual sales process to be carried out, expired in February 2020 and Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centres on 6 May 2020. The properties are now under the management and control of the receiver. The transaction constitutes a loss of control event in line with IFRS 10 'Consolidated Financial Statements', with effect from April 2019 for the reasons set out below.

The Group controls an investee when it:

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

Although control is not based solely on legal ownership, control is ordinarily assumed by the Group over an investee in which the Group holds the majority of the issued share capital and voting rights and where there are no other third-party arrangements in place that alter or constrain the Group's decision making ability regarding that investee.

Conversely, the Group ordinarily assumes a loss of control on completion of the contractual sale of the Group's equity interests in an investee on fair value terms with an independent third party. Where other factors exist, such as the enforceable rights of a lender under bank debt covenants in the event of default, the Group must consider whether the three criteria for control set out above continue to be met. If any one of the criteria is not met, the Group does not, or has ceased to, control the investee and does not consolidate the results of that investee.

Independence and effectiveness of external auditor

The Committee has reviewed the independence and effectiveness of the auditor, and had consideration for the following:

- assurances from KPMG LLP as to the quality of the audit and the ongoing independence of the auditor, which were in line with the FRC Ethical Standards;
- publications provided to management throughout the year on emerging issues and financial reporting updates;
- written reports to the Committee were clear and concise and presentations at meetings were regarded as being balanced, clear and understandable;
- safeguards that limit the amount of non-audit services provided by KPMG, to protect their independence;
- consultations with management who considered that the KPMG team demonstrated the competency and experience necessary to perform effectively in their roles; and
- audit queries were raised and dealt with in a proactive and timely manner and there was sufficient challenge with regard to areas of judgement and estimate, internal controls and areas of heightened risk.

After due consideration, the Committee concluded that the external auditor had maintained independence and effectiveness, and recommended KPMG LLP's re-appointment to the Board.

External valuers and valuation of investment property

As investment property valuation remains the most significant judgement in the Group's financial statements, the valuations are heavily scrutinised by both the Committee and the auditors. Valuers are therefore invited to attend Committee meetings on a rotational basis. This year, Savills were asked to present at the October and May meetings to set out the basis on which the UK Commercial portfolio had been valued, in particular:

a) the process and the particular factors considered;
b) the valuation methodology;
c) the context to the valuation and market comparables;
d) the valuation data;
e) the commentary on the detailed valuations for each asset; and
f) consideration of the material uncertainty clause.

An assessment of the valuers' credentials and the processes undertaken is reviewed by a KPMG specialist auditor with property valuation expertise, who considers the appropriateness of the procedures and whether the valuations are considered to be within an acceptable range. In each case, no issues were raised.

Changes in accounting policies and standards

The most significant change this year was the adoption of IFRS 16 'Leases'. The impact on the financial statements has been significant and is explained in detail and quantified in Note 2.

The Committee also considered the review of service charge arrangements which had been undertaken alongside an analysis of comparators. It was concluded that the Group acted as principal and should therefore apply the five step model required by IFRS 15 in recognising service charge income. The impact to the Group's IFRS results and position is set out in Note 2.

Internal audit and internal controls

The control environment surrounding the Group's finance function was subject to regular review by both management and the internal auditor, particularly as it had been subject to a significant level of potential disruption due to the COVID-19 pandemic. As a result, certain planned improvements to the control environment for the financial year did not progress in line with expectations. However, the prior implementation of the Group's major incident and business continuity plans, together with the accounts payable electronic invoice workflow, both having been subject to internal audit, had ensured that an effective control environment had been maintained during the period of disruption.

Following the annual risk management review in July, an internal audit plan was agreed which addressed certain risks identified, targeted verification of critical mitigating actions or, as appropriate, provided independent assurance on the Company's response to significant changes in regulation or legislation. The plan allowed for flexibility where required to address change or transactional activity throughout the year. All scheduled internal audit reviews were completed on time and the control environment is still considered to be robust and suitable for a business of our size operating in the current environment.

Audit and Risk Committee continued

Internal audit and internal controls continued

Consideration of risks	Audit plan	Audit	Monitoring	Feedback
• RDI's principal risks • Prior audit work risks identified • Risk horizon • Routine internal audit risks	Rationale and high level scope for each audit proposed is presented to the Committee for consideration	Internal audit undertaken. Every audit issue is given a rating, as is the overall report. Findings are reported back to the Committee	Actions required are monitored and the status of outstanding actions reported at each meeting	Feedback is sought from those engaged with the internal auditor at the conclusion of each audit

During the financial year the Company's internal auditor, Grant Thornton, reported on the following internal audits:

Audit	Key risk considered	Rationale and scope of audit
Revenue	Financial loss due to revenue not billed.	• The audit was undertaken following a recent Budgeting and Forecasting audit. • Audit considered the completeness, accuracy and approval of billing, reconciliation of tenancy schedules and Yardi exception reporting.
Cyber security	Key cyber security risks and the adequacy and extent to which controls have been applied to mitigate the risk from common internet-based threats.	• The review was based on the Cyber Essentials framework that has been developed by the UK Government, and provides a clear statement of basic controls (grouped into five areas) that all organisations should implement to mitigate the risk of common internet-based threats.
Accounts payable	Appropriate controls surrounding change management and the implementation of electronic invoice workflow.	• An audit was last undertaken in this area in 2016, for which a low rate report was awarded. • Elevated potential risk of fraud or control weakness during periods of change. New workflow systems (PAYscan) implemented in 2019. • Audit considered the implementation of PAYscan, approvals, testing and segregation of duties.
Company secretarial	Non-compliance with company secretarial requirements may lead to regulatory action, financial penalties, reputational damage and a breakdown in governance.	• Key governance role, complex structure, high level of change plus a dependency on offshore administrators. • Audit considered approval and review processes including information flows and completeness of coverage of company secretarial matters in offshore locations (including regulatory change).

All audits received a low to medium risk grade. In all cases appropriate management responses were provided to findings and the status of outstanding actions reported to the Committee regularly. At the end of the year all actions had either been completed or were in progress in line with agreed plans.

Review of effectiveness of the internal auditor

The internal auditor continues to raise sufficiently challenging points while considering the nature and scale of our business and draws commercially sensible recommendations.

Following each internal audit, Grant Thornton ensures recommendations are properly addressed and implemented. Quarterly updates are held between the lead partner or manager and the CFO and Financial Controller, which provides a forum for regular, insightful and open dialogue.

Feedback is sought from the departments subject to the internal audit process, with positive feedback received this year from the Company Secretariat and the Head of Business Information Systems who concluded that the recent internal audit projects were a worthwhile and timely exercise for all involved.

Based on the above, the Committee was satisfied with the internal auditor's work and noted the contribution made to the ongoing improvement in the Company's internal controls and strategic planning. The Committee therefore concluded and recommended to the Board that Grant Thornton remained effective and should continue to act as the Company's internal auditor for the 2021 financial year.

Risk management

A process for identifying risks has been established whereby a Group register is compiled from the reports of the various divisions and corporate functions. On receipt of the reports, review meetings are held with departmental heads, and the identified risks and associated ratings are challenged as appropriate. Guidelines ensure a commonality of approach with a "Significant" risk being classified as having a potential earnings impact of £5 million and any impact greater than £10 million being classed as "Catastrophic". Risks are further considered relative to the potential adverse effect on the Group's reputation.

Results are then analysed to identify the Group's principal risks and compared to the previous review to highlight any significant changes, or new and emerging risks. A number of significant changes have been identified this year, most notably:

- the restrictive measures taken by both the UK and German Governments to control the spread of COVID-19 and the phased re-opening of the majority of the Group's assets that had been closed during April, May and June and the impact this has had on the rate of rent collection;
- an extended recovery period that is likely for the Hotel and London Serviced Office portfolios;
- covenant waivers were in place on 96 per cent of debt subject to financial covenants;
- delay in completing the German portfolio sales programme; and
- change in the Company's majority shareholder.

Full disclosure of the Group's principal risks is set out on pages 22 to 27.

Governance

Both the external auditor and the Company Secretary provide corporate governance updates to the Committee advising of recent publications, guidance, legislation or regulations to ensure that the Company is responding to changes in the regulatory environment as appropriate. Papers have been presented and discussed, inter alia, on CIGA 2020, the Risk Coalition, and various guidance from the FRC, the FCA and the JSE.

A compliance matrix is presented to the Committee and the Board at the end of the year, advising whether the Company has complied with all of its policies and applicable regulations during the year. The auditor also reports on whether actual or suspected non-compliance with laws and regulations or Articles of Association has been identified during its audit. As in previous years, none were identified.

All employees are provided with an induction on appointment covering the history of the Company, the culture and governance, and all are given a handbook containing Company policies, including the whistleblowing policy, which they must confirm they have read and understood. A new online training tool is being introduced with the initial focus this coming year on data protection, anti-bribery and cyber security.

A copy of the whistleblowing policy can be found on the Company's website **www.rdireit.com**. No whistleblowing reports were received during the year.

Review of internal controls, corporate governance statements and related disclosures

As part of the process of finalising the Annual Report and Accounts, the Board collectively and, in some instances, the Directors individually, are required to make certain disclosures and statements. In particular, the Board was required to make statements in respect of the system of internal controls and representations to the auditors contained within the UK Corporate Governance Code, including those within the remuneration report and Directors' responsibilities statement.

There was also a requirement for each Director to confirm that all relevant information had been passed to the auditors so that they can undertake the audit and provide their opinion as well as stating that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable.

The Committee received a significant amount of information during the course of the year which, when taken together, substantially provided the assurance to support the required disclosures and requirements. Management provided a schedule for the 2020 Annual Report and Accounts, which cross-referenced the required attestations to the various reports, documents and frameworks from which the Committee derived the necessary assurances.

The Committee reviewed a full draft of the 2020 Annual Report and Accounts, and considered whether they regarded the report as fair, balanced and understandable, whether key messages were clearly highlighted, and full explanations provided where necessary.

Following the review, the Committee was of the opinion that the Annual Report provided the necessary information for shareholders to assess the Company's position, performance, principal risks, business model and strategy and recommended to the Board that the Annual Report could be approved and issued to shareholders.

Should stakeholders have any questions or matters they wish to discuss with me, I can be reached via the Contact us link on the Company's website. I also expect to be attending the forthcoming Annual General Meeting in January 2021 and would be happy to address any questions shareholders may have in respect to the Committee's activities.

Sue Ford
Chair of the Audit and Risk Committee

5 November 2020

Directors' remuneration

"The Committee acknowledges the need to align remuneration with shareholder returns."

Michael Farrow
Chair of the Remuneration Committee

Committee members

Michael Farrow (chair)
Independent
Appointed 23 January 2013

Gavin Tipper
Independent
Appointed 24 July 2018

Robert Orr
Independent
Appointed 23 April 2015, resigned 9 October 2019

Matters discussed

October 2019
- Consideration of Company performance
- Consideration of 2019 bonuses and LTIP vesting
- Vesting of deferred bonus shares
- Determination of 2020 salary increases and LTIP contingent awards
- Consideration of Non-executive Director fees
- Review of proposals for senior management salary, bonuses and LTIP awards
- Review of Remuneration Policy

April 2020
- Review of executive bonus objectives
- Review of salaries in light of COVID-19

July 2020
- Review of executive bonus objectives
- Review of recent publications regarding recent trends in the market and investor expectations

Committee composition

Following the resignation of Robert Orr in October 2019, the Remuneration Committee operated with two independent Non-executive Directors for the remainder of the financial year, as permitted for a smaller company. The Directors are also members of the Audit and Risk and Investment Committees, which ensures they have a wide appreciation of the work, achievements or improvements required of the executives when establishing their objectives and determining the outcomes of the Remuneration Policy.

Committee operations

The Remuneration Committee met three times during the year and meetings were attended by all members and the Company Secretary. Deloitte attended the October 2019 meeting to provide advice to the Remuneration Committee, primarily on the amendments to the Remuneration Policy. The Remuneration Committee operates within terms of reference, which were amended in April 2019 to align them with the 2018 Corporate Governance Code.

Committee performance

As part of the Board's evaluation process the performance of the Committee was assessed. The Board considered the Committee to have performed well during the year, having proposed a new Remuneration Policy that was well received by investors. No concerns were raised as part of the evaluation process although it was recommended that the Committee engage more with shareholders in 2021.

Annual statement by the chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 August 2020. It should be noted that, as an Isle of Man company, RDI is voluntarily reporting under the UK Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the "Regulations") in order to provide transparency to our shareholders.

2020 Remuneration Policy

In accordance with the Regulations, the Remuneration Policy must be approved by shareholders every three years. A new Remuneration Policy was presented to shareholders at the 2020 AGM and received a 99.37 per cent vote in favour. A summary of the 2020 Policy can be found on page 116 and the procedure for developing the policy can be found on page 105 of the 2019 Annual Report. The policy aligns with:

- the new requirements of the UK Corporate Governance Code 2018, but retains the simplicity of the original policy, which has proved in the past to prevent excessive awards to executives;
- our strategy, by linking the financial performance conditions of both the STIP and LTIP to the strategic objectives of the Company and, in doing so, to shareholder returns;
- our culture, purpose and values, by motivating value creation from sustainable real estate. The personal performance targets, linked to the remuneration of the executives, include a commitment to the Group's Sustainability and Social Responsibility objectives; and
- the long term interests of our stakeholders, through the use of annual bonus deferral, LTIP holding periods and shareholding requirements.

The Remuneration Committee is satisfied that the STIP and LTIP do not encourage inappropriate risk-taking. Notwithstanding this, the policy provides the Committee with an overriding discretion that allows it to adjust formulaic outcomes from incentive plans so as to guard against inappropriate outturns. Malus and clawback provisions also apply to both the STIP and LTIP and can be triggered in specific circumstances outlined in the policy.

For 2020, the Remuneration Committee liaised with the SSR Committee to determine a personal ESG objective for each executive. This added an extra non-financial measure to the bonus. SSR objectives have also been included in all employees' bonus targets in order to embed an ESG culture into the day-to-day operations of the Company.

Consideration of executive performance

When considering the outcome of the 2020 executive remuneration, the Committee took into account the performance of the executives in light of economic conditions, the wider stakeholder context and investor expectations.

The Committee recognised the need to align remuneration with shareholder returns. The share price at the beginning of the financial year was 104 pence per share, and at 31 August 2020 had fallen to 85.2 pence per share, having recovered from a low of 46 pence per share. In the best interests of all stakeholders and in order to conserve liquidity, the decision was taken in May to suspend the dividend until year end. The suspension has been reviewed and the decision taken to restart dividends with a 5.0 pence per share dividend for the full year, a reduction of 50 per cent on the prior year.

With regard to employees, all head office staff retained their positions during the year and, where possible, continued to work throughout lockdown. No salary reductions were implemented, and the health and wellbeing of staff was given priority by the executives throughout the pandemic. Employees have remained motivated and productive and the Company has been able to function relatively well despite what has been a very difficult period.

Consideration of all stakeholders during the pandemic can be found on page 98.

Overview of remuneration

Taking into account the wider stakeholder context, the Remuneration Committee considered the outcome of both short and long term incentive plans for 2020, with a summary set out below:

2017 LTIP vesting: when measured against the published performance indicators the LTIPs returned a nil vesting for the fifth year in succession.

2020 LTIP awards and discretion: an LTIP award can be made to a maximum of 200 per cent of salary. In light of the continued subdued share price, the Remuneration Committee was cognisant of investor concerns regarding windfall gains and has again decided, as in 2019, to award LTIPs equivalent to 150 per cent of salary, subject to performance conditions, for the three financial years ending 31 August 2023.

2020 STIP awards and discretion: the executives' annual bonus is based 25 per cent on personal performance and 75 per cent on meeting certain key financial targets, with a maximum potential bonus outcome of 150 per cent of salary.

The Remuneration Committee notes that the year has been extremely challenging for the executives, who in the backdrop of the disruption faced by COVID-19 have performed tremendously well. In that respect it is unfortunate that the bonus this year has again reduced substantially from that paid in the prior year. However, the Committee acknowledges the need to align remuneration with shareholder returns and although the outcome of the STIP went some way to achieving this, after careful consideration, the Committee concluded that in light of the overall financial performance for the year a further five per cent of salary was to be deducted from the award, resulting in an average award of 24 per cent of salary, a reduction of approximately 40 per cent on the prior year. The Committee felt this balanced the need to retain the executives, whilst aligning remuneration with shareholder returns.

Directors' remuneration continued

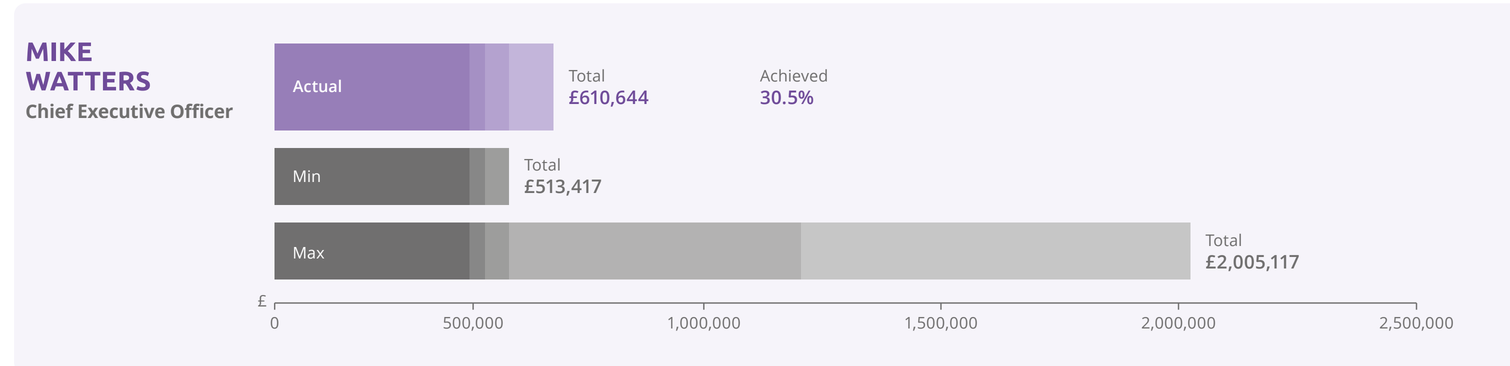
Remuneration at a glance

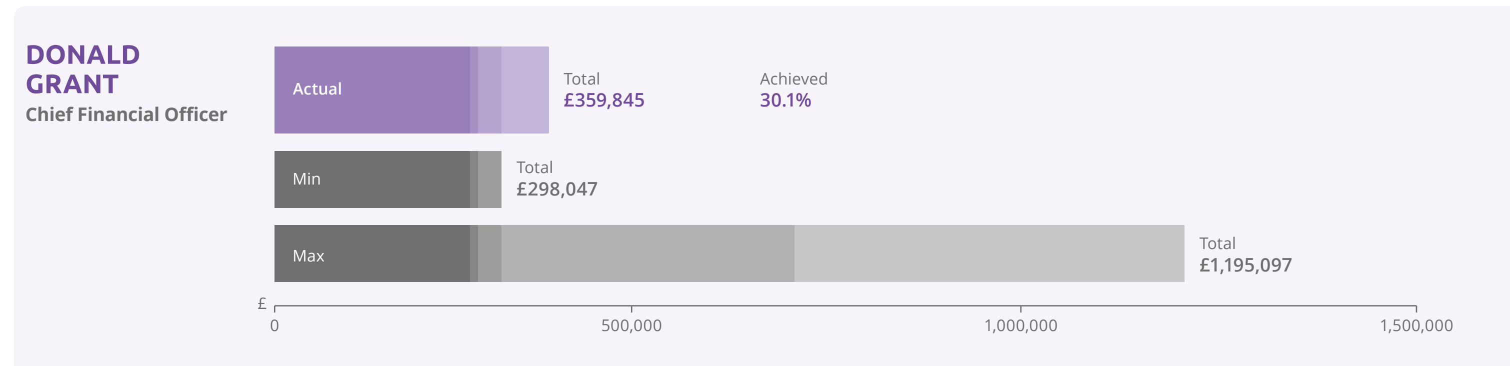
Award year	2018	2019	2020	2020 Company performance
Fixed pay				
Salary (% increase)	+4%	+2.5%	+2.25%	• LTV reduced to 32.6% on a pro forma basis • Retail exposure reduced to 10.1% on a pro forma basis
Taxable benefits (% of salary)	3-8%	3-8%	4-8%	
Pension (% of salary)	≤12.5%	≤12.5%	≤12.5%	
Variable pay				**2020 executive performance**
STIP Max 150% of salary, 60% paid in cash, 40% paid in shares, deferred for two years	120%	38.7%-43.4%	22.8%-25.5%	
112.5% Financial objectives				✘ Cash flow – Nil ✘ Earnings – Nil ✘ NAV growth – Nil
37.5% Personal objectives				
Mike Watters	30%	23.4%	22.8%	• Hotel portfolio subject to strategic review • Alignment of resources to strategy • Improved GRESB performance
Donald Grant	30%	24.4%	24.1%	• Dynamic forecasting model implemented • Improved GRESB performance • Refinancing activity advanced, debt waivers in place where required
Stephen Oakenfull[(1)]	30%	27.2%	25.5%	• Over half of German portfolio disposed or subject to contract • Improved GRESB performance • Refinancing activity advanced, debt waivers in place where required
Adrian Horsburgh[(1)]	30%	28.1%	24.1%	• Over half of German portfolio disposed or subject to contract • All properties have detailed asset management plans • Improved GRESB performance
LTIPs vesting	0%	0%	0%	• Balance sheet strengthened • LTV at lower end of target range • Full exit from retail sector targeted
Total remuneration (average % of maximum)	49%	36%	30%	

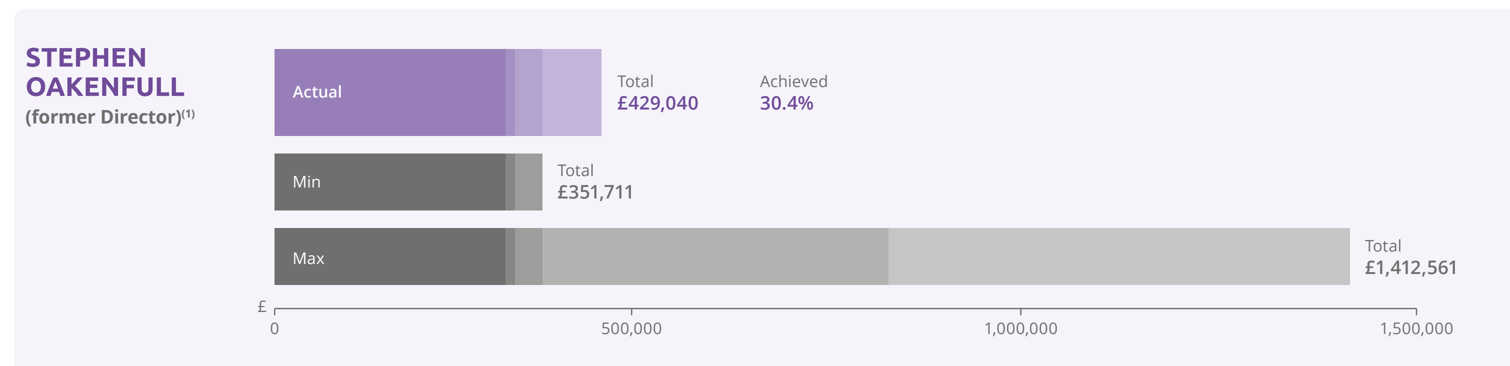
(1) Adrian Horsburgh and Stephen Oakenfull stepped down from the Board on 23 January 2020. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed within this report. Adrian Horsburgh remains an employee of the Group.

Performance and reward at a glance for 2020

Executive total reward – Minimum vs Actual vs Maximum







(1) Stephen Oakenfull stepped down from the Board on 23 January 2020. However, as he carries the title of Deputy CEO, his remuneration continues to be disclosed within this report.

Salary | Taxable benefits | Pension | STIP | LTIP

Directors' remuneration continued

Remuneration for the 2020 financial year

The previous pages provide a summary of the executives' performance against that of the Company and the executives' total remuneration compared to possible minimum and maximum outcomes.

2020 salaries and fees: Awarded 1 September 2019

- Executives: All executives received a 2.25 per cent increase, which was in line with inflation. Salaries remain in the lower quartile of the Company's peer group.
- Non-executive Directors: Although it was acknowledged that the non-executive fees remained below market average, an inflationary increase of 2.25 per cent was applied in 2020. Non-executive Directors who did not chair a Board committee received a fee of £46,000. Those who chaired a Board committee received £53,200 whilst the Chairman of the Board received £100,200.
- Employees: The median salary increase for employees in 2020 was 4.5 per cent.

2020 pensions

- Executives: Company contributions to Self-Invested Pension Plans ("SIPPs") were 12.5 per cent of salary for the CEO and 12.0 per cent of salary for the other Executive Directors.
- Employees: Workplace pension contributions have been capped at a statutory minimum of three per cent of salary since 6 April 2019. To encourage employees to save for their retirement, the Company contributes up to five per cent of salary on a matched basis.

2020 benefits

- Executives: Benefits comprise life assurance, private medical insurance, car allowance (CEO only), incapacity benefit, season ticket allowance and directors' and officers' insurance.
- Employees: Benefits include long term disability, death in service, private medical insurance, season ticket loan, training course sponsorship, professional membership subscription fee reimbursement, provision of cycle to work scheme and child care voucher scheme, GP appointments, including annual health check and flu vaccination.

2020 bonus: Awarded for the performance period 1 September 2019 to 31 August 2020

- Executives: No financial performance targets were met during the year. After applying downward discretion (see page 111), the executives have been awarded a bonus of between 22.8 per cent and 25.5 per cent of base salary, equating to between 15.2 per cent and 17.0 per cent of the possible maximum bonus. Disclosure of the annual targets and performance achieved has been provided on pages 121 and 122.

  Of the total bonus award, 60 per cent will be settled in cash immediately with 40 per cent deferred in shares for two years, subject to continuous employment or good leaver status. Vested STIP shares must be retained until the minimum shareholding requirements have been attained.
- Employees: Bonus is subject to the achievement of personal objectives. At the beginning of each year, employees discuss their objectives with their line manager for the year ahead. An evaluation is undertaken at year end and their performance is measured against the targets. The outcome of the evaluation forms the basis on which the bonus award is made. The average employee bonus was 25 per cent of base salary.

2017 LTIP vesting: Relating to the three year performance period ended 31 August 2020

- Executives: The performance period for the award related to the three years ending 31 August 2020 was subject to the outcome of performance conditions. The outcome of the LTIP award has again resulted in nil vesting.
- Employees: These apply to senior management only and are subject to performance targets as follows: 50 per cent aligned with executive performance targets and 50 per cent subject to personal performance. Only the personal elements of the awards have, in part, vested.

2020 contingent LTIP award: Awarded for the three year performance period from 1 September 2019 to 31 August 2022

- Executives: Contingent awards, equivalent to 150 per cent of salary, were made to each of the executives on 2 December 2019. These will be subject to the performance criteria set out in the Remuneration Policy approved at the 2020 AGM and will, subject to performance, vest on 2 December 2022 with an additional two year holding period. The vested LTIP shares must also be retained until the minimum shareholding requirements have been attained.
- Employees: Contingent awards were made to senior staff of between 25-50 per cent of salary and awarded on 2 December 2019.

2020 single figure remuneration

- Executives: On average, the executives received 30 per cent of their possible maximum remuneration.
- Employees: On average, employees received 84 per cent of their possible maximum remuneration.

Statement of implementation of remuneration for the 2021 financial year

Set out below is a summary of the implementation of the Remuneration Policy for the financial year ending 31 August 2021.

2021 salary: Awarded 1 September 2020

The Committee considered market trends and investors' expectations and in light of the current economic conditions, an inflation-only increase (1.5 per cent) has been awarded to the executives for the third consecutive year. For employees, the average increase was 2.8 per cent, after applying a base inflationary increase of 1.5 per cent. As in the previous years, additional increases were awarded to recognise extra responsibilities, progress made in professional exams or a change in role.

	2020	**2021**
Mike Watters	£426,200	**£432,600**
	+2.25%	**+1.5%**
Donald Grant	£256,300	**£260,100**
	+2.25%	**+1.5%**
Stephen Oakenfull	£303,100	**£307,600**
(former Director)[1]	+2.25%	**+1.5%**
Adrian Horsburgh	£275,900	—
(former Director)[1]	+2.25%	—

(1) Adrian Horsburgh and Stephen Oakenfull stepped down from the Board on 23 January 2020. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed within this report. Adrian Horsburgh remains an employee of the Group.

2021 pension and benefits

Company contributions to Self-Invested Pension Plans ("SIPPs") remain at 12.5 per cent of salary for the CEO and twelve per cent of salary for the other Executive Directors. Other benefits comprise life assurance, private medical insurance, car allowance (CEO only), incapacity benefit, season ticket allowance and directors and officers' insurance.

2021 annual bonus: To be awarded for the performance period 1 September 2020 to 31 August 2021

Executive Directors can be awarded a bonus of up to 150 per cent of salary. This is based on underlying earnings (30 per cent), EPRA NAV (30 per cent), operating cash flow performance (15 per cent) and personal objectives, including an ESG objective (25 per cent). For the forthcoming year, the Remuneration Committee has decided that the operating cash flow target will be based on gross operational cash flows, excluding dividends. 40 per cent of the total bonus awarded will be subject to a two year deferral period, to be settled in shares. The vested STIP shares must be retained until the minimum shareholding requirements have been attained. Disclosure of the annual targets and performance achieved will be provided in the 2021 Annual Report.

2018 LTIP vesting: Relating to the three year performance period ending 31 August 2021

The awards made on 31 October 2018, for the performance period 1 September 2018 to 31 August 2021, will vest on 31 October 2021. These awards are subject to the policy performance conditions, approved by shareholders at the 2017 AGM. This requires the attainment of certain targets linked to underlying distributable earnings per share (50 per cent), relative TSR (25 per cent) and relative total property return (25 per cent), all measured over the three year performance period.

2021 contingent LTIP award: To be awarded for the three year performance period ending 31 August 2023

Executive Directors will usually receive an LTIP award over shares worth 200 per cent of salary. Due to the current relatively low share price, the Remuneration Committee will again make a contingent award over shares worth 150 per cent of salary, with the relevant performance targets being based on underlying distributable earnings per share (50 per cent), relative TSR (25 per cent) and relative total property return (25 per cent), all measured over a three year performance period with an additional two year holding period. The vested LTIP shares must also be retained until the minimum shareholding requirements have been attained. These measures are intended to align the awards with the Company's strategic objectives and with shareholder interests.

In particular: (a) the EPS measure is designed to incentivise distribution growth to shareholders; (b) the relative TSR measure (retained from the previous policy but with a reduced weighting) measures the total shareholder return of the Company against an appropriate index, and provides a direct link between shareholder returns and compensation; and (c) the relative total property return measure is designed to incentivise the enhancement of portfolio quality and distribution growth. Targets for these measures are set out on page 124.

Non-executive Director remuneration

The table below shows the fee structure for Non-executive Directors. It was considered that Non-executive Director fees should be increased by 1.5 per cent in 2021, in line with inflation and the increase awarded to the executives. Non-executive Directors who do not chair a Board committee will receive a fee of £46,700. Those who chair a Board committee will receive £54,000 whilst the Chairman of the Board will receive £101,700.

	2020 fees	**2021 fees**
Chairman of the Board	£100,200	**£101,700**
Committee chair	£53,200	**£54,000**
Base non-executive	£46,000	**£46,700**

Aggregate fees for the seven Non-executive Directors will total £263,700, which is within the limit approved by shareholders at the AGM on 25 January 2018 of £500,000. It is not considered necessary for the aggregate fee limit to be increased this year. Matthew Parrott, who represents the Company's major shareholder, Starwood Capital Group, has waived his right to receive a fee.

Annual General Meeting

The full remuneration report for the financial year ended 31 August 2020 can be found on page 120.

The Remuneration Committee recommends the remuneration report to shareholders and recommends shareholders support the resolution at the AGM on 28 January 2021.

Michael Farrow
Chair of the Remuneration Committee

5 November 2020

Policy report on remuneration (not subject to audit)

Details of the remuneration policies for non-executives and executives can be found below and apply to all remuneration payments and shares awarded and vesting under the STIP and LTIP schemes from 1 September 2019.

Remuneration Policy for the Chairman and Non-executive Directors

Remuneration comprises an annual fee for the Chairman and for Non-executive Directors. Additional fees may be paid at the discretion of the Board, if significant levels of additional time commitment are required. All fees are paid in Sterling.

Summary

Component	Purpose	Operation	Maximum potential value	Termination
Annual fee	A fixed market competitive fee to attract and retain non-executives of sufficient quality to constructively challenge the executives in delivering the Group's strategy.	The Remuneration Committee reviews the fees periodically and compares them to a peer group, taking into account the time spent, company size, ownership, sector, risk and other Company specific factors. Its recommendations are then presented to the Board for approval.	Fees to the Non-executive Directors (other than alternative Directors) are determined by the Board, provided that such sums do not in the aggregate exceed £500,000, or as the Company may by ordinary resolution approve.	Directors are appointed for a term which expires when either the Director is (i) not re-appointed following retirement in accordance with the Articles of Association; (ii) removed or vacates office; (iii) resigns or does not offer himself for re-election; or (iv) terminates his appointment on three months' notice. There is no provision for loss of office payments.

The Non-executive Directors do not receive remuneration other than fees but are entitled to be paid all reasonable travelling, hotel and other expenses properly incurred in attending meetings of the Board, committees of the Board, general meetings or otherwise in connection with the business of the Company (including any personal tax owing on such expenses).

Letters of appointment

Each Non-executive Director has a letter of appointment, the terms and conditions of which are available for inspection at the Company's registered office.

Remuneration Policy for the Executive Directors

A full version of the RDI Remuneration Policy can be found on page 113 of the 2019 Annual Report. The key objectives of the executive Remuneration Policy are to attract, retain and motivate the executives, to support strategy and to ensure the long term success of the Company. Performance measures and targets for incentive awards are selected so as to provide alignment with the Company's strategic goals. A summary of the elements of the executive Remuneration Policy is shown on page 118. It applies to all remuneration payments and shares awarded and vesting under the STIP and LTIP schemes from 1 September 2019 and is subject to:

1. **Minimum shareholding requirements: Twice base salary**
   All Executive Directors will be expected to accumulate a minimum shareholding of vested STIP and LTIP shares and all vested STIP and LTIP shares will be held, net of tax, until executives have accumulated twice their base salary in such shares by the seventh anniversary of the shareholding requirement becoming applicable to an individual (unless the Remuneration Committee, in its discretion, varies the required time period for an individual to achieve the shareholding requirement).

2. **Post-employment holding period: Twice base salary for one year, once base salary for further year**
   On leaving the employment of the Company, executives will be subject to the following post-employment shareholding requirements:
   - executives must hold the equivalent of twice their base salary in vested STIP and LTIP shares for one year after leaving the employment of the Company; and
   - thereafter, executives must hold the equivalent of their base salary in vested STIP and LTIP shares for a further year,

   unless the Remuneration Committee, in its discretion, varies the required time period, or shareholding requirement.

In the event that an executive has not yet accumulated a sufficient shareholding to meet the above post-employment shareholding requirements at the time they cease to be an employee of the Company, the Remuneration Committee, in its discretion, will determine the level of post-employment shareholding required.

Overriding Remuneration Committee discretion

The Remuneration Committee may, acting fairly and reasonably, and having due regard to the performance of the Group during the vesting period, determine to what extent the LTIP performance targets are deemed to be satisfied, and the number of shares that vest. The Remuneration Committee may, in its discretion, adjust (upward or downwards, including by reducing to nil) the extent to which an LTIP award would otherwise vest if it considers that such vesting level:

- materially deviates from the intention of the Directors' Remuneration Policy; or
- is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant; or
- is not reflective of overall corporate performance or of the executive's personal performance over the performance period, taking into account such factors as the Remuneration Committee considers relevant; or
- a similar discretion to override formulaic outcomes under the STIP can also be applied by the Remuneration Committee.

In appropriate circumstances, the Remuneration Committee may amend a performance condition provided that the amended condition is not materially less or more challenging to satisfy than the original condition was when set.

Furthermore, if before the end of the performance period there is a demerger, statutory reconstruction, change of control, compulsory acquisition or exercise prior to loss of corporation tax relief, the Remuneration Committee shall, acting fairly and reasonably, determine whether and to what extent a performance target shall be deemed to be satisfied.

Subject to the discretion of the Remuneration Committee, the Remuneration Policy may be amended to accommodate minor changes, for administrative, regulatory, tax or legislative purposes, without obtaining shareholder approval.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

(i) before the date the Company's first Remuneration Policy approved by shareholders in accordance with Section 439A of the Companies Act came into effect;

(ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or

(iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" include the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Engagement with shareholders

The Company meets regularly with its major shareholders and feedback on remuneration was taken into consideration in the establishment of the policy. With a change of major shareholder in July 2020, the views of Starwood Capital Group were considered when approving the remuneration for this year.

Engagement with workforce

A meeting was held with the head office employees regarding their pay and how it aligned with that of the executives. The importance of ESG measures and the inclusion of ESG in their bonus objectives for 2020 was explained.

Statement of consideration of employment conditions elsewhere in the Company

All employees have contracts with terms in line with standard market practice. Employees of the European portfolio are paid in Euros, and all other employees are paid in Sterling. Remuneration is similar in structure to the executive pay structures, containing the same three elements:

Fixed element

Salary: All employees are offered a base salary. These are normally reviewed annually with changes effective 1 September and increases are in line with those offered to executives. However, as with the executives, the Company is under no obligation to award an increase following the review.

Benefits: Vary with seniority.

Pensions: To encourage employees to save for their retirement, the Company has agreed to contribute five per cent (two per cent above the statutory minimum) on a matched basis for all employees.

Short term incentive

Bonuses are paid entirely in cash and are awarded to all employees based on a personal performance measure. Bonuses are subject to the discretion of the executive or the Remuneration Committee for senior management. Payment of the bonus is usually conditional upon the employee being employed by the Group and notice not having been served on the date the bonus is paid.

Long term incentive

Employees are eligible to participate in the Restricted Share Plan ("RSP") at the discretion of the Remuneration Committee. Under the RSP, share awards may be given as either a nil cost option award or as a contingent award. RSP awards are subject to performance targets set by the Remuneration Committee of which 50 per cent of the award is conditional on a corporate element with KPIs aligned to those of the executives' LTIP, and the remaining 50 per cent is derived from the grade achieved in each individual's annual performance review averaged across the performance period, the personal element. Shareholders approved the RSP at the EGM held on 29 November 2013 and authorised Directors to allot up to a maximum number of 4,600,000 ordinary shares for the purposes of the RSP. To date, 310,205 shares have vested, with most awards being settled in cash.

Notice of termination

For all employees, a notice period of between one and three months is required to terminate the contract and payment in lieu of notice will be given in appropriate circumstances.

Policy report on remuneration (not subject to audit)

continued

Summary of the executive Remuneration Policy approved by shareholders at the AGM held on 23 January 2020

Component	Purpose	Operation	Maximum potential value	Applicable performance measures	Clawback	Exit payments
Base salary	A fixed market competitive remuneration base to attract and retain executives of sufficient quality to deliver the Group's strategy.	Normally reviewed annually with changes effective 1 September. However, the Company is under no obligation to award an increase following the review.	No maximum salary is set. Increases are dependent on the results of the annual review and are normally in line with the average increase for the wider workforce, inflation and market data. However, increases may be made above this level, at the Remuneration Committee's discretion, to take account of individual circumstances such as an increase in scope and responsibility or to reflect the individual's development and performance in a role or for alignment to a market level.	None	None	Termination of the service contract can be given by either party by way of notice in writing for a period not exceeding twelve months. Payment may be given in lieu of notice, subject to the Company's sole and absolute discretion, up to a maximum of one year's basic salary. There is no provision in the contracts for loss of office payments, other than those required by employment law.
Pension	Part of the overall package providing comprehensive remuneration and retirement benefits.	The Company contributes monthly to the Directors' personal pension plans and/or the Company pension plan. At the Company's discretion, a cash allowance of equivalent value may be offered.	Pension provision for any new Executive Directors (whether externally appointed or internally promoted to the Board) from the start of the 2020 financial year will be aligned with the level of provision available to the majority of the workforce. Incumbent Executive Directors at the start of the 2020 financial year remain eligible to receive a pension provision of up to 12.5 per cent of base salary. Values vary by Director and are reviewed periodically.	None	None	Payments cease on the leaving date. Any payments made in lieu of notice would not include any benefits which the executive would have been entitled to receive during the period for which the payment in lieu was made.
Other benefits	Part of the overall package providing comprehensive remuneration.	• Life assurance • Private medical insurance • Incapacity benefit • Season ticket allowance • Directors' and Officers' insurance • Car allowance • Other benefits may be provided as appropriate	As the costs of providing benefits will depend on a Director's individual circumstances, the Remuneration Committee has not set a monetary maximum.	None	None	All benefits would cease on the leaving date.
Bonus – Short Term Incentive Plan ("STIP")	A short term incentive to reward executives on their personal performance and the Company's performance in line with shareholder returns.	Performance will be assessed based on specific KPIs: 75 per cent of the award will focus on financial measures and 25 per cent on personal objectives. The purpose of the personal objectives is to encourage leadership, loyalty of staff, and ESG, including communication with stakeholders, and shareholders. The Remuneration Committee and the Company reserve the right to review the STIP at their absolute discretion. Each metric may be changed, replaced or varied from year to year at the absolute discretion of the Remuneration Committee.	Designed to offer an annual bonus of between 0 per cent to 150 per cent of the executive's base salary. Payable in cash and deferred shares. 40 per cent of awards to be settled in shares, subject to a two year deferral period. Vested STIP shares must be retained until the minimum shareholding requirements have been attained. Such awards entitle the executive to dividends which would have been received on the shares during the deferral period.	KPIs based on: • 15 per cent operating cash flow; • 30 per cent underlying distributable earnings; • 30 per cent adjusted NAV growth; and • 25 per cent personal objectives, which must include an ESG objective. The financial KPIs (1-3) are calibrated according to the level of budget met: • less than 90 per cent budget – Nil; • meeting budget – 50 per cent; or • 120 per cent of budget – 100 per cent. The Committee has the discretion to determine that actual STIP payments should vary from levels calculated by reference to the achievement against formulaic targets, if it considers this to be appropriate.	In circumstances where: • an error has been made in determining the extent to which the performance conditions were met; or • financial results have been materially misstated; or • the executive has contributed to serious reputational damage to the Company or engaged in serious fraud or misconduct; or • corporate failure, for a look back period of two years from date of award.	If the employment of an executive is terminated for any reason or if he is under notice of termination (whether given by the executive or the Company) the executive will cease to participate in the STIP and all awarded but unpaid STIP awards (including deferred shares) will be forfeited if he is a bad leaver. However, if the executive is deemed a good leaver, the Remuneration Committee may determine in its absolute discretion the amount of STIP award and unvested deferred shares that the executive will receive pro-rated to the period during which the executive was employed. Vested STIP shares would be subject to the post-employment shareholding requirements.
Long Term Incentive Plan ("LTIP")	A long term incentive to align the executives' interests with those of the shareholders and to promote the long term success of the Company.	Structured as a rolling annual award of performance shares with a three year performance period. Awards are granted as: • nil cost options to acquire shares; or • contingent rights to receive shares; or • may be settled in shares or exceptionally in cash. Such awards may carry award dividends entitling the executive to dividends which would have been received on the shares during the vesting and holding period, payable either in ordinary shares, or exceptionally in cash.	The aggregate number of shares which may be awarded may not exceed 4,600,000 over the ten year life of the LTIP. Individual limits in any financial year shall not be greater than 200 per cent of the executive's base salary, but in exceptional circumstances an award can be made up to 400 per cent of the executive's base salary, providing that such an award does not exceed 1,400,000 shares. Other than in specified circumstances outlined elsewhere in this policy, awards will vest at the end of a three year period, dependent on the performance conditions, and thereafter will be subject to an additional two year holding period. Vested LTIP shares must be retained until the minimum shareholding requirements have been attained. The Committee has various discretions relating to LTIP awards that are set out overleaf.	Awards will vest at the end of a three year period dependent on the following performance conditions: • 50 per cent of the award is to be linked to underlying distributable earnings per share. 25 per cent of the award will vest upon attaining earnings per share comparable with the immediate proceeding financial year, with 100 per cent vesting achieved for average annual outperformance of CPI during the performance period of plus one per cent; or • 25 per cent of the award is to be linked to EPRA/NAREIT developed Europe Index TSR performance. 25 per cent of the award will vest for median performance with 100 per cent vesting achieved for upper quartile performance; or • 25 per cent of the award is to be linked to the relative total property return of the Company's UK assets in comparison to the UK All Property Index. 25 per cent of the award will vest once performance reaches that of the benchmark with 100 per cent vesting achieved for two per cent outperformance.	In circumstances where: • an error has been made in determining the extent to which the performance conditions were met; or • financial results have been materially misstated; or • the executive has contributed to serious reputational damage to the Company or engaged in serious fraud or misconduct; or • corporate failure, for a look back period of five years from date of award.	If the executive leaves employment of the Company other than as set out below, the award will lapse or cease to be exercisable on the leaving date. If the executive leaves employment for reasons such as ill health, redundancy or retirement (or any other reason at the discretion of the Remuneration Committee) or in the event of a takeover, scheme of arrangement, demerger or winding up of the Company, the Remuneration Committee, acting fairly and reasonably, will determine whether and to what extent a performance target shall be deemed to be satisfied. Subject to that determination, the award will vest in proportion to the extent of the vesting period which has expired at the date of the relevant event. In the event that an executive is not re-elected by shareholders at a general meeting of the Company, the executive would remain in office but would no longer be a member of the Board. Vested LTIP shares would be subject to the post-employment shareholding requirements.

Annual report on remuneration

The information provided in this part of the Directors' remuneration report details how the Remuneration Policy approved by shareholders at the 2020 AGM has been implemented during the year ended 31 August 2020. This report, together with the Remuneration Committee chair's annual statement, will be subject to an advisory shareholder vote at the Annual General Meeting to be held on 28 January 2021.

Single total figure of remuneration for Non-executive Directors (audited)

The table below shows the remuneration paid to all Non-executive Directors who served during the financial years ending 31 August 2020 and 31 August 2019. The Non-executive Directors do not receive any remuneration other than fees but are entitled to be reimbursed for all reasonable travelling, hotel and other expenses properly incurred in attending meetings of the Board, committees of the Board, general meetings or otherwise in connection with the business of the Company.

	Annual fees for 2020	**Actual fees paid for 2020**	Annual fees for 2019	**Actual fees paid for 2019**
Chairman				
Gavin Tipper	100,200	**100,200**	98,000	**98,000**
Non-executive Directors				
Michael Farrow (Senior Independent Director and chair of the Remuneration Committee)	53,200	**53,200**	52,000	**52,000**
Sue Ford (chair of the Audit and Risk Committee)	53,200	**53,200**	52,000	**52,000**
Liz Peace (chair of the SSR Committee)	53,200	**53,200**	52,000	**52,000**
Matthew Parrott (appointed 22 July 2020)[1]	46,000	**—**	—	**—**
Former Non-executive Directors				
Bernie Nackan (retired 24 January 2019)	—	**—**	45,000	**15,774**
Robert Orr (chair of the Investment Committee) (resigned 9 October 2019)	53,200	**6,650**	52,000	**52,000**
Marc Wainer (retired 23 January 2020)	46,000	**19,167**	45,000	**45,000**
Pieter Prinsloo (resigned 13 July 2020)	46,000	**40,250**	45,000	**15,774**
Total	451,000	**325,867**	441,000	**385,524**

(1) Matthew Parrott represents the Company's major shareholder, Starwood Capital Group and has waived his right to receive a fee.

Payments to past Directors and for loss of office (audited)

The following Non-executive Directors left the Board during the financial year:

- Robert Orr resigned from the Board on 9 October 2019, due to external work commitments;
- Marc Wainer retired from the Board following the AGM on 23 January 2020; and
- Pieter Prinsloo, who represented Redefine Properties Limited on the Board, resigned as a Director on 13 July 2020, following the sale of Redefine Properties Limited's shareholding in the Company to affiliates of the Starwood Capital Group.

All Directors were paid their fees up until their date of departure. There were no other payments to former Directors during the year.

Executive salaries

Single total figure of remuneration for Executive Directors (audited)

The table below shows remuneration paid to the Executive Directors during the financial years ending 31 August 2020 and 2019.

	Year ending 31 August	Actual salary paid	Pension	Taxable benefits[1]	Total fixed remuneration	Annual bonus payable in respect of the financial year – cash	Annual bonus payable in respect of the financial year – deferred shares	LTIP shares vesting	Total variable remuneration	Total remuneration received for year ended 31 August
Mike Watters	**2020**	**426,200**	**53,275**	**33,942**	**513,417**	**58,336**	**38,891**	**0**	**97,227**	**610,644**
	2019	416,800	52,100	31,347	500,247	96,781	64,521	0	161,302	661,549
Donald Grant	**2020**	**256,300**	**30,756**	**10,991**	**298,047**	**37,079**	**24,719**	**0**	**61,798**	**359,845**
	2019	250,700	28,622	9,525	288,847	59,717	39,811	0	99,528	388,375
Stephen Oakenfull[2]	**2020**	**303,100**	**36,372**	**12,239**	**351,711**	**46,397**	**30,932**	**0**	**77,329**	**429,040**
	2019	296,400	33,839	9,847	340,086	75,582	50,388	0	125,970	466,056
Adrian Horsburgh[2]	**2020**	**109,592**	**13,151**	**5,351**	**128,094**	**15,855**	**10,570**	**0**	**26,425**	**154,519**
	2019	269,800	30,802	11,829	312,431	70,256	46,837	0	117,093	429,524

(1) Taxable benefits include the provision of private medical insurance, season ticket allowances and the CEO is given a £17,000 annual car allowance.

(2) Stephen Oakenfull and Adrian Horsburgh stepped down from the Board on 23 January 2020 but remained as employees of the Group. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed in full within this report as required by the Companies Act Regulations. Adrian Horsburgh's remuneration is reported in the above table to the date he ceased to be a Director of the Company; however, for information, his full-year salary for the year ended 31 August 2020 was £275,900 and his full-year annual bonus was £66,527.

Executive bonus (audited)

The maximum bonus for the year ended 31 August 2020 was capped at 150 per cent of annual base salary, with 40 per cent of any bonus being deferred in shares for two years.

Bonuses are based on the performance against three financial KPIs and each individual's personal objectives, apportioned as follows:

- 30 per cent underlying earnings;
- 30 per cent adjusted NAV;
- 15 per cent operating cash flow; and
- 25 per cent personal objectives.

The financial KPIs are compared to the Board approved budget as follows:

Level of budget met	Bonus awarded (% of respective weighting)
Less than 90% of budget	Nil
Meeting budget	50%
120% of budget	100%

Disclosure of annual bonus financial performance targets

Set out below are the financial performance targets and the Company's performance against these targets in respect of the year ended 31 August 2020. The annual bonus awards were based 75 per cent on financial measures and 25 per cent on the individual's performance against predetermined personal objectives during the year.

Disclosure of 2020 annual bonus financial performance targets

2020	Weighting	Target range[4]	Actual performance	Results	% pay-out of this element of the bonus	Award to all executives % of salary
Cash flow[1]	22.5	£4.0m to £5.3m	£1.1m	Below range	0	0
Earnings[2]	45.0	10.1p to 13.4p	6.9p	Below range	0	0
NAV growth[3]	45.0	(0.8)% to (0.5)%	(18)%	Below range	0	0
Personal objectives	37.5	Subject to performance and application of Remuneration Committee discretion[5]		Within range	60.8-68.0	22.8-25.5
Total	**150.0**					**22.8-25.5**

(1) The Company's strategy of delivering sustainable and growing returns for shareholders is underpinned by its ability to cover dividends with operational cash flow. Ensuring debts are collected in a timely fashion is critical to the high pay-out model adopted by the Company.

(2) Earnings growth underpins our income led total return model. Growth in rents, but also strong cost control, converts rental income to dividends as efficiently as possible. The target range against which performance has been assessed is consistent with the revised budget approved by the Board in July 2019.

(3) Protecting and growing shareholder equity through sound capital allocation and capital recycling ensures the Company's investment decisions are well balanced and properly aligned to shareholder interests.

(4) This target range is consistent with the budget approved by the Board in July 2019.

(5) As explained in the Remuneration Committee chair's statement on page 111, a discretionary reduction of five per cent of salary has been applied. The figures shown here are after application of that reduction.

Annual report on remuneration continued

Executive bonus – personal objectives

The award made for personal objectives is at the Remuneration Committee's discretion. Each executive was set four personal objectives, one being a shared objective. Progress against these objectives, as considered by the Remuneration Committee, is set out in the table below. Consideration and discretion applied to these outcomes can be found in the chair's statement on page 111:

Name	Weighting	Personal objectives	Outcome	Total outcome[2]
Mike Watters	15%	Ensure good alignment of executive team and senior managers with Board approved strategy	✓✓✓	27.8%
	15%	Effectively manage corporate M&A activity Develop an effective strategy for the Hotel portfolio	✓✓✓✓✓	
	7.5%	Positive trajectory in annual GRESB score Commitment to live, implement and promote the Group's ESG objectives	✓✓✓	
Donald Grant	15%	Optimise financial and management information systems with more accurate forecasting	✓✓✓✓	29.1%
	15%	Maintain, renew and/or extend bank facilities and ensure all covenants are compliant/agree waivers	✓✓✓✓	
	7.5%	Positive trajectory in annual GRESB score Commitment to live, implement and promote the Group's ESG objectives	✓✓✓✓✓	
Stephen Oakenfull[1]	15%	Demonstrate progress in sales of German portfolio	✓✓✓✓	30.5%
	15%	Maintain, renew and/or extend bank facilities and ensure all covenants are compliant/agree waivers	✓✓✓✓✓	
	7.5%	Positive trajectory in annual GRESB score Commitment to live, implement and promote the Group's ESG objectives	✓✓✓✓	
Adrian Horsburgh[1]	15%	Demonstrate progress in sales of German portfolio	✓✓✓✓	29.1%
	15%	Optimise and implement management initiatives on all Group properties	✓✓✓✓✓	
	7.5%	Positive trajectory in annual GRESB score Commitment to live, implement and promote the Group's ESG objectives	✓✓✓	

(1) Stephen Oakenfull and Adrian Horsburgh stepped down from the Board on 23 January 2020. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed in full within this report. Adrian Horsburgh remains an employee of the Group.

(2) Outcome before the application of Remuneration Committee discretion. See page 111 for further details.

Key to executive bonus table:

✓	Improvement needed
✓✓	Expected level
✓✓✓	Sound progress
✓✓✓✓	Good progress
✓✓✓✓✓	Excellent progress

Executive Long Term Incentive Plans (audited)

On 2 December 2019, the Executive Directors received an LTIP award of shares worth 150 per cent of their 2019 salary. These awards are subject to the performance targets contained in the Remuneration Policy approved by shareholders at the AGM on 23 January 2020, measured over a three year performance period from 1 September 2019 to 31 August 2022. The award price was based on the share price at close of trading on 1 September 2019. LTIPs vest three years after the date of the contingent award, which must be made when the Company is not in a closed period.

The following contingent awards were made to Directors for the 2018, 2019 and 2020 financial years.

2020	PSP contingent awards	Award price (p)	Value of award (£)	Basis on which award was made	Date of grant	Performance period	Performance conditions applicable (policy approved at 2020 AGM)	Date of vesting and vesting level achieved
Mike Watters	601,154	1.04	625,200	150% of base salary	2 December 2019	Measured over the financial years ending • 31 August 2020 • 31 August 2021 • 31 August 2022	Vesting subject to the attainment of the performance targets being based on: • 50% underlying earnings per share; • 25% relative TSR; and • 25% relative total property return.	Awards will vest on 2 December 2022 with subsequent two year holding period
Donald Grant	361,586	1.04	376,050	150% of base salary	2 December 2019			
Stephen Oakenfull[1]	427,500	1.04	444,600	150% of base salary	2 December 2019			
Adrian Horsburgh[1]	389,135	1.04	404,700	150% of base salary	2 December 2019			

2019	PSP contingent awards	Award price (p)	Value of award (£)	Basis on which award was made	Date of grant	Performance period	Performance conditions applicable (policy approved at 2020 AGM)	Date of vesting and vesting level achieved
Mike Watters	482,611	168.5	813,200	200% of base salary	31 October 2018	Measured over the financial years ending • 31 August 2019 • 31 August 2020 • 31 August 2021	Vesting subject to the attainment of the performance targets being based on: • 50% underlying earnings per share; • 25% relative TSR; and • 25% relative total property return.	Awards will vest on 31 October 2021
Donald Grant	290,326	168.5	489,200					
Stephen Oakenfull[1]	343,264	168.5	574,400					
Adrian Horsburgh[1]	312,404	168.5	526,400					

2018[2]	PSP contingent awards	Award price (p)	Value of award (£)	Basis on which award was made	Date of grant	Performance period	Performance conditions applicable (policy approved at 2017 AGM)	Date of vesting and level achieved
Mike Watters	390,805	200.1	782,000	200% of base salary	18 January 2018	Measured over the financial years ending • 31 August 2018 • 31 August 2019 • 31 August 2020	Vesting subject to the attainment of certain targets relating to the performance of the Company's TSR against the TSR of two comparator groups, each weighted at 50%: • 50% underlying earnings per share; • 25% relative TSR; and • 25% relative total property return.	Awards will lapse on 18 January 2021 following nil vesting on all performance measures
Donald Grant	235,082	200.1	470,400					
Stephen Oakenfull[1]	277,961	200.1	556,200					
Adrian Horsburgh[1]	252,974	200.1	506,200					

(1) Stephen Oakenfull and Adrian Horsburgh stepped down from the Board on 23 January 2020. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed in full within this report. Adrian Horsburgh remains an employee of the Group.

(2) It should be noted that the shares awarded in 2018 were consolidated into 40 pence shares on 11 February 2019, and the number of shares above have been restated accordingly.

Annual report on remuneration continued

Executive Long Term Incentive Plans (audited) continued

Awards are based on the previous year's salary and were awarded at the share price at close on the first day of trading of each new performance period.

Awards cannot be made during closed periods and therefore awards are not granted until a closed or prohibited period has ended.

The awards will vest three years from the date of grant subject to continued employment and the satisfaction of performance targets. The figures above reflect the maximum number of shares that may vest. The actual number to vest will be dependent on performance against comparator targets over the applicable performance period.

2018, 2019 and 2020 LTIP awards vesting schedule

The 2018 awards are subject to the LTIP policy approved by shareholders at the 2017 AGM, and the 2019 and 2020 awards are subject to the LTIP policy approved by shareholders at the 2020 AGM, with the relevant performance targets measured over a three year period being based on:

- 50 per cent on underlying earnings per share;
- 25 per cent on relative TSR; and
- 25 per cent on relative total property return.

All outstanding awards are subject to the following vesting schedule which forms part of our shareholder approved policy.

Performance condition	Applicable measure	Vesting thresholds
Growth in underlying earnings per share	Immediately preceding financial year's earnings per share	• 25% on attaining previous earnings per share • 100% on achieving average annual outperformance of CPI plus 1% • Straight-line vesting between 25% and 100%
Relative TSR	FTSE EPRA/NAREIT Developed Europe Index	• 25% on achieving median performance • 100% on achieving upper quartile performance • Straight-line vesting between 25% and 100%
Relative total property return of the UK portfolio	UK All Property Index	• 25% for performance in line with index • 100% achieved for 2% outperformance • Straight-line vesting between 25% and 100%

The Remuneration Committee may adjust (upward or downwards) the extent to which an LTIP award would otherwise vest if it considers that such level of vesting is not reflective of overall corporate performance or of the executive's personal performance.

The 2019 and 2020 awards are further subject to a two year holding period after vesting and to shareholding guidelines.

Statement of Directors' shareholdings and share interests (audited)

The Remuneration Policy approved by shareholders at the Company's AGM in January 2020 implemented a requirement for Executive Directors to hold shares in the Company worth 200 per cent of their salary in such shares by the seventh anniversary of the shareholding requirement becoming applicable to an individual (unless the Remuneration Committee, in its discretion, varies the required time period for an individual to achieve the shareholding requirement).

The requirement became applicable on 1 September 2019 and applies to all LTIPs or STIPs issued under the 2020 Remuneration Policy. No shares issued under this policy have yet vested.

With regard to shareholdings by independent non-executives, it is left to the individual's discretion as to whether they wish to align themselves with shareholders and whether they consider that the holding of shares compromises their independence. The table below shows the Directors' interests in shares as at 31 August 2020.

	Total number of ordinary shares held as at 31 August 2020	% of issued share capital	Shares held that are subject to the share holding guidelines	2018 bonus[4] deferred shares due to vest on 1 December 2020 subject to continued employment	2019 bonus[6] deferred shares due to vest on 1 December 2021 subject to continued employment	LTIP share awards due to vest on 31 October 2021 subject to performance conditions	LTIP share[6] awards due to vest on 2 December 2022 subject to performance conditions and additional two year holding period	Total
Chairman								
Gavin Tipper	101,726	0.03						**101,726**
Directors								
Mike Watters	1,446,129	0.38	—	115,827	50,644	482,611	601,154	**2,696,365**
Donald Grant	46,516	0.01	—	69,678	31,249	290,326	361,586	**799,355**
Liz Peace								
Michael Farrow								
Sue Ford								
Stephen Oakenfull[1]	161,971	0.04	—	82,383	39,551	343,264	427,500	**1,054,669**
Former Directors								
Robert Orr (resigned 9 October 2019)[2]	4,706	0.00[3]						**4,706**
Adrian Horsburgh (stepped down 23 January 2020)[1]	75,208	0.02	—	74,977	36,764	312,404	389,135	**888,488**
Marc Wainer (retired 23 January 2020)[2]	996,365	0.26						**996,365**
Pieter Prinsloo (resigned 13 July 2020)								
Total	**2,832,621**	**0.74**						**6,541,674[5]**

(1) Stephen Oakenfull and Adrian Horsburgh stepped down from the Board on 23 January 2020. Stephen Oakenfull carries the title of Deputy CEO and as such his remuneration continues to be disclosed in full within this report. Adrian Horsburgh remains an employee of the Group.

(2) Shareholding at date of resignation or retirement.

(3) Less than 0.01 per cent.

(4) It should be noted that the shares awarded in 2018 were consolidated into 40 pence shares on 11 February 2019, and the number of shares above have been altered accordingly.

(5) The LTIP award granted in January 2018 will lapse in full in January 2021 and so has been excluded from the total.

(6) These STIPs and LTIPs were issued under the 2020 Remuneration Policy and will be subject to the shareholding guidelines.

There have been no changes to Directors' shareholdings between 1 September 2020 and the date of this document, 5 November 2020.

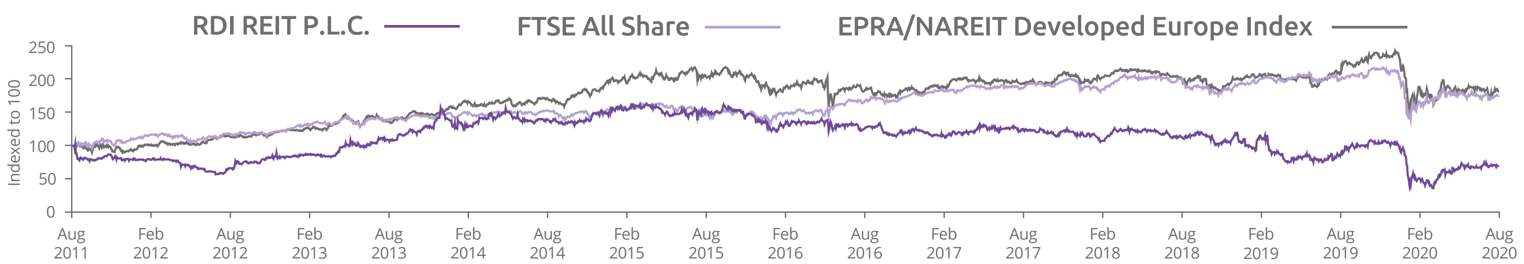
2020 bonus deferred shares will be calculated with reference to the closing share price on 30 November 2020 and will be awarded to Executive Directors on 30 November 2020; the shares will vest on 1 December 2020 and will be awarded to the Executive Directors on 2 December 2020.

Annual report on remuneration continued

Comparables

Company performance graph

The table below illustrates the performance of the Company, since the merger of Wichford P.L.C. and Redefine International plc in August 2011. This is measured against the performance of FTSE EPRA and the FTSE All Share Index, both of which the Company is a constituent.



The table below shows the total annual remuneration figure for the CEO for the years since the internalisation of management in December 2013.

	For the year ending 31 August	Total remuneration	Annual bonus awarded as a percentage of the maximum possible award	LTIP vesting
Mike Watters	**2020**	**£610,644**	**15%**	**0%**
Mike Watters	2019	£661,549	26%	0%
Mike Watters	2018	£977,352	80%	0%
Mike Watters	2017	£948,059	81%	0%
Mike Watters	2016	£637,038	55%	0%
Mike Watters	2015	£606,647	55%	n/a
Mike Watters	2014	£490,600	55%	n/a

Annual change in pay for Directors and employees

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Directive or SRD), the table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 August 2019 to the year ended 31 August 2020. Given the small number of employees of the RDI REIT P.L.C. entity, data for all head office employees has been included.

		Executive Directors[4]			Non-executive Directors[5]			
2020	**Average employee**	Mike Watters	Donald Grant	Stephen Oakenfull	Gavin Tipper	Michael Farrow	Sue Ford	Liz Peace
Salary/fees[1]	**4.50%**	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Bonus[2]	**(16.2%)**	(39.7%)	(37.9%)	(38.6%)	—	—	—	—
Benefits[3]	**7.5%**	8.3%	15.4%	24.3%	—	—	—	—

(1) The base salary comparison is in relation to the 1 September 2019 salary review.

(2) The bonus comparison is in relation to bonus for 2020 performance compared to bonus for 2019 performance.

(3) The benefits comparison is in relation to benefits for the 2020 financial year compared to 2019, the increases here mainly the result of increased private medical premiums.

(4) Stephen Oakenfull stepped down from the Board on 23 January 2020, however as he carries the title of Deputy CEO, his remuneration continues to be disclosed within this report. Adrian Horsburgh also stepped down from the Board as an Executive Director on 23 January 2020 and remains an employee of the Group. The remuneration paid to Adrian Horsburgh to the time he stepped down as a Director is included in the table on page 120.

(5) Three former Non-executive Directors served during the year, but stood down or retired before 31 August 2020; as such they are not included in the table above. The remuneration paid to Robert Orr, Marc Wainer and Pieter Prinsloo to the time they stepped down or retired as a Director is included in the table on page 120. Matthew Parrott was appointed as a Non-executive Director in July 2020 and represents the Company's major shareholder, Starwood Capital Group. Matthew Parrott has waived his right to receive a fee. He is therefore excluded from the table above.

CEO pay ratio

The tables below show how pay for the CEO compares to employees in the Company's head office (being the most suitable for like-for-like comparison) at the lower, median and upper quartiles (calculated on a full time equivalent basis). The ratios have been calculated in accordance with Option A of The Companies (Miscellaneous Reporting) Regulations 2018, which uses the full year total pay and benefits for all employees, and is the same methodology that is used to calculate the CEO's single figure of remuneration on page 126. The Committee will annually assess whether the year-on-year movement in the ratio is consistent with Company performance and employee reward decisions.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	13:1	7:1	4:1

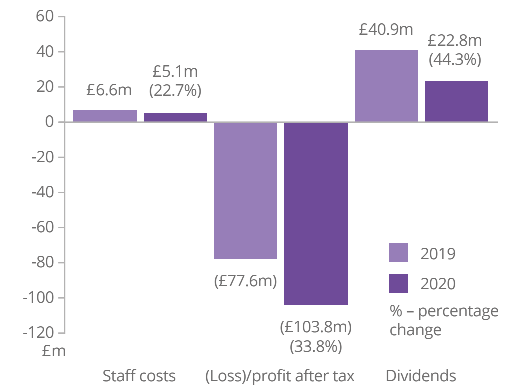
Total pay and benefits

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2020	£610,644	£48,550	£85,498	£137,433

Salary component of total pay and benefits

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2020	£426,200	£37,250	£68,500	£101,250

Relative importance of spend on pay



Consideration by the Directors of matters relating to Directors' remuneration

The Directors who have served on the Remuneration Committee during the reporting year can be found on page 110.

No executives attend formal meetings of the Remuneration Committee other than when invited to discuss a specific matter. Deloitte were appointed as the Company's advisers in October 2016. Deloitte are members of the Remuneration Consultants Group and have no connection to the Company. The Remuneration Committee is satisfied that the advice received has been objective and independent.

Total fees paid to Deloitte during the financial year were £25,300 (2019: £15,930). Advice received was duly considered by the Remuneration Committee, and the Committee's proposals were presented to the Board for approval.

Statement of voting at the Annual General Meeting

At the Company's AGM held on 23 January 2020, the Directors' remuneration report for the year ending 31 August 2019 was approved by shareholders. The voting results were as follows:

Resolution	Votes for	%	Votes against	%	Votes withheld
To approve the annual report on remuneration for the year ended 31 August 2019	281,950,469	99.61	1,105,418	0.39	1,322,419

At the Company's AGM held on 23 January 2020, the current Remuneration Policy was approved by shareholders. The results were as follows:

Resolution	Votes for	%	Votes against	%	Votes withheld
To authorise the new Remuneration Policy	279,530,761	99.37	1,766,680	0.63	3,080,865

Approval

This report was approved by the Board of Directors on 5 November 2020 and is signed on its behalf by:

Michael Farrow
Chair of the Remuneration Committee

5 November 2020

Additional disclosures to the Directors' report

The Directors' report comprises pages 88 to 130 together with certain sections of the Annual Report incorporated by reference as outlined below:

- the Annual General Meeting is to be held at 11.00 a.m. on 28 January 2021, the notice for which will be sent to shareholders in December 2020;
- description of the business model can be found on page 6;
- future developments and the outlook for the Company are contained in the CEO report on page 19;
- important events that have taken place since the end of the financial year are described on page 202;
- details of financial instruments, and the financial risk management objectives and policies of the Company, are detailed on pages 189 to 194;
- principal and emerging risks and uncertainties pertaining to the Group and the way in which it manages and controls these risks are outlined in the strategic report on page 22 to 27;
- the Company's three year viability statement can be found on page 28;
- disclosures regarding the employment of disabled people, human rights, social matters and employee involvement are contained in the sustainability and social responsibility report on page 74, although it should be noted that the Company employs less than 250 people;
- disclosures regarding employee engagement can be found on page 77;
- how the Board has fostered business relationships with suppliers, customers and others can be found on page 77;
- principal decisions taken during the year are disclosed on page 98;
- the diversity policy for the Group and the targets that have been set for the Board can be found on page 75;
- details regarding the Company's anti-bribery policy are found on page 74; and
- environmental and greenhouse gas reporting is included in the sustainability and social responsibility report on page 84.

Results and proposed dividends

The statement of comprehensive income is set out on page 140 and shows a loss attributable to equity holders of the Parent of £106.2 million.

No interim dividend was declared by the Board on 11 May 2020.

The Board has declared an interim dividend of 5.0 pence per share to be paid on 22 December 2020 to those shareholders on the register as at 4 December 2020. No scrip alternative has been offered on this occasion. The cash payment will be made entirely as a Property Income Distribution ("PID").

Going concern

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

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

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

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

Issued share capital

As at 31 August 2020, the Company's total issued share capital was 380,315,623 ordinary shares of 40.0 pence each.

Further details of the authorised and issued share capital are shown in Note 26 to the consolidated financial statements. RDI has one class of share; all shares rank equally and are fully paid.

Voting rights and restrictions of transfers of shares

Shareholders are entitled to receive notice of, to attend and to vote at, all general meetings of the Company. Further details on the voting rights of shareholders can be found in the Company's Articles, available on the website **www.rdireit.com**.

There are no specific restrictions on the size of shareholding nor on the transfer of ordinary shares imposed by the Articles of Association of the Company.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Notified shareholdings

As at the date of this report, the Company had been notified, or was otherwise aware, of the following persons who were directly or indirectly interested in three per cent or more of the issued share capital of the Company.

Shareholder	Shareholding	Percentage held
Starwood XI Management L.P.	112,335,228	29.61
FIL Limited	23,175,695	6.09
Allan Gray Unit Trust Management (RF) Proprietary Limited	18,130,473	4.77

Dealings of Directors and their persons closely associated

The Company adheres to a strict Share Dealing Code in line with the Market Abuse Regulations, which prohibits persons discharging managerial responsibility ("PDMRs") dealing in shares for a designated period preceding the announcement of its annual and interim financial results, or any other period considered price sensitive. PDMRs are advised of such periods and acknowledge their obligations and potential sanctions if the obligations are breached. Dealings in shares by PDMRs are strictly monitored during the year with the necessary RNS announcements and FCA notifications being made in respect of dealings performed by PDMRs or persons closely associated with them, as required.

During the year the following Directors' and former Directors' dealings occurred and were reported to the market:

	Number of ordinary shares held as at 1 September 2019	Vesting of deferred bonus shares 2 December 2019	**Number of ordinary shares held as at 31 August 2020**
Gavin Tipper	101,726		**101,726**
Mike Watters (CEO)[1]	1,350,871	95,258	**1,446,129**
Donald Grant	15,000	31,516	**46,516**
Michael Farrow	—		**—**
Sue Ford	—		**—**
Liz Peace	—		**—**
Matthew Parrott	—		**—**
Stephen Oakenfull (Deputy CEO)[2] (stepped down from the Board on 23 January 2020)	124,707	37,264	**161,971**
Adrian Horsburgh (stepped down from the Board on 23 January 2020)	13,546	61,662	**75,208**
Robert Orr (resigned 9 October 2019)	4,706		
Marc Wainer[3] (retired from the Board on 23 January 2020)	996,365		
Pieter Prinsloo (resigned on 13 July 2020)	—		
Total	2,606,921		**1,831,550**

(1) Mike Watters' shares are held through a pension fund structure.

(2) Stephen Oakenfull owns 10,000 shares in his own name and has a beneficial interest in 114,707 shares which are held in his wife's name.

(3) Marc Wainer held 7,067 shares in his own name and had a beneficial interest in 989,299 shares, of which a 40,066 shareholding was held in his wife's name, a 71,368 shareholding was held through the Drawood Trust and a 1,755,730 shareholding was held by Ellwain Investments (Pty) Limited of which he was a 50 per cent shareholder.

Directors' interests in the ordinary shares, including contingent awards made pursuant to the LTIP and deferred bonus shares, can be found in the Directors' remuneration report on page 125 and are set out in Note 31 "Related party transactions".

Additional disclosures to the Directors' report

continued

Directors' appointment and Directors' powers

Subject to the Isle of Man Companies Act 2006, the Articles of Association of the Company and any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which shall exercise all the powers of the Company whether relating to the management of the business or not.

Subject to the provisions of the Isle of Man Companies Act 2006 and the Articles of Association of the Company, the Board shall have the power to appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed must retire at the next AGM and put themselves forward for re-election by the shareholders.

In addition to any power of removal conferred by the Isle of Man Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiration of his period in office, and by ordinary resolution appoint another person who is willing to act as a Director in his or her place.

Significant agreements

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs during a takeover bid. However, in the event of a takeover, scheme of arrangement, demerger or winding up of the Company, any awards made to the Executive Directors under the Performance Share Plan may vest early, subject to the relevant performance targets being met and at the discretion of the Remuneration Committee.

Amendment of Articles

The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. The Company's Articles of Association were last amended on 24 January 2019.

Political donations

During the financial year, RDI REIT P.L.C. made no political donations.

Donald Grant
Chief Financial Officer

5 November 2020

Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

They have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit or loss for that year. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

We confirm that to the best of our knowledge:

- the Group and Company financial statements, prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position at 31 August 2020, and loss of the Group and the Company for the year then ended, in addition to the undertakings included in the consolidation taken as a whole;
- the Directors' report and strategic report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the adoption of a going concern basis for the preparation of the Group and Company financial statements continues to be appropriate based on the year end position and having reviewed the forecast financial position of the Group.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

Signed on behalf of the Board on 5 November 2020.

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

Independent auditor's report

to the members of RDI REIT P.L.C.

1. Our opinion is unmodified

We have audited the financial statements of RDI REIT P.L.C. ("the Company") and its subsidiaries (together "the Group") for the year ended 31 August 2020 which comprise the Group and Company income statements, statements of comprehensive income, balance sheets, statements of changes in equity, statements of cash flows, and the related notes, including the accounting policies in Note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 August 2020 and of the Group's and the Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS as issued by the IASB");
- the Company financial statements have been properly prepared in accordance with IFRS as issued by the IASB; and
- the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the shareholders on 24 January 2019. The period of total uninterrupted engagement is for the two financial years ended 31 August 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Emphasis of matter – uncertain valuation of investment property

We draw attention to Note 2.3 to the Group financial statements which states that the independent external valuations of certain investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the COVID-19 pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter. We identified the valuation of investment property as a key audit matter (see section 3 of this report).

Overview

Materiality:	£13.0m (2019: £15.0m)
Group financial statements as a whole	1% (2019: 1%) of total assets
Coverage	99.6% (2019: 99.5%) of total assets

Key audit matters		**vs 2019**
Group	The impact of uncertainties due to the UK exiting the European Union on our audit	↔
	Valuation of investment properties	↑
Group and Company	Going concern	↑
Company	Recovery of investment in subsidiary undertakings	↔

3. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2019), in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

<table>
<tr><th></th><th>The risk</th><th>Our response</th></tr>
<tr><td>The impact of uncertainties due to the UK exiting the European Union on our audit (Group)
Refer to page 24 (Principal risks and viability).</td>
<td>Unprecedented levels of uncertainty
All audits assess and challenge the reasonableness of estimates, in particular as described in the key audit matters on the valuation of investment properties, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the Viability Statement and to consider the Directors' statement that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

100% (2019: 100%) of the investment properties and 3% (2019: 5%) of the non-current assets held for sale are located across the UK.

Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</td>
<td>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

1. Our Brexit knowledge
We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.

2. Sensitivity analysis
When addressing the valuation of investment properties and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

3. Assessing transparency
As well as assessing individual disclosures as part of our procedures on the valuation of investment properties, we considered all of the Brexit related disclosures together, including those in the Strategic report, comparing the overall picture against our understanding of the risks.

4. Our results
As reported under valuation of investment properties, we found the resulting estimates and related disclosures of investment properties and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</td></tr>
<tr><td>Going concern (Group and Company)
Refer to page 28 (Principal risks and viability) and page 148 (accounting policy, and significant judgement).</td>
<td>Disclosure quality:
The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group.

That judgement is based on an evaluation of the inherent risks to the Group's business model, in particular, risks associated with Brexit and COVID-19, and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risks most likely to adversely affect the Group's available financial resources over this period, which are impacted by Brexit and COVID-19, were:
• Significant falls in real estate values impacting loan covenants, requiring cash to cure, and therefore impacting on cash flows;
• Tenant defaults/rent holidays impacting cash flows, earnings and loan covenants; and
• Increased cost of debt impacting cash flows.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</td>
<td>Our procedures included:
• Funding assessment: Analysing the Group's financing terms and reviewing Directors' forecasts and assumptions for ongoing covenant compliance and available headroom.
• Benchmarking assumptions: Comparing the Group's assumptions used in the cash flow projections to externally derived data in relation to key inputs such as property market valuation and cost inflation.
• Sensitivity analysis: Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, such as a fall in property values as a result of Brexit and COVID-19.
• Assessing transparency: Assessing the completeness and accuracy of the disclosures in the Annual Report by assessing whether they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern.

Our results
• We found the going concern assessment of management to be acceptable (2019 result: acceptable).</td></tr>
</table>

Independent auditor's report continued

to the members of RDI REIT P.L.C.

3. Key audit matters: including our assessment of risks of material misstatement continued

Valuation of investment properties and non-current assets held for sale (Group)

2020: £1,069.2 million, £125.0 million
(2019: £1,150.3 million, £242.3 million)

Refer to page 106 (Audit and Risk Committee report), page 151 (accounting policy) and pages 163 to 166 (financial disclosures).

The risk

Subjective valuation

The Group owns a portfolio of property which includes shopping centres, retail parks, offices and hotels. 100% (2019: 100%) of the investment properties and 3% (2019: 5%) of the non-current assets held for sale are located across the UK while the remainder of the assets are located in Germany. This was identified as a key audit matter given the valuation of the investment property portfolio is inherently subjective and complex due to, among other factors, the nature and location of each property, occupancy, the expected future rental income, tenant covenant strength, yields and discount rates. In addition, the significant impact of the COVID-19 pandemic has led to additional uncertainty in arriving at reasonable assumptions.

The wider challenges currently facing the UK Retail real estate markets further contributed to the subjectivity for the year ended 31 August 2020.

Furthermore, each property valuation includes source data provided by Directors and relied on as accurate by the external valuer, primarily the Group's property management system and lease contracts.

The valuation is carried out by external valuers, Savills for the majority of the portfolio, and BNP Paribas Real Estate for the UK shopping centre portfolio and the Esplanade (as defined in Note 13), in accordance with the RICS Valuation – Professional Standards and the Group accounting policies which incorporate the requirements of International Accounting Standard 40, 'Investment Property'.

Included in the independent external valuations of certain investment properties as at 31 August 2020 is a 'material valuation uncertainty' due to Novel Coronavirus ("COVID-19") as per VPS 3 and VPGA 10 of the RICS Red Book.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Disclosure quality

The financial statements (Note 13) disclose the sensitivity estimated by the Group.

The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks to the valuation, including the possible economic effect of the COVID-19 pandemic.

The risk for our audit is whether or not those disclosures adequately address the uncertainties within the valuation, and if so, whether those uncertainties are fundamental to the users' understanding of the financial statements. If so, we draw attention to the disclosure in our audit report by the inclusion of an 'emphasis of matter' paragraph.

Our response

Our procedures assisted by our own property valuation specialist (for procedures 1, 2 and 3), included:

- Assessing valuers' credentials: Assessing the Group's external property valuers' objectivity, professional qualifications and capabilities through discussions with the valuers and reading their valuation report and terms of engagement.
- Methodology Choice: We critically assessed the methodology used by the valuers by considering whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book' and accounting standards.
- Benchmarking assumptions: We selected a sample of properties using various criteria including analysis of capital movements by comparison to industry indices or published market trends. We held discussions with the Group's external property valuers to critically assess movements in property values for the sample selected. We evaluated and challenged the key assumptions upon which these valuations were based, by making a comparison to our own understanding of the market, comparable evidence relied on by the valuers and to industry benchmarks. Specific assumptions that had been applied in the valuation in relation to the uncertainty as a result of the COVID-19 pandemic were discussed with the valuers and assessed for reasonableness.
- Test of detail: We compared a sample of key inputs used in the valuations, such as rental income and lease length, to the Group's property management system and lease contracts.
- Assessing transparency: Assessing whether the Group's disclosures about the sensitivity of the valuation of investment properties to changes in key assumptions adequately reflected the related risks, particularly as regards the material uncertainty reported by the external valuers.

Our results

- We found the valuation of investment properties and the disclosure of the associated level of uncertainty to be acceptable (2019 result: acceptable).
- We have included an emphasis of matter in respect of the material uncertainty in the valuation in section 2 of this report (2019: no emphasis of matter).

Recoverability of investments in subsidiaries (Parent)

2020: £544.1 million
(2019: £644.6 million)

Refer to page 149 (accounting policy) and pages 166 and 167 (financial disclosures).

The risk

Forecast-based valuation

The carrying amount of the Parent Company's investments in subsidiaries represents 97.0% (2019: 98.2%) of the Company's total assets. The estimated recoverable amount of these balances is subjective due to the inherent complexity in the valuation of the underlying investment properties in the subsidiaries.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response

Our procedures included:

- Tests of detail: Assessing the carrying value of the subsidiaries for any objective indicators of impairment and assessing the accuracy of management's fair value and impairment calculations, using EPRA NAV as fair value.
- Assessing transparency: Assessing the adequacy of the Company's disclosures in respect of the investment in subsidiaries.

Our results

- We found the Company's assessment of the recoverability of investment in subsidiaries to be acceptable (2019 result: acceptable).

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £13.0 million (2019: £15.0 million), determined with reference to a benchmark of total assets, of £1,300 million (2019: £1,475 million), of which it represents 1% (2019: 1%).

In addition, we applied a lower materiality of £2.2 million to underlying earnings (2019: £2.3 million, to rental and other income, expenses (administrative and rental) and finance costs), for which we believe misstatement of lesser amounts than materiality for the financial statements as a whole can be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the Parent Company financial statements as a whole was set at £5.6 million (2019: £6.6 million), determined with reference to a benchmark of Company total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.7 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group consists of a number of components, which, with the exception of the London Serviced Office portfolio ("LSO") entities and the Group's 27.4 per cent (2019: 25.3 per cent) investment in RBH Hotel Limited ("RBH"), are accounted for at the Group's Head Office in London. The Group audit team audited the LSO components and the audit of all other components (including the audit of the Company), with the exception of RBH, within the Group as if it were a single aggregated set of financial information.

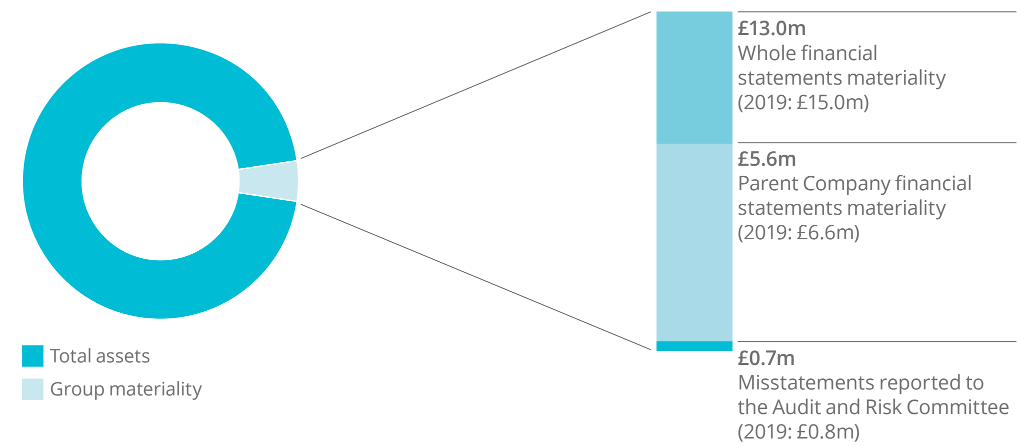
The components within the scope of our work accounted for the percentages illustrated opposite.

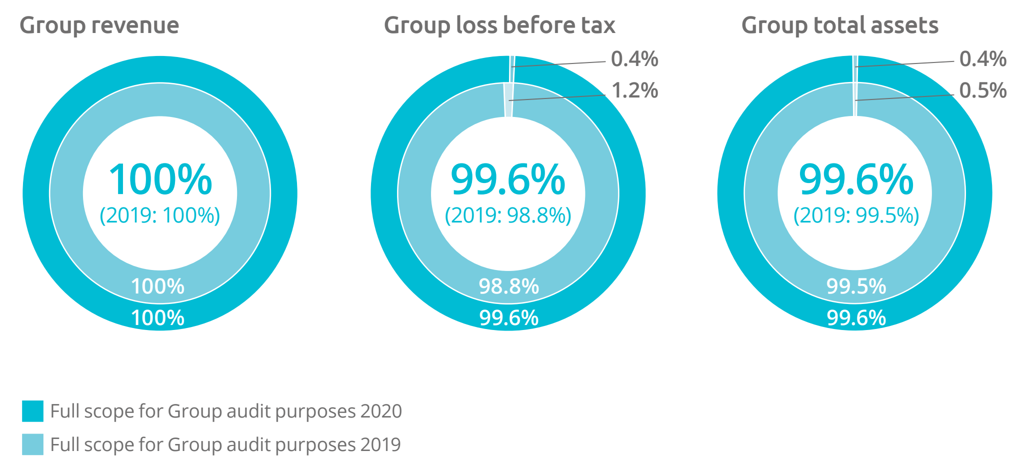
The audit was performed using the materiality levels set out above.

The remaining 0.4 per cent (2019: 0.5 per cent) of total Group assets and 0.4 per cent (2019: 1.2 per cent) of Group loss before tax is represented by the Group's investment in RBH, which is considered immaterial.

Total assets
£1,300m (2019: £1,475m)

Group materiality
£13.0m (2019: £15.0m)





Independent auditor's report continued

to the members of RDI REIT P.L.C.

5. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 2.2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 65 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' remuneration report

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' remuneration report that is described as having been audited, which the Directors have decided to prepare as if the Company was required to comply with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the UK Companies Act 2006.

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement (page 28) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement (page 28) of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 131, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, REIT legislation and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Section 80 (c) of the Isle of Man Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

5 November 2020

Income statements

for the year ended 31 August 2020

Continuing operations	Note	Group Year ended 31 August 2020 £m	Group Restated[1][2] Year ended 31 August 2019 £m	Company Year ended 31 August 2020 £m	Company Year ended 31 August 2019 £m
Revenue	3	**69.0**	103.9	**0.3**	0.4
Rental income		**66.0**	100.1	**—**	—
Rental expense		**(14.8)**	(19.3)	**—**	—
Net rental income	4	**51.2**	80.8	**—**	—
Other operating income		**3.0**	3.8	**0.3**	0.4
Other operating expense		**(0.7)**	(1.1)	**—**	—
Other operating income and expense	5	**2.3**	2.7	**0.3**	0.4
Administrative costs and other fees	6	**(11.3)**	(13.2)	**(5.8)**	(6.1)
Net operating income/(expense)		**42.2**	70.3	**(5.5)**	(5.7)
Loss on revaluation of investment property	13	**(113.0)**	(56.6)	**—**	—
Loss on disposal of investment property	13	**(2.2)**	(1.7)	**—**	—
Loss on revaluation of investment property held for sale	20	**(0.6)**	—	**—**	—
Gain on disposal of investment property held for sale	20	**0.9**	—	**—**	—
Loss of control of Aviva Portfolio	8	**—**	(55.6)	**—**	—
Acquisition of subsidiaries	9	**—**	(0.4)	**—**	—
Other expense	17	**(0.6)**	(0.2)	**—**	—
Foreign exchange gain		**0.2**	—	**0.2**	0.5
		(73.1)	(44.2)	**(5.3)**	(5.2)
Intra-group transactions					
Impairment of investments	31	**—**	—	**(167.2)**	(2.0)
Reversal of impairment of investment	31	**—**	—	**2.0**	—
Disposal of investment	31	**—**	—	**(2.0)**	—
Finance expense	31	**—**	—	**—**	(0.2)
Distributions	31	**—**	—	**4.7**	13.2
(Loss)/profit from operations		**(73.1)**	(44.2)	**(167.8)**	5.8
Finance income	10	**—**	0.2	**—**	0.1
Finance expense	10	**(20.9)**	(25.6)	**—**	—
Other finance expense	11	**(1.9)**	(0.3)	**—**	—
Change in fair value of derivative financial instruments		**(1.8)**	(9.4)	**—**	—
		(97.7)	(79.3)	**(167.8)**	5.9
Impairment reversal of loan to continuing joint venture interest	15	**0.7**	—	**—**	—
Impairment of associate	16	**(1.8)**	(1.4)	**—**	—
Share of post-tax (loss)/profit from associate	16	**(0.4)**	0.9	**—**	—
(Loss)/profit before tax		**(99.2)**	(79.8)	**(167.8)**	5.9
Taxation	12	**—**	(0.3)	**—**	(0.1)
(Loss)/profit for the year attributable to continuing operations		**(99.2)**	(80.1)	**(167.8)**	5.8
(Loss)/profit from discontinued operation[3]	3	**(16.8)**	5.3	**—**	—
(Loss)/profit for the year		**(116.0)**	(74.8)	**(167.8)**	5.8

	Note	Group Year ended 31 August 2020 £m	Group Year ended 31 August 2019 £m	Company Year ended 31 August 2020 £m	Company Year ended 31 August 2019 £m
(Loss)/profit attributable to:					
Equity holders of the Parent					
Continuing operations		**(87.0)**	(82.4)	**(167.8)**	5.8
Discontinued operation		**(16.8)**	4.8	**—**	—
		(103.8)	(77.6)	**(167.8)**	5.8
Non-controlling interests					
Continuing operations	28	**(12.2)**	2.3	**—**	—
Discontinued operation	28	**—**	0.5	**—**	—
		(12.2)	2.8	**—**	—
		(116.0)	(74.8)	**(167.8)**	5.8
Earnings per share					
Weighted average number of shares (millions)	34	**380.3**	380.1	**380.3**	380.1
Diluted weighted average number of shares (millions)[4]	34	**380.3**	380.1	**380.3**	380.9
Earnings per share from continuing operations					
Basic earnings per share (pence)	34	**(22.9)**	(21.7)	**(44.1)**	1.5
Diluted earnings per share (pence)	34	**(22.9)**	(21.7)	**(44.1)**	1.5
Total earnings per share					
Basic earnings per share (pence)	34	**(27.3)**	(20.4)	**(44.1)**	1.5
Diluted earnings per share (pence)	34	**(27.3)**	(20.4)	**(44.1)**	1.5

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

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

(3) Included in (loss)/profit from discontinued operation is the Group's share of post-tax loss from joint ventures of £0.1 million (31 August 2019: post-tax profit £0.9 million). Refer to Note 15.

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

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

Statements of comprehensive income

for the year ended 31 August 2020

	Note	Group Year ended 31 August 2020 £m	Group Year ended 31 August 2019 £m	Company Year ended 31 August 2020 £m	Company Year ended 31 August 2019 £m
(Loss)/profit for the year		**(116.0)**	(74.8)	**(167.8)**	5.8
Other comprehensive income/(expense)					
Items that may be transferred to the income statement					
Other comprehensive (expense)/income from discontinued operation		**(2.4)**	0.9	**—**	—
Total other comprehensive (expense)/income		**(2.4)**	0.9	**—**	—
Total comprehensive (expense)/income for the year		**(118.4)**	(73.9)	**(167.8)**	5.8
Total comprehensive (expense)/income attributable to:					
Equity holders of the Parent		**(106.2)**	(76.7)	**(167.8)**	5.8
Non-controlling interests	28	**(12.2)**	2.8	**—**	—
		(118.4)	(73.9)	**(167.8)**	5.8
Total comprehensive (expense)/income attributable to equity holders of the Parent arising from:					
Continuing operations		**(87.0)**	(82.4)	**(167.8)**	5.8
Discontinued operation		**(19.2)**	5.7	**—**	—
		(106.2)	(76.7)	**(167.8)**	5.8

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

Balance sheets

as at 31 August 2020

	Note	Group 31 August 2020 £m	Group Re-presented[1] 31 August 2019 £m	Company 31 August 2020 £m	Company 31 August 2019 £m
Non-current assets					
Investment property	13	**1,069.2**	1,150.3	**—**	—
Investment in subsidiaries	14	**—**	—	**544.1**	644.6
Investment in joint ventures	15	**2.5**	2.9	**—**	—
Loans to joint ventures	15	**0.7**	5.1	**—**	—
Investment in associate	16	**5.5**	7.6	**—**	—
Other non-current assets	17	**0.8**	0.9	**0.5**	—
Other receivables	18	**11.3**	10.1	**—**	—
Total non-current assets		**1,090.0**	1,176.9	**544.6**	644.6
Current assets					
Trade and other receivables	18	**17.3**	22.8	**2.9**	4.8
Cash and cash equivalents	19	**67.6**	33.0	**13.3**	7.1
		84.9	55.8	**16.2**	11.9
Non-current assets and disposal group held for sale	20	**125.0**	242.3	**—**	—
Total current assets		**209.9**	298.1	**16.2**	11.9
Total assets		**1,299.9**	1,475.0	**560.8**	656.5
Non-current liabilities					
Borrowings	21	**(535.7)**	(650.6)	**—**	—
Lease liabilities	22	**(49.9)**	(6.8)	**(0.3)**	—
Derivative financial instruments	23	**(12.3)**	(12.7)	**—**	—
Deferred tax	24	**(5.3)**	(7.5)	**—**	—
Other payables	25	**—**	(0.1)	**—**	(0.1)
Total non-current liabilities		**(603.2)**	(677.7)	**(0.3)**	(0.1)
Current liabilities					
Borrowings	21	**(66.1)**	(28.7)	**—**	—
Lease liabilities	22	**(0.8)**	(0.4)	**(0.3)**	—
Derivative financial instruments	23	**(0.3)**	(0.1)	**—**	—
Trade and other payables	25	**(27.7)**	(24.0)	**(121.7)**	(28.0)
Current tax		**(2.1)**	(1.1)	**(0.2)**	(0.1)
Total current liabilities		**(97.0)**	(54.3)	**(122.2)**	(28.1)
Total liabilities		**(700.2)**	(732.0)	**(122.5)**	(28.2)
Net assets		**599.7**	743.0	**438.3**	628.3
Equity					
Share capital	26	**152.1**	152.0	**152.1**	152.0
Share premium	26	**534.8**	534.6	**534.8**	534.6
Other components of equity		**(129.7)**	(1.0)	**(248.6)**	(58.3)
Total attributable to equity holders of the Parent		**557.2**	685.6	**438.3**	628.3
Non-controlling interests	28	**42.5**	57.4	**—**	—
Total equity		**599.7**	743.0	**438.3**	628.3

[1] The comparative balance sheet has been re-presented to split out finance lease liabilities previously included in loans and borrowings. Refer to Note 2.2 'Basis of preparation'.

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

The financial statements were approved by the Board of Directors on 5 November 2020 and were signed on its behalf by:

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

Statement of changes in equity

for the year ended 31 August 2020

Group	Note	Share capital £m	Share premium £m	Retained losses £m	Share-based payment reserve £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2019		152.0	534.6	(20.6)	0.8	18.8	685.6	57.4	743.0
Loss for the year		—	—	(103.8)	—	—	(103.8)	(12.2)	(116.0)
Items that may be transferred to the income statement									
Foreign currency translation on subsidiary foreign operations		—	—	—	—	(2.4)	(2.4)	—	(2.4)
Total comprehensive expense for the year		—	—	(103.8)	—	(2.4)	(106.2)	(12.2)	(118.4)
Transactions with equity holders of the Parent									
Issue of shares	26	0.1	0.2	—	—	—	0.3	—	0.3
Dividends paid		—	—	(22.8)	—	—	(22.8)	—	(22.8)
Release of share-based payment reserve	27	—	—	0.3	(0.3)	—	—	—	—
Additional payment in relation to Restricted Stock Plan	27	—	—	(0.1)	—	—	(0.1)	—	(0.1)
Fair value of share-based payments	32	—	—	—	0.4	—	0.4	—	0.4
		0.1	0.2	(22.6)	0.1	—	(22.2)	—	(22.2)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	28	—	—	—	—	—	—	(1.4)	(1.4)
Disposal of non-controlling interests	28	—	—	—	—	—	—	(1.3)	(1.3)
		—	—	—	—	—	—	(2.7)	(2.7)
Balance at 31 August 2020		152.1	534.8	(147.0)	0.9	16.4	557.2	42.5	599.7

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

Statement of changes in equity

for the year ended 31 August 2019

Group	Note	Share capital £m	Share premium £m	Retained earnings/ (losses) £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2018		152.0	534.6	95.5	3.3	17.9	803.3	59.5	862.8
(Loss)/profit for the year		—	—	(77.6)	—	—	(77.6)	2.8	(74.8)
Items that may be transferred to the income statement									
Foreign currency translation on subsidiary foreign operations		—	—	—	—	0.9	0.9	—	0.9
Total comprehensive (expense)/income for the year		—	—	(77.6)	—	0.9	(76.7)	2.8	(73.9)
Transactions with equity holders of the Parent									
Dividends paid		—	—	(40.9)	—	—	(40.9)	—	(40.9)
Release of non-distributable reserve	27	—	—	1.0	(1.0)	—	—	—	—
Release of share-based payment reserve	27	—	—	1.7	(1.7)	—	—	—	—
Additional payment in relation to Restricted Stock Plan	27	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Fair value of share-based payments	32	—	—	—	0.2	—	0.2	—	0.2
		—	—	(38.5)	(2.5)	—	(41.0)	—	(41.0)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	28	—	—	—	—	—	—	(4.9)	(4.9)
		—	—	—	—	—	—	(4.9)	(4.9)
Balance at 31 August 2019		152.0	534.6	(20.6)	0.8	18.8	685.6	57.4	743.0

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

Statement of changes in equity

for the year ended 31 August 2020

Company	Note	Share capital £m	Share premium £m	Retained losses £m	Share-based payment reserve £m	Total equity £m
Balance at 1 September 2018		152.0	534.6	(25.6)	2.3	663.3
Profit and total comprehensive income for the year		—	—	5.8	—	5.8
Transactions with equity holders of the Parent						
Dividends paid		—	—	(40.9)	—	(40.9)
Release of share-based payment reserve		—	—	1.7	(1.7)	—
Additional payment in relation to Restricted Stock Plan		—	—	(0.1)	—	(0.1)
Fair value of share-based payments	32	—	—	—	0.2	0.2
		—	—	(39.3)	(1.5)	(40.8)
Balance at 1 September 2019		152.0	534.6	(59.1)	0.8	628.3
Loss and total comprehensive expense for the year		**—**	**—**	**(167.8)**	**—**	**(167.8)**
Transactions with equity holders of the Parent						
Shares issued		**0.1**	**0.2**	**—**	**—**	**0.3**
Dividends paid		**—**	**—**	**(22.8)**	**—**	**(22.8)**
Release of share-based payment reserve		**—**	**—**	**0.3**	**(0.3)**	**—**
Additional payment in relation to Restricted Stock Plan		**—**	**—**	**(0.1)**	**—**	**(0.1)**
Fair value of share-based payments	32	**—**	**—**	**—**	**0.4**	**0.4**
		0.1	**0.2**	**(22.6)**	**0.1**	**(22.2)**
Balance at 31 August 2020		**152.1**	**534.8**	**(249.5)**	**0.9**	**438.3**

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

Statements of cash flows

for the year ended 31 August 2020

		Group		Company	
Continuing operations	Note	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m
Cash generated from operations	29	**39.4**	71.6	**20.2**	7.2
Interest received		**—**	0.2	**—**	0.1
Finance expense and head lease payments		**(19.8)**	(22.6)	**(0.3)**	—
Net cash inflow from continuing operating activities		**19.6**	49.2	**19.9**	7.3
Discontinued operation					
Net cash inflow from discontinued operating activities		**4.3**	7.2	**—**	—
Net cash inflow from discontinued operating activities		**4.3**	7.2	**—**	—
Net cash inflow from operating activities		**23.9**	56.4	**19.9**	7.3
Cash flows from investing activities					
Acquisition and disposal of subsidiaries		**—**	(0.7)	**—**	—
Sale of investment property		**34.2**	0.5	**—**	—
Purchase and development of investment property		**(13.7)**	(51.4)	**—**	—
Acquisition of property, plant and equipment		**—**	(0.1)	**—**	—
Investment in associate	16	**(0.6)**	—	**—**	—
Distributions from associate	16	**0.5**	1.0	**—**	—
Settlement of taxes relating to investment held at fair value		**—**	(1.1)	**—**	—
Net cash inflow/(outflow) from continuing investing activities		**20.4**	(51.8)	**—**	—
Discontinued operation					
Net cash inflow from discontinued investing activities		**24.3**	1.3	**—**	—
Net cash inflow from discontinued investing activities		**24.3**	1.3	**—**	—
Cash flows from intra-group investing activities					
Investment in subsidiaries		**—**	—	**—**	(16.5)
Capital redemption from subsidiaries	14	**—**	—	**3.9**	27.0
Distributions		**—**	—	**4.7**	13.2
Net cash inflow from intra-group investing activities		**—**	—	**8.6**	23.7
Net cash inflow/(outflow) from investing activities		**44.7**	(50.5)	**8.6**	23.7
Cash flows from financing activities					
Issue of shares	26	**0.3**	—	**0.3**	—
Proceeds from borrowings	21	**25.0**	102.0	**—**	—
Repayment of borrowings	21	**(20.9)**	(80.9)	**—**	—
Cash disposed on loss of control of Aviva Portfolio[1]	8	**—**	(17.5)	**—**	—
Other finance expense		**—**	(4.0)	**—**	—
Settlement of derivative financial instruments		**0.1**	—	**—**	—
Dividends paid to equity holders		**(22.8)**	(40.9)	**(22.8)**	(40.9)
Dividends paid to non-controlling interests		**(1.4)**	(3.8)	**—**	—
Movement in restricted cash and cash equivalents		**(2.8)**	(0.7)	**—**	(0.7)
Net cash outflow from continuing financing activities		**(22.5)**	(45.8)	**(22.5)**	(41.6)
Discontinued operation					
Net cash (outflow)/inflow from discontinued financing activities		**(13.4)**	12.6	**—**	—
Movement in restricted cash and cash equivalents		**—**	0.7	**—**	—
Net cash (outflow)/inflow from discontinued financing activities		**(13.4)**	13.3	**—**	—
Net cash outflow from financing activities		**(35.9)**	(32.5)	**(22.5)**	(41.6)
Net (decrease)/increase in unrestricted cash and cash equivalents		**32.7**	(26.6)	**6.0**	(10.6)
Effect of exchange rate fluctuations on cash and cash equivalents		**(0.9)**	0.6	**0.2**	0.8
Unrestricted cash and cash equivalents at 1 September		**32.3**	58.3	**6.4**	16.2
Unrestricted cash and cash equivalents at 31 August	19	**64.1**	32.3	**12.6**	6.4
Restricted cash and cash equivalents at 31 August	19	**3.5**	0.7	**0.7**	0.7
Cash and cash equivalents at 31 August	19	**67.6**	33.0	**13.3**	7.1

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

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

Notes to the financial statements

For the year ended 31 August 2020

1. General information

RDI REIT P.L.C. was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 1111908C) 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").

2. Significant accounting policies

2.1 Statement of compliance

The Group financial statements for the year ended 31 August 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company financial statements have been prepared in accordance with IFRS as issued by the IASB and with those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS.

The relevant new standards, amendments and interpretations that have been adopted, as applicable to the Group and the Company, are as follows:

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

The impact of the adoption of IFRS 16 on the Group (as a lessee) in these financial statements and the new accounting policies are disclosed below. There has been no significant impact on the Group as a lessor as a result of the transition. The adoption of the other amendments and interpretations has not had a material impact on the financial statements of the Group and has resulted in changes to presentation and disclosure only.

IFRS 16 'Leases'

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

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

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

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

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

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

Long leasehold interests in land that were treated as operating leases relate to interests in certain hotel and serviced office properties acquired during the year ended 31 August 2018. The remaining lease terms for the leasehold arrangements range between 91 and 168 years. Upon adoption of IFRS 16, the Group has recognised lease liabilities in relation to these leases and corresponding ROU assets. The lease liabilities have been initially measured at the present value of the remaining lease payments at the date of application (including outstanding payments), discounted using the incremental rate of borrowing rate specific to each lease.

ROU assets have been measured equal to the lease liability but adjusted for head rent prepayments and, with regard to the head office lease, lease incentives at the date of transition. There has been no impact to opening retained earnings at 1 September 2019.

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

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

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

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

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

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

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

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

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

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

Accounting standards, amendments and interpretations not yet adopted

Disclosed in the table below are the relevant new standards, amendments and interpretations that have been issued by the IASB but are not yet effective or have not been early adopted. The Group is considering the impact of these amendments on the Group's financial statements and the impact of the IFRS 3 'Business combinations' amendment is set out below the table.

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

Amendments to IFRS 3 – Definition of a business

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

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

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

2.2 Basis of preparation

The 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 and derivative financial instruments, all of which are carried at fair value.

Reassessment of the Group's contracts with customers (non-lease)

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

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

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

Notes to the financial statements continued

For the year ended 31 August 2020

2. Significant accounting policies continued

2.2 Basis of preparation continued

Reassessment of the Group's contracts with customers (non-lease) continued

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

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

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

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

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

Re-presentation of comparative lease liabilities

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

Going concern

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

At 31 August 2020, the Group's cash and undrawn facilities were £84.2 million and its capital commitments were £2.3 million. The Group's cash and undrawn facilities increased to approximately £240.0 million after the reporting date, following the receipt of proceeds from the sale of the Schloss-Strassen Center, Berlin and the completion of the disposal of the UK Retail Parks portfolio (Note 37). The disposal of these retail assets represents a significant milestone in the ongoing repositioning of the Group's portfolio and has resulted in a reduction, post year end, in the Group's overall retail exposure to 10.1 per cent and leverage to 32.6 per cent.

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

The Directors have considered the Group's and Company's principal risks set out on pages 22 to 28 and severe but plausible downside scenarios in assessing the Group's and Company's going concern for a period of not less than 18 months from the date of approval of these financial statements. The Directors have considered, in particular with reference to COVID-19:

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

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

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

2.3 Key judgements and estimates

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

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

Judgements

Going concern

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

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

Loss of control of subsidiaries

The Group controls an investee when it:

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

Although control is not based solely on legal ownership, control is ordinarily assumed by the Group over an investee for which the Group holds the majority of the issued share capital and voting rights and where there are no other third-party arrangements in place that could alter or constrain the Group's decision-making ability regarding that investee. Conversely, the Group ordinarily assumes a loss of control on completion of the contractual sale of the Group's equity interests in an investee on fair value terms with an independent third party. Where other factors do exist, such as the enforceable rights of a lender under bank debt covenants in the event of default, as was the Aviva position subsequent to the Group's covenant breach, the Group must consider whether the three criteria for control set out above continue to be met. If any one of the criteria is not met, the Group does not or has ceased to control the investee and does not consolidate the results of that investee. Refer to Note 8 for further information on the derecognition of the Aviva Portfolio during the year ended 31 August 2019.

Classification of UK Hotels as investment property

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

The Group cumulatively holds a 27.4 per cent (31 August 2019: 25.3 per cent) shareholding in RBH. Having considered the guidance in IFRS 10 'Consolidated Financial Statements', ("IFRS 10"), the respective rights of each of the shareholders in RBH and the relative size of the Group's shareholding, the Directors have determined that the Group has the ability to exercise significant influence over, but does not control, RBH, notwithstanding the increased investment during the current year. The investment in RBH has therefore been classified as an associate.

Estimates

Investment property valuation

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers make reference to market evidence of transaction prices for similar properties. Where there is a lack of comparable transactional evidence then the degree of potential variability in valuations may widen. As a result of the outbreak of COVID-19, material uncertainty clauses were adopted by the Group's valuers in their year-end valuation reports. Further details with respect to assumptions and estimation uncertainties are provided in Note 13.

Impairment of receivables

The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments required, in particular, the Group's assessment of: expected insolvency filings or company voluntary arrangements; deferrals of payments due; and those tenants that may be offered a rent reduction or rent-free period as a result of temporary closures and restrictive measures imposed to limit the spread of COVID-19.

As a result, the value of the provisions for impairment of the Group's receivable balances, with particular reference to trade receivables and tenant lease incentives, are subject to a significant degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in respect to the year ended 31 August 2020, following the unprecedented uncertainty created by COVID-19.

2.4 Accounting policies

Basis of consolidation

Investment in subsidiaries (Group)

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

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

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

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

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

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

Investment in subsidiaries (Company)

Investments in subsidiaries are carried in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the undertakings' fair value. Fair value is derived with reference to the EPRA adjusted net assets of RDI REIT P.L.C. and the contribution of each subsidiary group relative to the cost of the Company's investment. Impairment reversals are recognised on a consistent basis as the original charge and do not exceed cost. On disposal of subsidiaries, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

Transactions eliminated on consolidation

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

Investment in associates and joint ventures

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

Notes to the financial statements continued

For the year ended 31 August 2020

2. Significant accounting policies continued

2.4 Accounting policies continued

Basis of consolidation continued

Investment in associates and joint ventures continued

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

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

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

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

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

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

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

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

Intangible assets

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

Currency translation

Foreign currency transactions

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

Foreign operations

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

Revenue recognition

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

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

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

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

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

Employee benefits and share-based payments

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

Share-based incentives are provided to certain employees and Executive Directors for services rendered. The share-based payments are all equity-settled. The fair value of each award granted is calculated at the grant date, using the Monte Carlo and Black-Scholes valuation methodologies. The fair value is not subsequently re-measured and is recognised in the share-based payment reserve in equity on a straight-line basis over the vesting period as adjusted for the estimate of the awards that will eventually vest at each reporting date. The corresponding compensation cost is recognised as an administrative expense over the vesting period.

At the end of the performance period, a reserves transfer occurs with no further charge reflected in the income statement.

Income taxes

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

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

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

The following temporary differences are not provided for: those arising from goodwill not deductible for tax purposes; those arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and those relating to investments in subsidiaries and joint ventures where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Investment property

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

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

Investment properties are initially recognised at cost, including directly attributable transaction costs, and subsequently measured at fair value. The portfolios are valued on a bi-annual basis by external, independent and professionally qualified valuers, having recent experience in the location and category of the property being valued.

The fair values are based on market values, being the estimated amount for which the property could be exchanged on a highest and best use basis between a willing buyer and seller in an arm's length transaction.

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

The bi-annual valuations of investment property are based upon estimates and subjective judgements that may vary materially from the actual values and sales prices that may be realised by the Group upon ultimate disposal. The critical assumptions made in determining the valuations have been included in Note 13 to the financial statements.

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

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

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

As the fair value model is applied, property under construction or redevelopment for future use as investment property continues to be measured at fair value unless the fair value cannot be measured reliably and the property is measured at cost.

Acquisitions and disposals of investment property are recognised when control of the property has transferred to, or from, the Group. This will ordinarily occur on completion when performance obligations are satisfied or on unconditional exchange of contracts when completion is imminent at the reporting date. The profit or loss on disposal of investment property is recognised separately in the income statement and is the difference between the net sales proceeds and the opening fair value asset plus any capital expenditure during the period to disposal.

Property will be transferred to or from investment property when, and only when, there is a change in use and there is substantive evidence to support that change in use. A property ceases to be recognised as investment property and is transferred at its fair value to property held for sale when it meets the criteria of IFRS 5. Under IFRS 5 the asset must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable.

The criteria for a sale being highly probable per IFRS 5 are as follows:

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

Leases

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 31 August 2020

2. Significant accounting policies continued

2.4 Accounting policies continued

Property, plant and equipment

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

Financial instruments

Recognition, classification and measurement

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

Non-derivative financial instruments

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

Derivative financial instruments

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

Impairment of financial assets (Group)

The Group assesses the expected credit losses associated with its financial assets carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets are specifically impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. For general provisioning, the Group considers impairment of financial assets under the expected credit losses model as required under IFRS 9.

For accounts receivable, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables. Expected loss rates are considered with reference to the historic payment profiles of tenants and credit losses incurred over a corresponding period. The resulting loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors: namely economic, regulatory, technological and environmental factors; external market indicators; and the current tenant base. Separately, the Group applies a 25 per cent provision against all balances (excluding VAT) in excess of 120 days past due in line with the Group's stated bad debt policy. Where there is a material difference in the resulting provision requirement relative to total expected credit losses, the Group will adjust in line with the latter.

Impairment losses and reversals are recognised in the income statement.

Impairment of financial assets (Company)

The Company has trading balances receivable and payable with subsidiaries that are in a continuous state of flux due to the nature of the Company's operations. These balances are repayable on demand and are considered to have low credit risk. At the reporting date, expected credit losses of the Company's intercompany receivable balances are assessed in the first instance relative to the materiality of the balance. If the subsidiary and/or underlying subsidiary group have sufficient available liquid assets in order to repay the debt, the expected credit losses are considered to be immaterial and no impairment is recognised. If the subsidiary or subsidiary group do not have sufficient liquid assets, the manner of and timelines for recovery are assessed in determining the expected credit losses on a case-by-case basis.

Cash and cash equivalents

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

Non-current assets and disposal groups held for sale

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

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

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

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

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

Comparative income statements, statements of comprehensive income, statements of cash flows and related notes are re-presented for comparability and in line with the requirements of IFRS 5.

Borrowings

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

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

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

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

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

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

Provisions, capital commitments and contingent liabilities

A provision is recognised if, as a result of a past event, the Group or Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected cash flows to present value using an appropriate discount rate that reflects the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Capital commitments are disclosed when the Group or Company has a contractual future obligation to a third party which has not been provided for at the balance sheet date.

Share capital

Ordinary share capital

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

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

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

Dividends

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

Earnings per share

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

Where the Company performs a share consolidation, the weighted average number of shares is reduced without any consideration for time apportionment so that the effect of the share consolidation on EPS is constant for current and prior year comparatives, together with subsequent years.

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

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and in respect of which it may incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker to inform decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available, as disclosed in Note 3 below.

3. Segmental reporting

As required by IFRS 8, the information provided to the Board, which is the Chief Operating Decision Maker, has been classified into operating segments. The segments are as follows:

- **UK Commercial:**
  The Group's portfolio of Greater London and regional offices, London serviced offices, roadside service stations and logistics distribution centres;
- **UK Hotels:**
  The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels:
  - five Travelodge branded and externally managed hotels; and
  - 13 RBH managed hotels, of which ten are Holiday Inn Express, two Hilton branded and one Crowne Plaza.

  The Group's hotel interests also include the 27.4 per cent investment in RBH (31 August 2019: 25.3 per cent). RBH is an independent hotel management company engaged in developing and managing a diverse portfolio of hotels in partnership with reputable international hotel brands;
- **UK Retail:**
  The Group's portfolio of shopping centres, retail parks and a high street retail asset (disposed during the year ended 31 August 2020);
- **Europe (Discontinued operation):**
  The Group's portfolio in Germany, comprising of shopping centres, discount supermarkets and retail parks. Since 1 March 2019, this segment met the criteria of IFRS 5 to be classified as a Discontinued operation ("Dis Op") and is therefore presented as a single line item on the income statement. Detailed analysis of the post-tax profit/(loss) from the Dis Op is presented in the segmental income statements; and
- **Other:**
  The Group's holding and management companies that carry out the head office and centralised asset management activities of the Group.

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

Notes to the financial statements continued

For the year ended 31 August 2020

3. Segmental reporting continued

Segmental income statement for the year ended 31 August 2020	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Other[1] £m	Total £m	Joint venture adj £m	Group total £m	Europe Dis Op adj £m	IFRS total £m
Continuing operations										
Revenue										
Rental income	33.6	9.7	18.9	12.7	—	**74.9**	(1.2)	**73.7**	(12.3)	**61.4**
Service charge income	1.5	—	3.1	3.9	—	**8.5**	—	**8.5**	(3.9)	**4.6**
Other operating income	2.2	—	—	—	0.8	**3.0**	—	**3.0**	—	**3.0**
Total revenue	37.3	9.7	22.0	16.6	0.8	**86.4**	(1.2)	**85.2**	(16.2)	**69.0**
Net rental income	27.3	9.4	15.3	10.3	—	**62.3**	(1.1)	**61.2**	(10.0)	**51.2**
Other operating income and expense	1.5	—	—	—	0.8	**2.3**	—	**2.3**	—	**2.3**
Administrative costs and other fees	(1.4)	(0.1)	(0.1)	(0.6)	(9.8)	**(12.0)**	0.2	**(11.8)**	0.5	**(11.3)**
Net operating income/(expense)	27.4	9.3	15.2	9.7	(9.0)	**52.6**	(0.9)	**51.7**	(9.5)	**42.2**
Loss on revaluation of investment property	(16.3)	(50.7)	(45.6)	—	—	**(112.6)**	(0.4)	**(113.0)**	—	**(113.0)**
Loss on disposal of investment property	(2.2)	—	—	—	—	**(2.2)**	—	**(2.2)**	—	**(2.2)**
Loss on revaluation of investment property held for sale	(0.6)	—	—	(12.9)	—	**(13.5)**	0.5	**(13.0)**	12.4	**(0.6)**
Gain/(loss) on disposal of investment property held for sale	1.1	—	(0.2)	(0.3)	—	**0.6**	(0.7)	**(0.1)**	1.0	**0.9**
Disposal of subsidiaries (Note 7)	—	—	—	(12.7)	—	**(12.7)**	0.2	**(12.5)**	12.5	**—**
Other expenses	—	—	—	—	(0.6)	**(0.6)**	—	**(0.6)**	—	**(0.6)**
Foreign exchange gain	—	—	—	—	0.2	**0.2**	—	**0.2**	—	**0.2**
Finance income on loans to joint ventures	—	—	—	—	—	**—**	0.1	**0.1**	(0.1)	**—**
Finance expense	(10.2)	(6.2)	(4.9)	(3.1)	—	**(24.4)**	0.6	**(23.8)**	2.9	**(20.9)**
Other finance expense	—	(1.9)	—	(0.4)	—	**(2.3)**	0.3	**(2.0)**	0.1	**(1.9)**
Change in fair value of derivative financial instruments	(1.1)	0.1	(0.6)	1.6	—	**—**	(0.2)	**(0.2)**	(1.6)	**(1.8)**
Impairment of associate	—	(1.8)	—	—	—	**(1.8)**	—	**(1.8)**	—	**(1.8)**
Share of post-tax loss from associate	—	(0.4)	—	—	—	**(0.4)**	—	**(0.4)**	—	**(0.4)**
Loss before tax per reportable segments	(1.9)	(51.6)	(36.1)	(18.1)	(9.4)	**(117.1)**	(0.5)	**(117.6)**	17.7	**(99.9)**
Taxation	—	—	—	1.2	—	**1.2**	(0.2)	**1.0**	(1.0)	**—**
Loss after tax per reportable segments	(1.9)	(51.6)	(36.1)	(16.9)	(9.4)	**(115.9)**	(0.7)	**(116.6)**	16.7	**(99.9)**
Continuing operations										
Impairment reversal of loan to continuing joint venture interest						**—**	0.7	**0.7**	—	**0.7**
Movement in losses restricted						**(0.2)**	0.2	**—**	—	**—**
Discontinued operation										
Movement in joint venture non-controlling interest						**0.1**	(0.1)	**—**	—	**—**
Share of post-tax loss from joint ventures						**—**	(0.1)	**(0.1)**	0.1	**—**
Loss for the year from discontinued operation						**—**	—	**—**	(16.8)	**(16.8)**
IFRS loss for the year						**(116.0)**	—	**(116.0)**	—	**(116.0)**

(1) Included in Other is other operating income of £0.3 million attributable to the Company for the year ended 31 August 2020.

Segmental income statement for the year ended 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Other[1] £m	Total £m	Joint venture adj £m	Group total £m	Europe Dis Op adj £m	IFRS total £m
Continuing operations										
Revenue										
Rental income	37.2	23.0	31.4	14.7	—	**106.3**	(1.8)	**104.5**	(13.7)	**90.8**
Service charge income	1.7	0.1	7.5	4.0	—	**13.3**	—	**13.3**	(4.0)	**9.3**
Other operating income	2.9	—	—	—	0.9	**3.8**	—	**3.8**	—	**3.8**
Total revenue (restated)	41.8	23.1	38.9	18.7	0.9	**123.4**	(1.8)	**121.6**	(17.7)	**103.9**
Net rental income	31.2	21.8	28.6	12.5	—	**94.1**	(1.7)	**92.4**	(11.6)	**80.8**
Other operating income and expense	1.8	—	—	—	0.9	**2.7**	—	**2.7**	—	**2.7**
Administrative costs and other fees	(1.4)	(0.2)	(0.1)	(0.8)	(11.4)	**(13.9)**	—	**(13.9)**	0.7	**(13.2)**
Net operating income/(expense)	31.6	21.6	28.5	11.7	(10.5)	**82.9**	(1.7)	**81.2**	(10.9)	**70.3**
Gain/(loss) on revaluation of investment property	1.4	(6.8)	(51.5)	(1.2)	—	**(58.1)**	0.2	**(57.9)**	1.3	**(56.6)**
Loss on disposal of investment property	(1.7)	—	—	(0.2)	—	**(1.9)**	—	**(1.9)**	0.2	**(1.7)**
Loss on revaluation of investment property held for sale	—	—	—	(1.7)	—	**(1.7)**	(0.7)	**(2.4)**	2.4	**—**
Gain on disposal of investment property held for sale	—	—	—	0.5	—	**0.5**	—	**0.5**	(0.5)	**—**
Loss on disposal of subsidiaries	—	—	—	(0.1)	—	**(0.1)**	—	**(0.1)**	0.1	**—**
Loss of control of Aviva Portfolio	—	—	(55.6)	—	—	**(55.6)**	—	**(55.6)**	—	**(55.6)**
Net loss on acquisition of subsidiaries	(0.2)	(0.2)	—	—	—	**(0.4)**	—	**(0.4)**	—	**(0.4)**
Other expenses	—	—	—	—	(0.2)	**(0.2)**	—	**(0.2)**	—	**(0.2)**
Finance income on loans to joint ventures	—	—	—	—	—	**—**	0.3	**0.3**	(0.3)	**—**
Finance income on loans to external parties	—	—	—	—	0.2	**0.2**	—	**0.2**	—	**0.2**
Finance expense	(9.8)	(5.4)	(10.8)	(3.5)	—	**(29.5)**	0.6	**(28.9)**	3.3	**(25.6)**
Other finance expense	(0.3)	—	—	—	—	**(0.3)**	—	**(0.3)**	—	**(0.3)**
Change in fair value of derivative financial instruments	(5.9)	(0.5)	(3.3)	(1.6)	—	**(11.3)**	0.3	**(11.0)**	1.6	**(9.4)**
Impairment of associate	—	(1.4)	—	—	—	**(1.4)**	—	**(1.4)**	—	**(1.4)**
Share of post-tax profit from associate	—	0.9	—	—	—	**0.9**	—	**0.9**	—	**0.9**
Profit/(loss) before tax per reportable segments	15.1	8.2	(92.7)	3.9	(10.5)	**(76.0)**	(1.0)	**(77.0)**	(2.8)	**(79.8)**
Taxation	(0.1)	—	—	1.4	(0.3)	**1.0**	0.3	**1.3**	(1.6)	**(0.3)**
Profit/(loss) after tax per reportable segments	15.0	8.2	(92.7)	5.3	(10.8)	**(75.0)**	(0.7)	**(75.7)**	(4.4)	**(80.1)**
Continuing operations										
Movement of losses restricted in joint ventures[2]						**0.2**	(0.2)	**—**	—	**—**
Discontinued operation										
Share of post-tax profit from joint ventures						**—**	0.9	**0.9**	(0.9)	**—**
Profit for the year from discontinued operation						**—**	—	**—**	5.3	**5.3**
IFRS loss for the year						**(74.8)**	—	**(74.8)**	—	**(74.8)**

(1) Included in Other is other operating income of £0.4 million attributable to the Company for the year ended 31 August 2019.

(2) As detailed in Note 15, the Group's joint venture interest in the Esplanade was reduced to £Nil in the financial statements at 31 August 2019 in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade is recognised line-by-line.

Notes to the financial statements continued

For the year ended 31 August 2020

3. Segmental reporting continued

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

Segmental balance sheet as at 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Total £m	Joint venture adj £m	IFRS total £m
Investment property	549.1	360.5	251.7	—	1,161.3	(11.0)	1,150.3
Investment in associate	—	7.6	—	—	7.6	—	7.6
Trade and other receivables	7.7	4.1	5.4	14.6	31.8	(0.5)	31.3
Cash and cash equivalents	12.2	4.4	5.8	2.6	25.0	(0.9)	24.1
Non-current assets held for sale	8.8	—	2.2	246.4	257.4	(15.1)	242.3
Borrowings, including finance leases (IAS 17)	(264.2)	(161.3)	(128.9)	(147.4)	(701.8)	15.3	(686.5)
Trade and other payables	(10.0)	(2.8)	(5.5)	(1.8)	(20.1)	0.5	(19.6)
Segmental net assets	303.6	212.5	130.7	114.4	761.2	(11.7)	749.5
Unallocated assets and liabilities:							
Other non-current assets					0.9	—	0.9
Trade and other receivables					1.6	—	1.6
Cash and cash equivalents					8.9	—	8.9
Derivative financial instruments					(15.9)	3.1	(12.8)
Deferred tax					(8.3)	0.8	(7.5)
Trade and other payables					(4.5)	—	(4.5)
Current tax liabilities					(1.1)	—	(1.1)
					742.8	(7.8)	735.0
Joint venture adjustments:							
Cumulative restricted losses in joint venture[1]					0.2	(0.2)	—
Investment in joint ventures					—	2.9	2.9
Recognised loan to joint ventures					—	5.1	5.1
IFRS net assets					743.0	—	743.0

(1) As detailed in Note 15, the Group's joint venture interest in the Esplanade was reduced to £Nil in the financial statements at 31 August 2019 in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade is recognised line-by-line.

Other segmental information 31 August 2020	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	IFRS total £m
Additions to investment property during the year per reportable segment:					
Acquisition of property	10.3	—	—	—	10.3
Capitalised expenditure	1.7	0.3	0.9	—	2.9
	12.0	0.3	0.9	—	13.2

Other segmental information 31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	IFRS total £m
Additions to investment property during the year per reportable segment:					
Acquisition of property	44.4	—	—	—	44.4
Capitalised expenditure	1.8	3.2	2.1	1.1	8.2
	46.2	3.2	2.1	1.1	52.6

4. Net rental income

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

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

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

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

Notes to the financial statements continued

For the year ended 31 August 2020

4. Net rental income continued

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

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

5. Other operating income and expense

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

(1) Refer to Note 2.2 for further information on the restatement of service fee income and service fee expense.
(2) Further disaggregation of the Group's other operating income by segment is contained in Note 3.
(3) Service fees relate to recoverable costs incurred by the Group in the London Serviced Offices portfolio that are recharged to tenants at a margin.

6. Administrative costs and other fees

Continuing operations	Group Year ended 31 August 2020 £m	Group Year ended 31 August 2019 £m	Company Year ended 31 August 2020 £m	Company Year ended 31 August 2019 £m
Staff costs	5.1	6.4	2.4	3.0
Non-executive Director fees and insurance	0.4	0.5	0.4	0.5
Professional fees	2.0	2.4	1.1	1.2
Corporate costs	0.6	0.7	0.5	0.6
Non-recurring transaction costs	0.7	—	0.7	—
Head office costs	0.8	1.1	0.1	0.4
Share-based payments (Note 32)	0.4	0.2	0.2	0.2
Investment management fees to related party (Note 31)	0.7	0.9	—	—
Depreciation	0.3	—	0.3	—
General administrative expenses	0.3	1.0	0.1	0.2
Administrative costs and other fees	11.3	13.2	5.8	6.1

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

7. Disposal of subsidiaries

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

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

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

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

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

Notes to the financial statements continued

For the year ended 31 August 2020

8. Loss of control of Aviva Portfolio

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

Four of the Group's UK Shopping Centres, namely Grand Arcade (Wigan), Weston Favell (Northampton), Birchwood (Warrington) and Byron Place (Seaham), were financed by a long term fixed rate debt facility with Aviva. The facility was non-recourse to the Group, with a fixed rate of 5.5 per cent per annum and a maturity date in April 2042 and had an outstanding principal balance of £145.1 million at 1 September 2018.

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

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

After due consideration, it was agreed by the Directors that it was not in the best interests of the Company and its shareholders to commit any further capital to reduce the loan to value ratio below the covenant of 85 per cent. On 23 April 2019, a Standstill Agreement ("Standstill") was signed which allowed for a consensual sales process to be carried out to Aviva's benefit, without Aviva taking legal ownership of the subsidiary shares or the underlying properties held by those subsidiaries. Aviva's rights under the facility agreement remained in force during the Standstill period and the agreement could be terminated at any time. The Standstill period expired in February 2020 and Aviva appointed Savills (UK) Limited as fixed charge receivers over the shopping centres on 6 May 2020. With Aviva's consent, the Group is in the process of arranging for the orderly wind-up of former subsidiary companies which held the centres. A press release dated 8 September 2020 confirmed the sale of the three centres in Northampton, Warrington and Seaham had since completed with an unrelated party.

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

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

9. Acquisition of subsidiaries

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

10. Finance income and finance expense

	Group		Company	
Continuing operations	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m
Finance income				
Finance income on bank deposits	—	0.2	—	0.1
Total finance income	—	0.2	—	0.1
Finance expense				
Finance expense on secured bank loans	**(17.8)**	(23.5)	—	—
Amortisation of debt issue costs	**(1.2)**	(1.1)	—	—
Accretion of fair value adjustments	—	(0.4)	—	—
Finance expense on existing lease liabilities	**(0.3)**	(0.6)	—	—
Finance expense on transitioning to IFRS 16[1]	**(1.6)**	—	—	—
Total finance expense	**(20.9)**	(25.6)	—	—
Net finance (expense)/income	**(20.9)**	(25.4)	—	0.1

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

11. Other finance expense

Group – Continuing operations	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m
Expected credit losses on amounts receivable from related party (Note 31)	**1.9**	—
Other finance expense	—	0.3
Other finance expense	**1.9**	0.3

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

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

Notes to the financial statements continued

For the year ended 31 August 2020

12. Taxation

Tax recognised in the income statement

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

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

Reconciliation

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

	Group		Company	
Continuing operations	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m	**Year ended 31 August 2020 £m**	Year ended 31 August 2019 £m
(Loss)/profit before tax	**(99.2)**	(79.8)	**(167.8)**	5.9
(Loss)/profit before tax multiplied by standard rate of corporation tax	**(18.9)**	(15.2)	**(31.9)**	1.1
Effect of:				
– Loss on revaluation of investment property (including held for sale)	**21.6**	10.8	**—**	—
– Net loss on disposal of investment property (including held for sale)	**0.2**	0.3	**—**	—
– Loss of control of Aviva Portfolio	**—**	10.6	**—**	—
– Change in fair value of derivative financial instruments	**0.3**	1.8	**—**	—
– Income/(expense) not subject to UK income tax	**0.3**	(0.3)	**—**	(1.0)
– REIT exempt property rental profits	**(5.7)**	(10.4)	**—**	—
– Losses utilised	**—**	(0.1)	**0.1**	—
– Unutilised losses carried forward	**0.7**	2.0	**0.7**	2.0
– Expenses not deductible for tax	**1.5**	0.6	**0.2**	0.2
– Adjustments in respect of prior years	**—**	0.2	**—**	—
	—	0.3	**(30.9)**	2.3
Intra-group transactions				
– Settlement of loans	**—**	—	**0.4**	—
– Impairment of investment	**—**	—	**31.4**	0.4
– REIT exempt dividends	**—**	—	**(0.9)**	(2.6)
Tax charge for the year recognised in the income statement	**—**	0.3	**—**	0.1

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

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

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

13. Investment property

31 August 2020	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	**Total £m**	Freehold £m	Leasehold £m
Opening carrying value at 1 September 2019	538.1	360.5	251.7	—	**1,150.3**	846.0	304.3
Recognition of head lease assets (IFRS 16)	16.1	26.6	—	—	**42.7**	—	42.7
Head lease adjustment due to rent review	—	0.2	—	—	**0.2**	—	0.2
Acquisition of property	10.3	—	—	—	**10.3**	10.3	—
Capitalised expenditure	1.7	0.3	0.9	—	**2.9**	1.9	1.0
Disposals through sale of property	(15.5)	—	—	—	**(15.5)**	(15.5)	—
Transfer to assets held for sale (Note 20)	(8.7)	—	—	—	**(8.7)**	(8.7)	—
Loss on revaluation of investment property	(16.7)	(50.7)	(45.6)	—	**(113.0)**	(70.9)	(42.1)
IFRS carrying value at 31 August 2020	525.3	336.9	207.0	—	**1,069.2**	763.1	306.1
Adjustments:							
Head lease assets (Note 22)	(18.0)	(27.2)	(3.4)	—	**(48.6)**	—	(48.6)
Tenant lease incentives (Note 18)	2.1	—	6.5	—	**8.6**	7.8	0.8
Market value of Group investment property at 31 August 2020	509.4	309.7	210.1	—	**1,029.2**	770.9	258.3
Market value of assets held for sale (Note 20)	3.7	—	—	122.2	**125.9**	95.1	30.8
Market value of Group portfolio at 31 August 2020	513.1	309.7	210.1	122.2	**1,155.1**	866.0	289.1
Joint ventures							
Share of joint venture investment property	11.6	—	—	—	**11.6**	11.6	—
Market value of total portfolio at 31 August 2020 (on a proportionately consolidated basis)	524.7	309.7	210.1	122.2	**1,166.7**	877.6	289.1

31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	**Total £m**	Freehold £m	Leasehold £m
Opening carrying value at 1 September 2018	504.6	364.1	485.4	243.9	**1,598.0**	1,165.8	432.2
Acquisition of property	44.4	—	—	—	**44.4**	44.4	—
Capitalised expenditure	1.8	3.2	2.1	1.1	**8.2**	3.0	5.2
Loss of control of Aviva Portfolio, including head leases (Note 8)	—	—	(181.9)	—	**(181.9)**	(115.9)	(66.0)
Disposals through the sale of property	(5.6)	—	—	(3.4)	**(9.0)**	(8.1)	(0.9)
Transfer to assets held for sale (Note 20)	(8.8)	—	(2.2)	(229.7)	**(240.7)**	(206.8)	(33.9)
Gain/(loss) on revaluation of investment property – continuing operations	1.7	(6.8)	(51.5)	—	**(56.6)**	(26.7)	(29.9)
Loss on revaluation of investment property – discontinued operation	—	—	—	(1.3)	**(1.3)**	(0.6)	(0.7)
Movement in head leases	—	—	(0.2)	—	**(0.2)**	—	(0.2)
Foreign exchange movement in foreign operations	—	—	—	(10.6)	**(10.6)**	(9.1)	(1.5)
IFRS carrying value at 31 August 2019	538.1	360.5	251.7	—	**1,150.3**	846.0	304.3
Adjustments:							
Head lease assets (Note 22)	(1.9)	(0.4)	(3.4)	—	**(5.7)**	—	(5.7)
Tenant lease incentives (Note 18)	1.8	3.2	4.2	—	**9.2**	7.3	1.9
Market value of Group investment property at 31 August 2019	538.0	363.3	252.5	—	**1,153.8**	853.3	300.5
Market value of Group assets classified as held for sale	8.8	—	2.5	232.1	**243.4**	208.4	35.0
Market value of Group portfolio at 31 August 2019	546.8	363.3	255.0	232.1	**1,397.2**	1,061.7	335.5
Joint ventures							
Share of joint venture investment property and property assets held for sale (Note 15)	11.0	—	—	15.1	**26.1**	26.1	—
Market value of total portfolio at 31 August 2019 (on a proportionately consolidated basis)	557.8	363.3	255.0	247.2	**1,423.3**	1,087.8	335.5

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

Notes to the financial statements continued

For the year ended 31 August 2020

13. Investment property continued

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

Valuation

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

The fair value of the Group's property for the year ended 31 August 2020 was assessed by independent and appropriately qualified valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations are performed by BNP Paribas Real Estate for the UK Shopping Centres and the Esplanade (joint venture property) and by Savills for the remainder of the Group's portfolio. The valuations are reviewed internally by senior management and presented to the Audit and Risk Committee. The presentation includes discussion around the assumptions used by the external valuers, as well as a review of the resulting valuations.

Valuation inputs

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

The valuation techniques are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions, market transactions and the property's highest and best use at the reporting date. Where there is a lack of market comparable transactions, the level of estimation and judgement increases on account of less observable inputs and the degree of variability could be expected to widen. Before the disruption period, this had been of particular relevance to the Group's UK Retail sector and primarily the UK Shopping Centres sub-sector, where there has been continued weakening of investor sentiment, retail failures and ongoing structural change in consumer behaviour. At the latest valuation date, with some real estate markets experiencing significantly lower levels of transactional activity and liquidity as a result of the outbreak of COVID-19, a number of material uncertainty clauses were adopted by the Group's valuers in their reports across the portfolio.

Fair value disclosures

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

31 August 2020	Market value £m	Lettable area sqm	Average rent per sqm £	Weighted average lease length yrs[1]	Weighted average net initial yield %	Net initial yield % range	Average market rent per sqm £
UK Commercial	513.1	192,846	157.1	6.3	4.8	3.2–15.6	156.0
UK Hotels	309.7	77,391	132.2	21.0	2.2	3.3–8.3	154.6
UK Retail	210.1	102,166	186.3	6.6	6.8	3.4–12.8	171.4
Europe	122.2	37,847	196.8	4.7	4.4	3.9–6.7	178.2
Joint ventures							
UK Commercial	11.6	2,753	315.4	5.6	3.9	7.3	315.5
Total	**1,166.7**	**413,003**					

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

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

Valuation sensitivities

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

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

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

(1) EBITDA and capitalisation rate inputs are applicable to the RBH managed hotels and the London Serviced Offices portfolio given the operational nature of the underlying businesses.

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

On account of the heightened uncertainty and volatility in market conditions, the Directors have considered it appropriate to increase the range in shifts of the primary unobservable valuation inputs as at 31 August 2020.

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

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For the year ended 31 August 2020

13. Investment property continued

Acquisitions

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

Disposals

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

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

The Group made three investment property disposals during the year ended 31 August 2019 by way of asset sales. One property was disposed from the discontinued European portfolio, namely a retail warehouse in Eilenberg, Germany in September 2018. Two properties were disposed from the UK Commercial portfolio, namely Centrallofts, Newcastle (at auction) and Lakeview, Warrington (exchange of contracts) during August 2019.

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

Committed expenditure

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

Transition to IFRS 16

On 1 September 2019, the carrying value of investment property was adjusted by £42.7 million to reflect right-of-use assets under lease arrangements which have been recognised on adoption of IFRS 16. Corresponding head lease liabilities are disclosed separately on the face of the consolidated balance sheet and in Note 22. At 31 August 2020, the carrying value of total investment property ROU assets was £48.6 million, £50.0 million including investment property held for sale (31 August 2019: finance lease assets only £5.7 million, £7.2 million including investment property held for sale). The carrying value of total leasehold investment property interests (including peppercorn rents) at 31 August 2020 was £306.1 million, £336.8 million including investment property held for sale. Comparatives have not been restated as permitted under the accounting standard. Refer to Note 2 for further information on the impact of the transition.

Commercial property price risk

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

14. Investment in subsidiaries

Company	Note	31 August 2020 £m	31 August 2019 £m
Opening balance at 1 September		**644.6**	657.1
Additions	31	**112.0**	16.5
Impairment	31	**(167.2)**	(2.0)
Reversal of impairment	31	**2.0**	—
Disposal	31	**(2.0)**	—
Redemptions	31	**(45.3)**	(27.0)
Carrying value at 31 August		**544.1**	644.6

At 31 August 2020, the Company held a number of controlling interests in intermediary holding companies that have indirect interests in investment property throughout the UK and Germany. In addition, the Company held the controlling interest in an intermediary holding company that indirectly provides the management function of the Group.

During the year ended 31 August 2020, the Company was issued £112.0 million of redeemable shares by a subsidiary undertaking in settlement of funding the restructuring of the Group's UK Hotels interest. In addition, the Company redeemed £45.3 million of redeemable shares held in three subsidiary undertakings as a result of property disposal proceeds received by the Company during the year ended 31 August 2020. Refer to Note 31.

An impairment assessment of the Company's investment in subsidiaries is performed annually with reference to the EPRA net assets of each continuing subsidiary group. EPRA NAV is considered to be the best approximation of fair value for a real estate group. As a result of the assessment of the EPRA net assets of each continuing subsidiary group (on a legal structure basis), an impairment charge of £167.2 million was recognised at 31 August 2020 (31 August 2019: £Nil).

The impairment of £2.0 million recognised during the year ended 31 August 2019 relates to a discontinued intermediary holding company whose sole property-owning subsidiary was put into liquidation in advance of the prior year end after disposal of its property interest to a third party. This holding company was formally liquidated during the year ended 31 August 2020, the impairment reversed and the disposal recognised.

15. Investment in and loans to joint ventures

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

Joint venture interests

During the year ended 31 August 2020, the Group's material investments in joint ventures which are presented in the tables of this note included the following interests:

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

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

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

Interest in joint ventures previously not recognised

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

Fair value disclosures

The fair value of the Group's recognised loan to joint venture at 31 August 2020 was £0.7 million (31 August 2019: £5.3 million) and the Group considers that this financial asset falls within 'Level 3' as defined by IFRS 13 (refer to Note 30).

Notes to the financial statements continued

For the year ended 31 August 2020

15. Investment in and loans to joint ventures continued

Summarised financial information

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

	Discontinued operation		Partially recognised joint venture			
31 August 2020	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m	**Total £m**	Joint venture partners' interest £m	**Proportionate total £m**
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Net rental income	—	0.6	1.6	**2.2**	(1.1)	**1.1**
Administrative costs and other fees	—	(0.4)	—	**(0.4)**	0.2	**(0.2)**
Net operating income	—	0.2	1.6	**1.8**	(0.9)	**0.9**
Gain on revaluation of investment property	—	—	0.8	**0.8**	(0.4)	**0.4**
Loss on revaluation of investment property held for sale	—	(1.0)	—	**(1.0)**	0.5	**(0.5)**
Gain on disposal of investment property held for sale	—	1.4	—	**1.4**	(0.7)	**0.7**
Loss on disposal of subsidiaries	—	(0.3)	—	**(0.3)**	0.1	**(0.2)**
Finance expense on loans from joint venture partners	—	(0.2)	—	**(0.2)**	0.1	**(0.1)**
Finance expense on external borrowings	—	(0.2)	(1.0)	**(1.2)**	0.6	**(0.6)**
Other finance expense	—	(0.6)	—	**(0.6)**	0.3	**(0.3)**
Change in fair value of derivative financial instruments	—	—	0.4	**0.4**	(0.2)	**0.2**
(Loss)/profit before tax	—	(0.7)	1.8	**1.1**	(0.6)	**0.5**
Taxation	—	0.3	—	**0.3**	(0.1)	**0.2**
(Loss)/profit and total comprehensive (expense)/income for the year	—	(0.4)	1.8	**1.4**	(0.7)	**0.7**
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	—	0.2	(0.9)	**(0.7)**	0.7	**—**
Elimination of non-controlling interests	—	0.1	—	**0.1**	—	**0.1**
Movement in losses restricted in joint ventures	—	—	(0.2)	**(0.2)**	—	**(0.2)**
Group share of joint venture results	—	(0.1)	0.7	**0.6**	—	**0.6**
Presented as:						
Share of post-tax loss from joint ventures (discontinued operation) (Note 3)						**(0.1)**
Impairment reversal of loan to continuing joint venture interest						**0.7**
Summarised balance sheet						
Investment property	—	—	22.6	**22.6**	(11.3)	**11.3**
Trade and other receivables	0.1	0.8	0.6	**1.5**	(0.7)	**0.8**
Cash and cash equivalents	0.7	4.0	0.3	**5.0**	(2.4)	**2.6**
Total assets	0.8	4.8	23.5	**29.1**	(14.4)	**14.7**
External borrowings	—	—	(16.2)	**(16.2)**	8.1	**(8.1)**
Loans from joint venture partners	—	—	(6.6)	**(6.6)**	3.3	**(3.3)**
Derivative financial instruments	—	—	(5.6)	**(5.6)**	2.8	**(2.8)**
Trade and other payables (including current tax liabilities)	—	(0.2)	(0.3)	**(0.5)**	0.2	**(0.3)**
Total liabilities	—	(0.2)	(28.7)	**(28.9)**	14.4	**(14.5)**
Net assets/(liabilities)	0.8	4.6	(5.2)	**0.2**	—	**0.2**
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(2.2)	2.6	**—**	—	**—**
Elimination of non-controlling interests	—	(0.3)	—	**(0.3)**	—	**(0.3)**
Impairment reversal of loan to joint venture (Note 31)[1]	—	—	0.7	**0.7**	—	**0.7**
Opening impairment of net investment in joint ventures	—	—	2.6	**2.6**	—	**2.6**
Carrying value of interests in joint ventures	0.4	2.1	0.7	**3.2**	—	**3.2**

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

	Discontinued operation		Unrecognised joint venture			
31 August 2019	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Esplanade £m	**Total £m**	Joint venture partners' interest £m	**Proportionate total £m**
Percentage ownership interest	49%	52%	50%			
Summarised income statement						
Net rental income	—	1.7	1.7	**3.4**	(1.7)	**1.7**
Administrative costs and other fees	(0.1)	(0.2)	0.3	**—**	—	**—**
Net operating (expense)/income	(0.1)	1.5	2.0	**3.4**	(1.7)	**1.7**
Gain/(loss) on revaluation of investment property	—	0.2	(0.6)	**(0.4)**	0.2	**(0.2)**
Gain on revaluation of investment property held for sale	—	1.3	—	**1.3**	(0.6)	**0.7**
Finance expense on loans from joint venture partners	—	(0.6)	—	**(0.6)**	0.3	**(0.3)**
Finance expense	—	(0.3)	(1.0)	**(1.3)**	0.7	**(0.6)**
Change in fair value of derivative financial instruments	—	—	(0.6)	**(0.6)**	0.3	**(0.3)**
(Loss)/profit before tax	(0.1)	2.1	(0.2)	**1.8**	(0.8)	**1.0**
Taxation	—	(0.3)	(0.2)	**(0.5)**	0.2	**(0.3)**
(Loss)/profit and total comprehensive (expense)/income	(0.1)	1.8	(0.4)	**1.3**	(0.6)	**0.7**
Reconciliation to IFRS:						
Elimination of non-controlling and joint venture partners' interests	0.1	(0.9)	0.2	**(0.6)**	0.6	—
Movement in losses restricted in joint ventures	—	—	0.2	**0.2**	—	**0.2**
Group share of joint venture results (included in post-tax profit from discontinued operation)	—	0.9	—	**0.9**	—	**0.9**
Summarised balance sheet						
Investment property	—	—	21.9	**21.9**	(10.9)	**11.0**
Trade and other receivables	—	0.8	0.2	**1.0**	(0.5)	**0.5**
Cash and cash equivalents	0.8	0.5	0.5	**1.8**	(0.9)	**0.9**
Non-current assets held for sale	—	29.1	—	**29.1**	(14.0)	**15.1**
Total assets	0.8	30.4	22.6	**53.8**	(26.3)	**27.5**
External borrowings	—	(13.6)	(16.5)	**(30.1)**	14.8	**(15.3)**
Loans from joint venture partners	—	(9.3)	(6.6)	**(15.9)**	7.7	**(8.2)**
Derivative financial instruments	—	—	(6.1)	**(6.1)**	3.0	**(3.1)**
Deferred tax	—	(1.5)	—	**(1.5)**	0.7	**(0.8)**
Trade and other payables	—	(0.8)	(0.3)	**(1.1)**	0.6	**(0.5)**
Total liabilities	—	(25.2)	(29.5)	**(54.7)**	26.8	**(27.9)**
Non-controlling interests	—	(0.4)	—	**(0.4)**	0.2	**(0.2)**
Net assets/(liabilities)	0.8	4.8	(6.9)	**(1.3)**	0.7	**(0.6)**
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(2.3)	3.4	**0.7**	(0.7)	**—**
Recognised loan to joint venture[1] (Note 31)	—	5.1	—	**5.1**	—	**5.1**
Impaired loan to joint venture	—	—	3.3	**3.3**	—	**3.3**
Cumulative losses restricted[2]	—	—	0.2	**0.2**	—	**0.2**
Carrying value of interests in joint ventures	0.4	7.6	—	**8.0**	—	**8.0**

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

(2) Cumulative losses restricted represent the Group's share of losses in the Esplanade which exceeded the cost of the Group's investment at 31 August 2019.

Notes to the financial statements continued

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16. Investment in associate

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

RBH

The summarised financial information of RBH is set out below.

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

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

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

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

An impairment charge of £1.4 million was recognised during the year ended 31 August 2019 following an independent valuation. Using a discount rate range of 10.5 – 11.5 per cent, an enterprise value range of £26.3 – £32.5 million was attributed to the investment, with a mid-point valuation of £30.0 million (Group share: £7.6 million) and the Directors considered that the recoverable amount of the Group's net investment in RBH was £7.6 million.

17. Other non-current assets

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

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

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

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For the year ended 31 August 2020

18. Receivables

	Group		Company	
	31 August 2020 £m	31 August 2019 £m	**31 August 2020 £m**	31 August 2019 £m
Non-current				
Gross tenant lease incentives[1]	**11.0**	7.4	**—**	—
Expected credit losses[1]	**(1.4)**	—	**—**	—
	9.6	7.4	**—**	—
Tenant lease incentives to related party[1] (Note 31)	**—**	1.3	**—**	—
Letting costs	**1.7**	1.1	**—**	—
Other receivables	**—**	0.3	**—**	—
Total non-current other receivables	**11.3**	10.1	**—**	—
Current				
Gross rent and other accounts receivable	**6.0**	1.0	**—**	—
Expected credit losses	**(1.3)**	(0.1)	**—**	—
	4.7	0.9	**—**	—
Gross service charge receivable	**1.3**	0.2	**—**	—
Expected credit losses	**(0.3)**	(0.1)	**—**	—
	1.0	0.1	**—**	—
Recoverable service charge expenditure	**0.4**	—	**—**	—
Tenant lease incentives[1]	**1.3**	1.2	**—**	—
Tenant lease incentives to related party[1] (Note 31)	**—**	1.9	**—**	—
Other amounts receivable from related parties (gross) (Note 31)	**4.5**	0.1	**—**	—
Expected credit losses on other amounts receivable from related parties	**(1.9)**	—	**—**	—
	2.6	0.1	**—**	—
Amounts receivable from subsidiaries (Note 31)	**—**	—	**2.5**	4.3
Accrued income in relation to corporate and property disposals	**3.2**	13.8	**—**	—
Prepayments and accrued income	**1.2**	1.6	**0.4**	0.5
Other receivables	**2.9**	3.2	**—**	—
Total current trade and other receivables	**17.3**	22.8	**2.9**	4.8
Total receivables	**28.6**	32.9	**2.9**	4.8

(1) Total tenant lease incentives of £10.9 million (31 August 2019: £11.8 million) have been deducted from investment property, including property assets held for sale, in determining fair value at the balance sheet date. Refer to Note 13 (£8.6 million) and Note 20 (£2.3 million) respectively (31 August 2019: £9.2 million and £2.6 million respectively).

19. Cash and cash equivalents

	Group		Company	
	31 August 2020 £m	31 August 2019 £m	**31 August 2020 £m**	31 August 2019 £m
Unrestricted cash and cash equivalents	**64.1**	32.3	**12.6**	6.4
Restricted cash and cash equivalents	**3.5**	0.7	**0.7**	0.7
Cash and cash equivalents	**67.6**	33.0	**13.3**	7.1

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

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

20. Non-current assets and disposal group held for sale

Group	UK Commercial £m	UK Retail £m	Europe Dis Op £m	**Total £m**	Freehold £m	Leasehold £m
Investment property						
Opening balance at 1 September 2018	—	—	—	**—**	—	—
Transfers from investment property (Note 13)	8.8	2.2	229.7	**240.7**	206.8	33.9
Capitalised expenditure	—	—	0.3	**0.3**	—	0.3
Loss on revaluation of investment property	—	—	(2.4)	**(2.4)**	(1.1)	(1.3)
Disposals through the sale of property	—	—	(9.8)	**(9.8)**	(9.8)	—
Foreign currency translation	—	—	13.5	**13.5**	11.3	2.2
Opening balance at 1 September 2019	8.8	2.2	231.3	**242.3**	207.2	35.1
Transfers from investment property (Note 13)	8.7	—	—	**8.7**	8.7	—
Capitalised expenditure	—	—	2.8	**2.8**	—	2.8
Loss on revaluation of investment property	(0.6)	—	(12.4)	**(13.0)**	(6.6)	(6.4)
Disposals through the sale of subsidiaries (Note 7)	—	—	(88.5)	**(88.5)**	(88.5)	—
Disposals through the sale of property	(13.4)	(2.2)	(7.7)	**(23.3)**	(23.3)	—
Foreign currency translation	—	—	(4.0)	**(4.0)**	(3.2)	(0.8)
IFRS carrying value at 31 August 2020	3.5	—	121.5	**125.0**	94.3	30.7
Adjustments:						
Tenant lease incentives (Note 18)	0.2	—	2.1	**2.3**	0.8	1.5
Minimum payments under head leases (Note 22)	—	—	(1.4)	**(1.4)**	—	(1.4)
Market value of Group assets held for sale at 31 August 2020	3.7	—	122.2	**125.9**	95.1	30.8

Discontinued Europe portfolio

In March 2019, the Board approved a marketing exercise for the prospective sale of the Europe portfolio, a separately identifiable line of business containing the Group's investment properties located in Germany. All assets within the Europe portfolio (including the Group's share of joint venture investment property) have been classified as a disposal group held for sale since Board approval, having met the criteria of IFRS 5, in addition to the results and cash flows of the segment being treated as a discontinued operation. At 31 August 2020, exclusivity agreements had been entered into or were at the final stages with preferred parties for the residual assets. As a result of the market dislocation since the outbreak of the COVID-19 pandemic in March 2020, it is anticipated that the sales programme will be delayed and that the disposal of the individual remaining assets may take longer than originally anticipated.

At 31 August 2019, the Group had exchanged contracts on one of the properties, namely the Munich shopping centre, for consideration of €11.4 million and the transaction completed on 31 October 2019.

On 17 September 2019, the Group exchanged on the disposal of Altona Shopping Centre, Hamburg for total consideration of €91.0 million, €2.2 million above market value at 31 August 2019. The City Council of Hamburg triggered its right of first refusal over the property once contracts had been exchanged (customary for sales in Germany) and negotiations between the buyer and the City Council are ongoing. Although the contract remains legally binding, control is not deemed to have transferred from the Group at the reporting date and the property has not been derecognised.

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

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

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

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

UK portfolio

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

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For the year ended 31 August 2020

20. Non-current assets and disposal group held for sale continued

Disposals

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

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

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

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

Fair value disclosures

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

21. Borrowings

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

The comparative disclosure has been re-presented as lease liabilities are now disclosed in a separate note. Refer to Note 22.

Analysis of movement in net borrowing

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

	Non-current £m	Current £m	Cash and cash equivalents £m	Net borrowings £m
Re-presented opening balance at 1 September 2018	764.5	4.6	(59.0)	710.1
Financing activities (cash)				
Continuing operations				
Borrowings drawn	102.0	—	(102.0)	—
Borrowings repaid	(77.7)	(3.2)	80.9	—
Debt issue cost additions	(4.0)	—	4.0	—
Discontinued operation				
Borrowings drawn	16.7	—	(16.7)	—
Borrowings repaid	(1.7)	(1.1)	2.8	—
Debt issue cost additions	(0.1)	—	0.1	—
	35.2	**(4.3)**	**(30.9)**	**—**
Financing activities (non-cash)				
Carrying value of borrowings released on loss of control of Aviva Portfolio	(124.8)	—	—	(124.8)
Debt issue costs movements	1.2	—	—	1.2
Accretion of debt fair value adjustments	0.6	—	—	0.6
Reclassification between current and non-current	(28.4)	28.4	—	—
	(151.4)	**28.4**	**—**	**(123.0)**
Other net cash movements	—	—	57.6	57.6
Foreign currency translation	2.3	—	(0.7)	1.6
Re-presented opening balance at 1 September 2019	**650.6**	**28.7**	**(33.0)**	**646.3**
Financing activities (cash)				
Continuing operations				
Borrowings drawn	25.0	—	(25.0)	—
Borrowings repaid	(19.2)	(1.7)	20.9	—
Discontinued operation				
Borrowings repaid	(12.7)	(0.6)	13.3	—
	(6.9)	**(2.3)**	**9.2**	**—**
Financing activities (non-cash)				
Debt issue costs movements	1.3	—	—	1.3
Accretion of debt fair value adjustments	0.2	—	—	0.2
Reclassification between current and non-current	(39.7)	39.7	—	—
	(38.2)	**39.7**	**—**	**1.5**
Disposal of subsidiaries (discontinued operation)	(67.6)	—	(4.9)	(72.5)
Other net cash movements	—	—	(39.8)	(39.8)
Foreign currency translation	(2.2)	—	0.9	(1.3)
Closing balance at 31 August 2020	**535.7**	**66.1**	**(67.6)**	**534.2**

The comparative net borrowings reconciliation has been re-presented to exclude lease liabilities, now disclosed in a separate note. Refer to Note 22.

Notes to the financial statements continued

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21. Borrowings continued

Bank loans

Group	31 August 2020 Carrying value £m	31 August 2020 Nominal value £m	31 August 2020 Fair value £m	31 August 2019 Carrying value £m	31 August 2019 Nominal value £m	31 August 2019 Fair value £m
Non-current						
Bank loans	540.3	540.3	540.3	656.1	656.1	656.1
Less: unamortised debt issue costs	(3.9)	—	—	(5.2)	—	—
Less: fair value adjustments	(0.7)	—	0.1	(1.0)	—	2.0
Total non-current bank loans	535.7	540.3	540.4	649.9	656.1	658.1
Current						
Bank loans	66.4	66.4	66.4	29.1	29.1	29.1
Less: unamortised debt issue costs	(0.3)	—	—	—	—	—
Less: fair value adjustments	—	—	—	(0.4)	—	(0.4)
Total current bank loans	66.1	66.4	66.4	28.7	29.1	28.7
Total IFRS bank loans	601.8	606.7	606.8	678.6	685.2	686.8
Joint ventures						
Share of joint ventures bank loans (Note 15)	8.1	8.1	8.1	15.3	15.3	15.3
Total bank loans (on a proportionately consolidated basis)	609.9	614.8	614.9	693.9	700.5	702.1
Cash and cash equivalents	(67.6)	(67.6)	(67.6)	(33.0)	(33.0)	(33.0)
Share of joint venture cash and cash equivalents	(2.6)	(2.6)	(2.6)	(0.9)	(0.9)	(0.9)
Net debt (on a proportionately consolidated basis)	539.7	544.6	544.7	660.0	666.6	668.2

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

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

The Group's principal value of drawn debt (on a proportionately consolidated basis) has decreased during the year by £85.7 million (31 August 2019: £700.5 million) as a result of foreign currency movements, scheduled amortisation and the major transactions the Group has completed during the year. This is in line with the Group's strategy to reduce leverage and refinancing risk and to improve the debt maturity profile in the near term. Bank debt transactions include:

- in September 2019, the Bayern LB facility secured against the Bremen property which was due to mature in October 2019 was extended to April 2020. The facility was subsequently repaid in full at the end of the extension period;
- in October 2019, following the Munich disposal from the Premium portfolio, the loan held with Münchener Hypothekenbank eG was repaid in full (€10.8 million);
- in December 2019, following the Waldkraiburg and Kaiserslautern disposals (held in a joint venture), the secured loans held with Bayern LB were repaid in full (Group share: €4.4 million);
- in December 2019, the Group reported an event of default on a facility held with Santander secured over three hotels controlled by the Group, namely: the Holiday Inn Express, Dunstable; the Holiday Inn Express, Southampton; and the Holiday Inn Express, Redditch. The facility which was due to mature in July 2020 has been extended to March 2021 and the Group has agreed with the lender that the facility remains in a cash sweep as longer term refinancing negotiations progress;
- in February 2020, the Group agreed with the lender to enter into a voluntary cash sweep on the Santander facility secured against West Orchards Shopping Centre in Coventry, in the absence of the lender carrying out a revised bank valuation;
- in February 2020, the Group repaid £5.0 million on the AUK revolving credit facility ("RCF"), increasing the total available facility to £25.0 million;
- in March 2020, the Group drew down fully £25.0 million on the RCF to ensure sufficient liquidity and operational flexibility during the disruption period;
- in March 2020, the OBI Portfolio Bayern LB facilities were derecognised following completion of the corporate sales (Group share: £14.5 million);
- in July 2020, the Group repaid £14.0 million on the RCF (at 31 August 2020, the facility had a drawn balance of £261.0 million and an undrawn balance of £14.0 million); and
- on 31 August 2020, the €62.0 million facility with HSH Nordbank, secured against the Schloss-Strassen Center, was derecognised on the corporate sale of the subsidiary. The facility was due to mature in March 2021.

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

Fair value disclosures

The Group considers that all bank loans, at a total carrying value of £601.8 million, fall within 'Level 3' as defined by IFRS 13 (refer to Note 30). The fair value equivalent at reporting date was £606.8 million as presented in the bank loans table. The nominal value of floating rate borrowings is considered to be a reasonable approximation of fair value. The fair value of fixed rate borrowings at the reporting date has been calculated by discounting cash flows under the relevant agreements at indicative interest rates for similar debt instruments, with indicative quotes provided by each lender, which are considered unobservable. Given current market volatility, the potential spreads on the rates provided by the lenders at the reporting date had widened considerably. An increase in the discount rate by ten per cent would result in a decrease of the fair value of the bank loans by £1.4 million. A decrease in the discount rate by ten per cent would result in an increase of the fair value of the bank loans by £1.4 million.

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

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

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

22. Lease liabilities

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

	Group 31 August 2020 £m	Group 31 August 2019 £m	Company 31 August 2020 £m	Company 31 August 2019 £m
Minimum lease payments under lease obligations:				
Not later than one year	2.1	0.4	0.3	—
Later than one year not later than five years	7.6	1.7	0.3	—
Later than five years	535.8	21.8	—	—
	545.5	23.9	0.6	—
Less: finance charges allocated to future periods	(494.8)	(16.7)	—	—
Present value of minimum lease payments	50.7	7.2	0.6	—
Present value of minimum lease obligations:				
Not later than one year	2.1	0.4	0.3	—
Later than one year not later than five years	7.5	1.4	0.3	—
Later than five years	41.1	5.4	—	—
Present value of minimum lease payments	50.7	7.2	0.6	—
Less current portion of head lease obligations	(0.8)	(0.4)	(0.3)	—
Amounts due after more than one year	49.9	6.8	0.3	—
Reconciled to the following categories of right-of-use assets:				
Investment property (Note 13)	48.6	5.7	—	—
Property, plant and equipment (Note 17)	0.5	—	0.5	—
Investment property held for sale (Note 20)	1.4	1.1	—	—
Straight-lining differences on depreciation of property, plant and equipment	0.2	—	0.1	—
	50.7	6.8	0.6	—

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

Lease obligations relate to the Group's leasehold interests in investment property and the lease on the Group's head office. These leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in an event of default. The discount rates used in calculating the present value of the minimum lease payments range from 1.8 to 6.3 per cent (including lease obligations previously classified as finance leases). The fair value of the lease obligations at 31 August 2020 was £54.4 million (31 August 2019: £10.8 million – finance leases only) and the Group considers that these liabilities fall within 'Level 3' as defined by IFRS 13 (refer to Note 30).

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23. Derivative financial instruments

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

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

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

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

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

24. Deferred tax

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

Group	On investment property £m	On derivative financial instruments £m	On losses carried forward £m	Total £m
Opening balance 1 September 2018	11.3	(0.4)	(1.4)	9.5
Credit for the year recognised in the income statement (within profit from discontinued operation)	(1.1)	(0.2)	(0.7)	(2.0)
Foreign currency translation	0.1	(0.1)	—	—
Opening balance 1 September 2019	10.3	(0.7)	(2.1)	7.5
Credit for the year recognised in the income statement (within loss from discontinued operation)	**(4.5)**	**0.4**	**2.1**	**(2.0)**
Foreign currency translation	**(0.1)**	**(0.1)**	**—**	**(0.2)**
Closing balance at 31 August 2020	**5.7**	**(0.4)**	**—**	**5.3**

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

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

25. Payables

	Group		Company	
	31 August 2020 £m	31 August 2019 £m	31 August 2020 £m	31 August 2019 £m
Non-current				
Other sundry payables	**—**	0.1	**—**	0.1
Total non-current other payables	**—**	0.1	**—**	0.1
Current				
Amounts payable to subsidiaries (Note 31)	**—**	—	**119.6**	25.5
Amounts payable to related parties (Note 31)	**1.5**	0.4	**—**	—
Rent received in advance	**3.8**	4.6	**—**	—
Trade payables	**1.5**	1.0	**—**	—
Finance expense accruals	**2.2**	1.5	**—**	—
VAT payable	**5.3**	2.7	**—**	—
Accruals	**5.9**	3.5	**2.0**	2.4
Deferred service charge income	**3.4**	5.8	**—**	—
Tenant deposits[1]	**2.3**	2.9	**—**	—
Other sundry payables	**1.8**	1.6	**0.1**	0.1
Total current trade and other payables	**27.7**	24.0	**121.7**	28.0
Total payables	**27.7**	24.1	**121.7**	28.1

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

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

26. Share capital and share premium

	Group and Company	
Authorised	Number of shares	Authorised share capital £m
At 31 August 2018 (ordinary shares of 8.0 pence each)	3,000,000,000	240.0
Share consolidation (one share for every five shares issued) – 11 February 2019	(2,400,000,000)	—
At 31 August 2019 and 31 August 2020 (ordinary shares of 40.0 pence each)	**600,000,000**	**240.0**

Issued, called up and fully paid	Number of shares	Share capital £m	Share premium £m
At 1 September 2018	1,900,449,536	152.0	534.6
Share consolidation (one share for every five shares issued) – 11 February 2019	(1,520,359,613)	—	—
At 1 September 2019	380,089,923	152.0	534.6
Share issuance – 2 December 2019	**225,700**	**0.1**	**0.2**
At 31 August 2020	**380,315,623**	**152.1**	**534.8**

Share transactions

Share consolidation (ordinary shares at 40.0 pence per share)

Following approval by the Board on 24 January 2019 the Group consolidated every five ordinary shares issued and to be issued on 11 February 2019 into one ordinary share of 40.0 pence each. The consolidation resulted in 380,089,923 ordinary shares of 40.0 pence each being in issue.

Deferred bonus share awards

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

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27. Reserves

Other reserves

Share-based payment reserve

The share-based payment reserve at 31 August 2020 of £0.9 million (31 August 2019: £0.8 million) arises from conditional awards of shares in the Company granted to the Executive Directors and certain employees. The awards will vest on the third anniversary of the grant date, subject to certain performance conditions being achieved over the vesting period. The Group released £0.3 million from the reserve to retained earnings of the cumulative IFRS 2 charge relating to lapsed and vested awards (31 August 2019: £1.7 million). The Group incurred a further £0.1 million in relation to awards that vested with certain employees under the Restricted Stock Plan and has recognised the charge directly in retained earnings (31 August 2019: £0.3 million), such that the net credit to retained earnings for the period in relation to share-based payments was £0.2 million. The IFRS 2 share-based payment charge for the year was £0.4 million (31 August 2019: £0.2 million).

Other reserves

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

Foreign currency translation reserve

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

28. Non-controlling interests

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

On 5 March 2020, the Group exchanged contracts for the sale of two subsidiaries in which there was a 25 per cent non-controlling interest. The transaction subsequently completed on 17 March 2020 and the non-controlling interest was derecognised. Refer to Note 7 and Note 31.

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

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

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29. Cash generated from operations

Continuing operations	Note	Group Year ended 31 August 2020 £m	Group Year ended 31 August 2019 £m	Company Year ended 31 August 2020 £m	Company Year ended 31 August 2019 £m
Cash flows from operating activities					
(Loss)/profit before tax		**(99.2)**	(79.8)	**(167.8)**	5.9
Adjustments for:					
Straight lining of rental income		**1.9**	2.2	**—**	—
Depreciation	17	**0.3**	0.2	**0.3**	—
Share-based payments	27	**0.4**	0.2	**0.2**	0.2
Employee share award costs recognised directly in equity	27	**(0.1)**	(0.3)	**(0.1)**	(0.1)
Loss on revaluation of investment property	13	**113.0**	56.6	**—**	—
Loss on disposal of investment property	13	**2.2**	1.7	**—**	—
Loss on revaluation of investment property held for sale	20	**0.6**	—	**—**	—
Gain on disposal of investment property held for sale	20	**(0.9)**	—	**—**	—
Loss of control of Aviva Portfolio	8	**—**	55.6	**—**	—
Acquisition of subsidiaries	9	**—**	0.4	**—**	—
Other expenses	17	**0.6**	0.2	**—**	—
Foreign exchange gain		**(0.2)**	—	**(0.2)**	(0.5)
Finance income	10	**—**	(0.2)	**—**	(0.1)
Finance expense	10	**20.9**	25.6	**—**	—
Other finance expense	11	**1.9**	0.3	**—**	—
Change in fair value of derivative financial instruments		**1.8**	9.4	**—**	—
Impairment reversal of loan to continuing joint venture interest	15	**(0.7)**	—	**—**	—
Impairment of associate	16	**1.8**	1.4	**—**	—
Share of post-tax loss/(profit) from associate	16	**0.4**	(0.9)	**—**	—
		44.7	72.6	**(167.6)**	5.4
Intra-group transactions					
Impairment of investments	31	**—**	—	**167.2**	2.0
Reversal of impairment of investment	31	**—**	—	**(2.0)**	—
Disposal of investment	31	**—**	—	**2.0**	—
Finance expense	31	**—**	—	**—**	0.2
Distributions	31	**—**	—	**(4.7)**	(13.2)
		44.7	72.6	**(5.1)**	(5.6)
Changes in working capital		**(5.3)**	(1.0)	**(0.1)**	0.7
Changes in trading loans to and from subsidiary undertakings		**—**	—	**25.4**	12.1
Cash generated from operations		**39.4**	71.6	**20.2**	7.2

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 varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets and notably impacted by COVID-19 in the current year.

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

Group 31 August 2020	Level 1 £m	Level 2 £m	Level 3 £m	**Total fair value £m**
Financial liabilities				
Derivative financial liabilities (Note 23)	—	(12.6)	—	**(12.6)**
	—	(12.6)	—	**(12.6)**

Group 31 August 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities				
Derivative financial liabilities (Note 23)	—	(12.8)	—	**(12.8)**
	—	(12.8)	—	**(12.8)**

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

As stated in Note 13 and Note 20, the Group considers investment property, including held for sale assets, to be categorised as 'Level 3'. The fair value of loans to joint ventures is presented in Note 15 and this financial asset is classified as 'Level 3'. As stated in Note 21, the Group considers all bank loans to be categorised as 'Level 3' and the fair value adjustment on fixed rate borrowings is disclosed therein. Lease obligations are classified as 'Level 3', the fair value of which is presented in Note 22.

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

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31. Related party transactions

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

Group	Year ended 31 August 2020 £m	Year ended 31 August 2019 £m
Revenue transactions		
Rental income (Note 4)		
Gross lease payments from RBH	11.1	23.5
Lease incentive contributions to RBH	(3.3)	(2.9)
	7.8	20.6
Rental expense (Note 4)		
Office Space Cleaning Company Limited cleaning fees	(0.5)	(0.6)
Other operating income (Note 5)		
Joint venture investment management income		
RI Menora German Holdings S.à.r.l.	0.2	0.1
Administration costs and other fees (Note 6)		
OSIT investment management fees	(0.7)	(0.9)
Finance income – discontinued operation (Note 3)		
Joint venture loan interest income		
RI Menora German Holdings S.à.r.l.	0.1	0.3
Other finance expense (Note 11)		
Expected credit losses on amounts receivable from RBH	(1.9)	—
Total revenue transactions	5.0	19.5
Capital transactions		
Investment property (capitalised expenditure)		
Project monitoring fee to RBH – construction works	—	0.1
Investment in associate (Note 16)		
Additional investment in RBH	0.6	—
Dividends received from RBH	(0.5)	(1.0)
	0.1	(1.0)
Non-controlling interests (Note 7, Note 28)		
Disposal of Bizline Limited equity interest in Europe portfolio	(1.3)	—
Total capital transactions	(1.2)	(0.9)
Related party balances		
Recognised loans to joint ventures (Note 15)		
RI Menora German Holdings S.à.r.l.	—	5.1
26 The Esplanade (reversal of impairment)	0.7	—
	0.7	5.1
Trade and other receivables (Note 18)		
RBH – tenant lease incentives	—	3.2
RBH – gross amounts advanced to associate	3.9	—
Osirus Berlin Limited – loan in relation to corporate sale (Note 7)	0.4	—
RI Menora German Holdings S.à.r.l – accrued performance fee income	0.2	—
RI Menora German Holdings S.à.r.l – interest receivable	—	0.1
	4.5	3.3
RBH – expected credit losses against amounts advanced	(1.9)	—
	2.6	3.3
Trade and other payables (Note 25)		
RI Menora German Holdings S.à.r.l – trading balances	(0.4)	(0.4)
Tsogo Sun – outstanding loan and interest	(1.1)	—
	(1.5)	(0.4)
Total related party balances	1.8	8.0

Company	Year ended 31 August 2020 £m	Year ended 31 August 2019 £m
Revenue transactions		
(Impairment)/impairment reversal of investments		
Wichford Edgbaston Holdings Limited	2.0	(2.0)
Redefine International Holdings Limited	(125.5)	—
RDI Hotel Group Limited	(29.8)	—
Redefine AUK Limited	(0.5)	—
RDI Serviced Offices Limited	(11.4)	—
	(165.2)	(2.0)
Disposal of investment		
Wichford Edgbaston Holdings Limited	(2.0)	—
Income distributions		
Leopard Holdings UK Limited	—	7.5
RDI Serviced Offices Limited	3.0	5.4
Redefine Cyprus Limited	—	(1.0)
Redefine North Street Limited	—	0.9
Redefine Waterside Leeds Limited	1.7	0.4
	4.7	13.2
Finance expense		
Redefine Cyprus Limited	—	(0.2)
Total revenue transactions	(162.5)	11.0
Capital transactions		
Additions – settlement of balances outstanding in consideration for shares (Note 14)		
RDI Hotel Group Limited	112.0	—
Redefine Share Investments Limited	—	16.5
	112.0	16.5
(Impairment)/impairment reversal of investments (Note 14)		
Wichford Edgbaston Holdings Limited	2.0	(2.0)
Redefine International Holdings Limited	(125.5)	—
RDI Hotel Group Limited	(29.8)	—
Redefine AUK Limited	(0.5)	—
RDI Serviced Offices Limited	(11.4)	—
	(165.2)	(2.0)
Disposal of investment (Note 14)		
Wichford Edgbaston Holdings Limited	(2.0)	—
Redemptions (Note 14)		
Redefine AUK Limited	(22.9)	(27.0)
Redefine Share Investments Limited	(18.5)	—
Redefine Waterside Leeds Limited	(3.9)	—
	(45.3)	(27.0)
Total capital transactions	(100.5)	(12.5)
Related party balances		
Trade and other receivables		
Redefine Share Investments Limited	0.2	4.3
ITB Management Huckelhoven	0.1	—
Redefine International Management Holdings Limited	1.9	—
RDI Hotel Group Limited	0.2	—
RDI Serviced Offices Limited	0.1	—
	2.5	4.3
Trade and other payables		
Redefine International Holdings Limited	(116.4)	(23.7)
Leopard Holding UK Limited	(0.1)	(0.1)
Everton Shopping Centres S.à.r.l.	(2.1)	(0.6)
Redefine Cyprus Limited	(1.0)	(1.1)
	(119.6)	(25.5)
Total related party balances	(117.1)	(21.2)

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For the year ended 31 August 2020

31. Related party transactions continued

Group and Company	Year ended 31 August 2020 £m	Year ended 31 August 2019 £m
Related party transactions with equity holders of the Parent		
Redefine Properties Limited – cash dividends	**6.7**	12.0
Total related party transactions with equity holders of the Parent	**6.7**	12.0

Major shareholder

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

OSIT

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

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

Directors

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the year ended 31 August 2020 was £0.3 million (31 August 2019: £0.4 million), which represents Directors' fees only.

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

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

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

Name	Date of transaction	Transaction	Number of ordinary shares acquired	Price per ordinary share acquired
Mike Watters	25 April 2019	Share acquisition	16,000	128.3p
Mike Watters	26 April 2019	Share acquisition	4,185	128.9p
Marc Wainer	18 July 2019	Related party dividend	28,723	111.8p
Mike Watters	2 December 2019	Share issue	95,258	127.4p
Stephen Oakenfull[1]	2 December 2019	Share issue	37,264	127.4p
Adrian Horsburgh[1]	2 December 2019	Share issue	61,662	127.4p
Donald Grant	2 December 2019	Share issue	31,516	127.4p

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

Investment in subsidiaries

The Company's principal subsidiary undertakings and the carrying values of the Company's investment therein are set out below. These entities are the intermediary holding companies of property-owning entities unless otherwise stated.

Name of subsidiary	Domicile	%	31 August 2020 £m	31 August 2019 £m
Everton Shopping Centre S.à.r.l.	Luxembourg	100	**32.7**	32.7
RDI Serviced Offices Limited	Isle of Man	100	**58.8**	70.2
Redefine AUK Limited	British Virgin Islands	100	**246.4**	269.7
Redefine International Holdings Limited	Jersey	100	**33.7**	159.3
Redefine International Management Holdings Limited[1]	British Virgin Islands	100	**32.7**	32.7
Redefine Share Investments Limited	Isle of Man	100	**57.6**	76.1
Redefine Waterside Leeds Limited[2]	British Virgin Islands	100	**—**	3.9
RDI Hotel Group Limited	Isle of Man	100	**82.2**	—
			544.1	644.6

(1) Redefine International Management Holdings Limited is the intermediary holding company of the management companies of the Group.

(2) Redefine Waterside Leeds Limited was put into liquidation during the year ended 31 August 2020 after the sale of the underlying property to an external party.

The key risks associated with the Company's subsidiary undertakings are considered to be consistent with the Group's principal risks as disclosed on pages 22 to 28 of the strategic report and the financial risks presented in Note 33. A full list of the Company's direct and indirect subsidiary, joint venture and associate interests is presented in Appendix A to these financial statements.

32. Share-based payments

Share-based payment reserve	Group 31 August 2020 £m	Group 31 August 2019 £m	Company 31 August 2020 £m	Company 31 August 2019 £m
Opening balance at 1 September	**0.8**	2.3	**0.8**	2.3
Expense for the year	**0.4**	0.2	**0.2**	0.2
Expense for the year of subsidiary undertaking	**—**	—	**0.2**	—
Release of reserve on lapsed and vested awards	**(0.3)**	(1.7)	**(0.3)**	(1.7)
Closing balance at 31 August	**0.9**	0.8	**0.9**	0.8

The Company's share-based payments are all equity-settled and comprise the Long Term Performance Share Plan ("PSP") for Executive Directors and the Long Term Restricted Stock Plan ("RSP") for employees. In accordance with IFRS 2, the fair value of equity settled share-based payments to the Executive Directors and employees is determined at the grant date. The expense is recognised on a straight-line basis over the vesting period based on estimates of the number of shares that are expected to vest at each reporting date, with a corresponding credit to the share-based payments reserve. The Company engages an external adviser to determine the fair value of each award at the grant date who uses the Monte Carlo and Black-Scholes models in the valuations.

During the year ended 31 August 2020, the total IFRS 2 charge recognised in the income statement in relation to the PSP awards was £0.2 million (31 August 2019: £0.2 million). During the year ended 31 August 2020, the total IFRS 2 charge recognised in the income statement in relation to the RSP awards was £0.2 million (31 August 2019: £Nil). The charge in relation to RSP awards has been recognised in RDI Management Services Limited, a wholly owned indirect subsidiary of the Company, and by whom the Group's head office employees are employed.

Conditional share awards (000's)	Long Term Performance Share Plan 31 August 2020	Long Term Performance Share Plan 31 August 2019	Long Term Restricted Stock Plan 31 August 2020	Long Term Restricted Stock Plan 31 August 2019
Awards brought forward	**3,569**	3,135	**565**	524
Awarded during the year	**1,779**	1,429	**427**	318
Lapsed during the year	**(983)**	(995)	**(37)**	(56)
Vested during the year	**—**	—	**(84)**	(57)
Forfeited during the year	**—**	—	**(32)**	(164)
Awards carried forward	**4,365**	3,569	**839**	565

Shares outstanding under each scheme are to be issued for nominal consideration provided performance conditions are met at the end of the three year performance period. As at 31 August 2020 and 31 August 2019, contingent shares outstanding were not considered to be dilutive as a result of the loss incurred by the Group for the year.

Notes to the financial statements continued

For the year ended 31 August 2020

32. Share-based payments continued

Long Term Performance Share Plan

Subsequent to shareholder approval on 23 January 2017, PSP performance conditions for awards issued were revised so as to better align the awards with the Company's medium term strategic objectives and shareholder interests. The awards are subject to a three year vesting period from the date of grant and to the following performance conditions:

- 50 per cent of the award will vest dependent on underlying distributable earnings per share. 25 per cent of the award will vest upon attaining earnings per share comparable with the immediately preceding financial year, with 100 per cent vesting achieved for average annual outperformance of one per cent relative to CPI during the performance period;
- 25 per cent of the award will vest dependent on the relative total property return of the Company's UK assets in comparison to UK All Property Index. 25 per cent of the award will vest once performance reaches that of the benchmark, with 100 per cent vesting achieved for two per cent outperformance; and
- 25 per cent of the award will vest dependent on the Company's Total Shareholder Return ("TSR") equalling, or exceeding, the TSR relative to that of each of the members of the FTSE EPRA / REIT Developed Europe Index (the "Index"). 25 per cent of the award will vest for median performance, with 100 per cent vesting achieved for upper quartile performance.

The Remuneration Committee is authorised to make grants of PSP shares with a face value of up to 200 per cent of the salary of Executive Directors.

On 18 January 2018, 1.2 million shares were granted for the performance period 1 September 2017 to 31 August 2020. The share price on 1 September 2017 was 181.0 pence and the fair value at the grant date was £1.4 million, assuming maximum vesting over the performance period. £1.3 million of the total charge is attributable to the non-market based performance conditions and £0.1 million is attributable to market based performance conditions.

On 31 October 2018, 1.4 million shares were granted for the performance period 1 September 2018 to 31 August 2021. The share price on 1 September 2018 was 168.5 pence and the fair value at the grant date was £1.6 million, assuming maximum vesting over the performance period. £1.4 million of the total charge is attributable to the non-market based performance conditions and £0.2 million is attributable to market based performance conditions.

On 2 December 2019, 1.8 million shares were granted for the performance period 1 September 2019 to 31 August 2022. The share price on 1 September 2019 was 126.6 pence and the fair value at the grant date was £2.1 million, assuming maximum vesting over the performance period. £1.7 million of the total charge is attributable to the non-market based performance conditions and £0.4 million is attributable to market based performance conditions.

Long Term Restricted Stock Plan

Awards of RSPs to certain employees are subject to a three year vesting period from the date of grant and to performance measures evenly balanced between corporate performance objectives and personal performance objectives:

- 50 per cent of the award will vest dependent on corporate targets, being the same as those conditions set out above for the PSP awards, with the same relative weighting; and
- 50 per cent of the award will vest dependent on personal objectives, linked to average performance grades achieved by the employee over the three year vesting period.

On 18 January 2018, 0.3 million shares were granted for the performance period 1 September 2017 to 31 August 2020. The share price on 1 September 2017 was 181.0 pence and the fair value at the grant date was £0.3 million, assuming maximum vesting over the performance period. All of the charge is attributable to the non-market based performance conditions.

On 31 October 2018, 0.3 million shares were granted for the performance period 1 September 2018 to 31 August 2021. The share price on 1 September 2018 was 168.5 pence and the fair value at the grant date was £0.3 million, assuming maximum vesting over the performance period. All of the charge is attributable to the non-market based performance conditions.

On 2 December 2019, 0.4 million shares were granted for the performance period 1 September 2019 to 31 August 2022. The share price on 1 September 2019 was 126.6 pence and the fair value at the grant date was £0.5 million, assuming maximum vesting over the performance period. All of the charge is attributable to the non-market based performance conditions.

Fair value of share-based payments

For the market-based performance conditions, the effect of the performance conditions is incorporated into the grant date fair value of the award. No subsequent adjustment to the charge can be made to reflect the outcome of the performance test. Adjustments can be made for estimated and actual leavers who forfeit their awards during the vesting period. The probability of meeting market based performance conditions is required to be incorporated into the calculation of fair value. The Monte Carlo model has therefore been used to value the element of the awards with a TSR performance condition. The remaining non-market based performance conditions have been valued using a Black-Scholes model.

It was necessary to make a number of assumptions to calculate the fair value under both models. Reference was made to the Company's LSE listing in developing share price volatility, dividend yield, risk-free rate and index correlation assumptions. The table below sets out the assumptions made:

Assumptions	Award year 2020 (%)	Award year 2019 (%)	Award year 2018 (%)
Volatility	29.4	21.9	19.4
Risk-free rate	0.5	0.9	0.5
Dividend yield	—	8.0	7.2
Correlation of the Index companies	13.4	25.0	23.5

Expected dividend yield is based on one-year historical dividend yield at the date of grant. The fair value calculation under the PSP award scheme assumes 70.0 per cent (2019 award year: 39.4 per cent) of the face value will be awarded at the date of grant relative to the Index.

33. Financial risk management

The Group's principal risk disclosures, including financial risks, are set out on pages 22 to 28. The Group is exposed to the following financial risks through its operations:

- credit risk;
- liquidity risk; and
- market risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following quantitative and qualitative disclosures describe the Group's objectives, policies and processes for measuring and managing these risks, in addition to the Group's management of capital.

The Group's risk management policies require the identification and analysis of the risks faced by the Group, the setting of appropriate risk limits and controls and the monitoring of risks and adherence to limits. Risk management policies and systems are reviewed regularly and adjusted to reflect changes in market conditions and the Group's activities.

The Group's Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility and ability to maximise returns. The Group Audit and Risk Committee oversees management's compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework relative to the risks faced by the Group.

There are no significant concentrations of risk and there has been no significant change during the financial year, or since year end, to the types of financial risks faced by the Group or the Group's approach to the management of such risks. The general environment in which the Company operates became riskier in the year ended 31 August 2020, particularly in the second six months. This was largely due to uncertainty associated with the impact of the COVID-19 pandemic, in terms of both severity and duration, the accelerated deterioration in the UK Retail market, and the continuing political and economic uncertainty relating to the UK's future trading relationship with the EU.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets, together with off balance sheet undrawn commitments, represent the Group's maximum credit risk exposure. The maximum exposure to credit risk at the current and comparative reporting dates is set out in the following table:

Group	31 August 2020 £m	Re-presented 31 August 2019 £m
Recognised loans to joint ventures	0.7	5.1
Trade and other receivables (gross)	32.6	32.1
Expected credit losses	(4.9)	(0.2)
	27.7	31.9
Cash and cash equivalents	67.6	33.0
Credit risk on balance sheet	96.0	70.0
Undrawn commitments	14.0	25.0
Total credit risk	**110.0**	95.0

The above table excludes prepayments of £0.9 million at 31 August 2020 which were not exposed to credit risk (31 August 2019: £1.0 million). The comparative has been re-presented to split out expected credit losses against gross trade and other receivables in line with current year presentation.

Notes to the financial statements continued

For the year ended 31 August 2020

33. Financial risk management continued

Credit risk continued

Cash and cash equivalents and undrawn commitments

Credit risk arises on the Group's undrawn commitments, its holding of assets such as cash and cash equivalents and deposits with banks or financial institutions. The Group limits such exposure by investing in liquid deposits with material counterparties that have a credit rating of A, A2 or above from Standard & Poor's or Moody's, except where specific exemptions are granted by the Board.

Counterparties	2020 Credit rating	2019 Credit rating	Total 31 August 2020 £m	Total 31 August 2019 £m
Cash and cash equivalents:				
HSBC	Aa3	A2	53.2	17.5
NatWest	A2	A3	3.4	3.8
Barclays	A1	Baa3	7.0	5.3
BayernLB	Aa3	Aa3	1.3	0.9
Santander	A2	A2	1.0	2.8
Other			1.7	2.7
			67.6	33.0
Undrawn commitments:				
HSBC	Aa3	A2	5.7	8.2
NatWest	A2	A3	5.7	8.2
Barclays	A1	Baa3	2.6	3.6
			14.0	20.0
Total cash and undrawn commitments			**81.6**	53.0

The Group actively monitors its credit exposure to each counterparty and in dealing with high quality, reputable and long-established institutions, management do not expect any counterparty will fail to meet its obligations.

Trade and other receivables

The Group is exposed to credit risk from lease contracts in relation to its property portfolio. This risk is actively managed by the asset and property managers who continuously monitor and work with tenants, anticipating and, wherever possible, identifying and addressing risks prior to default. The credit risk associated with rent receivables and tenant lease incentives has historically been considered low (owing to the long term nature and diversity of the Group's tenancy agreements, credit checks performed prior to inception of a material lease, advanced payments made by tenants (or licensees) and deposits or guarantees received) but has increased significantly during the year ended 31 August 2020 as a result of the outbreak of COVID-19 since early March 2020. In addition, the UK Government has enforced restrictions on debt management and evicting defaulting tenants to December 2020, subject to review.

The Group has set a target to collect 95 per cent of debt within seven days, a target which was regularly achieved before the pandemic. The Group's rent collection rate at the most recent quarter day was 78.1 per cent (31 August 2019: 96.3 per cent). This compares to 70.1 per cent for the June quarter and 50.4 per cent for the March quarter, at approximately the equivalent time post the relevant due date, and reflects the improvement in collection rates since the beginning of the disruption period. Trade receivables exposed to credit risk were 1.0 per cent of net assets at 31 August 2020 (31 August 2019: less than 0.2 per cent).

The assessment of expected credit losses (in line with IFRS 9) associated with the Group's accounts receivable by segment at 31 August 2020 and at 31 August 2019, are set out in the tables below:

31 August 2020	Not past due/current £m	1-2 months £m	2-3 months £m	3-4 months £m	4-5 months £m	5+ months £m	Total accounts receivable £m
Accounts receivable subject to credit loss assessment							
Loss rate (%)	—	40%	40%	40%	40%	50%	
UK Retail – Gross accounts receivable	0.6	0.1	1.5	0.3	0.1	1.9	**4.5**
UK Retail – Net accounts receivable (excl. VAT)	0.5	0.1	1.2	0.2	0.1	1.5	
UK Retail – Loss allowance	—	—	(0.5)	—	—	(0.7)	**(1.2)**
Loss rate (%)	—	30%	30%	30%	30%	50%	
UK Commercial – Gross accounts receivable	0.3	—	0.5	0.1	—	0.4	**1.3**
UK Commercial – Net accounts receivable (excl. VAT)	—	—	0.4	0.1	—	0.3	
UK Commercial – Loss allowance	—	—	(0.1)	—	—	(0.2)	**(0.3)**
Loss rate (%)	—	20%	20%	20%	20%	50%	
Europe – Gross accounts receivable	—	0.1	—	—	0.1	0.1	**0.3**
Europe – Net accounts receivable (excl. VAT)	—	0.1	—	—	0.1	0.1	
Europe – Loss allowance	—	—	—	—	—	(0.1)	**(0.1)**
Other accounts receivable by portfolio							
London Serviced Offices							**0.4**
UK Hotels							**0.1**
Other							**0.7**
Total accounts receivable							**5.7**

31 August 2019	Not past due/current £m	Up to 120 days past due £m	Up to 150 days past due £m	Over 150 days past due £m	Total accounts receivable £m
Accounts receivable subject to credit loss assessment					
Loss rate (%)	—	50.0%	100.0%	100.0%	
UK Retail – Gross accounts receivable	—	—	—	0.1	**0.1**
UK Retail – Net accounts receivable (excl. VAT)	—	—	—	0.1	
UK Retail – Loss allowance	—	—	—	(0.1)	**(0.1)**
Loss rate (%)	—	—	—	50.0%	
UK Commercial – Gross accounts receivable	0.2	—	—	0.1	**0.3**
UK Commercial – Net accounts receivable (excl. VAT)	0.2	—	—	0.1	
UK Commercial – Loss allowance	—	—	—	(0.1)	**(0.1)**
Other accounts receivable by portfolio					
London Serviced Offices					**0.3**
Europe					**0.1**
Other					**0.4**
Total accounts receivable					**1.0**

The Group's bad debt policy is as follows:

If there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the lease, a specific impairment is made. The Group also makes a general loss allowance of 25 per cent against all receivables 120 days or more past due that have not been specifically impaired. Provisions are made on the net outstanding receivable balance, excluding VAT. At 31 August 2020, specific provision requirements against doubtful debts were subject to thorough review by both the asset and property managers, with regard for the ageing of the debt, the sector of the tenant, rent concessions to the reporting date and the impact of COVID-19 on operational cash flow of those tenants.

Notes to the financial statements continued

For the year ended 31 August 2020

33. Financial risk management continued

Credit risk continued

To comply with the provisions of IFRS 9, the Group assesses on a forward-looking basis the lifetime expected credit losses associated with its trade receivables. To measure the expected credit losses, trade receivables are grouped based on credit risk characteristics, being the sector of the tenant and the days past due. In the current year, the ageing buckets have been split out by month to more accurately assess the impact of the lockdown restrictions and gradual easing measures during the course of the financial year on outstanding balances, in addition to focus on the amounts outstanding from the English-quarter billings in March 2020 and June 2020. Expected loss rates are based on the historic payment profiles of tenants in each of the Group's sectors, with particular reference to the collection statistics per sector since the outbreak of the pandemic, future expectations of likely default events and market expectations and trends in the wider macro-economic environment. Insofar as the resulting provision requirements are materially in line with the provisions calculated under the Group's established bad debt policy, no loss allowance adjustments are made.

As at 31 August 2020, the expected loss rate considered appropriate for the UK Retail, UK Commercial and Europe sectors was 50 per cent of net accounts receivable over five months past due given the uncertainties in the current climate and the UK Government restrictions currently in force regarding debt collection.

The loss rate applied to UK Retail for amounts outstanding between one and five months was 40 per cent, which is considered appropriate given the acceleration in structural change in consumer habits, in addition to a number of Group tenant failures and CVAs over the past two years.

The expected loss rate considered appropriate for the UK Commercial sector was 30 per cent of accounts receivable between one and five months past due. While this sector has shown resilience in uncertain market conditions, the loss rate that has been applied to UK Commercial factors a number of specific tenant failures, rent concessions that were still under negotiation at the reporting date and the reduced likelihood of recovery of the aged receivable based on historic payment profiles, in particular with reference to collection statistics during the disruption period.

Expected credit losses have not been assessed for the London Serviced Offices portfolio and the other segments: London Serviced Offices due to the operational nature of the business, tenant licence payments monthly in advance and the deposits to cover any defaults; and the Other sector accounts receivable at year end related solely to management recharges to the UK Aviva Shopping Centres service charge, for which there is minimal risk of non-recovery and the majority of the outstanding balance was settled post year end. Expected losses have been applied against ancillary rents from the RBH managed hotel portfolio but these amounted to less than £0.1 million.

As at 31 August 2020, there was no material difference between the cumulative bad debt provision balance based on the Group's bad debt policy (£1.6 million) and total expected credit losses as required under IFRS 9 of £1.6 million, as presented in the above table.

Other receivable balances

In light of the uncertainties on the severity and duration of the pandemic, the Group has also considered the recoverability of lease incentives negotiated with tenants against future revenue streams. The Group has assessed the balance of tenant incentives at the reporting date of the continuing assets, namely UK Commercial and UK Shopping Centres, and has deemed a 20 per cent loss allowance prudent. Loss allowances have not been applied against incentives of the UK Retail Parks and Europe portfolio, as these balances will be recovered through actual and targeted sales after the reporting date and UK Hotels had £Nil tenant lease incentives outstanding at the reporting date.

During the year ended 31 August 2020, the Group advanced loans of £3.9 million to RBH to cover cash shortfalls of the underlying trading businesses during the disruption period. At the reporting date, the cash flow forecasts of RBH for the year ended 31 August 2021 assume full repayment of the loans advanced. Given the uncertainty of the duration of the ongoing disruption, including the reintroduction of further restrictions, which have had a significant negative impact on the hospitality sector, the Group has considered it prudent to assume a 50 per cent loss allowance against amounts outstanding at the reporting date based on uncertainties over the forecast cash flows of the RBH hotel trading business due to COVID-19. The income statement charge has been treated as an other finance expense – refer to Note 11.

Intercompany trading balances – Company

At 31 August 2020, the Company has one material balance with a direct subsidiary (refer to Note 31) of £1.9 million. The majority of this balance was settled after the reporting date by the transfer of cash to the Company and, as a result, no impairment was considered necessary against the outstanding balance at the reporting date.

Loans to joint ventures

The credit risk associated with loans to joint ventures is the risk that the loans advanced may not be recoverable.

As at 31 August 2020, the recognised loan to joint ventures related to the loan advanced to the Esplanade joint venture. Under the equity method, the Esplanade was carried at £Nil in the Group's financial statements at 1 September 2019. During the year ended 31 August 2020, the share of these losses no longer exceeded the Group's cumulative cost of investment in and loans to the Esplanade. As such, the Group has recognised its share of profits by way of reversal of previous impairment charges taken against the loan made to the joint venture. The credit risk associated with this loan is directly related to fluctuations as a result of property valuation and derivative mark-to-market movements.

Reconciliation of loss allowances

A reconciliation of the movements in loss allowances against each financial asset subject to impairment from prior year end to the reporting date is set out in the following table:

	Tenant lease incentives £m	Rent and other accounts receivable £m	Service charge receivable £m	Other amounts receivable from related parties £m	**Total £m**
Loss allowances 31 August 2019	—	0.1	0.1	—	**0.2**
Charge for the year	1.4	1.4	0.2	1.9	**4.9**
Utilised/released	—	(0.2)	—	—	**(0.2)**
At 31 August 2020	1.4	1.3	0.3	1.9	**4.9**

Liquidity risk

Liquidity risk arises from the Group's working capital and debt servicing obligations. The below disclosure gives consideration to the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The outbreak of COVID-19 has put increased pressure on the Group to manage its liquidity as a priority.

Liquidity risk is actively managed by the Group's finance department. Twice a month, management receive and review rolling six-month cash flow projections to ensure that there is sufficient headroom in the near term to meet ongoing operational requirements and upcoming capital commitments. In addition, during the year the Board has been presented with and reviewed a three year liquidity plan to 31 August 2023 for budget approval and viability assessment, which included modelling downside and COVID-19 specific scenarios. At the balance sheet date, these projections indicated that the Group had sufficient liquid resources to meet its obligations under severe but plausible downside scenarios. As a result of the Group's proactive response to COVID-19 and ongoing commitment to strategic priorities, the balance sheet remains well positioned and adequately liquid, with cash and available facilities of £84.2 million at the reporting date (increasing to c.£240 million on completion of the sale of the UK Retail Parks portfolio).

The monitoring of liquidity is also assisted by the quarterly review of covenants imposed by financial institutions, such as loan to value and interest cover ratios. Loans are renegotiated in advance of any potential covenant breaches insofar as the factors are within the control of the Group. The Board will ensure during periods of increased market uncertainty, as evidenced in the current disruption period, that sufficient cash resources are available for potential loan repayments or cash deposits as may be required by financial institutions. The Group's loan facilities and other borrowings are also spread across a range of banks and financial institutions so as to minimise any potential concentration of risk.

Given the unprecedented circumstances caused by the onset of COVID-19, the Group negotiated covenant waivers and amortisation holidays for the majority of the Group's facilities during the second half of the year given the likely impact on covenants, in particular, interest cover. At the latest compliance, covenant waivers were in place on 89.0 per cent of debt subject to financial covenants. During the period to 31 August 2020, covenant waivers mitigated events of default on facilities totalling £204.9 million, secured against the Group's UK Hotels and UK Shopping Centres portfolios. Refinancing negotiations are in progress for all facilities maturing during the three year review period. In addition, included in the severe but plausible downside scenarios are assumed cash cures as a result of covenant breaches, together with repayment requirements on refinancings due to low levels of gearing, which will be fully covered by forecast cash reserves.

The tables below set out the contractual maturities of financial liabilities based on the undiscounted obligations to make interest payments and to repay the principal:

Group 31 August 2020	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m
Financial liabilities							
Bank and other loans	601.8	(606.7)	(0.8)	(65.6)	(140.3)	(320.6)	(79.4)
Lease liabilities (IFRS 16)	50.7	(545.9)	(1.1)	(1.1)	(2.1)	(5.5)	(536.1)
Trade and other payables	27.7	(27.7)	(27.7)	—	—	—	—
Tax liabilities	2.1	(2.1)	(2.1)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	12.6	(15.3)	(2.6)	(2.4)	(4.3)	(6.0)	—
	694.9	**(1,197.7)**	**(34.3)**	**(69.1)**	**(146.7)**	**(332.1)**	**(615.5)**

Group 31 August 2019	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m
Financial liabilities							
Bank and other loans	686.1	(821.0)	(27.3)	(25.1)	(135.5)	(548.1)	(85.0)
Lease liabilities (IAS 17)	7.2	(23.9)	(0.2)	(0.2)	(0.4)	(1.2)	(21.9)
Trade and other payables	25.2	(25.2)	(25.2)	—	—	—	—
Tax liabilities	1.1	(1.1)	(1.1)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	12.8	(9.6)	(1.4)	(1.4)	(2.4)	(4.4)	—
	732.4	**(880.8)**	**(55.2)**	**(26.7)**	**(138.3)**	**(553.7)**	**(106.9)**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Group's income or the value of its investments in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Since the outbreak of COVID-19 as a global pandemic in March 2020 there has been a significant change in the scale and likelihood of volatility in all aspects of market risk, with softening yields, volatility in currency and equity markets and increased inflationary expectations. There is also ongoing uncertainty around the impact of the UK's final exit from the European Union. Refer to the Group's principal risks and viability disclosures on pages 22 to 28 for further information.

The Group enters into derivative financial instruments in the ordinary course of business and incurs financial liabilities in order to manage market risks. The Board of Directors receives reports on a quarterly basis with regard to currency exposure, as well as interest rate spreads, and takes the necessary steps to hedge and limit the risk the Group is exposed to. The Group does not apply hedge accounting.

Notes to the financial statements continued

For the year ended 31 August 2020

33. Financial risk management continued

Market risk continued

Currency risk

The Group operates internationally and is exposed to currency risk, primarily with respect to the Euro ("EUR").

Foreign exchange risk arises from the Group's exposure to monetary assets and liabilities and net investments in foreign operations recognised in EUR. The Group's income from income-producing rental properties is denominated in the same currencies as the loans that are financing those properties. The Group's investments in foreign subsidiaries and joint ventures are not hedged as the currency positions are considered to be long term in nature.

As can be seen from the table below, the carrying net assets denominated in Euro, and the related foreign currency exposure, declined during the year as a result of the targeted Europe portfolio disposal programme. At 31 August 2020, there were GBP equivalent net assets of £64.7 million denominated in Euro, decreasing from £84.7 million at 31 August 2019. Foreign currency movement exposures on realised investments are managed by converting to Sterling at the earliest opportunity or entering foreign currency forward contracts prior to significant transactions.

Foreign exchange risk also arises on the payment of the Group's dividend to its JSE shareholders in South African Rand ("ZAR") semi-annually. The Group enters into forward rate contracts in advance of settlement of the dividends to mitigate this risk.

The carrying amounts of the Group's foreign denominated assets and liabilities were as follows:

Group	31 August 2020 £m	31 August 2019 £m
Assets		
EUR	129.8	242.8
ZAR	1.0	0.7
Liabilities		
EUR	(65.1)	(158.1)

The following exchange rates were applied during the year:

	Average rate		Year end rate	
	2020	2019	2020	2019
EUR	1.143	1.130	1.1201	1.102
ZAR	20.729	18.263	22.648	18.652

Sensitivity analysis

A five per cent strengthening in the GBP exchange rate against the EUR at year end would have decreased equity by £3.1 million (31 August 2019: £5.8 million) and decreased losses by £0.8 million (31 August 2019: increased losses by £0.2 million). A five per cent weakening in the GBP exchange rate against the EUR at year end would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group uses interest rate derivatives to mitigate its exposure to interest rate fluctuations. At the year end, as a result of the use of interest rate swaps and caps, the majority of the Group's borrowings were at fixed interest rates.

Group (proportionately consolidated)	Fixed/capped 31 August 2020 £m	Floating 31 August 2020 £m	Fixed/capped 31 August 2019 £m	Floating 31 August 2019 £m
Nominal value of Group bank loans	258.8	347.9	211.9	473.2
Nominal value of joint venture bank loans	—	8.1	7.1	8.3
	258.8	356.0	219.0	481.5
Derivative impact	279.2	(279.2)	423.4	(423.4)
	538.0	76.8	642.4	58.1
Interest rate protection (%)	87.5		91.7	

The table above is presented on a proportionately consolidated basis. The detail included 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 for monitoring interest rate risk.

The Group targets interest rate protection against 75 per cent or more of external debt. The interest rate protection has decreased since prior year, primarily as a result of the derivative contract on one of the IHL Santander facilities maturing in July 2020. The Group's EPRA earnings has limited exposure to interest rate fluctuations. Please see Note 23 for further details on the Group's interest rate swap and cap agreements.

Capital structure and management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages the capital structure and takes reasonable steps in light of changes in the economic conditions and the risk characteristics of its underlying business and assets. Over the last 18 months, the Board and management have focused on the following strategic priorities to improve the capital structure: reduction in retail exposure; lower leverage capital structure; and focused capital allocation to assets backed by occupational demand.

The key ratios used to monitor the capital structure of the Group, as presented in the following table, are the loan to value and the interest cover ratios:

Group (proportionately consolidated)	Note	31 August 2020 £m	31 August 2019 £m
Loan to value			
Net debt	21	(544.6)	(666.6)
Market value of total property portfolio	13	1,166.7	1,423.3
Loan to value (%)		46.7	46.8
Loan to value pro forma (%)[1]		32.6	42.0

[1] LTV pro forma adjusted to reflect transactions between 31 August and the date of the results announcement.

Group (proportionately consolidated)	Note	31 August 2020 £m	31 August 2019 £m
Interest cover			
Net rental income	3	62.3	94.1
Operating lease charges (IFRS 16)	10	(1.6)	—
		60.7	94.1
Net finance expense	3	24.4	29.3
Debt fair value adjustments (discontinued operation)		(0.2)	(0.6)
Operating lease charges (IFRS 16)	10	(1.6)	—
		22.6	28.7
Interest cover (times)		2.7	3.3

The tables above are presented on a proportionately consolidated basis. The ratios are not a requirement of IFRS and are presented for informational purposes only as they are used in reports presented to the Group's Chief Operating Decision Maker for monitoring the Group's capital structure.

The Group's medium term target is that the loan to value ratio is between 30 – 40 per cent (2019: 30 – 40 per cent) and the interest cover is above three times. While pro forma leverage is comfortably within the target range at the reporting date, interest cover, which has been adjusted to remove the impact of adopting IFRS 16, fell below target in the second half of the year, as a result of significantly reduced income and prudent bad debt assumptions since the outbreak of COVID-19. This deterioration is expected to be temporary.

The Board also monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the dividends paid to ordinary shareholders. In order to improve its capital structure, the Company may issue new shares, sell assets to reduce debt, refinance existing borrowings, and adjust the amount of any distribution of dividends.

Following approval by the Board on 24 January 2019, the Group consolidated every five ordinary shares issued and to be issued on 11 February 2019 into one ordinary share of 40.0 pence each. The consolidation resulted in 380,089,923 ordinary shares of 40 pence each being in issue. The level of the Company's borrowings, in terms of its Articles of Association, shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed ten times the aggregate of:

- the amount paid up on the issued share capital of the Company; and
- the total of capital and revenue reserves.

Notes to the financial statements continued

For the year ended 31 August 2020

34. Earnings per share

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

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

	31 August 2020 £m	31 August 2019 £m
EPRA earnings	26.2	48.8
Attributable to:		
Continuing operations	19.8	41.1
Discontinued operation	6.4	7.7
Company adjustments:		
Accretion of debt fair value adjustments	—	0.4
IFRS 16 adjustments	0.1	—
Foreign currency movements	(0.2)	—
Discontinued operation Company adjustments	0.1	0.2
Underlying earnings	26.2	49.4
Attributable to:		
Continuing operations	19.7	41.5
Discontinued operation	6.5	7.9

(1) At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 15).

	31 August 2020 £m	31 August 2019 £m
IFRS (loss)/profit attributable to equity holders of the Parent:		
Continuing operations	(87.0)	(82.4)
Discontinued operation	(16.8)	4.8
	(103.8)	(77.6)
Number of ordinary shares (millions)		
IFRS weighted average	380.3	380.1
IFRS diluted weighted average[1]	380.3	380.1
IFRS earnings per share (pence)		
Continuing operations		
– Basic	(22.9)	(21.7)
– Diluted	(22.9)	(21.7)
Total Group		
– Basic	(27.3)	(20.4)
– Diluted	(27.3)	(20.4)

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

Notes to the financial statements continued

For the year ended 31 August 2020

34. Earnings per share continued

	31 August 2020 £m	31 August 2019 £m
EPRA earnings		
Attributable to:		
Continuing operations	**19.8**	41.1
Discontinued operation	**6.4**	7.7
	26.2	48.8
Underlying earnings		
Attributable to:		
Continuing operations	**19.7**	41.5
Discontinued operation	**6.5**	7.9
	26.2	49.4
Number of ordinary shares (millions)		
IFRS weighted average	**380.3**	380.1
Dilutive effect of:		
Contingently issuable share awards under the Long Term Performance Share Plan	**0.7**	0.6
Contingently issuable share awards under the Long Term Restricted Stock Plan	**0.4**	0.2
Non-IFRS measures diluted weighted average	**381.4**	380.9
EPRA earnings per share (pence)		
Continuing operations		
– Basic	**5.2**	10.8
– Diluted	**5.2**	10.8
Total Group		
– Basic	**6.9**	12.8
– Diluted	**6.9**	12.8
Underlying earnings per share (pence)		
Continuing operations	**5.2**	10.9
Total Group	**6.9**	13.0
Dividend per share (pence)		
Full year dividend per share (pence)	**5.0**	10.0

Headline earnings per share is calculated in accordance with Circular 01/2019 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

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

[1] At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 15).

Notes to the financial statements continued

For the year ended 31 August 2020

35. Net asset value per share

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

(1) At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 15).

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

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

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

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

(2) At 31 August 2019, the Group had ceased to recognise the Esplanade in the IFRS statements as a result of the cumulative losses of the joint venture (refer to Note 15).

Notes to the financial statements continued

For the year ended 31 August 2020

36. Contingencies, guarantees and commitments

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

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

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

37. Subsequent events

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

On 30 October 2020, the Group exchanged contracts for the disposal of another retail asset from its discontinued Europe portfolio, located in Molln, for €3.8 million.

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

38. Dividends

The Board has declared an interim dividend in respect of the year ended 31 August 2020 of 5.0 pence per share. The record date for the dividend will be Friday, 4 December 2020 with payment on Tuesday, 22 December 2020. The payment will be made entirely in cash.

39. Approval of financial statements

The financial statements were approved by the Board on 5 November 2020.

Appendix A

Related undertakings of the Company

As at 31 August 2020, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates. Those undertakings that were in liquidation at the reporting date have not been included in this Appendix.

Subsidiaries

Name of subsidiary	Domicile	Principal activity	Segment	Effective ownership %
Redefine International Holdings Limited[1]	Jersey	Holding	Multiple	100.0
Redefine Wigan Limited	British Virgin Islands	Holding	UK Retail	100.0
Grand Arcade Wigan Limited[2]	United Kingdom	Investment property	UK Retail	100.0
Standishgate Wigan Limited[2]	United Kingdom	Investment property	UK Retail	100.0
Ciref Coventry Limited	British Virgin Islands	Holding	UK Retail	100.0
West Orchards Coventry Limited	United Kingdom	Investment property	UK Retail	100.0
Seaham Wax Limited	British Virgin Islands	Holding	UK Retail	100.0
Seaham Limited[2]	United Kingdom	Investment property	UK Retail	100.0
Byron Place Seaham Limited[2]	United Kingdom	Investment property	UK Retail	100.0
Weston Favell Limited[2]	British Virgin Islands	Investment property	UK Retail	100.0
St George's Harrow Limited	British Virgin Islands	Investment property	UK Retail	100.0
Trito Kwik Fit Limited	British Virgin Islands	Holding	UK Commercial	100.0
Trito Gibson Limited	British Virgin Islands	Holding	UK Commercial	100.0
Gibson Property Holdings Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Ciref Kwik-Fit Stafford Limited	United Kingdom	Investment property	UK Commercial	99.9
Ciref Kwik-Fit Stockport Limited	United Kingdom	Investment property	UK Commercial	100.0
Ciref Jersey Limited	British Virgin Islands	Holding	UK Commercial	100.0
Ciref Europe Limited	Isle of Man	Holding	Europe	99.0
R.I. Waldkraiburg Limited	Cyprus	Holding	Europe	99.0
Hückelhoven Management GmbH	Germany	General Partner	Europe	99.0
RI Menora Kaiserslautern GmbH	Germany	General Partner	Europe	99.0
Ciref Berlin Cyprus Limited	Ireland	Holding	Europe	99.0
Ciref Premium Limited	Ireland	General Partner	Europe	99.0
CEL Portfolio 1 Limited & Co KG	Germany	Investment property	Europe	99.0
Ciref Premium Holdings Limited	Cyprus	Holding	Europe	93.9
Ciref Europe Management Limited	Ireland	Holding	Europe	93.9
Premium Portfolio Ltd & Co. KG	Germany	Investment property	Europe	93.9
Premium Portfolio 2 Ltd & Co. KG	Germany	Investment property	Europe	93.9
Kalihora Holdings Limited	Cyprus	Holding	Europe	100.0
Redefine International Management Holdings Limited[1]	British Virgin Islands	Holding	Other	100.0
RDI Management Services Limited	United Kingdom	Services Company	Other	100.0
RDI German Services GmbH	Germany	Services Company	Other	100.0
Redefine International Fund Managers Europe Limited	British Virgin Islands	Services Company	Other	100.0
RDI Retail Management Limited	United Kingdom	Services Company	Other	100.0
RDI Serviced Offices Limited[1]	Isle of Man	Holding	UK Commercial	100.0
St Dunstan's Holdco Limited	Isle of Man	Holding	UK Commercial	80.0
LSO Services Limited	Isle of Man	Holding	UK Commercial	80.0
New Broad Street Limited	Isle of Man	Investment property	UK Commercial	80.0
NBS OpCo Limited	United Kingdom	Trading	UK Commercial	80.0
Boundary Row Limited	Isle of Man	Investment property	UK Commercial	80.0
Boundary Row OpCo Limited	United Kingdom	Trading	UK Commercial	80.0
Little Britain Limited	Isle of Man	Investment property	UK Commercial	80.0
Little Britain OpCo Limited	United Kingdom	Trading	UK Commercial	80.0
St Dunstan's Limited	Isle of Man	Investment property	UK Commercial	80.0
St Dunstan's Opco Limited	United Kingdom	Trading	UK Commercial	80.0

Appendix A continued

Related undertakings of the Company continued

Subsidiaries continued

Name of subsidiary	Domicile	Principal activity	Segment	Effective ownership %
Redefine AUK Limited[1]	British Virgin Islands	Holding	Multiple	100.0
Redefine AUK Holdings Limited	British Virgin Islands	Holding	Multiple	100.0
Princes Street Investments Limited	Scotland	Investment property	UK Commercial	100.0
Redefine Albion Street Derby Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine Arches Watford Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine Banbury Cross Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine Camino Park Crawley Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Charing Cross Road Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Express Park Bridgwater Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Kingsthorne Kettering Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Lake View Warrington Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Omnibus Reigate Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine North Street Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Priory Park Merton Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine Queens Drive Kilmarnock Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine Range Edinburgh Limited	British Virgin Islands	Investment property	UK Retail	100.0
Redefine St David's Bangor Limited	British Virgin Islands	Investment property	UK Retail	100.0
Newington House Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Wichford Zeta Limited	Isle of Man	Holding	Multiple	100.0
RDI Bicester Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Atherton Wigan Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Dalkeith Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford DSA Dundee Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford DSA Uxbridge Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Gillingham Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Newcastle Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Newington Causeway Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Park Place Leeds Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Temple Back Bristol Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Weymouth Limited	Isle of Man	Investment property	UK Commercial	100.0
RDI Farnborough Limited	Isle of Man	Investment property	UK Commercial	100.0
Redefine Share Investments Limited[1]	Isle of Man	Holding	Multiple	100.0
International Hotel Properties Limited	British Virgin Islands	Holding	UK Hotels	74.1
Redefine Dunstable Limited	British Virgin Islands	Holding	UK Hotels	74.1
Dunstable PropCo Limited	United Kingdom	Investment property	UK Hotels	74.1
Forest Bidco Limited	British Virgin Islands	Holding	UK Hotels	74.1
Edinburgh PropCo Ltd	British Virgin Islands	Investment property	UK Hotels	74.1
Splendour BidCo Limited	British Virgin Islands	Holding	UK Hotels	74.1
Southampton Propco Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Redditch PropCo Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Gatwick Propco Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Redefine Belvedere Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Redefine Leatherhead Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Redefine Perth Limited	British Virgin Islands	Investment property	UK Hotels	74.1
Redefine Slough Limited	British Virgin Islands	Investment property	UK Hotels	74.1
IHG FinCo Limited	British Virgin Islands	Financing	UK Hotels	74.1
RDI Kingston Limited	Isle of Man	Investment property	UK Commercial	100.0

Name of subsidiary	Domicile	Principal activity	Segment	Effective ownership %
RDI Hotel Group Limited	Isle of Man	Holding	UK Hotels	100.0
Redefine Hotel Holdings Limited	British Virgin Islands	Holding	UK Hotels	82.5
Redefine Hotels Portfolio 1 Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Portfolio 2 Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Portfolio III Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Portfolio IV Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Portfolio V Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Reading Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Portfolio VI Limited	British Virgin Islands	Holding	UK Hotels	82.5
BNRI Earls Court Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Hotels Edinburgh Limited	British Virgin Islands	Investment property	UK Hotels	82.5
Redefine Enfield Limited	British Virgin Islands	Investment property	UK Hotels	100.0
City Lodge Hotels Limited	United Kingdom	Dormant	UK Hotels	100.0
Everton Shopping Centre S.à.r.l[1]	Luxembourg	Holding	Europe	100.0
CMC Shopping Center Altona GmbH	Germany	Investment property	Europe	94.9
SMK Erste Investitionsgesellschaft GmbH	Germany	Investment property	Europe	94.9
Leopard Holding UK Limited[1]	United Kingdom	Holding	Europe	100.0
Leopard Holding UK S.à.r.l	Luxembourg	Holding	Europe	100.0
Leopard Holdings South Africa S.à.r.l	Luxembourg	Holding	Europe	88.0
ITB Management Hückelhoven B.V.[1]	Netherlands	Holding	Europe	76.0
Redefine Waterside Leeds Limited[1]	British Virgin Islands	Investment property	UK Commercial	100.0
RDI REIT Limited[1]	United Kingdom	Holding	Other	100.0
Redefine Finco Limited[1]	British Virgin Islands	Dormant	Other	100.0
Redefine Cyprus Limited[1]	Cyprus	Holding	Other	100.0

(1) Entities directly held by the Company.

(2) During the year ended 31 August 2019, the Group derecognised these subsidiaries based on loss of control under IFRS 10, but at 31 August 2020 the Group retained legal ownership as these entities were still in the process of being put into formal liquidation.

Appendix A continued

Related undertakings of the Company continued

Joint ventures

Name of joint venture	Domicile	Principal activity	Segment	Effective ownership %
Wichford VBG Holding S.à.r.l	Luxembourg	Holding	Europe	49.0
RI Menora Finco S.A.	Luxembourg	Financing	Europe	49.0
RI Menora German Holdings S.à.r.l	Luxembourg	Holding	Europe	51.5
ITB FMZ Waldkraiburg B.V.	Netherlands	Investment property	Europe	54.4
ST BAU Retail 20 Unternehmergesellschaft	Germany	Holding	Europe	54.4
Kaiserslautern Merkurstrasse GmbH & Co KG	Germany	Investment property	Europe	54.4
TwentySix The Esplanade Limited	British Virgin Islands	Holding	UK Commercial	50.0
26 Esplanade No1 Limited	Jersey	Investment property	UK Commercial	50.0
Ciref Crawley Investments Limited	British Virgin Islands	Holding	Europe	51.8

Associate

Name of associate	Domicile	Principal activity	Segment	Effective ownership %
RBH Hotel Group Limited	British Virgin Islands	Holding	UK Hotels	27.4
RBH Hotels UK Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
RBH Hospitality Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Hotel Lease (Number 2) Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Hotel Employees Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
RBH Hotel Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
RBH Earls Court Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
IHL Tenant Holdco Limited	United Kingdom	Holding	UK Hotels	27.4
The Gateway Hotel Dunstable Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Sankara Hotels Gatwick Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Southampton OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Redditch OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	27.4
Edinburgh OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	27.4

EPRA property analysis

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

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

Total portfolio

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

(1) Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.
(2) Annualised gross rental income for UK Hotels reflects rents collected on the RBH managed hotels during the year.
(3) Reversionary yields for London Serviced Offices and RBH managed hotels reflect management expectations of the underlying EBITDAs for the 2021 financial year.
(4) Excluding the RBH managed hotels and London Serviced Office portfolios. Relevant operational metrics disclosed separately.

UK Commercial

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

(1) Annualised gross rental income for the London Serviced Office portfolio included as EBITDA net of management fees.
(2) Reversionary yield for the London Serviced Office portfolio reflects management expectations of the underlying EBITDAs for the 2021 financial year.
(3) Excluding London Serviced Office portfolio. Relevant operational metrics disclosed separately.

UK Hotels

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

(1) Annualised gross rental income and related metrics for the RBH managed portfolio reflects rents collected during the year.
(2) Reversionary yield for the RBH managed portfolio reflects management expectations of underlying EBITDAs for the 2021 financial year.
(3) Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately. The Travelodge, Slough did not contribute to the WAULT calculation as at 31 August 2020 given there was no rent under the CVA terms.

EPRA property analysis continued

UK Retail

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

Europe

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

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

EPRA NIY

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

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

31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Group total £m
Investment property – wholly owned	546.8	363.3	255.0	232.1	1,397.2
Investment property – held in joint ventures	11.0	—	—	15.1	26.1
Market value of total portfolio	557.8	363.3	255.0	247.2	1,423.3
Allowance for estimated purchasers' costs[1]	37.9	24.7	17.3	16.9	96.8
Grossed-up property portfolio valuation	595.7	388.0	272.3	264.1	1,520.1
Triple net rent	28.8	22.4	17.8	13.1	82.1
Impact of expiration of rent-free periods	1.6	—	1.5	0.2	3.3
Topped up triple net rent	30.4	22.4	19.3	13.3	85.4
EPRA NIY (%)	4.8	5.8	6.5	5.0	5.4
EPRA topped up NIY (%)	5.1	5.8	7.1	5.0	5.6

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

EPRA cost ratio

The tables below present the calculation of the Group's cost ratio, which is the Group's operating costs (as adjusted for certain items) as a percentage of the Group's rental income.

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

31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m	Other £m	Group total £m
Rental income	37.2	23.0	31.4	14.7	—	106.3
Operating lease expense	(0.6)	(1.2)	—	—	—	(1.8)
Adjusted for:						
London Serviced Offices rental income and operating lease expense[1]	(15.1)	—	—	—	—	(15.1)
EPRA adjusted rental income	**21.5**	**21.8**	**31.4**	**14.7**	**—**	**89.4**
Rental expense	6.0	1.2	2.8	2.2	—	12.2
Administrative costs and other fees	1.4	0.2	0.1	0.8	11.4	13.9
Operating lease expense	(0.6)	(1.2)	—	—	—	(1.8)
Adjusted for:						
London Serviced Offices rental and administrative expenses[1]	(6.8)	—	—	—	—	(6.8)
EPRA adjusted operating expenses	**—**	**0.2**	**2.9**	**3.0**	**11.4**	**17.5**
Direct vacancy costs	—	—	(1.7)	(1.1)	—	(2.8)
EPRA adjusted operating expenses (excluding direct vacancy costs)	**—**	**0.2**	**1.2**	**1.9**	**11.4**	**14.7**
EPRA cost ratio inc. direct vacancy costs (%)						**19.6**
EPRA cost ratio exc. direct vacancy costs (%)						**16.4**

(1) The London Serviced Offices portfolio is excluded from the EPRA cost ratio due to the operational nature of that business.

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

EPRA property analysis continued

EPRA vacancy rate

The tables below present the calculation of the rental value of vacant space as a percentage of the rental value of the portfolio as a whole.

31 August 2020	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m[1]	Group total £m
ERV of vacant space	0.4	—	0.1	0.1	0.6
ERV of total portfolio	31.0	12.0	17.5	6.7	67.2
London Serviced Offices, RBH managed hotels and Ingolstadt adjustments	(8.3)	(9.6)	—	(0.1)	(18.0)
Revised ERV	**22.7**	**2.4**	**17.5**	**6.6**	**49.2**
EPRA vacancy rate (%)[2]	**1.9**	**—**	**0.4**	**1.5**	**1.2**
Occupancy rate (%)[2]	**98.1**	**100.0**	**99.6**	**98.5**	**98.8**

31 August 2019	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe £m[1]	Group total £m
ERV of vacant space	1.9	—	0.4	0.1	2.4
ERV of total portfolio	34.5	24.7	19.5	14.5	93.2
London Serviced Offices, RBH managed hotels and Ingolstadt adjustments	(10.7)	(22.1)	—	(0.2)	(33.0)
Revised ERV	**23.8**	**2.6**	**19.5**	**14.3**	**60.2**
EPRA vacancy rate (%)[2]	**8.0**	**—**	**2.2**	**0.9**	**4.1**
Occupancy rate (%)[2]	**92.0**	**100.0**	**97.8**	**99.1**	**95.9**

(1) Calculated in local currency.

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

EPRA capital expenditure analysis

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

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

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

UK Commercial

Offices

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

Distribution & Industrial

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

UK Hotels

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

UK Retail

UK Retail Parks

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

UK Shopping Centres

During the year ended 31 August 2019, £0.4 million capital expenditure on the Aviva Portfolio prior to disposal and £0.2 million on general improvement works across the residual portfolio.

Top ten tenants

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

EPRA property analysis continued

Top 20 assets[1]

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

[1] Excludes assets within UK Retail Parks portfolio which were sold on 30 October 2020.

Other alternative performance measures

The following tables provide the basis of calculation of APMs that are not otherwise reconciled in other sections of this Annual Report. Further discussion of these APMs is provided in the financial review.

Dividend pay-out ratio

Group (proportionately consolidated, including discontinued operation)	Note	**31 August 2020 Per share**	31 August 2019 Per share
Dividends declared (pence)	34	**5.0**	10.0
Underlying earnings (pence)	34	**6.9**	13.0
Dividend pay-out ratio (%)		**72.5**	76.9

Dividend cover (inverse of dividend pay-out ratio)

Group (proportionately consolidated, including discontinued operation)	Note	**31 August 2020 Per share**	31 August 2019 Per share
Underlying earnings (pence)	34	**6.9**	13.0
Dividends declared (pence)	34	**5.0**	10.0
Dividend cover (times)		**1.4**	1.3

Five year record

Summarised Group income statement	2020 £m	2019 £m	Re-presented 2018 £m	2017 £m	2016 £m
Net rental income	**51.2**	80.8	84.7	88.2	80.4
Other operating income and expense	**2.3**	2.7	1.8	4.7	2.5
Administrative costs and other fees	**(11.3)**	(13.2)	(13.4)	(15.3)	(10.9)
Net operating income	**42.2**	70.3	73.1	77.6	72.0
Net fair value (loss)/gain on investment property and property assets held for sale	**(113.6)**	(56.6)	5.6	6.9	(42.5)
(Loss)/gain on disposal of investment property and property assets held for sale	**(1.3)**	(1.7)	3.4	10.7	3.2
(Loss)/gain on disposal of subsidiaries	**—**	(55.6)	(0.7)	—	12.2
(Loss)/gain on acquisition of subsidiaries	**—**	(0.4)	4.4	—	—
Other items	**(0.4)**	(0.2)	(1.2)	(0.3)	0.6
(Loss)/profit from operations	**(73.1)**	(44.2)	84.6	94.9	45.5
Net finance costs	**(20.9)**	(25.4)	(26.3)	(25.0)	(26.4)
Other items	**(5.2)**	(10.2)	5.9	3.6	(10.5)
Taxation	**—**	(0.3)	(0.8)	(3.9)	(1.1)
Post-tax (loss)/profit from discontinued operation[1]	**(16.8)**	5.3	32.9	—	—
(Loss)/profit for the year	**(116.0)**	(74.8)	96.3	69.6	7.5

(1) The Europe segment has been classified as a discontinued operation for the year ended 31 August 2019 and the comparative for the year ended 31 August 2018 has been re-presented. Please note that other comparative years have not been re-presented.

Summarised Group balance sheet	2020 £m	2019 £m	2018 £m	2017 £m	Re-presented 2016 £m
Assets					
Investment property	**1,069.2**	1,150.3	1,598.0	1,494.9	1,396.4
Other non-current assets	**20.8**	26.6	29.8	34.1	83.7
Current assets, including investment property held for sale	**209.9**	298.1	66.1	95.6	58.7
Total assets	**1,299.9**	1,475.0	1,693.9	1,624.6	1,538.8
Liabilities					
Non-current liabilities	**(603.2)**	(677.7)	(796.8)	(837.1)	(768.8)
Current liabilities	**(97.0)**	(54.3)	(34.3)	(25.3)	(36.6)
Total liabilities	**(700.2)**	(732.0)	(831.1)	(862.4)	(805.4)
Net assets	**599.7**	743.0	862.8	762.2	733.4

Summarised Group statement of cash flows	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Cash flows from operating activities	**23.9**	56.4	58.1	49.4	39.6
Cash flows from investing activities	**44.7**	(50.5)	81.3	56.3	(369.7)
Cash flows from financing activities	**(35.9)**	(32.5)	(132.2)	(83.3)	270.8
Net increase/(decrease) in cash and cash equivalents	**32.7**	(26.6)	7.2	22.4	(59.3)

Other key metrics	2020	2019	2018	2017	2016
Shares in issue (millions)	**380.3**	380.1	377.3[1]	365.6[1]	358.9[1]
EPRA earnings per share (pence)	**6.9**	12.8	13.8[1]	14.0[1]	13.5[1]
Underlying earnings per share (pence)	**6.9**	13.0	14.2[1]	13.8[1]	14.0[1]
EPRA NAV per share (pence)	**151.5**	185.5	213.8[1]	207.0[1]	200.0[1]
Weighted average cost of debt (%)	**3.0**	2.9	3.4	3.1	3.4
Weighted average debt maturity (years)	**3.0**	3.7	6.7	7.3	6.9
Loan to value (%)	**46.7[2]**	46.8[2]	46.2	51.3	53.4

(1) As a result of the share consolidation approved at the Annual General Meeting on 24 January 2019, previously published comparative number of shares, earnings per share and net asset value per share have been re-presented for comparability.

(2) Pro forma adjusted to 32.6 per cent to reflect transactions between 31 August and the date of the results announcement (31 August 2019: 42.0 per cent).

Glossary

Annualised gross rental income
Annualised gross rent generated by the asset at the balance sheet date, which is made up of the contracted rent, including units that are in rent-free periods, and estimates of turnover rent

AUK
Aegon UK property portfolio

Aviva
Aviva Commercial Finance Limited

Aviva Portfolio
Aviva financed UK Shopping Centre portfolio

Board
The Board of Directors of RDI REIT P.L.C.

BVI
British Virgin Islands

CPI
Consumer Price Index

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EPRA
European Public Real Estate Association

EPRA cost ratio
Administrative and operating costs (including and excluding costs of direct vacancy) expressed as a percentage of gross rental income as defined by EPRA

EPRA earnings
Earnings from operational activities as defined by EPRA

EPRA NAV
EPRA Net Asset Value. The Group's IFRS NAV adjusted to exclude certain items not expected to crystallise, such as deferred tax and derivatives

EPRA NDV
EPRA Net Disposal Value. The measure represents shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax

EPRA NIY
EPRA Net Initial Yield. The annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property (increased with estimated purchasers' costs)

EPRA NNNAV
EPRA Triple Net Asset Value. EPRA NAV adjusted to include the fair value of deferred tax and derivatives, in addition to the fair value of debt

EPRA NRV
EPRA Net Reinvestment Value. The measure assumes that entities never sell assets and aims to represent the value required to rebuild the entity

EPRA NTA
EPRA Net Tangible Assets. The measure assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax

EPRA occupancy
Estimated market rental value (ERV) of occupied space divided by ERV of the whole portfolio

EPRA topped up initial yield
Net initial yield adjusted for the expiration of rent-free periods or other incentives

EPS
Earnings per share

ERV
The estimated market rental value of lettable space which could reasonably be expected to be obtained on a new letting or rent review at the reporting date

ESG
Environmental, Social and Governance

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

JSE
JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange

Lease incentives
Any consideration or expense borne by the Group to secure a lease. Typically, an incentive will be an initial rent-free period or an upfront cash contribution for unit fit-out or similar

Like-for-like net rental income
Like-for-like net rental income compares the growth in net rental income from the Group's portfolio that has been consistently in operation, and not under development, throughout the current and comparative period

Like-for-like property
Like-for-like property compares the growth in capital values of the Group's portfolio, excluding development assets, that were held at the current and comparative reporting dates

LSE
The London Stock Exchange plc

LSO
London Serviced Office portfolio

Loan to value or LTV
Net debt as a percentage of the market value of the Group's property portfolio (proportionate). Refer to the financial review

NAV
Net Asset Value

NCI
Non-controlling interest

Net debt
Nominal value of the Group's bank debt net of cash and cash equivalents (proportionate)

OSIT
Office Space in Town, the Group's strategic partner and non-controlling shareholder in the LSO portfolio

RBH
RBH Hotel Group Limited

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"

Redefine Properties or RPL
Redefine Properties Limited, a company listed on the JSE, and until July 2020, the largest shareholder of the Company

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV

RevPar
Revenue per available room

RHHL
Redefine Hotel Holdings Limited

RICS
Royal Institute of Chartered Surveyors

RIMH
Redefine International Management Holdings Limited

SAICA
South African Institute of Chartered Accountants

TSogo Sun
Southern Sun Africa

UK
United Kingdom

UK REIT
A UK Real Estate Investment Trust. To qualify as a UK REIT, the Group must be a publicly quoted company with at least 75 per cent of its profits and assets derived from a qualifying property rental business. As a UK REIT, income and capital gains from the UK property rental business are tax-exempt but REITs are required to distribute at least 90 per cent of those UK profits to shareholders. Tax is payable on non-qualifying activities of the residual business

Underlying earnings
EPRA earnings adjusted for the impact of non-cash debt accretion charges, non-cash transitional adjustments to IFRS 16 and FX gains and losses reflected in the income statement

WAULT
Weighted average unexpired lease term

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RDI REIT
Real Estate Diversified Income

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