RDI REIT
Real Estate Diversified Income

Investing in opportunity

Annual Report 2018

User guide

Welcome to the RDI REIT P.L.C. Annual Report 2018. 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.

Welcome to the RDI REIT P.L.C. Annual Report 2018

Committed to becoming the UK's leading income focused REIT.

RDI is an established UK REIT invested in a diversified portfolio in the United Kingdom and Germany independently valued at £1.6bn.

As investors in property fundamentals and income characteristics, we offer superior, sustainable and growing income returns for our shareholders.

EPRA
EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Global property research
Solutions for customized property indices

What's inside

On track to achieve our medium term targets.

Chief Executive's report page 04

Recycling capital to improve the portfolio's resilience and longer term income security.

The year in review page 08

CSR is integral to our business, strategy and governance.

CSR page 56

During the year, RDI REIT has received the following accolades:

Compliance with EPRA Best Practice Recommendations

Compliance with EPRA Sustainability Best Practice Recommendations

Best Overall Communication of Company Investment Proposition

Best Printed Report: FTSE 250 Bronze

Revo Purple Apple Marketing Awards: Events category

Strategic report

Directors' report

Financial statements

Other information

Strategic report
Directors' report
Financial statements
Other information

At a glance

Delivering on strategic targets.

UNDERLYING EARNINGS

+7.4%

Generated by income accretive acquisitions

EARNINGS PER SHARE

+3.3%

Growth in earnings per share

DIVIDEND PER SHARE

+3.8%

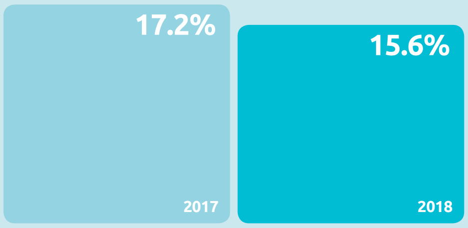
Fully covered

EPRA NAV PER SHARE

+3.4%

Driven through capital recycling

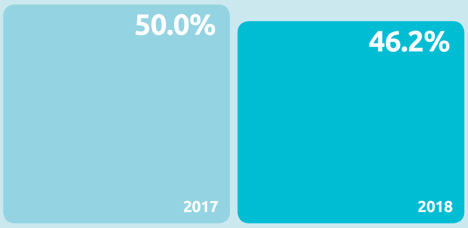
EPRA COST RATIO



15.6%

One of the lowest cost ratios in the sector

LTV



46.2%

Improved gearing

Where we operate

Our diversified portfolio is located in Europe's two strongest economies.

United Kingdom

£1.4bn

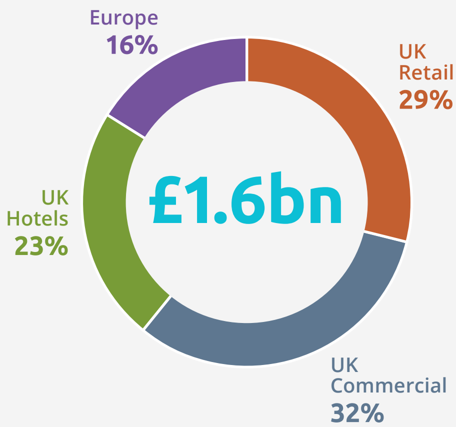
focused on London and the South East

Germany

£0.2bn

focused on Berlin and Hamburg

Market value



Investment proposition

Committed to becoming the UK's leading income focused REIT. Our income led business model and strategic priorities are designed to deliver superior, sustainable and growing shareholder distributions.

An attractive business model focused on income driven total returns in an environment where sustainable income is increasingly important.

Superior income

Committed to deliver 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, with a WAULT of 7.0 years to first break and an average debt maturity of 6.7 years

Growing income

Medium term target to grow underlying earnings per share between 3% and 5% per annum

Chief Executive's report

"We continue to deliver one of the highest yields on net asset value in the sector, with our performance underpinned by a strong balance sheet and a significantly improved portfolio."

Mike Watters
Chief Executive Officer

Highlights

Superior income
One of the best cost ratios in the sector, efficiently converting rental income into underlying earnings
15.6%

Sustainable income
Weighted average unexpired lease term (to first break)
7.0yrs

Growing income
Growth in underlying earnings per share
3.3%

I am pleased to report on a period of continued progress against our strategic objectives. Despite macro-economic and political uncertainty, underlying occupational and investment markets have proven resilient for the majority of the sectors in which we are invested.

The RDI portfolio has been enhanced through the recycling of capital from mature and ex-growth assets into locations and assets benefiting from stronger occupier demand and rental growth prospects. Acquisition and disposal activity over the period totalled £519.7 million resulting in a lower net debt position and loan to value ratio. Underlying earnings and dividends are in line with medium term guidance, a pleasing result given the level of capital recycling and the resulting reduction in balance sheet gearing.

Results and dividend

Underlying earnings increased by 7.4 per cent to £53.5 million (31 August 2017: £49.8 million). Underlying earnings per share increased by 3.3 per cent to 2.84 pence per share (31 August 2017: 2.75 pence per share), in line with our medium term growth target of 3.0 to 5.0 per cent per annum.

EPRA NAV increased by 3.4 per cent to 42.8 pence per share (31 August 2017: 41.4 pence per share) supported by disposal proceeds of £255.8 million at an average 8.9 per cent premium to book value. Despite the continued fall in UK Shopping Centre values, the like-for-like portfolio value increased 0.1 per cent, testament to the strong valuation performance delivered elsewhere. The acquisition of the IHL and London Serviced Office ("LSO") portfolios in the first half of the year are excluded from the like-for-like valuation movements but increased in value by 14.0 per cent and 1.0 per cent respectively relative to their purchase prices.

The Board has declared a second interim dividend of 1.35 pence per share taking the full year dividend to 2.70 pence per share, a 3.8 per cent increase on the same period last year. The dividend reflects a pay-out ratio of 95.1 per cent of underlying earnings for the full year, in line with our objective of distributing superior income returns fully covered by underlying earnings and aligned with operating cash flow. The total accounting return for the year was 9.8 per cent.

Our strategic priorities remain unchanged with a focus on delivering sustainable and growing income returns for our shareholders.

Holiday Inn Express, Southwark, London

Strategic priorities

Our strategic priorities remain unchanged with a focus on delivering sustainable and growing income returns for our shareholders. To support this we have invested in assets which can deliver long term sustainable and growing rental income streams, strengthened the balance sheet and aligned our dividend with underlying earnings and operating cash flow.

Enhancing our income focused portfolio

It has been an exceptionally active year with a number of major transactions being concluded which has enhanced the overall quality of the portfolio. The Leopard portfolio of German supermarkets was sold in December 2017 for €205 million, €20 million above the combined 31 August 2017 market value. Two significant acquisitions were also concluded during the period totalling £266.1 million.

Our investment in IHL was increased from 17.2 per cent to 74.1 per cent with IHL subsequently being de-listed and fully integrated into our hotel portfolio. The IHL portfolio was valued at £104.4 million immediately prior to acquisition.

The acquisition of an 80 per cent interest in the £161.7 million LSO portfolio in January 2018 provides us with exposure to a sector benefiting from positive structural change as occupiers move towards more flexible lease structures, higher quality services and an office environment which helps employers to attract and retain talent.

Exposure to the industrial and distribution sectors was increased post period end through a £26.0 million forward funding of a development of two distribution units in Bicester and the acquisition of an industrial estate in Farnborough for £26.3 million, at a net initial yield of 6.2 per cent.

The retail sector suffered several retailer failures and restructurings with retailers' business models and physical store portfolios continuing to adjust to changes in consumer behaviour and spending patterns. Whilst capital values across our UK Shopping Centre portfolio are down, this was largely attributable to increased investment yields as we maintained occupancy and income through active management. Occupancy in the UK Shopping Centre portfolio remained high at 96.4 per cent (31 August 2017: 96.7 per cent) whilst like-for-like net rental income was broadly flat over the period. Our retail park portfolio, although not immune to the challenges in the retail sector, increased in value by 1.6 per cent largely the result of asset management initiatives.

Efficient capital structure

Following a period of net disposals, our cash position was circa £59.0 million at year end. Net debt has been reduced to £748.4 million (31 August 2017: £788.8 million) resulting in a reduction in our LTV ratio to 46.2 per cent (31 August 2017: 50.0 per cent). Following two post year end acquisitions, LTV has increased to 47.3 per cent on a pro forma basis, which is still 270bps lower than the prior year. Despite the increase in available cash balances, we remain disciplined in assessing reinvestment opportunities both in terms of pricing and asset quality.

The weighted average cost of debt increased to 3.4 per cent (31 August 2017: 3.1 per cent) driven largely by a net increase in the average cost of debt associated with acquisitions and disposals. Interest cover improved to 3.5 times (31 August 2017: 3.2 times) as a result of lower leverage which, combined with an average debt maturity of 6.7 years and covenant headroom, ensures strong operating cash flow cover and limited refinancing risk.

Chief Executive's report
continued

We are responding to the changing investment market by increasing our exposure to stronger demographics and focusing on areas of growth in occupier demand.

2-6 Boundary Row, Waterloo, London

Strategic priorities continued

Financial discipline

In addition to the reduction in leverage, further progress against key financial metrics has been delivered. The full year dividend is covered by underlying earnings with a payout ratio of 95.1 per cent. While the payout ratio is at the upper end of our target range of 90 per cent to 95 per cent, net disposals during the period resulted in a higher cash balance and lower LTV. The EPRA cost ratio, a measure of the Group's administrative and operating costs relative to rental income, decreased to 15.6 per cent (31 August 2017: 19.8 per cent) enhancing the conversion of gross rental income to shareholder dividends.

Appointment of new Chairman

I would like to take the opportunity to thank Greg Clarke for his leadership of the Board over the past seven years, having overseen the Company's growth and transformation into a leading income focused UK REIT. He was an outstanding Chairman and steered the Company forward in a strong yet balanced manner, ensuring that the highest corporate governance and ethical standards were met at all times, whilst providing support for our entrepreneurial culture in assessing business opportunities.

I'm pleased to welcome Gavin Tipper as our new Chairman. Following a comprehensive search process including both internal and external candidates, the Board selected Gavin as the strongest candidate. Gavin has been an independent Non-executive Director of RDI since August 2011 and brings significant experience and expertise to the role, whilst also benefiting from a thorough understanding of the Company's strategic direction and dual-listed shareholder base.

Appointment of KPMG UK as auditor

KPMG Ireland have acted as the Company's auditor since 2010. With the scheduled rotation of the audit partner due at the end of this year, the Board took the opportunity to retender the audit. Three firms were invited to tender and after a rigorous process, and a recommendation from the Audit and Risk Committee, the Board appointed the UK firm of KPMG to act as the Company's auditor for the financial year ending 31 August 2019. The appointment of KPMG UK will be subject to the approval of shareholders at the AGM to be held in January 2019. Our sincere thanks and gratitude are extended to Niamh Marshall and her team at KPMG Ireland.

Growing our business sustainably

We are committed to measuring and improving our environmental, social and governance performance. We participate annually in the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate assessment and have increased our GRESB score for the third consecutive year. In our Annual Report we report on sustainability performance using the latest EPRA Sustainability Best Practices Recommendations ("sBPR") and we are proud to have received our first EPRA Best Practice sBPR award for our 2017 report.

Outlook

We are witnessing a polarisation in investment demand and widening in pricing between prime and secondary assets, with investors taking an increasingly narrow view of the definition of prime real estate. The same trend has been marked in the pricing of assets and sectors benefiting from positive structural change in occupier demand compared to those experiencing challenges from many of the same structural trends. The strength of the industrial and distribution market compared to weakness in the retail sector is the most obvious example and is clearly evident in the divergent performance within our own portfolio.

We have responded to these changes by increasing our exposure to stronger demographics and focusing on areas of growth in occupier demand such as London serviced offices, distribution and multi-let industrials while retail, and more specifically UK shopping centres, now form a smaller part of the overall portfolio. This is a trend we will look to continue, subject to market conditions, over the short to medium term.

Given the level of uncertainty around the UK's exit from the EU, the outlook for interest rates and the change in occupier requirements, we are prepared to be patient with the reinvestment of recent disposal proceeds and will retain a disciplined acquisition strategy. In the current environment, we believe the benefit of maintaining reasonable levels of liquidity and lower leverage outweighs the risk to earnings growth in the short term. However, we remain active in looking for value enhancing opportunities to support our commitment to delivering our medium term earnings targets.

Longer term, our investment strategy will take account of the pace at which real estate is changing with increasing requirements from occupiers for flexibility and service. Technology, demographics and transport infrastructure are all impacting future real estate strategies and the ability of assets to deliver long term sustainable income returns. The changing nature of real estate and occupier demand is placing a far higher emphasis on operational platforms and services. We believe RDI has a unique market position to capitalise on this trend, with our leading operational partners in RBH and Office Space in Town.

Mike Watters
Chief Executive Officer

25 October 2018

The changing nature of real estate and occupier demand is placing a far higher emphasis on operational platforms.

Holiday Inn Express Southwark, London

The year in review

Strategic capital recycling to drive sustainable income and leverage reduction.

Rebrand
December 2017

Redefine International P.L.C. changes its name to RDI REIT P.L.C. and launches a new brand identity.

Entry into London Serviced Offices
January 2018

Acquisition of four serviced office buildings in Central London at a c. 6 per cent net initial yield for £162 million. Office Space in Town was retained as an incentivised operating partner and aligned co-investor. A sector benefiting from positive structural change and growth in occupier demand.

Disposal of German Retail Portfolio
December 2017

Opportunistic disposal of 66 small lot size retail assets in Germany at a 10.8 per cent premium to book value, reducing the Group's retail exposure. Proceeds re-invested in higher quality assets in the UK at lower leverage.

Mixed use acquisition with development potential
December 2017

Acquisition of a mixed use site in Kingston with an attractive near term yield, close to local transport links. Part of a wider strategic site with medium to long term development potential.

Acquisition of IHL
November 2017

Control of the formerly listed hotel company IHL was acquired; nine hotels were added to the portfolio including Hampton by Hilton at Gatwick Airport, integrally linked to the North Terminal. By year end the valuation was 14 per cent higher than acquisition pricing. The Group now holds a 74.1 per cent interest.

Continued focus on reducing leverage

Over £40 million of debt was repaid during the year, funded primarily from profits on opportunistic and mature asset disposals, reducing leverage from 50 per cent to 47 per cent, after taking into account two acquisitions post year end.

Increased exposure to distribution
September 2018

Immediately following the year end, the Group forward funded a £26 million development of two distribution warehouses in Bicester and acquired a £26.3 million multi-let industrial estate in Farnborough, increasing exposure to the logistics sector.

Investor engagement
June 2018

Investor day and property tour focused on landlords becoming service providers; touring the newly acquired serviced office portfolio. Our operational partners from both the London Serviced Office and UK Hotels portfolio presented to investors on the evolving demands of occupiers and the opportunities for sustainable income growth.

Appointment of new Chairman
July 2018

The Board thanked Greg Clarke for his contribution over the years and welcomed Gavin Tipper to the position of Chairman of the Board.

Market context

Structural change in real estate is driving rapid change in occupational markets. We believe our diversified, scalable portfolio is well positioned to take advantage of opportunities as they arise.

2-6 Boundary Row, Waterloo, London

Economy

UK GDP growth remains low, however it has proved more resilient and performed ahead of expectations given the uncertainty post the EU Referendum. Notwithstanding the ongoing political uncertainty, forecasts have recently been revised upwards, with GDP growth expected to rise to over 2.0 per cent in 2019.

Employment statistics remain strong with the unemployment rate at 4.0 per cent in August 2018. As a result, real wage growth has started to emerge which would suggest support in consumer demand. Overall retail spending has been relatively healthy, however the headline figures do not reflect the rise in online shopping and cost pressures within certain retailers' businesses.

The outlook for interest rates remains on an upwards trajectory albeit long term rates remain well below historic averages. The increase in the UK base rate from 0.5 per cent to 0.75 per cent was only the second increase in over a decade with some economists expecting further rate rises.

Occupational market

The role of real estate has changed materially and in a very short space of time. Occupiers are viewing real estate as an increasingly strategic part of their business, covering everything from logistics and operations to attracting and retaining the best talent. As an owner and investor in real estate, a client focused approach is now more important than ever. A successful investment strategy must consider the key factors driving occupier demand and client satisfaction which now covers a far broader set of requirements than ever before. In addition to owning good quality real estate, issues such as wellbeing, services, digital connectivity and amenities are now high on the agenda.

Outside of retail, occupational markets have performed ahead of expectations in the UK. Industrial and distribution assets, particularly in the South East, continued to see strong take-up supported by growth in online retail and last mile distribution. The London office market has exceeded expectations. Take up of space remained strong with support from large corporates and high levels of pre-letting activity absorbing new supply. Media and tech related companies have accounted for the largest proportion of take up, highlighting the diversity of London's occupier market and the reduction in reliance on financial services. Vacancy rates across the City and West End markets are now well below 5 per cent.

Demand for serviced and flexible offices continues to rise. This is being driven by a wholesale change in the way in which people work impacted by technology and urbanisation. In addition, occupiers are demanding more, including flexibility of the terms on which they contract space and the level of service provision being made available.

The retail environment remains challenging as retailers continue to adapt and right size their physical store portfolios to align with the rapid change in consumer spending habits. Food, convenience and service related retail is expected to remain resilient while discretionary spending on areas such as fashion is under pressure.

Investment and capital markets

Investment activity has remained strong with total UK investment volumes reaching £44.5 billion for the nine months to September 2018, a 6 per cent increase on the same period in 2017. Likewise, Germany remains on track for a record year in terms of overall investment volumes.

A combination of low interest rates and an expectation of limited growth in capital values has centred attention on income returns and sustainability of income. With yields for prime real estate at low levels, demand for "alternatives" such as residential, serviced offices and self-storage has risen sharply as investors develop a greater understanding of operational risk.

RDI's own capital allocation has targeted allocating capital to assets in locations and sectors with long term structural support and occupier demand. Investments and disposals totalling £540.6 million were completed in the financial year and have provided increased exposure to London and the South East as well as reducing the Group's overall exposure to the retail sector. Approximately 44 per cent of the portfolio has been acquired over the last three years with 82 per cent of these acquisitions located in London and the South East.

Technology

Developments in technology continue to be the driving force behind changes in cultural behaviour at home, at work and at leisure.

Never has technology been more apparent in our daily lives, with digital personal assistants in the home, smart tech's continuously improving functionality playing a huge role in leisure time and the constant demand for faster connectivity everywhere. The high-speed evolution of technology is having a profound effect on life choices and blurring the lines for place making.

This is evident with the current shift in the office space sector with remote working becoming more commonplace, driving increased demand for flexible and co-working spaces that enable occupiers to be part of a community.

Online continues to shape the way retailers are approaching bricks and mortar retail – using online channels to drive shoppers to physical stores, and technological touchpoints in store environments to create brand advocacy and maximise social media communities.

Our community-centric approach to our assets, across the sectors, focuses on "space as service" through understanding the emotional and functional needs of our occupiers, clients and customers whether that be the very best technical and IT products in our London Serviced Offices or working with retailers to deliver consistent messaging across digital channels within our shopping centre and retail parks portfolios.

A combination of low interest rates and an expectation of limited growth in capital values continues to centre investor attention on income returns and sustainability of income.

Despite the challenges faced, investment activity remains strong in the UK and Germany remains on track for a record year in terms of overall investment volumes.


Royal Mail, Camino Park, Crawley

Income led business model

Designed to deliver superior, sustainable and growing income.

Our resources

Our assets
Well located investments generating strong occupier demand. Creating spaces and places for people and businesses to grow and prosper.

Our people
We recruit and develop high calibre dynamic and entrepreneurial people, who have a high performance, results oriented approach.

Our stakeholders
We aim to build and foster professional relationships with all our stakeholders through collaborative and transparent interaction.

Strategic priorities

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 16

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 17

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 18

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.

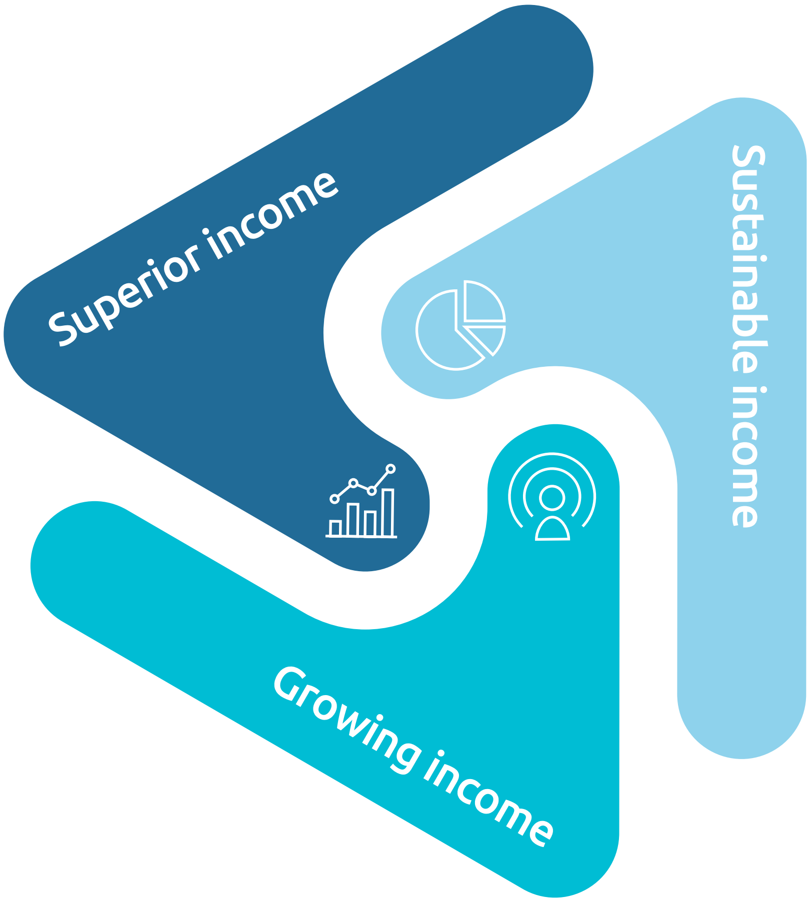
Read more on page 19

Underpinned by our culture

1 Hands-on, lean management team

2 Entrepreneurial spirit

How we create value



The value we add

Shareholders
Sector leading income yield.

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

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

Suppliers
We support the growth of high performance, service oriented businesses and provide the opportunity to develop long term relationships.

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

3 **Cultural focus on driving income**

4 **Efficient deal makers**

5 **In-house expertise**

6 **Strong relationships and alignment with strategic partners**

Strategic priorities

	Targets	Risks[1]
Income focused portfolio	• High quality portfolio • Limited volatility through the property cycle • Invest in opportunities across sectors • Sufficient scale • Cost efficient portfolio	• Competition for investments • Decline in market conditions • Failure to anticipate changes in the property cycle • Development and construction risk • Weaker occupier demand • Low inflation environment
Efficient capital structure	• Strong balance sheet • Operational flexibility • Competitive cost of capital	• Reduced availability of financing and refinancing at acceptable cost • Increased cost of finance • Adverse movements in share price • Changes in regulatory requirement • General market dislocation
Financial discipline	• Rental income growth of 2-5 per cent like-for-like p.a. • Efficient conversion of rental income to profit • EPRA cost ratio <15 per cent • Covered dividend with 90-95 per cent payout ratio • Interest cover ratio >3 times • Underlying EPS growth of 3-5 per cent p.a. • LTV of 45-50 per cent	• Adverse interest rate movements • Tenant default • Deterioration in LTV • Declining valuations leading to covenant breaches • Adverse foreign currency movements
Scalable business	• Improved liquidity • Recycling capital • Limit volatility • Multiple sources of capital	• Significant external, political or financial event • Changes in regulatory requirements • Competition for investments

(1) Principal risks, their potential impact and mitigating factors are set out on pages 20 and 21.
(2) Executive performance is linked to strategy as outlined on page 23.

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.

Link to remuneration[2]	Outcomes
LTIP – Earnings, total property return **STIP** – Earnings, NAV **ELTI** – Earnings, total property return	• 27 per cent of portfolio subject to index-linked rents • Occupancy steady at 97.1 per cent • 176 lease events concluded at 8.2 per cent above previous passing rent • Reversionary yield, 70 basis points above current portfolio NIY • Income focused developments added £1.7 million in gross annualised income For more information see page 16
STIP – Cash flow, personal objectives	• 3.4 per cent weighted average cost of debt • Weighted average debt maturity of 6.7 years • LTV reduced to 46.2 per cent For more information see page 17
LTIP – Earnings, total property return, total shareholder return **STIP** – Earnings, cash flow, NAV **ELTI** – Earnings, total property return, total shareholder return	• Fully covered dividend with 95.1 per cent pay out ratio • Cost of debt of 3.4 per cent • Interest cover 3.5 times • Cost ratio reduced to 15.6 per cent • Rent collection outstanding at 98.0 per cent within seven days • LTV at 46.2 per cent For more information see page 18
LTIP – Earnings, total property return **STIP** – Earnings, cash flow **ELTI** – Earnings, total property return	• Portfolio WAULT of 7.0 years (8.4 years to first break) • Mature asset disposals generating £255.7 million • 3.4 per cent growth in EPRA NAV • Expansion of hotels exposure through increased investment in IHL • Reduced retail exposure and reinvestment into sectors experiencing positive structural change For more information see page 19

Strategy in action

Driving income growth through reduced retail exposure and re investment into sectors experiencing structural support.

CASE STUDY

Income focused portfolio

With the retail sector continuing to experience the impact of changing consumer behaviour, the Group took the decision in December 2017 to dispose of its German supermarket portfolio.

The German retail portfolio comprised 66 assets, with an average lot size of €3.1 million, and limited near to medium term income growth potential. Taking advantage of the extremely strong German investment market, the portfolio which generated annualised net rental income of €12.7 million, implying a 5.8 per cent net initial yield, was disposed of for €205 million, a €20 million (10.8 per cent) premium to book value.

Proceeds were reinvested into four well located London Serviced Offices, a sector experiencing structural support and growth opportunities given the changes in workforce demands for flexibility and cost efficiency.

Demand for alternative asset classes, such as student accommodation, self-storage, and serviced offices has risen sharply in recent years as investors develop a greater understanding of operational risk.

Alongside improving the portfolio's quality, the disposal and subsequent acquisition was income accretive and provides exposure to an improved income growth outlook.

Together with our Hotels business, RDI is now well placed to take advantage of the increasing trend of real estate owners becoming service providers.

London flexible office sector

London is the single largest and most developed flexible office market globally. Demand for flexible space in London is on the rise and is supported by increased occupier demand for flexible, cost efficient space.

The sector is more resilient in times of economic uncertainty. Since Brexit, London job creation has slowed, however flexible offices' share of take up has increased.

Flexible workspace and co-working account for c. 7 per cent of Central London office stock. JLL expects this share to increase to 30 per cent by 2030.

Deal rationale

- Differentiated serviced office business model
  - Owned model with a proven sustainable track record
  - Established and experienced operator with aligned interests
  - Uniquely designed and wholly refurbished space
  - The offering is defined by the premium service, whilst desk rates are typically mid-market
  - Asset management and synergy opportunities
- Scalable platform
  - Right of first refusal on future developments
  - Simple integration of future acquisitions and potential for repurposing of existing RDI assets
  - Anticipated yield on equity of over nine per cent
  - Experienced operational partner with aligned interest

Workforce behavioural change

- Technology supports mobility
- Millennials will make up 75% of workforce by 2025
- Demanding work-life balance
- More collaborative and creative work environments

One size does not fit all

- Allow for space to grow with requirements
- Businesses can be more agile and manage risk more effectively

Cost efficient

- Economical for both occupier and landlord
- Avoids set up costs and need for capital investment
- Ability to outsource non-core business activities

Shorter leases/licences

- Traditional office leases continue to shorten
- Brexit uncertainty may drive demand for shorter term commitment

Lease accounting changes

- From 2019 long leases will be reflected as liabilities on the balance sheet

Deeper potential customer base

- Broadening demand
- Corporates are increasingly taking up flexible space
- Creating a presence anywhere

CASE STUDY

Efficient capital structure

Strategy in action

LTV reduction whilst minimising income dilution.

Setting a medium term target of reducing the Group's loan to value to between 45 and 50 per cent whilst minimising income dilution such that income growth targets could be maintained was an ambitious challenge, but RDI has achieved a delicate balance.

Over the past two years, we have worked towards extending the Group's weighted average debt maturity, taking advantage of the low interest rate environment to secure lower, longer term interest rates.

The best rates are generally secured at lower levels of gearing, meaning capital can be deployed at attractive returns, minimising income dilution. Here are two initiatives completed in 2017 which have positively contributed towards reducing gearing while minimising income dilution and demonstrates our ability to reduce leverage efficiently.

UK non-bank debt	28 Feb 2017	Post transaction
Debt	£167.8m	£146.1m
Cost of debt	5.8%	5.5%
LTV	71%	62%
Our share of Wigan net income	50%	100%

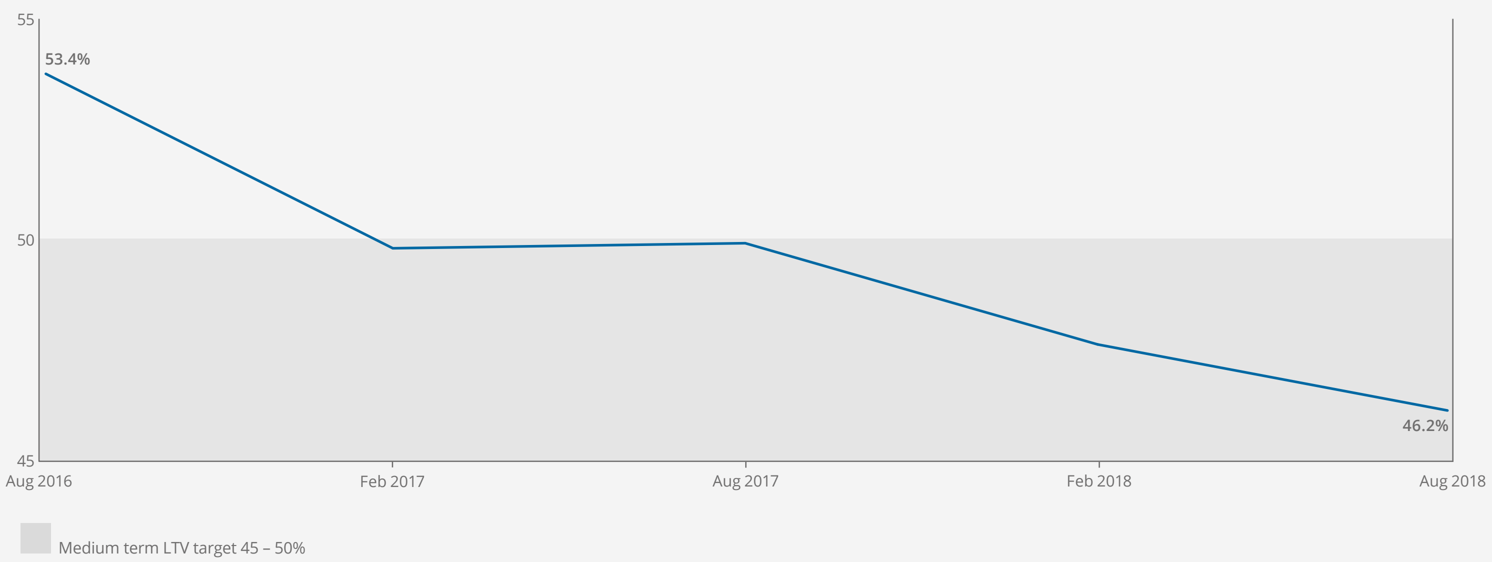
Yield on equity: c. 10.0%

Euro debt facility	28 Feb 2017	Post transaction
Debt	£44.0m	£38.4m
Cost of debt	3.7%	c. 2.7%
LTV	65%	57%

Yield on equity: c. 9.8%

In addition, the Group has taken advantage of the £148 million revolving credit facility sourced as part of the Aegon UK portfolio facility. This allows surplus cash to be applied, generating a return well in excess of money market deposits. The facility carries a ratcheted margin linked to LTV which provides marginal interest rate reductions at lower LTVs.

Meaningful reduction in leverage



Strategy in action

Driving down overheads: IHL acquisition.

CASE STUDY

Financial discipline

The Group seeks to convert rental income into earnings, and ultimately shareholder distributions, as efficiently as possible.

In October 2015 the Group participated in the establishment of International Hotel Properties Limited ("IHL"). IHL was listed as a hotel owning and operating entity, a sector RDI had exposure to through its existing hotel investments and 25.3 per cent shareholding in its operational partner, RBH Hotels Group.

As a listed entity IHL built a portfolio of nine UK hotels. In June 2016 the UK voted to leave the European Union which impacted IHL's ability to source new investment and raise capital to advance its strategy.

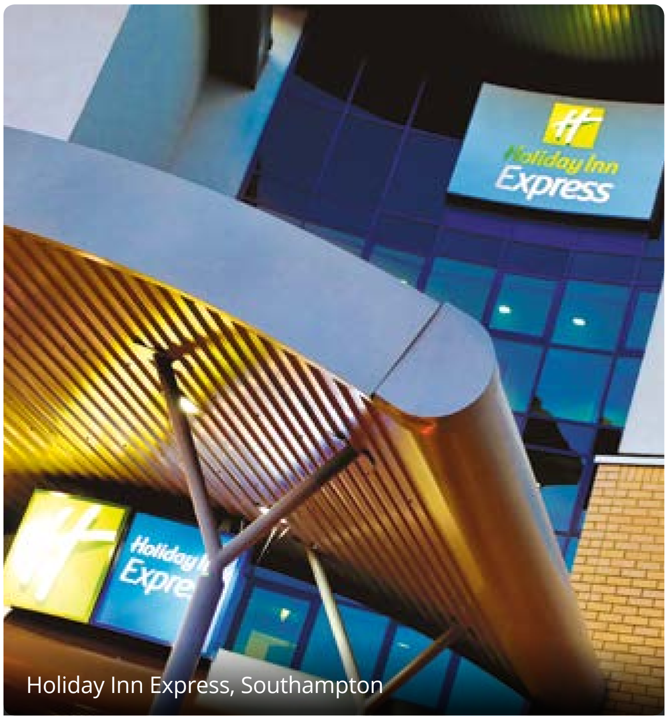
In November 2017, an opportunity arose to take control of IHL, leverage off RDI's existing operational partners and delist the entity, realising considerable efficiency savings.

Through a scheme of arrangement, RDI completed a share-for-share exchange with IHL's minority shareholders and delisted the entity, saving the associated Board, management and listing costs.

Since acquisition, the portfolio of nine hotels has increased in value by 14 per cent on acquisition pricing.

Deal rationale

- Delisting delivered considerable cost savings
- Well located hotels weighted towards Greater London and Edinburgh
- Secure and growing income
    - Limited service and branded hotels
    - Four Travelodge hotels with average unexpired lease terms >20 years and 21.2 per cent of income with uncapped CPI escalations
- Yield on equity in excess of ten per cent. An implied NIY of 6.9 per cent and minimal ongoing overhead costs. A strong earnings accretive opportunity which the Group capitalised on



Holiday Inn Express, Southampton


Travelodge, Belvedere


Travelodge, Leatherhead


Holiday Inn Express, Dunstable


Travelodge, Perth


Travelodge, Slough


Holiday Inn Express, Edinburgh


Hampton by Hilton, Gatwick


Holiday Inn Express, Southampton


Holiday Inn Express, Redditch

CASE STUDY

Scalable business

Strategy in action

Recycling capital at a premium.

During the year, disposals totalling £255.7 million were achieved at an average premium to book value of 8.9 per cent.

RDI actively manages income optimisation with every asset carrying its own income led business plan, where the asset's income is assessed as either sustainable or growing. If it does not meet certain strict hurdles, it is identified as a recycling opportunity, as illustrated below.

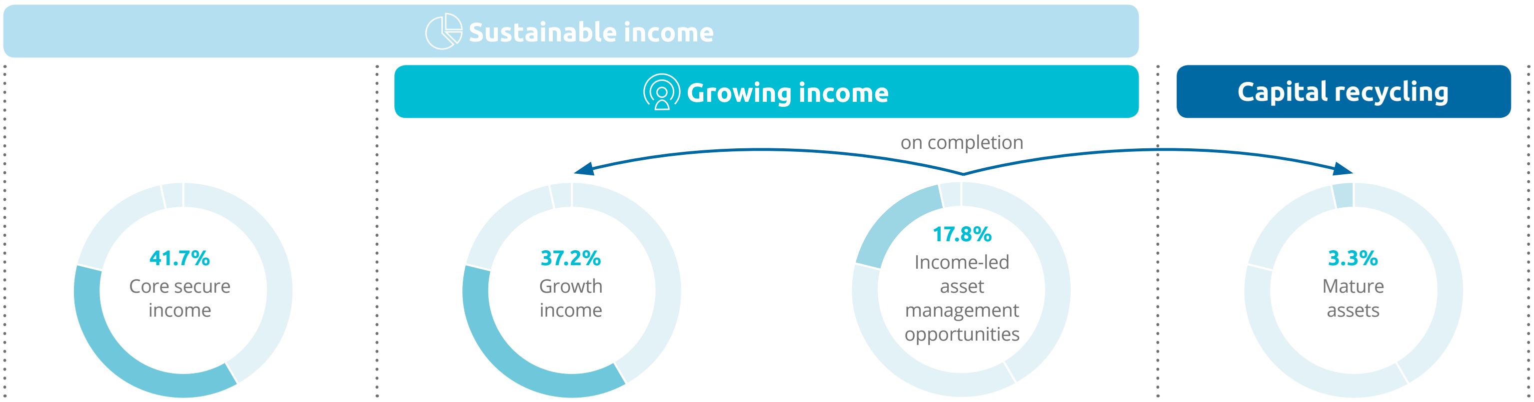
In line with this plan, and capitalising on the continued strength of both the UK and German investment market, a number of assets were disposed of during the year.

These were either:

- strategic disposals where, in our view, the income was not sufficiently sustainable;
- ex-growth, where in our view, we had extracted maximum value; or
- opportunistic, where market forces and competitive pricing attributed a greater value to the asset than we believed could be achieved through continued ownership.

Examples of this strategy in action during 2018 are set out below.

% of portfolio by gross annualised rental income



Asset management priorities for the next 12 months:

- Maintain income through:
  - High occupancy
  - Cost reductions

- Optimise serviced income and operational margins
- Double digit uplifts on upcoming logistics rent reviews

- Complete and progress development plans and asset management initiatives

- Recycle low growth assets at a premium

Strategic disposals

House of Fraser department store, Hull

- High street retail asset in Hull on a 22 year lease
- Sold for £11.0m; a 12.8% discount to book value
- Proactively removed covenant risk

Realising value following active asset management

Regional offices

- Disposal of six regional offices for £59.8m; an 8.9% premium
- £4.1m net annualised rental income; implied NIY of 6.4% on sales price
- Maturing regional office investment market

Opportunistic disposals

German supermarket portfolio

- €205m disposal; a 10.8% premium
- €12.7m net annualised rental income; implied NIY of 5.8% on sales price
- 66 assets with an average lot size of €3.1m

Principal risks

The Group seeks to minimise, control and monitor the impact of risks to profitability whilst maximising the opportunities they present.

RDI acknowledges 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 due to the changing business environment, the Group has an established risk management process to 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 assessed "bottom up" throughout the business both gross and net of mitigating controls. 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 are considered in terms of their impact and likelihood from both a financial and reputational perspective.

Although not exhaustive, the principal risks facing the Group are categorised into four broad risk types: Strategic, Financial, Operational and Legal and Regulatory. The potential impact of these risks and the mitigating controls in place to manage their impact are as follows:

Strategic risks

Change

Risk	Impact potential	Link to strategy	Mitigation factors
Failure to formulate and execute appropriate investments, including, but not limited to, gearing levels and diversification	• Declining net asset value, total property return (income and capital) • Declining total shareholder returns and increased share price volatility		• Annual review of investment strategy • Defined asset appraisal process • Investment Committee reviews all opportunities against pre-determined criteria • Monitoring of macroeconomic and property market trends • Flexible and agile decision making • Dedicated investor relations resource • Clear messaging of Group strategy to the market and to analysts • Ongoing dialogue and communication with brokers
Continuing uncertainty surrounding the political and economic climate; for example, negotiations on the UK's exit from the European Union results in increased uncertainty over future policy and legislation	• General market dislocation leading to increased volatility with potential impact on property valuations and/or share price • Constrained access to debt or capital markets impacting ability to address liquidity or covenant concerns		• Close relationships with key shareholders and lenders • Close monitoring of loan covenants and required cash cures in event of severe but plausible scenarios • Ongoing monitoring of proposals and emerging policy and legislation • Balance sheet structure provides flexibility
Significant business interruption or terrorist event	• Inability to access or operate properties • Operational interruption and disruption • Significant reduction in footfall • Injury or loss of life of occupier, customer, employee or contractor • Loss of key employee or supplier		• Adequate insurance cover • Geographic diversity of portfolio • Disaster recovery planning including frequent replication of data and offsite storage • Robust security including CCTV and access controls • Major incident planning and monitoring of NaCTSO security advice • Succession planning, performance evaluation and long term incentive rewards
Change in investment strategy of significant shareholder	• Adverse movement in share price • Perceived loss of confidence		• Close relationships maintained with key shareholders • Dedicated investor relations resource • Clear income focused total return strategy maintaining upper quartile performance • Actively target new investors

Financial risks — Change ↔

Risk	Impact potential	Link to strategy	Mitigation factors
Decline in market conditions and structural changes in retail consumer behaviour	• Reduced availability of financing and refinancing at acceptable cost • Inability to fund property investments • Increased cost of finance • Declining valuations leading to covenant breaches	Income focused portfolio, Efficient capital structure, Financial discipline, Scalable business	• Mix of lenders and maturities of facilities • Detailed capital planning and forecasting • Sufficient liquidity maintained to meet commitments • Early refinancing of debt • Regular assessment of market conditions including bi-annual external valuations and monitoring of covenants • Portfolio diversified across sectors and geography
Adverse interest rate movements and inflationary pressures	• Increased cost of borrowing and hedging reducing financial and operational flexibility • Adverse impact on property valuations	Efficient capital structure, Financial discipline	• Interest rate hedging policy providing interest rate protection • Target staggered debt maturities • Geographic diversification • Early refinancing where possible and economically viable to lock in lower rates for longer
Adverse foreign currency movements	• Decreased asset values • Reduced operating income • Reduced liquidity	Income focused portfolio, Financial discipline	• 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

Operational risks — Change ↓

Risk	Impact potential	Link to strategy	Mitigation factors
Failure to anticipate changes in the property cycle	• Reduced investment demand and declining property values • Potential pressure on banking covenants	Income focused portfolio, Scalable business	• Bi-annual external valuation of properties • Diversified portfolio • Active asset management • Regular monitoring of covenants
Reduced occupier demand for space, increased supply, or occupier defaults	• Reduced rental income and cash flow • Increased void costs • Declining property values	Income focused portfolio, Financial discipline	• 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 • Reputable property managers and efficient rent collection procedures
Inappropriate cladding or construction materials	• Increased risk in case of fire	Income focused portfolio, Financial discipline	• Annual fire risk assessment • Comprehensive review of cladding and insulation in place across portfolio and close liaison with national Health & Safety Manager

Legal and regulatory risks — Change ↑

Risk	Impact potential	Link to strategy	Mitigation factors
Health, safety and environmental risk	• Loss or injury to employees, tenants or contractors • Impact on reputation, adverse publicity or financial impact	Income focused portfolio, Financial discipline	• Policies in place with audit and risk assessments undertaken • Environmental programme in place • All properties actively managed • Dedicated Health & Safety Manager • Comprehensive tendering process for contractors
Changes in, or breach of, regulatory or legislative requirements	• Financial or reputational impact • Reduced financial returns as a result of increased taxes across non-REIT business • Adverse tenant behaviour	Efficient capital structure, Financial discipline, Scalable business	• Sound governance and internal policies • Appointment of appropriately qualified employees, corporate advisers and administrators in all jurisdictions with active engagement • 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

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

Viability statement

In the context of the Group's principal risks and strategic priorities, the Directors have considered an appropriate time horizon to assess longer term 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 comfortably exceeding three years. 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 its plans stress tested over the same period.

The Directors believe that focusing on the Group's strategic priorities will support the solvency and strategic viability of the Group in the longer term.

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 20 to 21, whilst significant areas of uncertainty are discussed on page 93. 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 pace of change facing UK retail and the implications that could arise from the various corporate events and negative sentiment currently facing that sector.

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:

- across the Group's portfolio, property valuations continue to remain broadly stable, with negative movements in one segment likely to be offset by positive movements in another, given the diversified nature of the Group's investments;
- 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;
- the Group continues to have a diverse tenant base with no particular concentration risk in any one covenant;
- lease expiries will result in a void period prior to re-letting, 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.

In addition, the Group's three-year business plan was stress tested using both specific and cumulative scenarios to simulate a general deterioration in market conditions, including flexing the key assumptions stated above. In particular, specific consideration was given to the following:

- a significant valuation decline of up to 20 per cent impacting the Group's UK retail investments brought about by continued negative sentiment and tenant failure, with specific consideration given to the Group's top ten tenant exposures; and
- debt facilities were stress tested to identify the tolerance level of covenants to declining valuations across the entire portfolio and availability of cash to provide covenant cures.

Conclusion

As a result of the work performed above and the various mitigating actions that are 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 provides 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 over the next three years.

Key performance indicators

Closely linked to strategy and management incentives to drive accountability.

KPI	2018	2017	How we measure it	Our progress	Link to strategy
Rental income growth (LfL % increase)	2.1	3.7	Growth in net income for properties held throughout the current and prior year; excludes acquisitions, disposals and properties under development	Annual growth rate within target range	Income focused portfolio
Underlying earnings per share (p)	2.84	2.75	EPRA earnings, adjusted for forex and fair value accretion on debt, divided by the weighted average number of shares during the period	Improved, with growth within target range	Financial discipline
EPRA cost ratio (%)	15.6	17.2	Administrative and direct property costs, excluding vacancy costs, as a percentage of rental income	Improved to within sight of target	Financial discipline
Weighted average cost of debt (%)	3.4	3.1	Interest rate on loans, weighted by the amount borrowed relative to total borrowings	Increased – a result of recycling capital from Germany into the UK and the relative cost of borrowing across the two geographies	Efficient capital structure
Interest cover (times)	3.5	3.2	Net rental income divided by net finance expense	Improved following reduced leverage	Financial discipline
LTV (%)	46.2	50.0	Nominal value of drawn debt, less cash, divided by portfolio market value	Improved to lower end of target range	Efficient capital structure
Weighted average debt maturity (yrs)	6.7	7.3	Number of years to maturity on individual loans, weighted by the nominal value of the loan relative to total borrowings	Long dated debt book with refinancing discussions on the Group's largest facility well advanced	Efficient capital structure
EPRA NAV per share (p)	42.8	41.4	EPRA net assets divided by diluted number of shares outstanding at the year end	Improved with 3.4 per cent growth following recycling at a premium	Scalable business

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

Operating review

What's in this section

Portfolio overview

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

- a weighted average lease length, excluding serviced space, of 7.0 years to the first potential lease break and 8.4 years to expiry;
- 27.0 per cent of gross rental income subject to inflation-linked or fixed increases;
- rental growth potential with a reversionary yield of 6.3 per cent, 70bps higher than the current portfolio net initial yield;
- high and stable occupancy demonstrating robust occupier demand;
- RBH managed hotels and London serviced offices account for 31.1 per cent of the portfolio by annualised gross rental income delivering robust income supported by strong occupier demand; and
- over 500 tenants with no single tenant accounting for more than 3.2 per cent of gross rental income.

Key statistics

£1.6bn
Total market value of portfolio

7.0yrs
WAULT to first break

97.1%
EPRA occupancy

5.6%
EPRA NIY

27.0%
Leases subject to indexation

176
Lease events completed totalling £19.4m

Overview

Each asset in the portfolio has an income led business plan and is viewed in terms of its ability to deliver sustainable income returns.

Portfolio summary 31 August 2018	Market value £m	Annualised gross rental income £m[(1)]	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs[(2)]	EPRA occupancy by ERV %[(2)]	Indexed %
UK Commercial	515.9	29.7	31.5	5.1	5.2	5.6	5.3	98.1	16.0
UK Retail	481.0	38.7	38.1	6.4	6.8	7.3	7.8	95.9	20.6
UK Hotels	364.9	26.0	26.0	5.9	5.9	6.4	18.2	100.0	9.3
Total UK	**1,361.8**	**94.4**	**95.6**	**5.8**	**6.0**	**6.4**	**7.5**	**96.8**	**16.0**
Europe	258.6	15.2	15.2	4.4	4.9	5.5	5.0	98.0	95.1
Total	**1,620.4**	**109.6**	**110.8**	**5.6**	**5.8**	**6.3**	**7.0**	**97.1**	**27.0**
Controlled assets	1,595.0	107.8	109.0	5.6	5.8	6.3	7.0	97.0	26.6
Held in joint ventures (proportionate share)	25.4	1.8	1.8	6.4	6.4	6.7	5.5	100.0	52.9

(1) Gross annualised rent for the London Serviced Office portfolio included as EBITDA net of management fees and FF&E.

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

Portfolio positioning by business plan

Each asset in the portfolio has an income led business plan and is viewed in terms of its ability to deliver sustainable income returns and/or growth. Approximately 79 per cent of the current portfolio is classified as either "Core income" or "Growth income". Core income assets typically exhibit long lease lengths, high cash on cash returns and are predominantly multi-let, often with some form of indexation. Growth income assets constitute approximately 37 per cent of the current portfolio. These assets are typically lower yielding but with higher intrinsic growth prospects.

18 per cent of the portfolio comprises properties which have shorter term, more intensive asset management plans underway. These opportunities are typically income led with a significant percentage of pre-let income being secured before development commences. The Company's ability to create marginal revenue and enhance the quality of assets is fundamental to its overall strategy.

Where RDI has maximised the potential of individual assets or where the market is prepared to pay a higher price than its view of the assets' intrinsic value, the Company will look to sell and recycle that capital into new opportunities. Approximately 3 per cent of the portfolio is currently considered mature with a number of those assets being considered for sale.

Portfolio by business plan 31 August 2018	Annualised gross rental income %	Annualised gross rental income £m[(1)]	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs[(2)]	EPRA occupancy by ERV %[(2)]	Indexed %
Core income	42	45.7	44.9	5.9	6.1	6.7	7.5	97.3	53.9
Growth income	37	40.8	42.2	5.7	5.7	6.2	4.2	100.0	0.7
Asset management	18	19.5	20.0	4.7	5.3	5.5	6.9	95.8	19.1
Mature	3	3.6	3.7	5.5	6.5	6.9	5.4	94.4	27.4
Total	**100**	**109.6**	**110.8**	**5.6**	**5.8**	**6.3**	**7.0**	**97.1**	**27.0**

(1) Gross annualised rent for the London Serviced Office portfolio included as EBITDA net of management fees and FF&E.

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

Valuation overview

The like-for-like portfolio value increased by £1.2 million or 0.1 per cent net of capital expenditure. On a local currency basis, like-for-like valuations increased by 0.6 per cent. The change in value was driven by a 2.1 per cent increase in like-for-like annualised net rental income, partly offset by a 10bps outward shift in net initial yields. The overall portfolio currently reflects a 5.8 per cent EPRA topped up net initial yield and a 6.3 per cent reversionary yield.

The UK Commercial portfolio delivered the strongest growth, increasing £23.1 million or 7.5 per cent, largely as a result of the strength of the industrial and distribution portfolio which increased 17.7 per cent or £20.2 million, and London offices which were up 1.8 per cent or £1.7 million. UK Hotels and Europe (in local currency) increased 2.1 and 2.2 per cent respectively, a steady performance. Performance in the UK Retail portfolio was mixed. UK Shopping Centres declined by £29.0 million or 9.2 per cent despite occupancy being maintained at 96.4 per cent and net income remaining in line with the prior year. UK Retail Parks increased by £2.9 million or 1.6 per cent supported by the completion of asset management initiatives.

Leasing activity

It has been an active period with 176 leasing events being concluded providing total rent of £19.4 million, an 8.2 per cent (£1.5 million) increase above the previous passing rent and a 3.5 per cent (£0.7 million) increase on ERV. Proactive asset management ensured that the portfolio occupancy remained high and stable at 97.1 per cent (31 August 2017: 97.7 per cent).

Lease events 31 August 2018	Number of lease events	Lettable area sqft	Contracted rent £m	Previous passing rent %	ERV %
UK Commercial	12	196,094	3.3	+12.1	-0.5
UK Retail	78	925,127	13.2	+5.7	+4.3
Europe	86	148,878	2.9	+15.7	+4.3
Total	**176**	**1,270,099**	**19.4**	**+8.2**	**+3.5**
Developments completed	3	75,264	1.7		

- 73 rent reviews were completed in the period resulting in total rent of £14.0 million, a 9.0 per cent (£1.2 million) increase above the previous passing rent and 8.7 per cent (£1.2 million) ahead of ERV. The largest rent reviews included a fixed rental uplift on the Tesco lease at Weston Favell, Northampton; up 11.8 per cent or £0.4 million on the previous passing rent and the open market rent review of the UK Power Network lease at Newington House, Southwark; up 46.5 per cent or £0.4 million on the previous passing rent.
- 103 leases were either re-let or renewed on break or expiry accounting for a total rent of £5.4 million, 8.1 per cent (£0.5 million) below ERV. The underperformance against ERV was as a result of two leases at Grand Arcade, Wigan. Excluding these two lease renewals and new leases were in line with ERV.

In addition to the leasing activity above, completed developments contributed a further uplift of £1.7 million in gross annualised rent. These included Primark in Ingolstadt which commenced trading in August 2018 and TK Maxx in Derby which commenced trading in February 2018.

Overall, recent retailer administrations and CVAs resulted in a loss of £0.8 million in gross annualised rent, however, encouraging progress has been made in the re-letting of the remaining vacant units. Further detail is provided in the UK Retail section.

Acquisitions

The first half of the year included the acquisition of both the IHL hotel portfolio and the LSO portfolio. These acquisitions have increased our exposure to London and the South East, and represent sectors and operating platforms which provide yield premiums from high quality real estate. Both of these acquisitions were successfully integrated into the portfolio during the second half of the year. This capital allocation has created a stronger alignment of the portfolio to sectors supported by strong occupier demand and positive structural change.

Post the year end, exposure to the industrial and distribution sector was increased through a £26.0 million forward funding of a development of two modern distribution units in Bicester and the acquisition of a multi-let industrial estate in Farnborough for £26.3 million, at a net initial yield of 6.2 per cent.

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

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

(2) Net rental income at acquisition for the London Serviced Office portfolio included as EBITDA net of management fees and FF&E.

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

Overview
continued

Acquisitions continued

International Hotel Properties Limited ("IHL")

RDI increased its holding in IHL from 17.2 per cent to 74.1 per cent following a successful scheme of arrangement in November 2017. The majority of the acquisition consideration was settled by way of a share-for-share exchange with IHL shareholders. Additional information is provided in Note 9 to the financial statements.

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

The integration of the IHL business was completed to plan with associated cost savings being achieved through the de-listing and integration of the hotel assets into the Company's existing hotel portfolio and REIT status.

As at 31 August 2018, the IHL portfolio was valued at £119.0 million, a 14.0 per cent increase in the portfolio value on acquisition pricing.

Canbury Business Park, Kingston

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

London Serviced Office portfolio ("LSO")

On 15 January 2018, RDI acquired an 80.0 per cent interest in a portfolio of four London serviced offices valued at £161.7 million. The acquisition provides exposure to good quality London offices at a yield in excess of 6.0 per cent. The longevity of income is supported by the Company's experienced operational partner, Office Space in Town ("OSIT"), which will continue as the operator of these assets. OSIT is an industry leading operator of serviced offices and has a strong alignment of interests through its 20.0 per cent retained investment in the assets and an EBITDA based management fee.

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

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

As at 31 August 2018, the LSO portfolio was valued at £163.4 million, a 1.0 per cent increase in value since acquisition.

Disposals

Disposal proceeds in the period totalled £255.7 million at an average premium to book value of 9.0 per cent. Over the past two years, disposals of £403.9 million have been completed capturing significant value and repositioning the portfolio toward locations and assets with stronger growth prospects.

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

Other disposals included regional offices in Leeds, Edinburgh, Bristol, Plymouth, Sparkhill and Edgbaston, altogether reducing exposure to regional offices which offered limited further rental growth opportunities following successful letting activity in many cases.

The House of Fraser department store in Hull was sold in November 2017 for £11.0 million. Despite being sold at a discount to book value, the Company proactively removed exposure to a potential covenant risk which has proven to have been a wise decision.

Disposals	Completion	Market value £m	Sales price £m	Annualised triple net rental income £m	EPRA NIY on sales price %	Reversionary yield on sales prices %
German supermarket portfolio	December 2017	163.7[1]	181.5	11.3	5.8	6.1
House of Fraser, Hull	November 2017	12.9	11.0	1.2	9.7	9.7
Regional offices	Various	54.9	59.8	4.1	6.4	7.0
Colchester	April 2018	3.3	3.4	—	—	7.7
Total		**234.8**	**255.7**	**16.6**	**6.1**	**6.5**

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

Development and capital expenditure

A number of successful development and capital projects have been completed or have reached key milestones. Primark and TK Maxx have both taken occupation of redeveloped units in Ingolstadt and Derby, respectively. In both cases, the introduction of successful discount fashion operators is expected to significantly enhance the quality of the surrounding retail pitch and the value of the assets. Development activity is typically income led and focused on redeveloping existing assets to provide space that meets modern occupier requirements. Total committed and outstanding capital expenditure at year end was £9.5 million.

Significant projects	Description	Completion	Outstanding capital expenditure £m	Total capital expenditure £m	Yield on cost %
Albion Street, Derby	TK Maxx development	February 2018	—	1.4	9.8
City Arcaden, Ingolstadt	Primark development	March 2018	1.9	22.6	4.6
UK Retail Park expansions	Drive through pods	December 2018	1.4	1.9	13.7

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

Albion Street, Derby

TK Maxx took occupation of the new 2,005 sqm (21,581 sqft) store in February 2018. The redevelopment and introduction of TK Maxx is expected to significantly improve the retail pitch. The location links Derby's Intu Shopping Centre to Primark and the historic old town.

City Arcaden, Ingolstadt

The completion of the 7,000 sqm (75,000 sqft) Primark unit in March 2018 has significantly de-risked the development. Of the total anticipated rent roll of €2.4 million, 87 per cent has been secured with the works to complete the remaining 3,000 sqm (22,000 sqft) of offices and residential units anticipated to complete in 2019.

UK Retail Park expansions

The construction of a new Costa "drive-thru" unit at Watford will commence in late 2018. The development will deliver additional rental income of £0.2 million reflecting a rental of £85.1 per sqft and a highly accretive 15.0 per cent yield on cost. A further Costa "drive-thru" unit at Milton Link, Edinburgh has received planning permission with construction expected to complete in December 2018 and is expected to yield approximately 9.0 per cent on total development costs.

Sustainability

Following the disclosure of our sustainability objectives and performance, we are committed to a more a proactive approach to addressing ESG issues related to our assets under management. In the past year RDI has launched a programme to increase the number of our assets that hold green building certificates, to both verify building performance as well as aid identification of improvement opportunities.

We have undertaken our first BREEAM In-Use assessment at our Southwark Hotel and are set to achieve a Very Good rating for performance. Once complete, this will be one of only a few hotels certified under the In-Use scheme in the UK. We are also proud to have received a Bronze rating under the SKA assessment scheme for sustainable fit-out in respect of the recently refurbished food court at West Orchards Shopping Centre, Coventry. Other initiatives include electric vehicle charging points at four of our shopping centres, which have been a resounding success. To date, 2,457 reported charging cycles have been completed by customers and over seven tonnes of CO_2 saved in the process.

Business segments

UK Commercial

Highlights

- Three well located multi-let distribution centres
- Four Greater London offices and nine regional offices
- Four London Serviced Offices, located in Zone One and in close proximity to public transport
- Service station and motor trade properties which provide defensive income on long leases with leading operators including BP and Kwik Fit

Occupancy (%)	98.1
Lettable area (m²)	170,614
Annualised gross rental income (£m)	29.7
Properties	55

Market value

£515.9m

32%

Read more on pages 32 to 35

UK Retail

Highlights

- Six wholly owned regionally dominant shopping centres, tenanted by leading retailers including Tesco, Wilko, Boots, H&M and TK Maxx
- Well located retail parks, of which four assets are in London, UK South and "Big six" UK cities

Occupancy (%)	95.9
Lettable area (m²)	223,827
Annualised gross rental income (£m)	38.7
Properties	13

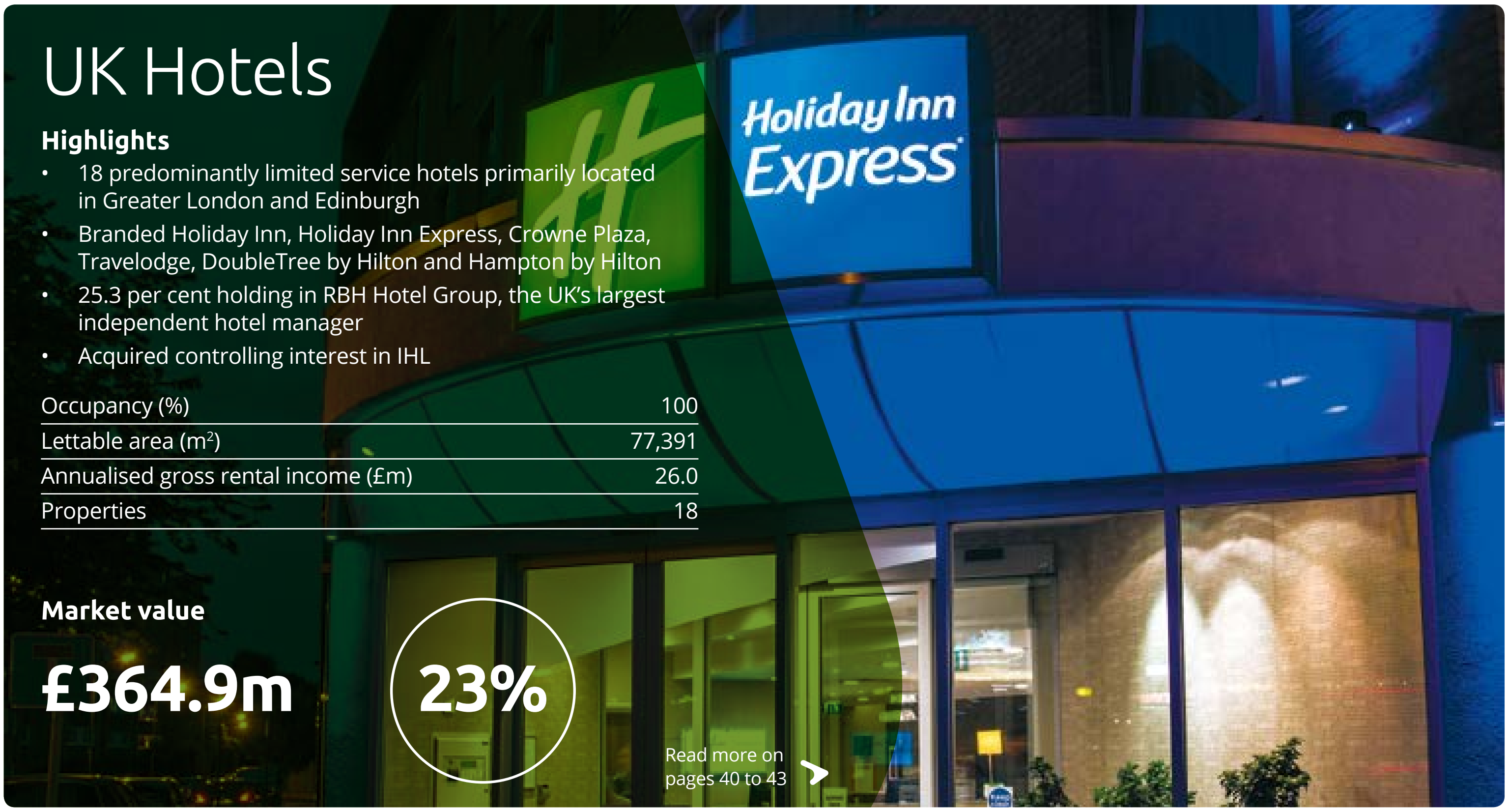
Market value

£481.0m

29%

Read more on pages 36 to 39

UK Hotels



Highlights

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

Occupancy (%)	100
Lettable area (m²)	77,391
Annualised gross rental income (£m)	26.0
Properties	18

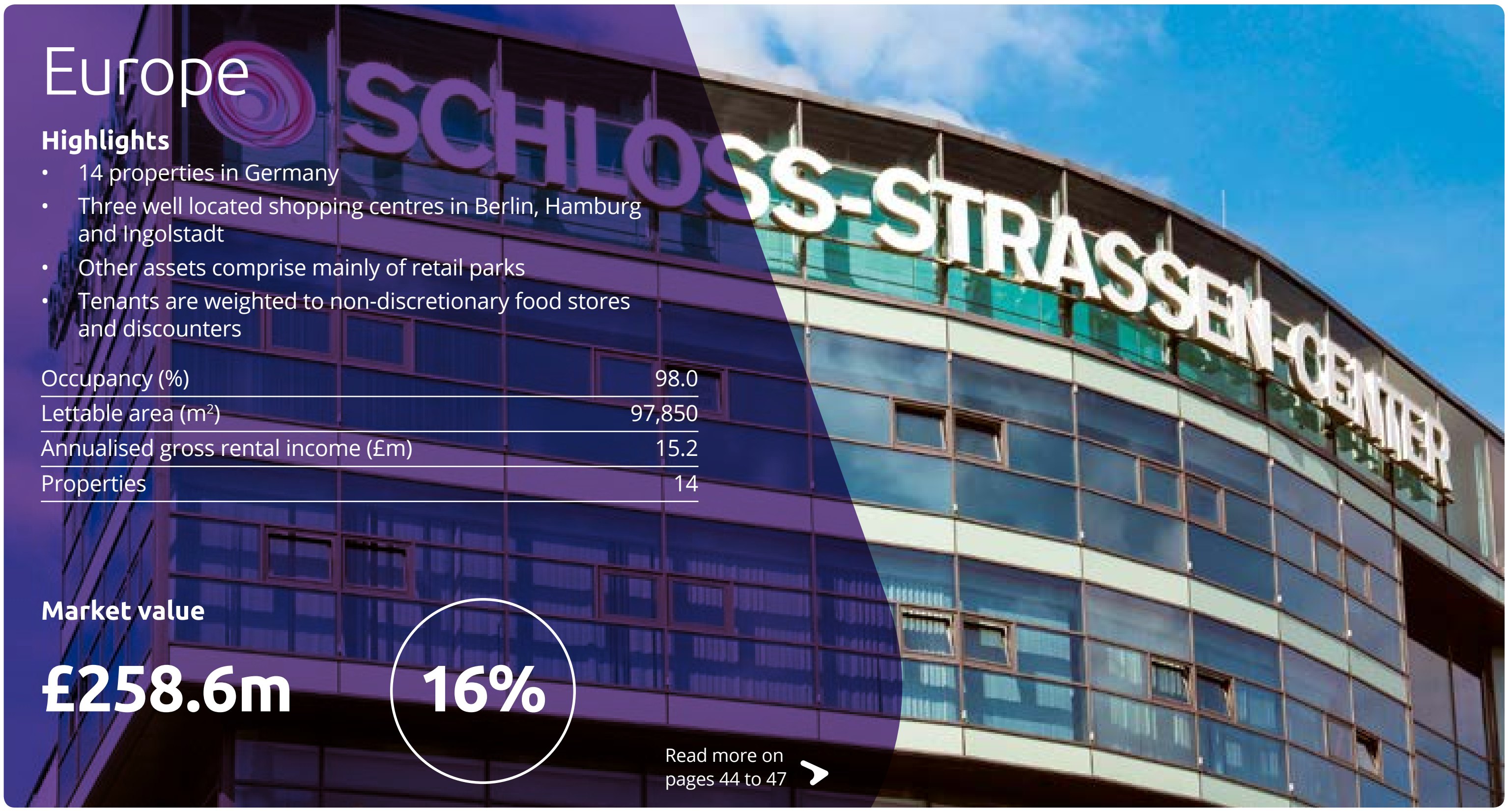
Market value

£364.9m

23%

Read more on pages 40 to 43

Europe



Highlights

- 14 properties in Germany
- Three well located shopping centres in Berlin, Hamburg and Ingolstadt
- Other assets comprise mainly of retail parks
- Tenants are weighted to non-discretionary food stores and discounters

Occupancy (%)	98.0
Lettable area (m²)	97,850
Annualised gross rental income (£m)	15.2
Properties	14

Market value

£258.6m

16%

Read more on pages 44 to 47

UK Commercial

The UK Commercial portfolio has undergone significant change. The Company has continued to dispose of regional offices into a strong, but maturing investment market, particularly where it has completed asset management initiatives and where rental growth opportunities are more limited. Reinvestment has targeted assets with strong property fundamentals and occupier demand, notably well-located London serviced offices as well as distribution and industrial assets.

20 Little Britain, St. Paul's, London

London Serviced Offices ("LSO")

Demand for serviced office space continues to show strong growth in London with 16 per cent of all take-up coming from serviced office operators over the last 12 months (source: Knight Frank). Despite London being a global leader in this trend, serviced offices still only account for approximately 7.0 per cent of Central London office stock with the potential to reach 30.0 per cent by 2030 (source: JLL). Growth in demand for flexible, highly serviced space is being driven by multiple factors including the adoption of technology and its impact on flexible working arrangements, the strategic importance of real estate to large corporates in attracting and retaining talent and a general trend to move towards flexible lease arrangements that offer both value and service to clients. This is expected to represent a permanent structural change in the way in which offices are occupied.

The portfolio and operational platform have been aligned and the management team is proving to be a strong cultural fit, focused on delivering sustainable and growing income.

Since acquisition in January 2018, the portfolio has achieved stable occupancy and revenue with the average length of stay approaching two and a half years. EBITDA since acquisition has been marginally ahead of expectations with a stable outlook. While there has been a clear increase in supply in the London market, this has been matched by an increase in demand. The increase in take-up of serviced offices has had a noticeable impact on demand for traditional office space of less than 5,000 sqft highlighting a transfer in value from often outdated space let on inflexible terms to flexible serviced space. During the year the Pure Gym rent review was completed at Little Britain, located near St Paul's underground station, resulting in a 38.0 per cent increase in rent to £138,000.

The portfolio was valued at £163.4 million, a 1.0 per cent increase on the purchase price of £161.7 million.

Key statistics

£29.7m
Annualised gross rental income

Like-for-like net income growth of 6.3% in 2018

98.1%
Occupancy

5.3yrs
WAULT to first break (excluding London Serviced Offices)

170,614sqm

55
Number of properties

£5.1%
EPRA NIY

UK Commercial
continued

Greater London and regional offices

The office portfolio is now nearly 80 per cent weighted to Greater London, including the London Serviced Office portfolio. The Company is a long term investor and London provides exposure to the largest economy of any city in Europe, where the population is expected to grow from 8.8 million to over 10 million people by 2030. London has proved resilient in the wake of the EU Referendum, with occupational demand ahead of long run averages in both the City and West End markets. The supply/demand balance remains healthy with current vacancy rates running at 3.9 per cent and 5.3 per cent in the West End and City respectively.

Outside of London serviced offices, the portfolio is well positioned to capture growth from locations benefiting from major regeneration and capital investment into infrastructure and transport projects. Further progress has been made on planning and development options at Charing Cross Road and strong rent reviews have been captured at both Newington House, Southwark and Canbury Business Park, Kingston.

The portfolio increased in value by 1.2 per cent on a like-for-like basis supported by a 4.5 per cent increase in annualised net rental income leading to an increase in ERV. The six regional office disposals during the year are not reflected in the like-for-like numbers. These were sold at an average of 8.9 per cent ahead of book value, generating a profit of £4.9 million.

Key leasing activity completed during the year:

- Canbury Business Park, Kingston – four lease renewals were signed since acquiring the asset in December 2017 with agreed rents totalling £0.2 million, 14.8 per cent above passing rent and 9.9 per cent above ERV. The weighted average lease length increased to 4.1 years to expiry from 0.8 years at acquisition;
- Newington House, Southwark – a rent review on 3,920 sqm (42,216 sqft) was agreed at a rent of £1.4 million, 46.5 per cent above passing rent and 11.1 per cent higher than ERV; and
- Bretonside, Plymouth – a ten year lease renewal was agreed with the Secretary of State for Communities and Local Government, reducing their floor space to 3,290 sqm (35,400 sqft) from 5,380 sqm (57,981 sqft) resulting in an overall reduction in rental income of £0.5 million.

Distribution, industrial and automotive

The industrial and distribution sector continues to see strong structural support as retailers adjust their business models to fewer stores and enhanced distribution networks. Rental growth prospects in the sector are driving strong investment demand with the weight of capital targeting the sector pushing yields lower. Despite strong occupational demand, some caution is required around pricing of new investments given the competitive nature of the investment market. In light of this, RDI has sought to increase exposure to the sector through forward funding arrangements or acquisitions providing higher yields.

UK Commercial 31 August 2018	Market value £m	Annualised gross rental income £m[1]	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs[2]	EPRA occupancy by ERV %[2]	Indexed %
Offices – Serviced	163.4	11.0	10.9	6.0	6.0	6.0	n/a	n/a	—
Offices – Greater London	113.3	5.1	5.9	4.0	4.0	4.8	3.6	96.7	13.3
Offices – Regions	60.7	4.4	4.5	5.8	6.6	7.0	5.1	95.5	22.0
UK Offices	**337.4**	**20.5**	**21.3**	**5.3**	**5.4**	**5.8**	**4.3**	**96.2**	**8.1**
Distribution & Industrial	134.7	6.4	7.9	4.4	4.4	5.5	4.2	100.0	3.1
Automotive	43.8	2.8	2.3	6.2	6.2	4.9	11.3	100.0	100.0
UK Commercial	**515.9**	**29.7**	**31.5**	**5.1**	**5.2**	**5.6**	**5.4**	**98.1**	**16.0**

(1) Gross annualised rent for the London Serviced Office portfolio included as EBITDA net of management fees.
(2) Excluding London Serviced Office portfolio. Relevant operational metrics disclosed separately.

London Serviced Office portfolio Operational metrics	**31 August 2018**	At acquisition	Change
Total EBITDA per sqft (£)	**68.3**	68.1	+0.3%
EBITDA conversion from total revenue (%)	**63.4**	63.4	—
Average total revenue per available desk (£)	**819.1**	815.2	+0.5%
Average monthly desk rate – licence fee only (£)	**685**	695	-1.4%
Desk occupancy (%)	**92.2**	93.8	-160bps
Average weighted stay (months)[1]	**29**	28	+3.6%

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

The distribution portfolio produced exceptional capital growth through a combination of rental uplifts, reversionary potential and tightening investment yields. The portfolio increased in value by 17.7 per cent on a like-for-like basis supported by ERV growth of 9.6 per cent and a 50 basis point reduction in net initial yields.

Key leasing activity completed during the year:

- Camino Park, Crawley – one rent review was completed at £0.2 million, a 13.0 per cent increase on passing rent. Over 60 per cent of rental income at Camino Park, Crawley totalling £2.0 million is subject to rent review and is expected to show strong growth against the average passing rent of £7.70 per sqft;
- Kingsthorne Industrial Park, Kettering – a rent review on 3,920 sqm (42,216 sqft) was agreed at a rental of £0.2 million, a 10.1 per cent increase on passing rent and 11.1 per cent higher than ERV; and
- BP petrol filling station, St Ives – a rent review was completed with an agreed rent of £0.2 million, a 13.1 per cent increase on passing rent and 4.7 per cent higher than ERV.

DFS, Camino Park, Crawley

Strategic report
Directors' report
Financial statements
Other information

UK Retail

General investor sentiment towards the sector remains weak, influenced by the ongoing themes of structural change, the impact of online retailing, slowing retail sales and weaker consumer confidence. As a result, certain retailers are still rationalising their physical store portfolios to fit the new retail landscape.

Administrations and Company Voluntary Arrangements ("CVAs")
2018 has seen a number of retail failures, although many of these were largely anticipated. RDI has been proactive in addressing many of these challenges resulting in modest overall impact on rental income, and in some cases an uplift on rent where new occupiers have been secured.

During the year, £2.2 million of gross annualised rent was impacted by recent retailer administrations and CVAs. £1.2 million of the total was subject to rent reductions under CVAs (including New Look, Mothercare, Carpetright and Select) and resulted in the tenants remaining at a gross annualised rent of £0.9 million; 27.3 per cent lower than the previous passing rent. 4,650 sqm (50,072 sqft) relating to the remaining £1.0 million of rental income was vacated. At the end of the financial year, two of these units measuring to 1,684 sqm (18,131 sqft) have been re-let achieving £0.6 million in gross annualised rent, an impressive 16.8 per cent increase on the previous passing rent for those units.

In total, units affected by administrations or CVAs resulted in a 0.7 per cent (£0.8 million) reduction in the Group's total annualised gross rental income as at 31 August 2018. This includes seven units of 2,700 sqm (29,077 sqft) which remain vacant and which have an ERV of £0.6 million.

Maintaining an open dialogue with our occupiers is a fundamental part of our approach to asset management. Wherever possible, we monitor the performance of our occupiers and take a proactive approach to supporting their occupational requirements and managing our assets for long term value.

St. George's shopping centre, Harrow, London

Key statistics

£38.7m
Annualised gross annual income

Opportunity for modest rental growth by reconfiguration of existing space and further development activity

97.9%
Occupancy

Shopping centres nearly fully occupied at 96.4%

7.8yrs
WAULT to first break

Good quality tenants weighted towards non-discretionary food retailers, discounters and leisure

223,827sqm

13
Number of assets

6.4%
EPRA NIY

UK Retail
continued

Key leasing transactions included:

- Priory Park, Merton – an agreement for lease has been signed with ALDI to take over the Toys R Us unit on a 20 year lease at an agreed rent of £0.4 million per annum with six months rent free. The rent reflects a 17.7 per cent increase on the previous passing rent and is 37.9 per cent above ERV; and
- Banbury Cross Retail Park, Banbury – 740 sqm (7,997 sqft) was let to Hobbycraft at a rent of £0.2 million ahead of the anticipated liquidation of Countrywide, resulting in a 19.4 per cent increase in passing rent and 11.9 per cent above ERV.

Shopping centres

The majority of RDI's shopping centre exposure outside Greater London is focused on food, discount and convenience retailing to local communities. This part of the market continues to be more resilient, in terms of consumer spend, footfall and the impact of online retailing. This is evidenced by the ongoing high occupancy of 96.4 per cent (31 August 2017: 96.7 per cent) and a stable income position, with gross annualised rent at year end only marginally down (0.4 per cent) compared to the position at 31 August 2017. Net rental income on annualised basis was flat, supported by operating cost and efficiency improvements across the portfolio.

Despite maintaining net income and occupancy levels, the market value of the shopping centre portfolio declined 9.2 per cent on a like-for-like basis due to a 50bps outward topped up yield shift, reflecting CVAs and continued weak investor sentiment.

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

- the food court at West Orchards, Coventry has been refurbished resulting in a £0.8 million increase in net income and a 16.7 per cent return on the £2.6 million capital investment with two smaller units still to be let to further enhance the return. This asset management initiative to reduce operating costs and reconfigure space demonstrates the Company's focus on delivering sustainable and growing income;
- in-house commercialisation activities, many of which have a strong community and CSR foundation, delivered £1.4 million in the period, a small decrease on the same period last year;
- in the last 12 months, 18 rent reviews were agreed providing a total rent of £10.2 million, 5.8 per cent (£0.6 million) above the passing rent and 12.6 per cent (£1.1 million) ahead of ERV. The largest rent review included a fixed rental uplift on the Tesco lease at Weston Favell, Northampton; an increase of 11.8 per cent or £0.4 million on the previous passing rent; and
- 60 new lettings or renewals were completed in the period providing a total rent of £2.8 million, a 5.5 per cent increase on passing rent but 16.6 per cent (£0.6 million) below ERV. The underperformance against ERV was a result of two leases agreed at Grand Arcade, Wigan.

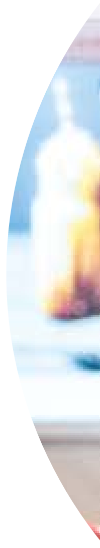
Retail parks and other retail

The retail park sector also experienced its share of retailer administrations and CVAs, however RDI remains confident in the longer term demand for these assets, with over 80 per cent of its portfolio by value in London, Edinburgh and the Southern part of the UK and underpinned by strong demographics.

The market value of the retail park portfolio increased 1.6 per cent on a like-for-like basis due to successful letting activity. This clearly demonstrates the importance of RDI's strategy of investing in the right locations. Occupancy decreased to 94.7 per cent (31 August 2017: 96.2 per cent).

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

- RDI continued to capitalise on strong demand from national fast food and coffee operators. The Company will complete a new unit for Costa at Arches Retail Park, Watford in early 2019 which will generate £0.2 million in gross annualised rent and a return of over 15 per cent on the £1.1 million development cost; and
- Milton Road, Edinburgh – a rent review with The Range was completed on an 8,990 sqm (96,734 sqft) unit. The agreed rent of £0.8 million reflects a 5.1 per cent increase on the previous passing rent and is 0.6 per cent above ERV.



UK Retail 31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Shopping centres	290.9	26.1	25.8	6.9	7.3	8.1	7.7	96.4	25.8
Retail parks	184.8	12.0	11.9	5.7	5.9	6.0	8.2	94.7	10.2
Other retail	5.3	0.6	0.4	5.9	9.0	7.6	3.9	100.0	—
UK Retail	**481.0**	**38.7**	**38.1**	**6.4**	**6.8**	**7.3**	**7.8**	**95.9**	**20.6**

St. George's shopping centre, Harrow, London

UK Hotels

The UK hotel market has experienced a sustained period of growth supported by a rise in both business and leisure travel. 2018 has seen more modest growth following an exceptional 2017 which was in part driven by a weaker pound.

PwC has forecast growth in the average rate per available room ("RevPar") for 2019 in London and the Regions of 0.3 per cent and 1.2 per cent respectively, driven by expectations of modest reductions in occupancy but continued nominal room rate growth. This lower growth outlook for London hotels reflects a forecast 2.8 per cent net increase in the number of rooms in 2019 following the strong increases in supply in previous years.

Despite pressure from rising labour and operating costs, continued growth in London RevPars highlights the City's resilience as a leading global hotel market. Edinburgh continues to outperform with both DoubleTree by Hilton and Holiday Inn Express producing underlying trading results well ahead of management expectations.

Holiday Inn Express, Earl's Court, London

Key statistics

£26.0m
Annualised gross rental income

100%
Occupancy

18.2yrs
Travelodge WAULT to first break

77,391sqm

18
Number of assets

5.9%
EPRA NIY

UK Hotels
continued

RBH managed hotel portfolio Operational metrics	**31 August 2018**	31 August 2017	Change
Weighted average RevPar (£)	**89.1**	88.0	+1.3%
Weighted average occupancy (%)	**84.8**	85.0	-20bps

Like-for-like net income during the year increased by £0.5 million, or 3.4 per cent, following annual rents set on strong underlying trading conditions in the prior year. An inflation-linked rent review at the Travelodge, Enfield resulted in an 11 per cent increase in net income for the year. The Travelodge portfolio is expected to show continued growth over the next few years through upward only inflation linked rent reviews.

The portfolio was valued at £364.9 million, a 2.1 per cent like-for-like increase which excludes a 14.0 per cent increase in the IHL portfolio compared to the value on acquisition. Following the IHL acquisition, the hotel portfolio is now 82.1 per cent weighted towards Greater London, Edinburgh and Gatwick Airport with 13.0 per cent of the total rental income subject to uncapped CPI escalations, principally from the Travelodge portfolio.

Strategic operational partner – RBH

Operating performance from the managed portfolio is supported by the Company's strategic partnership with RBH. RBH has established itself as the leading independent hotel operator in the UK and manages more than 11,000 rooms across 75 hotels in the UK. Alignment of interests is ensured through RDI's ownership of a 25.3 per cent stake in RBH (formerly RedefineBDL).

The holding in RBH contributed £0.3 million to underlying earnings during the year.

UK Hotels 31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs[1]	EPRA occupancy by ERV %[1]	Indexed %
Greater London	186.5	12.5	12.5	5.7	5.7	6.3	n/a	n/a	—
Regional	130.9	11.0	10.9	6.6	6.6	7.0	n/a	n/a	0.9
RBH managed portfolio	**317.4**	**23.5**	**23.4**	**6.1**	**6.1**	**6.6**	**n/a**	**n/a**	**0.4**
Travelodge[2]	47.5	2.4	2.6	4.8	4.8	5.1	18.2	100.0	95.3
UK Hotels	**364.9**	**26.0**	**26.0**	**5.9**	**5.9**	**6.4**	**18.2**	**100.0**	**9.3**

(1) Excluding RBH managed hotels portfolio. Relevant operational metrics disclosed separately.
(2) Three of the five hotels let to Travelodge carry landlord lease extension options of eight years or more.

Hampton by Hilton,
London Gatwick Airport

Europe

The momentum in the German investment market has remained strong driven largely by domestic investors. Demand for prime retail centres remains high, however investors are becoming increasingly discerning with a focus on rental levels.

RDI's portfolio is heavily weighted by value to Berlin and Hamburg, two of Europe's strongest investment destinations. The centres in these cities are integrally linked into the public transport network providing high levels of footfall.

The portfolio increased in value by 2.2 per cent in local currency and on a like-for-like basis supported by local currency ERV growth of 0.8 per cent and a 20bps reduction in net initial yields. The Leopard portfolio disposal during the year, which is not reflected in the like-for-like numbers, generated a profit of €20.0 million, a 10.8 per cent premium to book value.

Occupancy across the German portfolio remains high at 98.0 per cent (31 August 2017: 98.8 per cent) with annualised gross rental income 9.9 per cent higher on a like-for-like basis and in constant currency terms as a result of the completion of Primark at Ingolstadt. Rental income from the portfolio benefits from high levels of indexation, with 95.1 per cent of annualised gross rental income subject to various forms of inflation linked rent reviews. Following a period of ultra low inflation, the benefit of index linked rents is expected to increase with consumer prices rising above 2.0 per cent in September 2018.

Schloss-Strassen Center, Berlin

Key statistics

£15.2m
Annualised gross rental income

98.0%
Occupancy

5.0
WAULT to first break

97,850sqm

14

Total number of assets

Including three shopping centres in Berlin, Hamburg and Ingolstadt

4.4%

EPRA NIY

Europe
continued

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

- Primark took occupation of their 7,000 sqm (75,000 sqft) unit in Ingolstadt in March 2018. This lease will provide an additional €1.5 million of annual rental income;
- in the last 12 months, 50 rent reviews were agreed providing a total rent of £1.8 million, 6.7 per cent (£0.1 million) above the passing rent and 4.8 per cent ahead of ERV. The largest rent review included a fixed rental uplift on the Lidl lease at Hamburg, up 6.8 per cent on the previous passing rent; and
- 36 new lettings or renewals were completed in the period providing a total rent of £1.0 million, a 3.3 per cent increase on ERV.

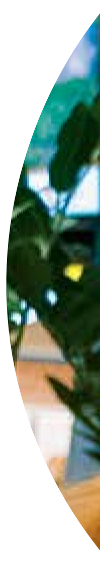
Case study

City Arcaden/Primark redevelopment

City Arcaden is located in the heart of Ingolstadt, an affluent city in the South East of Germany and the home of Audi. The centre comprises 12,000 sqm of space situated in a prime high street location within the City's retail district. Ingolstadt benefits from a vast retail catchment of 450,000 and limited competition with the nearest destination retail offer in Munich, approximately 70km away.

March 2018 saw the completion of a redevelopment project at City Arcaden, repurposing existing smaller retail units to create a large format store for Primark. The 7,000 sqm store, occupying four floors, opened in Autumn 2018, creating a significant value fashion offer for the City, alongside international fashion brand H&M which continues to trade at ground and basement levels.

Of the total anticipated rent roll of €2.4 million, 87 per cent has been secured with works to complete the remaining 3,000 sqm (22,000 sqft) of offices and residential units anticipated to complete in 2019.



Europe 31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
German shopping centres	190.6	10.5	10.4	3.9	4.6	5.1	5.0	98.7	94.9
German supermarkets and retail parks	68.0	4.7	4.8	5.7	5.7	6.6	5.2	96.6	95.4
Europe	**258.6**	**15.2**	**15.2**	**4.4**	**4.9**	**5.5**	**5.0**	**98.0**	**95.1**

Schloss-Strassen Center, Berlin

Financial review

> The 2018 financial year has again delivered a solid set of results with underlying earnings of 2.84 pence per share and EPRA NAV growth of 3.4 per cent.
>
> **Donald Grant**
> Chief Financial Officer

Highlights

Superior income
Dividend yield on NAV well ahead of UK REIT average of 4.2%

6.3%

Sustainable income
Weighted average debt maturity with >95% of debt subject to interest rate protection

6.7yrs

Growing income
Proportion of indexed income derived from a higher quality portfolio

27.0%

Overview

The 2018 financial year has again delivered a solid set of results with underlying earnings of 2.84 pence per share and EPRA NAV growth of 3.4 per cent, collectively supporting a total accounting return (dividends paid plus growth in NAV) of 9.8 per cent.

This has been underpinned by both earnings and distribution growth and the significant profits which have been realised following disposals during the year, most notably in the first half. Capital released has either been recycled into new investments which demonstrate longer term income and capital growth potential or applied against carefully selected debt reduction initiatives.

The Group is committed to ensuring income security is maintained whilst driving LTV toward the lower end of our medium term target range of 45-50 per cent. At 31 August 2018, LTV stood at 46.2 per cent, or 47.3 per cent when adjusted for two significant acquisitions completed shortly after the balance sheet date. This is down from 50.0 per cent at the previous year end. This is considered a sound result in what has been a challenging year for the real estate sector, particularly for UK retail.

Underlying earnings were £53.5 million or 2.84 pence per share, representing growth of 3.3 per cent over prior year earnings on a per share basis. This is the combined result of growth in like-for-like net rent, lower finance costs following a meaningful reduction in net debt and an improved cost ratio.

Acquisition and disposal activity during the year added £23.8 million or 1.3 pence per share to EPRA net asset value, driven by the disposal of a €185.0 million German supermarket portfolio in December which generated, after costs, an €18.1 million (£16.1 million) profit. Proceeds from this sale were promptly recycled into a portfolio acquisition of four London serviced offices for £161.7 million, at an initial yield of over 6.0 per cent and the acquisition of a strategic site in an area of potential regeneration in Kingston-upon-Thames, south west London for £20.9 million.

Other notable transactions during the year included the acquisition of the former listed hotels business, IHL, which resulted in a gain of £5.5 million following delisting and the acquisition of control.

A number of smaller disposals were also completed during the year, generating net profits of £2.6 million. All were completed at or above book value with the exception of the House of Fraser unit in Hull, where a timely exit removed the covenant risk.

At 31 August 2018, EPRA net asset value per share was 42.8 pence and the property portfolio was valued at over £1.6 billion.

Our strategic financial targets focus on income growth and strengthening the balance sheet across all aspects of the business.

Holiday Inn Express, Southwark, London

Performance against strategic financial targets

In February 2017 the Group set out a range of medium term strategic targets with clear linkage to strategic priorities and long term incentives to ensure alignment of interests and accountability. These targets focus on income growth and strengthening the balance sheet across all aspects of the business. Progress during the year is set out below.

Strategic metrics	Medium term target	**31 August 2018**	28 February 2018	31 August 2017
Growth in underlying EPS (%)	3.0 - 5.0	**3.3**	8.2	n/a
Dividend pay-out ratio (%)	90.0 - 95.0	**95.1**	92.5	94.5
Rental income growth (like-for-like) (%)	2.0 - 5.0	**2.1**	2.1	3.7
Rent collection (%)	>95% within 7 days	**98.0**	89.3	94.3
LTV (%)	45.0 - 50.0	**46.2**[1]	48.0	50.0[2]
Interest cover (times)	>3.0	**3.5**	3.5	3.2
Cost of debt (%)	3.2 - 3.4	**3.4**	3.3	3.1
EPRA cost ratio (excl. direct vacancy costs)[3] (%)	<15.0	**15.6**	15.7	19.8[4]

(1) 47.3 per cent when adjusted for transactions occurring post year end.
(2) Pro forma adjusted to reflect transactions occurring post year end.
(3) Excludes the London Serviced Office portfolio due to the operational nature of that business.
(4) 17.2 per cent when adjusted for non-recurring items.

Presentation of financial information

The Board reviews information and reports presented on a proportionately consolidated basis, which includes the Group's proportionate share of interests in joint ventures. In addition, the Board uses a number of financial measures to assess and monitor its performance, some of which are considered alternative performance measures. Although these are typically industry standard measures, they are not defined under IFRS. In addition, to align with how the Group is managed, this financial review presents financial information on a proportionately consolidated basis and includes alternative performance measures alongside IFRS.

Detailed disclosures of alternative performance measures follow this financial review.

Financial review

continued

Income statement

	31 August 2018			31 August 2017		
	IFRS £m	Joint ventures[(1)] £m	Group total £m	IFRS £m	Joint ventures[(1)] £m	Group total £m
Gross rental income	110.2	1.8	112.0	97.2	5.9	103.1
Property operating expenses	(11.1)	(0.2)	(11.3)	(9.0)	(0.6)	(9.6)
Net rental income	99.1	1.6	100.7	88.2	5.3	93.5
Other operating income	1.8	—	1.8	4.7	(2.0)	2.7
Administrative expenses	(14.2)	(0.2)	(14.4)	(15.3)	(0.3)	(15.6)
Net operating income	86.7	1.4	88.1	77.6	3.0	80.6
Net finance costs	(28.2)	(0.8)	(29.0)	(27.7)	(1.3)	(29.0)
Profits from joint ventures (allocated to individual line items)	0.6	(0.6)	—	1.7	(1.7)	—
Non-controlling interests	(4.4)	—	(4.4)	(3.0)	—	(3.0)
Tax and other	(1.2)	—	(1.2)	1.2	—	1.2
Underlying earnings	53.5	—	53.5	49.8	—	49.8
Company adjustments:						
Debt fair value accretion adjustments	(0.8)	—	(0.8)	(0.9)	—	(0.9)
Foreign exchange movement	(0.8)	—	(0.8)	2.0	—	2.0
EPRA earnings	51.9	—	51.9	50.9	—	50.9
Net gain on sale of joint venture interests	(0.1)	—	(0.1)	4.9	—	4.9
Fair value gain/(loss) on investment property, assets held for sale and listed shares	11.7	(0.2)	11.5	6.6	(0.9)	5.7
Other finance expenses	(0.4)	—	(0.4)	(5.9)	0.3	(5.6)
Gain on disposal of investment property and non-current assets held for sale	3.3	—	3.3	10.7	—	10.7
Gain on disposal of subsidiaries	15.4	—	15.4	—	—	—
Net gain on business combinations	4.4	—	4.4	—	—	—
Change in fair value of derivatives	6.1	0.7	6.8	4.5	1.1	5.6
Share of non-underlying joint venture gains/(losses)	0.3	(0.3)	—	(0.8)	0.8	—
Deferred tax on unrealised property revaluation	0.5	(0.2)	0.3	(3.5)	(0.6)	(4.1)
NCI	(3.0)	—	(3.0)	(0.6)	—	(0.6)
Tax and other	(1.2)	—	(1.2)	(0.7)	(0.7)	(1.4)
IFRS profit attributable to shareholders	88.9	—	88.9	66.1	—	66.1
Weighted average ordinary shares (millions)			1,886.5			1,809.9
Underlying earnings per share (pence)			2.84			2.75
EPRA earnings per share (pence)			2.75			2.80

(1) Reallocates joint venture EPRA earnings of £0.6 million (31 August 2017: £1.7 million) from a single line item as required by IFRS to presentation on a proportionate line-by-line basis.

Net rental income increased by £7.2 million or 7.7 per cent primarily due to the acquisition of the formerly listed IHL business which added nine hotels to the Group's hotel portfolio. Excluding the impact of acquisitions and disposals, net rental income increased 2.1 per cent on a like-for-like basis.

UK Commercial experienced the strongest like-for-like performance, with net rental income up 6.3 per cent year-on-year. This follows strong rent review activity, particularly at the Group's Camino Park Distribution Centre in Crawley and within the London office portfolio.

UK Hotels achieved 3.4 per cent like-for-like growth in net rental income. At the operating level, occupancy has held steady at 84 per cent with continued growth in RevPar, which was a good result given the backdrop of increased supply and underlying operational costs.

Despite the challenges in UK Retail, like-for-like income held firm at £34.6 million, largely the result of maintaining occupancy levels at 95.9 per cent (versus 96.8 per cent in the prior year). Net UK Shopping Centre income increased £0.4 million year-on-year, but this was offset by vacancies at the Group's retail parks, largely the result of CVAs and tenants in administration.

Like-for-like net rents in Europe were marginally down (1.2 per cent) in Euro terms and up 0.4 per cent in Sterling terms following a strengthening in the average exchange rate during the year. In local currency terms the fall in net rent was attributable to marginally lower occupancy levels compared to the prior year.

Net rental income	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	Change %	Local currency change %
UK Retail	**34.6**	34.6	0.0	0.0
UK Commercial	**18.3**	17.2	6.3	6.3
UK Hotels	**15.3**	14.8	3.4	3.4
UK total	**68.2**	66.6	2.4	2.4
Europe	**10.8**	10.7	0.4	(1.2)
Like-for-like net rental income	**79.0**	77.3	2.1	1.9
Acquisitions	**15.1**	—		
Development	**0.6**	—		
Disposals and other	**6.0**	16.2		
Total net rental income	**100.7**	93.5		

Other income of £1.8 million was generated primarily from the ancillary service income from the newly acquired London Serviced Office portfolio comprising, for example, telephone and IT profits. These can therefore be considered recurring in nature. In the prior year, other income comprised a non-recurring performance fee generated on disposal of the VBG portfolio of German offices.

Administrative costs have reduced by £1.2 million, largely due to the non-recurring termination fee charged in the previous financial year in respect of a legacy asset management contract. The growth in rental income and the Group's careful management of operational costs resulted in the EPRA cost ratio falling from 17.2 per cent to 15.6 per cent.

Net finance costs have held steady despite the enlarged portfolio, reflecting both lower leverage and the full year impact of refinancing activity completed during the prior year.

Non-controlling interests reflects the share of income attributable to the minority shareholders, most notably within the newly acquired IHL hotel portfolio (25.9 per cent), the London Serviced Office portfolio (20.0 per cent) and the non IHL hotel portfolio (17.5 per cent).

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

Balance sheet

	31 August 2018			31 August 2017		
	IFRS £m	Joint ventures £m	Group total £m	IFRS £m	Joint ventures £m	Group total £m
Property portfolio carrying value[1]	**1,598.0**	**25.4**	**1,623.4**	1,520.7	25.6	1,546.3
Investment in and loans to joint ventures	**7.1**	**(7.1)**	**—**	6.2	(6.2)	—
Net borrowings	**(730.6)**	**(14.8)**	**(745.4)**	(769.0)	(15.7)	(784.7)
Other net assets/(liabilities)	**(11.7)**	**(3.5)**	**(15.2)**	4.3	(3.7)	0.6
NCI	**(59.5)**	**—**	**(59.5)**	(21.8)	—	(21.8)
IFRS NAV	**803.3**	**—**	**803.3**	740.4	—	740.4
Fair value of derivatives			**1.9**			7.4
Deferred tax			**9.8**			10.5
EPRA NAV			**815.0**			758.3
Diluted number of shares (millions)			**1,906.2**			1,830.1
EPRA NAV per share (pence)			**42.8**			41.4

(1) Market value of property, including property assets held for sale, adjusted to include head leases and tenant lease incentives.

Financial review
continued

Property portfolio

Market value of the property portfolio	31 August 2018 £m	31 August 2017 £m	Valuation[1] Gain/(loss) £m	Valuation[1] Gain/(loss) %	Local currency gain/(loss) %
UK Commercial	**332.0**	307.4	23.1	7.5	7.5
UK Retail	**481.0**	501.8	(26.1)	(5.2)	(5.2)
UK Hotels	**245.9**	239.6	5.1	2.1	2.1
UK total	**1,058.9**	1,048.8	2.1	0.2	0.2
Europe	**226.1**	226.5	(0.9)	(0.4)	2.2
Like-for-like property portfolio	**1,285.0**	1,275.3	1.2	0.1	0.6
Acquisitions	**303.3**	—			
Development	**32.1**	23.4			
Disposals	**—**	240.0			
Total market value of the property portfolio	**1,620.4**	1,538.7			

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

EPRA NAV increased 3.4 per cent to 42.8 pence per share, largely attributable to disposals which were completed, on the whole, at premiums to book value.

On a like-for-like basis, the property portfolio valuations were up by 0.1 per cent overall, with strong valuation gains recorded on the UK Commercial portfolio being offset by a decline in the valuation of the UK Retail portfolio.

UK Commercial continues to perform well, recording a £23.1 million or 7.5 per cent increase in like-for-like values. This was driven by rent review activity in the London offices and the distribution warehouse portfolio.

Ongoing challenges in the UK retail market have continued to weigh on investor sentiment, with an outward yield shift driving a 6.3 per cent decline in the Group's UK Shopping Centre portfolio during the second half of the year, a decline of 9.2 per cent across the full year. UK Retail Parks experienced an improved rental outlook following successful letting activity.

Hotels continued a steady valuation performance in the second half, recording a 2.1 per cent like-for-like increase across the full year. The strongest performance being achieved by those hotels located in London and Edinburgh.

In local currency terms, the Group's investments in Germany were valued up 2.2 per cent, benefiting from a strong investment market and low interest rates. The strength of the Euro at the prior year end eased during the year such that, in Sterling terms, the portfolio recorded a marginal decline in value.

Debt and gearing

	31 August 2018 £m	31 August 2017 £m
Nominal value of drawn debt	**(808.2)**	(842.2)
Cash and short term deposits	**59.8**	53.4
Net debt	**(748.4)**	(788.8)
Market value of the property portfolio	**1,620.4**	1,538.7
LTV (%)	**46.2**	51.3
LTV pro forma (%)[1]	**47.3**	50.0
Weighted average debt maturity (years)	**6.7**	7.3
Weighted average interest rate (%)	**3.4**	3.1
Interest cover (times)[2]	**3.5**	3.2
Debt with interest rate protection (%)	**99.6**	93.0

(1) Pro forma adjusted for transactions completed post year end.
(2) Calculated as net rental income over net finance expense.

Net debt has reduced by over £40.0 million since the prior year end reflecting continued efforts to reduce the Group's LTV.

A net £65.0 million was prepaid against the Group's revolving credit facility while refinancing activities and scheduled amortisation reduced various other facilities by £17.0 million.

The Group acquired debt facilities of £54.4 million via the acquisition of IHL, which was geared to 52 per cent at acquisition and £73.5 million on acquisition of the London Serviced Office portfolio which was initially geared at 45.5 per cent.

The Group's LTV continues to move downwards towards the lower end of the Group's medium term target range. On a pro forma basis, after incorporating transactions completed shortly after 31 August 2018, it stood at 47.3 per cent.

Debt maturity, average cost of debt, interest cover and debt with interest rate protection remain comfortable and in line with strategic targets. Refinancing of the Group's largest facility, the £303 million AUK facility, is underway and we expect to conclude this during the first half of the 2019 financial year.

Cash flow

	31 August 2018			31 August 2017		
	IFRS £m	Joint ventures £m	Group total £m	IFRS £m	Joint ventures £m	Group total £m
Operating cash flows	**58.1**	**0.7**	**58.8**	49.4	2.2	51.6
Disposals	**188.0**	**—**	**188.0**	114.5	(0.8)	113.7
Acquisitions and development	**(106.4)**	**—**	**(106.4)**	(58.7)	(1.0)	(59.7)
Other	**(0.3)**	**0.2**	**(0.1)**	0.5	(0.7)	(0.2)
Investing cash flows	**81.3**	**0.2**	**81.5**	56.3	(2.5)	53.8
Net debt repaid	**(81.9)**	**(0.7)**	**(82.6)**	(37.3)	(1.4)	(38.7)
Dividends paid	**(41.1)**	**—**	**(41.1)**	(39.5)	—	(39.5)
Other	**(9.2)**	**—**	**(9.2)**	(6.5)	—	(6.5)
Financing cash flows	**(132.2)**	**(0.7)**	**(132.9)**	(83.3)	(1.4)	(84.7)
Net cash flow	**7.2**	**0.2**	**7.4**	22.4	(1.7)	20.7

Cash and available facilities were £134.8 million at 31 August 2018. Although two significant acquisitions which completed in September 2018 have reduced this to £100.6 million, this provides considerable operational flexibility.

Operating cash flows were £58.8 million, an increase of £7.2 million on the prior year, comfortably covering the cash dividends paid of £41.1 million. Cash outlays on acquisitions, development and debt repayments were balanced by proceeds from disposals.

Dividend

The Directors have declared a second interim dividend of 1.35 pence per share for 2018. When paid, taken together with the first interim dividend paid to shareholders in June, this will represent a yield of 6.3 per cent on EPRA NAV at 31 August 2018 or 8.0 per cent based on the Company's closing share price on 31 August 2018.

The full year dividend of 2.7 pence per share represents a 95.1 per cent pay-out ratio on underlying earnings of 2.84 pence per share and is covered by operational cash flows.

Details of the forthcoming payment will be announced separately today. The dividend payment date has been set for 18 December 2018, with a record date of 30 November 2018.

Due to the Company's share price trading at a discount to net asset value, the Board has decided to suspend the scrip alternative. The dividend will therefore be paid entirely in cash.

Going concern

At 31 August 2018, the Group's cash and undrawn facilities were £134.8 million and its capital commitments were £9.5 million. Mindful of transactions occurring post the balance sheet date and having considered severe but plausible scenarios, the Directors are satisfied that the security of the Group's income taken together with an average debt maturity profile of 6.7 years, headroom against financial covenants and strong interest cover, continue to provide a reasonable expectation that the Group will have the resources it requires to meet ongoing and future commitments. Accordingly, the 2018 consolidated financial statements have been prepared on a going concern basis.

Donald Grant
Chief Financial Officer

25 October 2018

EPRA and other alternative performance measures

Analysing 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	2018	2017
Earnings	Earnings from operational activity	Note 37	**£51.9m**	£50.9m
Net asset value	NAV adjusted for investments held at fair value and excluding items not expected to be realised	Note 38	**£815.0m**	£758.3m
Triple net asset value	EPRA NAV adjusted to include fair value of financial instruments, debt and deferred taxes	Note 38	**£799.6m**	£735.4m
Net initial yield	Annualised income based on passing rent less non-recoverable operating expenses expressed as a percentage of the market value of property	Other information	**5.6%**	5.7%
Topped up initial yield	Net initial yield adjusted for the expiration of rent-free periods or other incentives	Other information	**5.8%**	5.9%
Vacancy rate	Estimated rental value of vacant space divided by that of the portfolio as a whole	Other information	**2.9%**	2.3%
Cost ratio (incl. direct vacancy costs)	Administrative and operating costs expressed as a percentage of gross rental income	Other information	**20.1%**	24.6%
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	**15.6%**	19.8%[1]
Like-for-like rental income	Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income. Is used to illustrate change in comparable income values	Financial review	**2.1%**	3.7%
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	**0.1%**	3.0%

(1) 17.2% when adjusted for non-recurring items.

Other EPRA investment property reporting

Accounting basis

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

Valuation information

Refer to Note 14 of the financial statements for valuation information.

Investment and development assets

Refer to the operating review for detailed disclosure on the Group's sub-portfolio metrics and further information on the Group's significant development projects during the year ended 31 August 2018.

Capital expenditure analysis

Refer to Other information for detailed disclosure on the Group's capital expenditure during the year ended 31 August 2018.

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 the Annual Report.

Measure	Definition of measure	Note/ reference	2018	2017
Underlying earnings	EPRA earnings adjusted for the impact of non-cash debt accretion charges and FX gains and losses reflected in the income statement	Note 37	**£53.5m**	£49.8m
Headline earnings	Additional earnings per share measure as required by the JSE which excludes separately identifiable remeasurements in accordance with Circular 04/2018	Note 37	**£57.1m**	£47.3m
Net debt	Total nominal value of the Group's proportionate bank borrowings less cash and cash equivalents	Note 23	**£748.4m**	£788.8m
Loan-to-value	The ratio of net debt divided by the market value of investment property	Financial review	**46.2%**[(1)]	51.3%
Interest cover	The Group's net rental income divided by net finance expenses	Other information	**3.5**	3.2
Total accounting return	Dividends paid during the year plus growth in NAV as a percentage of opening NAV	Other information	**9.8%**	10.0%
Dividend pay-out ratio	Total dividend per share paid out to shareholders relative to the underlying earnings per share during the year	Other information	**95.1%**	94.5%
Dividend yield	Total dividends to be paid to shareholders for the financial year relative to EPRA NAV or the Group's share price at the reporting date	Other information	**6.3%** **8.0%**	6.0% 6.6%

(1) Pro forma adjusted to 47.3% to reflect transactions between 31 August 2018 and 25 October 2018 (31 August 2017: 50.0%).

Corporate social responsibility

We participate annually in the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate assessment and have increased our GRESB score for the third consecutive year. We report on sustainability performance using latest EPRA Sustainability Best Practices Recommendations ("sBPR").

EPRA Sustainability Best Practices Recommendations

We are proud to have received our first EPRA award for reporting in accordance with the EPRA Sustainability Best Practices Recommendations ("sBPR"). The EPRA sBPR Awards recognise companies for disclosing the best-in-class annual sustainability performance reports which aim to improve comparability and the quality of sustainability reporting for listed real estate companies across Europe.

The third version of EPRA sBPR, published in September 2017, has introduced the social and governance impact categories and new performance measures within the guidelines.

EPRA sBPR BRONZE

RDI acknowledges the importance of advancing sustainability reporting practices within the real estate industry, providing investors and other stakeholders with greater transparency, and has further enhanced its sustainability disclosure to align with the majority of core requirements of the third version of sBPR. In this report we have introduced metrics on employee training and development, performance appraisals, employee turnover, injury and absentee rates and asset health and safety assessments. We have also provided further details on energy consumption and waste management across our portfolio. In addition, we have set a target to undertake third party verification of selected EPRA environmental performance measures in 2019.

2-6 Boundary Row, Waterloo, London

Key achievements in the year

11%
GRESB score increased 11%

75%
"Happiness Score" following recent employee survey

17%
Reduction in carbon footprint

EPRA
Sustainability Best Practices Recommendations Award

10%
Like-for-like reduction in greenhouse gas emissions

97%
Average H&S Q Compliance score across UK assets

Corporate social responsibility
continued

"We are committed to measuring and improving our environmental, social and governance performance."

Elizabeth Peace
Chair of the CSR Committee

We are committed to measuring and improving our environmental, social and governance performance. We participate annually in the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate assessment and have increased our GRESB score for the third consecutive year. We report on sustainability performance using the latest EPRA Sustainability Best Practices Recommendations ("sBPR") and we are proud to have received our first EPRA Best Practice sBPR award.

CSR Committee meetings

		Appointed	Meetings
Elizabeth Peace (Chair)	Independent Non-executive Director	25/1/2018	3/3
Mike Watters	CEO	23/8/2014	4/4
Adrian Horsburgh	Property Director	23/8/2014	4/4
Donald Grant	CFO	1/12/2016	4/4

Our CSR Committee is chaired by Elizabeth Peace, an independent Non-executive Director, and includes three of the four Executive Directors to ensure that the Group's CSR strategy is implemented into day-to-day operations. Meetings are attended by our CSR advisers, asset managers and the Company Secretary.

Growing our business sustainably

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

We participate annually in the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate Assessment and we take a proactive approach to addressing ESG issues within our assets under management. This is reflected in our GRESB scores that have increased for a third consecutive year. We report on sustainability performance using the latest EPRA Sustainability Best Practices Recommendations ("sBPR") guidelines.

In the past year we have launched a programme to increase the number of our assets that hold green building certificates, to verify building performance and help identify improvement opportunities. We have undertaken our first BREEAM In-Use assessment at our Southwark Hotel and are set to achieve a Very Good rating for performance. Once complete, this will be one of only a few hotels certified under the In-Use scheme in the UK. We were also very proud to receive a Bronze rating under the SKA assessment scheme for sustainable fit-out in respect of our recently refurbished food court at West Orchards Shopping Centre, Coventry.

We want to play our part in facilitating the transition to greener forms of transportation. Electric vehicle charging points were established during the year at four of our shopping centres, which have been a resounding success. To date, 2,457 reported charging cycles have been completed by customers, with over seven tonnes of CO_2 being saved in the process.

RDI completed its third full disclosure to the Global Real Estate Sustainability Benchmark assessment during 2018. GRESB is the global benchmark for assessing the sustainability performance of property companies against a wide range of environmental, social and governance issues.

This year we achieved an 11 per cent improvement in our GRESB score, compared to the peer group average decrease of five per cent. In addition, we were awarded Green Star status for a second year running. Building on our high Management and Policy score, this year's performance recognises the significant effort made to improve sustainability performance in the area of Implementation and Measurement.

The GRESB Public Disclosure Assessment specifically rates the accessibility of ESG information for listed property companies and Real Estate Investment Trusts. We achieved an 'A' rating for our level of public disclosure, above the GRESB global average of 'C' and improving on the 'B' rating received in 2017.

Key objectives and initiatives for 2019 target continued improvement in sustainable initiatives in line with the Company's CSR strategic framework.

Resilient governance
We will uphold the highest standards in 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.

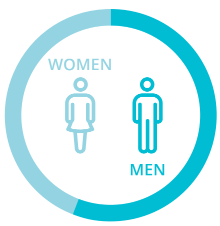
CSR strategy
At RDI, CSR means understanding and proactively managing ESG risks and opportunities that can impact on income growth and net asset value, whilst also taking account of the Company's responsibilities towards stakeholders, in particular investors, employees, the businesses with which we work and the communities in which we operate.

We seek to ensure that our governance and risk management framework, together with our investment and asset strategy, continue to be resilient to the ever-changing economic, social and environmental landscape. Our CSR roadmap sets out a series of actions targeting both short and medium term strategic objectives.

The CSR Committee uses targets and carefully selected KPIs to measure progress, reported by key stakeholders within the business responsible for the day-to-day management of those targets. The CSR Committee meets regularly to review progress against the CSR roadmap, review environmental performance data and receive updates on current, potential and future compliance matters relating to UK and German CSR legislation.

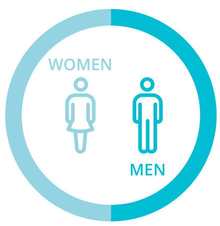
Gender split across the Group

244
Employees



Men 56%	
Women 44%	

8
Senior management



Men 50%	
Women 50%	

Resilient governance

Approach
RDI seeks to operate efficient processes and procedures that demonstrate social and environmental risk management and foster open stakeholder engagement. The Group will also continue to uphold the highest standards of ethical behaviour and actively support our workforce.

The Group's approach to delivering on these commitments includes:

- complying with all applicable regulation and preparing for anticipated future regulation, and its implications;
- providing confidence to stakeholders of our sound management of CSR risks through our ongoing annual participation in the most prominent industry benchmark survey, the GRESB Real Estate Assessment;
- ensuring employees receive appropriate training on ESG issues, and providing bespoke training on sustainability topics to those that require it;
- maintaining best practice in health and safety management to the benefit of tenants, contractors, customers and employees;
- requiring suppliers to adhere to a code of ethics, covering, inter alia, anti-bribery and modern slavery;
- continual relationship with first class sustainability advisers to provide leadership and guidance on sustainability across the business;
- operating a data management system to ensure our disclosure and reporting is accurate; and
- fostering a culture of openness.

With respect to our employees and, where applicable, stakeholders, the Group will:

- ensure there are no instances of discrimination either directly or indirectly;
- treat all employees, prospective employees, agents, contractors, tenants and suppliers fairly and equally, regardless of their gender, age, race, sexuality or disability;
- promote staff training and development with a focus on fostering innovation;
- seek to diversify our workforce to support the nature of the Company's operations or the communities in which we operate, taking into account relevant skills, experience, knowledge, personality, ethnicity and gender whilst maintaining our responsibility to select the best candidate;
- recognise our social and moral duty to offer opportunities to people with disabilities and doing all that is practicable to meet their needs;
- uphold our commitments under our Code of Ethics which promotes honesty and integrity in business dealings and conduct commensurate with an organisation of our size. Any breaches will lead to disciplinary proceedings and, if appropriate, disciplinary action; and
- provide all employees with a handbook outlining the Company's key policies, which are designed to encourage a pleasant working environment, free from discrimination, undue stress or bullying. The Company recognises, respects and upholds all UK employment rights and human rights and outlaws any forms of modern slavery.

Corporate social responsibility
continued

Resilient governance continued

Performance

Good progress was made during 2018 in relation to CSR governance.

Each year our CSR targets are structured to ensure the continual improvement in GRESB Real Estate Assessment score is maintained. The GRESB results are categorised into Implementation and Measurement, to which a score is attached, and Management and Policy, which is also scored. The Group has consistently scored well in Management and Policy, demonstrating our commitment to governance in this area. In 2018, we improved on our 2017 score.

We have developed and published a Board approved stakeholder engagement policy covering all areas of our business and elevated the prominence of stakeholder impact in Board decision making. Engagement initiatives are reported on quarterly to the Board through the CSR Committee. See our published policy on page 69.

The Company has met its obligations under the CRC Energy Efficiency Scheme for 2018 and continues to monitor upcoming changes to legislation.

RDI has its own dedicated Health and Safety Manager whose role it is to provide guidance and support to tenants, contractors, customers and employees alike. The key objective being to improve reporting consistency and risk management across two geographical locations, which has received considerable attention this past year.

Focused sustainability training as delivered to all employees based at the Group's head office and across its operational locations has been incorporated into the Company induction format and available resource materials for existing employees. Ensuring our employees are made aware of and educated in sustainability issues helps bring sustainability to life and allows for the integration of many initiatives into everyday activities throughout the workplace. The Company's staff induction programme now includes sustainability awareness with attention drawn to the Group's CSR strategy and initiatives.

RDI is committed to maintaining its culture of openness and transparency. There is a strong work ethic amongst staff and team spirit is fostered through regular meetings and team building days which encourage better working relationships and provide the forum for sharing ideas with the executives in a less formal environment. As the Company expands, and the number of employees and responsibilities increases, the Board Committees have ensured that the necessary internal controls have been implemented, and that executives and employees remain well rewarded. The Board recognises the importance of culture and providing a good working environment to attract and retain high calibre staff. To this end, an employee survey was undertaken again this year to provide a forum for confidential feedback. The Board was pleased that there was a generally positive response to the survey, whilst providing for areas of focus for further improvements to employees' satisfaction and health and wellbeing.

It is our aim to extend diversity within the Group and acknowledge, accept and accommodate the differences between individuals. The Group strives 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.

The Company is committed to having an appropriate level of diversity that reflects the nature of the Group's operations and which best supports the achievement of strategic objectives. Over the last year diversity across the Group and the Board has remained unchanged. The Nominations Committee regularly considers 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 2020.

In line with best practice, we voluntarily reported RDI's gender pay gap. The most recently published analysis is set out below.

	Mean	Median
Gender pay gap	20%	11%
Gender bonus pay gap	47%	28%
Proportion of females receiving a bonus		99%
Proportion of males receiving a bonus		94%

Putting this in perspective, at RDI women's mean hourly rate is 20% lower than men's. In other words, when comparing mean hourly rates, women earn 80 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	37%	63%
Upper middle	16%	84%
Lower middle	25%	75%
Lower	60%	40%

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.

Employee turnover has been modest during 2018. All employees are based in the UK or Germany, where there are few human rights issues. No human rights concerns or whistle-blowing reports were received from employees during the year.

Employees and diversity

	Total[(1)]	Men	%[(1)]	Women	%[(1)]
Board non-executives	7 (7)	5	71 (86)	2	29 (14)
Board executives	4 (4)	4	100 (100)	—	— (—)
Senior management	8 (9)	4	50 (56)	4	50 (44)
Other employees	232 (206)	128	55 (64)	104	45 (36)
Total (including Board non-executives)	**251 (226)**	**141**	**56 (65)**	**110**	**44 (35)**
All employees working part time[(2)]	50 (49)	16	33	34	67
All employee leavers (total)[(2)]	44 (21)				

(1) Figures for 2017 are shown in brackets.
(2) All employees excludes Board non-executives.

Resilient investment

Approach

The Company seeks to implement an effective investment strategy that realises the full potential of our investments for both our shareholders and the communities in which we operate throughout the investment life cycle.

The Group's approach to delivering on this commitment includes:

- identifying investment risks during acquisition due diligence and opportunities to add value;
- considering the social and environmental performance of our assets;
- monitoring and measuring our resource consumption to identify efficiencies, particularly relating to energy;
- reducing our carbon emissions footprint and the operational costs for our tenants; and
- maintaining a high level of tenant satisfaction.

Performance

This was an area of focus for the year, and we are pleased to report considerable progress has been made.

The Company has again invested time with its CSR advisers to prepare utilities and waste data sets aligned to the majority of EPRA *sBPR (3rd version) core requirements. The utilities and waste data set has been collated across the 38 properties where available, representing over 150 data points across the two geographic locations. The utilities data has been analysed in accordance with the Real Estate Environmental Benchmark ("REEB") in order to support the setting of a corporate target for energy reduction, given the solid foundation formed during the last 12 months on provision of an improved data set aligned to the majority of EPRA *sBPR (3rd version) core requirements.

During the year, the CSR Committee has focused on green building certification across the portfolio. The Committee identified and supported the certification of the food court development at West Orchards Shopping Centre, Coventry, which achieved a Bronze SKA rating. In addition, the Holiday Inn Express hotel in Southwark was nominated for suitability to undergo assessment ahead of certification to BREEAM In-Use for which a rating of 'Very Good' will be achieved. Various other assets and developments are being considered for certification as the Committee recognises the increasing need for properties to be refurbished, managed and operated responsibly.

Our Tenant Energy Data ("TED") initiative has gone from strength to strength during its second year in operation. The initiative is aimed at understanding how the Company can support and influence tenants to reduce their energy consumption. TED continues to be a complex task and we are exploring ways to enhance the exchange of utility consumption data. In 2018 tenants data coverage for the hotel sector has doubled, which given their relative size and availability of data has made a material difference to the quality of our reporting and its disclosure. This contributes to an enhanced general awareness of how we may be able to support assets outside of our operational control on matters relating to energy efficiency.

A tenant engagement programme was completed at our UK Shopping Centres, the results of which are being analysed with the objective of developing an action plan designed at maintaining a high level of tenant satisfaction.

Resilient assets

Approach

RDI will undertake asset management which maximises net asset value whilst providing the best experience possible for occupiers and visitors alike.

The Group's approach to delivering on this commitment includes:

- 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;
- understanding, enhancing and promoting the Group's role as a placemaker, with a focus on creating and maintaining prosperous communities in the local areas where we invest;
- ensuring key environmental and social risks are well managed when the Group is undertaking development activities and throughout the management of our portfolio; and
- where possible, facilitate the transition to greener energy use.

Performance

We are proud to announce that the provision of the REEB utilities data analysis has enabled the Committee to set an energy reduction target. The target commits RDI's managed assets to reducing energy intensity by 25 per cent based on a 2017 baseline by the year 2030.

Other highlights from the year:

- continued Health, Safety and Environmental ("HSE") compliance audit scores across our UK Retail and Shopping Centre locations were maintained above 90 per cent;
- undertook various Fire Risk Assessments and Water Hygiene Audits with external auditors across the UK Shopping Centre portfolio to ensure ongoing compliance;
- regular monitoring of the UK portfolio's EPC risk, to ensure all assets and units have a valid EPC rating attached;
- continued to participate in fundraising activities and charitable activities at each UK Shopping Centre, which aids in fostering a great community spirit;
- installing electric vehicle charging points at four of our retail centres with significant electric vehicle catchment areas. These are provided free of charge; and
- improved data from our German portfolio to provide greater coverage of the portfolio's energy use.

Energy Performance Certification ("EPC") risk

The Company's exposure to EPC risk from the forthcoming MEES and present Section 63 legislation has been well managed, with every applicable UK property having a valid EPC rating. To future proof our portfolio, the Committee has established a target minimum EPC rating of D for all planned refurbishments and upgrade works to our portfolio assets.

Performance data

The Company is committed to measuring and monitoring the environmental impact of energy, water usage and waste management which falls under its operational control. RDI has adopted the EPRA *sBPR (3rd version) as the basis of its reporting in accordance with core requirements.

Corporate social responsibility
continued

EPRA sustainability performance measures for our managed portfolio

Impact area	Units of measurement	EPRA sBPR code	Indicator	Index
Energy	MWh	Elec-Abs, Elec-LFL	Electricity	Landlord Procured (Whole Building)
				Landlord Procured (Common Parts/Shared Services)
				Total
				Proportion estimated
				Renewables
		DH&C-Abs, DH&C-LFL	District heating and cooling	Landlord Procured (Whole Building)
				Landlord Procured (Common Parts/Shared Services)
				Total[2]
				Proportion estimated
				Renewables
		Fuels-Abs, Fuels-LFL	Fuels	Landlord Procured (Whole Building)
				Landlord Procured (Common Parts/Shared Services)
				Total[2]
				Proportion estimated[1]
				Renewables
				Total Energy
Greenhouse gas emissions	Tonnes CO_2e	GHG-Dir-Abs, GHG-Dir-LfL	Direct	Scope 1[2]
		GHG-Indir-Abs, GHG-Indir-LfL	Indirect	Scope 2 (location based)[2]
				Scope 2 (market based)[2]
				Scope 3[2]
				Total (Scope 1, Scope 2 Location, Scope 3)
				Proportion estimated[1]
Water	Cubic metres (m^3)	Water-Abs, Water-LfL	Water	Landlord Procured (Whole Building)
				Proportion estimated[1]
Waste (landlord-managed)	Metric tonnes	Waste-Abs, Waste-LfL	% weight by disposal route	Recycled
				Off-site Materials Recovery Facility
				Incineration with energy recovery
				Total
				Recycled
				Off-site Materials Recovery Facility[2]
				Incineration with energy recovery[2]
				Proportion estimated[1]
Normalisation		Energy-Int GHG-Int Water-Int	Energy	kWh/£million net rental income
			GHG	tCO_2e/£million net rental income
			Water	m^3/£million net rental income
Disclosure coverage	No. of assets			Energy, GHG, Water
				Waste
				Total No. In Organisational Boundary (Managed Assets)
				Acquired during reporting period
				Sold during reporting period

(1) Estimation methodology used:
- Energy, GHG, Water – pro-rata estimation based on nearest available period of recorded consumption using primary evidence.
- Waste – estimation based on industry standard conversions (volume to weight).

(2) Where we have received more accurate data for energy and waste we have made restatements to the 2017 absolute performance measures. We have restated greenhouse gas emissions accordingly, to reflect these changes.

	Absolute (Abs)			Like-for-Like (LfL)			
	2017	2018	% change	2017	2018	% change	% coverage (no. assets)
	7,357	5,873	-20%	4,204	4,802	14%	
	5,637	5,413	-4%	5,501	5,272	-4%	
	12,994	**11,286**	**-13%**	**9,705**	**10,074**	**4%**	**63%**
	1%	**17%**					
	39%	**42%**					
	4,235	3,693	-13%	4,235	3,242	-23%	
	—	—	—	—	—	—	
	4,235	**3,693**	**-13%**	**4,235**	**3,242**	**-23%**	**75%**
	0%	**44%**					
	0%	**0%**					
	5,953	6,014	1%	4,232	4,656	10%	
	1,374	1,524	11%	1,368	1,005	-27%	
	7,327	**7,537**	**3%**	**5,600**	**5,661**	**1%**	**60%**
	0%	**23%**					
	0%	**0%**					
	24,556	**22,516**	**-8%**	**19,540**	**18,977**	**-3%**	
	1,349	1,388	3%	1,031	1,043	1%	
	5,661	4,461	-21%	4,492	4,000	-11%	
	7,409	6,159	-17%	3,498	2,897	-17%	
	471	309	-34%	319	243	-24%	
	7,481	**6,158**	**-18%**	**5,842**	**5,286**	**-10%**	
	1%	23%					
	99,480	84,776	-15%	13,223	18,744	42%	29%
	0%	67%					
	264	274	4%	231	233	1%	
	436	312	-28%	404	291	-28%	
	755	878	16%	713	824	16%	
	1,455	**1,464**	**1%**	**1,348**	**1,347**	**0%**	**44%**
	20%	**19%**	**-1%**	**17%**	**17%**	**0%**	
	30%	**21%**	**-9%**	**30%**	**22%**	**-8%**	
	52%	**60%**	**8%**	**53%**	**61%**	**8%**	
	19%	**30%**	**—**	**18%**	**26%**	**—**	
	259	224	-14%	209	188	-10%	
	124	122	-2%	100	81	-19%	
	1,064	842	-21%	141	186	32%	
	39	38					
	15	16					
	41	38					
		9					
		12					

Corporate social responsibility
continued

Building certification and labelling (Cert-Tot) % floor area (m^2) covered in managed boundary

% of managed portfolio with BREEAM in use (Very Good)	1%
% of managed portfolio with SKA Ratings (Bronze)	6%
Total	7%

EPRA social and governance reporting to version 3 sBPR

Social performance measures

EPRA code	Performance measure	Indicator		2018
Diversity-Emp	Employee gender diversity	Board of Directors	Female	18%
			Male	82%
		Employees	Female	45%
			Male	55%
Diversity-Pay	Gender pay ratio	Gender pay gap	Mean	20%
Emp-Training	Employee training and development	Average hours		14.4
Emp-Dev	Employee performance appraisals	Proportion of employees		48%
Emp-Turnover	New hires	Total number and rate		60 (25%)
	Turnover	Total number and rate		44 (17%)
H&S-Emp	Employee health and safety	Injury rate (per 100 hours worked)		0.3%
		Absentee rate (per days scheduled)		3%
		Number of work related fatalities		0
H&S-Asset	Asset health and safety assessments	Proportion of assets		21
H&S-Comp	Asset health and safety compliance	Number of incidents; unresolved within the required timeframe		0
Comty-Eng	Community engagement, impact assessments and development programmes	Proportion of assets		26%

EPRA commentary

The Company has enhanced its environmental performance data disclosure to align with the majority of EPRA sBPR (3rd version).

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 in respect to the environmental performance of assets under management.

As per mandatory greenhouse gas disclosure, 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 38 assets fall within the boundary for 2018 and 41 for 2017 reporting periods. We have provided actual or estimated data to cover all of these assets for the current reporting period. Estimation is only made where actual billed or metered data availability falls within six months or less from the period to be estimated.

Our methodologies use pro-rated calculation or like-for-like replacement. During 2019 we will review our data management processes to increase data accuracy and reduce estimation.

In terms of absolute energy consumption change, electricity consumption decreased by 13 per cent and gas consumption increased by 3 per cent in the past year due to a combination of property disposals and increased occupancy (and heating demand) across our multi-let properties. District heating consumption again recorded an annual reduction due to reduced demand within our German shopping centre assets.

Our LfL portfolio for the purpose of the EPRA disclosure is mostly composed of our UK and German Shopping centres. These properties have the largest environmental impact of all assets under management. Actual LfL increase in electricity consumption was less pronounced (four per cent). Water consumption saw a 29 per cent increase, however a large proportion of water data was estimated due to an issue related to supplier billing.

In relation to intensity of environmental performance, we have chosen to use net rental income as the denominator to be consistent with our GHG disclosure methodology. We recognise that other normalisation factors may be more appropriate for use in the future, with a particular focus to ensure that LfL performance changes can be properly understood. We will introduce reporting on performance against our energy intensity target in 2019.

Please see page 66 for further information on our absolute scope 1 and 2L GHG emissions and reporting methodology.

We expect to continue to enhance our data reporting programme during the course of the next year to provide better insight into where energy and water data is sub-metered exclusively to tenants, as well as improve the data accuracy and coverage of our data management system.

Governance performance measures

Gov-Board	Composition of the highest governance body	Number of executive Board members	4
		Number of independent/ non-executive Board members	1 Chairman 4 independent non-executives 2 non-executive
		Average tenure on the governance body	4.6 years
		Number of independent/ non-executive Board members with competencies relating to environmental and social topics	1
Gov-Selec	Process for nominating and selecting the highest governance body	Narrative on process	• 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-executive to consider each candidate. • Final recommendation will be made to the Board followed by an announcement to the shareholders. **For more information, please refer to RDI's 2017 Annual Report – page 71**
Gov-Col	Process for managing conflicts of interest	Narrative on process	• Directors are not to accept any other appointment or any arrangements which might be expected to lead to a conflict of interesting 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. • The Company maintains a Conflicts of Interest Register. **For more information, please refer to RDI's 2017 Annual Report – page 71**

Corporate social responsibility
continued

Mandatory GHG emissions reporting table

		2018	2017	% Change
Direct greenhouse gas emissions in tonnes of CO_2e (combustion of fuel and operation of facilities)	Scope 1	**1,388**	1,349	3%
Indirect greenhouse gas emissions in tonnes of CO_2e (purchased electricity, heat, steam and cooling)	Scope 2L – location based	**4,461**	5,661	-21%
	Scope 2M – market based	**6,159**	7,409	-17%
Total carbon footprint in tonnes of CO_2e	Total scope 1 and 2L	**5,849**	7,010	-17%
Scope 1 and 2 intensity (tCO_2e/£m net rental income)		**58**	75	-23%

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 emissions factors are sourced from the UK Government for each respective reporting period and International Energy Association (to cover German assets). We reported both the "location-based" and "market-based" emissions resulting from purchased electricity to comply with the updated guidance on the reporting of Scope 2 GHG emissions under the GHG Protocol. The location-based method uses an average emission 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. Markets differ as to what contractual instruments are commonly available or used by companies to purchase energy or claim its specific attributes. RDI has chosen to use a supplier specific emissions rate. This method has been used in alignment with the GHG Protocol's quality criteria. In alignment with UK DEFRA Environmental Reporting Guidelines, we have used the conversion factor for the year the emissions took place. 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 emissions 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 data split of consumption in tenant demises and landlord-controlled areas is unavailable, emissions associated to the whole building's energy consumption are included in Scope 2. For 2017 and 2018, there have been no reported fugitive emissions from air-conditioning refrigerant leaks and top-up of refrigerant volume.

Data notes

Absolute Scope 1 and 2 emissions reduced by 16 per cent due to a combination of changes to our property portfolio in Germany, a reduced demand for heating and a decrease in UK grid emission factors.

CSR adviser's statement

As RDI's strategic adviser on corporate social responsibility, Savills would like to acknowledge the continual improvement demonstrated by RDI in terms of their focus on how they have chosen to implement, maintain and improve their CSR strategy. RDI is a proactive Company that considers their CSR responsibility to be embedded within their core operations and integrated within their investment strategy for short, medium and long term growth. Our engagement with the Company has shown that employees have a high level of interest in CSR initiatives, are well equipped to support their implementation and by ensuring that sufficient time and resources are made available, RDI effectively tackles both the straightforward and the more challenging targets set.

We confirm that environmental data published in this report provides a true representation of the Company's current performance. Savills will continue to support RDI over the coming year, to guide and assist in improving the data collection and reporting and to attain their 2019 CSR targets.

Jonathan Hale
Associate Director
Savills

25 October 2018

CSR target roadmap

Progress achieved against CSR targets set for 2018

Resilient governance	Resilient investment	Resilient assets
✓✓ Develop a stakeholder engagement programme to provide a strategy, policy and action plan for mobilisation across the managed estate to cover tenants, communities and employees.	✓✓✓ Independently verify the performance of our assets through certification of our portfolio during operation, refurbishment, new construction using appropriate green building certification schemes.	✓✓✓ Set a property wide relative reduction target for total energy consumption on a like-for-like basis in terms of energy per unit floor area (kWh/m^2).
✓✓✓ Review the Company induction format to include a section specifically on sustainability for the benefit of all new employees and to maintain awareness amongst current employees.	✓✓ Continue to maintain high levels of tenant satisfaction through an engagement programme in order to act on the findings from the most recent survey.	✓✓✓ Facilitate the transition to greener forms of transportation via the installation of electric vehicle charging points across appropriate shopping centre locations.
✓✓ Harmonise Company Health, Safety and Environmental ("HS&E") policies across RDI's two geographical locations.	✓✓✓ Ensure employees are made aware of Company initiatives which support their health and wellbeing and gain an insight into their perceptions and aspirations.	✓✓✓ Improve data across our German assets to ensure the ability to measure key performance indicators ("KPIs") can be realised.

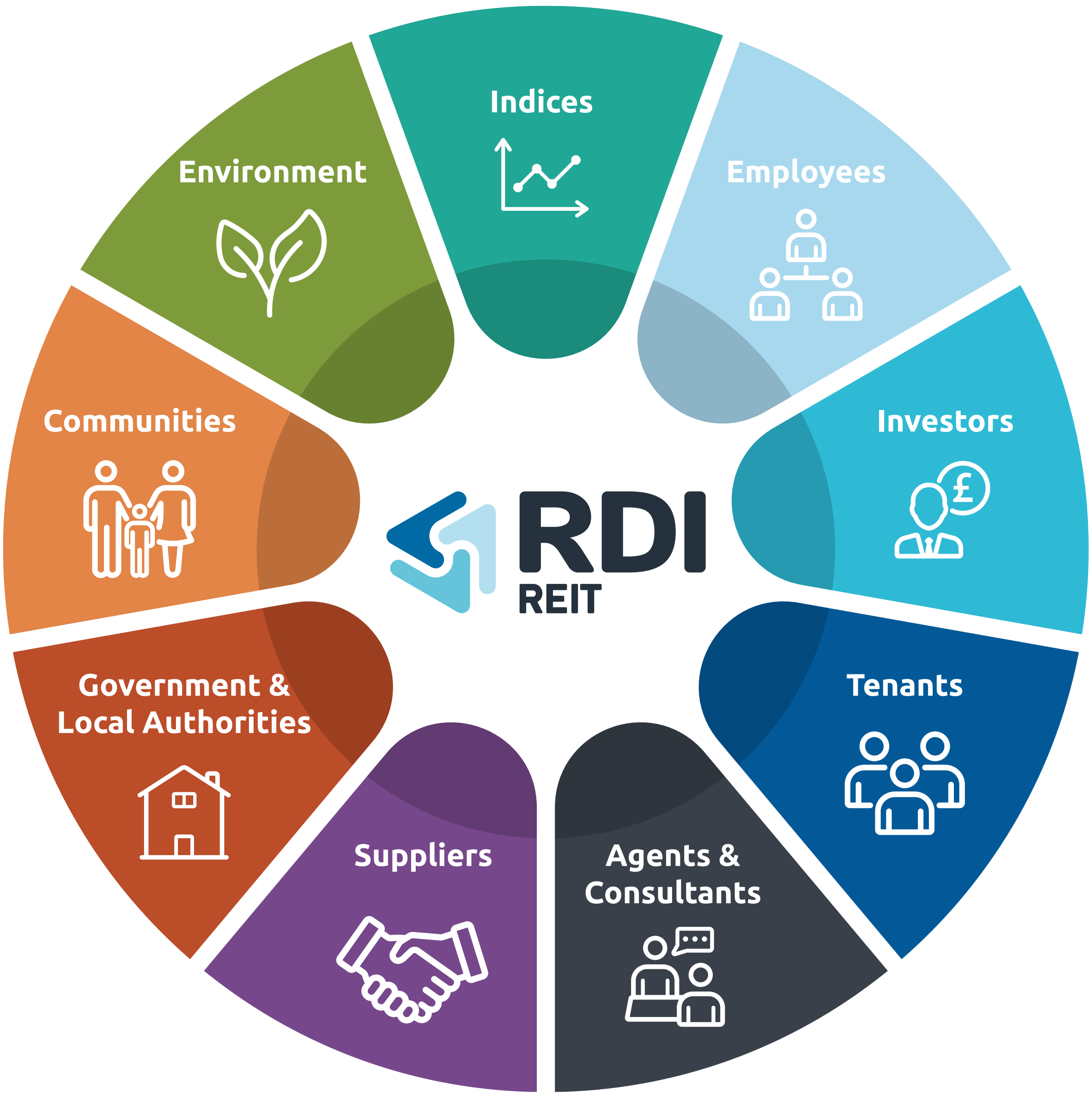
✓✓✓ Good progress
✓✓ Sound progress
✓ Some progress

CSR targets for 2019

Resilient governance	Resilient investment	Resilient assets
Continue to develop a German Health, Safety and Environmental programme to align with our UK approach.	Continue to independently verify the performance of our assets through certification of our portfolio.	Undertake energy audits across our managed assets to identify actions to achieve 25% reduction in energy use by 2030 (against 2017 baseline year). Review and report on progress made.
Undertake third party verification of our EPRA environmental performance measures.	Demonstrate our commitment to procuring 100% renewable energy in so far as reasonably practicable.	Improve monitoring and reporting of waste data and performance across our managed assets.
Implement a pilot scheme at selected assets for an Environmental Management System ISO14001 compliant.	Complete an employee focus session on health and wellbeing.	Expand the tenant satisfaction survey to include all managed assets.

Stakeholder engagement

RDI is committed to becoming the UK's leading income focused REIT and, in doing so, we recognise the importance of building strong relationships with our stakeholders to ensure the long term success of the Company for the benefit of stakeholders and shareholders alike.



The Board of RDI has identified its key stakeholder groups, as set out in the table below, outlining how we intend to undertake appropriate engagement with our stakeholders in order to best identify, gather and incorporate stakeholder views when reviewing strategy, services and relationships with our workforce, shareholders, suppliers and the communities in which we operate.

Key stakeholder	Engagement methods	Persons responsible
Employees	• Employee satisfaction surveys • Internal communications • Meetings and training sessions e.g. sustainability • Breakfast with the CEO • Team building sessions • Whistleblowing	• HR • Executive Directors • Company Secretary • Marketing
Investors	• Results roadshows • Property days, capital market days • Shareholder analysis	• Executive Directors • Investor Relations Manager • Advisers
Tenants	• Tenant satisfaction surveys • Promotion of sustainability programmes • Standard contracts include a greener lease clause • Leases include an Anti-Bribery and Modern Slavery Act clause • Tenant review meetings	• Asset Managers • Property Managers • Marketing • Centre Managers
Agents & Consultants	• Regular meetings and communication	• Asset Managers
Suppliers	• All contractors must adhere to a Supplier Code of Ethics • Contractors' compliance with our sustainability requirements is monitored for major developments, refurbishments and construction projects • Payments are made to suppliers within agreed payment terms	• Finance • Asset Managers
Government & Local Authorities	• The Group engages with all levels of Government, responding to Government consultations, and liaising with local authorities, officers and members on planning matters	• Asset Managers
Communities	• Group actively supports a variety of charitable organisations and events • Employees are encouraged to take part in philanthropic activities such as fundraising and volunteering • We aim to enhance the social and economic wellbeing of the areas in which our properties are situated through creating employment, enhancing the built environment and contributing to local community activities. In addition, we will always strive to minimise the physical impacts of our developments on traffic, noise, dust, waste and pollution through our contractors' involvement in the Considerate Constructors Scheme • Designated charities of the year at both Head Office and throughout our shopping centres	• Marketing • Asset Managers • Centre Managers
Environment	• All properties to have minimum EPC rating of D • EPRA sustainability performance measures are monitored for our managed portfolio on energy, greenhouse gases, water and waste • Sustainability requirements are monitored for all major developments, refurbishments and construction projects	• Asset Managers • Agents • Development Manager
Indices	• RDI reports to the Global Real Estate Sustainability Benchmark ("GRESB") Real Estate Assessment annually, with results to date signifying an improved performance in sustainability management, policy, implementation and measurement	

Stakeholder engagement
continued

Environment

Electric vehicle charging points

RDI have worked with Savills and Pod Point to proactively incorporate the electric vehicle ("EV") charging facilities at specific sites, benefiting our customers and supporting adaptation of sustainable transport modes. During the year, we installed EV charging points at Birchwood Shopping, St George's Harrow, Priority Retail Park, and The Arches Retail Park, Watford.

Since the installations were completed, the EV charging points have been used over 2,400 times, delivering over seven tonnes of CO_2e savings from visitor travel. Our customers, on average, charge their vehicles for 2 hours and 10 minutes per visit.

The 7kW fast charging units have been installed at all locations, providing around 30 miles of charge per hour. Drivers can access the charging points by simply registering on the Pod Point app. To encourage the use of greener forms of transport, the charging points are provided free of charge.

Employees

Employees and Company culture

A Code of Ethics was adopted by the Company in 2011 providing guiding principles to ensure adherence to the strictest standards of ethical conduct, fair dealing and integrity in its business practices. The Group's philosophy is underpinned by the principles of honesty, 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 interests;
- anti-bribery;
- legitimate share dealings;
- diversity;
- best practice corporate governance;
- protection of the environment;
- to act as a considerate landlord;
- compliance with unlawful and unethical behaviour; and
- reporting of unlawful and unethical behaviour.

Such matters are there to encourage a friendly and healthy environment in which our employees can work.

Employees have a clear understanding of their career path and believe that they can reach their full potential at RDI. People feel valued at work, with line managers operating an open-door policy and willing to listen to ideas, which can be quickly implemented. Employees are respected and are well rewarded, with the remuneration structure aligned with that of the executives. Senior management are seen to contribute to a positive work culture, demonstrating a strong work ethic that permeates down to the staff resulting in low turnover and absenteeism in the workforce. The entrepreneurial nature of the executives and the agility of the Board to respond to opportunities creates an exciting atmosphere in which to work, with employees pulling together as a team.

In order to ensure the culture of the business is maintained, employee surveys are undertaken to monitor staff satisfaction and to ensure any grievances are quickly addressed. An employee forum has been set up to discuss any matters that affect the workforce as a whole and to respond to any information or training requests that employees may have, ensuring that communication flows through out the Company, and employees are kept abreast of business developments or other matters that may affect them.

Tenants

St. George's Shopping Centre, Harrow and Weston Favell Shopping Centre, Northampton recently launched Mallcomm, a dedicated retailer communications tool in the form of a mobile app. Mallcomm allows centre management teams to communicate with staff, from head office to store managers and shop staff, on a real time basis across a number of subjects including marketing, operations, security and health and safety.

The app, which works across both the iOS and Android platforms, is free to download and allows retailers to share key information about their businesses with the centre management team.

Other functionality includes push notification alerts and the ability to track retailer interaction within the app. The pilot scheme forms part of our wider tenant engagement programme and has been a huge success, with user logins at rates of up to 95% during the test period. Mallcomm will be rolled out across the UK Shopping Centre portfolio in 2019.

Communities

In May 2018, team members from community shopping centre Weston Favell, supported by RDI Head Office staff, undertook a 100 mile walk from RDI's offices in London's Piccadilly back to the shopping centre in Northampton, raising funds for local charity, Thomas's Fund.

Following the path of the Grand Union canal, the team covered approximately 20 miles each day for a five-day period, with the aim of raising £10,000 for the charity which was named Weston Favell's charity of the year 2017. On arrival back at Weston Favell on the final day of the challenge, the weary walkers were met by a huge welcoming committee made up of shoppers, media, colleagues and representatives from Thomas's Fund who had been following the group's progress via social media throughout the week.

The total amount of £10,488.95 raised from the walk was greatly received by Thomas's Fund which provides music therapy for children with life-limiting illnesses and disabilities in the Northampton area.

2-6 Boundary Row, Waterloo, London

Stakeholder engagement

continued

Investors

The Board is committed to maintaining an open dialogue with shareholders and engaging with both existing and potential investors on Company strategy, management, remuneration and governance. The Chairman and the Executive Directors are the primary contacts for institutional investors and major shareholders, supported by the Head of Investor Relations. We take feedback from investors seriously. All feedback received is reported to the Board, along with any recent analyst coverage.

Shareholders are encouraged to contact the executives to raise any matters of concern and to attend the AGM where they can meet and discuss the Company's operations with the entire Board of Directors.

MiFID II

Following the restrictions under MiFID II, which became effective in January 2018, RDI has made significant efforts to improve its direct investor outreach and feedback programme. With external research materials and reliable consensus increasingly difficult to obtain, Company compiled consensus is now published on the website to allow all investors access to inclusive forecast figures.

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.

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

Corporate website www.rdireit.com

The website has recently been redesigned, with clear linkage to all areas of our business, and improving navigation for shareholders to the latest updates, related presentation materials and regulatory shareholder information.

All investor materials, including video content, are made available on the website, including quarterly factsheets with all the latest news and an easily downloadable Excel workbook containing all key figures and analysis.

Annual General Meetings ("AGM") and shareholder feedback

The Board appreciates shareholders taking the time to attend the AGM, which gives investors the opportunity to meet with Directors and raise any questions they may have concerning the operations of the Company. AGMs are called on at least 20 business days' notice and shareholders are provided with comprehensive notes for the proposed resolutions.

2017 AGM results: 70 per cent of votes cast

At the 2017 AGM, there was a substantial vote against the resolutions giving Directors a general authority to issue shares and for Directors to issue shares for cash. Although these resolutions adhered to standard UK guidelines, South African shareholders found the authorities excessive. Therefore, after consultation with South African investors, it was proposed that in future the general authority to issue shares be reduced to 20 per cent of the Company's current issued share capital, of which half could be issued in cash. Votes received against these resolutions at the January 2018 AGM were minimal, and this authority level will be proposed again at the 2019 AGM.

2018 AGM results: 67 per cent of votes cast

All resolutions were strongly supported, save for the Directors' Annual Report on Remuneration which received 89.41%. The Company had received criticism for publishing the executives' bonus targets retrospectively due to commercial sensitivity concerns. This policy has been reviewed, and the executives' bonus targets and performance for 2018 have been published on page 104. The Remuneration Committee has also made certain commitments to align the Remuneration Policy, which is due to be reviewed next year, with current best practice and these commitments can be found on page 98.

Shareholder concerns regarding the dilutive effect of the scrip dividend were addressed through the introduction of a share buyback programme in April 2018. A total of 15 million shares were subsequently repurchased and cancelled and following an issue of 9 million scrip shares a slight reduction in the number of shares in issue was achieved. It should be noted that due to the current share price being at a material discount to net asset value, a scrip dividend alternative will not be offered to shareholders for the second interim dividend.

2019 AGM: To be held at 11.00am on 24 January 2019 at 20 St Dunstan's Hill, London EC3R 8HL

St Dunstan's is part of the Company's London Serviced Office portfolio and will give shareholders the opportunity to visit one of the Company's properties for the 2019 AGM. Resolutions proposed are similar to last year, save for the retirement of Bernie Nackan as Non-executive Director, and a proposed share consolidation.

With the issued share capital currently exceeding 1.9 billion shares, Directors are proposing that every five issued ordinary shares of 8 pence be consolidated into one ordinary share of 40 pence each. If shareholders approve the consolidation, administrative matters and related disclosures will be simplified but the Company's shares liquidity will remain.

Although no concerns have been raised by investors, the Board has noted that the FRC is proposing that all shareholders be allowed to vote on a final dividend, and this matter will be considered by the Board during the coming year. However, we trust that shareholders will be pleased that the Company has continued to offer a progressive dividend, and a second interim dividend of 1.35 pence will be paid to shareholders on 18 December 2018, following another strong set of results.

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

Key contacts for our shareholders

We have included contact details for the Company and our Registrars on page 185.

If shareholders have any concerns, which the normal channels of communication to the Head of Investor Relations, Executive team or Chairman have failed to resolve, then our Senior Independent Director, Michael Farrow, is available to address them.

Investor meetings

During the year the Company hosted over 140 meetings with potential and existing shareholders, representing over 60 per cent of our share register. RDI engaged with institutional investors and private wealth managers, with varying mandates across multiple geographies, and hosted the United Kingdom Shareholders Association for private shareholders at one of our newly acquired London Serviced Offices during the year.

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 and our Head of Investor Relations.

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

A summary of our investor engagement programme is shown opposite.

September 2017	• **EPRA conference**
October 2017	• **2017 results announcement** All materials, including the presentation, webcast and Excel download, are available on the Company's website • **2017 sales desk briefings (x3)** We actively engage with equity sales teams and provide them with an abbreviated version of results to assist these teams to effectively market our proposition
November 2017	• **2017 results roadshow** including London, Leeds, Manchester, Cape Town and Johannesburg
January 2018	• **JPMorgan Real Estate conference** • **Webcast – Expanding into London flexible offices** The webcast was aimed at clarifying the investment rationale, providing more context around the structural change that supports the strong occupier demand underpinning these assets and answering any immediate investor questions
February 2018	• **Property tour: London serviced offices** The property tour was hosted by the management team together with our new strategic partners, Office Space in Town ("OSIT") and was aimed at UK research analysts and institutional investors. The well attended event included a presentation followed by site visits to the recently acquired London serviced offices
April 2018	• **2018 interim results announcement** All materials, including the presentation, webcast and Excel download, are available on the Company's website • **2018 interim sales desk briefing** • **2018 interim results roadshow** including London, Cape Town and Johannesburg
May 2018	• **2018 interim results roadshow** including London, Edinburgh and Glasgow
June 2018	• **Peel Hunt Real Estate conference** with Giles Fuchs (CEO of OSIT) as a panellist • **United Kingdom Shareholders Association** ("UKSA") was hosted at one of our newly acquired London serviced offices • **Investor day and site visit** The management team and its strategic operational partners, OSIT and RBH Hotel Group, hosted an investor day and property tour in London. The focus of the day was on landlords becoming service providers and the importance that active asset management plays in generating long term sustainable and growing income. The Company presented a strategic update on its recent hotels and serviced office acquisitions and hosted a panel discussion. All materials, including videos of the strategic presentation and panel discussion, are available on the Company's website
July 2018	• **Roadshow – Birmingham**
August 2018	• **Roadshow – London** which was largely targeted at private wealth investors

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

Chairman's statement

> The Board remains alert to broader economic and political uncertainties but remains confident in its ability to deliver growing returns based on a clear and focused strategy.

Gavin Tipper
Chairman of the Board

Overview and performance

The year has been characterised by considerable macroeconomic and political uncertainty. While a number of the major global economies are showing steady improvements, the potential for major trade wars and sanctions at various levels all pose a threat to continued stability. The UK has been subject to a prolonged period of uncertainty following the Brexit vote and the difficulty government has faced in agreeing on a united approach and negotiating a sensible exit. It unfortunately appears that this uncertainty and the negative consequences thereof may persist for some time.

It has consequently been a challenging 12 months for many businesses in the UK. In addition to the general negative effects of the political and macroeconomic uncertainty, the Company has been exposed to the ongoing structural change in UK consumer shopping habits, aspects of which are appearing in Germany. In line with our capital recycling strategy, we made a number of disposals and reinvestments to reduce our exposure to retail and align our portfolio to those sectors experiencing what we regard as sustainable growth. Specifically, we disposed of the German supermarket portfolio during the year and reinvested the proceeds into London serviced offices, an asset class which is proving defensive in the current market.

Despite the challenging environment, the Board has remained focused on, and delivered against, its strategic priorities of strengthening the balance sheet and improving the portfolio quality to ensure that we are able to produce growing and sustainable earnings. We have long held the view that income will be an increasingly important component of total returns and our priority is to generate growing income as the foundation for a fully covered and progressive dividend. Accordingly, we are pleased to have announced another solid set of results with a sector leading dividend yield of 6.3 per cent on net asset value per share. Taken together with a 3.4 per cent increase in the Group's net asset value, this results in a total return of 9.8 per cent.

Board oversight

The Board committees had an active year. The Audit and Risk Committee completed an audit tender process, which was aligned with the scheduled rotation of the audit partner. Three audit firms were invited to tender and after a competitive process, a final recommendation was made to the Board in October to appoint the UK firm of KPMG. We offer our sincere thanks to KPMG Ireland, the Company's auditor since 2010. Further details on the process and the Audit and Risk Committee's activities can be found on page 88.

Despite good progress against the strategic objectives, the Remuneration Committee was disappointed that there was nil vesting of the executive LTIP awards for the third consecutive year. The LTIP vesting next year will be subject to the new Remuneration Policy, approved by shareholders at the 2017 AGM, and the outcome should provide some insight into how well the results of the policy are aligned with shareholder returns. The new Corporate Governance Code will apply to RDI from 1 September 2019 and the Remuneration Committee has reviewed the requirements and made certain commitments to a revised remuneration policy which will be put to shareholders at the 2020 AGM. Details of the commitments can be found on page 98.

The Nominations Committee undertook a search for a new independent Non-executive Director and Elizabeth Peace was appointed to the Board in November 2017. We are pleased to welcome Liz, who has settled into her new role nicely and her insight and wealth of experience added considerably to our discussions during the year.

Greg Clarke, who had chaired the Board since 2011, stepped down on 24 July 2018. The Company underwent a transformation and made significant progress towards its strategic objectives during Greg's tenure and, on behalf of the Board, I would like to thank him for his leadership and guidance. We have a strong and determined management team, a steadily improving portfolio of assets, a clear strategy and an experienced Board; I believe that the Company is well positioned for the next phase of its development.

Following the retirement of Greg Clarke as Chairman, the composition of each of the Board committees was reviewed and, consequently, Sue Ford accepted the chair of the Audit and Risk Committee and Liz Peace the chair of the CSR Committee.

Stakeholders

The CSR Committee is responsible for monitoring stakeholder engagement, in respect of which a new policy was adopted during the year. The policy can be found in the CSR report on page 68. We are also pleased to report that the Group's GRESB score for the 2018 review year improved by 11 per cent.

Liz Peace has been appointed as our employees' nominated Board member. An employee forum has been established which will provide feedback to the Board, via Liz, where appropriate. Our workforce is a major asset and it is important that we build on the positive culture, excellent work ethic and strong team spirit in the Company.

We have had a busy programme of investor relations this year with a series of property tours and investor days. These are designed to provide an opportunity for large and small shareholders to discuss their views with management. Feedback from investor meetings is reported to the Board and discussed and acted on where appropriate. At the 2017 AGM more than 20 per cent of relevant votes were registered against the resolutions allowing the Directors to allot shares. Although these resolutions were in line with UK guidelines, our South African shareholders regarded the level of shares being authorised for issue as excessive. The resolutions were amended after consultation and I am pleased to report that there were minimal votes against the resolutions at the January 2018 AGM.

Looking ahead

Notwithstanding the challenges that the next year will bring, the UK and Germany remain two of Europe's strongest economies and are attractive investment destinations. Whilst the Board remains alert to broader economic and political uncertainties and their potential impact on market conditions, we are confident of our ability to deliver growing returns based on a clear and focused strategy.

The Board recommends that shareholders vote in favour of all of the resolutions proposed at the AGM to be held at 11.00am on 24 January 2019. The meeting will take place at St Dunstan's, one of our newly acquired London serviced offices, and the Board will be on hand to answer any questions you may have.

Finally, on behalf of the Board, I would like to thank all those who supported the Company during the year, including our shareholders, brokers, lenders, suppliers, the broader communities in which we operate, and our management and employees. The strong performance we delivered this year was a result of the effort, enthusiasm, entrepreneurial flair and support of all involved.

Gavin Tipper
Chairman of the Board

25 October 2018

Corporate governance statement

Compliance with the UK Corporate Governance Code 2016 (the "Code")

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 in 2004, under the name of Wichford P.L.C. and with the registered number 111198C. In September 2011, the Company changed its name to Redefine International P.L.C. and in December 2013 re-registered under the Isle of Man Companies Act 2006 with the registered number 10534V. In December 2017, the Company was rebranded and its name changed to RDI REIT P.L.C. 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 accepted that RDI would primarily comply with the Code as issued by the Financial Reporting Council in April 2016 (www.frc.org.uk) as opposed to the provisions of the King IV Report on Corporate Governance for South Africa, 2016. It should be noted that during the reporting period ended 31 August 2018 and until 24 September 2018, RDI was a constituent of the FTSE 250, during which the Company complied with all of the Code principles, but did not comply with the following Code provisions:

a. Code B.1.2: Half of the Board should comprise independent Non-executive Directors.

   Explanation: The Board currently comprises the Chairman, four executives, four independent non-executives and two non-executives who represent the Company's largest shareholder, Redefine Properties Limited.

   Liz Peace was appointed in November 2017, which increased the level of independence on the Board to 45%. However, Greg Clarke stepped down as Chairman in July 2018 and was replaced by Gavin Tipper, who has served on the Board as an independent Non-executive Director since 2011. Subsequently, the level of independence was reduced to 40%.

   Although the composition failed to meet the provisions of the Code, the Board structure did meet the Code principles, with no block of individuals dominating the decision making and comprised an appropriate combination of Executive and Non-executive Directors. In the Board evaluation the robust and thorough debates held by the Directors were identified to be a major strength of the Board.

   On 24 September 2018, the Company was classed as a "smaller company" in accordance with the Code and, as such, Board composition currently complies with the Code. However, the Nominations Committee will continue to target a balance of independence on the Board in the coming year. It should be further noted that to ensure that there is enough independent oversight of related party transactions, a committee comprising solely of independent directors has been established to review such matters before deciding whether a transaction can progress to the Board for final consideration.

b. Code B.2.3: Non-executive Directors should be appointed for a specified term.

   Explanation: Directors are appointed for a term which expires when either the Director (i) is not re-appointed following retirement, (ii) is removed or vacates office, (iii) resigns or does not offer himself for re-election, or (iv) terminates his appointment on three months' notice. It should be noted that as all Directors are subject to re-election at the AGM, no appointment is guaranteed for a specified time. However, the re-appointment of any independent Non-executive Director who has served on the Board for more than six years will be subject to a rigorous review and the results of their performance evaluation noted when being considered for re-election.

Compliance with the Listing Rules, DTRs and other regulations

The requirements under LR 9.8.6R through to LR 9.8.7A are contained in this report.

The disclosures required under DTR 7.1 and 7.2 of the Disclosure and Transparency Rules are contained in this report.

Although the Company is registered in the Isle of Man, and has less than 250 employees, RDI strives to adhere to UK requirements and other regulations for larger companies in order to provide greater transparency to shareholders.

Board of Directors

From left to right: Gavin Tipper, Mike Watters, Stephen Oakenfull, Adrian Horsburgh
Donald Grant, Michael Farrow, Sue Ford, Robert Orr
Elizabeth Peace, Marc Wainer, Bernie Nackan

GAVIN TIPPER MBA, CA, BCom, BAcc

Chairman
Age: 53
Appointed: August 2011
Committees: N R

Key skills: Finance, UK listed companies, 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
- Former technical partner at KPMG
- Previously COO of the Coronation Holdings Group

External appointments: Chairman of Hyprop Investments Limited and AVI Limited.

MIKE WATTERS MBA, BSc Eng. (Civil)

Chief Executive Officer
Age: 59
Appointed: December 2013
Committees: C I

Key skills: Finance, Property, Europe, UK listed companies, 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 and Sapphire Retail Fund in the UK

External appointments: Chairman of RBH Hotel Group Limited.

STEPHEN OAKENFULL CFA, BSc (Hons) Construction Management

Deputy Chief Executive Officer
Age: 39
Appointed: December 2013

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

Skills and experience:
- Over 18 years' experience working in corporate finance and real estate
- Former COO of Redefine International Fund Managers
- Former analyst at DTZ Corporate Finance in London
- Former management consultant for Turner & Townsend

External appointments: None.

ADRIAN HORSBURGH MRICS
Property Director
Age: 56
Appointed: March 2014
Committee: C

Key skills: Property, Europe, UK listed companies

Skills and experience:
- Over 30 years' experience in the investment property market in all areas
- Former Retail Investment Director and International Director at Jones Lang LaSalle
- Former Equity Partner and Trainee Surveyor in the investment department at King Sturge

External appointments: None.

DONALD GRANT CA
Chief Financial Officer
Age: 44
Appointed: August 2015
Committee: C

Key skills: Finance, UK listed companies

Skills and experience:
- Over ten years' experience working in various banking and broking institutions
- 11 years' experience working in the property sector

External appointments: None.

MICHAEL FARROW FCIS MSc (Corporate Governance)
Senior Independent Non-executive Director
Age: 64
Appointed: August 2011
Committees: R A N

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

Skills and experience:
- Over 20 years' experience of UK listed and private property companies and funds working as a director and a company secretary
- Former Group Company Secretary of Cater Allen, Jersey
- Founding director of Consortia Partnership Limited, a Jersey licensed trust company
- Former Chairman and Non-executive Director of Bellzone Mining plc

External appointments: Chairman of STANLIB Funds Limited. Non-executive Director of RedT Energy plc and Circle Property plc.

SUE FORD ACA BSc (Hons)
Independent Non-executive Director
Age: 58
Appointed: December 2013
Committees: A N

Key skills: Finance, 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 for Metric Property Investment plc, now LondonMetric Property plc, an income focused, diversified FTSE 250 REIT

External appointments: None.

ROBERT ORR MRICS, BSc (Estate Management)
Independent Non-executive Director
Age: 59
Appointed: April 2015
Committees: I R

Key skills: Property, Europe, UK listed companies

Skills and experience:
- Over 30 years' experience of the German and European real estate markets
- Former Country Manager for Germany and former European CEO at JLL
- Founded the International Capital Group for JLL

External appointments: Chairman of Tritax Eurobox PLC. Non-executive Director and adviser of various private companies and funds.

ELIZABETH PEACE BA (Hons)
Non-executive Director
Age: 65
Appointed: November 2017
Committees: C A

Key skills: Property, UK listed companies

Skills and experience:
- Over 40 years' experience in both the public and private sectors in the UK
- 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. Chairman of various private companies.

MARC WAINER
Non-executive Director
Age: 70
Appointed: August 2011
Committee: I

Key skills: Finance, Property, Europe, UK listed companies, South Africa listed companies

Skills and experience:
- Over 40 years' experience in the property industry in South Africa
- Founder of Investec Property Group, Investec Bank's property division
- Founder of Redefine Properties Limited

External appointments: Chairman of Redefine Properties Limited. Non-executive Director of Echo Polska Properties N.V.

BERNIE NACKAN BA (Econ), SEP
Non-executive Director
Age: 74
Appointed: April 2014

Key skills: Many years of experience in management and on the Boards of multiple listed companies

Skills and experience:
- Over 50 years' experience in senior management and on the Boards of finance, investment, life insurance and real estate organisations in South Africa and internationally
- Former financial editor of the Rand Daily Mail, managing director of Sage Unit Trusts and Executive Director of Sage Group
- Former member of the regulator's Collective Investment Scheme Advisory Committee in South Africa and Chairman of the Industry's Collective Investment Association for many years

External appointments: Non-executive Director of Redefine Properties Limited and Rezco Asset Management Group.

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

Changes to the Board
21 November 2017
Elizabeth Peace was appointed

24 July 2018
Greg Clarke retired

Board composition

Independence

During the financial year in review, RDI was part of the FTSE 250 and, as such, half the Board should comprise independent directors. The RDI Board, excluding the Chairman, comprises four executives, four independent Non-executive Directors and two Non-executive Directors representing the major shareholder Redefine Properties Limited. The Board sought to address independence during 2018 with the appointment of Elizabeth Peace, when the level of independence rose from 40% to 45%. It has since reverted to 40% following the departure of Greg Clarke in July 2018.

Chairman – Gavin Tipper
F U S

Chairman of the Board since July 2018

Responsible for leadership and governance of the Board.

There is a clear division of responsibilities between the Chairman, who runs the Board, and the CEO, who runs the business.

40% Executive Directors
Day-to-day management of the Company

Mike Watters	Stephen Oakenfull	Adrian Horsburgh	Donald Grant
CEO	Deputy CEO	Property Director	CFO
F P E U S	F P E U	P E U	F U

40% Independent Non-executive Directors
To constructively challenge the executives and represent the interests of the shareholders

Michael Farrow	Elizabeth Peace	Robert Orr	Sue Ford
Senior Independent Director			
F P E U	P U	P E U	F U

20% Independent Non-executive Directors
Representing the Company's largest shareholder
Redefine Properties Limited

Marc Wainer	Bernie Nackan
F P E U S	S

Key to skills: F Finance P Property E Europe U UK listed companies S SA listed companies

Board skills

The Board collectively has a strong knowledge base of UK and European property, finance and capital market transactions on both the UK and SA exchanges. The experience and qualifications of the Directors are outlined below and show that 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, so they have an appropriate level of understanding to enable them to constructively challenge the executives on the operation of the Company. To aid the improvement of the RDI portfolio, the depth of property knowledge on the Board was further strengthened with the appointment of Elizabeth Peace in November 2017.

Board diversity

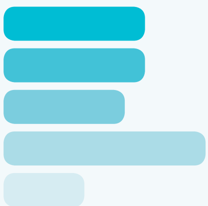
The results of the Board evaluation showed that diversity was considered to be one of the Board's strengths. The Board comprises directors originating from the UK, Jersey, SA and NZ. The majority, but not all, of Directors have had a university education and hold a professional qualification. The age of Board members ranges from 39 to 74, with the average age of the Directors being 58. Gender diversity has been poor since the current Board was established in 2013 but has risen this year to 18% with the appointment of a second female independent Non-executive Director. The Company's diversity policy has set targets of at least one third female membership on the Board by 2020, and at least one Director of colour by 2024, which the Company is confident it can reach.

Board culture

The Boardroom culture is good natured and constructive and relationships between Executives 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 harnessed and addressed at short notice. All Directors advised that they enjoy Board meetings, which is a key characteristic of a motivated and successful team. Directors are highly committed to their roles, with a 100 per cent attendance of the Board and committee meetings throughout the year.

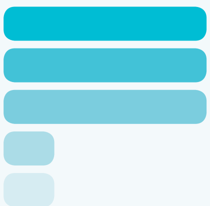
Experience

- F Finance – 7
- P Property – 7
- E Europe – 6
- U UK Listed – 10
- S SA Listed – 4



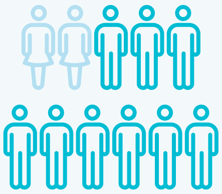
Qualifications

- Business – 4
- Property – 4
- Finance – 4
- Corp Gov – 1
- None – 1



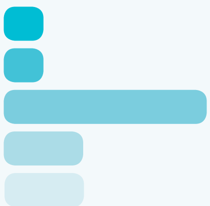
Gender diversity

18% women
82% men



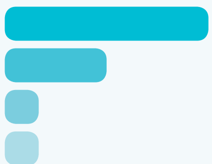
Average age

- <40 – 9%
- <50 – 9%
- <60 – 46%
- <70 – 18%
- 70+ – 18%



Nationalities

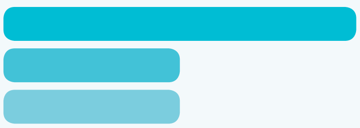
- UK – 6
- SA – 3
- Jersey – 1
- NZ – 1



Board tenure – see succession planning on page 86

Appointment – Executive

- 5 years – Stephen Oakenfull, Mike Watters
- 4 years – Adrian Horsburgh
- 3 years – Donald Grant



Appointment – Non-executive

- 7 years – Michael Farrow, Gavin Tipper, Marc Wainer
- 5 years – Sue Ford
- 4 years – Bernie Nackan
- 3 years – Robert Orr
- 1 year – Elizabeth Peace

Board operations

Each year, four scheduled Board meetings are held which are aligned to the financial calendar. Four update calls keep Directors abreast of matters between Board meetings. Additional meetings are held as required, the attendance of which is subject to the necessary delegated authority or independence levels to oversee such matters.

All Directors attended the scheduled Board meetings and Board update calls. Before each meeting Directors are asked to confirm their directorships and shareholdings to ensure that any potential conflict of interest is disclosed before the 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.

To maintain independent oversight of related party transactions, a committee of independent Directors has been established. Two meetings of independent Directors were held which concerned the acquisition of IHL shares from Redefine Properties Limited. In each case the matters were reviewed by an independent committee comprising three independent Non-executive Directors, who were provided with a "fair and reasonable" letter from the Company's brokers in order to assist with their decision.

Board 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.

Directors are provided with information one week in advance of meetings to allow them sufficient time to review and prepare. In order to embed the consideration of stakeholders into Board decision making, all decisions to be taken during the meeting are highlighted at the front of each Board pack, and stakeholders likely to be affected are listed. Meetings are minuted with discussions and challenges recorded to demonstrate that due consideration has been given by the Board on each matter discussed.

Standard agenda items are shown below, which address each of the Company's strategic priorities. Progress against objectives is monitored each quarter and considered by the Remuneration Committee when assessing the result of the executives' bonus.

Agenda items	Strategic issues addressed under agenda items	Leading to achievement of strategic objectives and stakeholder engagement
• Management report • Report from the CEO • Acquisitions and investments • Disposals • Portfolio report • Special projects	• Disposal of assets • Review of Shopping Centre portfolio • New Primark store at Ingolstadt • Redevelopment of Charing Cross Road • Management of CVAs • Redevelopment of Hamburg site	**Income focused portfolio** • Continuously improving our diversified portfolio
	• Forward funding of Link 9 Bicester • Acquisition of Farnborough • Sale of Leopard portfolio • Acquisition of LSO • Acquisition of Canbury Park • Increased shareholding in IHL	**Scalable business** • Greater scale which results in long term benefits
• Finance and tax • Financial results • Banking facilities and derivatives • Treasury and foreign currency exposure	• Refinancing of Princes Street Automotive Facility • Refinancing of AUK facility • Interest rate hedging policy • Scrip dividend alternative	**Efficient capital structure** • Focusing on strengthening the balance sheet
	• Allocation of capital • LTV reduction • Budget setting and sensitivity tests conducted • Dividend pay-out ratio • Buy-back of shares programme	**Financial discipline** • Improved accountability with clear and measurable targets. Converting rental income into profits with headroom on dividend
• Shareholder and investor relations	• Shareholder information and trading statistics • Reports on shareholder views • Shareholder communications	**Stakeholder engagement** • In line with the Company's stakeholder policy
• Marketing	• Tenant surveys, community projects • Marketing initiatives, website	
• Corporate Governance	• Report from the committees • Compliance with legislative updates or emerging best practice • Resolutions to be proposed at the AGM	

Board – schedule of matters reserved for the Board

Board – non-standard matters

Ad hoc meetings

Four scheduled Board meetings, aligned to the financial calendar
Four scheduled quarterly conference calls
100% attendance

12 ad hoc Board meetings
Two meetings of independent Directors

October

Board – schedule of matters reserved for the Board:
- Year end results and associated items
- Compliance
- Review of AGM resolutions
- Confirmation of Directors' independence
- Board evaluation
- Review of D&O Insurance
- Remuneration

Board – non-standard matters:
- Change of name
- Sale of the Leopard portfolio
- Appointment of Elizabeth Peace

Ad hoc meetings:
- Approve financial results for the year ended 31 August 2017
- Issue of shares for IHL Scheme of Arrangement
- Amendment to Facility Agreement

November

Ad hoc meetings:
- Acquisition of IHL shares from Redefine Properties Limited

December

Board – non-standard matters:
- Board update call

Ad hoc meetings:
- Issue of scrip dividend shares
- Annual Report
- Acquisition of Canbury Park, Kingston

January

Board – schedule of matters reserved for the Board:
- Review of all policies
- Approve MSA statement

Board – non-standard matters:
- Presentation on the development of Charing Cross Road, by Asset Managers

Ad hoc meetings:
- Acquisition of London Serviced Office portfolio

March

Board – non-standard matters:
- Board update call

April

Board – schedule of matters reserved for the Board:
- Interim results and associated items
- Review matters reserved for the Board

Board – non-standard matters:
- Share buy-back
- Stakeholder Engagement Policy
- Anti-Tax Evasion Policy
- Sexual Harassment Policy

Ad hoc meetings:
- Approve interim results

June

Board – non-standard matters:
- Board update call

Ad hoc meetings:
- Issue of scrip dividend shares

July

Board – schedule of matters reserved for the Board:
- Review of Group strategy, objectives and corporate structure
- Review of budget and sensitivity analysis
- Review of financial strategy
- Review of marketing strategy
- Review of internal controls and risk management

Board – non-standard matters:
- Gavin Tipper appointed Chairman
- Review of committee composition
- CSR terms of reference
- Consideration of changes to the Remuneration Policy

August

Ad hoc meetings:
- Entry into a €750,000 facility agreement

Board delegation

Board delegation

To assist in the effectiveness of its operations, the Board delegates certain matters to committees to review and make recommendations back to the Board.

Board control

All committees must operate within terms of reference set by the Board which are available on the website.

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.

Eight meetings included:
Review Board and committee composition, skills and succession planning
Search for new Chairman and new independent Non-executive Director
Board evaluation

Page 83

Audit and Risk Committee

Ensures that the Group's financial reporting and risk management is properly monitored, controlled and reported. Interacts with external and internal auditor.

Four meetings included:
Audit retender, GDPR
Anti-facilitation of Tax Evasion Policy
Review corporate reporting, risk management and internal controls
Share buy-back programme

Page 88

Remuneration Committee

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

Three meetings included:
Review of executive and senior management LTIPs, bonus and salaries
Review of Remuneration Policy
Commitments made to adopt certain matters in the next Remuneration Policy

Page 94

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 Committee recommended:
Sale of the Leopard portfolio
Acquisition of IHL and London Serviced Office portfolios
Acquisitions of properties located in Kingston, Bicester and Farnborough

CSR Committee

Safeguards the interests and monitors engagement with stakeholders.

Four meetings including:
Stakeholder engagement
GRESB submission
EPRA sBPR reporting
Health and safety
Monitoring EPCs

Page 56

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 and operational matters, and to consider the status of any potential inside information.

Senior management attend monthly to aid communication across departments.

Nominations Committee ("NomCo")

> The Committee ensures that the Board has, and maintains, the appropriate balance of skills, experience, independence and diversity to enable the Board to discharge its duties effectively.
>
> **Gavin Tipper**
> Chair of the Nominations Committee

	Appointed to Nominations Committee	Resigned from Nominations Committee	Meetings attended	Experience	Tenure on Board	Other committees
Greg Clarke	25/10/2011	15/12/2017	2/2	F P E U	7	None
Gavin Tipper	30/07/2014	—	8/8	U F S	7	R
Michael Farrow	15/12/2017	—	6/6	F P E U	7	R A
Sue Ford	30/01/2014	—	8/8	U F	5	A
Robert Orr	25/01/2018	24/7/2018	4/4	P E U	3	R I

Nominations Committee events during the year:

October 2017	Reviewed and selected a shortlist of candidates for a new independent Non-executive Director.
	Interviewed the shortlisted candidates and recommendation made to the Board.
January 2018	Reviewed a list of agencies to assist in the search for a new Chairman. Robert Orr joins NomCo to assist with the search for a new Chairman.
	Appointment of a search agency following meetings with those shortlisted. Specification for the new Chairman drawn up.
April 2018	Consideration of long list of external candidates.
June 2018	Interviews held with shortlisted candidates.
July 2018	Consideration of all candidates and recommendation of internal candidate to the Board. Recommendation of Committee changes following the appointment of the Chairman.

Key to experience:

- F Finance
- P Property
- E Europe
- U UK listed companies
- S SA listed companies

Key to committees:

- A Audit and Risk Committee
- C Corporate Social Responsibility Committee
- I Investment Committee
- R Remuneration Committee

Nominations Committee ("NomCo")

continued

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. Greg Clarke chaired the Committee until December 2017, when he announced that he would be stepping down from the Board. Michael Farrow, the Company's Senior Independent Director, assumed the Chair in order to oversee the search for a new Chairman, and on appointment as Chairman of the Board in July 2018, Gavin Tipper assumed the Chair of the Nominations Committee. The Chair is assisted by two independent Directors and all of the 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.

Board composition

The roles and responsibilities of the NomCo are set out in its terms of reference. The Committee's primary objective is to ensure that the Board and its committees have, and maintain, the appropriate balance of skills, experience, independence and diversity to enable the Board to discharge its duties effectively. The composition of the RDI Board, although not in line with the Code, works well, with no group of individuals dominating decision making. Shareholders' interests are safeguarded by four independent non-executives, and two further non-executives representing the largest shareholder, Redefine Properties Limited.

This year the NomCo sought to address independence and diversity, through the appointment of Elizabeth Peace, and considered succession planning following the resignation of Greg Clarke as Chairman. Before any search and appointment was undertaken the composition of the Board is reviewed, and the balance of skills, knowledge and experience evaluated, and the culture of the Board considered. An analysis of the composition of the Board and further details on succession planning can be found on pages 78 and 86.

Appointment of new Chairman

Further to the announcement in December 2017 that Greg Clarke would be stepping down as Chairman, a number of recruitment agencies were identified as candidates to assist in the search for his replacement. Three agencies made presentations to the NomCo in January 2018, which resulted in the appointment of Russell Reynolds, who had assisted in the appointment of Robert Orr in 2015.

In establishing the specification for the new Chairman, the NomCo considered the key challenges and opportunities that would face the Company over the next five years and recommendations from the CEO and the management team. It was important that an appointee would:

- fit the culture of the Board;
- be familiar with the South African investor universe;
- have a good balance between collegiate diplomacy and strength of character;
- have the appropriate technical knowledge and corporate governance skills;
- have the necessary skills, experience and competence to lead the Company; and
- have an appropriate commercial track record, sector experience and previous experience as a Chairman.

New appointments provide opportunities to increase Board diversity and Russell Reynolds was asked to select candidates from as wide a pool of people as possible. A shortlist was drawn up of three potential external candidates and one internal candidate, and meetings were held to discuss the candidates, including meetings with the CEO. After extensive consideration, taking into account the level of capital recycling, portfolio repositioning and the need to continue this momentum through a period of potential macroeconomic volatility, it was considered by the Board that Gavin Tipper's experience, knowledge and skill set best met the Company's requirements.

The search process was as follows:

January 2018

Recruitment agency Russell Reynolds chosen to assist in search for the new Chairman and specification drawn up

April 2018

Consideration of a diverse pool of 80 external candidates (57 men and 23 women)

12 potential candidates identified, full written reports reviewed and meetings held with preferred individuals

June 2018

Shortlist of three external and one internal candidate drawn up. Further meetings held, including meetings with the CEO

July 2018

Internal candidate, Gavin Tipper, appointed

Committee review

Following the appointment of Gavin Tipper as Chairman of the Board, the composition of the Board committees was reviewed. In so doing, the NomCo assessed the skills, experience, knowledge and tenure of each of the Directors, before recommending changes to the Board for approval.

Appointment of Elizabeth Peace

The process underlying the appointment of Elizabeth Peace is set out on page 71 of the 2017 Annual Report.

Appointment terms

All new Non-executive Directors are provided with a letter of appointment detailing the terms of their appointment and their expected time commitment to the role. 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 until the Director is either (i) not re-appointed following retirement, (ii) removed or vacates office, (iii) resigns or does not offer himself for re-election, or (iv) terminates his appointment on three months' notice.

All Directors are expected to attend the quarterly Board meetings, quarterly update calls, meetings of any committees of which they are a member, and shareholder meetings as required. Non-executive Directors are expected to make themselves available for a minimum of eight days per year in the discharge of their duties.

The Board has agreed that 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 any 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.

Conflict of interest policy

On appointment, and before each Board meeting thereafter, all Directors are asked to disclose any directorships or relevant shareholdings. Directors may not, without the consent of the Board, accept any other 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 time commitment as a director of RDI.[1]

If a conflict of interest arises, the 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.[2]

(1) During the year Robert Orr became Chairman of Tritax EuroBox plc, Robert confirmed before the appointment that the role would not interfere or conflict with his RDI directorship.

(2) When considering the appointment of a new Chairman of the Board, Gavin Tipper was not party to the final discussion and decision.

Directors' induction

The CEO provides an induction session which covers the Group's background, its historical activities, its key businesses and risks, its funding structure, strategy, property details and latest financial information. The Company Secretary provides a list of matters reserved for the Board, the corporate calendar and an overview of the Director's obligations for an Isle of Man company with a dual listing. Any further information is provided according to the particular needs of each Director.

Meetings with key advisers are set up, as required, and tours of relevant properties are undertaken to provide a full overview of the Company's activities.

Directors are also provided with the results of the most recent annual Board evaluation.

Directors' training

As part of the Board evaluation, each of the Directors were assessed by the other members of the Board. The Chairman discussed the results with each Director, any training and development needs were identified, and Directors were encouraged to update their skills and knowledge.

Advisers may be asked to present at meetings in order to provide Directors with detailed information on the Company and its regulatory environment. Opportunities are also provided for the 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 hold discussions with the responsible asset managers.

At each Board meeting Directors are updated on regulatory issues or changes in legislation and corporate governance matters. During this year, updates were provided on, inter alia, insurance, health and safety, sustainability, GDPR, the gender pay gap and the 2018 Corporate Governance Code.

Nominations Committee ("NomCo")
continued

Board tenure and succession planning

Executives

Mike Watters was CEO of the external management company from 2008 and, following the internalisation of management, became CEO of Redefine International (the Company's former name) in 2013. The retirement or departure of such a long-standing employee is a significant risk to the Company and the Nominations Committee has overseen the development of the Deputy CEO, Stephen Oakenfull. This has involved mentoring, external management development programmes and increased external networking.

A succession plan has been drawn up to ensure that there are internal candidates earmarked to replace the CFO and the Property Director. Although all of the executives are currently male, the senior management layer is 50% female and provides a strong, gender diverse pipeline. As vacancies arise consideration will be given to both external and internal candidates.

Non-executives

Non-executive	Tenure	Max tenure	Experience	Succession plan
Greg Clarke	7 years	2018	F P E U BA (Hons)	Greg joined the Board in 2011, and retired in July 2018.
Michael Farrow	7 years	2020	F P E U FCIS MSc	Due to step down by August 2020. SID, and member of all Code Committees. As Chair of the RemCo he has overseen the implementation and revision of the remuneration policy.
Gavin Tipper	7 years	2020+	F U S MBA CA BCom BAcc	Appointed Chairman of the Board in July 2018. His tenure will be extended beyond nine years to stagger the departure of the long-standing members from the Board.
Sue Ford	5 years	2022	F U ACA BSc	It is proposed that an additional independent Director with financial expertise be sought to assist Sue and to act as her future successor.
Robert Orr	3 years	2024	P E U MRICS	His property knowledge and experience has proved invaluable when assessing potential property sales or acquisitions.
Elizabeth Peace	1 year	2026	P U BA (Hons)	Elizabeth's appointment brought a wealth of property experience and improved independence and diversity on the Board.
Marc Wainer **Bernie Nackan**	7 years 4 years	n/a n/a	F P E U S S	Represent Redefine Properties Limited, the Company's largest shareholder. Bernie Nackan is to retire from the Board and will not be seeking re-election at the AGM in January. A replacement will be announced in due course.

Greg Clarke became Chairman of the Board in 2011, following the reverse takeover of Wichford P.L.C. by Redefine International plc. At the same time, Gavin Tipper and Michael Farrow joined the Board as independent Non-executive Directors. With the tenure of independent non-executives limited to nine years, the Board was mindful of the knowledge and experience which would be lost through the departure of these three non-executives and therefore planned to stagger their replacement. Due to the pressure of external commitments, Greg Clarke stepped down in 2018. Michael Farrow intends to step down during 2020 and it is intended that Gavin Tipper (Chair) will lead the Board for an extended period, after which a replacement will be sought.

From September 2018, RDI was classed as a "smaller company" in accordance with the 2016 UK Corporate Governance Code and is thus only required to have two independent directors on the Board. Therefore, from September 2018, the Board is compliant with the Code, and no additional independent directors are necessary.

However, from 1 September 2019, RDI will abide by the 2018 Corporate Governance Code, the small company exemption will no longer apply and the Board will again require a balance of independent and non-independent directors. In order to comply with the Code in 2020, and following the intended departure of Michael Farrow, three additional independent directors will be required. Planning for these directors will be initiated in the coming year.

The new appointments will provide an opportunity to improve diversity, whilst maintaining the requisite skills necessary for the Board and its committees to operate effectively. As noted, a director with financial experience will be sought to supplement the level of financial expertise on the Board and the Audit and Risk Committee. Michael Farrow has chaired the Remuneration Committee since 2013 and his replacement will need to have experience of remuneration matters, which are becoming increasingly complex.

Board evaluation action plan

	2017	2018 actions	2019 action plan
Long term strategic decision making	Strategy days to be planned	Strategy was discussed in depth at the July Board meeting	Strategy is to be addressed again at the January 2019 Board meeting and a separate strategy day has been scheduled for July 2019.
Thorough risk analysis	Full details of the Audit and Risk Committee's risk analysis to be presented to the Board half yearly	A risk review and the risk matrix were presented to the Board every six months. The Board identified an improvement in this area	The Audit and Risk Committee will continue to improve its risk monitoring and reporting to the Board.
Shareholders and stakeholders	The CSR Committee was developing momentum	Reporting to the CSR Committee improved during the year, with a greater focus on shareholders and stakeholders, and the adoption of a stakeholder engagement policy	Shareholder and stakeholder engagement to be monitored, and stakeholder groups to continue to be considered in the Board's decision-making process. Employee forum set up and a Non-executive Director appointed as an employee representative.
Board composition	Composition will continue to be reviewed	Independence and gender diversity were improved during the year	Independence and diversity require further improvement which will be addressed by the NomCo this year.
Succession planning	Concerns around executive succession planning	A succession plan was developed for the executives. The NomCo led and recommended the Chairman's replacement	Succession planning for the non-executives and the development of the deputy CEO will continue. Further details can be found on the page opposite.

Board evaluation

A Board evaluation is undertaken each year, with an external evaluation every third year. The 2017 and 2018 evaluations were performed using an online questionnaire which allowed Directors to anonymously evaluate the performance of the Chairman, individual Board members, Board operations and the Board Committees.

The Board's main strengths identified by the evaluation were:

- the diversity of expertise;
- the good mix of skills and experience;
- the thorough and constructive discussions; and
- the agility of the Board and its ability to respond rapidly to situations, where required.

The main concerns related to Board composition, succession and strategy. In response to the evaluation, an action plan was developed and is set out in the table above.

Directors' re-election

All of the Directors, except Bernie Nackan, will be standing for re-election at the AGM on 24 January 2019. Bernie Nackan will be retiring from the Redefine Properties Limited board and will therefore be retiring as their representative on the RDI Board. We would like to thank Bernie for his positive contribution over the past four years.

The Chairman is of the view that each of the other Directors 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. It is considered that the Directors function well together as a team.

The interests of each independent Director are monitored, taking into account the requirements of the Code, to ensure that their independence is not compromised.

The Chairman is satisfied that Michael Farrow, Sue Ford, Robert Orr and Elizabeth Peace remain independent in both character and judgement and comply with the independence criteria of the Code.

Michael Farrow and Gavin Tipper have both been on the Board for seven years and were evaluated by the rest of the Board as being either good, or outstanding, directors, and it was considered that they devoted sufficient time to their roles as directors.

All Directors are recommended for re-election at the AGM on 24 January 2019.

Their biographical details can be found on pages 76 and 77 and are contained in the Notice of Meeting.

Gavin Tipper
Chair of the Nominations Committee

25 October 2018

Audit and Risk Committee (the "Committee")

> The Committee performs a key oversight role for the Board, reviewing and monitoring all aspects of the Group's financial reporting, risk management procedures and the robustness of its internal controls.
>
> **Sue Ford**
> Chair of the Audit and Risk Committee

The Committee

The Committee comprises three independent Non-executive Directors. For the majority of the year the Committee was chaired by Gavin Tipper, who has substantial financial experience and the necessary professional qualification to undertake the role.

Following the appointment of Gavin Tipper as Chairman of the Board in July 2018, the membership of the Board committees was reviewed. In respect of changes to the Audit and Risk Committee, it was recommended that Sue Ford, who has recent and relevant financial experience, be promoted to Chair the Committee, and Elizabeth Peace, who has competence relevant to the sector, be appointed as a member of the Committee.

Since July, the Committee has comprised:

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

The Committee met four times during the financial year, aligned with the Company's financial reporting and risk management cycle. It operates within terms of reference, last approved by the Board in July 2017, which can be found on the Company's website www.rdireit.com. These set out the roles of the Committee, in line with the FRC guidance and revised ethical standards published last year and the 2016 UK Corporate Governance Code under which the Company is reporting. The Committee is primarily responsible for:

Monitoring

- the effectiveness of the Company's internal audit function;
- the effectiveness of the Company's external audit function;
- the integrity of the financial statements and all related announcements;
- the nature and level of non-audit services provided by the external auditor; and
- compliance with statutory and listing obligations.

Reviewing

- the Company's financial and internal controls;
- the Company's risk management function;
- arrangements for employees to raise concerns in confidence;
- the Company's procedures for detecting fraud, bribery and tax evasion;
- consistency or changes to accounting policies;
- the Company's response to changes in the regulatory environment; and
- significant financial reporting judgements contained in the financial statements.

Recommending to the Board

- the reappointment of both the internal and external auditor;
- a policy on the provision of non-audit services by the auditor;
- whether the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy, including the Group's long term viability and continued use of the going concern basis of preparation;
- the interim and annual financial statements, including the appropriateness of accounting policies and key judgements made; and
- the dividend.

As part of the Board's evaluation process, the effectiveness of the Committee, the performance of the Chair and feedback provided to the Board were assessed. The Directors considered the Committee's performance to be either good or outstanding.

	Appointed to Audit & Risk Committee	Resignation from Audit & Risk Committee	Meetings attended	Qualifications	Tenure on Board	Other committees
Gavin Tipper	28/06/2012	24/07/2018	4/4	MBA, CA, BCom, BAcc	7	N R
Sue Ford	30/01/2014	—	4/4	ACA, BSc (Hons)	5	N
Michael Farrow	23/08/2011	—	4/4	FCIS, MSc	7	N R
Elizabeth Peace	24/07/2018	—	0/0	BA (Hons)	1	C

Committee meetings held during the year

Meeting date	Key matters discussed	Attendees
October 2017	• Report from the Valuers on the shopping centres • Report from management and evidence provided, to confirm that the results for 2017 were fair, balanced and understandable • Consideration of dividend • Risk matrix • Consideration of the viability and going concern statements • Review of external auditor and resolution to re-appoint KPMG • Report from the external auditor regarding work undertaken on the 2017 results • Comprehensive review of correspondence with the Australian Tax Office and advice received from the Group's Australian and Irish counsel and tax advisers • An update from the internal auditor • Timetable and plan for audit tender • Private meeting with the external auditor	The Committee CEO Deputy CEO CFO Financial Controller External Auditor Internal Auditor Valuers
January 2018	• Meeting with prospective audit firms	The Committee CEO Deputy CEO CFO Financial Controller
April 2018	• Presentation of audit tender by prospective firms • Report from the Valuers of the London Serviced Office portfolio • Report from management • Consideration of the 2018 interim results • Consideration of interim dividend • Consideration of the risk environment faced by the Group • Report from external auditor • Update and progress on the internal audit • Presentation of draft anti-facilitation tax evasion policy • Consideration of FRC Audit Committee Reporting document • Consideration of JSE report on financial statement disclosures	The Committee CFO Financial Controller External Auditor Internal Auditor Valuers
July 2018	• Report from management • Approval of year end audit plan • Consideration of significant areas of judgement and uncertainty • Annual risk management review • Governance update • Consideration of the effectiveness of the internal audit • Update from the internal auditor • Presentation of the external auditor's audit planning document • GDPR and data protection policy • Private meeting with the internal auditor	The Committee CEO Deputy CEO CFO Financial Controller External Auditor Internal Auditor

Key to committees:

- C Corporate Social Responsibility Committee
- I Investment Committee
- N Nominations Committee
- R Remuneration Committee

Audit and Risk Committee (the "Committee") continued

Risk management function

Each division within the Company undertakes its own risk analysis, which are aggregated together to form the Company's risk register. Quantitatively, the threshold for a risk to be determined as "Significant" was set as having a potential underlying financial impact of £5 million to £10 million. Qualitatively, risks were also considered relative to the potential adverse effect on the Group's reputation (e.g. adverse media attention causing long term brand or operational damage).

Detailed review meetings were held with departmental heads and the identified risks, including their mitigations and associated ratings, were challenged as appropriate. Once collated, the significant risks to the Group were discussed, reviewed and analysed to determine any significant change in the Group's risk profile.

Once approved by the Executive Directors, the detailed risk register is presented to the Audit and Risk Committee twice a year, with an overview of the process undertaken and a summary of findings and changes noted.

Relative to the previous year, key changes noted were:

- heightened risk of changing retail consumer behaviour and its consequential impact on valuations;
- a deterioration in the general outlook for Europe leading to potential volatility in currency exposures;
- decreased development risk following conclusion of the Group's only material development at Ingolstadt;
- increased risk of share price volatility brought about by prolonged Brexit negotiations, negative sentiment towards the sector generally and a weaker investor market; and
- increased financial and reputational risks arising from the pace of regulatory change.

Governance

Both the external auditor and the Company Secretary provide corporate governance updates to the Committee advising of recent publications, guidance, legislation or regulations.

In response to the anti-facilitation of tax evasion and GDPR regulations, the Company undertook a risk review and a data inventory to consider its proportionate response. In both regards the Company concluded that it considered the risk to be low. Policies were established, reviewed by the Audit and Risk Committee and approved by the Board. Both matters have been added to the risk register and the Group's response to GDPR was subject to internal audit.

All employees are provided with an induction on appointment covering the history of the Company, the culture, governance and HR policies and all are given a handbook containing Company policies, which they must confirm that they have read and understood. Training has been provided to staff on GDPR, Tax Evasion, Anti-Bribery, Share Dealing and the Whistleblowing policies.

A copy of the Whistleblowing Policy can be found on the Company's website **www.rdireit.com**. No incidences of whistleblowing occurred during the year.

Internal controls and internal audit

An internal audit plan is agreed in July each year to align with the annual risk management review, which is presented to the Committee at that time. The internal auditor's plan therefore addresses principal risks identified, targets verification of critical mitigating actions or, if appropriate, provides independent assurance on the Company's response to significant changes in regulation or legislation. The plan allows for flexibility where required to address change or transactional activity throughout the year.

The Committee receives a summary of the status of the audit plan and on open issues arising from completed audits from Grant Thornton, the Company's internal auditor, who attends and presents to the Committee regularly.

Consideration of risks

- RDI's principal risks
- Prior audit risks identified
- Risk horizon
- Common internal audit risks

Audit plan

Rationale and high level scope for each audit proposed is presented to the Committee for consideration

Audit

Internal audit undertaken. Every audit issue is given a rating, as is the overall report. Findings are reported back to the Committee

Monitoring

Actions required are monitored and the status of outstanding actions reported at each meeting

Feedback

Feedback is sought from those engaged with the internal auditor at the conclusion of each audit

During the financial year Grant Thornton has reported on, inter alia:

- the leasing process, which was considered effective, although some weaknesses were found;
- the valuation process, which concluded that the process was well designed;
- service charge, with recommendations to be implemented by the end of the year;
- UK retail health and safety, where low risk was concluded with improved awareness throughout the organisation;
- German property management, which received a number of recommended improvements to this area;
- response to GDPR, which was considered effective, with weaknesses identified subsequently addressed; and
- capital project management, which concluded that the team were competent and capable, with a recommendation to conduct look-back reviews to identify lessons learnt.

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.

Recommendation: The Committee is satisfied with the internal auditor's work and notes its contribution towards a continuous improvement in the Company's internal controls and strategic planning. It has therefore been recommended to the Board that Grant Thornton continue to act as the Company's internal auditor for the 2019 financial year.

External audit and external auditor

KPMG met with the Committee three times during the year. Before the year end audit, KPMG presented a report outlining their planned audit approach which was discussed in depth with the Committee. Materiality was set at £17.2 million, 1 per cent of total assets, which represents the level at which KPMG considered misstatements would reasonably influence users of the financial statements. Assurances were provided as to the quality of the audit and the ongoing independence of the auditor. After due consideration, the Committee concurred.

The incumbent KPMG team has been led for the last five years by Niamh Marshall, who demonstrated a commitment to audit quality through a high degree of professional scepticism, while ensuring challenge that was appropriate for the business with consideration of industry practice. Continuity in the team has been maintained which has contributed to a highly efficient audit process.

From consultation with management it was considered that the audit staff demonstrated competency and experience to perform effectively in their roles. 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.

They communicated throughout both the interim review and annual audit cycles, confirming their independence, objectivity and materiality thresholds at each stage. Publications were 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.

Annually, the Committee holds a private discussion with KPMG, without management present, to discuss any issues that the auditor may wish to bring to their attention.

Taking into regard these discussions, the reports presented and feedback from management, the Committee concluded that the external auditor remained effective and maintained independence.

However, KPMG Ireland have acted as auditor to the Company since 2010 and, as the rotation of the audit partner was due this year, the Committee have taken the opportunity to retender the audit. The process for the retender is discussed in detail overleaf. No recommendation for reappointment has therefore been necessary this year and the Committee extends its sincere thanks and gratitude to Niamh Marshall and her team at KPMG, Ireland.

Non-audit services

A policy has been established outlining the circumstances where the engagement of the external auditor for non-audit services is considered acceptable or otherwise. Although judgement would be applied to each specific circumstance as it arises, the Committee has recommended, and the Board believes, that the following services would not in most circumstances compromise auditor independence:

- tax compliance services;
- provision of accounting advice and guidance;
- general advice;
- acting as reporting accountant under the Listing Rules;
- due diligence work; and
- occasional reporting on the operation of internal controls.

Conversely, the Board believes that the services listed below would, in most circumstances, compromise auditor independence:

- accounts preparation and bookkeeping;
- design or implementation of complex tax and accounting structures;
- design or installation of financial systems;
- internal audit of financial systems;
- valuation services, except where required under statute (e.g. UK CA 2006 s596); and
- providing litigation support of an advocacy nature.

If the amount of non-audit services becomes excessive compared to the level of the audit fee, there may be a commercial threat to auditor independence.

This year KPMG undertook tax compliance work for the Company and the ratio of non-audit fees to audit fees was 0.25:1, which was not regarded as a threat to the auditor's independence.

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

£m	**Year ended 31 August 2018**	Year ended 31 August 2017
Audit fees	**0.4**	0.4
Non-audit fees	**0.1**	—
Total	**0.5**	0.4

Audit and Risk Committee (the "Committee")

continued

Audit tender

The incumbent auditor, KPMG Ireland, was appointed following a tender process in 2010. The Audit and Risk Committee confirmed last year that the 2019 audit contract would be placed to tender. This aligns with the scheduled rotation of the current audit partner. Six audit firms were considered to be invited to tender but, due to conflict, Deloitte and BDO were discounted due to their tax advisory engagements with the Group, as were Grant Thornton due to their position as internal auditor. KPMG London, PwC London and EY London were invited to submit tender documents.

The process for the retendering is set out opposite:

October 2017

Timetable established

December 2017

Request for proposal prepared and signed off, setting out information on the Group including historical audit issues and judgement areas

January 2018

Three audit firms invited to meet the Committee on an informal basis as an opportunity to ask questions prior to preparing their tender documents

February 2018

Data room opened, and meetings set up with senior employees to meet audit firms

April 2018

Two audit firms presented their tender proposals to the Committee, followed by a Q&A session

July 2018

Conclusion reached and incoming audit partner attends Committee meeting to agree level of involvement in the 2018 year end audit process

October 2018

The appointment of KPMG LLP is approved by the Board and their appointment is announced on the regulatory news service

Two audit firms delivered highly professional presentations to the Committee in April and the Committee was confident that both firms would be able to deliver a high-quality audit, there were no independence issues and that the teams would be able to work well with RDI management and the Committee. Both firms were recommended to the Board, with a preference for KPMG London based on their commitment to leverage their Irish firm to help ease the transition. The Committee looks forward to working with the new engagement partner who will provide a fresh perspective.

KPMG London attended the October 2018 Audit and Risk Committee meeting, but otherwise have had no involvement in the 2018 year end audit. The new team will be responsible for issuing an independent review opinion on the Group's interim results for the six months ending 28 February 2019.

Review of the consistency, or changes, of accounting policies and accounting standards

The Committee has reviewed the impact of new accounting standards which are endorsed and issued but are not yet effective.

Accounting standards which have been issued but are not yet effective, and which could have an impact on the financial statements, are:

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers'; and
- IFRS 16 'Leases'.

IFRS 9 and IFRS 15 are not expected to have a material quantitative impact on the financial statements but are likely to require expanded disclosure. Detailed comment has been included within Note 2.1 to the financial statements.

IFRS 16 will require the Group to recognise significant liabilities and assets in relation to its lease commitments. This will be applicable for the Group from 1 September 2019. Details on the impact of this standard have also been included within Note 2.1 to the financial statements, including an indication based on information currently available, of their quantum.

Review of significant judgements

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 are a reflection of market evidence and are highly judgemental.

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers also make reference to market evidence of transaction prices for similar properties. The Committee met with the valuers of its UK Shopping Centre portfolio in October 2017, but due to the lack of transactional evidence currently available in the UK for this asset class, the Committee thought it appropriate to meet with them again in October 2018. The Committee was satisfied that the valuations were appropriately prepared and that there was sufficient evidence to conclude on market value, albeit that the degree of variability and judgement required has clearly increased. Further details are provided in Note 2.3.

Corporate and property acquisitions

Judgement is required in determining whether the acquisition of a corporate is an acquisition of the underlying assets and liabilities or a business combination. This is particularly relevant given the corporate acquisitions of IHL and the London Serviced Offices portfolio acquired during 2018.

Judgement is also required in determining whether an acquisition of property is an acquisition of an asset or a business combination. The criteria were assessed in determining whether the Kingston property acquisition in December 2017 constituted an asset acquisition or a business combination.

The Committee was satisfied that judgements were well founded and that the conclusions reached were appropriate.

Lease classification

The classification of leasehold interests in investment property as a finance lease or operating lease is an area of significant judgement under existing accounting standards (IAS 17). This is particularly relevant in 2018 as a result of the acquisition of leasehold interests in IHL and London Serviced Offices that were accounted for as operating leases prior to acquisition.

The Group considers the appropriateness of the classification of its leasehold interests in investment property as operating or finance leases on a property-by-property basis, based on the terms and conditions of each lease on inception. The assessment is based on a balanced evaluation of both the specific contractual terms and substance of each arrangement, such as: the lease term constituting a major part of the economic life of the property; the fair value of each asset relative to present value of minimum lease payments; a qualitative review of the transfer of the significant risks and rewards of ownership; and the allocation of the lease payments to the land and building elements of each property. The Committee is satisfied with the conclusions reached and notes that on adoption of IFRS 16 in 2019, this option will no longer be available to the Group.

Recommendation to the Board

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 is required to make statements in respect of the system of internal controls and representations to the auditor contained within the UK Corporate Governance Code, including those within the Remuneration Report and Directors' responsibilities statement. There is also a requirement for each Director to confirm that all relevant information has been passed to the auditor 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, is 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 2018 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 2018 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. Feedback was provided where areas of improvement were required.

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, business model and strategy.

Sue Ford
Chair of the Audit and Risk Committee

25 October 2018

Directors' remuneration

> Having considered shareholders' feedback, the Remuneration Committee has made certain commitments to improve the policy which will be put to shareholders at the 2020 AGM.
>
> **Michael Farrow**
> Chair of the Remuneration Committee

Annual statement by the Chairman of the Remuneration Committee ("RemCo")

For the year ended 31 August 2018 (not subject to audit)

Independent non-executive	Appointed	Resignation	Meetings attended	Other committees
Michael Farrow	23/01/2013		3/3	N A
Susan Ford	10/09/2015	24/07/2018	3/3	N A
Robert Orr	23/04/2015		3/3	I
Gavin Tipper	24/07/2018		0/0	N

The RemCo operates within defined terms of reference, which can be found on the Company's website.

Remuneration events during the year

Committee meeting	Matters discussed	Attendees
October 2017	• Consideration of Company performance • Confirmation of results of 2017 bonuses and LTIP vesting • Determination of 2018 salary increases and LTIP contingent awards • Consideration of Non-executive Director fees • Review of proposals for senior management salary, bonuses and LTIP awards	The Committee Deloitte
April 2018	• Review of TSR performance • Consideration of issues raised by voting advisory agencies at 2018 AGM • Review of market practice and regulatory developments	The Committee Deloitte
July 2018	• Consideration of the 2018 Corporate Governance Code requirements • Extensive review of the current Remuneration Policy • Determination of additional provisions to include in 2020 Remuneration Policy • Bonus targets for 2019	The Committee Deloitte CEO CFO

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 August 2018. It should be noted that as an Isle of Man company, RDI REIT P.L.C. is voluntarily reporting under the UK regulations in order to provide transparency to our shareholders.

The Committee comprises three independent Non-executive Directors. One member sits on the Audit and Risk Committee, which helps the RemCo have a wider appreciation of the work and achievements of the executive when reviewing the outcomes of the Remuneration Policy, particularly the personal element of the bonus award. Certain members also sit on the Nominations Committee, so are aware of future Board requirements which may necessitate a change in policy. As a part of the Board's evaluation process, the performance of the RemCo was considered to have improved, but further work was required to enhance the Remuneration Policy.

Performance and reward at a glance

Company performance for 2018

Underlying earnings per share (p)
YoY
+3.3%

Dividend per share (p)
YoY
+3.9%

EPRA NAV per share (p)
YoY
+3.4%

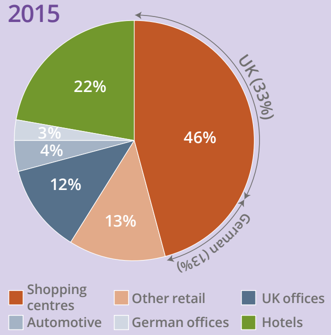
Loan-to-value (%)
YoY
-510bps

Net rental income like-for-like
YoY
+2.1%

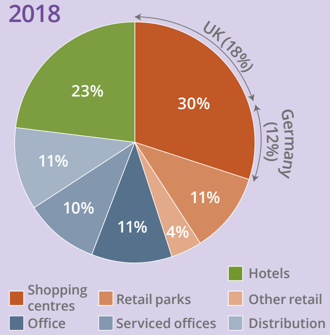
Total annualised accounting return
YoY
+9.8%

Company performance from 2015 to 2018

PORTFOLIO MARKET VALUE £1.0BN
2015



PORTFOLIO MARKET VALUE £1.6BN
2018



Loan-to-value (%)
2015
51.8%

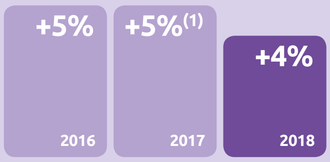
Loan-to-value (%)
2018
46.2%

Interest cover
2015
2.3x

Interest cover
2018
3.5x

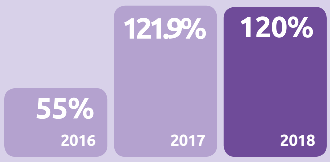
Executive reward 2016–2018

SALARY INCREASE



+4%

ANNUAL BONUS (% OF SALARY)



120%

EXECUTIVES' 3 YEAR LTIP VESTING FOR PERFORMANCE PERIOD 1 SEPTEMBER 2015 TO 31 AUGUST 2018
0%

Executives' shareholdings as at 31 August 2018

	Shareholdings	% of salary
Mike Watters	6,653,428	553%
Stephen Oakenfull	623,536	73%
Donald Grant	75,000	10%
Adrian Horsburgh	64,178	8%

Commitments to improve the Remuneration Policy in 2020

- Executive shareholding guidelines
- Additional two year holding period after vesting
- Post-employment shareholding requirements
- Extension of malus and clawback provisions
- Pension of new executives to be aligned with that of the workforce

Key to committees:

- A Audit and Risk Committee
- C Corporate Social Responsibility Committee
- I Investment Committee
- N Nominations Committee

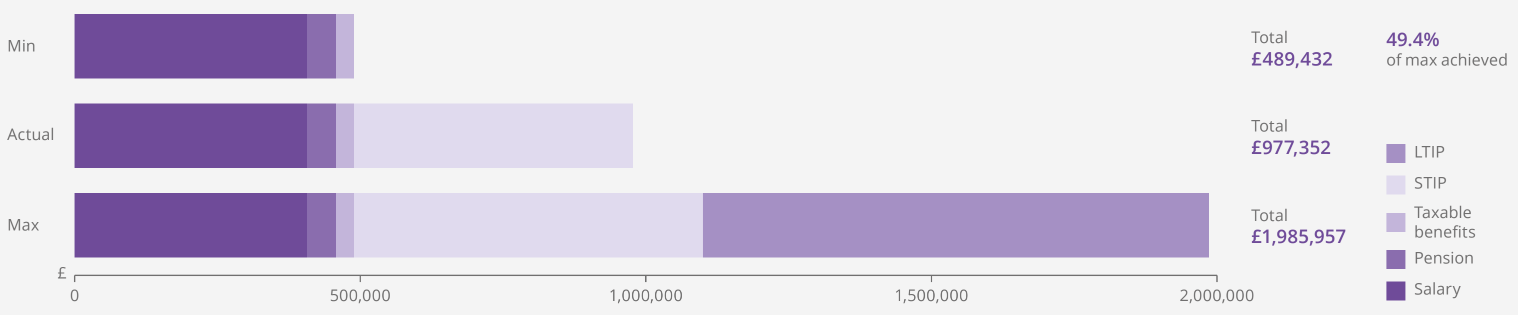
(1) Stephen Oakenfull received an exceptional award of 15 per cent.

Directors' remuneration
continued

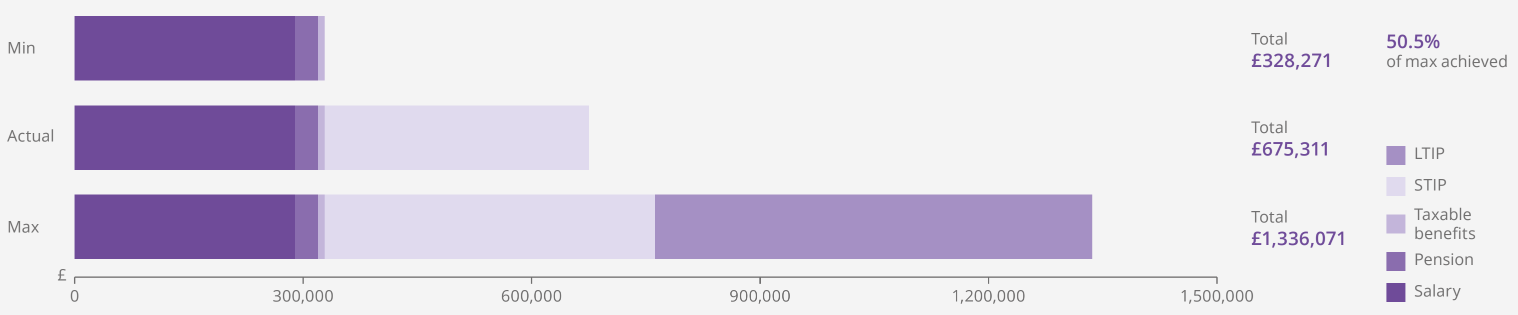
Performance and reward at a glance for 2018

Executive total reward – Minimum vs Actual vs Maximum

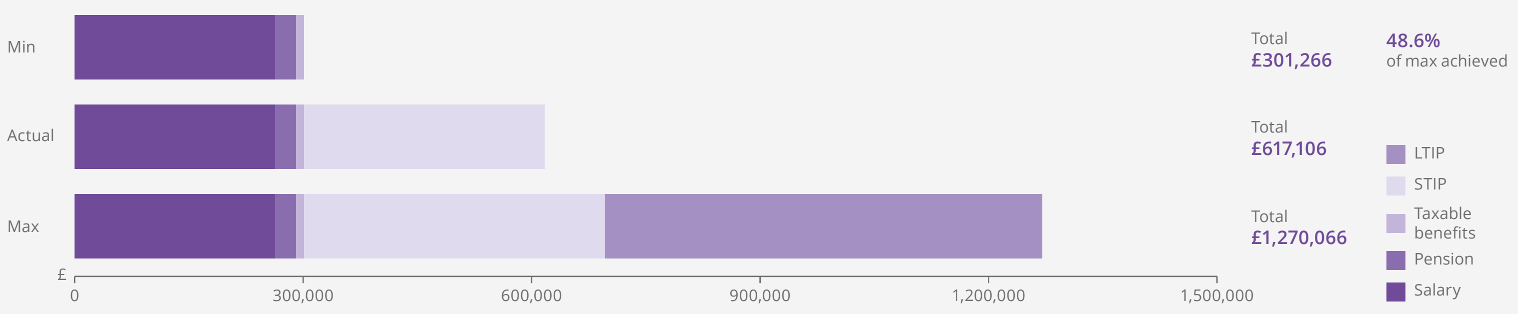
MIKE WATTERS



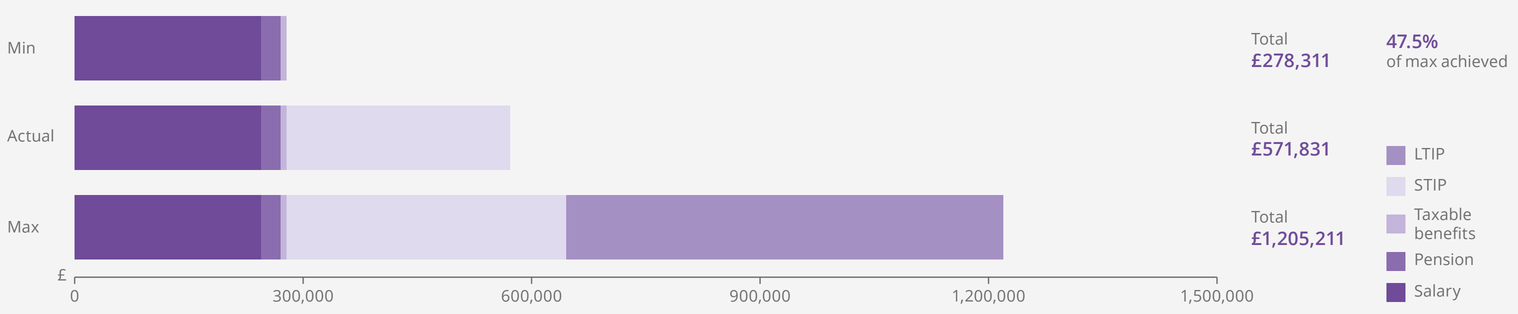
STEPHEN OAKENFULL



ADRIAN HORSBURGH



DONALD GRANT



Performance and reward at a glance for 2018

Executive bonus

Bonus KPIs / Strategic priorities	Income focused portfolio	Efficient capital structure	Financial discipline	Scalable business	Weight of award (% of salary)	Target range	Achieved	Bonus outcome (% of max)
Higher earnings achieved by	• Occupancy steady • Growth in like-for-like net income	• Improved interest cover • Reduced cost of debt	• Interest rates fixed or capped • One of the lowest EPRA cost ratios in sector	• Capital recycled, improving portfolio quality	**45%**	**2.56p to 3.41p**	**2.84p**	**50%**
Growth in NAV	• Capital invested in sectors with positive outlook	• Reduced LTV	• Increase in portfolio valuation	• Increased exposure to distribution sector and serviced income	**45%**	**(0.5) to (0.4)%**	**+3.4%**	**100%**
Stronger operational cash flow achieved by	• +3.9% in passing rent • 27% of portfolio with index linked rents	• Fully covered dividend • Improved interest cover	• Long-dated debt maturity profile • Rent collection >95% within seven days	• Financial flexibility by maintaining liquidity headroom within undrawn committed facilities	**22.5%**	**£12.8m to £17.0m**	**£17.7m**	**100%**
Personal objectives	**Mike Watters**	**Stephen Oakenfull**	**Adrian Horsburgh**	**Donald Grant**	**37.5%**			**80%**
Team Objective 1	Positive progression against medium term targets set by the Board and articulated at the February 2017 Capital Markets Day							
		Rental collection Rental income Underlying EPS growth Pay-out ratio	Interest cover EPRA cost ratio LTV Cost of debt ✓✓					
Objective 2	Set and drive strategy with specific reference to capital structure, investment policies and their associated risks ✓✓✓	Assets successfully recycled resulting in stronger portfolio while maintaining earnings and achieving leverage targets ✓✓✓	Successful completion of Leopard disposal, at premium, and timely reinvestment into OSIT portfolio ✓✓✓	Active management of cash flow and cost base. Addressed changing governance and compliance environment. Audit tender completed ✓✓✓				
Objective 3	IHL successfully delisted and integrated into RDI resulting in cost efficiencies and shareholder value ✓✓✓	Increased investor engagement, through property tours with a clearly articulated strategy and deal rationale ✓✓✓	Improved portfolio quality NAV accretive capital recycling ✓✓✓	Greater earnings transparency and improved quality of reporting ✓✓✓				
Total					**150% of salary**			**80% of maximum**

Personal objectives comprise one team objective and two individual objectives.
Further details are provided on page 105

✓ Some progress

✓✓ Sound progress

✓✓✓ Good progress

Directors' remuneration
continued

Remuneration Policy

The Company's first Remuneration Policy was approved by 99.66 per cent of shareholders in January 2015. The 2015 LTIPs that vested this year are the last ones to be measured against the performance measures outlined in the 2015 Remuneration Policy.

A revised Remuneration Policy was approved at the AGM on 23 January 2017 by 79.91 per cent of shareholders, and the salary, bonus and LTIP contingent awards have been awarded in accordance with this policy. A summary of the policy can be found on pages 100 to 101. The executives' remuneration paid in 2018 is summarised on the pages overleaf, and details of remuneration for the coming year can be found on page 99.

No changes to the policy are to be proposed at the AGM to be held on 24 January 2019. However, the policy is due to be reviewed next year and, having considered feedback from investors, the low approval rate for the policy in 2017, and in light of the new provisions of the 2018 Corporate Governance Code, the RemCo has made certain commitments to improve the policy which will be put to shareholders at the AGM to be held in 2020. These commitments include introducing:

- shareholding guidelines for the executives;
- adding a two-year holding period to LTIPs after the initial three-year vesting period;
- applying post-employment shareholding requirements;
- extending the malus and clawback provisions; and
- all pension arrangements for newly appointed executives to align with the workforce.

Remuneration for the 2018 financial year

2018 Performance:
Page 95 provides a summary of the executives' performance compared to Company performance, and page 96 shows the executives' total remuneration received compared to possible minimum and maximum outcomes.

2018 Salary: Awarded 1 September 2017.

The average salary increase for employees for 2018 was 4.6 per cent. All executives received a 4 per cent increase which, although above inflation, was in line with relevant market data and still resulted in their salaries being in the lower quartile of the Company's peer group.

2018 Pension and benefits:
Company contributions to Self-Invested Pension Plans ("SIPPs") remain at 12.5 per cent of salary for the CEO and 9 per cent of salary for other Executive Directors. During 2017, workplace pension contributions became mandatory for all employees, including the Executive Directors. Subject to policy maximums, the Company's statutory minimum contribution was initially 1 per cent, which increased to 2 per cent on 6 April 2018.

Other benefits comprise life assurance, private medical insurance, car allowance (CEO only), incapacity benefit, season ticket allowance and directors' and officers' insurance.

2018 Bonus: Awarded for the performance period 1 September 2017 to 1 August 2018.

Having exceeded the financial performance targets set for both cash flow and NAV and achieving the target for earnings, the executives, after considering personal performance, have been awarded a bonus of 120.0 per cent of base salary, equating to 80 per cent of the possible maximum bonus. Disclosure of the annual targets and performance achieved has been provided on page 104, rather than retrospectively as in previous years. An award has been given to the executives collectively for their performance as a team against personal objectives, details of which can be found on page 105. 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 by the Group.

2018 LTIP vesting: Relating to the three-year performance period ended 31 August 2018.

The performance period for the award related to the three years ending 31 August 2018 and was subject to the historic TSR performance conditions. The outcome of the LTIP award has again resulted in nil vesting.

2017 Contingent LTIP award: Awarded for the three-year performance period from 1 September 2017 to 31 August 2020.

Contingent awards, equivalent to 200 per cent of salary, were made to each of the executives on 18 January 2018. These will be subject to the performance criteria set out in the new Remuneration Policy approved at the 2017 AGM and will, subject to performance, vest on 18 January 2021.

2018 Single figure remuneration:
On average, the executives received 49.1 per cent of their possible maximum remuneration.

2018 NED fees:
On 1 September 2017, Non-executive Directors who did not chair a Board committee received a fee increase of £2,000. Those who chaired a Board committee received a fee increase of £1,500, whilst the Chairman received an increase in fee of £3,500. These awards were made to better align with market comparables, while still remaining below market averages. This resulted in the standard Non-executive Director fee being £45,000, committee Chairs receiving £52,000 and the Chairman of the Board receiving £98,000.

Statement of implementation of remuneration for the 2019 financial year

Set out below is a summary of the planned implementation of the Remuneration Policy for the financial year ending 31 August 2019.

2019 Salary: Awarded 1 September 2018.

	2018	2019
Mike Watters	406,600	416,800 (+2.5%)
Stephen Oakenfull	289,200	296,400 (+2.5%)
Adrian Horsburgh	263,200	269,800 (+2.5%)
Donald Grant	244,600	250,700 (+2.5%)

Average salary increases of 3.6 per cent have been awarded to employees for 2019, which was arrived at using a base inflationary adjustment of +2.5 per cent with additional increases awarded to recognise extra responsibilities, progress made in professional exams and changes in roles. This year, the executives have been awarded a 2.5 per cent inflationary increase only.

2019 Pension and benefits:
Company contributions to Self-Invested Pension Plans ("SIPPs") remain at 12.5 per cent of salary for the CEO and 9 per cent of salary for other Executive Directors. Workplace pension contributions rise from 2 per cent to their capped statutory minimum of 3 per cent from 6 April 2019. To encourage employees to save for their retirement, the Company has agreed to contribute 5 per cent on a matched basis from 1 September 2018, whilst the Executive Directors will remain at statutory minimums throughout (subject to remuneration policy maximums). Other benefits comprise life assurance, private medical insurance, car allowance (CEO only), incapacity benefit, season ticket allowance and directors' and officers' insurance.

2019 Annual bonus: To be awarded for the performance period 1 September 2018 to 31 August 2019.

Executive Directors can be awarded a cash 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 (25 per cent). 40 per cent of the total bonus awarded will be subject to a two-year deferral period, to be settled in shares. Disclosure of the annual targets and performance achieved will be provided in the 2019 Annual Report.

2019 LTIP vesting: Relating to the three-year performance period ending 31 August 2019.

The awards made on 25 January 2017, for the performance period 1 September 2016 to 31 August 2019, will vest on 25 January 2020. These awards are the first awards subject to the new 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.

2019 Contingent LTIP award: Will be awarded for the three-year performance period ending 31 August 2021.

Executive Directors will receive an LTIP award over shares worth 200 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. 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 107.

Non-executive Director remuneration

The table below shows the fee structure for Non-executive Directors for 2019.

	2018 fees	2019 fees
Chairman of the Board	£98,000	£98,000
Nominations Committee Chair	£52,000	£52,000
Audit and Risk Committee Chair	£52,000	£52,000
Remuneration Committee Chair	£52,000	£52,000
Investment Committee Chair	£52,000	£52,000
Corporate Social Responsibility Committee Chair	£45,000	£52,000
Base non-executive fee	£45,000	£45,000

Although it is acknowledged that Non-executive Director fees remain below market average, following fee increases in recent years, no fee increases are proposed in 2019. All committee chairs will receive a fee of £52,000, which will now include the chair of the CSR Committee, previously chaired by the CEO.

Aggregate fees for seven Non-executive Directors total £396,000, which is within the aggregate 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 again this year.

Annual General Meeting

The full annual report on remuneration for the financial year ended 31 August 2018 can be found on page 103.

The RemCo recommends the annual report on remuneration report to shareholders and hopes that shareholders will support the resolution at the AGM on 24 January 2019.

Michael Farrow
Chair of the Remuneration Committee

25 October 2018

Policy report on remuneration

Summary of the Executive Remuneration Policy, approved by shareholders at the AGM held on 23 January 2017

A full version of the Executive Remuneration Policy can be found on page 71 of the 2016 Annual Report.

The key principles of the Executive Remuneration Policy are to attract, retain and motivate to ensure the long term success of the Company. Performance measures and targets for incentive awards are selected so as to provide alignment with our key strategic goals. A summary of the elements of the Executive Remuneration Policy is shown below:

Component	Purpose	Operation	Maximum potential value
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 RemCo'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.
Pension	Part of the overall package providing comprehensive remuneration and retirement benefits.	The Company contributes monthly to the Directors' personal pension plans. At the Company's discretion, a cash allowance of equivalent value may be offered.	The Company contributes between 9% and 12.5% of their base salary. Values vary by Directors and are reviewed periodically.
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 RemCo has not set a monetary maximum.
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 in line with specific KPIs; 75% of the award will focus on financial measures and 25% on personal objectives. The purpose of the personal objectives is to encourage leadership, loyalty of staff and to communicate with stakeholders, particularly shareholders, in a transparent manner.	Designed to offer an annual bonus of between 0% and 150% of the executives' base salary. Payable in cash and deferred shares. 40% of award to be settled in shares, subject to a two-year deferral period. Such awards may carry award dividends entitling the executive to dividends which would have been received on the shares during the deferral period.
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. Such awards may carry award dividends entitling the executive to dividends which would have been received on the shares during the vesting period, payable either in cash or ordinary shares.	The aggregate number of shares which may be awarded may not exceed 23,000,000 over the ten-year life of the LTIP. Individual limits in any financial year shall not be greater than 200% of the executive's base salary, but in exceptional circumstances an award can be made up to 400% of the executive's base salary, providing that such an award does not exceed 7,000,000 shares.

	Applicable performance measures	Clawback	Exit payments
	None	None	Termination of the service contract can be given by either party by way of notice in writing for a period not exceeding 12 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.
	None	None	Payments would cease on the leaving date.
	None	None	All benefits would cease on the leaving date.
	KPIs based on: • 15% operating cash flow; • 30% underlying distributable earnings; • 30% adjusted NAV growth; and • 25% personal objectives. The financial KPIs (1-3) are calibrated according to the level of budget met: • less than 90% of budget – nil; • meeting budget – 75%; and • 120% of budget – 150%.	The deferred shares are subject to a two-year deferral period conditional only upon continued employment (subject to discretion such as in the event of long term illness or death).	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) at or before the date when a bonus might otherwise be payable, he will have no right to receive a bonus or time apportioned bonus save that the RemCo will have discretion to award a time apportioned bonus to a good leaver for the year of cessation.
	Awards will vest at the end of a three-year period dependent on the following performance conditions: • 50% of the award is to be linked to underlying distributable earnings per share. 25% of the award will vest upon attaining earnings per share comparable with the immediate proceeding financial year, with 100% vesting being achieved for average annual outperformance of CPI during the performance period of 1%; • 25% of the award to be linked to EPRA/NAREIT Developed Europe Index TSR performance. 25% of the award will vest for median performance with 100% vesting being achieved for upper quartile performance; and • 25% of the award to be linked to the relative total property return of the Company's UK assets in comparison to UK All Property Index. 25% of the award will vest once performance reaches that of the benchmark with 100% vesting being achieved for 2% outperformance.	In circumstances where an error has been made in determining the extent to which the performance conditions were met, 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, the RemCo, in its absolute discretion, may determine that an award will cease or lapse or impose further conditions on the 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 RemCo) or in the event of a takeover, scheme of arrangement, demerger or winding up of the Company, the RemCo, acting fairly and reasonably, will determine whether and to what extent a performance target shall then 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 vesting of any awards will be subject to the discretion of the RemCo.

Policy report on remuneration
continued

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 given at the discretion of the Board, for specific roles such as the Chairman of the Audit and Remuneration Committees. 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 compared with a peer group, taking into account the time spent, company size, ownership, sector, risk and other Company specific factors. Their recommendations are then presented to the Board for final approval.	Fees of the Non-executive Directors (other than alternative Directors) are determined by the Board, provided that such sums do not exceed in the aggregate £500,000, or as the Company may by ordinary resolution approve.	Directors are not appointed for a specified term but 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.

Employment conditions elsewhere in the Company

All employees have contracts with terms in line with standard market practice. Remuneration is similar in structure to the executive pay structures, containing the same three elements:

Fixed element: 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 and pension entitlements vary with the level of seniority.

Short term incentive: Bonuses are based on the Group's performance and that of the individual and are awarded on similar principles as those given to the executives, but are subject to the discretion of the executive and overseen by the RemCo. 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 RemCo. 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 RemCo, 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 shares for the purposes of the RSP, up to a maximum number of 23,000,000 ordinary shares.

Notice of termination: For all employees, a notice period, typically three months, is required to terminate the contract and payment in lieu of notice will be given in appropriate circumstances.

Annual report on remuneration

The information provided in this part of the Directors' remuneration report will detail how the Remuneration Policy has been implemented during the year ended 31 August 2018. This report, together with the Chairman's annual statement, will be subject to an advisory shareholder vote at the Annual General Meeting to be held on 24 January 2019.

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 year ending 31 August 2018, with a comparable annual fee figure for the financial year ending 31 August 2017. The Non-executive Directors do not receive any other remuneration other than fees but are entitled to be reimbursed 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 2018	**Actual fees paid for 2018**	Annual fees for 2017	**Actual fees paid for 2017**
Greg Clarke (former Chairman)[1]	98,000	**89,833**	94,500	**94,500**
Michael Farrow (Senior Independent Director and Chair of the Remuneration Committee)	52,000	**52,000**	48,000 (£50,500 from 1/12/2016)	**49,875**
Gavin Tipper (former Chair of the Audit Committee)[2]	52,000	**52,000**	50,500	**50,500**
Sue Ford	45,000	**45,000**	43,000	**43,000**
Robert Orr (Chair of the Investment Committee)	52,000	**52,000**	43,000 (£50,500 from 1/12/2016)	**48,625**
Elizabeth Peace[3]	45,000	**34,986**	n/a	**n/a**
Marc Wainer	45,000	**45,000**	43,000	**43,000**
Bernie Nackan	45,000	**45,000**	43,000	**43,000**
Total	434,000	**415,819**	365,000 (£375,000 from 1/12/16)	**372,500**

(1) Greg Clarke stepped down as Chairman of the Company on 24 July 2018. He received fees for his services as Chairman until 31 July 2018.

(2) Gavin Tipper was appointed Chairman of the Board with effect from 24 July 2018. His fee will be adjusted with effect from 1 September 2018.

(3) Elizabeth Peace was appointed as a Non-executive Director of the Company on 21 November 2017.

Payments to past Directors and for loss of office (Audited)

Greg Clarke resigned from office as Chairman on 24 July 2018 and his fee ceased on 31 July 2018. There were no 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 2017 and 2018.

	Year ending 31 August	Actual salary paid	Pension	Taxable benefits[1]	Annual bonus payable in respect of the financial year – cash	Annual bonus payable in respect of the financial year – deferred shares	Shares vesting	Total remuneration received for year ended 31 August
Mike Watters[2]	**2018**	**406,600**	**50,825**	**32,007**	**292,752**	**195,168**	**0**	**977,352**
	2017	391,000	48,875	31,653	285,919	190,612	0	948,059
Stephen Oakenfull	**2018**	**289,200**	**30,125**	**8,946**	**208,224**	**138,816**	**0**	**675,311**
	2017	278,100	25,029	8,239	203,360	135,574	0	650,302
Adrian Horsburgh	**2018**	**263,200**	**27,417**	**10,649**	**189,504**	**126,336**	**0**	**617,106**
	2017	253,100	22,779	10,459	185,080	123,386	0	594,804
Donald Grant	**2018**	**244,600**	**25,479**	**8,232**	**176,112**	**117,408**	**0**	**571,831**
	2017	235,200	21,168	7,962	171,990	114,660	0	550,980

(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) Mike Watters served as a Non-executive Director of Redefine Properties Limited until February 2017, for which he received a net amount of R134,500 (circa £7,000) for the period 1 September 2016 to 27 February 2017. He also served as a Non-executive Director of International Properties Limited during 2017 for which he received fees of £1,299.96. Mike Watters received no fees for 2018.

Annual report on remuneration
continued

Executive bonus (Audited)

The maximum bonus for the year ended 31 August 2018 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

In previous years, financial performance targets were published retrospectively once they had ceased to be commercially sensitive. This policy has been reviewed and from 2018 the financial performance targets will be published immediately following the financial year end.

Please find below the financial performance targets and the Company's performance against these targets in respect of the years ended 31 August 2017 and 31 August 2018. The annual bonus awards were based 75 per cent on financial measures and 25 per cent on the individual's performance during the year against predetermined personal objectives.

Disclosure of 2018 annual bonus financial performance targets

2018	Weighting	Target range	Actual performance	Results	% pay-out of this element of the bonus	Award to all executives % of salary
Cash flow[1]	22.5%	£12.8m – £17.0m	£17.7m	Exceeded maximum target	100%	22.5%
Earnings[2]	45.0%	2.56p – 3.41p	2.84p	Budget	50%	22.5%
NAV growth[3]	45.0%	(0.5)% – (0.4)% (equivalent to: 41.2 pence per share)	+3.4% (42.8 pence per share)	Exceeded maximum target	100%	45%
Personal objectives	37.5%	Personal objectives	Subject to performance and RemCo discretion	Within target range	80%	30%
Total	**150%**					**120%**

(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.

(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 shareholders' interests. Due to the significant structural change in retail behaviour and its likely impact on the retail sector's investment market and valuations (to which 33 per cent of the Group's portfolio was exposed), the Board approved budget for the 2018 financial year had anticipated a marginal decline in net asset value.

Page 87 of the 2017 Annual Report contained details of performance measures and outturn of the 2017 annual bonus plan. The target range and actual performance against the financial performance measures were not disclosed as they were considered by the Board to be commercially sensitive. As the information is no longer commercially sensitive, details of the 2017 financial performance targets are set out below.

In respect of 2017 annual bonus financial performance targets:

- cash flow performance of £9.9 million, exceeded the target range of £2.5 million to £3.4 million;
- earnings of 2.75 pence per share, fell within target range of 2.48 to 3.30 pence per share; and
- NAV growth of 3.5 per cent, exceeded the target range of (2.5) to (1.8) per cent.

Executive bonus – personal objectives

The award made for personal objectives is at the RemCo's discretion. Each executive was set two personal objectives with one shared objective. Progress against these objectives, as considered by the RemCo, resulted in each executive achieving 80 per cent of the personal performance measures.

Team objective

Positive progression against medium term targets set by the Board and communicated to shareholders at the 2017 Capital Markets Day.

Strategic target	Rent collection	Rental income growth	EPS growth	Pay-out ratio	LTV	Cost of debt	Interest cover	EPRA cost ratio
Target	>95%	2-5%	3-5%	90-95%	45-50%	3.2-3.4%	>3x	<15%
2018	98%	2.1%	3.3%	95.1%	46.2%	3.4%	3.5x	15.6%
Progress	✔✔✔	✔✔✔	✔✔✔	✔✔	✔✔✔	✔✔✔	✔✔✔	✔

✔ Some progress
✔✔ Sound progress
✔✔✔ Good progress

Personal objectives

Mike Watters

✔✔✔ Set and drive strategy with specific reference to capital structure, investment policies and their associated risks. The Company delivered a strong set of results with a 3.8 per cent growth in dividend, underpinned by a stronger balance sheet and significantly improved portfolio.

✔✔✔ Successfully delist IHL and integrate into RDI and drive cost efficiencies and shareholder value – the investment in IHL increased significantly to 74.1 per cent, with IHL subsequently being de-listed from the JSE and LuxSE following a successful scheme of arrangement.

Stephen Oakenfull

✔✔✔ Execution of strategic acquisition and disposals to reposition the portfolio whilst maintaining earnings and achieving leverage targets. Growth achieved by assets acquired over the last three years has significantly outperformed the pre-existing portfolio. Earnings have increased and LTV reduced.

✔✔✔ Increased investor engagement, through property tours with a clearly articulated strategy and deal rationale.

Adrian Horsburgh

✔✔✔ Successful completion of Leopard disposal, at premium, and timely reinvestment into OSIT portfolio – efficient and timely reinvestment of the Leopard proceeds into London serviced offices, with only two weeks between transactions.

✔✔✔ Improved portfolio quality NAV accretive capital recycling – acquisitions have delivered significant value over the last three years, with 10.8 per cent like-for-like growth.

Donald Grant

✔✔✔ Active management of cash flow and cost base. Manage changing governance and compliance environment and complete audit tender.

✔✔✔ Significantly improve earnings transparency and quality of reporting.

Annual report on remuneration
continued

Executive Long Term Incentive Plans (audited)

On 18 January 2018, the Executive Directors received an LTIP award over shares worth 200 per cent of salary in relation to their 2017 remuneration package. These awards are subject to the performance targets of the Remuneration Policy approved by shareholders at the AGM on 23 January 2017 measured over a three-year performance period from 1 September 2017 to 31 August 2020. The award price was based on the share price at close of trading on 1 September 2017. 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 2016, 2017 and 2018 financial years.

2018	PSP contingent awards	Award price	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 vesting level achieved
Mike Watters	1,954,023	40.02p	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 the performance targets being based on: • 50% underlying earnings per share; • 25% relative TSR; and • 25% relative total property return.	Awards will vest on 18 January 2021
Stephen Oakenfull	1,389,805	40.02p	556,200					
Adrian Horsburgh	1,264,868	40.02p	506,200					
Donald Grant	1,175,412	40.02p	470,400					

2017	PSP contingent awards	Award price	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 vesting level achieved
Mike Watters	1,698,440	43.85p	774,766	200% of base salary	25 January 2017	Measured over the financial years ending • 31 August 2017 • 31 August 2018 • 31 August 2019	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 25 January 2020
Stephen Oakenfull	1,099,567	43.85p	482,160					
Adrian Horsburgh	1,099,567	43.85p	482,160					
Donald Grant	1,021,665	43.85p	448,000					

2016	PSP contingent awards	Award price	Value of award	Basis on which award was made	Date of grant	Performance period	Performance conditions applicable (policy approved at 2015 AGM)	Vesting level achieved
Mike Watters	1,698,515	52.2p	886,625	250% of base salary	28 October 2015	Measured over the financial years ending • 31 August 2016 • 31 August 2017 • 31 August 2018	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%: • bespoke peer group TSR; and • EPRA/NAREIT TSR.	Awards vested on 28 October 2018. 0% vesting as TSR was below median against both comparator groups
Stephen Oakenfull	1,099,617	52.2p	574,000					
Adrian Horsburgh	1,099,617	52.2p	574,000					
Donald Grant	1,072,797	52.2p	560,000					

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.

2016 awards vesting schedule

The 2016 awards are subject to the LTIP policy approved by shareholders at the 2015 AGM and will be measured against two total shareholder return related performance targets:

- 50 per cent of any such award will be subject to a performance target which measures the Company's TSR relative to that of the members of a bespoke comparator group; and
- 50 per cent of the award will be subject to a performance target which measures the Company's TSR relative to that of each of the members of EPRA/NAREIT Developed Europe Index.

The 2016 awards were subject to the following vesting schedule:

Relative TSR performance against members of the index:	Percentage of one half of an award that vests:
Upper quartile	100%
Between median and upper quartile	Between 25% and 100%
Median	25%
Below median	0%

2017, 2018 and 2019 awards vesting schedule

The 2017 and 2018 awards are subject to the LTIP policy approved by shareholders at the 2017 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.

The 2018 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 RemCo 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.

Annual report on remuneration
continued

Statement of Directors' shareholdings and share interests (audited)

There are currently no requirements for Directors to own shares in the Company, but the Remuneration Committee has made a commitment to introduce guidelines for executives when the Remuneration Policy is reviewed next year. With regards to shareholdings by independent non-executives, it is left to the individual's discretion. Some wish to align themselves with shareholders and others consider the holding of shares compromises their independence. The table below shows the total number of Directors' interests in shares as at 31 August 2018.

	Number of ordinary shares held as at 31 August 2018	% of issued share capital	2017 bonus deferred shares awarded due to vest on 1 September 2019 subject to continued employment	LTIP share awards due to vest on 25 January 2020 subject to performance conditions	2018 bonus deferred shares awarded due to vest on 1 September 2020 subject to continued employment	LTIP share awards due to vest on 18 January 2021 subject to performance conditions	**Total**
Mike Watters (CEO)	6,653,428	0.35	476,292	1,698,440	579,134	1,954,023	**11,361,317**
Stephen Oakenfull (Deputy CEO)	623,536	0.03	338,766	1,099,567	411,917	1,389,805	**3,863,591**
Adrian Horsburgh	64,178	0.00[(1)]	308,311	1,099,567	374,884	1,264,868	**3,111,808**
Donald Grant	75,000	0.00[(1)]	286,507	1,021,665	348,392	1,175,412	**2,906,976**
Greg Clarke (retired 24/7/2018)	0	0					**0**
Gavin Tipper	508,630	0.03					**508,630**
Michael Farrow	0	0					**0**
Sue Ford	0	0					**0**
Robert Orr	23,529	0.00[(1)]					**23,529**
Elizabeth Peace	0	0					**0**
Marc Wainer	4,838,211	0.25					**4,838,211**
Bernard Nackan	21,580	0.00[(1)]					**21,580**
Total	**12,808,092**	**0.67**					**26,635,642**

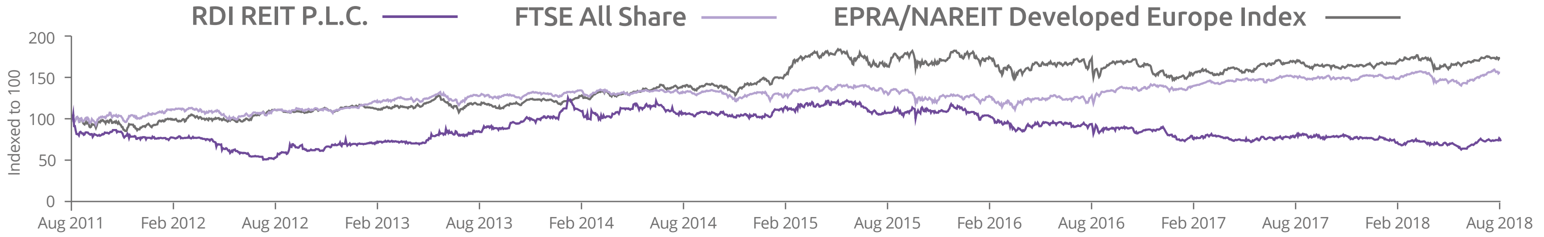
(1) Less than 0.01%.

There have been no changes to Directors' shareholdings since 1 September 2018.

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 EPRA and the FTSE All Share Index, both of which the Company is a constituent.



The table below shows the total 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 awards
Mike Watters	**2018**	**983,112**	**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 (appointed CEO 3/12/2013)	2014	490,600	55%	n/a

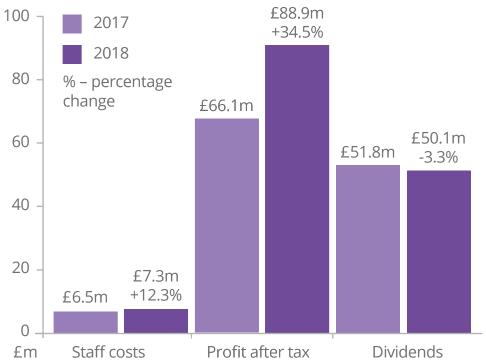
Percentage change in remuneration of CEO

Pursuant to the salary reviews on 1 September 2018 the following increase in base salary, benefits and bonus (relative to prior year base salary, benefits and bonus) is compared for the CEO and the median of both senior management (being those employees with reporting lines to an Executive Director) and the median of those employees of the Company's head office, who are determined to be the most appropriate benchmark, due to the nature and location of the Company's residual workforce.

Base salary	2018 Salary[1]	Benefits[2]	Bonus[3]
Mike Watters	+2.5%	+1.1%	+2.4%
Median senior manager	+3.0%	+1.4%	+8.9%
Median employee	+2.5%	+1.4%	+5.8%

(1) The base salary comparison is in relation to the 1 September 2018 salary review.
(2) The benefits comparison is in relation to benefits for the 2018 financial year compared to 2017.
(3) The bonus comparison is in relation to bonus for 2018 performance compared to bonus for 2017 performance.

Relative importance of spend on pay



Pensions

A workplace pension has been provided to staff since 1 September 2016. The 1 per cent minimum contribution was increased from 6 April 2018 to 2 per cent of salary and will be increased further to 5 per cent from 1 September 2018, in excess of the required minimum contributions.

As part of the remuneration package approved by shareholders on 23 January 2017, the Company makes pension contributions to the executives' base salary up to 12.5 per cent.

The Company has made a commitment that the Remuneration Policy, to be reviewed and approved by shareholders at the 2020 AGM, will align the pension of all new executives with that of the employees.

Consideration by the Directors of matters relating to Directors' remuneration

The Directors who have served on the RemCo during the reporting year can be found on page 94.

No executives usually attend formal meetings of the RemCo, although the personal objectives were discussed with the CEO and CFO at the July 2018 meeting.

Deloitte were appointed as the Company's advisers in October 2016. Deloitte are members of the Remuneration Consultants Group and have no connection with the Company. The RemCo is satisfied that the advice received has been objective and independent.

Total fees paid to Deloitte during the financial year were £12,620 (2017: Deloitte £13,460 and Willis Towers Watson £28,909). All advice received was duly considered by the RemCo, and their proposals presented to the Board for final approval.

Statement of voting at the Annual General Meeting

At the Company's AGM held on 25 January 2018, the Directors' remuneration report for the year ending 31 August 2017 was approved by shareholders. The results were as follows:

Resolution	Votes for	%	Votes against	%	Votes withheld
To approve the Directors' remuneration report for the year ended 31 August 2017	1,125,598,183	89.41	133,326,607	10.59%	25,063,404

At the Company's AGM held on 23 January 2017, the current Remuneration Policy was approved by shareholders. The results were as follows:

Resolution	Votes for	%	Votes against	%	Votes withheld
To approve the Directors' Remuneration Policy	1,000,333,466	79.91	251,542,808	20.09	9,433,156

Approval

This report was approved by the Board of Directors on 25 October 2018 and signed on its behalf by:

Michael Farrow
Chair of the Remuneration Committee

25 October 2018

Additional disclosures

to the Directors' report

The Directors' report comprises pages 74 to 113 together with certain sections of the Annual Report incorporated by reference as outlined below:

- the Annual General Meeting is to be held at 11.00am on 24 January 2019 at 20 St Dunstan's Hill, London EC3R 8HL;
- description of the business model can be found on page 12;
- future developments and the outlook for the Company are contained in the CEO report on page 6;
- important events that have taken place since the end of the financial year are described on page 173;
- details of financial instruments, and the financial risk management objectives and policies of the Company, are detailed in pages 165 to 169;
- principal 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 20;
- the Company's three year viability statement can be found on page 22;
- disclosures regarding the employment of disabled people, human rights, social matters and employee involvement are contained in the corporate social responsibility report on page 60, although it should be noted that the Company employs less than 250 people;
- the diversity policy for the Group can be found on page 60 and the targets that have been set for the Board can be found on page 79;
- details regarding the Company's anti-bribery policy can be found on the Company's website; and
- environmental and greenhouse gas reporting is included in the corporate social responsibility report on page 66.

Results and proposed dividends

The consolidated statement of comprehensive income is set out on page 119 and shows a profit attributable to equity holders of the Parent of £83.4 million.

The Board declared an interim dividend of 1.35 pence per share on 25 April 2018 which shareholders could take in cash or as a scrip alternative.

The Board has declared a second interim dividend of 1.35 pence per share to be paid on 18 December 2018 to those shareholders on the register as at 30 November 2018. This will result in a total dividend of 2.70 pence per share for the financial year. No scrip alternative has been offered on this occasion.

Going concern

At 31 August 2018, the Group's cash and undrawn facilities were £134.8 million and its capital commitments were £9.5 million. Mindful of transactions occurring post the balance sheet date and having considered severe but plausible scenarios, the Directors are satisfied that the security of the Group's income taken together with an average debt maturity profile of 6.7 years, headroom against financial covenants and strong interest cover, continue to provide a reasonable expectation that the Group will have the resources it requires to meet ongoing and future commitments. Accordingly, the 2018 consolidated financial statements have been prepared on a going concern basis.

Issued share capital

As at 31 August 2017 the Company's total issued share capital was 1,828,060,146 ordinary shares of 8.0 pence each.

In November 2017, the Company undertook a scheme of arrangement to acquire 16,429,687 IHL shares from the IHL minority shareholders, for which the consideration was 2.5 RDI shares for each IHL share held. The Company further acquired 7,912,130 IHL shares from Redefine Properties Limited, on the same terms as the IHL scheme of arrangement.

On 9 May 2018 the Company announced a share buy-back programme. The programme reduced the issued share capital by 14,054,524 shares. Further details on the programme are shown opposite.

Share buy-back programme

The purpose of the programme was to reduce the share capital of the Company and thus to mitigate the dilutive effect of the anticipated scrip dividend shares to be issued in June 2018.

The Company had instructed Peel Hunt LLP to execute share buy-backs on its behalf through the market at prices below the EPRA net asset value per share as at 28 February 2018, up to the value of approximately £7.0 million in aggregate. The maximum daily number of shares that were purchased was 25 per cent of the average daily trading volume of the preceding 20 trading days. The timing and the actual number of ordinary shares purchased were all dependent on market conditions, legal and regulatory requirements and other terms and limitations contained in the arrangements.

The programme was conducted in compliance with the general authority vested in the Company at its AGM on 25 January 2018 to repurchase shares, the Market Abuse Regulation (EU) No. 596/2014, Commission Delegated Regulation (EU) No. 2016/1052 and Chapter 12 of the Financial Conduct Authority's Listing Rules.

Details of all purchases were announced via RNS, published to the Company's website, and communicated to the FCA as required by the Market Abuse Regulation.

As at 31 August 2018 the Company's total issued share capital was 1,900,449,536 ordinary shares of 8.0 pence each.

Reason for issue	Date	Shares issued	Total
Start of financial year	01 September 2017		1,828,060,146
Acquisition of 5 million IHL shares from Redefine Properties	01 November 2017	12,500,000	1,840,560,146
IHL Scheme of Arrangement with IHL minority shareholders	13 November 2017	41,074,223	1,881,634,369
Acquisition of 1,913,478 IHL shares from Redefine Properties	13 November 2017	4,783,697	1,886,418,066
Acquisition of 998,652 IHL shares from Redefine Properties	24 November 2017	2,496,631	1,888,914,697
Scrip shares	18 December 2017	16,218,190	1,905,132,887
Share buy-back programme	09 May 2018	(649,733)	1,904,483,154
Share buy-back programme	10 May 2018	(657,416)	1,903,825,738
Share buy-back programme	11 May 2018	(492,444)	1,903,333,294
Share buy-back programme	14 May 2018	(645,000)	1,902,688,294
Share buy-back programme	15 May 2018	(230,000)	1,902,458,294
Share buy-back programme	16 May 2018	(514,000)	1,901,944,294
Share buy-back programme	17 May 2018	(626,739)	1,901,317,555
Share buy-back programme	18 May 2018	(523,994)	1,900,793,561
Share buy-back programme	21 May 2018	(619,808)	1,900,173,753
Share buy-back programme	22 May 2018	(586,546)	1,899,587,207
Share buy-back programme	23 May 2018	(618,915)	1,898,968,292
Share buy-back programme	24 May 2018	(609,131)	1,898,359,161
Share buy-back programme	25 May 2018	(624,033)	1,897,735,128
Share buy-back programme	29 May 2018	(629,181)	1,897,105,947
Share buy-back programme	30 May 2018	(665,285)	1,896,440,662
Share buy-back programme	31 May 2018	(678,488)	1,895,762,174
Share buy-back programme	01 June 2018	(719,193)	1,895,042,981
Share buy-back programme	04 June 2018	(801,105)	1,894,241,876
Share buy-back programme	05 June 2018	(864,391)	1,893,377,485
Share buy-back programme	06 June 2018	(1,094,122)	1,892,283,363
Share buy-back programme	07 June 2018	(300,000)	1,891,983,363
Share buy-back programme	08 June 2018	(905,000)	1,891,078,363
Scrip shares	25 June 2018	9,371,173	1,900,449,536

Further details of the authorised and issued share capital are shown in Note 27 to the consolidated financial statements. RDI REIT P.L.C. 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 of Association, 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.

Other than in connection with the 150 million Euro secured exchangeable bonds issued by Redefine Properties Limited in September 2016, exchangeable into shares of RDI REIT P.L.C. (the "Exchange Property") and connected stock lending agreements that may result in restrictions on the transfer of securities or on voting rights in connection with the Exchange Property, 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.

Additional disclosures continued
to the Directors' report

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
Redefine Properties Limited	559,415,576	29.44
Allan Gray Asset Management	152,773,932	8.01

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 ("PDMR") 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' dealings occurred and were reported to the market:

	Number of ordinary shares held as at 1 September 2017	IHL buy-out 13 November 2017	Acquisition 16/17 January 2018	Scrip shares 25 June 2018	Number of ordinary shares held as at 31 August 2018
Greg Clarke	—	—	—	—	—
Michael Watters (CEO)[(1)]	6,515,638	70,790	67,000	—	6,653,428
Stephen Oakenfull (Deputy CEO)[(2)]	623,536	—	—	—	623,536
Adrian Horsburgh	62,189	—	—	1,989	64,178
Donald Grant	50,000	—	25,000	—	75,000
Michael Farrow	—	—	—	—	—
Gavin Tipper	508,630	—	—		508,630
Sue Ford	—	—	—	—	—
Robert Orr	23,529	—	—	—	23,529
Elizabeth Peace	—	—	—	—	—
Marc Wainer[(3)]	1,680,364	3,157,847	—	—	4,838,211
Bernard Nackan	20,911	—	—	669	21,580
Total	9,484,797	3,228,637	92,000	2,658	12,808,092

(1) Michael Watters' shares are held through a pension fund structure.

(2) 573,536 of Stephen Oakenfull's shareholding is held in his wife's name.

(3) Marc Wainer holds 35,333 shares in his own name and has a beneficial interest in 4,802,878 shares, of which a 200,328 shareholding is held in his wife's name, a 356,838 shareholding is held through the Drawood Trust and an 8,491,424 shareholding is held by Ellwain Investments (Pty) Limited of which he is 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 108 and are set out in Note 34 "Related party transactions".

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 or her 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 26 January 2016.

Political donations

During the financial year, RDI REIT P.L.C. made no political donations.

Donald Grant
Chief Financial Officer

25 October 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

The Directors 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 Group and Company financial statements are required by IFRS, as issued by the IASB, to present fairly the financial position and performance of the Group and Company respectively.

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 that the financial statements of the Group and Company comply with IFRS as issued by the IASB and, in the case of the Company, in accordance with those parts of the Isle of Man Companies Acts 2006 applicable to companies reporting under IFRS; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time its financial position. They 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.

Responsibility statement

Each of the Directors confirms that to the best of each person's knowledge and belief:

- 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 and financial position of the Group and Company at 31 August 2018 and the profit of the Group and the Company for the year then ended and, in the case of the Company, its loss for the year then ended;
- 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;
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company 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 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

The Annual Report is published on the Group's website. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Signed on behalf of the Board on 25 October 2018.

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 Group" or "the Company") for the year ended 31 August 2018 which comprise the Consolidated and Company Income Statement, the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows, and the related notes, including the accounting policies in Note 2.

The financial reporting framework that has been applied in their preparation is the Isle of Man Companies Act 2006 and International Financial Reporting Standards ("IFRS").

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 2018 and of the Group's and of the Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as issued by the IASB; and
- the Company financial statements have been properly prepared in accordance with IFRS as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with the applicable ethical requirements, the FRC ethical standard as applicable to listed entities. 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.

2 Key audit matters: 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. 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of significance, were as follows:

Group financial statements

Valuation of investment property £1,598.0 million (2017: £1,494.9 million)

Refer to page 93 (Audit and Risk Committee report), page 126 (key judgement in accounting policy) and pages 140 to 143 (financial disclosures)

The key audit matter

The valuation of the Group's investment properties involves significant judgements made by management using the advice of external valuers, particularly those around the selection of valuation models and the inputs to those models, current market conditions and rental levels.

The valuation exercise also relies on the completeness and accuracy of the underlying lease and financial information provided to the valuers by management.

There were also certain factors affecting the valuations this year, specifically, the uncertain market conditions affecting secondary retail assets in the UK and the number of CVAs within this sector.

How the matter was addressed in our audit

In this area our audit procedures included, among others:

- assessing management's process for reviewing and addressing the work of the external valuers;
- assessing the design and implementation of controls relating to the valuation process;
- assessing the competence, objectivity and integrity of the external valuers. This assessment included, but was not limited to, assessing their professional qualifications, experience and independence from the Group;
- assessing evidence that alternative assumptions had been considered and evaluated by management in concluding on the final valuation;
- discussing and where appropriate, challenging the external valuers in respect of:
  - the valuation process adopted;
  - the significant assumptions used and critical judgement areas in the valuation process including break clauses, future lease income and yields; and
  - the performance of the relevant portfolio;
- for certain portfolios, using our internal valuation specialists to assist us in critically assessing the valuation methodology applied, considering whether the methodology is in line with accounting principles and also to challenge key inputs in light of market indicators;
- testing, on a sample basis, the integrity of the information provided to the independent valuers used in valuing the properties, by agreeing that information to underlying agreements; and
- considering the completeness and adequacy of the disclosures associated with investment property.

Our results

- Based on the results of our testing, we consider the investment property valuations to be acceptable.

Independent auditor's report continued

to the members of RDI REIT P.L.C.

Transaction risk and accounting for complex transactions

Refer to page 126 (key judgement in accounting policy) and page 137 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The Group has undertaken a number of transactions during the year, the most significant of which were the acquisition of a controlling interest in International Hotel Properties Limited ("IHL"), St Dunstan's Hold Co Limited and LSO Services Limited, together "LSO". These transactions warranted additional audit focus due to the magnitude of transactions and the potential for complex contractual terms that introduce judgement into how they are accounted for.	In this area our audit procedures included, among others: • agreeing the transaction details to the underlying legal agreements; • assess the design and implementation of the process and relevant controls associated with complex transactions; • considering whether the acquisitions constituted business combinations under IFRS 3 or whether the acquisitions should be accounted for as asset acquisitions in accordance with IAS 40; • challenge management's judgements by inspecting the sale and purchase agreements and other related documents and assessing each transaction against the recognition, measurement and classification criteria according to the Group's accounting policies and applicable IFRS; • assessing the fair value of the consideration paid, as well as the fair value of the identifiable assets and liabilities acquired in light of available market information; and • considering the adequacy of the disclosures associated with the transactions in the financial statements. **Our results** • Based on the results of our testing, we consider the accounting for complex transactions to be acceptable.

Company financial statements

Investment in subsidiaries £657.1 million (2017: £539.9 million)

Refer to page 127 (accounting policy) and page 143 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Investments in subsidiary undertakings are carried in the Company's separate financial statements at cost less impairment. Investment in subsidiary undertakings is significant as the subsidiary's performance can directly impact that of the Company.	In this area our audit procedures included, among others: • assessing the carrying value of subsidiaries for any objective indicators of impairment; and • assessing the accuracy of management's fair value, and impairment calculations. **Our results** • Based on the results of our testing, we consider the carrying value of the investment in subsidiary undertakings to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £17.2 million (2017: £16.3 million). This has been calculated with reference to a benchmark of total assets (of which it represents circa 1 per cent (2017: 1 per cent)), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. RDI REIT P.L.C., as a property company, generates a return which is largely dependent on the assets held. Materiality for the Company financial statements as a whole was set at £6.8 million (2017: £6.4 million), determined with reference to a benchmark of Company total assets, of which it represents 1 per cent (2017: 1 per cent).

We reported to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.9 million (2017: £0.8 million), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group consists of a number of components, which, with the exception of the newly acquired LSO entities and the Group's 25.3 per cent (2017: 30.4 per cent) associate investment in RBH Hotel Group Limited ("RBH") (formerly known as RedefineBDL Hotel Group Limited), are accounted for at the Group's head office in London. The Group audit team audited the LSO component 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. These components represent 99.7 per cent (2017: 99.3 per cent) of total assets and 99.5 per cent (2017: 98.5 per cent) of Group profit before tax.

The audit was performed using the materiality levels set out above.

The remaining 0.3 per cent (2017: 0.7 per cent) of total Group assets and 0.5 per cent (2017: 1.5 per cent) of Group profit before tax is represented by the Group's investment in RBH Hotel Group Limited, which is considered immaterial to the Group's financial position.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

4 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. The other information section comprises the strategic report (page 2 to page 73), the Directors' report (page 74 to page 113) and the other information section (page 178 to page 185). The financial statements and our audit opinion thereon are not part of the other information. 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.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Directors' report or strategic report; and
- in our opinion, the information given in the strategic and Directors' report is consistent with the financial statements.

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 principal risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within the viability statement on page 22 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the Directors' explanation in the viability statement 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.

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

- fair, balanced and understandable: 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
- report of the Audit and Risk Committee: if 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; or
- statement of compliance with UK Corporate Governance Code: if the Directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

5 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 114, 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, 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. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

6 The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body. 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.

N. Marshall
for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place IFSC
Dublin 1 Ireland

25 October 2018

Income statements
for the year ended 31 August 2018

		Group		Company	
Continuing operations	Note	**Year ended 31 August 2018 £m**	Year ended 31 August 2017 £m	**Year ended 31 August 2018 £m**	Year ended 31 August 2017 £m
Revenue	3	**112.0**	102.1	**0.3**	0.4
Rental income	4	**110.2**	97.2	**—**	—
Rental expense	5	**(11.1)**	(9.0)	**—**	—
Net rental income		**99.1**	88.2	**—**	—
Other operating income	6	**1.8**	4.7	**0.3**	0.4
Administrative costs and other fees	7	**(14.2)**	(15.3)	**(6.7)**	(7.5)
Net operating income/(expense)		**86.7**	77.6	**(6.4)**	(7.1)
Gain on revaluation of investment property	14	**10.8**	10.8	**—**	—
Gain/(loss) on revaluation of investment property held for sale	22	**0.9**	(3.9)	**—**	—
Gain on disposal of investment property	14	**1.5**	9.2	**—**	—
Gain on disposal of investment property held for sale	22	**1.8**	1.5	**—**	—
Net gain on disposal of subsidiaries	8	**15.4**	—	**—**	—
Net gain on acquisition of subsidiaries	9	**4.4**	—	**—**	—
Other income and expense	10	**(0.4)**	(0.3)	**—**	—
Foreign exchange (loss)/gain		**(0.8)**	—	**(0.8)**	0.2
		120.3	94.9	**(7.2)**	(6.9)
Intra-group transactions					
Settlement of loans	34	**—**	—	**(5.2)**	0.8
Distributions	34	**—**	—	**149.8**	—
Profit/(loss) from operations		**120.3**	94.9	**137.4**	(6.1)
Finance income	11	**0.6**	3.4	**—**	0.9
Finance expense	11	**(29.3)**	(28.4)	**—**	—
Other finance expense	12	**(0.6)**	(6.5)	**—**	(0.2)
Change in fair value of derivative financial instruments		**6.1**	4.5	**—**	—
		97.1	67.9	**137.4**	(5.4)
Net (loss)/gain on sale of joint venture interests	17	**(0.1)**	4.9	**—**	—
Net impairment reversal/(impairment) of joint venture and associate interests	17, 18	**0.1**	(0.1)	**—**	—
Share of post-tax loss from joint ventures	17	**—**	(2.3)	**—**	—
Share of post-tax profit from associate	18, 22	**0.3**	1.1	**—**	—
Transfer of foreign currency translation on disposal of joint venture interest	17	**—**	2.0	**—**	—
Profit/(loss) before tax		**97.4**	73.5	**137.4**	(5.4)
Taxation	13	**(1.1)**	(3.9)	**—**	0.1
Profit/(loss) for the year		**96.3**	69.6	**137.4**	(5.3)
Profit/(loss) attributable to:					
Equity holders of the Parent		**88.9**	66.1	**137.4**	(5.3)
Non-controlling interests	29	**7.4**	3.5	**—**	—
		96.3	69.6	**137.4**	(5.3)
Earnings per share					
Weighted average number of shares (millions)	37	**1,886.5**	1,809.9	**1,886.5**	1,809.9
Diluted weighted average number of shares (millions)	37	**1,892.3**	1,811.9	**1,892.3**	1,811.9
Basic earnings per share (pence)	37	**4.7**	3.7	**7.3**	(0.3)
Diluted earnings per share (pence)	37	**4.7**	3.6	**7.3**	(0.3)

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

Statements of comprehensive income

for the year ended 31 August 2018

Continuing operations	Note	Group Year ended 31 August 2018 £m	Group Year ended 31 August 2017 £m	Company Year ended 31 August 2018 £m	Company Year ended 31 August 2017 £m
Profit/(loss) for the year		**96.3**	69.6	**137.4**	(5.3)
Other comprehensive (expense)/income					
Items that may be transferred to the income statement					
Transfer of foreign currency translation on disposal of joint venture interests	28	**—**	(4.2)	**—**	—
Foreign currency translation on subsidiary foreign operations		**(5.3)**	15.9	**—**	—
Foreign currency translation on joint ventures held by subsidiary foreign operations	17	**(0.2)**	1.0	**—**	—
Total other comprehensive (expense)/income		**(5.5)**	12.7	**137.4**	—
Total comprehensive income/(expense) for the year		**90.8**	82.3	**137.4**	(5.3)
Total comprehensive income/(expense) attributable to:					
Equity holders of the Parent		**83.4**	78.7	**137.4**	(5.3)
Non-controlling interests		**7.4**	3.6	**—**	—
		90.8	82.3	**137.4**	(5.3)

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

Balance sheets
as at 31 August 2018

	Note	Group 31 August 2018 £m	Group 31 August 2017 £m	Company 31 August 2018 £m	Company 31 August 2017 £m
Non-current assets					
Investment property	14	**1,598.0**	1,494.9	**—**	—
Investment in subsidiaries	15	**—**	—	**657.1**	539.9
Investment at fair value through profit or loss	16	**—**	8.5	**—**	—
Investment in joint ventures	17	**1.9**	1.9	**—**	—
Loans to joint ventures	17	**5.2**	4.3	**—**	—
Investment in associate	18	**9.1**	9.4	**—**	—
Other non-current assets	19	**1.3**	1.2	**—**	—
Derivative financial instruments	24	**1.1**	0.4	**—**	—
Other receivables	20	**11.2**	8.4	**—**	—
Total non-current assets		**1,627.8**	1,529.0	**657.1**	539.9
Current assets					
Trade and other receivables	20	**7.1**	15.5	**4.7**	88.1
Cash and cash equivalents	21	**59.0**	52.8	**16.2**	7.6
		66.1	68.3	**20.9**	95.7
Non-current assets held for sale	22	**—**	27.3	**—**	—
Total current assets		**66.1**	95.6	**20.9**	95.7
Total assets		**1,693.9**	1,624.6	**678.0**	635.6
Non-current liabilities					
Borrowings, including finance leases	23	**(784.2)**	(818.9)	**—**	—
Derivative financial instruments	24	**(2.9)**	(7.8)	**—**	—
Deferred tax	25	**(9.5)**	(10.4)	**—**	—
Other payables	26	**(0.2)**	—	**(0.2)**	—
Total non-current liabilities		**(796.8)**	(837.1)	**(0.2)**	—
Current liabilities					
Borrowings, including finance leases	23	**(5.4)**	(2.9)	**—**	—
Trade and other payables	26	**(26.9)**	(21.2)	**(14.5)**	(89.1)
Tax liabilities		**(2.0)**	(1.2)	**—**	—
Total current liabilities		**(34.3)**	(25.3)	**(14.5)**	(89.1)
Total liabilities		**(831.1)**	(862.4)	**(14.7)**	(89.1)
Net assets		**862.8**	762.2	**663.3**	546.5
Equity					
Share capital	27	**152.0**	146.2	**152.0**	146.2
Share premium	27	**534.6**	511.8	**534.6**	511.8
Other components of equity		**116.7**	82.4	**(23.3)**	(111.5)
Total attributable to equity holders of the Parent		**803.3**	740.4	**663.3**	546.5
Non-controlling interests	29	**59.5**	21.8	**—**	—
Total equity		**862.8**	762.2	**663.3**	546.5

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

The financial statements were approved by the Board of Directors on 25 October 2018 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 2018

Group	Note	Share capital £m	Share premium £m	Retained profit £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2017		146.2	511.8	54.8	4.2	23.4	740.4	21.8	762.2
Profit for the year		—	—	88.9	—	—	88.9	7.4	96.3
Foreign currency translation on subsidiary foreign operations		—	—	—	—	(5.3)	(5.3)	—	(5.3)
Foreign currency translation on joint venture interests held by subsidiary foreign operations	17	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Total comprehensive income for the year		—	—	88.9	—	(5.5)	83.4	7.4	90.8
Transactions with equity holders of the Parent									
Issue of shares	27	4.9	19.4	—	—	—	24.3	—	24.3
Scrip dividends	27	2.0	7.5	(9.0)	—	—	0.5	—	0.5
Buy-back of shares	27	(1.1)	(4.1)	—	—	—	(5.2)	—	(5.2)
Dividends paid		—	—	(41.1)	—	—	(41.1)	—	(41.1)
Release of share-based payment reserve	28	—	—	1.8	(1.9)	—	(0.1)	—	(0.1)
Fair value of share-based payments	35	—	—	—	1.0	—	1.0	—	1.0
		5.8	22.8	(48.3)	(0.9)	—	(20.6)	—	(20.6)
Changes in ownership interests in subsidiaries									
Dividends paid to non-controlling interests	29	—	—	—	—	—	—	(3.4)	(3.4)
Recognition of non-controlling interest on acquisition of subsidiaries	29	—	—	—	—	—	—	33.8	33.8
Net gain on acquisition of non-controlling interests	30	—	—	0.1	—	—	0.1	(0.1)	—
		—	—	0.1	—	—	0.1	30.3	30.4
Balance at 31 August 2018		152.0	534.6	95.5	3.3	17.9	803.3	59.5	862.8

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

Statement of changes in equity

for the year ended 31 August 2017

Group	Note	Share capital £m	Share premium £m	Reverse acquisition reserve £m	Retained profit/(loss) £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2016		143.6	502.1	134.3	(94.2)	3.2	10.8	699.8	33.6	733.4
Profit for the year		—	—	—	66.1	—	—	66.1	3.5	69.6
Transfer of foreign currency translation on disposal of joint venture interests		—	—	—	—	—	(4.2)	(4.2)	—	(4.2)
Foreign currency translation on subsidiary foreign operations		—	—	—	—	—	15.8	15.8	0.1	15.9
Foreign currency translation on joint venture interests held by subsidiary foreign operations	17	—	—	—	—	—	1.0	1.0	—	1.0
Total comprehensive income for the year		—	—	—	66.1	—	12.6	78.7	3.6	82.3
Transactions with equity holders of the Parent										
Dividends paid		—	—	—	(39.5)	—	—	(39.5)	—	(39.5)
Scrip dividends	27	2.6	9.7	—	(12.3)	—	—	—	—	—
Release of reverse acquisition reserve	28	—	—	(134.3)	134.3	—	—	—	—	—
Fair value of share-based payments	35	—	—	—	—	1.0	—	1.0	—	1.0
		2.6	9.7	(134.3)	82.5	1.0	—	(38.5)	—	(38.5)
Changes in ownership interests in subsidiaries										
Reclassification of non-controlling interest shareholder loans to liabilities	29	—	—	—	—	—	—	—	(0.3)	(0.3)
Dividends paid to non-controlling interests	29	—	—	—	—	—	—	—	(1.7)	(1.7)
Non-controlling interests on acquisition of control of former joint venture		—	—	—	—	—	—	—	(0.7)	(0.7)
Acquisition of non-controlling interests	30	—	—	—	0.4	—	—	0.4	(12.7)	(12.3)
		—	—	—	0.4	—	—	0.4	(15.4)	(15.0)
Balance at 31 August 2017		146.2	511.8	—	54.8	4.2	23.4	740.4	21.8	762.2

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

Statement of changes in equity

for the year ended 31 August 2018

Company	Note	Share capital £m	Share premium £m	Reverse acquisition reserve £m	Retained profit/(loss) £m	Other reserves £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 September 2016		143.6	502.1	—	(57.6)	2.2	—	590.3	—	590.3
Loss and total comprehensive expense for the year		—	—	—	(5.3)	—	—	(5.3)	—	(5.3)
Transactions with equity holders of the Parent										
Dividends paid		—	—	—	(39.5)	—	—	(39.5)	—	(39.5)
Scrip dividends	27	2.6	9.7	—	(12.3)	—	—	—	—	—
Fair value of share-based payments	35	—	—	—	—	1.0	—	1.0	—	1.0
		2.6	9.7	—	(51.8)	1.0	—	(38.5)	—	(38.5)
Balance at 31 August 2017		146.2	511.8	—	(114.7)	3.2	—	546.5	—	546.5
Profit and total comprehensive income for the year		**—**	**—**	**—**	**137.4**	**—**	**—**	**137.4**	**—**	**137.4**
Transactions with equity holders of the Parent										
Issue of shares	27	**4.9**	**19.4**	**—**	**—**	**—**	**—**	**24.3**	**—**	**24.3**
Scrip dividends	27	**2.0**	**7.5**	**—**	**(9.0)**	**—**	**—**	**0.5**	**—**	**0.5**
Buy-back of shares	27	**(1.1)**	**(4.1)**	**—**	**—**	**—**	**—**	**(5.2)**	**—**	**(5.2)**
Dividends paid		**—**	**—**	**—**	**(41.1)**	**—**	**—**	**(41.1)**	**—**	**(41.1)**
Release of share-based payment reserve		**—**	**—**	**—**	**1.8**	**(1.9)**	**—**	**(0.1)**	**—**	**(0.1)**
Fair value of share-based payments	35	**—**	**—**	**—**	**—**	**1.0**	**—**	**1.0**	**—**	**1.0**
		5.8	**22.8**	**—**	**(48.3)**	**(0.9)**	**—**	**(20.6)**	**—**	**(20.6)**
Balance at 31 August 2018		**152.0**	**534.6**	**—**	**(25.6)**	**2.3**	**—**	**663.3**	**—**	**663.3**

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

Statements of cash flows
for the year ended 31 August 2018

Continuing operations	Note	Group Year ended 31 August 2018 £m	Group Year ended 31 August 2017 £m	Company Year ended 31 August 2018 £m	Company Year ended 31 August 2017 £m
Cash generated from operations	31	**87.0**	75.6	**69.2**	36.1
Interest received		**0.4**	2.6	**—**	0.2
Interest paid		**(27.7)**	(26.6)	**—**	—
Capitalised interest paid		**(0.7)**	(0.4)	**—**	—
Tax paid		**(0.9)**	(1.8)	**—**	(1.2)
Net cash inflow from operating activities		**58.1**	49.4	**69.2**	35.1
Cash flows from investing activities					
Net cash acquired on acquisition of subsidiaries	9	**7.8**	—	**—**	—
Acquisition of subsidiaries	9	**(80.6)**	—	**—**	—
Net cash disposed on sale of subsidiary	8	**(1.8)**	—	**—**	—
Net proceeds on sale of subsidiaries	8	**126.2**	—	**—**	—
Net proceeds on sale of investment property	14	**22.7**	54.9	**—**	—
Net proceeds on sale of investment property held for sale	22	**39.6**	40.9	**—**	—
Purchase and development of investment property		**(33.6)**	(18.9)	**—**	—
Acquisition of property, plant and equipment	19	**(0.6)**	—	**—**	—
Distributions from investments at fair value		**—**	0.7	**—**	0.2
Net proceeds received on sale of joint venture interests		**(0.1)**	18.7	**—**	—
Acquisition of control of joint venture		**—**	(42.1)	**—**	—
Cash transferred on acquisition of control of joint venture		**—**	2.3	**—**	—
Increase in investments in joint ventures	17	**(0.1)**	—	**—**	—
Movement in loans to joint ventures	17	**(0.2)**	0.7	**—**	—
Distributions from associate	18	**0.7**	1.2	**—**	—
Disposal of other non-current assets held for sale	22	**1.3**	—	**—**	—
Increase in loan to external party		**—**	(2.1)	**—**	—
		81.3	56.3	**—**	0.2
Cash flows from intra-group investing activities					
Investment in subsidiaries		**—**	—	**(94.4)**	—
Capital redemption from subsidiaries	15	**—**	—	**4.1**	—
Distributions		**—**	—	**76.9**	—
Net cash inflow/(outflow) from investing activities		**81.3**	56.3	**(13.4)**	0.2
Cash flows from financing activities					
Share issue costs paid		**(0.1)**	—	**(0.1)**	—
Buy-back of shares	27	**(5.2)**	—	**(5.2)**	—
Proceeds from borrowings	23	**10.0**	199.5	**—**	—
Repayment of borrowings	23	**(91.9)**	(236.8)	**—**	—
Payment of Aviva share of profit		**—**	(1.4)	**—**	—
Settlement of Aviva profit share right on refinancing	12	**—**	(5.5)	**—**	—
Other finance expense		**(0.6)**	(0.6)	**—**	—
Derivative financial instruments purchased and settled		**—**	(0.1)	**—**	—
Dividends paid to equity holders		**(41.1)**	(39.5)	**(41.1)**	(39.5)
Dividends paid and loans repaid to non-controlling interests		**(3.4)**	(1.5)	**—**	—
Acquisitions from non-controlling interests	30	**0.1**	—	**—**	—
Movement in restricted cash and cash equivalents		**—**	2.6	**—**	—
Net cash outflow from financing activities		**(132.2)**	(83.3)	**(46.4)**	(39.5)
Net increase/(decrease) in unrestricted cash and cash equivalents		**7.2**	22.4	**9.4**	(4.2)
Effect of exchange rate fluctuations on cash and cash equivalents		**(1.0)**	1.0	**(0.8)**	0.2
Unrestricted cash and cash equivalents at 1 September		**52.1**	28.7	**7.6**	11.6
Unrestricted cash and cash equivalents at 31 August	21	**58.3**	52.1	**16.2**	7.6
Restricted cash and cash equivalents at 31 August	21	**0.7**	0.7	**—**	—
Cash and cash equivalents at 31 August	21	**59.0**	52.8	**16.2**	7.6

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

Notes to the financial statements

for the year ended 31 August 2018

1. General information

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

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

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

2. Significant accounting policies

2.1 Statement of compliance

The Group financial statements for the year ended 31 August 2018 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 by the Group and the Company, during the year are set out below.

Annual improvements to IFRSs 2014-2016 cycle

- IFRS 12 'Disclosure of Interests in Other Entities' (amendment) ("IFRS 12")
- IAS 28 'Investments in Associates and Joint Ventures' (amendment) ("IAS 28")

Other amendments

- IAS 7 'Statement of Cash Flows' (amendment) ("IAS 7")
- IAS 12 'Income Taxes' (amendment) ("IAS 12")

The adoption of these improvements and amendments has not had a material impact on the financial statements of the Group or Company. The accounting policies otherwise applied are the same as those applied in the audited financial statements as at and for the year ended 31 August 2017.

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

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

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

IFRS 9 applies to the recognition, classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and will be effective for the Group from 1 September 2018. The changes required to the recognition and classification of financial instruments will not have a quantitative impact on the financial statements and the Group does not apply hedge accounting. The changes required in assessing substantial modification of financial liabilities, namely consideration of the transaction as a whole, will not result in adjustments to the treatment of debt restructurings that have been recognised in the Group's financial statements. The introduction of the expected credit losses model will replace the incurred loss model but will not have a material impact on the net asset position of the Group as it will apply primarily to trade receivables and loans to joint ventures. As at 31 August 2018, trade receivables, before impairment, accounted for £1.9 million or 0.2 per cent of total net assets of £862.8 million. At 31 August 2018, the Group's recognised joint venture was in a net asset position, had serviced all payment obligations under the loan advanced and the loan was not considered impaired. The introduction of the credit loss model would not result in an impairment of this loan on transition to IFRS 9 as the probability of default is low. The expanded disclosure requirements and changes to presentation will change the nature and extent of the disclosures made by the Group.

IFRS 15 is the new standard for the recognition of revenue, will replace IAS 18 'Revenue' and IAS 11 'Construction Contracts' and will be effective for the Group from 1 September 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer and sets out a five-step model for revenue recognition. IFRS 15 does not apply to rental income (which is currently measured in accordance with IAS 17, to be replaced by IFRS 16 as discussed below) which is the Group's primary revenue stream but will apply to other sources of income generated by the Group such as: service and management fee income and income from corporate and property disposals. The Group has considered the criteria of IFRS 15, in particular with reference to the income generated from several ancillary services offered to the customers in the serviced offices (£1.5 million for the year annualised) and has determined that the new standard will not have a material quantitative impact on the Group and will result in minimal qualitative changes to revenue disclosures.

IFRS 16 is the new leasing standard and will be effective for the Group from 1 September 2019. Accounting for leases whereby the Group is the lessor will not significantly change under the new leasing standard. Changes required to leasing arrangements whereby the Group acts as lessee, however, will result in the recognition of operating leases as a liability on the Group's balance sheet with a corresponding right-of-use asset. The Group holds long leasehold interests in certain hotel and serviced office properties acquired during 2018 that have been treated as operating leases. At the effective date, estimated lease liabilities of £40.9 million and corresponding right-of-use assets which will be disclosed within Investment Property, could be expected to be recognised.

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, derivative financial instruments and financial instruments designated at fair value through profit and loss, all of which are carried at fair value.

Going concern

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

Notes to the financial statements continued

for the year ended 31 August 2018

2. Significant accounting policies continued

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:

Investment property valuation

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers make reference to market evidence of transaction prices for similar properties. Where there is a lack of comparable transactional evidence, as is currently the case for UK shopping centres, then the degree of potential variability in valuations may widen. Further details in respect of assumptions and estimation uncertainties are provided in Note 14.

Corporate and property acquisitions

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

In addition, when a property is acquired directly, the Directors have regard to the substance of the transaction and whether related processes and activities have been assumed which would represent a business. When such an acquisition is considered to be the acquisition of a business, the requirements of IFRS 3 apply as above, otherwise the transaction is treated as an acquisition of a property asset in line with IAS 40.

Classification of UK Hotels as investment property

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

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

Fair value of restructured liabilities

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

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

Lease classification

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

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 for the year attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

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

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

The Group subsequently accounts for any investment retained in the former subsidiary in accordance with IAS 39 'Financial Instruments' ("IAS 39"), 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 from a review of the EPRA adjusted net assets of RDI REIT P.L.C. Group. 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 statement of comprehensive income.

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 for the liabilities. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms and other facts and circumstances specific to each transaction.

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

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

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

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

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

Where the Group obtains significant influence or joint control over an investment that was previously accounted for as a financial instrument under IAS 39, the Group's previously held interest is re-measured to fair value through profit or loss. The deemed cost of the associate or joint venture is the fair value of the existing investment plus the fair value of any consideration given to achieve significant influence or joint control.

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

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

Intangible assets

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

Currency translation

Foreign currency transactions

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

Foreign operations

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

Revenue recognition

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

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

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

Dividends from listed property investments are recognised on the date the Group's right to receive payment is established.

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

Service charges

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

Notes to the financial statements continued
for the year ended 31 August 2018

2. Significant accounting policies continued
2.4 Accounting policies continued
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 or taxable profit; and those relating to investments in subsidiaries and joint ventures where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

The bi-annual valuations of investment property are based upon estimates and subjective judgements that may vary materially from the actual values and sales prices that may be realised by the Group upon ultimate disposal. The critical assumptions made in determining the valuations have been included in Note 14 to the financial statements.

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

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

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

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

Acquisition and disposals of investment property are recognised when significant risks and rewards attached to the property have transferred to, or from, the Group. This will ordinarily occur on exchange of contracts unless there are significant conditions pending completion. Such transactions are recognised when these conditions are satisfied. The profit or loss on disposal of investment property is recognised separately in the income statement and is the difference between the net sales proceeds and the opening fair value asset plus any capital expenditure during the period to disposal.

A property ceases to be recognised as investment property and is transferred at its fair value to property held for sale when it meets the criteria of IFRS 5.

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

Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Depreciation is calculated to write off the cost of items less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment are depreciated over a period of between 2 to 5 years.

Financial instruments

Recognition and derecognition

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

Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for those instruments not designated at fair value through profit or loss, any directly attributable transaction costs. Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Loan receivables and payables are subsequently measured at amortised cost using the effective interest rate method.

Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group or Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss comprise equity securities and are measured at fair value with changes therein at each reporting date recognised in the income statement. Fair values are determined by reference to their quoted bid price at the reporting date.

Derivative financial instruments

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

Impairment of financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred and factors include: adverse changes in the payment status of a debtor or issuer; default or delinquency by a debtor; restructuring of an amount due on terms that the Group or Company would not consider otherwise; potential bankruptcy of a debtor or issuer; and economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event objectively causes the amount of impairment loss to decrease, the decrease in impairment loss is calculated on a basis consistent with the impairment charge but the carrying value after any reversal must not exceed the original carrying value.

Impairment losses and reversals are recognised in the income statement and reflected in an allowance account against loans and receivables. Finance income on impaired interest-bearing assets continues to be recognised.

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 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 or Company'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 a non-controlling interest will be retained 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 IAS 39 and investment property in the scope of IAS 40 continue to be measured in accordance with those standards.

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

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.

Notes to the financial statements continued

for the year ended 31 August 2018

2. Significant accounting policies continued

2.4 Accounting policies continued

Borrowings continued

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 new borrowings are recognised initially at the carrying amount of the existing borrowings. Any costs or fees incurred adjust the carrying amount of the borrowings and are 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.

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.

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

Segmental reporting

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

3. Segmental reporting

As required by IFRS 8 'Operating Segments' ("IFRS 8"), the information provided to the Board, which is the Chief Operating Decision Maker, has been classified into the following segments:

UK Commercial:

The Group's portfolio of Greater London and regional offices, London serviced offices, roadside service stations and logistics distribution centres;

UK Retail:

The Group's portfolio of shopping centres, retail parks and other high street retail assets;

UK Hotels:

The Group's hotel portfolio comprising 18 predominantly limited-service branded hotels (nine of which were acquired as part of the IHL transaction – refer to Note 9):

- five Travelodge branded and externally managed hotels; and
- 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 25.3 per cent investment in RBH (an additional 5.1 per cent, previously classified as held for sale, was disposed on 14 February 2018). RBH is an independent hotel management company engaged in developing and managing a diverse portfolio of hotels in partnership with reputable international hotel brands;

Europe:

The Group's portfolio in Germany, comprising shopping centres, discount supermarkets and retail parks. On 29 December 2017, the Group disposed of its interests in the Leopard Portfolio which comprised 66 retail properties, being a mixture of stand-alone supermarkets, food-store anchored retail parks and cash and carry stores. In the prior period, the Group's interests also included Government-let offices until 1 January 2017; and

Other:

The Group's holding and management companies that carry out the head office and centralised asset management activities of the Group.

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

Segmental income statement for the year ended 31 August 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Continuing operations								
Revenue								
Rental income	31.3	38.4	24.5	17.8	—	**112.0**	(1.8)	**110.2**
Other operating income	1.1	—	—	—	0.7	**1.8**	—	**1.8**
Total revenue	32.4	38.4	24.5	17.8	0.7	**113.8**	(1.8)	**112.0**
Rental income	31.3	38.4	24.5	17.8	—	**112.0**	(1.8)	**110.2**
Rental expense	(4.5)	(2.8)	(1.3)	(2.7)	—	**(11.3)**	0.2	**(11.1)**
Net rental income	26.8	35.6	23.2	15.1	—	**100.7**	(1.6)	**99.1**
Other operating income	1.1	—	—	—	0.7	**1.8**	—	**1.8**
Gain/(loss) on revaluation of investment property	24.3	(26.1)	6.2	6.2	—	**10.6**	0.2	**10.8**
Gain on revaluation of investment property held for sale	0.9	—	—	—	—	**0.9**	—	**0.9**
Gain/(loss) on disposal of investment property	1.6	—	—	(0.1)	—	**1.5**	—	**1.5**
Gain on disposal of investment property held for sale	1.8	—	—	—	—	**1.8**	—	**1.8**
Net gain/(loss) on disposal of subsidiaries	1.2	(1.9)	—	16.1	—	**15.4**	—	**15.4**
Net (loss)/gain on acquisition of subsidiaries	(1.1)	—	5.5	—	—	**4.4**	—	**4.4**
Loss on disposal of other non-current assets held for sale	—	—	(0.1)	—	—	**(0.1)**	—	**(0.1)**
Foreign exchange loss	—	—	—	—	(0.8)	**(0.8)**	—	**(0.8)**
Finance income on loans to joint ventures	—	—	—	—	—	**—**	0.3	**0.3**
Other underlying finance income	—	—	—	—	0.3	**0.3**	—	**0.3**
Finance expense	(7.1)	(15.0)	(5.1)	(2.9)	—	**(30.1)**	0.8	**(29.3)**
Other finance expense	(0.1)	—	—	(0.5)	—	**(0.6)**	—	**(0.6)**
Change in fair value of derivative financial instruments	2.4	2.8	0.9	0.7	—	**6.8**	(0.7)	**6.1**
Reversal of impairment of loan to joint venture	0.1	—	—	—	—	**0.1**	—	**0.1**
Loss on sale of joint venture interests	—	—	—	(0.1)	—	**(0.1)**	—	**(0.1)**
Share of post-tax profit from associate	—	—	0.3	—	—	**0.3**	—	**0.3**
Total per reportable segments	51.9	(4.6)	30.9	34.5	0.2	**112.9**	(1.0)	**111.9**
Unallocated income and expenses:[1]								
Administrative costs and other fees						**(14.4)**	0.2	**(14.2)**
Amortisation of intangible assets						**(0.3)**	—	**(0.3)**
Profit before tax						**98.2**	(0.8)	**97.4**
Taxation						**(1.3)**	0.2	**(1.1)**
						96.9	(0.6)	**96.3**
Joint venture adjustments:								
Movement of losses restricted in joint ventures[2]						**(0.6)**	0.6	**—**
IFRS profit for the year						**96.3**	—	**96.3**

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

(2) As detailed in Note 17, the Group's joint venture interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

Other segmental information for the year ended 31 August 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Inter-segmental revenue and expense:								
Management fee income	—	—	—	—	5.7	**5.7**	—	**5.7**
Management fee expense	(1.6)	(1.6)	(0.6)	(1.3)	(0.6)	**(5.7)**	—	**(5.7)**
	(1.6)	(1.6)	(0.6)	(1.3)	5.1	**—**	—	**—**

Inter-segmental revenue and expense relate to intercompany investment management fees that eliminate on consolidation.

Notes to the financial statements continued

for the year ended 31 August 2018

3. Segmental reporting continued

Segmental balance sheet as at 31 August 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Investment property	515.9	485.4	364.1	258.0	**1,623.4**	(25.4)	**1,598.0**
Investment in associate	—	—	9.1	—	**9.1**	—	**9.1**
Trade and other receivables	4.0	6.7	1.7	3.9	**16.3**	(0.5)	**15.8**
Cash and cash equivalents	20.1	9.9	7.5	5.1	**42.6**	(0.8)	**41.8**
Borrowings, including finance leases	(199.8)	(309.1)	(164.9)	(131.4)	**(805.2)**	15.6	**(789.6)**
Trade and other payables	(9.0)	(11.4)	(2.6)	(2.3)	**(25.3)**	0.6	**(24.7)**
Segmental net assets	331.2	181.5	214.9	133.3	**860.9**	(10.5)	**850.4**
Unallocated assets and liabilities:							
Other non-current assets					**1.3**	—	**1.3**
Trade and other receivables					**2.5**	—	**2.5**
Cash and cash equivalents					**17.2**	—	**17.2**
Net derivative financial instruments					**(4.6)**	2.8	**(1.8)**
Deferred tax					**(10.1)**	0.6	**(9.5)**
Trade and other payables					**(2.4)**	—	**(2.4)**
Current tax liabilities					**(2.0)**	—	**(2.0)**
					862.8	(7.1)	**855.7**
Joint venture adjustments:							
Investment in joint ventures[1]					**—**	1.9	**1.9**
Loans to joint ventures[1]					**—**	5.2	**5.2**
IFRS net assets					**862.8**	—	**862.8**

[1] As detailed in Note 17, the Group's interest in the Esplanade is carried at £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. At 31 August 2018, cumulative losses equalled the Group's net investment in the joint venture (31 August 2017: exceeded by £0.7 million).

Other segmental information as at 31 August 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Additions to investment property during the year per reportable segment:							
Business combinations (Note 9)	161.7	—	115.4	—	**277.1**	—	**277.1**
Acquisition of property	20.9	—	—	—	**20.9**	—	**20.9**
Capitalised expenditure	1.0	4.0	3.2	5.9	**14.1**	—	**14.1**
Capitalised finance costs	—	—	—	0.7	**0.7**	—	**0.7**
	183.6	4.0	118.6	6.6	**312.8**	—	**312.8**

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

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

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

(3) As detailed in Note 17, the Group's interest in the Esplanade has been reduced to date to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. Movements in the losses of the Esplanade that are not recognised on an equity accounted basis during each reporting period are presented to reconcile segmental information to the IFRS statements.

Notes to the financial statements continued

for the year ended 31 August 2018

3. Segmental reporting continued

Other segmental information for the year ended 31 August 2017	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Inter-segmental revenue and expense:								
Management fee income	—	—	—	—	6.9	**6.9**	—	**6.9**
Management fee expense	(1.6)	(2.3)	(0.1)	(1.4)	(1.5)	**(6.9)**	—	**(6.9)**
	(1.6)	(2.3)	(0.1)	(1.4)	5.4	**—**	—	**—**

Inter-segmental revenue and expense relate to intercompany investment management fees that eliminate on consolidation.

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

[1] As detailed in Note 17, the Group's interest in the Esplanade has been reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share in the net liabilities of the Esplanade are recognised line-by-line. The cumulative losses of this joint venture that the Group has not recognised on an equity accounted basis at the reporting date are presented to reconcile segmental information to the IFRS statements.

Other segmental information as at 31 August 2017	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	**Total £m**	Joint venture adjustments £m	**IFRS total £m**
Additions to investment property during the year per reportable segment:							
Capitalised expenditure	1.0	3.5	2.9	12.2	**19.6**	—	**19.6**
Capitalised finance costs and debt issue costs	—	—	0.2	0.3	**0.5**	—	**0.5**
Acquisition of control of former joint venture	—	—	—	80.8	**80.8**	75.0	**155.8**
	1.0	3.5	3.1	93.3	**100.9**	75.0	**175.9**

4. Rental income

Group	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Gross lease payments from third parties	**88.2**	83.2
Gross lease payments from related parties (Note 34)	**22.0**	14.0
Rental income	**110.2**	97.2
The future aggregate minimum rents receivable under non-cancellable operating leases at the balance sheet date are as follows:		
Not later than one year	**104.8**	98.0
Later than one year not later than five years	**312.2**	329.8
Later than five years	**351.5**	347.7
	768.5	775.5

5. Rental expense

Group	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Non-recoverable service charge	**3.3**	4.1
Direct property operating expenses	**4.9**	4.7
Operating lease expense[1]	**1.4**	—
Letting costs	**0.6**	0.2
Serviced office portfolio direct staff and sales costs	**0.9**	—
Rental expense	**11.1**	9.0

(1) Refer to Note 23 for the undiscounted future minimum lease obligations under non-cancellable operating leases at reporting date.

6. Other operating income

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Service fee income	**1.8**	—	**—**	—
Service fee expense	**(0.8)**	—	**—**	—
Service fee margin[1]	**1.0**	—	**—**	—
Management fees from joint ventures – including performance fee[2] (Note 34)	**0.1**	3.8	**—**	—
Insurance rebates	**0.3**	0.4	**0.3**	0.4
Salary recharges	**0.3**	0.3	**—**	—
Other property related income	**0.1**	0.2	**—**	—
Other operating income	**1.8**	4.7	**0.3**	0.4

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

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

Notes to the financial statements continued
for the year ended 31 August 2018

7. Administrative costs and other fees

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	**Year ended 31 August 2018 £m**	Year ended 31 August 2017 £m
Staff costs	**6.3**	5.5	**2.6**	2.3
Professional fees	**2.9**	2.7	**1.3**	2.0
Share-based payments (Note 35)	**1.0**	1.0	**1.0**	1.0
General administrative expenses	**3.4**	4.5	**1.8**	1.4
Investment management fees to related parties (Note 34)	**0.6**	—	**—**	—
Intra-group investment management fees	**—**	—	**—**	0.8
Non-recurring costs:				
Investment management fees to third party (including termination fee)	**—**	1.6	**—**	—
Administrative costs and other fees	**14.2**	15.3	**6.7**	7.5

8. Disposal of subsidiaries

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

Group	Lochside View, Edinburgh £m	Paragon Square, Hull £m	Leopard Portfolio £m	**31 August 2018 £m**
Carrying value of net assets disposed				
Investment property	(11.2)	(12.9)	(158.4)	**(182.5)**
Trade and other receivables	(0.4)	—	(0.2)	**(0.6)**
Cash and cash equivalents	(0.2)	—	(1.6)	**(1.8)**
Borrowings	—	—	73.1	**73.1**
Trade and other payables	0.2	0.2	0.8	**1.2**
Net assets disposed	(11.6)	(12.7)	(86.3)	**(110.6)**
Consideration received[1]	13.0	11.0	103.6	**127.6**
Transaction costs[1]	(0.2)	(0.2)	(1.2)	**(1.6)**
Net gain on disposal of subsidiaries	1.2	(1.9)	16.1	**15.4**

[1] Net cash received at 31 August 2018 was £126.2 million as transaction costs on the Lochside disposal had not been paid at the reporting date.

The Leopard Portfolio was comprised of 66 retail properties – a mixture of stand-alone supermarkets, food-store anchored retail parks and cash and carry stores. On 29 December 2017, the Group disposed of all but one of the property-owning subsidiaries of the Leopard Portfolio to an external party for £103.6 million (€116.6 million), after the deduction of transaction costs of £1.2 million (€1.3 million). On the date of sale, the carrying value of investment property within these subsidiaries was £158.4 million (€178.4 million), on which £73.1 million (€82.3 million) of bank debt was secured. The net assets of the target group on the date of sale was £86.3 million (€97.2 million) and the Group has recognised a gain on disposal of £16.1 million (€18.1 million). The investment property of the remaining property-owning entity was acquired by the same party by way of a direct asset sale (see Note 14).

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

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

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

9. Business combinations

Group	LSO £m	IHL £m	31 August 2018 £m
Fair value of identifiable net assets acquired			
Investment property	161.7	115.4	**277.1**
Trade and other receivables	0.9	1.9	**2.8**
Cash and cash equivalents	5.7	2.1	**7.8**
Borrowings	(73.5)	(54.4)	**(127.9)**
Derivative financial instruments	0.4	(1.0)	**(0.6)**
Trade and other payables	(6.2)	(2.2)	**(8.4)**
Net assets acquired	89.0	61.8	**150.8**
Consideration transferred:			
– Equity (share-for-share exchange)	—	(19.3)	**(19.3)**
– Cash[1]	(71.2)	(7.5)	**(78.7)**
	(71.2)	(26.8)	**(98.0)**
Investment in associate (Note 18)	—	(13.5)	**(13.5)**
Non-controlling interests' proportionate share of the identifiable net assets (Note 29)	(17.8)	(16.0)	**(33.8)**
Transaction costs[1]	(1.1)	—	**(1.1)**
Net gain on business combinations	(1.1)	5.5	**4.4**

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

LSO

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

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

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

IHL

International Hotel Properties Limited ("IHL") is established as a hotel investment company and was listed on the Euro MTF market of the LuxSE and on the AltX of the JSE. IHL comprises nine limited service UK hotels and at 31 August 2017 the Group held a 17.2 per cent interest, classified as an investment at fair value through profit or loss (see Note 16). During the year, RDI submitted a proposal to the IHL board to increase its shareholding in IHL by way of a scheme of arrangement. RDI would acquire the shares of all scheme participants, being the minority interests (29.3 per cent) of IHL. IHL shareholder approval was obtained on 15 September 2017, at which point the transaction became subject only to Court approval. The Group was considered to have significant influence over IHL from this date and the investment was reclassified as an investment in associate (Note 18).

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

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

The fair value of the net assets of IHL acquired on the acquisition date of 15 September 2017 was £61.8 million. The fair value of the cash and equity consideration transferred was £26.8 million, while the carrying value of the Group's associate interest was £13.5 million. TSogo Sun's proportionate share of the identifiable net assets was £16.0 million and, as a result, the Group has recognised a net gain on bargain purchase of IHL of £5.5 million. This represents the difference between the share price and swap ratio agreed with shareholders and the net assets based on a third-party valuation of the investment property at completion date. The gain has been recognised in the income statement within the net gain on business combinations. Minimal acquisition costs were incurred by the Group on account of the structuring of the transaction. RDI share issue costs have been recognised directly in equity as a reduction of share premium. The hotels acquired have been classified as investment property on initial recognition as outlined in Note 14. Receivables acquired were £1.9 million, all of which were settled subsequent to acquisition. Revenue from IHL since acquisition was £9.1 million.

Notes to the financial statements continued

for the year ended 31 August 2018

10. Other income and expense

Group	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Distributions from investment at fair value	—	0.2
Loss on revaluation of investment at fair value (Note 16)	—	(0.3)
Amortisation of intangible assets (Note 19)	(0.3)	(0.2)
Loss on disposal of other non-current assets held for sale (Note 22)	(0.1)	—
Other income and expense	**(0.4)**	(0.3)

11. Finance income and finance expense

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Finance income				
Finance income on loans to external parties	0.2	0.2	—	—
Finance income on loans to joint ventures (Note 34)	0.3	2.7	—	—
Finance income on loans to other related parties (Note 34)	0.1	0.5	—	0.5
Finance income on loans to subsidiaries (Note 34)	—	—	—	0.4
Finance income	**0.6**	3.4	—	0.9
Finance expense				
Finance expense on secured bank loans	(27.2)	(25.8)	—	—
Interest capitalised to qualifying investment property under development	0.7	0.4	—	—
Amortisation of debt issue costs	(1.2)	(1.3)	—	—
Accretion of fair value adjustments	(0.8)	(0.9)	—	—
Finance lease interest	(0.8)	(0.8)	—	—
Finance expense	**(29.3)**	(28.4)	—	—
Net finance expense	**(28.7)**	(25.0)	—	0.9

Interest is capitalised on the basis of the Group's weighted average cost of debt of 3.4 per cent (31 August 2017: 3.0 per cent) at the reporting date applied to the cost of property under development during the year.

12. Other finance expense

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m
Aviva profit share:				
– Share of earnings for the year	—	0.2	—	—
– Re-measurement of financial liability	—	1.3	—	—
Net change in fair value adjustments on substantial modification of borrowings	—	4.3	—	—
Write-off of unamortised debt issue costs	0.2	0.4	—	—
Other non-recurring finance expense	0.4	0.3	—	0.2
Other finance expense	**0.6**	6.5	—	0.2

Aviva profit share

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

13. Taxation

Tax recognised in the income statement

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	**Year ended 31 August 2018 £m**	Year ended 31 August 2017 £m
Current income tax				
Income tax in respect of current year	**0.8**	0.3	**—**	—
Adjustments in respect of prior years	**0.8**	0.1	**—**	(0.1)
Deferred tax				
On fair value of investment property	**6.0**	3.5	**—**	—
Reversal on disposal of Leopard portfolio	**(4.7)**	—	**—**	—
On derivative financial instruments	**(0.4)**	—	**—**	—
On non-UK losses	**(1.4)**	—	**—**	—
Tax charge/(credit) for the year recognised in the income statement	**1.1**	3.9	**—**	(0.1)

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

Reconciliation

The tax rate for the year is lower than the average standard rate of corporation tax in the UK of 19 per cent (31 August 2017: 19.58 per cent). The differences are explained below:

	Group		Company	
	Year ended 31 August 2018 £m	Year ended 31 August 2017 £m	**Year ended 31 August 2018 £m**	Year ended 31 August 2017 £m
Profit/(loss) before tax	**97.4**	73.5	**137.4**	(5.4)
Profit/(loss) before tax multiplied by standard rate of corporation tax	**18.5**	14.4	**26.1**	(1.1)
Effect of:				
– Revaluation of investment property	**(1.0)**	1.3	**—**	—
– Gain on disposal of investment property	**(0.7)**	(2.1)	**—**	—
– Gain on disposal of subsidiaries	**(2.9)**	—	**—**	—
– Gain on business combinations	**(0.9)**	—	**—**	—
– Loss on revaluation of investment at fair value	**—**	0.1	**—**	—
– Debt fair value adjustments	**—**	1.0	**—**	—
– Change in fair value of derivative financial instruments	**(1.6)**	(0.9)	**—**	—
– Income not subject to UK income tax	**(2.5)**	(11.3)	**—**	0.1
– REIT exempt property rental profits	**(8.3)**	—	**1.0**	
– Group relief utilised	**—**	—	**—**	0.2
– Non-UK losses carried forward	**(1.3)**	—	**—**	
– Losses utilised	**(0.1)**	(0.1)	**—**	—
– Unutilised losses carried forward	**0.1**	0.7	**0.2**	0.7
– Impact of foreign tax	**0.6**	0.3	**—**	—
– Expenses not deductible for tax	**0.4**	0.4	**0.2**	0.3
– Adjustments in respect of prior years	**0.8**	0.1	**—**	(0.1)
	1.1	3.9	**27.5**	0.1
Intra-group transactions				
– Settlement of loans	**—**	—	**1.0**	(0.2)
– REIT exempt distributions	**—**	—	**(28.5)**	—
Tax charge/(credit) for the year recognised in the income statement	**1.1**	3.9	**—**	(0.1)

As shown in the reconciliation above, the effective tax rate of the Group was 1.1 per cent for the year ended 31 August 2018 (31 August 2017: 5.3 per cent).

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

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

Notes to the financial statements continued

for the year ended 31 August 2018

14. Investment property

Group	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe[1] £m	**Total £m**	Freehold £m	Leasehold £m
Opening carrying value at 1 September 2017	344.1	507.5	239.3	404.0	**1,494.9**	1,239.7	255.2
Business combinations (Note 9)	161.7	—	115.4	—	**277.1**	104.9	172.2
Acquisition of property	20.9	—	—	—	**20.9**	20.9	—
Capitalised expenditure	0.9	4.0	3.2	6.0	**14.1**	4.0	10.1
Capitalised finance costs (Note 11)	—	—	—	0.7	**0.7**	—	0.7
Disposals through sale of subsidiaries	(11.1)	—	—	(158.4)	**(169.5)**	(169.5)	—
Disposals through the sale of property	(15.3)	—	—	(6.0)	**(21.3)**	(20.3)	(1.0)
Transfer to assets held for sale (Note 22)	(23.1)	—	—	—	**(23.1)**	(23.1)	—
Gain on revaluation of investment property prior to reclassification as held for sale	0.9	—	—	—	**0.9**	0.9	—
Transfer from assets held for sale (Note 22)	0.9	—	—	3.6	**4.5**	3.6	0.9
Gain/(loss) on revaluation of investment property	24.6	(26.1)	6.2	6.1	**10.8**	16.0	(5.2)
Foreign exchange movement in foreign operations	—	—	—	(12.0)	**(12.0)**	(11.3)	(0.7)
IFRS carrying value at 31 August 2018	504.6	485.4	364.1	243.9	**1,598.0**	1,165.8	432.2
Adjustments:							
Minimum payments under head leases (Note 23)	(1.9)	(10.1)	(0.4)	(1.5)	**(13.9)**	—	(13.9)
Tenant lease incentives (Note 20)	1.9	5.7	1.2	2.1	**10.9**	6.9	4.0
Market value of Group portfolio at 31 August 2018	504.6	481.0	364.9	244.5	**1,595.0**	1,172.7	422.3
Joint ventures							
Share of joint venture investment property (Note 17)	11.3	—	—	14.1	**25.4**	25.4	—
Market value of total portfolio at 31 August 2018 (on a proportionately consolidated basis)	515.9	481.0	364.9	258.6	**1,620.4**	1,198.1	422.3

Group	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe[1] £m	**Total £m**	Freehold £m	Leasehold £m
Opening carrying value at 1 September 2016	407.3	541.9	229.6	217.6	**1,396.4**	1,052.2	344.2
Capitalised expenditure	1.0	3.5	2.9	12.2	**19.6**	7.0	12.6
Capitalised finance costs and debt issue costs	—	—	0.2	0.3	**0.5**	0.2	0.3
Acquisition of control of former joint venture (Note 32)	—	—	—	155.8	**155.8**	155.8	—
Disposals through the sale of property	(42.6)	(2.1)	—	—	**(44.7)**	(42.9)	(1.8)
Transfer to non-current assets held for sale (Note 22)	(49.0)	(16.8)	—	(9.7)	**(75.5)**	(65.3)	(10.2)
Head lease movements	(0.5)	2.2	—	(0.1)	**1.6**	71.6	(70.0)
Gain/(loss) on revaluation of investment property	27.9	(21.2)	6.6	(2.5)	**10.8**	32.1	(21.3)
Foreign exchange movement in foreign operations	—	—	—	30.4	**30.4**	29.0	1.4
IFRS carrying value at 31 August 2017	344.1	507.5	239.3	404.0	**1,494.9**	1,239.7	255.2
Adjustments:							
Non-current assets held for sale (Note 22)	9.2	12.9	—	3.7	**25.8**	19.3	6.5
Minimum payments under head leases (Note 23)	(2.6)	(10.1)	(0.4)	(1.7)	**(14.8)**	—	(14.8)
Tenant lease incentives (Note 20)	1.9	4.3	0.7	0.3	**7.2**	5.2	2.0
Market value of Group portfolio at 31 August 2017	352.6	514.6	239.6	406.3	**1,513.1**	1,264.2	248.9
Joint ventures							
Share of joint venture investment property (Note 17)	11.6	—	—	14.0	**25.6**	25.6	—
Market value of total portfolio at 31 August 2017 (on a proportionately consolidated basis)	364.2	514.6	239.6	420.3	**1,538.7**	1,289.8	248.9

(1) Included within the Europe segment at 31 August 2018 is property under development of £32.1 million (31 August 2017: £23.4 million).

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

Recognition

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

The UK 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.

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

Valuation

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

The fair value of the Group's property for the period ended 31 August 2018 was assessed by independent and appropriately qualified valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations are performed by BNP Paribas Real Estate for the UK Shopping Centres (2017: Strutt & Parker LLP) and the Esplanade and by Savills for remainder of the Group's portfolio. The valuations are reviewed internally by senior management and presented to the Audit and Risk Committee. The presentation includes discussion around the assumptions used by the external valuers, as well as a review of the resulting valuations.

Valuation inputs

The fair value of the property portfolio 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. The resulting valuations are cross-checked against the net initial yield and the fair market values per square foot of comparable recent market transactions.

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

The Group considers all its investment property to fall within 'Level 3', as defined by IFRS 13 (refer to Note 33). There has been no transfer of property within the fair value hierarchy during the year. The key unobservable valuation inputs are set out in the tables below:

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

Notes to the financial statements continued

for the year ended 31 August 2018

14. Investment property continued

Valuation inputs continued

31 August 2017	Market value £m	Lettable area sqm	Average rent per sqm £	Weighted average lease length yrs	Weighted average net initial yield %	Net initial yield % range	Average market rent per sqm £
UK Commercial	352.6	181,670	123.2	5.2	5.1	3.2 – 30.6	124.4
UK Retail	514.6	239,350	172.2	8.4	6.3	4.8 – 8.6	168.0
UK Hotels	239.6	41,323	367.8	9.3	5.9	4.2 – 7.6	392.0
Europe	406.3	226,241	117.4	6.4	5.4	3.7 – 21.9	118.0
Joint ventures							
UK Commercial	11.6	2,752	327.0	4.7	6.9	6.9	290.7
Europe	14.0	10,357	96.5	7.9	5.9	5.7 – 6.1	96.5
Total	**1,538.7**	**701,693**					

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

Valuation sensitivities

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

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

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

The Directors have further considered the impact of a significant valuation decline of up to 20 per cent impacting the Group's UK Shopping Centres, brought about by continued negative sentiment and tenant failure, the results of which are set out in the Group's viability statement on page 22. Based on the 31 August 2018 market value of this portfolio, a 20 per cent reduction in valuation would result in a fair value loss to the income statement of £58.2 million.

Acquisitions

During the year ended 31 August 2018, the Group acquired four serviced offices and nine hotels for £161.7 million and £115.4 million respectively, by way of business combinations. Refer to Note 9 for further information. The Group also acquired a commercial property during the year for £20.9 million, including acquisition costs, in Kingston, south west London.

Disposals

The Group disposed of two assets from the UK Commercial portfolio and two assets from the European portfolio (part of the Leopard Portfolio disposal) during the year by way of assets sales, realising a net gain after disposal costs of £1.5 million (31 August 2017: £9.2 million). As at 31 August 2018, net proceeds of £22.7 million had been received by the Group (31 August 2017: £54.9 million) after adjusting for additional prior year disposal costs.

31 August 2018	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Gain on disposal £m
The Crescent Centre, Bristol	15.0	(0.2)	14.8	(14.1)	0.7
Bunde & Uelzen, Germany (Leopard asset disposal)	5.9	—	5.9	(6.0)	(0.1)
Heynesfield House, Sparkhill	2.1	—	2.1	(1.2)	0.9
Disposals during the year	**23.0**	**(0.2)**	**22.8**	**(21.3)**	**1.5**

Two further sales, namely of Lochside View, Edinburgh and the remaining properties in the Leopard Portfolio were structured as corporate sales. Refer to Note 8 for further information.

31 August 2017	Sales proceeds £m	Disposal costs £m	Tenant incentives £m	Net sales proceeds £m	Carrying value £m	Gain on disposal £m
201 Deansgate, Manchester	29.2	(0.3)	—	28.9	25.5	3.4
Exchange House, Watford	13.3	(0.2)	—	13.1	11.8	1.3
1A Parliament Square, Edinburgh	4.0	—	—	4.0	3.5	0.5
Delta 900, Swindon	3.6	(0.1)	(1.0)	2.5	1.8	0.7
Single unit – Priory Retail Park, Merton	5.5	(0.1)	—	5.4	2.1	3.3
Disposals during the year	**55.6**	**(0.7)**	**(1.0)**	**53.9**	**44.7**	**9.2**

Committed expenditure

The Group was contractually committed to expenditure of £8.3 million for the future development and enhancement of investment property at 31 August 2018 (31 August 2017: £16.5 million).

Commercial property price risk

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

15. Investment in subsidiaries

Company	31 August 2018 £m	31 August 2017 £m
Opening balance at 1 September	**539.9**	539.0
Additions	**121.3**	103.8
Redemptions	**(4.1)**	(102.9)
Carrying value at 31 August	**657.1**	539.9

An impairment assessment of the Company's investment in subsidiary undertakings is performed annually with reference to the EPRA net assets of the Group. As the EPRA net assets of the Group were £815.0 million at the reporting date, no impairment was considered necessary (31 August 2017: £Nil). Refer to Note 38.

16. Investment at fair value through profit or loss

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

Group	31 August 2018 £m	31 August 2017 £m
Opening balance at 1 September	**8.5**	7.9
Transfer to investment in associate (Note 18)	**(8.5)**	—
Additions	**—**	0.9
Loss on revaluation of investment at fair value	**—**	(0.3)
Closing balance	**—**	8.5

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

On 15 September 2017, the Group obtained consent from the shareholders of IHL to acquire 16.4 million shares (29.3 per cent) from minority shareholders via a scheme of arrangement. From this date, the Group was considered to have significant influence over IHL and the investment was reclassified as an investment in associate (Note 18).

Notes to the financial statements continued

for the year ended 31 August 2018

17. Investment in and loans to joint ventures

Group	31 August 2018 £m	31 August 2017 £m
Investment in joint ventures		
Opening balance at 1 September	**1.9**	5.8
Additional investment in joint ventures	**0.1**	—
Acquisition of control of former joint venture	**—**	(1.1)
Loss on disposal of joint venture interests	**—**	(0.7)
Share of post-tax loss from joint ventures	**—**	(2.3)
Foreign currency translation	**(0.1)**	0.2
Closing balance	**1.9**	1.9

Group	31 August 2018 £m	31 August 2017 £m
Loans to joint ventures		
Opening balance at 1 September	**4.3**	52.9
Increase in loans to joint ventures	**1.0**	—
Acquisition of control of former joint venture	**—**	(36.6)
Disposal of loan to joint venture	**—**	(12.5)
Repayment of loans by joint ventures	**(0.1)**	(0.7)
Reversal of impairment of loans to joint ventures	**0.1**	0.4
Foreign currency translation	**(0.1)**	0.8
Closing balance	**5.2**	4.3
Carrying value of interests in joint ventures	**7.1**	6.2

Joint venture interests

During the year ended 31 August 2018, 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 owns properties in Waldkraiburg, Huckelhoven and Kaiserslautern, Germany. The Group acquired an additional 1.5 per cent interest in the joint venture in November 2017 following the acquisition of a non-controlling interest. Notwithstanding the economic shareholding, the contractual terms provide for joint control and so the Company does not control the entity;
- 49 per cent interest in Wichford VBG Holding S.à.r.l., a joint venture with Menora Mivtachim, which owned Government-let properties in Dresden, Berlin, Stuttgart and Cologne, Germany. The joint venture disposed of its property-owning subsidiaries on 1 January 2017 as detailed below; and
- 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.

Wichford VBG Holding S.à.r.l.

On 1 January 2017, Wichford VBG Holding S.à.r.l. exchanged on the sale of its four German office assets. The disposal was structured as a share sale of the joint venture's property-owning subsidiaries. The joint venture recognised a net loss on disposal of these subsidiaries of £1.4 million (Group share: £0.7 million) after settlement of loans with nominal carrying values with the joint venture partners. The Group, however, recognised a net gain on disposal of £4.9 million, including cumulative foreign currency translation of £2.2 million for the year ended 31 August 2017. During the year ended 31 August 2018, the Group additional transaction costs of £0.1 million which have been presented as loss on sale of joint venture.

Leopard Portfolio

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

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

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

Interest in joint ventures not recognised

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

Fair value disclosures

The fair value of the Group's loans to joint venture at 31 August 2018 was £5.3 million and the Group considers that this financial asset falls within 'Level 3' as defined by IFRS 13 (refer to Note 33).

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:

31 August 2018	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						
Rental income	—	1.8	1.7	**3.5**	(1.7)	**1.8**
Rental expense	—	(0.3)	—	**(0.3)**	0.1	**(0.2)**
Net rental income	—	1.5	1.7	**3.2**	(1.6)	**1.6**
Administrative costs and other fees[1]	(0.2)	(0.2)	—	**(0.4)**	0.2	**(0.2)**
Net operating (expense)/income	(0.2)	1.3	1.7	**2.8**	(1.4)	**1.4**
Gain/(loss) on revaluation of investment property	—	0.2	(0.6)	**(0.4)**	0.2	**(0.2)**
Finance expense on loans from joint venture partners	—	(0.6)	—	**(0.6)**	0.3	**(0.3)**
Finance expense	—	(0.3)	(1.1)	**(1.4)**	0.7	**(0.7)**
Change in fair value of derivative financial instruments	—	—	1.4	**1.4**	(0.7)	**0.7**
(Loss)/profit before tax	(0.2)	0.6	1.4	**1.8**	(0.9)	**0.9**
Taxation	—	(0.4)	—	**(0.4)**	0.2	**(0.2)**
(Loss)/profit and total comprehensive (expense)/income	(0.2)	0.2	1.4	**1.4**	(0.7)	**0.7**
Reconciliation to IFRS:						
Elimination of non-controlling and joint venture partners' interests	0.1	(0.1)	(0.7)	**(0.7)**	0.7	**—**
Movement in losses restricted in joint ventures	—	—	(0.7)	**(0.7)**	—	**(0.7)**
Group share of joint venture results	(0.1)	0.1	—	**—**	—	**—**
Summarised balance sheet						
Investment property	—	27.2	22.5	**49.7**	(24.3)	**25.4**
Trade and other receivables	—	0.8	0.2	**1.0**	(0.5)	**0.5**
Cash and cash equivalents	0.8	0.3	0.4	**1.5**	(0.7)	**0.8**
Total assets	0.8	28.3	23.1	**52.2**	(25.5)	**26.7**
External borrowings	—	(13.7)	(17.0)	**(30.7)**	15.1	**(15.6)**
Loans from joint venture partners	—	(9.4)	(6.6)	**(16.0)**	7.8	**(8.2)**
Derivative financial instruments	—	—	(5.5)	**(5.5)**	2.7	**(2.8)**
Deferred tax	—	(1.2)	—	**(1.2)**	0.6	**(0.6)**
Trade and other payables	—	(0.7)	(0.6)	**(1.3)**	0.5	**(0.8)**
Total liabilities	—	(25.0)	(29.7)	**(54.7)**	26.7	**(28.0)**
Non-controlling interests	—	(0.3)	—	**(0.3)**	0.2	**(0.1)**
Net assets/(liabilities)	0.8	3.0	(6.6)	**(2.8)**	1.4	**(1.4)**
Reconciliation to IFRS:						
Elimination of joint venture partners' interests	(0.4)	(1.5)	3.3	**1.4**	(1.4)	**—**
Loan to joint ventures[2]	—	5.2	—	**5.2**	—	**5.2**
Cumulative losses restricted[3]	—	—	3.3	**3.3**	—	**3.3**
Carrying value of interests in joint ventures	0.4	6.7	—	**7.1**	—	**7.1**

Notes to the financial statements continued

for the year ended 31 August 2017

for the year ended 31 August 2018

17. Investment in and loans to joint ventures continued

31 August 2017	Wichford VBG Holding S.à.r.l. £m	RI Menora German Holdings S.à.r.l. £m	Leopard Portfolio £m	Esplanade £m	**Total £m**	Joint venture partners' interest £m	**Proportionate total £m**
Percentage ownership interest	49%	50.5%	50%	50%			
Summarised income statement							
Rental income	2.4	1.8	6.0	1.7	**11.9**	(6.0)	**5.9**
Rental expense	(0.3)	(0.1)	(0.8)	—	**(1.2)**	0.6	**(0.6)**
Net rental income	2.1	1.7	5.2	1.7	**10.7**	(5.4)	**5.3**
Administrative costs and other fees[1]	(4.0)	(0.2)	(0.5)	—	**(4.7)**	2.4	**(2.3)**
Net operating (expense)/income	(1.9)	1.5	4.7	1.7	**6.0**	(3.0)	**3.0**
Loss on revaluation of investment property	—	(0.9)	(0.6)	(0.2)	**(1.7)**	0.8	**(0.9)**
Loss on sale of subsidiaries	(1.4)	—	—	—	**(1.4)**	0.7	**(0.7)**
Finance expense on loans from joint venture partners	(1.6)	(0.5)	(3.0)	—	**(5.1)**	2.4	**(2.7)**
Finance expense	(0.5)	(0.5)	(0.6)	(1.2)	**(2.8)**	1.5	**(1.3)**
Other finance income	—	0.6	—	—	**0.6**	(0.3)	**0.3**
Change in fair value of derivative financial instruments	0.2	0.2	0.1	1.8	**2.3**	(1.2)	**1.1**
(Loss)/profit before tax	(5.2)	0.4	0.6	2.1	**(2.1)**	0.9	**(1.2)**
Taxation	(0.8)	0.2	(0.3)	(0.3)	**(1.2)**	0.7	**(0.5)**
(Loss)/profit and total comprehensive (expense)/income	(6.0)	0.6	0.3	1.8	**(3.3)**	1.6	**(1.7)**
Reconciliation to IFRS:							
Elimination of non-controlling and joint venture partners' interests	3.0	(0.3)	(0.2)	(0.9)	**1.6**	(1.6)	**—**
Movement in losses restricted in joint ventures	—	—	—	(0.9)	**(0.9)**	—	**(0.9)**
Group share of joint venture results	(3.0)	0.3	0.1	—	**(2.6)**	—	**(2.6)**
Presented in Group income statement as:							
Reversal of impairment of loans to joint ventures	—	0.3	0.1	—	**0.4**	—	**0.4**
Loss on disposal of joint venture interests[4]	(0.7)	—	—	—	**(0.7)**	—	**(0.7)**
Share of post-tax loss from joint ventures	(2.3)	—	—	—	**(2.3)**	—	**(2.3)**
Summarised balance sheet							
Investment property	—	27.8	—	23.2	**51.0**	(25.4)	**25.6**
Trade and other receivables	0.6	0.1	—	0.1	**0.8**	(0.4)	**0.4**
Cash and cash equivalents	0.5	0.2	—	0.5	**1.2**	(0.6)	**0.6**
Total assets	1.1	28.1	—	23.8	**53.0**	(26.4)	**26.6**
External borrowings	—	(14.8)	—	(17.6)	**(32.4)**	16.1	**(16.3)**
Loans from joint venture partners	—	(8.2)	—	(6.6)	**(14.8)**	7.2	**(7.6)**
Derivative financial instruments	—	—	—	(6.9)	**(6.9)**	3.4	**(3.5)**
Deferred tax	—	(0.8)	—	—	**(0.8)**	0.4	**(0.4)**
Trade and other payables	—	(1.0)	—	(0.7)	**(1.7)**	0.9	**(0.8)**
Total liabilities	—	(24.8)	—	(31.8)	**(56.6)**	28.0	**(28.6)**
Non-controlling interests	—	(0.3)	—	—	**(0.3)**	0.2	**(0.1)**
Net assets/(liabilities)	1.1	3.0	—	(8.0)	**(3.9)**	1.8	**(2.1)**
Reconciliation to IFRS:							
Elimination of joint venture partners' interests	(0.6)	(1.6)	—	4.0	**1.8**	(1.8)	**—**
Loan to joint ventures[2]	—	4.3	—	—	**4.3**	—	**4.3**
Cumulative losses restricted[3]	—	—	—	4.0	**4.0**	—	**4.0**
Carrying value of interests in joint ventures	0.5	5.7	—	—	**6.2**	—	**6.2**

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

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

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

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

18. Investment in associate

Group	31 August 2018 £m	31 August 2017 £m
Associate investment in IHL and RBH		
Opening balance at 1 September	**9.4**	10.2
IHL		
Transfer from investment at fair value through profit or loss (Note 16)	**8.5**	—
Additions	**5.0**	—
Reclassification as investment in subsidiary (Note 9)	**(13.5)**	—
RBH		
Share of post-tax profit from associate	**0.3**	0.9
Distributions from associate (Note 34)	**(0.6)**	(1.2)
Net impairment of investment in associate	**—**	(0.5)
Carrying value of net investment in associate	**9.1**	9.4

IHL

On 15 September 2017, the Group obtained consent from the shareholders of IHL to acquire 16.4 million shares (29.3 per cent) being all of the non-controlling interest in IHL via a scheme of arrangement. From this date, the Group was considered to have significant influence over IHL and the investment was reclassified from an investment at fair value through profit or loss (Note 16). On 26 October 2017, the Group acquired an additional 5.0 million shares in IHL for £5.0 million from Redefine Properties and increased its interest to 26.2 per cent. The additional interests acquired allowed RDI to continue to participate in the financial and operating decisions of IHL, but not to direct those decisions, and therefore the cumulative investment of £13.5 million continued to be classified as an associate.

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

RBH

The summarised financial information of RBH is set out below.

	31 August 2018 £m	Re-presented 31 August 2017 £m
Summarised income statement		
Revenue	**78.3**	57.9
Other income	**1.6**	2.5
Expenses	**(78.1)**	(54.9)
Profit from operations	**1.8**	5.5
Taxation	**(0.7)**	(1.3)
Profit for the year	**1.1**	4.2
Elimination of third party interest	**(0.8)**	(3.1)
Group share of results	**0.3**	1.1
Classified as:		
Share of post-tax profit	**0.3**	0.9
Impairment adjustment	**—**	0.2

The comparative summarised income statement has been represented to gross up the trading income and expense of the IHL and RHHL hotels operating businesses in line with current year presentation.

Notes to the financial statements continued

for the year ended 31 August 2018

18. Investment in associate continued

RBH continued

	31 August 2018 £m	31 August 2017 £m
Summarised balance sheet		
Non-current assets	**4.1**	4.7
Intangible asset	**28.1**	28.1
Trade and other receivables	**9.3**	6.3
Cash and cash equivalents	**3.9**	3.7
Total assets	**45.4**	42.8
Current liabilities	**(13.6)**	(8.7)
Total liabilities	**(13.6)**	(8.7)
Net assets	**31.8**	34.1
Capital contribution adjustment	**1.1**	—
Adjusted net assets	**32.9**	34.1
Elimination of third party interest	**(24.6)**	(25.5)
Share of net assets attributable to the Group	**8.3**	8.6
Recoverable amount of excess net investment in associate	**0.8**	0.8
Carrying value of the Group's net investment in associate	**9.1**	9.4

During the year ended 31 August 2017, the Group's cumulative investment in RBH increased from 25.3 to 30.4 per cent. On 7 February 2017, the Group acquired an additional 5.1 per cent interest in RBH for £1.3 million which was classified as held for sale on initial recognition as the shares were acquired exclusively with a view to subsequent re-sale. The shares were subsequently sold on 14 February 2018. Refer to Note 22 for further information. The table above includes movements in the Group's existing 25.3 per cent interest in RBH only.

Distributions from the associate for the year ended 31 August 2018 were £0.6 million (31 August 2017 of £1.2 million), £0.7 million in total including investment in associate held for sale. Refer to Note 22.

Following an internal impairment assessment and on receipt of an independent valuation of RBH, the Directors considered that the recoverable amount of the Group's net investment in RBH was £9.4 million at 31 August 2017. The independent valuation was determined on a value-in-use basis but was also cross-checked to market comparables. Using a discount rate range of 11.5 – 12.5 per cent, an enterprise value range of £33.5 – £40.5 million was attributed to the investment, with a mid-point valuation of £37.0 million (Group share: £9.4 million). This resulted in an impairment charge of £0.5 million. At 31 August 2018, the Directors considered this valuation still to be an appropriate reference for assessing the carrying value of RBH and any impairment indicators. There is no objective evidence of impairment at the reporting date.

19. Other non-current assets

Intangible assets

Group	31 August 2018 £m	31 August 2017 £m
Opening balance at 1 September	**1.1**	1.3
Amortisation	**(0.3)**	(0.2)
Closing balance	**0.8**	1.1

Intangible assets were recognised on the acquisition of Redefine International Management Holdings Limited Group ("RIMH") and represented the fair value of the advisory agreements acquired by the Group. The value attributed to the contracts between RIMH and third parties, including joint ventures of the Group and the non-controlling interests, was £1.9 million. The intangible asset is being amortised on a straight-line basis over the remaining term of the contracts, which have an average life of eight years, and was just over three years at 31 August 2018.

Property, plant and equipment

Group	31 August 2018 £m	31 August 2017 £m
Opening balance at 1 September	**0.1**	0.1
Additions	**0.6**	—
Depreciation	**(0.2)**	—
Closing balance	**0.5**	0.1
Total other non-current assets at 31 August	**1.3**	1.2

20. Receivables

	Group		Company	
	31 August 2018 £m	31 August 2017 £m	**31 August 2018 £m**	31 August 2017 £m
Non-current				
Tenant lease incentives[1]	**8.1**	5.8	**—**	—
Tenant lease incentives to related parties[1] (Note 34)	**0.4**	—	**—**	—
Loans to external parties	**1.6**	1.6	**—**	—
Letting costs	**1.1**	1.0	**—**	—
Total non-current other receivables	**11.2**	8.4	**—**	—
Current				
Rent receivable	**1.0**	1.1	**—**	—
Tenant lease incentives[1]	**1.6**	1.0	**—**	—
Tenant lease incentives to related parties[1] (Note 34)	**0.8**	0.4	**—**	—
Other amounts receivable from related parties (Note 34)	**0.3**	0.5	**—**	—
Amounts receivable from subsidiaries (Note 34)	**—**	—	**3.9**	87.1
Consideration outstanding on disposal of investment property held for sale	**—**	6.6	**—**	—
Loans to external parties	**—**	2.2	**—**	—
Prepayments and accrued income	**2.5**	2.1	**0.4**	0.4
Other receivables	**0.9**	1.6	**0.4**	0.6
Total current trade and other receivables	**7.1**	15.5	**4.7**	88.1
Total receivables	**18.3**	23.9	**4.7**	88.1

(1) Total tenant lease incentives of £10.9 million (31 August 2017: £7.2 million) have been deducted from investment property in determining fair value at the balance sheet date. Refer to Note 14.

21. Cash and cash equivalents

	Group		Company	
	31 August 2018 £m	31 August 2017 £m	**31 August 2018 £m**	31 August 2017 £m
Unrestricted cash and cash equivalents	**58.3**	52.1	**16.2**	7.6
Restricted cash and cash equivalents	**0.7**	0.7	**—**	—
Cash and cash equivalents	**59.0**	52.8	**16.2**	7.6

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

The Group's share of total cash and cash equivalents, including its share of joint venture cash, at 31 August 2018 was £59.8 million (31 August 2017: £53.4 million), with a further £75.0 million of undrawn committed facilities available (31 August 2017: £10.0 million).

22. Non-current assets held for sale

Group	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	**Total £m**
Investment property					
Opening balance at 1 September 2017	9.2	12.9	—	3.7	**25.8**
Transfers from investment property[1] (Note 14)	23.1	—	—	—	**23.1**
Transfers to investment property (Note 14)	(0.9)	—	—	(3.6)	**(4.5)**
Disposals through the sale of subsidiary	—	(12.9)	—	—	**(12.9)**
Disposals through the sale of property	(31.4)	—	—	—	**(31.4)**
Foreign currency translation	—	—	—	(0.1)	**(0.1)**
	—	—	—	—	**—**
Investment in associate					
Opening balance at 1 September 2017	—	—	1.5	—	**1.5**
Distributions from associate (Note 34)	—	—	(0.1)	—	**(0.1)**
Disposals	—	—	(1.4)	—	**(1.4)**
	—	—	—	—	**—**
Closing balance at 31 August 2018	—	—	—	—	**—**

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

Notes to the financial statements continued
for the year ended 31 August 2018

22. Non-current assets held for sale continued

Group	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	**Total £m**
Investment property					
Opening balance at 1 September 2016	—	—	—	—	**—**
Transfers from investment property (Note 14)	49.0	16.8	—	9.7	**75.5**
Disposals	(39.8)	—	—	(6.0)	**(45.8)**
Loss on revaluation	—	(3.9)	—	—	**(3.9)**
	9.2	12.9	—	3.7	**25.8**
Investment in associate					
Opening balance at 1 September 2016	—	—	—	—	**—**
Additions	—	—	1.3	—	**1.3**
Share of post-tax profit	—	—	0.2	—	**0.2**
	—	—	1.5	—	**1.5**
Closing balance at 31 August 2017	9.2	12.9	1.5	3.7	**27.3**

All non-current assets held for sale fall within 'Level 3', as defined by IFRS 13 (refer to Note 33). Accordingly, there has been no transfer within the fair value hierarchy over the year.

No property assets have been classified as held for sale at the reporting date as the criteria outlined in IFRS 5 have not been met. This resulted in two properties, with a carrying value of £4.5 million, being transferred back to investment property.

Investment property held for sale

As at 31 August 2017, the Group carried six properties as held for sale. During the year ended 31 August 2018, one property was reclassified as held for sale, while two were transferred back to investment property (Note 14).

The Group disposed of the five held for sale assets during the year, one from the UK Retail portfolio and four from the UK Commercial portfolio. One of the sales, namely of Paragon Square, Hull was structured as a corporate sale. Refer to Note 8 for further details. From the four asset sales, the Group realised a net gain, after disposal costs, of £1.8 million (31 August 2017: £1.5 million). As at 31 August 2018, net proceeds of £39.6 million had been received by the Group which included the proceeds from a prior year sale – refer to Note 20 (31 August 2017: £40.9 million).

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

31 August 2017	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Gain/(loss) on disposal £m
The Observatory, Chatham	4.0	(0.1)	3.9	3.6	0.3
Woodlands, Bedford	11.0	(0.3)	10.7	11.5	(0.8)
London Road, High Wycombe	26.1	—	26.1	24.7	1.4
Brückmuhl, Germany	6.6	—	6.6	6.0	0.6
Disposals during the year	**47.7**	**(0.4)**	**47.3**	**45.8**	**1.5**

Investment in associate held for sale

On 7 February 2017, as part of the settlement of the loan outstanding from 4C UK Investments Limited ("4C Investments"), the Company acquired 659 shares in RBH for an attributed value of £1,942 per share (refer to Note 34). This represented 5.1 per cent of the issued share capital of RBH. As part of the settlement agreement, 4C Investments had the right to buy back the shares at the transfer price of £1.3 million at any time on or before 31 January 2018 subject to written notice. This right was extended by the Group and 4C Investments served notice and formally re-acquired the shares on 14 February 2018. As the carrying value of the investment was £1.4 million, the Group has recognised a loss of £0.1 million in the income statement on disposal.

23. Borrowings, including finance leases

Group	31 August 2018 £m	31 August 2017 £m
Non-current		
Bank loans	**787.9**	822.8
Less: unamortised debt issue costs	**(2.7)**	(3.9)
Less: fair value adjustments	**(14.1)**	(14.7)
	771.1	804.2
Other external loans	**—**	0.8
Finance leases	**13.1**	13.9
Total non-current borrowings, including finance leases	**784.2**	818.9
Current		
Bank loans	**4.7**	3.1
Less: unamortised debt issue costs	**(0.2)**	(0.3)
Less: fair value adjustments	**(0.6)**	(0.8)
	3.9	2.0
Other external loans	**0.7**	—
Finance leases	**0.8**	0.9
Total current borrowings, including finance leases	**5.4**	2.9
Total borrowings, including finance leases	**789.6**	821.8

Analysis of movement in net borrowings, including finance leases

The table below presents the movements in net borrowings for the year ended 31 August 2018, split between cash and non-cash movements and as required by IAS 7.

Group	Non-current £m	Current £m	Cash and cash equivalents £m	Net debt £m
Opening balance at 1 September 2017	818.9	2.9	(52.8)	769.0
Financing activities (cash)				
Borrowings drawn	10.0	—	(10.0)	—
Borrowings repaid	(87.4)	(4.5)	91.9	—
	(77.4)	**(4.5)**	**81.9**	**—**
Financing activities (non-cash)				
Debt release on disposal of subsidiaries (Note 8)	(73.1)	—	—	(73.1)
Debt assumed on business combinations (Note 9)	127.9	—	—	127.9
Debt issue costs movements	1.4	—	—	1.4
Accretion of fair value adjustments	0.8	—	—	0.8
Finance lease movements	(0.8)	—	—	(0.8)
Reclassification between current and non-current	(7.0)	7.0	—	—
	49.2	**7.0**	**—**	**56.2**
Other net cash movements	(0.2)	—	(87.1)	(88.3)
Foreign currency translation	(6.3)	—	(1.0)	(6.3)
Closing balance as at 31 August 2018	**784.2**	**5.4**	**(59.0)**	**730.6**

Notes to the financial statements continued

for the year ended 31 August 2018

23. Borrowings, including finance leases continued

Bank loans

Group	31 August 2018 Carrying value £m	31 August 2018 Nominal value £m	31 August 2018 Fair value £m	31 August 2017 Carrying value £m	31 August 2017 Nominal value £m	31 August 2017 Fair value £m
Non-current liabilities						
Bank loans	**787.9**	**787.9**	**787.9**	822.8	822.8	822.8
Less: unamortised debt issue costs	**(2.7)**	**—**	**—**	(3.9)	—	—
Less: fair value adjustments	**(14.1)**	**—**	**(10.3)**	(14.7)	—	(10.6)
Total non-current bank loans	**771.1**	**787.9**	**777.6**	804.2	822.8	812.2
Current liabilities						
Bank loans	**4.7**	**4.7**	**4.7**	3.1	3.1	3.1
Less: unamortised debt issue costs	**(0.2)**	**—**	**—**	(0.3)	—	—
Less: fair value adjustments	**(0.6)**	**—**	**(0.6)**	(0.8)	—	0.1
Total current bank loans	**3.9**	**4.7**	**4.1**	2.0	3.1	3.2
Total IFRS bank loans	**775.0**	**792.6**	**781.7**	806.2	825.9	815.4
Joint ventures						
Share of joint ventures bank loans (Note 17)	**15.6**	**15.6**	**15.6**	16.3	16.3	16.3
Total bank loans (on a proportionately consolidated basis)	**790.6**	**808.2**	**797.3**	822.5	842.2	831.7
Cash and cash equivalents	**(59.0)**	**(59.0)**	**(59.0)**	(52.8)	(52.8)	(52.8)
Share of joint venture cash and cash equivalents	**(0.8)**	**(0.8)**	**(0.8)**	(0.6)	(0.6)	(0.6)
Net debt (on a proportionately consolidated basis)	**730.8**	**748.4**	**737.5**	769.1	788.8	778.3

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

At 31 August 2018, the Group's bank loans are secured over investment property of £1,525.4 million (31 August 2017: £1,484.1 million) and are carried at amortised cost. On a proportionately consolidated basis, bank loans are secured over investment property of £1,550.8 million (31 August 2017: £1,509.7 million).

The Group's nominal value of drawn debt (on a proportionately consolidated basis) has decreased during the year to £808.2 million (31 August 2017: £842.2 million) following scheduled amortisation payments, principal repayments following disposals, some minor refinancings and most significantly, the major transactions the Group has completed during the year. These include:

- the acquisition of the IHL portfolio in November 2017. The Group assumed a number of facilities with Santander, totalling £54.4 million. The facilities have a range of rates from 2.7 to 3.4 per cent and are due to mature between July 2020 and December 2021. £2.0 million of the IHL debt was prepaid in June 2018 to strengthen the related covenant;
- in December 2017, the disposal of the majority of the Group's interest in the Leopard Portfolio. As part of the transaction, all associated bank debt with Berlin Hyp and BayernLB was settled. The Berlin Hyp debt was held at rates of 1.3 to 2.9 per cent;
- in January 2018, the assumption of a further £73.5 million of bank debt on completion of the LSO transaction. The balance is held across facilities with Barclays and Deutsche Bank, due to mature in December 2019 and August 2022 respectively. The rates range from 2.6 to 2.9 per cent and there are derivative caps in place ranging from 3.1 to 4.1 per cent;
- in September 2017, following the Brückmuhl disposal from the Premium Portfolio, £3.7 million of sales proceeds were repaid against the loan held with MunchenerHyp;
- in September and October 2017, the Group also finalised extensions for the BayernLB facilities secured against one property in the RI Menora joint venture (June 2024) and both German OBI properties (December 2022). These included prepayments of £0.2 million (Group share) and £0.1 million respectively and under the amended agreements, the loans will carry fixed interest rates of 1.59 to 1.72 per cent;
- in June 2018, the outstanding HSBC debt of £3.5 million secured against the road-side garage portfolio was repaid in full; and
- during the year, the Group also applied a net of £65.0 million of available cash against the AUK revolving credit facility ("RCF").

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

	31 August 2018 £m	31 August 2017 £m
Less than one year	**4.7**	3.1
Between one year and five years	**585.5**	620.5
More than five years	**202.4**	202.3
	792.6	825.9

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

Fair value disclosures

The nominal value of floating rate borrowings is considered to be a reasonable approximation of fair value. The fair value of fixed rate borrowings at the reporting date has been calculated by discounting cash flows under the relevant agreements at a market interest rate for similar debt instruments. The market interest rate has been determined having regard to the term, duration and security arrangements of the relevant loan and an estimation of the current rates charged in the market for similar instruments issued to companies of similar sizes.

The Group considers that all bank loans, including the Group's share of joint venture bank loans, fall within 'Level 3' as defined by IFRS 13 (refer to Note 33).

During 2017 the Aviva debt was restructured which was considered a significant modification to the existing loan. The existing loan facility was extinguished and the debt recognised at fair value on refinancing in April 2017. The refinancing resulted in a fair value adjustment of £14.3 million as the refinanced debt was considered to have been negotiated on off-market terms. At 31 August 2017, the carrying value of this debt was classified by the Group as 'Level 2' as a result of recent refinancing activity. As the fair value of the restructured debt is no longer determined with reference to observable inputs at 31 August 2018, it has been transferred to 'Level 3'.

Finance leases

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

	31 August 2018 £m	31 August 2017 £m
Minimum lease payments under finance lease obligations:		
Not later than one year	**0.8**	0.9
Later than one year not later than five years	**3.2**	3.3
Later than five years	**109.6**	113.9
	113.6	118.1
Less: finance charges allocated to future periods	**(99.7)**	(103.3)
Present value of minimum lease payments	**13.9**	14.8
Present value of minimum finance lease obligations:		
Not later than one year	**0.8**	0.9
Later than one year not later than five years	**2.6**	2.8
Later than five years	**10.5**	11.1
Present value of minimum lease payments	**13.9**	14.8

Finance lease obligations relate to the Group's leasehold interests in investment property. Finance leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default. The discount rates used in calculating the present value of the minimum lease payments range from 1.8 to 6.3 per cent. The fair value of the finance lease obligations at 31 August 2018 was £15.9 million and the Group considers that these liabilities fall within 'Level 3' as defined by IFRS 13 (refer to Note 33).

Operating leases

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

	31 August 2018 £m	31 August 2017 £m
Investment property		
Not later than one year	**1.4**	—
Later than one year not later than five years	**5.5**	—
Later than five years	**505.7**	—
	512.6	—
Head office		
Not later than one year	**0.3**	0.1
Later than one year not later than five years	**0.9**	—
	1.2	0.1
Total minimum operating lease payments	**513.8**	0.1

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

Notes to the financial statements continued
for the year ended 31 August 2018

24. Derivative financial instruments

The Group enters into interest rate swap and interest rate cap agreements to manage the risks arising from the Group's operations and its sources of finance. Interest rate swaps and caps are employed by the Group to manage the interest rate profile of financial liabilities. In accordance with the terms of the majority of bank debt arrangements, the Group has entered into interest rate swaps to convert the rates from floating to fixed which has eliminated exposure to interest rate fluctuations. Likewise, interest rate caps are used to limit the downside exposure to significant changes to the low interest rates currently prevailing in the market. It is the Group's policy that no economic trading in derivatives is undertaken.

Group	31 August 2018 £m	31 August 2017 £m
Non-current derivative assets		
Interest rate cap	**0.4**	0.2
Interest rate swaps	**0.7**	0.2
	1.1	0.4
Non-current derivative liabilities		
Interest rate swaps	**(2.9)**	(7.8)
	(2.9)	(7.8)
Net derivative financial instruments	**(1.8)**	(7.4)

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

25. Deferred tax

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

Group	On investment property £m	On derivative financial instruments £m	On losses carried forward £m	Total £m
Opening balance 1 September 2016	3.4	—	—	3.4
Additions on acquisition of control of joint venture	2.8	—	—	2.8
Expense for the year recognised in the income statement	3.5	—	—	3.5
Foreign currency translation	0.7	—	—	0.7
Opening balance 1 September 2017	10.4	—	—	10.4
Expense/(credit) for the year recognised in the income statement	**1.3**	**(0.4)**	**(1.4)**	**(0.5)**
Foreign currency translation	**(0.4)**	**—**	**—**	**(0.4)**
Closing balance at 31 August 2018	**11.3**	**(0.4)**	**(1.4)**	**9.5**

There were no unrecognised deferred tax assets at 31 August 2018 (31 August 2017: £0.2 million).

26. Payables

	Group		Company	
	31 August 2018 £m	Re-presented 31 August 2017 £m	**31 August 2018 £m**	31 August 2017 £m
Non-current				
Other sundry payables	**0.2**	—	**0.2**	—
Total non-current other payables	**0.2**	—	**0.2**	—
Current				
Amounts payable to subsidiaries (Note 34)	**—**	—	**12.8**	87.2
Amounts payable to related parties (Note 34)	**0.4**	0.6	**—**	0.3
Rent received in advance	**5.0**	4.3	**—**	—
Trade payables	**0.7**	1.1	**—**	—
Accrued interest	**2.7**	2.4	**—**	—
VAT payable	**4.7**	4.0	**—**	—
Accruals	**5.9**	6.1	**1.6**	1.6
Service charge	**4.6**	0.7	**—**	—
Tenant deposits[1]	**2.9**	0.1	**—**	—
Other sundry payables	**—**	1.9	**0.1**	—
Total current trade and other payables	**26.9**	21.2	**14.5**	89.1
Total payables	**27.1**	21.2	**14.7**	89.1

(1) At 31 August 2018, £2.8 million of tenant deposits relate to the London Serviced Office portfolio acquired during the year.

Prior year other payables have been re-presented to separately disclose service charge and tenant deposits and ensure consistency with current year presentation.

27. Share capital and share premium

	Group and Company	
Authorised	Number of shares	Authorised share capital £m
At 31 August 2017 (ordinary shares of 8 pence each)	3,000,000,000	240.0
At 31 August 2018 (ordinary shares of 8 pence each)	**3,000,000,000**	**240.0**

Issued, called up and fully paid	Number of shares	Share capital £m	Share premium £m
At 31 August 2016	1,794,598,650	143.6	502.1
Scrip dividend – issued December 2016	17,141,172	1.3	5.3
Scrip dividend – issued June 2017	16,320,324	1.3	4.4
At 31 August 2017	1,828,060,146	146.2	511.8
Share issuance – 1 November 2017	**12,500,000**	**1.0**	**4.0**
Share issuance – 13 November 2017	**41,074,224**	**3.3**	**13.1**
Share issuance – 13 November 2017	**4,783,697**	**0.4**	**1.5**
Share issuance – 24 November 2017	**2,496,630**	**0.2**	**0.8**
Scrip dividend – issued December 2017	**16,218,190**	**1.3**	**4.5**
Share buy-back programme – 15 May to 8 June 2018	**(14,054,524)**	**(1.1)**	**(4.1)**
Scrip dividend – issued June 2018	**9,371,173**	**0.7**	**3.0**
At 31 August 2018	**1,900,449,536**	**152.0**	**534.6**

Share transactions

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

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

Notes to the financial statements continued

for the year ended 31 August 2018

27. Share capital and share premium continued

Share transactions continued

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

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

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

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

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

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

28. Reserves

Other reserves

Share-based payment reserve

The share-based payment reserve at 31 August 2018 of £2.3 million (31 August 2017: £3.2 million) arises from outstanding conditional awards of shares in the Company made to certain employees and the Executive Directors. The awards will vest on the third anniversary of the grant, subject to certain performance conditions being achieved over the vesting period.

The Group released from the reserve to retained earnings £1.9 million of cumulative IFRS 2 charge on lapsed and vested awards. The Group incurred a further £0.1 million in relation to awards that vested with certain employees and has recognised the charge directly in retained earnings such that the net credit to retained earnings for the year in relation to share-based payments was £1.8 million. The IFRS 2 share-based payment charge for the year was £1.0 million (31 August 2017: £1.0 million).

Detailed information on the share-based payment plans in place is included in Note 35.

Other reserves

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

Foreign currency translation reserve

The foreign currency translation reserve at 31 August 2018 of £17.9 million (31 August 2017: £23.4 million) represents exchange differences arising from the translation of the Group's net investment in foreign operations, including both subsidiary and joint venture interests. £4.2 million of cumulative translation gains were transferred to the income statement during the year ended 31 August 2017 on disposal of joint venture interests.

29. Non-controlling interests

Group	31 August 2018 £m	31 August 2017 £m
Opening balance at 1 September	**21.8**	33.6
Comprehensive income for the year:		
Share of profit for the year	**7.4**	3.5
Foreign currency translation on subsidiary foreign operations	**—**	0.1
Changes in ownership interest in subsidiaries:		
Recognition of non-controlling interests on acquisition of subsidiaries	**33.8**	—
Acquisition of non-controlling interests	**(0.1)**	(12.7)
Dividends paid to non-controlling interests	**(3.4)**	(1.7)
Recognition of non-controlling interests on acquisition of control of former joint venture[(1)]	**—**	(0.7)
Reclassification of non-controlling interest shareholder loans to liabilities	**—**	(0.3)
Total non-controlling interests	**59.5**	21.8

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

The following table summarises the financial information relating to the Group's only subsidiary that has a material NCI, RHHL, before any intra-group eliminations.

	31 August 2018					31 August 2017		
	London Serviced Offices Limited £m	International Hotel Group Limited £m	Redefine Hotels Holdings Limited £m	Other individually immaterial subsidiaries £m	Total non-controlling interests £m	Redefine Hotel Holdings Limited £m	Other individually immaterial subsidiaries £m	Total non-controlling interests £m
Principal place of business	United Kingdom	United Kingdom	United Kingdom			United Kingdom		
Country of incorporation	Isle of Man	BVI	BVI			BVI		
Percentage ownership interest	20.0%	25.9%	17.52%			17.52%		
Summarised balance sheet								
Investment property	163.4	119.0	229.0			223.7		
Derivative financial instruments	0.3	—	0.1			—		
Trade and other receivables	0.8	0.2	2.6			8.0		
Cash and cash equivalents	4.0	2.7	4.7			—		
Borrowings, including finance leases	(72.8)	(51.7)	(113.3)			(113.1)		
Trade and other payables	(5.1)	(3.1)	—			(1.0)		
Net assets	90.6	67.1	123.1			117.6		
NCI share of adjusted net assets	18.1	17.4	21.6			20.6		
Carrying amount of NCI	18.1	17.4	21.6	2.4	59.5	20.6	1.2	21.8
Summarised statement of comprehensive income								
Revenue	9.8	9.1	9.8			14.0		
Profit for the year	6.6	7.3	6.6			14.2		
Profit attributable to NCI	1.3	1.9	1.3	1.4	7.4	3.0	0.5	3.5
Other comprehensive income attributable to NCI	—	—	—	—	—	—	0.1	0.1
Dividends paid to NCI	1.0	0.6	1.0	—	3.4	1.6	0.1	1.7
Summarised cash flow statement								
Cash inflow from operating activities	10.7	5.5	4.1			11.4		
Cash (outflow)/inflow from investing activities	(0.5)	—	5.6			(3.0)		
Cash outflow from financing activities	(10.4)	(2.8)	(5.7)			(5.4)		
Net (decrease)/increase in cash and cash equivalents	(0.2)	2.7	4.0			3.0		

30. Transactions with non-controlling interests

At 1 September 2016, 4C Investments was a non-controlling shareholder of RHHL, with an 11.43 per cent equity interest (1,938 shares) in the issued share capital. The Company had a loan balance outstanding from 4C Investments, for which a share charge was created in favour of the Company over 4C Investment's entire shareholding in RHHL. The total loan balance outstanding, of both principal and interest, was £14.2 million on maturity at 31 December 2016. In the absence of repayment, the Company exercised its security over the shares. On 7 February 2017, the 1,938 shares formally transferred to the Company for an agreed transfer price of £6,295 per share, valuing the total shareholding at £12.1 million. The carrying value of the non-controlling interest at the date of transfer was £12.7 million and, as a result, a gain of £0.4 million was recognised directly in equity after transaction costs including tax paid by the Group on behalf of 4C Investments. During the year ended 31 August 2018, the Group clawed back historic tax paid on behalf of 4C Investments. This has been treated as an adjustment to the carrying amount of the non-controlling interest acquired and has resulted in a gain of £0.5 million directly in equity.

In advance of the Leopard Portfolio disposal (refer to Note 8), the non-controlling interest of a Leopard Portfolio subsidiary, Leopard Germany Property Ed 2 GmbH & Co. KG ("LGPEd2") was acquired by the Group for £0.4 million. The non-controlling interests share of net liabilities at the date of sale were £Nil million and therefore a loss of £0.4 million has been recognised directly in equity. The gain attributable to equity holders of the Parent as a result of these disposals is set out in the table below:

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

Notes to the financial statements continued
for the year ended 31 August 2018

31. Cash generated from operations

Continuing operations	Note	Group Year ended 31 August 2018 £m	Group Year ended 31 August 2017 £m	Company Year ended 31 August 2018 £m	Company Year ended 31 August 2017 £m
Cash flows from operating activities					
Profit/(loss) before tax		**97.4**	73.5	**137.4**	(5.4)
Adjustments for:					
Straight lining of rental income		**(0.5)**	(1.1)	**—**	—
Depreciation		**0.2**	—	**—**	—
Fair value of share-based payments		**1.0**	1.0	**1.0**	1.0
Gain on revaluation of investment property	14	**(10.8)**	(10.8)	**—**	—
(Gain)/loss on revaluation of investment property held for sale	22	**(0.9)**	3.9	**—**	—
Gain on disposal of investment property	14	**(1.5)**	(9.2)	**—**	—
Gain/(loss) on disposal of investment property held for sale	22	**(1.8)**	(1.5)	**—**	—
Net gain on disposal of subsidiaries	8	**(15.4)**	—	**—**	—
Net gain on business combinations	9	**(4.4)**	—	**—**	—
Other income and expense	10	**0.4**	0.3	**—**	—
Foreign exchange loss/(gain)		**0.8**	—	**0.8**	(0.2)
Finance income	11	**(0.6)**	(3.4)	**—**	(0.9)
Finance expense	11	**29.3**	28.4	**—**	—
Other finance expense	12	**0.6**	6.5	**—**	0.2
Change in fair value of derivative financial instruments		**(6.1)**	(4.5)	**—**	—
Net gain on sale of joint venture interests		**0.1**	(4.9)	**—**	—
Net (impairment reversal)/impairment of joint ventures and associate interests	17, 18	**(0.1)**	0.1	**—**	—
Share of post-tax loss from joint ventures	17	**—**	2.3	**—**	—
Share of post-tax profit from associate	18, 22	**(0.3)**	(1.1)	**—**	—
Transfer of foreign currency translation on disposal of joint venture interest	17	**—**	(2.0)	**—**	—
		87.4	77.5	**139.2**	(5.3)
Intra-group transactions					
Settlement of loans	34	**—**	—	**5.2**	(0.8)
Distributions	34	**—**	—	**(149.8)**	—
		87.4	77.5	**(5.4)**	(6.1)
Changes in working capital		**(0.4)**	(1.9)	**(0.5)**	(0.9)
Changes in trading loans to and from subsidiary undertakings		**—**	—	**75.1**	43.1
Cash generated from operations		**87.0**	75.6	**69.2**	36.1

32. Acquisition of subsidiaries (asset acquisition)

On 6 April 2017, the Group reached a conditional agreement to acquire the controlling interest in the Leopard Portfolio, previously held as a joint venture with RPL (refer to Note 17). Shareholder approval was subsequently received on 25 April 2017 and the transaction completed with economic effect from 1 March 2017. Aggregate consideration paid to RPL was €49.0 million (£41.9 million) and allocated as follows:

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

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

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

The premium paid to RPL on acquisition of €6.8 million (£5.9 million) including transactions costs, was solely allocated to investment property as it was not separately identifiable. The carrying value of the Leopard property portfolio on 1 March 2017 was €175.5 million (£149.9 million) and, as a result, the total amount recognised as an addition on consolidation was €182.3 million (£155.8 million). Refer to Note 14.

The Group has subsequently sold the majority of its interest in the Leopard Portfolio during the year ended 31 August 2018 as further outlined in Note 8.

33. Fair value of financial instruments

Basis for determining fair values

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

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

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

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

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

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

Group	Level 1 £m	Level 2 £m	Level 3 £m	**Total fair value £m**
31 August 2018				
Financial assets				
Derivative financial assets (Note 24)	—	1.1	—	**1.1**
	—	1.1	—	**1.1**
Financial liabilities				
Derivative financial liabilities (Note 24)	—	(2.9)	—	**(2.9)**
	—	(2.9)	—	**(2.9)**
31 August 2017				
Financial assets				
Investment at fair value (Note 16)	8.5	—	—	**8.5**
Derivative financial assets (Note 24)	—	0.4	—	**0.4**
	8.5	0.4	—	**8.9**
Financial liabilities				
Derivative financial liabilities (Note 24)	—	(7.8)	—	**(7.8)**
	—	(7.8)	—	**(7.8)**

Derivative financial instruments have been categorised as 'Level 2', as although they are priced using directly observable inputs, the instruments are not traded in an active market. In the 2017 financial year, the investment in IHL was categorised as a 'Level 1' investment and priced using quoted prices in an active market; the AltX of the JSE.

As stated in Note 14 and 22 respectively, the Group considers investment property and non-current assets held for sale to be categorised as 'Level 3'. As stated in Note 23, the Group considers all bank loans to be categorised as 'Level 3'. £131.6 million of fixed rate debt was reclassified by the Group from 'Level 2' during the year. Finance lease obligations are as classified as 'Level 3', the fair value of which is presented in Note 23. The fair value of loans to joint ventures is presented in Note 17 and this financial asset is classified as 'Level 3'. The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are considered to be a reasonable approximation of fair value.

Notes to the financial statements continued

for the year ended 31 August 2018

34. Related party transactions

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

	Group		Company	
	31 August 2018 £m	31 August 2017 £m	**31 August 2018 £m**	31 August 2017 £m
Revenue transactions (Group)				
Rental income				
RBH	**22.0**	14.0	**—**	—
Other income				
Joint venture investment management and performance fee income				
RI Menora German Holdings S.à.r.l.	**0.1**	—	**—**	—
Leopard Portfolio	**—**	0.3	**—**	—
Wichford VBG Holding S.à.r.l.	**—**	3.5	**—**	—
Administrative costs and other fees				
OSIT investment management fees	**(0.6)**	—	**—**	—
Distributions from investments at fair value				
International Hotel Properties Limited	**—**	0.2	**—**	—
Finance income				
Joint venture loan interest income				
Leopard Portfolio	**—**	1.5	**—**	—
Wichford VBG Holding S.à.r.l.	**—**	0.8	**—**	—
RI Menora German Holdings S.à.r.l.	**0.3**	0.4	**—**	—
Related parties of Menora joint venture	**0.1**	—	**—**	—
4C UK Investments Limited	**—**	0.5	**—**	0.5
	0.4	3.2	**—**	0.5
Total revenue transactions (Group)	**21.9**	21.2	**—**	0.5
Revenue transactions (Company)				
Settlement of loans				
Ciref Europe Limited	**—**	—	**—**	0.9
Wichford Alpha Limited	**—**	—	**—**	(0.1)
RDI REIT Limited	**—**	—	**(0.1)**	—
Wichford Edgbaston Holdings Limited	**—**	—	**(5.1)**	—
	—	—	**(5.2)**	0.8
Distributions from subsidiary undertakings				
Redefine AUK Limited	**—**	—	**74.8**	—
Redefine International Management Holdings Limited	**—**	—	**7.3**	—
Redefine International Holdings Limited	**—**	—	**43.5**	—
Leopard Holdings UK Limited	**—**	—	**9.7**	—
RDI Serviced Offices Limited	**—**	—	**1.3**	—
Redefine Cyprus Limited	**—**	—	**5.0**	—
Redefine North Street Limited	**—**	—	**1.1**	—
Redefine Waterside Leeds Limited	**—**	—	**0.8**	—
Wichford Delta Limited	**—**	—	**6.3**	—
	—	—	**149.8**	—
Administrative costs and other fees				
Redefine International Group Services Limited	**—**	—	**—**	(0.8)
Finance income				
Redefine Cyprus Limited	**—**	—	**—**	0.4
Total revenue transactions (Company)	**—**	—	**144.6**	0.4

	Group 31 August 2018 £m	Group 31 August 2017 £m	Company 31 August 2018 £m	Company 31 August 2017 £m
Capital transactions (Group)				
Investment property (capitalised expenditure)				
Project monitoring fee to RBH – construction works	**0.2**	0.1	**—**	—
Investment at fair value through profit or loss				
International Hotel Properties Limited (shares acquired/transferred at cost)	**—**	1.0	**—**	—
Investment in associate				
Transfer price of 4C Investments interests in RBH	**(1.3)**	1.3	**—**	—
Dividends received from RBH (including held for sale investment)	**(0.7)**	(1.2)	**—**	—
Non-controlling interests				
Transfer price of 4C UK Investments Limited's interests in RHHL	**—**	12.1	**—**	—
Adjustment to carrying value of the non-controlling interest in RHHL (Note 29)	**0.6**	—	**—**	—
Total capital transactions (Group)	**(1.2)**	13.3	**—**	—
Capital transactions (Company)				
Investment in subsidiary undertakings – settlement of balances outstanding in consideration for shares and redemption of shares				
Additions:				
Capitalisation of loan with RDI Serviced Office Limited for shares	**—**	—	**70.2**	—
Capitalisation of loan with Redefine Share Investments Limited for shares	**—**	—	**51.1**	—
Redefine International Holdings Limited	**—**	—	**—**	103.8
	—	—	**121.3**	103.8
Redemptions:				
Redefine International Holdings Limited	**—**	—	**(4.1)**	(102.9)
Total capital transactions (Company)	**—**	—	**117.2**	0.9
Related party transactions with equity holders of the Parent				
Redefine Properties Limited – IHL acquisition – share-for-share exchange	**7.9**	—	**7.9**	—
Redefine Properties Limited – IHL acquisition – cash	**7.5**	—	**7.5**	—
Redefine Properties Limited – cash dividends	**14.8**	13.8	**14.8**	13.8
Redefine Properties Limited – scrip dividends	**—**	1.7	**—**	1.7
Total related party transactions with equity holders of the Parent	**30.2**	15.5	**30.2**	15.3
Related party balances (Group)				
Loans to joint ventures				
RI Menora German Holdings S.à.r.l.	**5.2**	4.3	**—**	—
Trade and other receivables				
RBH – tenant lease incentives	**1.2**	0.8	**—**	—
RI Menora German Holdings S.à.r.l.	**0.3**	0.5	**—**	—
	1.5	1.3	**—**	—
Trade and other payables				
RI Menora German Holdings S.à.r.l.	**(0.4)**	—	**—**	—
Wichford VBG Holding S.à.r.l.	**—**	(0.6)	**—**	(0.3)
	(0.4)	(0.6)	**—**	(0.3)
Total related party balances (Group)	**6.3**	5.0	**—**	(0.3)

Notes to the financial statements continued

for the year ended 31 August 2018

34. Related party transactions continued

	Group		Company	
	31 August 2018 £m	31 August 2017 £m	**31 August 2018 £m**	31 August 2017 £m
Related party balances (Company)				
Trade and other receivables				
Redefine International Holdings Limited	**—**	—	**1.5**	56.1
Everton Shopping Centres S.à.r.l.	**—**	—	**—**	27.6
Redefine Share Investments Limited	**—**	—	**1.8**	2.5
Leopard Holding UK Limited	**—**	—	**—**	0.8
Wichford Property General Partner	**—**	—	**—**	0.1
EKZ SSC Berlin GmbH	**—**	—	**0.3**	—
Redefine Cyprus Limited	**—**	—	**0.3**	—
	—	—	**3.9**	87.1
Trade and other payables				
Leopard Holding UK Limited	**—**	—	**(8.9)**	—
Everton Shopping Centres S.à.r.l.	**—**	—	**(0.6)**	—
Redefine International Management Holdings Limited	**—**	—	**(0.1)**	(2.3)
Redefine AUK Holdings Limited	**—**	—	**—**	(76.2)
Redefine Cyprus Limited	**—**	—	**(1.3)**	(6.1)
Redefine North Street Limited	**—**	—	**(1.9)**	(1.5)
Wichford Edgbaston Limited	**—**	—	**—**	(0.8)
Redefine Waterside Leeds Limited	**—**	—	**—**	(0.3)
	—	—	**(12.8)**	(87.2)
Total related party balances (Company)	**—**	—	**(8.9)**	(0.1)

Redefine Properties Limited

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

4C UK Investments Limited

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

- 4C Investments non-controlling interest in RHHL for a transfer price of £12.1 million (Note 30);
- 4C Investments shareholding in RBH for a transfer price of £1.3 million (Note 22); and
- 4C Investments shareholding in IHL for a transfer price of £1.0 million.

As the total transfer price for the shares was £14.4 million, £0.2 million cash was paid back by the Company to 4C Investments. On the same date, the Company entered into a lock-up agreement with 4C Investments whereby the latter had the right to buy back the transferred shares in RHHL and RBH on or before 31 January 2018 at the transfer price. 4C Investments did not exercise the right to reacquire the RHHL shares before 31 January 2018. The right to acquire the RBH shares was formally extended and 4C Investments formally re-acquired the shares on 14 February 2018. As part of the transaction, 4C Investments contractually agreed to reimburse the Group for historic non-resident landlord tax paid on 4C Investments behalf in relation to its non-controlling interest in RHHL. This reimbursement has been treated as an adjustment to the carrying amount of the non-controlling interest. Refer to Note 30.

OSIT

OSIT indirectly holds the 20 per cent non-controlling interest in the newly acquired LSO portfolio and is contracted as the manager of each property. RDI entered into revised management contracts on acquisition for OSIT to continue as manager for a minimum term of ten years. Management fees are payable on a ratcheted basis with reference to the forecast EBITDA of each property. OSIT has charged £0.6 million of management fees since the Group acquired control of the portfolio on 12 January 2018 (Note 7).

Directors

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the year ended 31 August 2018 was £0.5 million (31 August 2017: £0.4 million) which represents Directors fees only. The remuneration payable to Executive Directors for the year ended 31 August 2018 was £2.6 million (31 August 2017: £2.7 million), representing salaries, benefits and bonuses. 5.8 million contingent share awards were issued to Executive Directors during the year (31 August 2017: 4.9 million). The IFRS 2 share-based payment charge associated with the cumulative contingent share awards to the Executive Directors was £0.9 million (31 August 2017: £0.9 million) for the year.

The table below shows Directors' dealings in shares for the period 1 September 2016 to 31 August 2018:

Name	Date of transaction	Transaction	Number of ordinary shares acquired	Price per ordinary share acquired
Marc Wainer	4 December 2015	Scrip dividend	3,052	52.4p
Adrian Horsburgh	25 November 2016	Scrip dividend	347	38.9p
Bernie Nackan	25 November 2016	Scrip dividend	682	38.9p
Stephen Oakenfull	27 February 2017	Share acquisition	50,000	36.6p
Adrian Horsburgh	27 February 2017	Share acquisition	50,000	36.4p
Donald Grant	27 February 2017	Share acquisition	50,000	36.3p
Adrian Horsburgh	26 June 2017	Scrip dividend	1,842	36.2p
Bernie Nackan	26 June 2017	Scrip dividend	619	36.2p
Marc Wainer	13 November 2017	IHL consideration	3,157,846	40.0p
Mike Watters	13 November 2017	IHL consideration	70,790	40.0p
Donald Grant	16 January 2018	Share acquisition	25,000	35.94p
Mike Watters	17 January 2018	Share acquisition	67,000	35.95p
Bernie Nackan	25 June 2018	Scrip dividend	669	35.4p
Adrian Horsburgh	25 June 2018	Scrip dividend	1,989	35.4p

Investment in subsidiaries

The Company's principal subsidiary undertakings and investment therein are listed below. These entities are the intermediary holding companies of property owning entities unless otherwise stated.

Name of subsidiary	Domicile	%	**31 August 2018 £m**	31 August 2017 £m
Everton Shopping Centre S.à.r.l.	Luxembourg	100	**32.7**	32.7
RDI Serviced Office Limited	Isle of Man	100	**70.2**	—
Redefine AUK Limited	British Virgin Islands	100	**296.7**	296.7
Redefine International Holdings Limited	Jersey	100	**159.3**	163.4
Redefine International Management Holdings Limited(1)	British Virgin Islands	100	**32.7**	32.7
Redefine Share Investments Limited	Isle of Man	100	**59.6**	8.5
Redefine Waterside Leeds Limited(2)	British Virgin Islands	100	**3.9**	3.9
Wichford Edgbaston Holdings Limited	British Virgin Islands	100	**2.0**	2.0
Leopard Holding UK Limited	England & Wales	100	**—**	—
Redefine North Street Limited(2)	British Virgin Islands	100	**—**	—
			657.1	539.9

(1) Redefine International Management Holdings Limited is the intermediary holding company of the management companies of the Group.

(2) Redefine Waterside Leeds Limited and Redefine North Street Limited are property owning entities.

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 20 to 21 of the strategic report. A full list of the Company's direct and indirect related party interests is presented in Appendix A to these financial statements.

35. Share-based payments

Share-based payment reserve	Group and Company **31 August 2018 £m**	31 August 2017 £m
Opening balance at 1 September	**3.2**	2.2
Share-based payment expense in the year	**1.0**	1.0
Release of share-based payment reserve	**(1.9)**	—
Closing balance at 31 August	**2.3**	3.2

Notes to the financial statements continued
for the year ended 31 August 2018

35. Share-based payments continued

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 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 external advisers to determine the fair value of each award at the grant date who use the Monte Carlo and Black-Scholes models in their valuations.

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 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 external advisers to determine the fair value of each award at the grant date who use the Monte Carlo and Black-Scholes models in their valuations.

During the year ended 31 August 2018, the total IFRS 2 charge recognised in the income statement in relation to the PSP awards was £0.9 million (31 August 2017: £0.9 million). During the year ended 31 August 2018, the total IFRS 2 charge recognised in the income statement in relation to the RSP awards was £0.1 million (31 August 2017: £0.1 million).

	Long Term Performance Share Plan		Long Term Restricted Stock Plan	
Conditional share awards (000's)	**31 August 2018**	31 August 2017	**31 August 2018**	31 August 2017
Awards brought forward	**9,890**	8,371	**1,407**	780
Awarded during the year	**5,784**	4,919	**1,301**	1,095
Lapsed during the year	**—**	(3,400)	**—**	—
Forfeited during the year	**—**	—	**(86)**	(468)
Awards carried forward	**15,674**	9,890	**2,622**	1,407
Exercisable at 31 August	**—**	—	**—**	—

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 2018, 4.6 million PSP awards and 1.2 million RSP awards were considered to be dilutive (31 August 2017: 1.3 million and 0.7 million respectively). Full disclosure of the PSP and RSP award schemes are given in pages 100 to 101 of the Annual Report.

Long-Term Performance Share Plan

Subsequent to shareholder approval on 23 January 2017, PSP performance conditions for awards issued from 1 September 2016 were revised so as to better align the awards with the Company's medium-term strategic objectives and shareholder interests. The Remuneration Committee are authorised to make grants of PSP shares with a face value of up to 200 per cent of the salary of Executive Directors. 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 CPI during the performance period of 1 per cent;
- 25 per cent of the award will vest dependent on the relative total property return of the Company's UK assets in comparison to IPD 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 2 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.

On 25 January 2017, 4.9 million shares were granted for the performance period from 1 September 2016 to 31 August 2019. The share price on 1 September 2016 was 39.0 pence and the fair value on the grant date was £1.2 million assuming maximum vesting over the performance period.

On 18 January 2018, 5.8 million shares were granted for the performance period 1 September 2017 to 31 August 2020. The share price on 1 September 2017 was 36.2 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.

Share awards issued before 1 September 2016 were subject to market-based performance conditions only and the Remuneration Committee were authorised to make grants of PSP shares with a face value of up to 250 per cent of the salary of Executive Directors under these awards. These awards were subject to a three-year vesting period from the date of grant and to the following market-based performance conditions:

- 50 per cent of the award will vest dependent on the TSR equalling, or exceeding, the TSR relative to that of each of the members of the Index; and
- 50 per cent of the award will vest dependent on the Company's TSR relative to that of the members of a bespoke comparator group (the "Comparator Group").

Vesting is on the same sliding scale for both of these conditions – 25 per cent for median performance and 100 per cent for upper quartile performance, with 0 per cent vesting below a median performance.

On 28 October 2015, 5.0 million shares were granted for the performance period 1 September 2015 to 31 August 2018. The share price on 1 September 2015 was 52.2 pence and the fair value on the grant date was £1.5 million. Performance during the period has been determined to be below median and therefore the awards are likely to lapse in full on 28 October 2018 subject to the Remuneration Committee discretion.

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. The performance conditions of RSP awards were also revised effective 1 September 2016.

- 50 per cent of the award will vest dependent on corporate targets, being the same as those conditions set out above for the PSP under both the revised and existing remuneration policies and 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 3 December 2015, 0.9 million shares were granted to employees under the old RSP scheme for the performance period 1 September 2015 to 31 August 2018. The share price on 1 September 2015 was 52.2 pence and the fair value on the date of grant was £0.3 million.

On 25 January 2017, 1.1 million shares were granted to employees under the revised RSP scheme for the performance period from 1 September 2016 to 31 August 2019. The share price on 1 September 2016 was 39.0 pence and the fair value on the grant date was £0.3 million, assuming maximum vesting over the performance period.

On 18 January 2018, 1.3 million shares were granted for the performance period 1 September 2017 to 31 August 2020. The share price on 1 September 2017 was 36.2 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.

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 2018 (%)**	Award year 2017 (%)
Volatility	**19.4**	20.7
Risk-free rate	**0.5**	0.4
Dividend yield	**7.2**	8.2
Correlation of the Index companies	**23.5**	24.2

Expected dividend yield is based on one year historical dividend yield at the date of grant. The fair value calculation under the revised PSP award scheme assumes 27.7 per cent (2017: 28.2 per cent) of the face value will be awarded at the date of grant relative to the Index.

36. Financial risk management

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, and 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 in relation 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.

Notes to the financial statements continued

for the year ended 31 August 2018

36. Financial risk management continued

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 represents the Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

Group	31 August 2018 £m	31 August 2017 £m
Loans to joint ventures	5.2	4.3
Derivative financial instruments	1.1	0.4
Trade and other receivables	16.7	23.0
Cash and cash equivalents	59.0	52.8
	82.0	80.5

The above table excludes prepayments which are not exposed to credit risk.

Derivative financial instruments and cash and cash equivalents

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 and its derivative financial instruments. However, 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.

			Group			
Counterparties	2018 Credit rating	2017 Credit rating	Cash and cash equivalents 31 August 2018 £m	Derivative assets 31 August 2018 £m	Total 31 August 2018 £m	Total 31 August 2017 £m
HSBC	Aa3	A2	37.7	0.2	37.9	40.8
NatWest	A1	A3	10.4	—	10.4	6.5
Barclays	A2	—	4.0	0.5	4.5	—
BayernLB	Aa3	A1	2.3	—	2.3	1.0
Santander	A2	A3	2.2	0.2	2.4	—
Berlin Hyp	A1	A1	—	—	—	1.4
RBS	Baa2	Baa3	—	0.2	0.2	—
Other			2.4	—	2.4	3.5
			59.0	1.1	60.1	53.2

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 also 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. 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 concerned a specific impairment is made. The Group also makes a general provision of 25 per cent against all receivables 120 days or more past due that have not been specifically impaired. Rent receivables exposed to credit risk were less than 0.1 per cent of total assets at 31 August 2018 (31 August 2017: less than 0.1 per cent). The credit risk associated with rent receivables is considered to be low, owing to the long term nature and diversity of the Group's tenancy agreements. The Group has set a medium term target of a 95 per cent collection rate within seven days. The Group's rent collection rate was 98.0 per cent (31 August 2017: 94.3 per cent).

Other receivables, including loans to external parties and consideration outstanding on disposal of investment property are secured and therefore they are also considered to be of low credit risk.

Included in trade and other receivables, subject to credit risk, are debtors with the following age profile:

	2018			2017		
	Gross £m	Impairment £m	Recoverable £m	Gross £m	Impairment £m	Recoverable £m
Not past due	15.5	—	15.5	20.3	—	20.3
Past due 0 – 120 days	1.6	(0.4)	1.2	2.0	—	2.0
Past due – over 120 days	0.6	(0.6)	—	2.0	(1.3)	0.7
	17.7	(1.0)	16.7	24.3	(1.3)	23.0

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 2018, the recognised loan to joint ventures relates to the loan advanced to RI Menora German Holdings S.à.r.l. This joint venture group is in a net asset position and has serviced all of its payment obligations to date under the terms of the loan. The Group is also responsible for the investment management of the joint venture and therefore has oversight of working capital and can manage cash flow requirements. The risk that this loan will not be recovered is considered low.

The Group has also advanced a loan of £3.3 million to the Esplanade. Under the equity method, the Esplanade was carried at £Nil in the Group's financial statements at 1 September 2017 and remains at £Nil at 31 August 2018. This investment is in a net liability position with the cumulative losses to date exceeding or equalling the cost of the Group's investment. The Group has ceased to recognise further losses beyond the original cost of this joint venture and loans advanced have been fully impaired in line with IAS 28. At 31 August 2018, cumulative losses equalled the Group's net investment in the joint venture (31 August 2017: exceeded by £0.7 million).

Liquidity risk

Liquidity risk arises from the Group's working capital and debt servicing obligations. There below fives 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 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.

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, the Board has been presented with and reviewed a three-year liquidity plan to 31 August 2021. At the balance sheet date, these projections indicated that the Group had sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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 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.

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	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
31 August 2018							
Financial liabilities							
Bank and other loans	775.7	(1,011.7)	(13.9)	(14.0)	(80.1)	(580.2)	(323.5)
Finance leases	13.9	(113.6)	(0.4)	(0.4)	(0.8)	(2.4)	(109.6)
Trade and other payables	27.1	(27.1)	(27.1)	—	—	—	—
Tax liabilities	2.0	(2.0)	(2.0)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	2.9	(6.0)	(0.8)	(0.8)	(1.6)	(2.5)	(0.3)
	821.6	(1,160.4)	(44.2)	(15.2)	(82.5)	(585.1)	(433.4)
31 August 2017							
Financial liabilities							
Bank and other loans	807.0	(1,060.5)	(12.9)	(12.7)	(32.7)	(656.4)	(345.8)
Finance leases	14.8	(118.1)	(0.4)	(0.5)	(0.8)	(2.5)	(113.9)
Trade and other payables	21.2	(21.2)	(21.2)	—	—	—	—
Tax liabilities	1.2	(1.2)	(1.2)	—	—	—	—
Derivative financial liabilities							
Interest rate swaps	7.8	(11.7)	(1.5)	(1.5)	(3.0)	(4.8)	(0.9)
	852.0	(1,212.7)	(37.2)	(14.7)	(36.5)	(663.7)	(460.6)

Notes to the financial statements continued

for the year ended 31 August 2018

36. Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 UK referendum on European membership there has been a change in the potential scale and likelihood of volatility in all aspects of market risk, with softening yields, volatility in currency and equity markets and increased inflationary expectations. Refer to the Group's principal risk disclosures on pages 20 and 21 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 regards to currency exposures 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.

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.

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 amount of the Group's foreign denominated assets and liabilities were as follows:

Group	**31 August 2018 £m**	31 August 2017 £m
Assets		
EUR	**259.7**	432.8
ZAR	**0.6**	0.3
Liabilities		
EUR	**(138.8)**	(221.1)

The following exchange rates were applied during the year:

	Average rate		Year end rate	
	2018	2017	**2018**	2017
EUR	**1.133**	1.151	**1.115**	1.086
ZAR	**17.506**	17.031	**19.159**	16.820

Sensitivity analysis

A five per cent strengthening in the GBP exchange rate against the EUR at year end would have decreased equity by £5.8 million (31 August 2017: £9.9 million) and profit by £1.6 million (31 August 2017: £0.6 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 2018 £m**	**Floating 31 August 2018 £m**	Fixed/capped 31 August 2017 £m	Floating 31 August 2017 £m
Nominal value of Group bank loans	**182.2**	**610.3**	188.7	637.2
Nominal value of joint venture bank loans	**8.5**	**7.2**	7.5	8.8
	190.7	**617.5**	196.2	646.0
Derivative impact	**614.3**	**(614.3)**	587.3	(587.3)
	805.0	**3.2**	783.5	58.7
Interest rate protection (%)	**99.6**		93.0	

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 Group's EPRA earnings has limited exposure to interest rate fluctuations until the repayment dates of the loans for which the interest rate swaps and caps have been arranged. Please see Note 24 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.

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 2018 £m	31 August 2017 £m
Loan-to-value			
Net debt	23	**(748.4)**	(788.8)
Investment property	14	**1,620.4**	1,538.7
Loan-to-value (%)		**46.2**	51.3
Loan-to-value pro-forma (%)[1]		**47.3**	50.0
Interest cover			
Net rental income	3	**99.1**	93.5
Net finance expense	3	**(28.7)**	(29.0)
Interest cover (times)		**3.5**	3.2

(1) Pro forma adjusted for transactions completed post year end.

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 45-50 per cent and the interest cover is above three times.

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

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.

The Company's dividend policy is to distribute the majority of its underlying earnings in the form of dividends to shareholders.

Notes to the financial statements continued

for the year ended 31 August 2018

37. Earnings per share

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

Group	Note	31 August 2018 £m	31 August 2017 £m
Profit attributable to equity holders of the Parent		**88.9**	66.1
Group adjustments:			
Gain on revaluation of investment property	14	**(10.8)**	(10.8)
(Gain)/loss on revaluation of investment property held for sale	14	**(0.9)**	3.9
Gain on disposal of investment property	14	**(1.5)**	(9.2)
Gain on disposal of investment property held for sale	22	**(1.8)**	(1.5)
Net gain on disposal of subsidiaries	8	**(15.4)**	—
Net gain on business combinations	9	**(4.4)**	—
Loss on revaluation of investment at fair value	16	**—**	0.3
Loss on disposal of other non-current assets held for sale	10	**0.1**	—
Amortisation of intangible assets	19	**0.3**	0.2
Re-measurement of financial liability	12	**—**	1.3
Net change in fair value adjustments on substantial modification of borrowings	12	**—**	4.3
Other finance costs	12	**0.4**	0.3
Change in fair value of derivative financial instruments	24	**(6.1)**	(4.5)
Loss/(gain) on sale of joint venture interests	17	**0.1**	(5.6)
Net (impairment reversal)/impairment of joint ventures and associate interests	17, 18	**(0.1)**	0.2
Deferred tax	13	**(0.5)**	3.5
Current tax		**0.7**	—
Joint venture adjustments:			
Loss on revaluation of investment property	17	**0.2**	0.9
Loss on sale of subsidiaries	17	**—**	0.7
Change in fair value of derivative financial instruments	17	**(0.7)**	(1.1)
Deferred tax		**0.2**	0.6
Elimination of unrecognised joint venture adjustments[1]		**0.4**	0.8
Non-controlling interest adjustments:			
Gain on revaluation of investment property		**1.4**	1.1
Change in fair value of derivative financial instruments		**0.2**	(0.1)
Gain on disposal of subsidiaries		**1.1**	—
Impairment of investment in associate		**—**	(0.1)
Deferred tax		**0.1**	(0.4)
EPRA earnings		**51.9**	50.9
Company adjustments:			
Accretion of fair value adjustments	23	**0.8**	0.9
Foreign currency movements		**0.8**	(2.0)
Underlying earnings (re-based)		**53.5**	49.8
Number of ordinary shares (millions)			
– Weighted average		**1,886.5**	1,809.9
Dilutive effect of:			
Contingently issuable share awards under the Long Term Performance Share Plan	35	**4.6**	1.3
Contingently issuable share awards under the Long Term Restricted Stock Plan	35	**1.2**	0.7
– Diluted weighted average		**1,892.3**	1,811.9
Earnings per share (pence)			
– Basic		**4.7**	3.7
– Diluted		**4.7**	3.6
EPRA earnings per share (pence)		**2.75**	2.8
Diluted EPRA earnings per share (pence)		**2.74**	2.8
Underlying earnings per share (pence)		**2.84**	2.75
Dividend per share (pence)		**2.7**	2.6
First interim dividend per share (pence)		**1.35**	1.3
Second interim dividend per share (pence)		**1.35**	1.3

(1) The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture to date have equalled or exceeded the cost of the Group's investment (refer to Note 17). This adjustment eliminates the restricted losses for the year attributable to the Esplanade.

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

Group	Note	31 August 2018 £m	31 August 2017 £m
Profit attributable to equity holders of the Parent		**88.9**	66.1
Group adjustments:			
Gain on revaluation of investment property	14	**(10.8)**	(10.8)
(Gain)/loss on revaluation of investment property held for sale	14	**(0.9)**	3.9
Gain on disposal of investment property	14	**(1.5)**	(9.2)
Gain on disposal of investment property held for sale	22	**(1.8)**	(1.5)
Net gain on disposal of subsidiaries	8	**(15.4)**	—
Net gain on business combinations	9	**(5.5)**	—
Loss on disposal of other non-current assets held for sale	10	**0.1**	—
Loss/(gain) on sale of joint venture interests	17	**0.1**	(5.6)
Net (impairment reversal)/impairment of joint ventures and associate interests	17, 18	**(0.1)**	0.2
Transfer of foreign currency translation on disposal of joint venture interests	17	**—**	(2.0)
Deferred tax	13	**1.3**	3.5
Joint venture adjustments:			
Loss on revaluation of investment property	17	**0.2**	0.9
Loss on sale of subsidiaries	17	**—**	0.7
Deferred tax		**0.2**	0.6
Elimination of unrecognised joint venture adjustments[(1)]		**(0.3)**	(0.1)
Non-controlling interest adjustments:			
Gain on revaluation of investment property		**1.4**	1.1
Gain on disposal of subsidiaries		**1.1**	—
Impairment of investment in associate		**—**	(0.1)
Deferred tax		**0.1**	(0.4)
Headline earnings attributable to equity holders of the Parent		**57.1**	47.3
Number of ordinary shares (millions)			
– Weighted average		**1,886.5**	1,809.9
– Diluted weighted average		**1,892.3**	1,811.9
Headline earnings per share (pence)			
– Basic		**3.0**	2.6
– Diluted		**3.0**	2.6

(1) The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture to date have equalled or exceeded the cost of the Group's investment (refer to Note 17). This adjustment eliminates the restricted losses for the year attributable to the Esplanade.

Notes to the financial statements continued

for the year ended 31 August 2018

38. Net asset value per share

Group	Note	31 August 2018 £m	31 August 2017 £m
Net assets attributable to equity holders of the Parent		**803.3**	740.4
Group adjustments:			
Fair value of derivative financial instruments	24	**1.8**	7.4
Deferred tax	25	**9.5**	10.4
Joint venture adjustments:			
Fair value of derivative financial instruments	17	**2.8**	3.5
Elimination of unrecognised derivative financial instruments(1)		**(2.8)**	(3.5)
Deferred tax	17	**0.6**	0.4
Non-controlling interest adjustments:			
Fair value of derivative financial instruments		**0.1**	—
Deferred tax		**(0.3)**	(0.3)
EPRA NAV		**815.0**	758.3
Group adjustments:			
Fair value of derivative financial instruments	24	**(1.8)**	(7.4)
Excess of fair value of debt over carrying value		**(3.7)**	(5.0)
Deferred tax	25	**(9.5)**	(10.4)
Joint venture adjustments:			
Fair value of derivative financial instruments	17	**(2.8)**	(3.5)
Elimination of unrecognised joint venture derivative financial instruments(1)		**2.8**	3.5
Deferred tax	17	**(0.6)**	(0.4)
Non-controlling interest adjustments:			
Fair value of derivative financial instruments		**(0.1)**	—
Deferred tax		**0.3**	0.3
EPRA NNNAV		**799.6**	735.4
Number of ordinary shares (millions)			
– In issue		**1,900.4**	1,828.1
Dilutive effect of:			
Contingently issuable share awards under the Long Term Performance Share Plan		**4.6**	1.3
Contingently issuable share awards under the Long Term Restricted Stock Plan		**1.2**	0.7
– Diluted		**1,906.2**	1,830.1
Net asset value per share (pence):			
– Basic		**42.3**	40.5
– Diluted		**42.1**	40.5
EPRA diluted NAV per share (pence)		**42.8**	41.4
EPRA diluted NNNAV per share (pence)		**41.9**	40.2

(1) The Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture to date have equalled or exceeded the cost of the Group's investment (refer to Note 17). This adjustment eliminates the derivative financial instruments attributable to the Esplanade from the proportionate adjustments.

39. Contingencies, guarantees and commitments

A former subsidiary of the Group, Redefine Australian Investments Limited, has undergone a review by the Australian Tax Office in respect of its calculation of Capital Gains Tax arising on the disposal of securities formerly held in Cromwell Property Group during 2013, 2014 and 2015. The Directors remain of the view, having sought advice from reputable tax agents and advisers, that the respective filing positions were correct and therefore following the orderly wind down of activities, the Directors placed the company in liquidation in January 2018.

At 31 August 2018, the Group was contractually committed to expenditure of £9.5 million (31 August 2017: £16.8 million), of which £8.3 million was committed to the future development and enhancement of investment property.

At 31 August 2018, the Company had no external contractual commitments (31 August 2017: £0.3 million). The Company has also provided wholly owned or controlled subsidiary undertakings with a commitment to provide continued financial support should the need arise.

40. Subsequent events

On 10 September 2018, the Group completed on the acquisition of a 13.5 acre land interest in Bicester, Oxfordshire for £7.9 million. The site has been consented for the development of two distribution units totalling 288,000 sqft in size. On the same day, the Group entered into a development agreement with Albion Land to construct the two units. In this respect, the Group has committed to further payments of £7.8 million and £10.3 million which become payable on practical completion of the first and second unit respectively. The first unit is expected to achieve practical completion in April 2019 and the second by the end of December 2019.

On 27 September 2018, the Group completed the acquisition of Southwood Business Park, an industrial estate in Farnborough, Hampshire for a total consideration of £26.3 million, reflecting a net initial yield of 6.2 per cent.

On 12 October 2018, the Group drew €19.4 million from a new facility secured over its property at Ingolstadt in Germany following completion of the main development and handover to Primark. The facility matures in June 2023 and carries a margin of 1.3 per cent and amortises by €0.3 million per annum.

41. Dividends

During the year ended 31 August 2018, the second interim dividend of 1.3 pence per share for the half year ended 31 August 2017 was distributed, as well as the interim dividend of 1.35 pence per share for the six-month period ended 28 February 2018. Both dividends were settled partly in cash and partly through the issue of scrip dividends.

The Board has declared a second interim dividend in respect of the year ended 31 August 2018 of 1.35 pence per share. The record date for the dividend will be Friday 30 November 2018, with payment made on Tuesday 18 December 2018. The payment will be made entirely in cash with no scrip alternative offered.

42. Approval of financial statements

The financial statements were approved by the Board on 25 October 2018.

Appendix A

Related undertakings of the Company

As at 31 August 2018, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates.

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	United Kingdom	Investment property	UK Retail	100.0
Standishgate Wigan Limited	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
Birchwood Warrington Limited	Jersey	Investment property	UK Retail	100.0
Seaham Wax Limited	British Virgin Islands	Holding	UK Retail	100.0
Seaham Limited	United Kingdom	Investment property	UK Retail	100.0
Byron Place Seaham Limited	United Kingdom	Investment property	UK Retail	100.0
Weston Favell Limited	British Virgin Islands	Investment property	UK Retail	100.0
St George's Harrow Limited	British Virgin Islands	Investment property	UK Retail	100.0
Ciref Malthurst Limited	British Virgin Islands	Holding	UK Commercial	100.0
Princes Street Investments Limited	Scotland	Investment property	UK Commercial	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
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
Ciref Europe Limited	British Virgin Islands	Holding	Europe	99.0
R.I. Waldkraiburg Limited	Cyprus	Holding	Europe	99.0
Huckelhoven Management GmbH	Germany	General Partner	Europe	99.0
RI Menora Kaiserslautern GmbH	Germany	General Partner	Europe	99.0
Ciref Premium Limited	Ireland	General Partner	Europe	99.0
CEL Portfolio 1 Limited & Co KG	Germany	Investment property	Europe	99.0
Chelvey Holdings Limited	Cyprus	Holding	Europe	99.0
ITB FMZ Reinheim B.V.	Netherlands	Holding	Europe	99.0
ITB Baumarkt Schwandorf B.V.	Netherlands	Investment property	Europe	74.2
ITB FMZ Herzogenrath B.V.	Netherlands	Investment property	Europe	74.2
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

Name of subsidiary	Domicile	Principal activity	Segment	Effective ownership %
Redefine International Management Holdings Limited[1]	British Virgin Islands	Holding	Other	100.0
RDI Management Services Limited	United Kingdom	Services Company	Other	100.0
Redefine Investment Managers Limited	United Kingdom	Holding	Other	100.0
RDI Retail Management Limited	United Kingdom	Services Company	Other	100.0
Redefine International Group Services Limited	Ireland	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 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
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
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
Redefine AUK Limited[1]	British Virgin Islands	Holding	Multiple	100.0
Redefine AUK Holdings Limited	British Virgin Islands	Holding	Multiple	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 City Point Leeds Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Deansgate Manchester Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Express Park Bridgewater 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 London Road Limited	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Omnibus Reigate 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 Severalls Colchester Limited	British Virgin Islands	Investment property	UK Commercial	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
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 Sparkhill 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
Redefine Enfield Limited	British Virgin Islands	Investment property	UK Hotels	100.0

Appendix A continued

Related undertakings of the Company continued

Subsidiaries continued

Name of subsidiary	Domicile	Principal activity	Segment	Effective ownership %
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
RDI Bicester Limited	Isle of Man	Investment property	UK Commercial	100.0
Wichford Edgbaston Holdings Limited[(1)]	British Virgin Islands	Holding	UK Commercial	100.0
Wichford Edgbaston Limited	Gibraltar	Investment property	UK Commercial	100.0
Everton Shopping Centre S.à.r.l[(1)]	Luxembourg	Holding	Europe	100.0
CMC Shopping Center Altona GmbH	Germany	Investment property	Europe	100.0
Einkaufszentrum Schloss-Strassen-Center, Berlin GmbH	Germany	Investment property	Europe	100.0
SMK Erste Investitionsgesellschaft GmbH	Germany	Investment property	Europe	100.0
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
Leopard Holding Germany 1 S.à.r.l	Luxembourg	Holding	Europe	94.0
Wichford VBG Holding S.à.r.l[(1)]	Luxembourg	Holding	Europe	49.0
RI Menora Finco S.A.	Luxembourg	Financing	Europe	49.0
ITB Management Huckelhoven B.V.[(1)]	Netherlands	Holding	Europe	76.0
RDI REIT Limited[(1)]	United Kingdom	Holding	Other	100.0
Redefine North Street Limited[(1)]	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Waterside Leeds Limited[(1)]	British Virgin Islands	Investment property	UK Commercial	100.0
Redefine Cyprus Limited[(1)]	Cyprus	Holding	Other	100.0

(1) Entities directly held by the Company.

Joint ventures

Name of joint venture	Domicile	Principal activity	Segment	Effective ownership %
RI Menora German Holdings S.à.r.l	Luxembourg	Holding	Europe	51.5
RI Menora German Holdings 2 S.à.r.l	Luxembourg	Holding	Europe	51.5
ITB FMZ Waldkraiburg B.V.	Netherlands	Investment property	Europe	54.3
ITB FMZ Huckelhoven GmbH & Co KG	Germany	Investment property	Europe	52.9
Kaiserlautern Merkustrasse GmbH & Co KG	Germany	Investment property	Europe	51.3
ST BAU Retail 20 Unternehmergesellschaft	Germany	Holding	Europe	48.4
TwentySix The Esplanade Limited	British Virgin Islands	Holding	UK Commercial	50.0
26 Esplanade No1 Limited	Jersey	Investment property	UK Commercial	50.0

Associates

Name of associate	Domicile	Principal activity	Segment	Effective ownership %
RBH Hotel Group Limited	British Virgin Islands	Holding	UK Hotels	25.3
RBH Hotels UK Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
RBH Hotel Management Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
RBH Earls Court Management Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
IHL Tenant Holdco Limited	United Kingdom	Holding	UK Hotels	25.3
The Gateway Hotel Dunstable Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
Sankara Hotels Gatwick Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
Southampton OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
Redditch OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	25.3
Edinburgh OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	25.3

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.

Total portfolio summary

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

31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
UK Commercial	515.9	29.7	31.5	5.1	5.2	5.6	5.3	98.1	16.0
UK Retail	481.0	38.7	38.1	6.4	6.8	7.3	7.8	95.9	20.6
UK Hotels	364.9	26.0	26.0	5.9	5.9	6.4	18.2	100.0	9.3
Total UK	**1,361.8**	**94.4**	**95.6**	**5.8**	**6.0**	**6.4**	**7.5**	**96.8**	**16.0**
Europe	258.6	15.2	15.2	4.4	4.9	5.5	5.0	98.0	95.1
Total	**1,620.4**	**109.6**	**110.8**	**5.6**	**5.8**	**6.3**	**7.0**	**97.1**	**27.0**
Controlled assets	1,595.0	107.8	109.0	5.6	5.8	6.3	7.0	97.0	26.6
Held in joint ventures (proportionate share)	25.4	1.8	1.8	6.4	6.4	6.7	5.5	100.0	52.9

UK Commercial

31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Offices – Serviced	163.4	11.0	10.9	6.0	6.0	6.0	n/a	n/a	—
Offices – Greater London	113.3	5.1	5.9	4.0	4.0	4.8	3.6	96.7	13.3
Offices – Regional	60.7	4.4	4.5	5.8	6.6	7.0	5.1	95.5	22.0
UK Offices	**337.4**	**20.5**	**21.3**	**5.3**	**5.4**	**5.8**	**4.3**	**96.2**	**8.1**
Distribution and Industrial	134.7	6.4	7.9	4.4	4.4	5.5	4.2	100.0	3.1
Automotive	43.8	2.8	2.3	6.2	6.2	4.9	11.3	100.0	100.0
UK Commercial	**515.9**	**29.7**	**31.5**	**5.1**	**5.2**	**5.6**	**5.3**	**98.1**	**16.0**

UK Retail

31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
UK Shopping Centres	290.9	26.1	25.8	6.9	7.3	8.1	7.7	96.4	25.8
UK Retail Parks	184.8	12.0	11.9	5.7	5.9	6.0	8.2	94.7	10.2
UK Other Retail	5.3	0.6	0.4	5.9	9.0	7.6	3.9	100.0	—
UK Retail	**481.0**	**38.7**	**38.1**	**6.4**	**6.8**	**7.3**	**7.8**	**95.9**	**20.6**

UK Hotels

31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Greater London	186.5	12.5	12.5	5.7	5.7	6.3	n/a	n/a	—
Regional	130.9	11.0	10.9	6.6	6.6	7.0	n/a	n/a	0.9
RBH managed portfolio	**317.4**	**23.5**	**23.4**	**6.1**	**6.1**	**6.6**	**n/a**	**n/a**	**0.4**
Travelodge	47.5	2.4	2.6	4.8	4.8	5.1	18.2	100.0	95.3
UK Hotels	**364.9**	**26.0**	**26.0**	**5.9**	**5.9**	**6.4**	**18.2**	**100.0**	**9.3**

Europe

31 August 2018	Market value £m	Annualised gross rental income £m	ERV £m	EPRA NIY %	EPRA topped up yield %	Reversionary yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
German Shopping Centres	190.6	10.5	10.4	3.9	4.6	5.1	5.0	98.7	94.9
German Supermarkets and Retail Parks	68.0	4.7	4.8	5.7	5.7	6.6	5.2	96.6	95.4
Europe	**258.6**	**15.2**	**15.2**	**4.4**	**4.9**	**5.5**	**5.0**	**98.0**	**95.1**

EPRA net initial yield

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

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Group total £m
Investment property – wholly owned	504.6	481.0	364.9	244.5	1,595.0
Investment property – held in joint ventures	11.3	—	—	14.1	25.4
Market value of total portfolio	**515.9**	**481.0**	**364.9**	**258.6**	**1,620.4**
Allowance for estimated purchasers' costs	35.1	32.7	24.8	16.6	109.2
Grossed up property portfolio valuation	**551.0**	**513.7**	**389.7**	**275.2**	**1,729.6**
Triple net rent	**28.3**	**33.1**	**23.1**	**12.0**	**96.5**
Impact of expiration of rent-free periods	0.5	1.8	—	1.4	3.7
Topped-up triple net rent	**28.8**	**34.9**	**23.1**	**13.4**	**100.2**
EPRA NIY (%)	**5.1**	**6.4**	**5.9**	**4.4**	**5.6**
EPRA topped-up NIY (%)	**5.2**	**6.8**	**5.9**	**4.9**	**5.8**

EPRA cost ratio

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

	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Other £m	Group total £m
Rental income	31.3	38.4	24.5	17.8	—	112.0
Operating lease expense	(0.3)	—	(1.1)	—	—	(1.4)
Adjusted for:						
Serviced Office rental income and operating lease expense(1)	(9.5)	—	—	—	—	(9.5)
Esplanade restricted income(2)	(0.9)	—	—	—	—	(0.9)
EPRA adjusted rental income	**20.6**	**38.4**	**23.4**	**17.8**	**—**	**100.2**
Rental expense	(4.5)	(2.8)	(1.3)	(2.7)	—	(11.3)
Administration expenses	(1.1)	(0.3)	(0.8)	(0.9)	(11.3)	(14.4)
Operating lease expense	0.3	—	1.1	—	—	1.4
Adjusted for:						
Serviced Office rental and administrative expenses(1)	4.2	—	—	—	—	4.2
EPRA adjusted operating expenses	**(1.1)**	**(3.1)**	**(1.0)**	**(3.6)**	**(11.3)**	**(20.1)**
Direct vacancy costs	0.6	2.7	0.1	1.1	—	4.5
EPRA adjusted operating expenses (excluding direct vacancy costs)	**(0.5)**	**(0.4)**	**(0.9)**	**(2.5)**	**(11.3)**	**(15.6)**
EPRA cost ratio (%) inc. direct vacancy costs						**20.1%**
EPRA cost ratio (%) exc. direct vacancy costs						**15.6%**

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

(2) As detailed in Note 16 to the financial statements, the Group's interest in the Esplanade has been reduced to date to £Nil due to the share of losses to date being in excess of the Group's investment. Rental income attributable to the Esplanade is therefore excluded from total rental income for the purpose of calculating the cost ratio which is prepared on a proportionate basis. There is negligible rental expense attributable to this joint venture.

EPRA property analysis continued

EPRA vacancy rate

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

31 August 2018	UK Commercial[1] £m	UK Retail £m	UK Hotels[1] £m	Europe £m	Group total £m
ERV of vacant space	0.4	1.5	—	0.3	2.2
ERV of total portfolio	20.6	38.1	2.6	15.2	76.5
EPRA vacancy rate	**1.9%**	**4.1%**	**—**	**2.0%**	**2.9%**

(1) Excludes the London Serviced Office portfolio and the RBH managed hotel portfolio due to the operational nature of those businesses.

EPRA capital expenditure analysis

31 August 2018	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total IFRS £m	Joint ventures £m	Group total £m
Capital expenditure on like-for-like portfolio[1]	1.0	4.0	3.2	5.9	14.1	—	14.1
Capitalised finance costs	—	—	—	0.7	0.7	—	0.7
Capital expenditure	**1.0**	**4.0**	**3.2**	**6.6**	**14.8**	**—**	**14.8**

31 August 2017	UK Commercial £m	UK Retail £m	UK Hotels £m	Europe £m	Total IFRS £m	Joint ventures £m	Group total £m
Capital expenditure on like-for-like portfolio[1]	1.0	3.5	2.9	12.2	19.6	—	19.6
Capitalised finance costs	—	—	0.2	0.3	0.5	—	0.5
Capital expenditure	**1.0**	**3.5**	**3.1**	**12.5**	**20.1**	**—**	**20.1**

(1) Capital expenditure on the like-for-like portfolio includes:

UK Commercial
Offices
£0.7 million of planning costs incurred on Charing Cross and £0.3 million on the refurbishment of additional London office space in advance of letting (31 August 2017: £0.3 million);

Distribution and Industrial
During 2017, £0.4 million on the refurbishment of vacant space at Severalls Industrial Estate, Colchester and £0.3 million on the refurbishment of a unit at Camino Park, Crawley in advance of letting to DFS Trading Limited;

UK Retail
UK Shopping Centres
£1.7 million expenditure on the phased development of the food court at West Orchards Shopping Centre, Coventry in addition to external works. £0.7 million on refurbishment works of the car park at St. George's Shopping Centre, Harrow. £0.5 million of general improvement works across the rest of the shopping centres (£1.5 million total expenditure across portfolio in 2017);

UK Retail Parks and Other Retail
£0.7 million on several expansion schemes across UK Retail Parks (31 August 2017: £1.4 million). £0.4 million on the redevelopment of Albion Street, Derby to combine the basement, ground, first and second floors of three existing units into a single, modern space to accommodate TK Maxx (31 August 2017: £0.6 million);

UK Hotels
£2.4 million on the refurbishment of the Holiday Inn Express, Edinburgh and commencement of extension works. £0.8 million primarily on completion of the 12-room extension of the Holiday Inn Express, Southwark (31 August 2017: £2.9 million); and

Europe
£5.7 million on the redevelopment of the existing shopping centre in Ingolstadt, Germany (31 August 2017: £11.9 million). £0.2 million was also spent on the first phase of the food court refurbishment in the Berlin shopping centre (31 August 2017: £0.3 million).

Top ten tenants

Ranking	Tenant	Portfolio	Sector	Annualised gross rental income £m	Total gross rental income %	Number of units held by tenant
1	B&Q Plc	UK Retail	Home and DIY	3.5	3.2	2
2	Tesco Stores Limited	UK Retail	Groceries	3.5	3.2	1
3	Primark	UK Retail	Fashion	3.1	2.9	2
4	UK Government bodies	UK Commercial	Government associated	2.8	2.6	11
5	Travelodge	UK Hotels	Limited service	2.4	2.2	5
6	Royal Mail	UK Commercial	Services	2.0	1.8	1
7	OBI	Europe	Home and DIY	1.7	1.5	3
8	Wilko	UK Retail	Discount and value	1.5	1.4	4
9	Debenhams	UK Retail	Department store	1.6	1.4	2
10	Refresco Gerber UK Ltd	UK Commercial	Distribution	1.4	1.3	2
				23.6	**21.5**	**33**

Top 20 assets

As at 31 August 2018	Market value £m	Portfolio by market value %	Area m²	Annualised gross rental £m	ERV £m	EPRA NIY %	EPRA topped up yield %	WAULT yrs	EPRA occupancy by ERV %	Indexed %
Berlin, Schloss-Strassen Center	84.0	5.2	18,581	4.4	4.4	4.2	4.2	5.1	97.1	91.0
Northampton, Weston Favell	78.2	4.8	30,757	6.5	6.7	6.8	7.4	7.4	94.4	53.9
Hamburg, Bahnhoff Altona	74.5	4.6	15,042	4.3	4.1	4.8	4.8	3.5	99.8	97.8
Crawley, Camino Park Distribution Centre	72.4	4.5	33,171	2.7	4.0	3.5	3.5	4.7	100.0	7.1
London, Harrow, St George's	70.2	4.3	20,133	5.0	4.8	5.7	5.8	3.4	98.6	4.0
Wigan, Grand Arcade	69.9	4.3	41,487	7.4	6.7	7.7	8.0	8.1	97.5	36.8
London, Monument, St Dunstan's	66.2	4.1	5,428	4.6	4.5	6.1	6.1	n/a	n/a	—
London, Charing Cross Road	58.5	3.6	3,716	2.0	2.4	3.2	3.2	4.4	100.0	33.7
Banbury, Banbury Cross Retail Park	51.0	3.1	16,610	3.2	3.6	5.0	5.5	6.8	82.5	13.4
London, Watford, The Arches Retail Park	50.0	3.1	11,599	3.2	2.8	6.0	6.0	9.0	100.0	—
Top ten assets	**674.8**	**41.6**								
Bridgwater, Express Park Distribution Centre	48.5	3.0	47,207	2.8	3.1	5.4	5.4	3.3	100.0	—
London, Southwark Holiday Inn Express	47.0	2.9	3,936	2.7	2.7	5.0	5.0	n/a	n/a	—
Edinburgh, DoubleTree Hilton	43.3	2.7	7,250	3.0	2.9	6.1	6.1	n/a	n/a	3.3
London, Merton, Priory Retail Park	36.2	2.2	6,255	1.9	2.0	5.0	5.0	8.7	100.0	—
London, Liverpool Street, New Broad Street	33.8	2.1	3,291	2.2	2.1	5.4	5.4	n/a	n/a	—
London, Earl's Court Holiday Inn Express	33.1	2.0	2,781	2.2	2.2	5.9	5.9	n/a	n/a	—
London, St Paul's, Little Britain	32.8	2.0	3,429	1.9	1.9	5.3	5.3	n/a	n/a	—
Ingolstadt, City Arcaden	32.2	2.0	12,211	1.9	1.8	1.1	5.0	8.2	100.0	97.5
London, Limehouse Holiday Inn Express	31.5	1.9	5,747	2.0	2.0	5.6	5.6	n/a	n/a	—
London, Waterloo, Boundary Row	30.6	1.9	3,326	2.4	2.3	7.2	7.2	n/a	n/a	—
Top 20 assets	**1,043.8**	**64.3**								

Other alternative performance measures

The following tables provide the basis of calculation of APMs that are not otherwise reconciled in other sections of the Annual Report.

Interest cover

Group (proportionately consolidated)	31 August 2018 £m	31 August 2017 £m
Net rental income	**99.1**	93.5
Net finance expense	**(28.7)**	(29.0)
Interest cover (times)	**3.5**	3.2

Total accounting return

Group (proportionately consolidated)	31 August 2018 Per share	31 August 2017 Per share
Dividends paid during the year (pence)	**2.65**	2.6
Growth in EPRA NAV (pence)	**1.4**	1.4
	4.1	4.0
Prior year EPRA NAV (pence)	**41.4**	40.0
Total accounting return (%)	**9.8**	10.0

Dividend pay-out ratio

Group (proportionately consolidated)	31 August 2018 Per share	31 August 2017 Per share
Dividends declared (pence)	**2.7**	2.6
Underlying earnings (pence)	**2.84**	2.75
Dividend pay-out ratio (%)	**95.1**	94.5

Dividend yield

Group (proportionately consolidated)	31 August 2018 Per share	31 August 2017 Per share
Dividends declared (pence)	**2.7**	2.6
EPRA NAV (pence)	**42.8**	41.4
Dividend yield (%) – on EPRA NAV	**6.3**	6.3
Dividends declared (pence)	**2.7**	2.6
Group share price at reporting date (pence)	**33.8**	39.4
Dividend yield (%) – on Group share price	**8.0**	6.6

Five year record

Summarised Group income statement	**2018 £m**	2017 £m	2016 £m	2015 £m	2014 £m
Rental income	**110.2**	97.2	86.6	68.3	66.2
Rental expense	**(11.1)**	(9.0)	(6.2)	(5.3)	(4.2)
Net rental income	**99.1**	88.2	80.4	63.0	62.0
Other operating income	**1.8**	4.7	2.5	3.9	1.0
Administrative costs and other fees	**(14.2)**	(15.3)	(10.9)	(11.1)	(11.9)
Net operating income	**86.7**	77.6	72.0	55.8	51.1
Net fair value gains/(losses) on investment property and assets held for sale	**11.7**	6.9	(42.5)	29.6	49.8
Net gains on disposal of investment property and property assets held for sale	**3.3**	10.7	3.2	—	—
Gain/(loss) on disposal of subsidiaries	**15.4**	—	12.2	(0.3)	—
Net gain on acquisition of subsidiaries	**4.4**	—	—	—	—
Gain on extinguishment/acquisition of debt	**—**	—	—	29.8	44.9
Net (loss)/gain on disposal of investment	**—**	—	—	(17.6)	3.1
Other items	**(1.2)**	(0.3)	0.6	11.2	(13.3)
Profit from operations	**120.3**	94.9	45.5	108.5	135.6
Net finance costs	**(28.7)**	(25.0)	(26.4)	(24.0)	(34.3)
Other items	**5.8**	3.6	(10.5)	(0.5)	0.6
Taxation	**(1.1)**	(3.9)	(1.1)	(6.1)	0.9
Profit after tax	**96.3**	69.6	7.5	77.9	102.8

Summarised Group balance sheet	**2018 £m**	2017 £m	Re-presented 2016 £m	2015 £m	2014 £m
Assets					
Investment property	**1,598.0**	1,494.9	1,396.4	934.4	892.5
Other non-current assets	**29.8**	34.1	83.7	59.6	128.1
Current assets	**66.1**	95.6	58.7	232.8	162.7
Total assets	**1,693.9**	1,624.6	1,538.8	1,226.8	1,183.3
Liabilities					
Non-current liabilities	**(796.8)**	(837.1)	(768.8)	(526.1)	(548.0)
Current liabilities	**(34.3)**	(25.3)	(36.6)	(63.9)	(125.6)
Total liabilities	**(831.1)**	(862.4)	(805.4)	(590.0)	(673.6)
Net assets	**862.8**	762.2	733.4	636.8	509.7

Summarised Group statement of cash flows	**2018 £m**	2017 £m	2016 £m	2015 £m	2014 £m
Cash flows from operating activities	**58.1**	49.4	39.6	35.6	27.8
Cash flows from investing activities	**81.3**	56.3	(369.7)	(25.9)	28.1
Cash flows from financing activities	**(132.2)**	(83.3)	270.8	(6.7)	(4.8)
Net increase/(decrease) in cash and cash equivalents	**7.2**	22.4	(59.3)	3.0	51.1

Other key metrics	**2018**	2017	2016	2015	2014
Shares in issue (millions)	**1,900.4**	1,828.1	1,794.7	1,474.3	1,296.1
EPRA earnings per share (pence)	**2.75**	2.8	2.7	4.7	6.9
Basic NAV per share (pence)	**42.3**	40.5	39.0	40.6	37.1
EPRA NAV per share (pence)	**42.8**	41.4	40.0	41.0	37.7
Weighted average cost of debt (%)	**3.4**	3.1	3.4	3.9	4.2
Weighted average debt maturity (years)	**6.7**	7.3	6.9	7.8	7.7
Loan-to-value (%)	**46.2**(1)	51.3	53.4	51.8	55.8

(1) 47.3% when adjusted to reflect transactions between 31 August 2018 and 25 October 2018 (31 August 2017: 50.0%).

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

Board
The Board of Directors of RDI REIT P.L.C.

BVI
British Virgin Islands

CPI
Consumer Price Index

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortisation

EPRA
European Public Real Estate Association

EPRA cost ratio
Administrative and operating costs expressed as a percentage of gross rental income as defined by EPRA

EPRA earnings
Earnings from operational activities as defined by EPRA's Best Practice guidelines

EPRA NAV
European Public Real Estate Association Net Asset Value

EPRA NIY
European Public Real Estate Association Net Initial Yield. The annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property

EPRA NNNAV
European Public Real Estate Association Triple Net Asset Value

EPRA topped-up initial yield
Net initial yield adjusted for the expiration of rent-free periods or other incentives

EPRA vacancy rate
Estimated rental value of vacant space as a percentage of the rental value of the portfolio as a whole

EPS
Earnings per share

ERV
The estimated market rental value of lettable space which could reasonably be expected to be obtained on a new letting or rent review

EU
European Union

EUR or Euro
Euro, the lawful common currency of participating member states of the European Monetary Union

GBP, Pound or Sterling
Great British Pound, the legal currency of the UK

GRESB
Global Real Estate Sustainability Benchmark

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

IHL
International Hotel Properties Limited

Indexed leases
A lease with rent review provisions which are dependent upon calculations with reference to an index such as the consumer price index or the retail price index

IPD
Investment Property Databank

JSE
JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange

Lease incentives
Any incentives offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit out or similar costs

Like-for-like net income
Net income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income and used to illustrate change in comparable income values

Like-for-like property
Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development and used to illustrate change in comparable capital values

LSE
The London Stock Exchange

LSO
London Serviced Office Portfolio

Loan-to-value or LTV
The ratio of net debt divided by the market value of investment property. Calculated on a proportionate (share of value) basis. See financial review for basis of calculation

LuxSE
The Luxembourg Stock Exchange

NAV
Net Asset Value

NCI
Non-controlling interest

Net debt
Total nominal value of bank borrowings less cash and cash equivalents

Occupancy
Occupancy expressed as a percentage of ERV, representing a measure of let space

OSIT
Office Space in Town, the Group's strategic partner and non-controlling shareholder in the LSO portfolio

RCF
Revolving Credit Facility

RDI REIT P.L.C., RDI, the Company or the Group
RDI REIT P.L.C. and, when taken together with all its subsidiaries and Group undertakings, collectively referred to as the "Group"

RBH
RBH Hotel Group Limited, formerly RedefineBDL Hotel Group Limited

Redefine Properties or RPL
Redefine Properties Limited, a company listed on the JSE, and the largest shareholder of the Company

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV

RevPar
Revenue per available room

RICS
Royal Institute of Chartered Surveyors

RIMH
Redefine International Management Holdings Limited

RHHL
Redefine Hotel Holdings Limited

SAICA
South African Institute of Chartered Accountants

TSogo Sun
Southern Sun Africa

UK
United Kingdom

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

Underlying earnings
EPRA earnings adjusted for the impact of non-cash debt accretion charges and FX gains and losses reflected in the income statement

WAULT
Weighted average unexpired lease term

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