



REDEFINE INTERNATIONAL P.L.C.

("Redefine International" or the "Company" or the "Group")

(Registration number 010534V)

LSE share code: RDI

JSE share code: RPL

ISIN: IM00B8BV8G91

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

COMMITTED TO BEING THE UK'S LEADING INCOME-FOCUSED REIT

Redefine International, the FTSE 250 income-focused UK-REIT, which has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange, today announces its results for the six months ended 28 February 2017.

Financial Highlights

| | Six months ended 28 February 2017 | Six months ended 29 February 2016 | Year ended 31 August 2016 |
|--|--|--------------------------------------|------------------------------|
| Income statement | | | |
| EPRA earnings (£m) | 23.8 | 23.1 | 44.1 |
| Underlying earnings (re-based) ⁽¹⁾ (£m) | 24.3 | 21.5 | 46.3 |
| Underlying earnings per share (re-based) (p) | 1.35 | 1.4 | 2.8 |
| Dividend per share (p) | 1.3 | 1.625 | 3.2 |
| Balance sheet | | | |
| Portfolio valuation (incl. JV share, £m) | 1,459.4 | 1,524.4 | 1,529.0 |
| Loan-to-value (%) ⁽²⁾ | 49.9 | 52.5 | 53.4 |
| EPRA NAV per share (p) | 40.4 | 40.3 | 40.0 |

⁽¹⁾ Refer to Glossary for explanation

⁽²⁾ LTV as reported at 28 February 2016 was pro-forma adjusted for AUK completion on 1 March 2016 and excludes The Hague

- Underlying earnings per share of 1.35 pence, in line with guidance
- Weighted average cost of debt reduced to 3.3% (31 August 2016: 3.4%)
- Interest cover improved to 3.1 times (31 August 2016: 2.7 times)
- Cash and available facilities of £100.3 million (31 August 2016: £57.3 million)

Operating Highlights

- Disposals totalling £95.0 million at an average premium of 12.4% to August 2016 market value
- 40 new leases completed in the period for a gross annual rent of £2.2 million, 2.3% ahead of ERV
- Occupancy increased to 98.0% (31 August 2016: 97.7%)
- Weighted average unexpired lease term of 7.5 years (31 August 2016: 7.8 years)
- Acquisition of controlling interest in the German supermarket portfolio, previously held in joint venture, for €49.4 million (£42.2 million) including costs, post period end

Greg Clarke, Chairman, commented:

“Against an uncertain backdrop, Redefine International has delivered a solid performance underpinned by a strategy which is expected to deliver a much stronger Company, portfolio and capital structure for the benefit of shareholders over the long-term. Following a number of transactions, the portfolio is now well on the way to being successfully repositioned for future income growth, meaning we can look to the future with renewed confidence.”

Mike Watters, Chief Executive, commented:

“The disposals achieved during the period, in addition to the selective re-investment of proceeds, illustrate our commitment to improving the overall quality of the portfolio. Simultaneously, we have strengthened our capital structure, underpinning sustainable shareholder value and enhanced long-term growth prospects. Our first-class asset management team continues to identify new opportunities to create value and sustain high occupancy levels, supporting our ability to deliver superior income-led total returns in this historic low interest rate environment.

“With optimism in the long-term outlook of the markets we operate in, we remain committed to driving Redefine International forward to cement the Company’s position as the UK’s leading income-focused diversified REIT.”

Results presentation, webcast and conference call

A meeting for analysts and investors will take place at 9.00 a.m. (UK time) at ‘etc.venues’, Monument, 8 Eastcheap, London, EC3M 1AE. The presentation and a live webcast will be available at 9.00 a.m. (UK time), 10.00 a.m. (SA time) which can be accessed via the homepage of the Company’s website: www.redefineinternational.com.

Conference call dial-in numbers

United Kingdom Local: 020 3059 8125

South Africa Local: 0318 197 008 or 0800 999 282

All other locations: +44 20 3059 8125

Conference code: **Redefine**

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Disclaimer

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STRATEGIC REPORT

Chief Executive's Report

In February 2017, the Company held its first Capital Markets Day where it set out its strategic priorities. With the Company experiencing a period of significant growth, we recognised the need to strengthen our portfolio and balance sheet in order to continue to deliver sustainable shareholder value and enhance growth prospects for the future.

I am pleased to report that we have already delivered solid progress against these objectives including a reduction in leverage to 49.9 per cent, the successful disposal of £95.0 million of assets at a 12.4 per cent premium to the August 2016 market value and the re-investment post period end of €49.4 million (including transaction costs) to acquire control of the German supermarket portfolio, previously held in a joint venture.

Results and dividends

Re-based underlying earnings increased by 13.0 per cent to £24.3 million (29 February 2016: £21.5 million) due to the full period impact of the AUK acquisition, the second tranche of which completed in March 2016. EPRA NAV per share increased by 1.0 per cent to 40.4 pence (31 August 2016: 40.0 pence) which was largely the result of both realised and unrealised gains on the property portfolio.

The Board has declared an interim dividend of 1.3 pence per share (29 February 2016: 1.625 pence per share), on earnings of 1.35 pence per share, which is in line with our re-based earnings metric and highlights progress towards our distribution pay-out target previously communicated.

Strategic priorities

Scalable business

There are a number of long-term benefits associated with greater scale, including enhanced access to capital markets, greater liquidity, lower cost of capital, overhead efficiencies and operational flexibility. However, these benefits will remain secondary to securing the right investment opportunities and the actions we are currently taking, including strengthening the balance sheet, places the Company in a stronger position to capitalise on future opportunities that may arise whilst weathering any potential Brexit volatility.

Income-focused portfolio

The portfolio continues to be enhanced through capital recycling and re-investment into income-led asset management opportunities within the existing portfolio. The disposals completed in the period reflected an average net initial yield of 6.1 per cent and an average reversionary yield of 5.8 per cent, illustrating our strategy of recycling out of assets with weak rental or income growth potential and concentrating the portfolio on assets with stronger growth prospects.

Efficient capital structure

The Group's loan-to-value ratio reduced to 49.9 per cent (31 August 2016: 53.4 per cent) largely as a result of a £58.3 million reduction in our proportionate share of debt to £792.3 million (31 August 2016: £850.6 million) and an increase in cash balances to £63.7 million (31 August 2016: £34.3 million). A further £29.0 million of disposals have been completed or are under offer post period end.

The Group's weighted average cost of debt reduced to 3.3 per cent (31 August 2016: 3.4 per cent) following a period of pro-active refinancing which has continued post period end, providing visibility of further reductions in the cost of debt and creating greater interest cost certainty as debt facilities are extended.

The long-term debt secured against four of our UK shopping centres has been successfully restructured post period end to reduce leverage and interest costs. The aggregate facility of £167.8 million has been reduced to £146.1 million and extended to April 2042. This restructuring included the termination of the historic profit share arrangement on Grand Arcade, Wigan. The aggregate prepayment and restructuring costs of £27.6 million will provide a marginal return of c.10 per cent, which will be accretive to earnings and efficient in terms of reduction in leverage.

Financial discipline

As previously announced, our earnings metric has been revised to an EPRA based measure which better aligns our earnings and dividend policy to operating cashflow. The dividend announced today of 1.3 pence reflects a pay-out against underlying earnings of 96 per cent. Our medium-term guidance on the pay-out ratio remains 90 – 95 per cent of underlying earnings, with dividends in the shorter term likely to be at the higher end of that range.

The combination of lower leverage and a reduced cost of debt has improved interest cover at a Group level to 3.1 times (31 August 2016: 2.7 times).

Outlook

The UK economy has proved more resilient since the UK June 2016 EU referendum than was widely anticipated, with growth forecasts recently revised upwards to 2.0 per cent for 2017. Unemployment has remained low and recent growth appears to be widespread across most regions. Notwithstanding this, the UK faces a number of uncertainties including an imminent General Election and the subsequent Brexit negotiations, as well as rising inflation.

The UK triggered Article 50 on 29 March 2017 which started the formal process of leaving the European Union. Despite the possibility of a protracted period of negotiation and market volatility, the UK continues to be a truly global real estate market supported by many factors including its skills base. London now employs more people in the information and communications sector than it does in the traditional finance and insurance sectors, evidenced by the continued strength in the occupier market in recent months.

The outlook for the German economy appears stable with modest growth and one of the lowest unemployment rates in Europe at 4.3 per cent. Prime yields in Germany's core markets are now at, or below, their last peak, but continuing scarcity of investment product and strong investment demand, particularly for prime assets, suggests ongoing support for valuations.

Our diversified portfolio, which includes a 21 per cent weighting to Germany (25 per cent following the German supermarket portfolio acquisition) and no direct exposure to the financial services markets in London, gives us relative confidence in our outlook.

Inflation and interest rates will continue to be closely monitored. General expectations are for official UK interest rates to rise in the next 24 months but for future increases to be gradual. Interest rates in Europe are also anticipated to remain low for an extended

STRATEGIC REPORT

Chief Executive's Report

period, although the European Central Bank monetary stimulus is likely to be reduced. Our pro-active approach to refinancing and extending debt maturities early in the current low interest rate environment places us in a strong position over the medium term in respect of interest cost certainty and mitigates refinancing risk.

Whilst there is ongoing political and economic uncertainty, we are focused on our strategic priorities and the fundamentals of our business. We will continue to enhance our portfolio by allocating capital to assets and opportunities that can provide sustainable and growing rental income and we will deliver that income to shareholders efficiently from a robust balance sheet.

Based on the results for the first half and current trading conditions, the Company's earnings guidance remains unchanged for the 2017 financial year, between 2.7 to 2.8 pence per share.

Mike Watters

Chief Executive

26 April 2017

STRATEGIC REPORT

Operating review

Portfolio Overview

The income characteristics of the portfolio continue to be enhanced through disciplined capital allocation and active asset management. We are focused on all aspects of income growth including income-led development, asset management opportunities and ancillary income generation through our commercialisation process. With long-term real estate returns proven to be driven largely by income returns, the portfolio is being progressively positioned to provide consistent and sustainable income with potential for capital growth:

- 32.3 per cent of the portfolio is subject to inflation-linked or fixed rental increases providing guaranteed income growth in a rising inflationary environment.
- Our weighted average lease length of 7.5 years is complemented by only 21 per cent of leases by rental income being subject to tenant breaks or expiries in the next five years.
- Our portfolio, diversified by sector and geography, provides a broad range of high quality tenants with little concentration risk.
- Our internally managed commercialisation function is actively enhancing the quality of advertising and promotional activity within our retail assets. Commercialisation income of £1.1 million has already been secured in 2017, a 20 per cent increase on the same period last year.

| Portfolio summary 28 February 2017 | Market value (£m) | Annualised gross rental income (£m) | ERV (£m) | EPRA NIY (%) | EPRA topped up yield (%) | Reversionary yield (%) | WAULT (yrs) | EPRA voids (by ERV) (%) | Indexed (%) |
|---|-------------------------|--|--------------|--------------------|-----------------------------------|------------------------------|----------------|----------------------------------|----------------|
| UK Retail | 537.0 | 40.3 | 40.3 | 6.2 | 6.4 | 7.0 | 8.3 | 2.5 | 15.6 |
| UK Commercial | 386.1 | 24.9 | 25.4 | 5.6 | 5.9 | 6.1 | 5.9 | 3.3 | 25.6 |
| UK Hotels | 229.3 | 15.3 | 15.5 | 6.2 | 6.2 | 6.3 | 9.8 | - | 5.2 |
| Total UK | 1,152.4 | 80.5 | 81.2 | 6.0 | 6.2 | 6.6 | 7.8 | 2.3 | 16.7 |
| Europe | 307.0 | 19.6 | 20.4 | 5.3 | 5.4 | 6.2 | 6.1 | 1.0 | 96.5 |
| Total | 1,459.4 | 100.1 | 101.6 | 5.9 | 6.0 | 6.5 | 7.5 | 2.0 | 32.3 |
| Wholly owned | 1,359.6 | 92.4 | 94.2 | 5.8 | 6.0 | 6.5 | 7.5 | 2.1 | 27.7 |
| Held in joint ventures (proportionate) | 99.8 | 7.7 | 7.4 | 6.6 | 6.6 | 6.9 | 8.1 | 0.8 | 88.2 |

Leasing activity

Portfolio occupancy by ERV increased to 98.0 per cent (31 August 2016: 97.7 per cent) driven largely by successful lettings in the UK Commercial portfolio totalling 42,500 sqft (3,900 sqm).

Leasing activity summary

New lettings and lease renewals

| | |
|--|--------------|
| Number | 40 |
| Annualised rental income from new lettings | £2.2 million |
| Comparison to ERV | 2.3% |

Rent reviews

| | |
|-------------------------------------|--------------|
| Number | 57 |
| Passing rent agreed | £3.8 million |
| Comparison to previous passing rent | 4.2% |
| Comparison to ERV | 8.4% |

Key leasing activity completed during the period:

- City Point, Leeds – all of the remaining vacant space at City Point, Leeds, comprising 10,900 sqft (1,000 sqm) on the second floor, was filled following the signing of a 10 year lease to Blacks Solicitors in January 2017, which was completed at £25.0 psf, in line with ERV. The 61,500 sqft (5,700 sqm) office building is now fully occupied and has a strong tenant mix including Ashcourt Rowan p.l.c., GVA, Savills, JLL, Starbucks and HSBC.
- Schloss Strassen Centre, Berlin – REWE has agreed to a 10 year reversionary lease creating a 15 year unbroken term which will see it increase its floor area by approximately 1,900 sqft (200 sqm) subject to obtaining vacant possession of a neighbouring unit. The agreed annualised rent of €0.4 million p.a. is in line with the current passing rent of the combined units.

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Operating review

Rateable values

In January 2016 the UK Valuation Office Agency published an updated rating list for England and Wales which has been adopted from 1 April 2017. The change in rateable values for commercial real estate will have a direct impact on business rates and therefore the total cost of occupation to tenants and the cost of vacant space to landlords. In general, rates are expected to increase materially in London while many regional centres are anticipated to see a reduction in rateable values. Across our UK portfolio (excluding the UK Hotel portfolio) our expectation is for rates to reduce by approximately 6.9 per cent. Our hotels, which are largely London focused, are anticipated to see a 51 per cent increase in rates. The impact of the change in rates is to be phased in over a three year period, however, the change is now reflected in hotel property values.

Acquisitions

On 7 April 2017, the Company announced the acquisition of a controlling interest in the Leopard portfolio from its joint venture partner, Redefine Properties.

The Leopard portfolio comprises 66 properties and totals 1,505,500 sqft (140,000 sqm) of lettable area. It includes a mixture of stand-alone supermarkets, foodstore anchored retail parks and cash & carry stores. The properties are well located within their respective micro markets, with 86.4 per cent of the total annual rental income located in Western Germany and Berlin and the remainder in Eastern Germany.

Key portfolio attributes include:

- Gross rental income of €13.9 million.
- Edeka, Netto, Real and Rossmann account for over 85.6 per cent of gross rental income, providing strong tenant covenants.
- WAULT of 8.4 years.
- Portfolio occupancy of 99.2 per cent by estimated market rental value.
- 99.2 per cent of gross rental income is indexed, typically between 60 - 70 per cent of German CPI, subject to cumulative indexation reaching a hurdle of 10 per cent since the last rent review date.

The portfolio provides exposure to high quality, secure, indexed-linked cashflows with opportunities to extend existing stores and re-gear leases.

| Leopard portfolio 28 February 2017 | Market value (€m) | Annualised gross | | Reversionary | | WAULT (yrs) | Indexed (%) |
|---------------------------------------|----------------------|-----------------------|-------------|-----------------|--------------|----------------|----------------|
| | | rental income (€m) | ERV (€m) | EPRA NIY (%) | yield (%) | | |
| Edeka | 90.8 | 6.8 | 6.5 | 7.1 | 6.7 | 9.7 | 100.0 |
| Netto | 25.4 | 2.1 | 2.0 | 7.7 | 7.3 | 8.9 | 100.0 |
| Real | 28.8 | 2.4 | 2.2 | 7.9 | 7.1 | 6.3 | 100.0 |
| Multi-let | 30.5 | 2.6 | 2.5 | 7.9 | 7.7 | 6.3 | 93.2 |
| Total | 175.5 | 13.9 | 13.2 | 7.4 | 7.0 | 8.4 | 99.2 |

The acquisition provides an efficient re-investment of capital from recent disposals into a portfolio in which the Company already held a 50 per cent share. The acquisition also further simplifies the Company's portfolio and structure, with the Leopard portfolio assets now under our control, providing greater flexibility over future asset management and investment decisions.

Disposals

It has been an active period with £95.0 million of assets sold in seven separate transactions, with a further £29.0 million completed or under offer post period end. Our disposal strategy has focused on assets where business plans have been successfully executed and values maximised, as well as assets with negative rental and/or capital growth expectations. Disposals completed during the period reflected a 12.4 per cent premium to August 2016 market value. Net rental income associated with these disposals totals £6.1 million.

| Disposals since 31 August 2016 | Completion | Market value | Sales price (£m) | Net rental income (£m) | EPRA NIY on sales price (%) | Reversionary |
|--------------------------------|----------------|------------------------|---------------------|------------------------------|-----------------------------------|--------------------------------|
| | | 31 August 2016 (£m) | | | | yield on sales price (%) |
| Brandenburg, Germany | September 2016 | 0.1 | 0.2 | - | 15.4 | 12.1 |
| Exchange House, Watford | October 2016 | 11.8 | 13.3 | 1.0 | 6.9 | 5.8 |
| VBG portfolio, Germany | January 2017 | 40.6 | 44.4 | 3.3 | 7.2 | 4.9 |
| 201 Deansgate, Manchester | January 2017 | 25.5 | 29.2 | 1.1 | 3.6 | 7.0 |
| Parliament Square, Edinburgh | February 2017 | 3.5 | 4.0 | 0.4 | 9.3 | 4.1 |
| Delta 900, Swindon | February 2017 | 2.7 | 3.6 | 0.3 | 7.3 | 8.0 |
| Recklinghausen, Germany | February 2017 | 0.3 | 0.3 | - | 6.1 | 7.6 |
| Total | | 84.5 | 95.0 | 6.1 | 6.1 | 5.8 |

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Operating review

Exchange House, Watford

As announced with our prior year end results, the sale of Exchange House was completed in October 2016 for £13.3 million, a 12.7 per cent premium to August 2016 market value. The sale price reflects a net initial yield of 6.9 per cent and a reversionary yield of 5.8 per cent. The 63,000 sqft (5,900 sqm) office building is occupied by the Department of Work and Pensions until March 2023 with a break option in March 2018. The annual passing rent was £1.0 million.

VBG

On 18 January 2017, the Company completed on the sale of four German office assets for a gross consideration of €106.0 million. The assets, which were disposed of via a share sale and included related debt facilities, were held in a joint venture with the Menora Mivtachim Group. The Company's 49 per cent share reflects an 8.6 per cent premium to the August 2016 market value in Euro terms. The Company's net proceeds of €24.9 million, which includes a performance fee of €2.4 million, delivered an IRR of 27 per cent over the investment period.

The properties, situated in Berlin, Dresden, Cologne and Stuttgart, total 485,900 sqft (45,100 sqm), and are let to a German government-backed social insurance body, VBG, on a combined WAULT of just under seven years. The portfolio generated a total annual gross rental income of €8.1 million, of which €4.0 million was attributable to Redefine International.

Deansgate, Manchester

On 31 January 2017, the Company completed on the disposal of 201 Deansgate in Manchester for £29.2 million. The property provides 83,700 sqft (7,800 sqm) of office space and delivered an annual net rental income of £1.1 million, with a WAULT of 4.1 years. The office was originally acquired as part of the AUK Portfolio in March 2016 and the sales price represents a net initial yield of 3.6 per cent and a 14.3 per cent premium to the last reported market value. The geared IRR over the investment period was 22 per cent.

Development and capital expenditure

Development activity is focused on refurbishing existing assets and adding incremental space and income to meet additional occupier demand.

| Scheme | Description | Capital | Start | Completion | Yield on cost |
|--------------------------------|-------------------------------------|-------------|---------|------------|---------------|
| | | expenditure | | | (%) |
| | | (£m) | | | |
| City Arcaden, Ingolstadt | Primark development | 15.8 | Q1 2016 | Q3 2017 | 5.4 |
| Holiday Inn Express, Southwark | 12 room extension and refurbishment | 3.6 | Q4 2016 | Q3 2017 | 6.0 |
| Albion Street, Derby | Redevelopment (pre-let) | 2.2 | Q1 2016 | Q2 2018 | 9.7 |
| Retail Parks | 5 additional units | 2.6 | Various | 2017/2018 | 12.2 |
| Foodstore extensions, Germany | 3 extensions | 4.3 | Various | 2017/2018 | 7.7 |
| Total | | 28.5 | | | 6.8 |

City Arcaden, Ingolstadt

The redevelopment of this prime retail asset is anticipated to be completed in June 2017 and will transform the existing retail pitch. The completed scheme will total approximately 129,000 sqft (12,000 sqm) including two retail units let to Primark and H&M of approximately 100,000 sqft (9,500 sqm). The scheme is anticipated to generate €2.1 million in rental income resulting in a yield on cost of 5.4 per cent.

Holiday Inn Express, Southwark

The twelve room extension and upgrade to the front and rear façade is on target with development works anticipated to be completed in the third quarter of 2017. The hotel's operating business continues to deliver consistent underlying revenue growth with revenue up 1.3 per cent year-to-date despite the disruptions from the extension and refurbishment works.

Albion Street, Derby

Terms have been agreed for a new 15 year lease with an international discount fashion retailer at a rent of £0.2 million p.a. The introduction of a well-known international brand will strengthen the retail pitch considerably and support the letting of the remaining vacant shop units.

Retail Parks

Four additional pods are at advanced stages of planning approval and the new Pure Gym unit at Banbury Cross Retail Park is under construction. In total, the new units will provide an additional £0.3 million of rental income reflecting a yield on cost of 12.2 per cent.

Foodstore extensions, Germany

Three extensions to foodstore units are being progressed which include extending the existing leases to new 15 year terms. The extensions for tenants such as REWE, Edeka and Netto will provide long-term indexed-linked income returns from strong covenants. They total over 12,900 sqft (1,200 sqm) and are expected to provide a yield on cost of 7.7 per cent.

STRATEGIC REPORT

Operating review

UK Retail

UK consumer confidence has recovered quickly post the initial shock of the EU referendum result. However, inflationary pressure following Sterling weakness and its impact on import prices is yet to be fully reflected in economic terms. The outlook therefore remains cautious with value oriented retailers likely to be more resilient.

Occupancy across the UK Retail portfolio declined marginally to 97.5 per cent (31 August 2016: 98.7 per cent). The portfolio value was broadly unchanged at £537.0 million (31 August 2016: £537.1 million). UK Shopping Centres declined 0.7 per cent largely as a result of a 0.5 per cent reduction in gross rental income reflecting a 150 bps increase in vacancy. Conversely, UK Retail Parks and Other Retail increased by 1.1 per cent to £202.0 million (31 August 2016: £199.9 million).

| UK Retail 28 February 2017 | Market value (£m) | Annualised gross rental income (£m) | ERV (£m) | EPRA NIY (%) | EPRA topped up yield (%) | Reversionary yield (%) | WAULT (yrs) | EPRA voids (by ERV) (%) | Indexed (%) |
|-------------------------------|-------------------------|--|-------------|--------------------|-----------------------------------|------------------------------|----------------|----------------------------------|----------------|
| UK Shopping Centres | 335.0 | 26.2 | 27.2 | 6.2 | 6.4 | 7.6 | 7.7 | 3.4 | 22.6 |
| UK Retail Parks | 169.8 | 11.7 | 10.8 | 6.2 | 6.5 | 6.0 | 7.9 | - | 3.1 |
| UK Retail – Other | 32.2 | 2.4 | 2.3 | 6.4 | 6.4 | 6.7 | 16.6 | 3.3 | - |
| UK Retail | 537.0 | 40.3 | 40.3 | 6.2 | 6.4 | 7.0 | 8.3 | 2.5 | 15.6 |

Shopping Centres

Occupancy across the UK shopping centre portfolio declined to 96.6 per cent (31 August 2016: 98.1 per cent). Rental income across the shopping centre portfolio declined marginally with annualised gross rental income down 0.5 per cent. ERVs have remained broadly unchanged. The 41,300 sqft (3,800 sqm) former BHS unit at Grand Arcade, Wigan is now under offer to a national operator.

Asset management activity has been targeted at income-led opportunities including the refurbishment of the food court and the reconfiguration of retail space at West Orchards, Coventry to drive new lettings, including 4,000 sqft (400 sqm) let to Footasylum. In aggregate, asset management initiatives at West Orchards are targeting additional net rental income of £0.5 million which would reflect an approximate yield on cost of 18.0 per cent.

Retail Parks

Our retail park portfolio remains fully occupied which, when combined with generally low vacancy rates across the sector, gives us cautious optimism in relation to occupier demand and rental value growth.

Asset management activity is focused on adding marginal income through the introduction of convenience food and beverage offerings, extensions for leisure use and commercialisation opportunities across the portfolio. Pre-let agreements have been secured for £0.3 million of rental income including a new 10 year lease with Pure Gym at Banbury Cross Retail Park. The 7,500 sqft (700 sqm) extension will deliver £0.2 million of rental income and a yield on cost of 15.0 per cent.

UK Commercial

The regional office market has remained robust with the availability of Grade A space well below historic averages.

Occupancy across the UK Commercial portfolio increased to 96.7 per cent (31 August 2016: 94.6 per cent) following over 42,500 sqft (3,900 sqm) of new lettings and renewals in the office portfolio and the sale of 201 Deansgate, Manchester which included 16,600 sqft (1,500 sqm) of vacant office space.

The portfolio value increased by 2.7 per cent on a like-for-like basis to £386.1 million. The overall increase was driven predominantly by strong uplifts in the distribution and industrial assets and in the office at Charing Cross Road, London, reflecting a strong investment market and clear evidence of underlying rental growth.

| UK Commercial 28 February 2017 | Market value (£m) | Annualised gross rental income (£m) | ERV (£m) | EPRA NIY (%) | EPRA topped up yield (%) | Reversionary yield (%) | WAULT (yrs) | EPRA voids (by ERV) (%) | Indexed (%) |
|-----------------------------------|-------------------------|--|-------------|--------------------|-----------------------------------|------------------------------|----------------|----------------------------------|----------------|
| UK Offices – Greater London | 87.1 | 3.4 | 4.4 | 3.0 | 3.5 | 4.7 | 7.1 | - | 19.9 |
| UK Offices – Regional | 127.9 | 11.0 | 10.6 | 7.3 | 7.8 | 7.7 | 3.7 | 5.2 | 25.5 |
| UK Offices | 215.0 | 14.4 | 15.0 | 5.6 | 6.1 | 6.5 | 4.5 | 3.7 | 24.2 |
| UK Distribution and Industrial | 104.1 | 6.2 | 7.0 | 5.3 | 5.6 | 6.3 | 5.5 | 4.0 | - |
| UK Automotive | 67.0 | 4.3 | 3.4 | 6.0 | 6.0 | 4.7 | 11.3 | - | 67.2 |
| UK Commercial | 386.1 | 24.9 | 25.4 | 5.6 | 5.9 | 6.1 | 5.9 | 3.3 | 25.6 |

STRATEGIC REPORT

Operating review

Office Portfolio

An active period of leasing combined with the sale of 201 Deansgate, Manchester has increased occupancy across the portfolio to 96.3 per cent (31 August 2016: 93.1 per cent). Three leases totalling 15,100 sqft (1,400 sqm) were completed in the period providing rental income of £0.3 million, marginally ahead of ERV.

Our office at Charing Cross Road continues to benefit from the large-scale investment in the immediate area in connection with the Crossrail Tottenham Court Road Station which is due to start operating in 2018. Crossrail will link the West End to Canary Wharf in twelve minutes, Stratford in thirteen and Heathrow in less than 30, bringing an additional 1.5 million people to within a 45 minute commute of the popular retail and entertainment district. We have received strong occupational and investment demand providing a range of asset management options for the property. A pre-planning application has been submitted and the detailed planning process is on-going.

The major letting during the period was to Blacks Solicitors at City Point, Leeds. The firm of solicitors took the remaining 10,900 sqft (1,000 sqm) on a 10 year lease at a headline rent of £25.0 psf which was in line with ERV.

Distribution and Industrial Portfolio

The distribution and industrial sectors remain beneficiaries of the ongoing change in all aspects of retail. Demand from online retailers resulted in a record 34 million sqft of warehouse space being transacted in the UK during 2016. This demand, coupled with relatively low levels of supply and a relatively modest development pipeline, should be supportive of rents.

Given the strength of the occupational market, the investment market has been equally strong with £2.6 billion of acquisitions in 2016. Prime yields stand at around 5.0 per cent although investment demand is placing further downward pressure on yields.

These trends are evident in our own portfolio, particularly at Camino Park, Crawley where £1.6 million of rental income is subject to rent review in late 2017. Average passing rents on acquisition in March 2016 were £7.5 psf. Recent lettings have been completed at £10.3 psf and more recent evidence indicates rents of £13.0 psf which would reflect an increase of approximately 73 per cent on passing rent since acquisition.

The refurbishment of 53,400 sqft (5,000 sqm) of vacant space at Colchester has been completed and is now being actively marketed.

UK Hotels

Following a relatively weak start to the financial year, underlying trading during recent months has recovered strongly with revenue figures for the six month period to 28 February 2017 ahead of management's budgets and the prior period performance by 1.3 and 3.9 per cent respectively. This recent strong trading performance has been partly offset by the anticipated impact of higher rates, particularly across the London portfolio.

The outlook for London hotels is mixed with uncertainty around the impact of the vote to leave the EU, security concerns and tighter corporate travel budgets offset by the positive impact of the significant fall in Sterling which is expected to support tourism and investment demand. Occupancy and RevPar are forecast by PwC to grow by 0.9 per cent and 3.3 per cent respectively. We have experienced a similar trend, with current trading performance showing modest growth over the same period last year. Supply of hotel space is expected to grow by approximately five per cent in London over 2017 with the majority still focused on budget hotels.

The portfolio value remained broadly unchanged at £229.3 million (31 August 2016: £229.2 million).

| | Market value | Annualised gross rental income | ERV | EPRA NIY | EPRA topped up yield | Reversionary yield | WAULT (yrs) | EPRA voids (by ERV) | Indexed |
|--|--------------|--------------------------------|-------------|------------|----------------------|--------------------|-------------|---------------------|------------|
| | (£m) | (£m) | (£m) | (%) | (%) | (%) | (yrs) | (%) | (%) |
| UK Hotels | | | | | | | | | |
| 28 February 2017 | | | | | | | | | |
| Greater London Portfolio | 181.2 | 12.0 | 12.2 | 6.2 | 6.2 | 6.3 | 8.8 | - | - |
| Edinburgh, DoubleTree by Hilton | 33.1 | 2.6 | 2.6 | 7.2 | 7.2 | 7.2 | 9.0 | - | 3.4 |
| RBDL Managed Hotels⁽¹⁾ | 214.3 | 14.6 | 14.8 | 6.4 | 6.4 | 6.4 | 8.8 | - | 0.6 |
| London, Enfield Travelodge | 15.0 | 0.7 | 0.7 | 4.5 | 4.5 | 4.5 | 30.4 | - | 100.0 |
| UK Hotels | 229.3 | 15.3 | 15.5 | 6.2 | 6.2 | 6.3 | 9.8 | - | 5.2 |

⁽¹⁾ Subject to annual review with reference to forecast EBITDA of the RedefineBDL managed portfolio.

RedefineBDL

The Company's 30.4 per cent stake in RedefineBDL, the largest independent hotel management company in the UK, produced underlying earnings of £0.3 million during the period, a decrease of £0.9 million over the same period last year which included a £1.1 million contract termination fee.

International Hotel Properties Limited

The Company's 17.2 per cent investment in International Hotel Properties Limited ("IHL") had a market value of £9.8 million at 28 February 2017 resulting in a fair value gain of £1.0 million for the first half of the year. No dividend has yet been declared in respect of the current financial period.

STRATEGIC REPORT

Operating review

Europe

Strong fundamentals in Germany combined with low interest rates and uncertainty in other European investment markets has led to sustained capital flows into commercial real estate and significant competition for good quality investment opportunities. These dynamics have led to yields reaching historic lows in many markets, particularly for core assets. Given the strength of the investment market, returns will be increasingly reliant on income and rental growth with further yield compression likely to be limited.

The European portfolio occupancy increased to 99.0 per cent (31 August 2016: 98.5 per cent) following 64,200 sqft (6,000 sqm) of new lettings and renewals.

The portfolio value increased by 0.2 per cent on a like-for-like basis in local currency terms to €337.1 million. The shopping centre portfolio, including development property, increased in value by 2.0 per cent to €192.4 million reflecting strong investment demand, particularly for core assets in Berlin and Hamburg.

| Europe | Market value | Annualised gross rental income | ERV | EPRA NIY | EPRA topped up yield | Reversionary yield | WAULT (yrs) | EPRA voids (by ERV) | Indexed |
|-------------------------------|--------------|--------------------------------|-------------|------------|----------------------|--------------------|-------------|---------------------|-------------|
| 28 February 2017 | (£m) | (£m) | (£m) | (%) | (%) | (%) | (yrs) | (%) | (%) |
| Shopping Centres | 164.3 | 8.8 | 9.8 | 4.3 | 4.5 | 5.6 | 4.9 | 0.1 | 95.8 |
| Supermarkets and Retail Parks | 142.7 | 10.8 | 10.6 | 6.4 | 6.4 | 6.9 | 7.1 | 1.9 | 97.0 |
| Europe | 307.0 | 19.6 | 20.4 | 5.3 | 5.4 | 6.2 | 6.1 | 1.0 | 96.5 |

Asset management activity has focused on the Schloss-Strassen Centre in Berlin with plans to modernise the existing food court and improve the food offering, as well as increase the allocation of space to food and convenience offerings.

Bakery Junge, have taken 1,900 sqft (200 sqm) of previously vacant space at an annual rent of €0.1 million. The national operator provides a popular concept and will broaden the food offer to cater for commuter footfall associated with the centre's strong transport links.

REWE has agreed to a conditional lease extension which would create a 15 year unbroken term and increase its floor area by approximately 1,900 sqft (200 sqm). The agreed annualised rent of €0.4 million p.a. is in line with the current passing rent of the combined units.

The pharmacy chain, dm, has also agreed to extend their floor area by 1,100 sqft (100 sqm) into the neighbouring vacant unit on a new 10 year lease for a total rent of €0.3 million.

STRATEGIC REPORT

Financial review

Overview

The Group had an active first half of 2017, particularly with respect to capital recycling and leverage reduction. In total, £95.0 million of assets were disposed at an aggregate premium of £10.5 million (12.4 per cent) on 31 August 2016 valuations. Most notable were the disposals of the VBG portfolio in Germany and an office building in Deansgate, Manchester which achieved IRRs over the investment period of 27 per cent and 22 per cent respectively.

The proceeds generated reduced the Group's loan-to-value ratio and supported re-investment into assets with improved property fundamentals, post period end. Three small facilities were also refinanced, typically at lower gearing levels and with lower associated margins.

The Company hosted a Capital Markets Day in early February to provide an update on business activities and give further guidance and explanation of the strategic rationale surrounding the change to the Group's key earnings measure and dividend policy.

The combined effect of aligning earnings to an EPRA based measure, whilst lowering the Group's pay-out ratio, has provided headroom to operational cashflow, a degree of financial flexibility for investment, progression of asset management initiatives and leverage reduction.

The Group's key earnings metric, underlying earnings, is based on EPRA earnings. This is then adjusted to remove the impact of foreign exchange gains and losses and non-cash IFRS debt accretion charges which are recurring in nature and significant in size. Underlying earnings as reported for the first half of 2016 were £25.4 million (1.7 pence per share). Re-basing the comparative period, which removes the impact of discontinued company adjustments, would have resulted in earnings of £21.5 million (1.4 pence per share). The reduction in earnings per share to 1.35 pence for the first half of 2017 is attributable to both the income lost following disposals and certain non-recurring administrative costs, discussed in more detail below.

The Board has today declared a distribution of 1.3 pence per share for the first half of 2017 representing a 96 per cent pay-out ratio on re-based underlying earnings, slightly above our medium-term target range of 90 – 95 per cent. Group LTV has reduced to 49.9 per cent from 53.4 per cent at 31 August 2016, bringing us within the upper end of our medium-term LTV target range of 45 – 50 per cent.

EPRA NAV per share increased by one per cent to 40.4 pence, driven primarily by both realised and unrealised gains on the Group's property portfolio.

Presentation of financial information

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

| Income statement | Six months ended 28 February 2017 | | | Six months ended 29 February 2016 | | |
|---|--------------------------------------|-------------------------|----------------------|--------------------------------------|-------------------------|----------------------|
| | IFRS £m | Joint Ventures £m | Group Total £m | IFRS £m | Joint Ventures £m | Group Total £m |
| Gross rental income | 45.8 | 5.0 | 50.8 | 40.2 | 4.7 | 44.9 |
| Property operating expenses | (4.3) | (0.5) | (4.8) | (2.5) | (0.5) | (3.0) |
| Net rental income | 41.5 | 4.5 | 46.0 | 37.7 | 4.2 | 41.9 |
| Other income | 4.8 | (2.0) | 2.8 | 1.3 | 0.5 | 1.8 |
| Administrative expenses | (8.4) | (0.4) | (8.8) | (5.2) | (0.3) | (5.5) |
| Net operating income | 37.9 | 2.1 | 40.0 | 33.8 | 4.4 | 38.2 |
| Net finance costs | (11.6) | (3.4) | (15.0) | (12.2) | (3.2) | (15.4) |
| Loss from joint ventures (EPRA) | (1.2) | 1.2 | - | (0.4) | 0.4 | - |
| Tax, FX, NCI and other | (1.3) | 0.1 | (1.2) | 1.9 | (1.6) | 0.3 |
| EPRA earnings | 23.8 | - | 23.8 | 23.1 | - | 23.1 |
| <i>Company Adjustments:</i> | | | | | | |
| Debt fair value accretion adjustments | 0.5 | - | 0.5 | 1.1 | - | 1.1 |
| Foreign exchange gain | - | - | - | (2.7) | - | (2.7) |
| Underlying earnings (re-based) | 24.3 | - | 24.3 | 21.5 | - | 21.5 |
| Net gain on sale of joint ventures interests | 5.2 | (0.2) | 5.0 | - | - | - |
| Fair value gain/(loss) on investment property | 2.6 | (0.6) | 2.0 | (17.3) | (0.5) | (17.8) |
| Gain on disposal of investment property | 5.9 | - | 5.9 | 3.4 | - | 3.4 |
| Fair value gain on listed securities | 1.0 | - | 1.0 | 1.0 | - | 1.0 |
| Fair value movement on derivatives | 4.4 | 0.9 | 5.3 | (2.5) | (1.4) | (3.9) |
| Other finance expenses | (1.5) | - | (1.5) | (0.8) | - | (0.8) |
| Loss from joint ventures (non-underlying) | (1.5) | 1.5 | - | (0.6) | 0.6 | - |
| Tax, NCI and other | 0.4 | (1.6) | (1.2) | 2.1 | 1.3 | 3.4 |
| IFRS profit attributable to shareholders | 40.8 | - | 40.8 | 6.8 | - | 6.8 |

STRATEGIC REPORT

Financial review

| | Six months ended 28 February 2017 | | | Six months ended 29 February 2016 | | |
|---|--------------------------------------|----------------|-------------|--------------------------------------|----------------|-------------|
| | IFRS | Joint | Group | IFRS | Joint | Group |
| | £m | Ventures £m | Total £m | £m | Ventures £m | Total £m |
| Diluted weighted average ordinary shares (millions) | | | 1,804.4 | | | 1,494.8 |
| EPRA earnings per share (pence) | | | 1.3 | | | 1.5 |
| Underlying earnings per share (re-based) (pence) | | | 1.35 | | | 1.4 |

In comparison to the first half of 2016, EPRA earnings have increased by £0.7 million or 3.0 per cent. This is due to the additional net rental income from the integrated AUK portfolio, offset by a termination fee of £1.2 million in respect of the cancellation of the portfolio's historic asset management contract which remained in place at acquisition.

Gross rental income increased by £5.9 million, the result of an additional £6.7 million in gross rent following completion of the second tranche of the AUK acquisition on 1 March 2016, offset by income lost following disposals during the first half of the year.

As illustrated below, like-for-like income across the UK portfolio was flat. UK Commercial increased 1.8 per cent following a number of rent reviews. UK Hotels recorded a marginal decrease as a result of lease incentive payments extended for general improvements to the portfolio.

In Sterling terms, European like-for-like income increased 14.6 per cent, the result of Sterling's weakness in the first half of 2017 compared to the same period last year. The underlying currency performance recorded a decrease in like-for-like income following a fall in turnover rents which can vary depending on tenants' trading performance.

Included within acquisitions is income from the AUK acquisition which completed on 1 March 2016, resulting in the overall increase in rental income. Although not yet like-for-like, the portfolio's performance over the six months to 28 February 2017, compared to the six months to 31 August 2016, saw an improvement of £0.3 million or 2.2 per cent in gross rental income.

| | Six months ended | Six months ended | Change | Local currency |
|--|------------------|------------------|--------|----------------|
| | 28 February 2017 | 29 February 2016 | | Change |
| | £m | £m | % | % |
| Gross rental income | | | | |
| UK Retail | 14.7 | 14.7 | - | - |
| UK Commercial | 5.7 | 5.6 | 1.8 | 1.8 |
| UK Hotels | 7.4 | 7.5 | (1.3) | (1.3) |
| UK Total | 27.8 | 27.8 | - | - |
| Europe | 9.4 | 8.2 | 14.6 | (2.1) |
| Like-for-like gross rental income | 37.2 | 36.0 | 3.3 | (0.5) |
| Acquisitions | 12.1 | 5.4 | | |
| Disposals | 1.4 | 3.3 | | |
| Development | 0.1 | 0.2 | | |
| Total gross rental income | 50.8 | 44.9 | | |

Property operating expenses have increased in line with the enlarged portfolio.

Other income of £2.8 million includes a £2.0 million performance fee generated following the sale of the VBG portfolio in January 2017. The Group, which provided asset management services to the joint venture, was due a performance fee based on the IRR achieved on exit. This represents the Group's proportionate share of the fee payable by Menora Mivtachim, the joint venture partner. The proceeds from the sale of the VBG portfolio have been re-invested post period end through the acquisition of the controlling interest in the German supermarket portfolio, also previously held in joint venture.

Administrative expenses of £8.8 million reflect a significant increase on the prior period. As previously guided, the first half of 2017 includes a non-recurring charge of £1.2 million relating to the termination of the AUK asset management contract previously held with Kames Capital. The recurring cost base has increased in line with the enlarged portfolio as, amongst other services, asset management activities are now performed in-house.

A £5.0 million gain was recognised following the disposal of the VBG portfolio, which includes cumulative foreign currency gains now realised in the income statement that arose during the investment period.

Net finance costs decreased by £0.4 million despite the larger portfolio, reflecting the Group's continuing efforts to drive down the overall cost of debt.

Other finance costs include £1.3 million charged in respect of the profit share arrangement with Aviva, the senior debt lender with security on the Grand Arcade shopping centre, Wigan. Terms were agreed post period end to refinance the facility and in doing so, terminate the existing profit share arrangement. In total, a profit share provision of £5.5 million was fully provided at 28 February 2017 and this was settled on refinancing in April 2017.

Gains on disposals of investment property of £5.9 million were recorded following the sale of six properties, most notably 201 Deansgate, Manchester and Exchange House, Watford.

STRATEGIC REPORT

Financial review

| Balance sheet | 28 February 2017 | | | 31 August 2016 | | |
|-------------------------------------|------------------|-------------------------|----------------------|----------------|-------------------------|----------------------|
| | IFRS £m | Joint Ventures £m | Group Total £m | IFRS £m | Joint Ventures £m | Group Total £m |
| Property portfolio | 1,367.7 | 99.8 | 1,467.5 | 1,396.4 | 140.9 | 1,537.3 |
| Net debt | (673.8) | (51.2) | (725.0) | (733.6) | (74.5) | (808.1) |
| Other assets, liabilities and NCI | 26.5 | (48.6) | (22.1) | 37.0 | (66.4) | (29.4) |
| IFRS NAV | 720.4 | - | 720.4 | 699.8 | - | 699.8 |
| Fair value of derivatives | | | 7.5 | | | 12.4 |
| Deferred tax | | | 5.7 | | | 5.2 |
| EPRA NAV | | | 733.6 | | | 717.4 |
| Diluted number of shares (millions) | | | 1,814.2 | | | 1,795.4 |
| EPRA NAV per share (pence) | | | 40.4 | | | 40.0 |

EPRA NAV per share increased one per cent, or 0.4 pence, to 40.4 pence. This was the result of realised and unrealised gains on the property portfolio and the net impact of earnings for the period, less dividends paid.

Property portfolio

Overall the portfolio increased in value on a like-for-like basis by 0.6 per cent.

UK IPD All Property Index reported a 1.4 per cent increase in capital values since August 2016 with the retail sector recording a more modest 0.3 per cent increase. Capital values have remained relatively flat in the Group's UK Retail portfolio, the result of a good performance in retail parks offsetting the weaker valuation performance of the UK shopping centres.

Asset management initiatives across the UK Commercial portfolio have resulted in some strong valuation gains at an asset level, particularly from the AUK portfolio.

UK Hotel valuations remained broadly unchanged, down 1.0 per cent when adjusted for capital expenditure. Increased business rates, particularly with respect to the London based hotels offset an otherwise positive trading performance year-to-date.

In Europe, modest gains on the Group's shopping centre assets in Berlin and Hamburg drove valuations up 0.2 per cent in local currency terms, 0.8 per cent in Sterling terms on a like-for-like basis.

| Market value of the property portfolio | 28 February 2017 £m | 31 August 2016 £m | Valuation ⁽¹⁾ | | Local currency |
|---|------------------------|----------------------|--------------------------|------------------|------------------|
| | | | Gain/(loss) £m | Gain/(loss) % | Gain/(loss) % |
| UK Retail | 537.0 | 537.1 | (1.8) | (0.3) | (0.3) |
| UK Commercial | 386.1 | 374.0 | 10.2 | 2.7 | 2.7 |
| UK Hotels | 229.3 | 229.2 | (2.2) | (1.0) | (1.0) |
| UK Total | 1,152.4 | 1,140.3 | 6.2 | 0.5 | 0.5 |
| Europe | 288.0 | 285.7 | 2.3 | 0.8 | 0.2 |
| Like-for-like property portfolio | 1,440.4 | 1,426.0 | 8.5 | 0.6 | |
| Disposals | - | 84.5 | | | |
| Development | 19.0 | 18.5 | | | |
| Total property portfolio | 1,459.4 | 1,529.0 | | | |

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

Debt and gearing

During the first half of 2017, £50.7 million was refinanced, repaid or prepaid. This included the repayment of the £5.4 million AIB facility secured on Newington House and the refinancing of the asset under the AUK facility. The transfer of UK assets into this facility on refinancing has allowed the Group to benefit from a ratcheted margin structure, and with it reduce the overall cost of debt.

The €11.6 million facility on Ingolstadt was repaid in full and a £5.2 million prepayment was made against the facility secured over West Orchards, Coventry in November 2016.

These interventions continue to improve the Group's cost of debt and importantly have reduced LTV to 49.9 per cent from 53.4 per cent at 31 August 2016.

Re-investment of sale proceeds from mature assets will continue to focus on opportunities to lower the Group's LTV.

STRATEGIC REPORT

Financial review

Key debt and gearing metrics are presented in the table below.

| | 28 February 2017 £m | 31 August 2016 £m |
|---|------------------------|----------------------|
| Nominal value of drawn debt | 792.3 | 850.6 |
| Cash and short-term deposits | (63.7) | (34.3) |
| Net debt | 728.6 | 816.3 |
| Market value of the property portfolio | 1,459.4 | 1,529.0 |
| LTV (%) | 49.9 | 53.4 |
| Weighted average debt maturity (years) | 6.8 | 6.9 |
| Weighted average interest rate (%) | 3.3 | 3.4 |
| Interest cover (times) ⁽¹⁾ | 3.1 | 2.7 |
| Debt with interest rate protection (%) | 97.0 | 95.4 |

⁽¹⁾ Net rental income divided by net finance costs

The Group's weighted average debt maturity has been maintained at just under 7 years, with over 85 per cent maturing in 2020 or later. Interest cover has improved from 2.7 to 3.1 times.

The proportion of debt with interest rate protection, which includes the use of interest rate caps and swaps, has increased from 95.4 per cent to 97.0 per cent at the half year. This is in line with the Group policy that at least 75 per cent of debt carries interest rate certainty. The net fair value liability of these hedging instruments on a proportionate basis at 28 February 2017 was £11.1 million.

| Cash flow | Six months ended 28 February 2017 | | | Six months ended 29 February 2016 | | |
|--------------------------------------|--------------------------------------|-------------------------|----------------------|--------------------------------------|-------------------------|----------------------|
| | IFRS £m | Joint Ventures £m | Group Total £m | IFRS £m | Joint Ventures £m | Group Total £m |
| Operating cash flows | 29.0 | 1.5 | 30.5 | 17.9 | 2.0 | 19.9 |
| Purchase and development of property | (7.8) | - | (7.8) | (272.1) | (0.2) | (272.3) |
| Disposals | 66.8 | (0.6) | 66.2 | 107.5 | - | 107.5 |
| Other | 0.6 | (0.6) | - | 6.1 | (0.9) | 5.2 |
| Investing cash flows | 59.6 | (1.2) | 58.4 | (158.5) | (1.1) | (159.6) |
| Issue of shares | - | - | - | 110.2 | - | 110.2 |
| Net debt (repaid)/drawn | (35.4) | (0.6) | (36.0) | 110.6 | (1.2) | 109.4 |
| Dividends paid | (21.6) | - | (21.6) | (13.2) | - | (13.2) |
| Other | (2.0) | - | (2.0) | (7.2) | - | (7.2) |
| Financing cash flows | (59.0) | (0.6) | (59.6) | 200.4 | (1.2) | 199.2 |
| Net cash flow | 29.6 | (0.3) | 29.3 | 59.8 | (0.3) | 59.5 |

Operating cash flows increased by £10.6 million to £30.5 million during the six months ended 28 February 2017 relative to the comparative interim period, primarily as a result of the increased net rental income from the AUK acquisition and a reduction in net working capital.

Investing cash inflows were generated from disposal proceeds, the most significant being the disposal of the Group's joint venture interest in the VBG portfolio in Germany and an office building in Deansgate, Manchester. Cash outflows of £7.8 million were applied primarily towards developments at Ingolstadt in Germany and a twelve bedroom extension to our Southwark Hotel on London's Southbank.

Financing activities comprised the net repayment and prepayment of debt and dividends paid, including withholding tax arising in respect of the second interim dividend for the year ended 31 August 2016. Scrip take-up of 27.3 per cent resulted in a cash saving of £6.6 million.

Cash balances, including the proportionate share of cash in joint ventures, were £63.7 million at 28 February 2017, with an additional £36.6 million available from committed undrawn facilities.

STRATEGIC REPORT

Financial review

Principal risks and uncertainties

The Directors have concluded that there have been no significant changes to the principal risks and uncertainties faced by the Group, nor is there anticipated to be any significant changes during the remaining six months to 31 August 2017. Full disclosure of risks and uncertainties faced by the Company are set out within the 2016 Annual Report.

Dividends

The Directors have declared an interim dividend for the period of 1.3 pence per share representing a 96 per cent pay-out ratio on underlying earnings. This reflects an annualised yield of 6.4 per cent when based on 28 February 2017 EPRA NAV and 7.0 per cent when compared to the Group's share price at the same date.

The Directors intend to offer shareholders the option of receiving a cash dividend or a scrip dividend by way of an issue of new Redefine International shares. An announcement containing details of the tax components of the dividend, the timetable and the scrip dividend will be released separately on Friday 28 April 2017. The dividend payment date has been set for Monday 26 June 2017 to all shareholders on the register at Friday 9 June 2017.

Donald Grant

Chief Financial Officer

26 April 2017

Statement of Directors' responsibilities

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

We confirm to the best of our knowledge:

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

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

Related party transactions are set out in Note 29 to the condensed consolidated interim financial statements.

By order of the Board

Mike Watters

Chief Executive Officer

Donald Grant

Chief Financial Officer

26 April 2017

Independent review report to Redefine International P.L.C.

Introduction

We have been engaged by Redefine International P.L.C. (“the Company”) to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 28 February 2017 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as issued by the IASB (“IFRSs”). Our review was conducted in accordance with the International Standard on Review Engagements (“ISRE”) 2410, *‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’*.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 28 February 2017 is not prepared, in all material respects, in accordance with IAS 34 *‘Interim Financial Reporting’* and the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority.

Basis of our report, responsibilities and restriction on use

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as issued by the IASB. The Directors are responsible for ensuring that the condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *‘Interim Financial Reporting’*. Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2410 *‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

N. Marshall

26 April 2017

For and on behalf of



Chartered Accountants, Statutory Audit Firm,

1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 28 February 2017

| | | Reviewed Six months ended 28 February 2017 £m | Re-presented Reviewed Six months ended 29 February 2016 £m | Audited Year ended 31 August 2016 £m |
|--|------|--|--|--|
| Continuing operations | Note | | | |
| Revenue | 3 | 50.6 | 41.5 | 89.6 |
| Rental income | 4 | 45.8 | 40.2 | 86.6 |
| Rental expense | | (4.3) | (2.5) | (6.2) |
| Net rental income | | 41.5 | 37.7 | 80.4 |
| Other income | 5 | 4.8 | 1.3 | 2.5 |
| Administrative costs and other fees | 6 | (8.4) | (5.2) | (10.9) |
| Net operating income | | 37.9 | 33.8 | 72.0 |
| Gain/(loss) on revaluation of investment property | | 2.6 | (17.3) | (42.5) |
| Gain on disposal of investment property | | 5.9 | 3.4 | 3.2 |
| Gain on disposal of subsidiary | 7 | - | - | 12.2 |
| Distributions from investment at fair value | | - | - | 0.5 |
| Gain/(loss) on revaluation of investment at fair value | | 1.0 | 1.0 | (0.8) |
| Amortisation of intangible assets | | (0.1) | (0.1) | (0.2) |
| Gain on disposal of non-current assets held for sale | | - | 0.2 | 0.2 |
| Foreign exchange gain | | - | 2.7 | 0.9 |
| Profit from operations | | 47.3 | 23.7 | 45.5 |
| Net finance expense | 8 | (11.6) | (12.2) | (26.4) |
| Other finance expenses | 9 | (1.5) | (0.8) | (1.9) |
| Change in fair value of derivative financial instruments | | 4.4 | (2.5) | (11.1) |
| | | 38.6 | 8.2 | 6.1 |
| Net gain on sale of joint venture interests ⁽¹⁾ | 10 | 5.0 | - | - |
| Net impairment reversal/(impairment) of joint ventures and associate interests | | 0.7 | (0.7) | (0.6) |
| Share of post-tax (loss)/profit from joint ventures | | (2.6) | (0.3) | 1.4 |
| Share of post-tax profit from associate | | 0.3 | 1.2 | 1.7 |
| Profit before tax | | 42.0 | 8.4 | 8.6 |
| Taxation | 11 | (1.0) | (0.1) | (1.1) |
| Profit for the period | | 41.0 | 8.3 | 7.5 |
| Profit attributable to: | | | | |
| Equity holders of the Parent | | 40.8 | 6.8 | 7.9 |
| Non-controlling interests | | 0.2 | 1.5 | (0.4) |
| | | 41.0 | 8.3 | 7.5 |
| Earnings per share | | | | |
| Basic earnings per share (pence) | 30 | 2.3p | 0.5p | 0.5p |
| Diluted earnings per share (pence) | 30 | 2.3p | 0.5p | 0.5p |

⁽¹⁾ Net gain on sale of joint venture interests relates to the disposal of the property-owning subsidiaries of one of the Group's joint ventures, Wichford VBG Holding S.à.r.l. While the holding structure has been retained, the business of the joint venture has been disposed and Wichford VBG Holding S.à.r.l. holds only residual cash to settle working capital and deferred consideration receivable.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 28 February 2017

| Continuing operations | Note | Reviewed Six months ended 28 February 2017 £m | Reviewed Six months ended 29 February 2016 £m | Audited Year ended 31 August 2016 £m |
|--|------|--|--|--|
| Profit for the period | | 41.0 | 8.3 | 7.5 |
| Other comprehensive income/(expense) | | | | |
| <i>Items that are or may be subsequently reclassified to the income statement:</i> | | | | |
| Transfer of foreign currency translation to the income statement on disposal of subsidiaries | 7 | - | - | (3.6) |
| Transfer of foreign currency translation to the income statement on disposal of joint venture interests | 10 | (2.2) | - | - |
| Foreign currency translation on subsidiary foreign operations | | 2.1 | 2.4 | 8.9 |
| Foreign currency translation on joint ventures held by subsidiary foreign operations | | 0.4 | 0.9 | 8.6 |
| Total other comprehensive income | | 0.3 | 3.3 | 13.9 |
| Total comprehensive income for the period | | 41.3 | 11.6 | 21.4 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Parent | | 41.1 | 10.1 | 21.1 |
| Non-controlling interests | | 0.2 | 1.5 | 0.3 |
| | | 41.3 | 11.6 | 21.4 |

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

CONDENSED CONSOLIDATED BALANCE SHEET

as at 28 February 2017

| | Note | Reviewed 28 February 2017 £m | Re-presented Audited 31 August 2016 £m |
|---|------|---------------------------------------|--|
| Non-current assets | | | |
| Investment property | 12 | 1,328.0 | 1,396.4 |
| Investment at fair value through profit or loss | 13 | 9.8 | 7.9 |
| Investment in joint ventures | 14 | 3.0 | 5.8 |
| Loans to joint ventures | 14 | 40.5 | 52.9 |
| Investment in associate | 15 | 10.0 | 10.2 |
| Intangible assets | | 1.2 | 1.3 |
| Property, plant and equipment | | 0.1 | 0.1 |
| Derivative financial instruments | 20 | 0.9 | 0.8 |
| Trade and other receivables | 16 | 7.1 | 4.7 |
| Total non-current assets | | 1,400.6 | 1,480.1 |
| Current assets | | | |
| Trade and other receivables | 16 | 6.7 | 26.7 |
| Cash and cash equivalents | 17 | 61.7 | 32.0 |
| | | 68.4 | 58.7 |
| Non-current assets held for sale | 18 | 41.0 | - |
| Total current assets | | 109.4 | 58.7 |
| Total assets | | 1,510.0 | 1,538.8 |
| Non-current liabilities | | | |
| Borrowings, including finance leases | 19 | (713.9) | (752.8) |
| Derivative financial instruments | 20 | (8.2) | (12.6) |
| Deferred tax | 21 | (3.8) | (3.4) |
| Total non-current liabilities | | (725.9) | (768.8) |
| Current liabilities | | | |
| Borrowings, including finance leases | 19 | (21.6) | (12.8) |
| Trade and other payables | 22 | (20.2) | (21.4) |
| Tax liabilities | | (1.7) | (2.4) |
| Total current liabilities | | (43.5) | (36.6) |
| Total liabilities | | (769.4) | (805.4) |
| Net assets | | 740.6 | 733.4 |
| Equity | | | |
| Share capital | 23 | 144.9 | 143.6 |
| Share premium | 23 | 507.4 | 502.1 |
| Other components of equity | | 68.1 | 54.1 |
| Total attributable to equity holders of the Parent | | 720.4 | 699.8 |
| Non-controlling interests | 25 | 20.2 | 33.6 |
| Total equity | | 740.6 | 733.4 |

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

The condensed consolidated interim financial statements were approved by the Board of Directors on 26 April 2017 and were signed on its behalf by:

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 28 February 2017

| | Note | Share capital £m | Share premium £m | Reverse acquisition reserve £m | Retained loss £m | Other reserves £m | Foreign currency translation reserve £m | Total attributable to equity holders of the Parent £m | Non-controlling interests £m | Total equity £m |
|---|------|---------------------|---------------------|-----------------------------------|---------------------|----------------------|--|--|---------------------------------|--------------------|
| Balance at 1 September 2016 | | 143.6 | 502.1 | 134.3 | (94.2) | 3.2 | 10.8 | 699.8 | 33.6 | 733.4 |
| Profit for the period | | - | - | - | 40.8 | - | - | 40.8 | 0.2 | 41.0 |
| Transfer of foreign currency translation to the income statement on disposal of joint venture interests | 10 | - | - | - | - | - | (2.2) | (2.2) | - | (2.2) |
| Foreign currency translation on subsidiary foreign operations | | - | - | - | - | - | 2.1 | 2.1 | - | 2.1 |
| Foreign currency translation on joint venture interests held by subsidiary foreign operations | 14 | - | - | - | - | - | 0.4 | 0.4 | - | 0.4 |
| Total comprehensive income for the period | | - | - | - | 40.8 | - | 0.3 | 41.1 | 0.2 | 41.3 |
| Transactions with equity holders of the Parent | | | | | | | | | | |
| Dividends paid | | - | - | - | (21.6) | - | - | (21.6) | - | (21.6) |
| Scrip dividends | 23 | 1.3 | 5.3 | - | (6.6) | - | - | - | - | - |
| Fair value of share-based payments | | - | - | - | - | 0.5 | - | 0.5 | - | 0.5 |
| | | 1.3 | 5.3 | - | (28.2) | 0.5 | - | (21.1) | - | (21.1) |
| Changes in ownership interest in subsidiaries | | | | | | | | | | |
| Decrease in non-controlling interest | 25 | - | - | - | - | - | - | - | (0.3) | (0.3) |
| Dividends paid to non-controlling interests | 25 | - | - | - | - | - | - | - | (0.6) | (0.6) |
| Acquisition of non-controlling interests | 26 | - | - | - | 0.6 | - | - | 0.6 | (12.7) | (12.1) |
| | | - | - | - | 0.6 | - | - | 0.6 | (13.6) | (13.0) |
| Balance at 28 February 2017 | | 144.9 | 507.4 | 134.3 | (81.0) | 3.7 | 11.1 | 720.4 | 20.2 | 740.6 |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 29 February 2016

| | Note | Share capital £m | Share premium £m | Reverse acquisition reserve £m | Retained loss £m | Other reserves £m | Foreign currency translation reserve £m | Total attributable to equity holders of the Parent £m | Non-controlling interests £m | Total equity £m |
|---|------|---------------------|---------------------|-----------------------------------|---------------------|----------------------|--|--|---------------------------------|--------------------|
| Balance at 1 September 2015 | | 117.9 | 395.0 | 134.3 | (48.8) | 2.0 | (2.4) | 598.0 | 38.8 | 636.8 |
| Profit for the period | | - | - | - | 6.8 | - | - | 6.8 | 1.5 | 8.3 |
| Foreign currency translation on subsidiary foreign operations | | - | - | - | - | - | 2.4 | 2.4 | - | 2.4 |
| Foreign currency translation on joint venture interests held by subsidiary foreign operations | | - | - | - | - | - | 0.9 | 0.9 | - | 0.9 |
| Total comprehensive income for the period | | - | - | - | 6.8 | - | 3.3 | 10.1 | 1.5 | 11.6 |
| Transactions with equity holders of the Parent | | | | | | | | | | |
| Shares issued for cash | 23 | 21.7 | 87.4 | - | - | - | - | 109.1 | - | 109.1 |
| Dividends paid | | - | - | - | (13.2) | - | - | (13.2) | - | (13.2) |
| Scrip dividends | 23 | 1.7 | 9.5 | - | (11.2) | - | - | - | - | - |
| Fair value of share-based payments | | - | - | - | - | 0.5 | - | 0.5 | - | 0.5 |
| | | 23.4 | 96.9 | - | (24.4) | 0.5 | - | 96.4 | - | 96.4 |
| Changes in ownership interest in subsidiaries | | | | | | | | | | |
| Decrease in non-controlling interests | | - | - | - | - | - | - | - | (0.2) | (0.2) |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | (0.5) | (0.5) |
| | | - | - | - | - | - | - | - | (0.7) | (0.7) |
| Balance at 29 February 2016 | | 141.3 | 491.9 | 134.3 | (66.4) | 2.5 | 0.9 | 704.5 | 39.6 | 744.1 |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2016

| | Note | Share capital £m | Share premium £m | Reverse acquisition reserve £m | Retained loss £m | Other reserves £m | Foreign currency translation reserve £m | Total attributable to equity holders of the Parent £m | Non-controlling interests £m | Total equity £m |
|---|------|---------------------|---------------------|-----------------------------------|---------------------|----------------------|--|--|---------------------------------|--------------------|
| Balance at 1 September 2015 | | 117.9 | 395.0 | 134.3 | (48.8) | 2.0 | (2.4) | 598.0 | 38.8 | 636.8 |
| Profit for the year | | - | - | - | 7.9 | - | - | 7.9 | (0.4) | 7.5 |
| Transfer of foreign currency translation to the income statement on disposal of subsidiary | 7 | - | - | - | - | - | (3.6) | (3.6) | - | (3.6) |
| Foreign currency translation on subsidiary foreign operations | | - | - | - | - | - | 8.2 | 8.2 | 0.7 | 8.9 |
| Foreign currency translation on joint venture interests held by subsidiary foreign operations | 14 | - | - | - | - | - | 8.6 | 8.6 | - | 8.6 |
| Total comprehensive income for the year | | - | - | - | 7.9 | - | 13.2 | 21.1 | 0.3 | 21.4 |
| Transactions with equity holders of the Parent | | | | | | | | | | |
| Shares issued for cash | 23 | 21.7 | 87.4 | - | - | - | - | 109.1 | - | 109.1 |
| Dividends paid | | - | - | - | (29.4) | - | - | (29.4) | - | (29.4) |
| Scrip dividends | 23 | 4.0 | 19.7 | - | (23.7) | - | - | - | - | - |
| Fair value of share-based payments | | - | - | - | - | 1.2 | - | 1.2 | - | 1.2 |
| | | 25.7 | 107.1 | - | (53.1) | 1.2 | - | 80.9 | - | 80.9 |
| Changes in ownership interest in subsidiaries | | | | | | | | | | |
| Decrease in non-controlling interests | 25 | - | - | - | - | - | - | - | (1.2) | (1.2) |
| Dividends paid to non-controlling interests | 25 | - | - | - | - | - | - | - | (2.2) | (2.2) |
| Acquisition of non-controlling interests | 26 | - | - | - | (0.2) | - | - | (0.2) | (2.1) | (2.3) |
| | | - | - | - | (0.2) | - | - | (0.2) | (5.5) | (5.7) |
| Balance at 31 August 2016 | | 143.6 | 502.1 | 134.3 | (94.2) | 3.2 | 10.8 | 699.8 | 33.6 | 733.4 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 28 February 2017

| | | Reviewed Six months ended 28 February 2017 | Re-presented Reviewed Six months ended 29 February 2016 | Audited Year ended 31 August 2016 |
|---|------|---|--|--|
| | Note | £m | £m | £m |
| Continuing operations | | | | |
| Cash generated from operations | 27 | 40.7 | 31.5 | 69.2 |
| Interest received | | 3.5 | 2.5 | 3.3 |
| Interest paid | | (13.9) | (13.0) | (27.8) |
| Net tax paid | | (1.3) | (3.1) | (5.1) |
| Net cash inflow from operating activities | | 29.0 | 17.9 | 39.6 |
| Cash flows from investing activities | | | | |
| Net cash disposed on sale of subsidiary | | - | - | (0.4) |
| Purchase and development of investment property | | (7.8) | (272.1) | (489.9) |
| Net proceeds on sale of investment property | | 48.7 | 34.2 | 38.8 |
| Distributions from investments at fair value | | 0.5 | - | - |
| Disposal of investment at fair value | | - | 80.2 | 80.2 |
| Acquisition of investment at fair value | | - | (6.9) | (8.4) |
| Net proceeds received on sale of joint venture interests ⁽¹⁾ | | 18.1 | - | - |
| Increase in loans to joint ventures | | - | (0.5) | (0.5) |
| Decrease in loans to joint ventures | | 0.6 | 1.4 | 2.6 |
| Distributions from associate | | 1.1 | 1.4 | 2.0 |
| Disposal of non-current assets held for sale | | - | 0.2 | 0.2 |
| Increase in loan to external party | | (1.6) | - | - |
| Increase in loans to related parties | | - | (2.0) | (2.0) |
| Decrease in loans to related parties | | - | 5.7 | 7.7 |
| Purchase of property, plant and equipment | | - | (0.1) | - |
| Net cash inflow/(outflow) from investing activities | | 59.6 | (158.5) | (369.7) |
| Cash flows from financing activities | | | | |
| Issue of share capital | | - | 115.0 | 115.0 |
| Share issue costs paid | | - | (4.8) | (5.9) |
| Proceeds from borrowings | | 16.8 | 155.0 | 332.5 |
| Repayment of borrowings | | (52.2) | (44.4) | (134.7) |
| Payment of Aviva profit share | | (1.1) | - | (0.3) |
| Other finance expenses | | (0.2) | (3.1) | (4.0) |
| Derivative financial instruments purchased and settled | | (0.1) | (2.4) | (2.4) |
| Dividends paid to equity holders | | (21.6) | (13.2) | (29.4) |
| Dividends paid and loans re-paid to non-controlling interests | | (0.6) | (0.7) | (2.3) |
| Acquisitions from non-controlling interests | | - | - | (2.3) |
| Movement in restricted cash and cash equivalents | | - | (1.0) | 4.6 |
| Net cash (outflow)/inflow from financing activities | | (59.0) | 200.4 | 270.8 |
| Net increase/(decrease) in unrestricted cash and cash equivalents | | 29.6 | 59.8 | (59.3) |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 0.1 | 0.7 | 2.3 |
| Unrestricted cash and cash equivalents at 1 September | | 28.7 | 85.7 | 85.7 |
| Unrestricted cash and cash equivalents at end of the period | | 58.4 | 146.2 | 28.7 |
| Restricted cash and cash equivalents | | 3.3 | 8.9 | 3.3 |
| Cash and cash equivalents at end of the period | | 61.7 | 155.1 | 32.0 |

⁽¹⁾ Net proceeds of £18.1 million received by 28 February 2017 on disposal of joint ventures interests of Wichford VBG Holding S.à.r.l. are comprised of the Group's 49 per cent share of the proceeds received of £36.9 million after the deduction of the performance fee of £4.0 million (gross cash proceeds: £40.9 million) and includes the repayment of loans advanced by the Group to the joint venture of £12.3 million. The performance fee received has been separately presented under operating activities.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

1. GENERAL INFORMATION

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

On 4 December 2013, the Company converted to a UK-REIT and moved 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

These condensed consolidated interim financial statements ("interim financial statements") for the six months ended 28 February 2017, have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

Selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 August 2016.

The financial information contained in these interim financial statements does not constitute a complete set of financial statements and does not include all of the information required for full annual financial statements (including all comparative figures and all required notes) prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim financial statements should therefore be read in conjunction with the consolidated financial statements as at and for the year ended 31 August 2016 which are available on the Group's website, www.redefineinternational.com.

The relevant new standards, amendments and interpretations that have been adopted during the period are set out in the following table:

| International Financial Reporting Standard | Effective annual periods beginning on or after: |
|---|--|
| <i>Annual improvements to IFRSs 2012-2014 cycle</i> | |
| IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' (amendment) ("IFRS 5") | 1 January 2016 |
| IFRS 7 'Financial Instruments: Disclosures' (amendment) ("IFRS 7") | 1 January 2016 |
| IAS 34 'Interim Financial Reporting' | 1 January 2016 |
| <i>Other amendments</i> | |
| IAS 1 'Presentation of Financial Statements' (amendment) ("IAS 1") | 1 January 2016 |
| IAS 16 'Property, Plant and Equipment' (amendment) ("IAS 16") | 1 January 2016 |
| IAS 27 'Consolidated and Separate Financial Statements' ("IAS 27") | 1 January 2016 |
| IAS 38 'Intangible Assets' (amendment) ("IAS 38") | 1 January 2016 |
| Investment Entities: Applying the Consolidation Exception [Amendments to IFRS 10 'Consolidated Financial Statement' ("IFRS 10"), IFRS 12 'Disclosure of Interests in Other Entities' (amendment) ("IFRS 12"), IAS 28 'Investments in Associates and Joint Ventures' (amendment) ("IAS 28")] | 1 January 2016 |
| IFRS 11 'Joint Arrangements' (amendment) ("IFRS 11") | 1 January 2016 |

The adoption of these improvements and amendments has not had a material impact on the interim financial statements of the Group and otherwise the accounting policies applied by the Group are the same as those applied in the audited consolidated financial statements as at and for the year ended 31 August 2016, as set out on pages 91-95 of the 2016 Annual Report.

The relevant new standards, amendments and interpretations that have been issued by the IASB but are not yet effective, or have not been adopted early, are disclosed in the table below. The impact of these improvements and amendments on the consolidated financial statements of the Group is being assessed.

| International Financial Reporting Standard | Effective annual periods beginning on or after: |
|---|--|
| <i>Annual improvements to IFRSs 2014-2016 cycle</i> | |
| IFRS 12 'Disclosure of Interests in Other Entities' (amendment) | 1 January 2017 |
| IAS 28 'Investments in Associates and Joint Ventures' (amendment) | 1 January 2018 |
| <i>Other amendments</i> | |
| IAS 7 'Statement of Cash Flows' (amendment) ("IAS 7") | 1 January 2017 |
| IAS 12 'Income Taxes' (amendment) ("IAS 12") | 1 January 2017 |
| IFRS 2 'Share Based Payment' (amendment) ("IFRS 2") | 1 January 2018 |
| IFRS 9 'Financial Instruments' (amendment) ("IFRS 9") | 1 January 2018 |
| IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") | 1 January 2018 |
| IAS 40 'Investment Property' (amendment) ("IAS 40") | 1 January 2018 |
| IFRS 16 'Leases' ("IFRS 16") | 1 January 2019 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

2.2 BASIS OF PREPARATION

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

GOING CONCERN

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

RE-PRESENTATION OF PRIOR PERIOD COMPARATIVES

Consistent with the presentation in the financial statements for the year ended 31 August 2016, the Group has re-presented its interests in joint venture entities for the comparative interim period, 29 February 2016. Payments of equity which are permanent and loss absorbing in nature are disclosed as 'Investments in joint ventures', while advances of loans with either contractual maturities or amounts that are callable on demand, are disclosed as 'Loans to joint ventures'. Interest payments made by joint ventures under loan agreements are presented as finance income whereas distributions received from investments reduce the carrying value of the Group's investment in joint ventures.

The impact of this change on the key financial statement line items for the period ended 29 February 2016 was as follows:

| Consolidated income statement | | £m |
|--|--------------|-----------|
| Net finance expense | reduced by | 1.2 |
| Share of post-tax profit from joint ventures | reduced by | (1.2) |
| Consolidated statement of cash flows | | £m |
| Interest received | increased by | 1.1 |
| Distributions from joint ventures and associates | reduced by | (1.1) |
| Consolidated balance sheet ⁽¹⁾ | | £m |
| Investments in joint ventures | reduced by | (11.0) |
| Loans to joint ventures | increased by | 11.0 |

⁽¹⁾ The consolidated balance sheet as at 29 February 2016 is not presented in these condensed consolidated financial statements. The re-presentations required are disclosed for information purposes only.

As there has been no change in either net asset value or profit for the period, there has been no impact on net asset value per share or earnings per share. There has also been no impact on net cash flows.

Certain other presentational changes were made to the comparative balance sheet to ensure consistency with the current period. This has resulted in a reclassification of tenant lease incentives of £3.8 million and other receivables of £0.9 million as non-current assets in line with the requirements of IAS 1, Paragraph 60, as at 31 August 2016 these amounts would not have been settled or recovered within twelve months of the balance sheet date. In addition, current tax liabilities of £2.4 million as at 31 August 2016 have been presented separately on the consolidated balance sheet in accordance with IAS 1, Paragraph 54 (n). Current tax liabilities were previously included in trade and other payables.

2.3 KEY JUDGEMENTS AND ESTIMATES

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

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

2.3.1 INVESTMENT PROPERTY VALUATION

The Group uses valuations performed by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers also make reference to market evidence of transaction prices for similar properties. Further details are provided in Note 12.

2.3.2 PROPERTY ACQUISITIONS

Where properties are acquired through the acquisition of corporate interests, the Directors have regard to the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not considered to be an acquisition of a business, the transactions are accounted for as if the Group had acquired the underlying property directly. Accordingly, no goodwill arises on initial recognition of the asset purchase. Corporate acquisitions are otherwise accounted for as business combinations.

2.3.3 CLASSIFICATION OF INVESTMENT PROPERTY FOR UK HOTELS

The UK Hotels are held for capital appreciation and to earn rental income. Apart from one of the properties, the hotels have been let to Redefine Hotel Management Limited ("RHML") and Redefine Earls Court Management Limited ("RECML"), on lease terms which are subject to annual review. At each review, the revised rent is set with reference to the forecast EBITDA of the hotels. RHML and RECML run the hotels' operating business and are therefore exposed to fluctuations in the underlying trading performance of each hotel under management. They are responsible for the key decision making of the business operations and the day-to-day upkeep of the properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

The Group cumulatively holds a 30.4% shareholding in RedefineBDL Hotel Group Limited (“RedefineBDL”), which in turn controls RHML and RECML. Having considered the guidance in IFRS 10, the respective rights of each of the shareholders in RedefineBDL and the relative size of the Group’s shareholding, the Directors have determined that the Group has the ability to exercise significant influence over RedefineBDL. The Group does not control RedefineBDL and hence does not control RHML or RECML. The investment in RedefineBDL is classified as an associate.

Aside from the payment of rental income to the Group, which is reset annually, and the Group’s shareholding in RedefineBDL, the Group is not involved with the operation of the hotel management business. There are also limited transactions between the two entities and, as a result, the hotels are classified as investment property in line with IAS 40.

2.3.4 CLASSIFICATION OF THE GROUP’S INVESTMENT IN INTERNATIONAL HOTEL PROPERTIES LIMITED (“IHL”) AT FAIR VALUE THROUGH PROFIT OR LOSS

On 14 October 2015, the Company acquired, by way of private placement, 3.8 million shares in the newly listed International Hotel Properties Limited (formerly International Hotel Group Limited) for £3.8 million. On the date of listing this investment represented 25.4% of the entity’s issued share capital and the investment was recognised as an associate of the Group under the equity method. On 20 October 2015, the Group ceased to recognise IHL as an associate when its shareholding was diluted to 13.2% and the investment was reclassified as a financial instrument at fair value through profit or loss. At 31 August 2016, the Group held a 15.5% interest in IHL. During the six months ended 28 February 2017, the Group’s shareholding increased by 1.7% to 17.2%. Refer to Note 13 for further details on changes in the Group’s ownership interests in IHL.

The degree of judgement relating to this classification has increased given that the Company currently has representation on IHL’s board of directors. In drawing their conclusion, the Directors have considered the criteria for significant influence in paragraphs 5-9 of IAS 28, the relative size of the Group’s shareholding and the fact the Group does not have the right to appoint a director. Having considered all the facts and circumstances, the Directors believe that the designation of the Company’s investment as a financial asset at fair value through profit or loss continues to be appropriate.

2.3.5 AVIVA PROFIT SHARE AND CAPITAL APPRECIATION RIGHTS

As part of the Aviva debt restructure in 2013, Aviva, the lender with security over the Group’s shopping centre asset, Grand Arcade, Wigan had a right under the facility agreement to participate in 50 per cent of the valuation uplifts of the property in excess of the value of the drawn debt (“capital appreciation right”). Once the value of the property exceeded £90 million, Aviva had the additional right to realise tranches of the excess valuation at any time, with corresponding reductions to their right to profit share participation.

While the Group has recognised a financial liability in respect of Aviva’s right to participate in the profits of the shopping centre in prior periods and as at 28 February 2017, a provision has not been recognised to date in respect of Aviva’s capital appreciation right. A reliable estimate of the provision could not be made and it has not been considered probable that a payment to Aviva would be required. In prior periods, the contractual obligation has been disclosed as a contingent liability. At 28 February 2017, the possibility of payment was considered remote based on the revised terms under negotiation in the debt restructure that completed post period end. Disclosure of the contingent liability was therefore not required.

Both Aviva’s existing capital appreciation and profit participation rights have been formally extinguished on completion of the debt restructure after the reporting date.

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 Retail: | the Group’s portfolio of shopping centres, retail parks and other retail assets; |
| UK Commercial: | the Group’s portfolio of offices, motor trade outlets, roadside service stations and logistics distribution centres; |
| UK Hotels: | the Group’s hotel portfolio which comprises eight hotels in Greater London and South East England and one hotel in Edinburgh, Scotland; The Group’s 30.4% associate interest in RedefineBDL (5.1% of which is classified as held for sale) which leases and manages all of the Group’s hotel properties except for the Enfield Travelodge; and The Group’s 17.2% interest in IHL, a hotel and leisure focused property investment company listed on the Euro MTF Market of the Luxembourg Stock Exchange (“LUXSE”) and the AltX of the JSE; |
| Europe: | the Group’s portfolio in Germany. The portfolio is comprised of shopping centres, discount supermarkets and, until 1 January 2017, Government-let offices. In the comparative periods, the Group’s interest in the last legacy asset, The Hague, which was disposed on 31 August 2016 is also included; and |
| Other: | the Group’s holding and subsidiary management companies that carry out the head office and centralised asset management activities of the Group. |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Other £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|--|--------------------|------------------------|--------------------|--------------|-------------|-------------|-------------------------------|---------------------|
| Segmental income statement for the six months ended 28 February 2017 | | | | | | | | |
| Continuing operations | | | | | | | | |
| Revenue | | | | | | | | |
| Rental income | 19.9 | 12.8 | 7.4 | 10.7 | - | 50.8 | (5.0) | 45.8 |
| Other income ⁽¹⁾ | - | - | - | - | 2.8 | 2.8 | 2.0 | 4.8 |
| Total revenue | 19.9 | 12.8 | 7.4 | 10.7 | 2.8 | 53.6 | (3.0) | 50.6 |
| Rental income | 19.9 | 12.8 | 7.4 | 10.7 | - | 50.8 | (5.0) | 45.8 |
| Rental expense | (2.8) | (0.6) | (0.1) | (1.3) | - | (4.8) | 0.5 | (4.3) |
| Net rental income | 17.1 | 12.2 | 7.3 | 9.4 | - | 46.0 | (4.5) | 41.5 |
| Other income ⁽¹⁾ | - | - | - | - | 2.8 | 2.8 | 2.0 | 4.8 |
| (Loss)/gain on revaluation of investment property | (1.8) | 10.3 | (2.2) | (4.3) | - | 2.0 | 0.6 | 2.6 |
| Gain on disposal of investment property | - | 5.9 | - | - | - | 5.9 | - | 5.9 |
| Gain on revaluation of investment at fair value | - | - | 1.0 | - | - | 1.0 | - | 1.0 |
| Finance income | - | - | - | 2.4 | 0.5 | 2.9 | - | 2.9 |
| Finance expense | (8.1) | (3.3) | (1.6) | (4.9) | - | (17.9) | 3.4 | (14.5) |
| Other finance expenses | (1.3) | (0.1) | - | - | (0.1) | (1.5) | - | (1.5) |
| Change in fair value of derivative financial instruments | 1.6 | 2.5 | (0.1) | 1.3 | - | 5.3 | (0.9) | 4.4 |
| Group gain on sale of joint venture interests ⁽²⁾ | - | - | - | 5.2 | - | 5.2 | (0.2) | 5.0 |
| Joint venture loss on sale of subsidiaries ⁽²⁾ | - | - | - | (0.2) | - | (0.2) | 0.2 | - |
| Reversal of impairment of investment in associate | - | - | 0.6 | - | - | 0.6 | - | 0.6 |
| Share of post-tax profit from associate | - | - | 0.3 | - | - | 0.3 | - | 0.3 |
| Total per reportable segments | 7.5 | 27.5 | 5.3 | 8.9 | 3.2 | 52.4 | 0.6 | 53.0 |
| Unallocated income and expenses: ⁽³⁾ | | | | | | | | |
| Administrative costs and other fees ⁽¹⁾ | | | | | | (8.8) | 0.4 | (8.4) |
| Amortisation of intangible assets | | | | | | (0.1) | - | (0.1) |
| Profit before tax | | | | | | 43.5 | 1.0 | 44.5 |
| Taxation | | | | | | (1.6) | 0.6 | (1.0) |
| | | | | | | 41.9 | 1.6 | 43.5 |
| <i>Joint venture adjustments:</i> | | | | | | | | |
| Movement of losses restricted in joint ventures ⁽⁴⁾ | | | | | | (0.9) | 0.9 | - |
| Reversal of impairment of loans to joint ventures | | | | | | - | 0.1 | 0.1 |
| Share of post-tax loss from joint ventures | | | | | | - | (2.6) | (2.6) |
| IFRS profit for the period | | | | | | 41.0 | - | 41.0 |

⁽¹⁾ Other income includes management fee income from joint ventures of £4.4 million on an IFRS basis, of which £4.0 million relates to the Performance Fee on disposal of joint venture interests (Refer to Note 5). On a proportionate basis, and for segmental reporting purposes, the net Performance Fee of £2.0 million fee has been recognised in other income with the related Group share of the joint venture expense of £2.0 million reclassified from administrative costs and other fees.

⁽²⁾ The £5.2 million gain recognised by the Group and the loss of £0.2 million recognised by the joint venture relate to the share sale of the property-owning subsidiaries of Wichford VBG Holding S.à.r.l. on 1 January 2017. The net gain on sale of £5.0 million has been recognised as single line item within the consolidated income statement under 'Net gain on sale of joint venture interests' (Refer to Note 10).

⁽³⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽⁴⁾ As detailed in Note 14, the Group's interest in 26 Esplanade No 1 Limited joint venture ("the Esplanade") has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the net assets of the Esplanade is included line-by-line. Movements in the losses of the Esplanade not recognised during each reporting period on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Other £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|---|--------------------|------------------------|--------------------|--------------|-------------|-------------|-------------------------------|---------------------|
| Other segmental information for the six months ended 28 February 2017 | | | | | | | | |
| <i>Inter-segmental revenue and expense:</i> | | | | | | | | |
| Management fee income | - | - | - | - | 0.5 | 0.5 | - | 0.5 |
| Management fee expense | - | - | - | (0.5) | - | (0.5) | - | (0.5) |
| | - | - | - | (0.5) | 0.5 | - | - | - |

Inter-segmental revenue and expense relate to intercompany investment management fees that eliminate on consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

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

⁽¹⁾ As detailed in Note 14, the Group's interest in the Esplanade has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the Esplanade is included line-by-line. The cumulative losses of this joint venture that the Group has not recognised at the reporting date on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 28 February 2017

| Segmental income statement for the six months ended 29 February 2016 | UK | UK | UK | Europe | Other | Total | Re-presented | |
|---|---------------|-------------|------------|-------------|------------|-------------|--------------|-------------|
| | Retail | Commercial | Hotels | | | | Venture | IFRS |
| | £m | £m | £m | £m | £m | £m | Adj | Total |
| Continuing operations | | | | | | | | |
| Revenue | | | | | | | | |
| Rental income | 17.4 | 9.3 | 7.5 | 10.7 | - | 44.9 | (4.7) | 40.2 |
| Other income ⁽¹⁾ | - | 0.5 | - | 0.4 | 0.9 | 1.8 | (0.5) | 1.3 |
| Total revenue | 17.4 | 9.8 | 7.5 | 11.1 | 0.9 | 46.7 | (5.2) | 41.5 |
| Rental income | 17.4 | 9.3 | 7.5 | 10.7 | - | 44.9 | (4.7) | 40.2 |
| Rental expense | (1.7) | (0.3) | - | (1.0) | - | (3.0) | 0.5 | (2.5) |
| Net rental income | 15.7 | 9.0 | 7.5 | 9.7 | - | 41.9 | (4.2) | 37.7 |
| Other income ⁽¹⁾ | - | 0.5 | - | 0.4 | 0.9 | 1.8 | (0.5) | 1.3 |
| (Loss)/gain on revaluation of investment property ⁽²⁾ | (20.8) | 4.9 | (0.6) | (1.3) | - | (17.8) | 0.5 | (17.3) |
| Gain on disposal of investment property | - | 3.4 | - | - | - | 3.4 | - | 3.4 |
| Gain on revaluation of investment at fair value | - | - | 1.0 | - | - | 1.0 | - | 1.0 |
| Gain on disposal of non-current assets held for sale | - | 0.2 | - | - | - | 0.2 | - | 0.2 |
| Foreign exchange gain | - | - | - | - | 2.7 | 2.7 | - | 2.7 |
| Finance income | - | - | - | - | 3.2 | 3.2 | - | 3.2 |
| Finance expense | (8.0) | (3.1) | (1.9) | (5.6) | - | (18.6) | 3.2 | (15.4) |
| Other finance expenses | (0.7) | (0.1) | - | - | - | (0.8) | - | (0.8) |
| Change in fair value of derivative financial instruments | (1.0) | (1.9) | 0.2 | (1.2) | - | (3.9) | 1.4 | (2.5) |
| Share of post-tax profit from associate | - | - | 1.2 | - | - | 1.2 | - | 1.2 |
| Total per reportable segments | (14.8) | 12.9 | 7.4 | 2.0 | 6.8 | 14.3 | 0.4 | 14.7 |
| Unallocated income and expenses: ⁽³⁾ | | | | | | | | |
| Administrative costs and other fees | | | | | | (5.5) | 0.3 | (5.2) |
| Amortisation of intangible assets | | | | | | (0.1) | - | (0.1) |
| Profit before tax | | | | | | 8.7 | 0.7 | 9.4 |
| Taxation | | | | | | (0.3) | 0.2 | (0.1) |
| | | | | | | 8.4 | 0.9 | 9.3 |
| <i>Joint venture adjustments:</i> | | | | | | | | |
| Movement of losses restricted in joint ventures ⁽⁴⁾ | | | | | | (0.1) | 0.1 | - |
| Impairment of loans to joint ventures | | | | | | - | (0.7) | (0.7) |
| Share of post-tax loss from joint ventures | | | | | | - | (0.3) | (0.3) |
| IFRS profit for the period | | | | | | 8.3 | - | 8.3 |

⁽¹⁾ Other income in the 'Other' segment includes management fee income from joint ventures of £0.1 million.

⁽²⁾ Included in (loss)/gain on revaluation of investment property is £22.6 million of costs incurred on the acquisition of the AUK portfolio.

⁽³⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽⁴⁾ As detailed in Note 14, the Group's interest in the Esplanade has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the net assets of the Esplanade is included line-by-line. Movements in the losses of the Esplanade not recognised during each reporting period on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

| Other segmental information for the six months ended 29 February 2016 | UK | UK | UK | Europe | Other | Total | Joint | |
|--|--------|------------|--------|--------|-------|-------|---------|-------|
| | Retail | Commercial | Hotels | | | | Venture | IFRS |
| | £m | £m | £m | £m | £m | £m | Adj | Total |
| <i>Inter-segmental revenue and expense:</i> | | | | | | | | |
| Management fee income | - | - | - | - | 0.4 | 0.4 | - | 0.4 |
| Management fee expense | - | - | - | (0.4) | - | (0.4) | - | (0.4) |
| | - | - | - | (0.4) | 0.4 | - | - | - |

Inter-segmental revenue and expense relate to intercompany investment management fees that eliminate on consolidation.

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for the six months ended 28 February 2017

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|---|--------------------|------------------------|--------------------|--------------|--------------|-------------------------------|---------------------|
| Segmental balance sheet as at 29 February 2016 | | | | | | | |
| Investment property | 560.1 | 418.6 | 235.8 | 320.7 | 1,535.2 | (129.0) | 1,406.2 |
| Investment at fair value through profit or loss | - | - | 7.9 | - | 7.9 | - | 7.9 |
| Investment in associate | - | - | 7.8 | - | 7.8 | - | 7.8 |
| Trade and other receivables | 4.2 | 1.4 | 11.1 | 4.0 | 20.7 | (1.0) | 19.7 |
| Cash and cash equivalents | 13.1 | 6.2 | 1.5 | 10.4 | 31.2 | (2.1) | 29.1 |
| Borrowings, including finance leases | (283.8) | (147.9) | (109.9) | (208.7) | (750.3) | 71.5 | (678.8) |
| Trade and other payables | (59.9) | (165.0) | (1.0) | (5.2) | (231.1) | 3.2 | (227.9) |
| Segmental net assets | 233.7 | 113.3 | 153.2 | 121.2 | 621.4 | (57.4) | 564.0 |
| Unallocated assets and liabilities: | | | | | | | |
| Other non-current assets | | | | | 1.6 | - | 1.6 |
| Trade and other receivables | | | | | 16.3 | - | 16.3 |
| Cash and cash equivalents | | | | | 126.0 | - | 126.0 |
| Net derivative financial instruments | | | | | (7.4) | 4.5 | (2.9) |
| Other non-current liabilities | | | | | (8.4) | 5.4 | (3.0) |
| Trade and other payables | | | | | (8.2) | 0.8 | (7.4) |
| | | | | | 741.3 | (46.7) | 694.6 |
| <i>Joint venture adjustments:</i> | | | | | | | |
| Fair value of retained joint venture interest | | | | | 1.4 | (1.4) | - |
| Cumulative losses restricted in joint ventures ⁽¹⁾ | | | | | 1.4 | (1.4) | - |
| Re-presented investment in joint ventures | | | | | - | 4.3 | 4.3 |
| Re-presented loans to joint ventures | | | | | - | 45.2 | 45.2 |
| IFRS net assets | | | | | 744.1 | - | 744.1 |

⁽¹⁾ As detailed in Note 14, the Group's interest in the Esplanade has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the Esplanade is included line-by-line. The cumulative losses of this joint venture that the Group has not recognised at the reporting date on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|---|--------------------|------------------------|--------------------|--------------|--------------|-------------------------------|---------------------|
| Other segmental information as at 29 February 2016 | | | | | | | |
| <i>Additions to investment property during the period per reportable segment:</i> | | | | | | | |
| Additions from acquisition of investment property | 213.1 | 276.6 | - | - | 489.7 | - | 489.7 |
| Acquisition costs | 10.5 | 12.1 | - | - | 22.6 | - | 22.6 |
| Capitalised expenditure | 1.9 | - | 1.3 | 1.1 | 4.3 | (0.1) | 4.2 |
| | 225.5 | 288.7 | 1.3 | 1.1 | 516.6 | (0.1) | 516.5 |

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for the six months ended 28 February 2017

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Other £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|--|--------------------|------------------------|--------------------|--------------|-------------|--------------|-------------------------------|---------------------|
| Segmental income statement for the year ended 31 August 2016 | | | | | | | | |
| Continuing operations | | | | | | | | |
| Revenue | | | | | | | | |
| Rental income | 37.0 | 22.2 | 15.0 | 22.3 | 0.1 | 96.6 | (10.0) | 86.6 |
| Other income ⁽¹⁾ | - | 0.8 | - | 0.4 | 1.9 | 3.1 | (0.6) | 2.5 |
| Distributions from investment at fair value | - | - | 0.5 | - | - | 0.5 | - | 0.5 |
| Total revenue | 37.0 | 23.0 | 15.5 | 22.7 | 2.0 | 100.2 | (10.6) | 89.6 |
| Rental income | 37.0 | 22.2 | 15.0 | 22.3 | 0.1 | 96.6 | (10.0) | 86.6 |
| Rental expense | (4.1) | (0.9) | - | (2.3) | - | (7.3) | 1.1 | (6.2) |
| Net rental income | 32.9 | 21.3 | 15.0 | 20.0 | 0.1 | 89.3 | (8.9) | 80.4 |
| Other income ⁽¹⁾ | - | 0.8 | - | 0.4 | 1.9 | 3.1 | (0.6) | 2.5 |
| (Loss)/gain on revaluation of investment property ⁽²⁾ | (40.1) | 5.0 | (7.3) | 1.2 | - | (41.2) | (1.3) | (42.5) |
| Gain on disposal of investment property | - | 3.2 | - | - | - | 3.2 | - | 3.2 |
| Gain on disposal of subsidiary | - | - | - | 12.2 | - | 12.2 | - | 12.2 |
| Distributions from investment at fair value | - | - | 0.5 | - | - | 0.5 | - | 0.5 |
| Loss on revaluation of investment at fair value | - | - | (0.8) | - | - | (0.8) | - | (0.8) |
| Gain on disposal of non-current assets held for sale | - | 0.2 | - | - | - | 0.2 | - | 0.2 |
| Foreign exchange gain | - | - | - | - | 0.9 | 0.9 | - | 0.9 |
| Finance income | - | - | - | - | 6.3 | 6.3 | - | 6.3 |
| Finance expense | (16.1) | (7.1) | (3.8) | (12.3) | (0.1) | (39.4) | 6.7 | (32.7) |
| Other finance expenses | (1.5) | (0.3) | (0.1) | (0.1) | - | (2.0) | 0.1 | (1.9) |
| Gain on financial liabilities | - | - | - | 2.5 | - | 2.5 | (2.5) | - |
| Change in fair value of derivative financial instruments | (5.0) | (5.5) | (0.7) | (1.6) | - | (12.8) | 1.7 | (11.1) |
| Impairment of investment in associate | - | - | (3.2) | - | - | (3.2) | - | (3.2) |
| Share of post-tax profit from associate | - | - | 1.7 | - | - | 1.7 | - | 1.7 |
| Total per reportable segments | (29.8) | 17.6 | 1.3 | 22.3 | 9.1 | 20.5 | (4.8) | 15.7 |
| Unallocated income and expenses: ⁽³⁾ | | | | | | | | |
| Administrative costs and other fees | | | | | | (11.4) | 0.5 | (10.9) |
| Amortisation of intangible assets | | | | | | (0.2) | - | (0.2) |
| Profit before tax | | | | | | 8.9 | (4.3) | 4.6 |
| Taxation | | | | | | (1.6) | 0.5 | (1.1) |
| | | | | | | 7.3 | (3.8) | 3.5 |
| <i>Joint venture adjustments:</i> | | | | | | | | |
| Movement of losses restricted in joint ventures ⁽⁴⁾ | | | | | | 0.2 | (0.2) | - |
| Impairment of loans to joint ventures | | | | | | - | 2.6 | 2.6 |
| Share of post-tax profit from joint ventures | | | | | | - | 1.4 | 1.4 |
| IFRS profit for the year | | | | | | 7.5 | - | 7.5 |

⁽¹⁾ Other income in the 'Other' segment includes management fee income from joint ventures of £0.7 million. Refer to Note 29 for further details.

⁽²⁾ Included in (loss)/gain on revaluation of investment property is £22.6 million of costs incurred on the acquisition of the AUK portfolio.

⁽³⁾ Unallocated income and expenses are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

⁽⁴⁾ As detailed in Note 14, the Group's interest in the Esplanade has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the net assets of the Esplanade is included line-by-line. Movements in the losses of the Esplanade not recognised during each reporting period on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

| | UK Retail £m | UK Commercial £m | UK Hotels £m | Europe £m | Other £m | Total £m | Joint Venture Adj £m | IFRS Total £m |
|---|--------------------|------------------------|--------------------|--------------|-------------|-------------|-------------------------------|---------------------|
| Other segmental information for the year ended 31 August 2016 | | | | | | | | |
| <i>Inter-segmental revenue and expense:</i> | | | | | | | | |
| Management fee income | - | - | - | - | 3.9 | 3.9 | - | 3.9 |
| Management fee expense | (1.4) | (1.1) | - | (0.8) | (0.6) | (3.9) | - | (3.9) |
| | (1.4) | (1.1) | - | (0.8) | 3.3 | - | - | - |

Inter-segmental revenue and expense relate to intercompany investment management fees that eliminate on consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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| | UK | UK | UK | | | Joint | IFRS |
|---|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | Retail | Commercial | Hotels | Europe | Total | Venture | Total |
| Segmental balance sheet | £m | £m | £m | £m | £m | Adj | £m |
| as at 31 August 2016 | | | | | | £m | |
| Investment property | 541.9 | 419.0 | 229.6 | 346.8 | 1,537.3 | (140.9) | 1,396.4 |
| Investment at fair value through profit or loss | - | - | 7.9 | - | 7.9 | - | 7.9 |
| Investment in associate | - | - | 10.2 | - | 10.2 | - | 10.2 |
| Trade and other receivables | 4.8 | 3.3 | 1.7 | 5.9 | 15.7 | (1.0) | 14.7 |
| Cash and cash equivalents | 8.3 | 2.5 | 2.0 | 9.0 | 21.8 | (2.3) | 19.5 |
| Borrowings, including finance leases | (324.9) | (201.6) | (109.9) | (206.0) | (842.4) | 76.8 | (765.6) |
| Trade and other payables | (6.6) | (6.4) | (1.7) | (7.7) | (22.4) | 3.9 | (18.5) |
| Segmental net assets | 223.5 | 216.8 | 139.8 | 148.0 | 728.1 | (63.5) | 664.6 |
| Unallocated assets and liabilities: | | | | | | | |
| Other non-current assets | | | | | 1.4 | - | 1.4 |
| Trade and other receivables | | | | | 16.7 | - | 16.7 |
| Cash and cash equivalents | | | | | 12.5 | - | 12.5 |
| Net derivative financial instruments | | | | | (16.5) | 4.7 | (11.8) |
| Deferred tax | | | | | (5.3) | 1.9 | (3.4) |
| Trade and other payables | | | | | (2.9) | - | (2.9) |
| Tax liabilities | | | | | (2.4) | - | (2.4) |
| | | | | | 731.6 | (56.9) | 674.7 |
| <i>Joint venture adjustments:</i> | | | | | | | |
| Fair value on acquisition of joint venture interest | | | | | 0.9 | (0.9) | - |
| Joint venture non-controlling interest | | | | | (0.7) | 0.7 | - |
| Cumulative losses restricted in joint ventures ⁽¹⁾ | | | | | 1.6 | (1.6) | - |
| Investment in joint ventures | | | | | - | 5.8 | 5.8 |
| Loans to joint ventures | | | | | - | 52.9 | 52.9 |
| IFRS net assets | | | | | 733.4 | - | 733.4 |

⁽¹⁾ As detailed in Note 14, the Group's interest in the Esplanade has reduced to £Nil in the financial statements in line with IAS 28. On a proportionate basis, the Group's share of the Esplanade is included line-by-line. The cumulative losses of this joint venture that the Group has not recognised at the reporting date on an equity accounted basis are presented to reconcile segmental information to the IFRS statements.

| | UK | UK | UK | | | Joint | IFRS |
|---|--------------|--------------|------------|------------|--------------|--------------|--------------|
| | Retail | Commercial | Hotels | Europe | Total | Venture | Total |
| Other segmental information | £m | £m | £m | £m | £m | Adj | £m |
| as at 31 August 2016 | | | | | | £m | |
| <i>Additions to investment property during the year per reportable segment:</i> | | | | | | | |
| Additions from acquisition of investment property | 213.1 | 276.6 | - | - | 489.7 | - | 489.7 |
| Acquisition costs | 10.5 | 12.1 | - | - | 22.6 | - | 22.6 |
| Capitalised expenditure | 3.0 | 0.3 | 1.8 | 2.8 | 7.9 | (0.1) | 7.8 |
| | 226.6 | 289.0 | 1.8 | 2.8 | 520.2 | (0.1) | 520.1 |

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4. RENTAL INCOME

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|--|---|---------------------------------------|------------------------------------|
| Gross lease payments from third parties | 38.8 | 33.0 | 71.9 |
| Gross lease payments from related parties ⁽¹⁾ | 7.0 | 7.2 | 14.7 |
| Rental income | 45.8 | 40.2 | 86.6 |

The future aggregate minimum rentals receivable under non-cancellable operating leases for the period are as follows:

| | | | |
|--|--------------|-------|-------|
| Not later than 1 year | 87.6 | 72.0 | 91.1 |
| Later than 1 year not later than 5 years | 290.0 | 221.4 | 302.2 |
| Later than 5 years | 331.8 | 293.5 | 366.2 |
| | 709.4 | 586.9 | 759.5 |

⁽¹⁾ Amounts received from RedefineBDL as a result of lease agreements in place between the Group, RHML and RECML (wholly owned subsidiaries of RedefineBDL).

5. OTHER INCOME

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|--|---|---------------------------------------|------------------------------------|
| Performance fee ⁽¹⁾ | 4.0 | - | - |
| Investment management fees from joint ventures | 0.4 | 0.1 | 0.7 |
| Insurance rebates | 0.2 | 0.5 | 0.5 |
| Salary recharges | 0.1 | 0.2 | 0.3 |
| Other income from related parties | - | 0.3 | 0.3 |
| Other property related income | 0.1 | 0.2 | 0.7 |
| Other income | 4.8 | 1.3 | 2.5 |

⁽¹⁾ 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. The return on disposal on 1 January 2017 resulted in a fee of £4.0 million payable from the joint venture to the Group. The income has been recognised within other income and the Group share of the related expense incurred by the joint venture has been recognised within share of post-tax (loss)/profit from joint ventures. On a proportionate basis, and for segmental reporting purposes, the net performance fee of £2.0 million fee earned by the Group has been recognised in other income. Refer to Note 3.

6. ADMINISTRATIVE COSTS AND OTHER FEES

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|---|---|---------------------------------------|------------------------------------|
| Administrative and other operating expenses | 2.0 | 1.4 | 2.3 |
| Professional fees | 2.7 | 1.1 | 2.5 |
| Staff costs | 3.2 | 2.2 | 4.9 |
| Share-based payments | 0.5 | 0.5 | 1.2 |
| Administrative costs and other fees | 8.4 | 5.2 | 10.9 |

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7. DISPOSAL OF SUBSIDIARIES

No entities were disposed of during the six months ended 28 February 2017.

On 31 August 2016, the Group disposed of its 100% shareholding in Cooperative Redefine International Real Estate UA (Netherlands) for a consideration of €1. The disposed subsidiary undertaking holds the entire issued share capital of Redefine International Dan Haag B.V (Netherlands). This company is the beneficial and legal owner of the Group's investment in The Justice Center, The Hague.

The impact of the disposal on the Group and the net cash flow is shown below:

| | Audited 31 August 2016 £m |
|--|------------------------------------|
| Carrying value of net liabilities/(assets) | |
| Investment property | (5.5) |
| Trade and other receivables | (0.7) |
| Cash and cash equivalents | (0.4) |
| Borrowings | 15.0 |
| Trade and other payables | 0.2 |
| Net liabilities disposed | 8.6 |
| Consideration | - |
| Transfer of foreign currency translation on disposal of foreign operations to the income statement | 3.6 |
| Gain on disposal of subsidiary | 12.2 |

8. NET FINANCE EXPENSE

| | Reviewed 28 February 2017 £m | Re-presented Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|---|------------------------------------|
| Finance income on bank deposits | - | 0.1 | 0.2 |
| Finance income on loans to joint ventures | 2.4 | 2.5 | 5.0 |
| Finance income on loans to other related parties | 0.5 | 0.6 | 1.1 |
| Finance income | 2.9 | 3.2 | 6.3 |
| Finance expense on secured bank loans | (12.9) | (13.1) | (27.3) |
| Amortisation of debt issue costs | (0.7) | (0.7) | (1.5) |
| Accretion of fair value adjustments ⁽¹⁾ | (0.5) | (1.1) | (3.1) |
| Finance lease interest | (0.4) | (0.5) | (0.8) |
| Finance expense | (14.5) | (15.4) | (32.7) |
| Net finance expense | (11.6) | (12.2) | (26.4) |

⁽¹⁾ The accretion during the year ended 31 August 2016 included the release of the residual fair value adjustments on refinanced facilities.

9. OTHER FINANCE EXPENSES

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|---------------------------------------|------------------------------------|
| Aviva profit share: | | | |
| - share of earnings for the period | - | (0.7) | (1.5) |
| - re-measurement of financial liability | (1.3) | - | - |
| Termination of derivative financial instruments | - | (0.1) | (0.2) |
| Other finance costs | (0.2) | - | (0.2) |
| Other finance expenses | (1.5) | (0.8) | (1.9) |

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10. NET GAIN ON SALE OF JOINT VENTURE INTERESTS

On 1 January 2017, Wichford VBG Holding S.à.r.l. ("Wichford VBG"), exchanged contracts to dispose of all of its property-owning subsidiaries. The value attributed by the purchaser to the properties held by these subsidiaries was €106.0 million (£90.6 million). The carrying value was €97.6 million (£83.4 million) at 31 August 2016. Total consideration was agreed at €49.7 million (£42.5 million), subject to final completion adjustments, and the transaction completed on the 13 January 2017. The equity of the subsidiaries was acquired for nominal value and so the consideration receivable was comprised of:

- €29.4 million (£25.1 million) in settlement of the Shareholder Loans outstanding to the joint venture partners (Group share: €14.4 million/£12.3 million); and
- €20.3 million (£17.4 million) in settlement of loans that had been advanced by the retained structure of Wichford VBG ("Finco Loans") to the disposed subsidiaries (Group share: €9.9 million/£8.5 million). The Finco Loans had eliminated on consolidation of the joint venture.

Cash consideration of €47.9 million (£40.9 million) was received by the joint venture after the deduction of transaction costs of €0.8 million (£0.7 million) by the purchaser. In addition, €1.0 million (£0.9 million) was deferred pending the outcome of certain conditions. The conditions precedent were subsequently satisfied and, as a result, the deferred consideration has been recognised as a receivable at the balance sheet date. The net assets of the subsidiaries on disposal were €11.2 million (£9.6 million) and, after adjusting for the Shareholder Loans and additional transaction costs incurred of €1.7 million (£1.4 million), an initial gain on sale of €6.6 million (£5.7 million) was recognised by the joint venture. The Group share of this gain was €3.2 million (£2.8 million). The Group recognised a total gain of £5.0 million after the recycling of cumulative foreign currency translation of £2.2 million to the consolidated income statement. The Directors believe that the recycling of the translation reserve is appropriate as the retained Wichford VBG structure only has a receivable in relation to the deferred consideration and cash to settle final working capital balances prior to liquidation at 28 February 2017.

The Finco Loans originated during the Wichford VBG restructuring in September 2012, when a financing vehicle of the retained structure acquired the residual bank debt from the existing lender for nominal value. Loan notes of €1 ("Finco Loan Notes") were issued to the joint venture partners by the vehicle to finance the acquisition of the Finco Loans. Under the terms of the Finco Loan Notes, any termination payments received under the Finco Loans would be payable to the Finco Loan Note holders after settlement of the Performance Fee (refer to Note 5) and any interest outstanding so that surplus cash could be repatriated efficiently to the joint venture partners. Following the disposal of the Finco Loans, a loss was therefore recognised in the financial statements of the joint venture on settlement of Finco Loan Notes (Group share: €3.4 million/£3.0 million) and a corresponding gain was recognised by the joint venture partners. The net impact of the Finco Loan Note settlement is £Nil in the Group consolidated financial statements. For presentation purposes and to reflect the substance of the transaction, all gains and losses incurred by both the Group (£5.2 million gain) and the joint venture on an equity accounted basis (£0.2 million loss), as a result of the disposal, are included within one line in the consolidated income statement, 'Net gain on sale of joint venture interests'.

The table below illustrates the financial impact of the transaction on the joint venture and on the Group on a total basis, eliminating the effect of the Finco Loan Note settlement for simplicity.

| | £m |
|---|---------------|
| Carrying value of net (assets)/liabilities | |
| Investment property | (83.4) |
| Trade and other receivables | (0.4) |
| Cash and cash equivalents | (0.5) |
| Borrowings | 48.0 |
| Loans from joint venture partners | 25.1 |
| Derivative financial instruments | 0.4 |
| Deferred tax | 1.1 |
| Trade and other payables | 0.1 |
| Net assets disposed by joint venture | (9.6) |
| Settlement of loans from joint venture partners | (25.1) |
| Adjusted net assets disposed by joint venture | (34.7) |
| Cash consideration received | 40.9 |
| Deferred consideration receivable | 0.9 |
| Additional transaction costs incurred | (1.4) |
| Gain on sale of subsidiaries attributable to joint venture | 5.7 |
| Elimination of joint venture partners' interest | (2.9) |
| Gain on sale of joint venture interests attributable to Group | 2.8 |
| Transfer of foreign currency translation to the income statement on disposal of joint venture interests | 2.2 |
| Net gain on sale of joint venture interests | 5.0 |
| <i>Attributable to:</i> | |
| Joint venture (Group share) | (0.2) |
| Group | 5.2 |

Total cash proceeds received by the Group at the balance sheet date on disposal were £22.1 million, including the receipt of the Performance Fee of £4.0 million (refer to Note 5). In the consolidated statement of cash flows, the Performance Fee has been presented under operating activities and the balance of £18.1 million has been presented under investing activities.

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11. TAXATION

a) Tax recognised in the condensed consolidated income statement:

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|---|---|---------------------------------------|------------------------------------|
| Current income tax | | | |
| Income tax in respect of current period | 0.6 | 0.4 | 0.6 |
| Adjustments in respect of prior periods | - | (1.1) | (0.7) |
| Deferred tax | | | |
| On fair value of investment property | 0.2 | 0.8 | (0.2) |
| On accelerated capital allowances | 0.2 | - | 1.4 |
| Tax charge for the period recognised in the income statement | 1.0 | 0.1 | 1.1 |

There was no tax recognised in equity or other comprehensive income during the period (29 February 2016: £Nil, 31 August 2016: £Nil).

b) Reconciliation

The tax rate for the period is lower than the standard rate of corporation tax in the UK of 20 per cent (29 February 2016: 20 per cent, 31 August 2016: 20 per cent). The differences are explained below:

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|--|---|---------------------------------------|------------------------------------|
| Profit before tax | 42.0 | 8.4 | 8.6 |
| Profit before tax multiplied by standard rate of corporation tax | 8.4 | 1.7 | 1.7 |
| Effect of: | | | |
| - (Gain)/loss on revaluation of exempt UK investment property | (0.5) | 4.1 | 8.4 |
| - Deferred tax adjustment on revaluation of European investment property | 0.2 | - | (0.2) |
| - Accelerated capital allowances on European investment property | 0.2 | - | 1.4 |
| - Gain on disposal of exempt investment property | (1.2) | (0.7) | (0.6) |
| - Gain on disposal of subsidiary | - | - | (2.4) |
| - Change in fair value of derivative financial instruments | (0.9) | 0.5 | 2.2 |
| - Income not subject to UK income tax | (6.7) | (5.2) | (9.7) |
| - Non-resident landlord tax attributable to non-controlling interest | 0.5 | 0.2 | 0.4 |
| - Group relief utilised | - | - | (0.1) |
| - Unutilised losses carried forward | 0.9 | 0.6 | 0.3 |
| - Other taxable income | - | - | 0.1 |
| - Expenses not deductible for tax | 0.1 | - | 0.3 |
| - Adjustments in respect of prior periods | - | (1.1) | (0.7) |
| Tax charge for the period recognised in the income statement | 1.0 | 0.1 | 1.1 |

In the reconciliation above for the period ended 28 February 2017, the effective tax rate of the Group was 2.4 per cent (29 February 2016: 1.2 per cent, 31 August 2016: 12.8 per cent).

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 for the Group to continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the UK property rental business which is within the REIT structure.

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12. INVESTMENT PROPERTY

| | UK Retail £m | UK Commercial £m | UK Hotels £m | (1) Europe £m | Total £m | Freehold £m | Leasehold £m |
|--|--------------------|------------------------|--------------------|---------------------|----------------|----------------|-----------------|
| 28 February 2017 | | | | | | | |
| Opening carrying value at 1 September 2016 | 541.9 | 407.3 | 229.6 | 217.6 | 1,396.4 | 1,052.2 | 344.2 |
| Capitalised expenditure | 0.9 | 0.7 | 1.2 | 5.2 | 8.0 | 2.6 | 5.4 |
| Capitalised finance costs | - | - | 0.2 | 0.2 | 0.4 | 0.2 | 0.2 |
| Disposals through the sale of property | - | (42.6) | - | - | (42.6) | (40.8) | (1.8) |
| Transfer to non-current assets held for sale (Note 18) | (16.8) | (17.4) | - | (5.5) | (39.7) | (33.8) | (5.9) |
| Head lease additions and disposals | 2.2 | (0.5) | - | - | 1.7 | - | 1.7 |
| (Loss)/gain on revaluation of investment property | (1.8) | 10.2 | (2.2) | (3.6) | 2.6 | 13.6 | (11.0) |
| Foreign exchange movement in foreign operations | - | - | - | 1.2 | 1.2 | 1.0 | 0.2 |
| IFRS carrying value at 28 February 2017 | 526.4 | 357.7 | 228.8 | 215.1 | 1,328.0 | 995.0 | 333.0 |
| Adjustments: | | | | | | | |
| Non-current assets held for sale (Note 18) | 16.8 | 17.4 | - | 5.5 | 39.7 | 33.8 | 5.9 |
| Minimum payments under head leases (Note 19) | (10.1) | (2.6) | (0.4) | (1.6) | (14.7) | - | (14.7) |
| Tenant lease incentives (Note 16) | 3.9 | 1.8 | 0.9 | - | 6.6 | 3.9 | 2.7 |
| Market value of Group portfolio at 28 February 2017 | 537.0 | 374.3 | 229.3 | 219.0 | 1,359.6 | 1,032.7 | 326.9 |
| Joint ventures | | | | | | | |
| Share of joint ventures investment property (Note 14) | - | 11.8 | - | 88.0 | 99.8 | 99.8 | - |
| Market value of total portfolio at 28 February 2017 (on a proportionately consolidated basis) | 537.0 | 386.1 | 229.3 | 307.0 | 1,459.4 | 1,132.5 | 326.9 |
| | UK Retail £m | UK Commercial £m | UK Hotels £m | (1) Europe £m | Total £m | Freehold £m | Leasehold £m |
| 31 August 2016 | | | | | | | |
| Opening carrying value at 1 September 2015 | 355.4 | 153.8 | 235.1 | 190.1 | 934.4 | 642.6 | 291.8 |
| Additions from acquisition of property (2) | 213.1 | 276.6 | - | - | 489.7 | 407.9 | 81.8 |
| Acquisition costs | 10.5 | 12.1 | - | - | 22.6 | 20.1 | 2.5 |
| Capitalised expenditure | 3.0 | 0.3 | 1.8 | 2.7 | 7.8 | 4.8 | 3.0 |
| Disposals through the sale of property (2) | - | (40.3) | - | - | (40.3) | (10.7) | (29.6) |
| Disposals through the sale of subsidiary (Note 7) | - | - | - | (5.5) | (5.5) | (5.5) | - |
| Disposal of head leases | - | (0.4) | - | - | (0.4) | - | (0.4) |
| (Loss)/gain on revaluation of investment property | (40.1) | 5.2 | (7.3) | (0.3) | (42.5) | (35.2) | (7.3) |
| Foreign exchange movement in foreign operations | - | - | - | 30.6 | 30.6 | 28.2 | 2.4 |
| IFRS carrying value at 31 August 2016 | 541.9 | 407.3 | 229.6 | 217.6 | 1,396.4 | 1,052.2 | 344.2 |
| Adjustments: | | | | | | | |
| Minimum payments under head leases (Note 19) | (7.9) | (3.1) | (0.4) | (1.6) | (13.0) | - | (13.0) |
| Tenant lease incentives (Note 16) | 3.1 | 1.6 | - | - | 4.7 | 1.9 | 2.8 |
| Market value at 31 August 2016 | 537.1 | 405.8 | 229.2 | 216.0 | 1,388.1 | 1,054.1 | 334.0 |
| Joint ventures | | | | | | | |
| Share of joint ventures investment property (Note 14) | - | 11.7 | - | 129.2 | 140.9 | 140.9 | - |
| Market value at 31 August 2016 (on a proportionately consolidated basis) | 537.1 | 417.5 | 229.2 | 345.2 | 1,529.0 | 1,195.0 | 334.0 |

(1) Included within the Europe segment at 28 February 2017 is property under development of £19.0 million (31 August 2016: £18.5 million)

(2) Additions from acquisitions and disposals through the sale of property in UK Commercial have been grossed up to reflect the acquisition and subsequent sale of 16 Grosvenor Street.

The tables above present both segmental and market value investment property information prepared on a proportionately consolidated basis. Properties that have been classified as held for sale in the current period are also included so that the market value of the total portfolio can be determined. This format is not a requirement of IFRS and is for informational purposes only as it is used in reports presented to the Group's Chief Operating Decision Maker.

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Recognition

In accordance with IAS 40, Paragraph 14, judgement is needed to determine whether a property qualifies as an investment property. The Group has developed criteria so that it can exercise its judgement consistently in recognising investment property. These include property held for long-term capital appreciation, property owned (or 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 properties.

Investment property comprises a number of retail and commercial properties in the UK and Europe that are leased to unconnected third parties. In addition, the hotel properties are held for capital appreciation and to earn rental income. The properties have been let to RHML and RECML (with the exception of Travelodge, Enfield) for a fixed rent which is subject to annual review. The annual rent review takes into account the forecast EBITDA for the hotel portfolio when setting the revised rental level. As detailed in the key judgements and estimates in Note 2.3.3, aside from the Group's shareholding in RedefineBDL and the receipt of rental income, Redefine International is not involved in the hotel management business and there are limited transactions between Redefine International, RHML and RECML. As a result, the Directors consider it appropriate to classify the hotel properties as investment property in line with IAS 40.

Valuation

The carrying amount of investment property is the fair value of the property as determined by appropriately qualified independent valuers and adjusted for minimum payments under head leases and tenant lease incentives. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, and in limited circumstances, in aggregation with other assets, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

The fair value of the Group's property for the period ended 28 February 2017 was assessed by the valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations performed by the independent valuers are reviewed internally by senior management and by the Audit and Risk Committee. This includes discussion of 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 capitalisation rate. The resulting valuations are cross-checked against the net initial yield and the fair market values per square foot derived from comparable recent market transactions.

The valuation techniques described above are consistent with IFRS 13 and uses significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing circumstances and the property's highest and best use at the reporting date.

The Group considers that all of its investment property falls within 'Level 3', as defined by IFRS 13 (refer to Note 28). There has been no transfer of property within the fair value hierarchy over the period.

Committed expenditure

The Group was contractually committed to expenditure of £12.3 million for the future development and enhancement of investment property at 28 February 2017 (31 August 2016: £15.8 million).

Disposals

The Group disposed of four assets in the UK Commercial portfolio during the period realising a gain, after disposal costs, of £5.9 million:

| | Sales proceeds | Disposal costs | Tenant incentives | Net sales proceeds | Carrying value | Gain on disposal |
|------------------------------------|-------------------|-------------------|----------------------|-----------------------|-------------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| 28 February 2017 | | | | | | |
| 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 |
| Disposals during the period | 50.1 | (0.6) | (1.0) | 48.5 | 42.6 | 5.9 |

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13. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table details the movement in investments designated at fair value through profit or loss:

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|------------------------------------|
| Opening balance at 1 September | 7.9 | - |
| Transfer from investment in associate (Note 15) | - | 3.8 |
| Addition of investment at fair value | 0.9 | 4.9 |
| Gain/(loss) on revaluation of investment at fair value | 1.0 | (0.8) |
| Closing balance | 9.8 | 7.9 |

On 14 October 2015, the Company acquired, by way of private placement, 3.8 million shares in the newly listed International Hotel Properties Limited (formerly International Hotel Group Limited) for £3.8 million. On the date of listing this represented 25.4% of the group's issued share capital and the shareholding was recognised as an investment in associate under the equity method.

On 20 October 2015, the Company acquired 3.1 million additional shares for £3.1 million as part of a £13.0 million private placement by IHL, diluting the Group's interest to 13.2%. Significant influence over the operations of IHL was deemed to have ceased from this date and therefore the shareholding was re-classified from investment in associate to investment at fair value through profit or loss (refer to Note 15).

On 31 March 2016, the Company acquired an additional 1.5 million shares in IHL for £1.5 million, as a result of a £7.0 million private placement, thereby increasing its interest to 15.3%.

On 20 April 2016, IHL acquired RBDL Capital Managers Limited from RedefineBDL for consideration of £1.0 million which was settled in the form of 1.0 million shares in IHL. RedefineBDL distributed these shares in relative proportion to its shareholders, of which the Group received 254,084 shares.

On 7 February 2017, as part of a settlement of the balance outstanding from 4C UK Investments Limited ("4C Investments"), the Company assumed 1,000,000 shares in IHL (refer to Note 29). The value attributed to the shares by the Group as part of this settlement was £1.0 per share. The fair value of these shares on transfer was £0.95 and the shares were recognised at fair value. The transfer of the shares increased the Group's investment in IHL by 1.7% to 17.2%.

As at 28 February 2017, the Group's investment at fair value of £9.8 million (31 August 2016: £7.9 million) relates to its investment in 9,656,834 shares of IHL's 56 million issued shares (31 August 2016: 8,656,834).

No change in the Group's influence over IHL has occurred since 20 October 2015, when the investment was initially classified as fair value through profit or loss. Refer to Note 2.3.4 for further information on the classification of IHL as an investment at fair value through profit or loss.

14. INVESTMENT IN AND LOANS TO JOINT VENTURES

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Investment in joint ventures | | |
| Opening balance at 1 September | 5.8 | 3.6 |
| Loss on disposal of joint venture interests | (0.2) | - |
| Share of post-tax (loss)/profit from joint ventures | (2.6) | 1.4 |
| Foreign currency translation | - | 0.8 |
| Closing balance | 3.0 | 5.8 |

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|------------------------------------|
| Loans to joint ventures | | |
| Opening balance at 1 September | 52.9 | 44.6 |
| Increase in loans to joint ventures | - | 0.5 |
| Disposal of loan to joint venture | (12.3) | - |
| Repayment of loans by joint ventures | (0.6) | (2.6) |
| Reversal of impairment of loans to joint ventures | 0.1 | 2.6 |
| Foreign currency translation | 0.4 | 7.8 |
| Closing balance | 40.5 | 52.9 |
| Carrying value of interests in joint ventures | 43.5 | 58.7 |

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The Group's joint ventures consist of the following material investments as presented in the tables of this note:

- (i) 50% interest in Leopard Holding Germany 1 S.à.r.l., Leopard German Property Ed1, Ed2, Ed3 and Ed4, LGP ME1 and ME2 S.à.r.l. and LGP Ed2 GmbH & Co KG, a joint venture with Redefine Properties Limited ("RPL"), the Company's largest shareholder. These companies hold 56 retail properties in Germany comprising a mix of stand-alone supermarkets, food-store anchored retail parks and cash & carry stores. Collectively known as the Leopard portfolio, the joint venture also includes two entities in which the Group previously held a 100% ownership interest, Ciref Berlin 1 Limited and CEL Portfolio 2 Limited & Co.KG, and that hold ten retail properties;
- (ii) 50.5% interest in RI Menora German Holdings S.à.r.l., a joint venture with Menora Mivtachim, which ultimately owns properties in Waldkraiburg, Huckelhoven and Kaiserslautern, Germany. Notwithstanding the economic shareholding the contractual terms provide for joint control and so the Company does not control the entity;
- (iii) 49% 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 until 1 January 2017; and
- (iv) 50% interest in 26 Esplanade No 1 Limited, a joint venture with Rimstone Limited, which owns an office building in St. Helier, Jersey.

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

- 1) an interest in the share capital of the joint venture companies; and
- 2) loans advanced to the joint venture entities. The loans outstanding at 28 February 2017 bear interest at 4.75 – 8.0 per cent and have remaining maturities of 10 years.

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 year-end of the Group, the purpose of which is to align with the year-end of the joint venture partner, Menora Mivtachim.

Interest in joint ventures not recognised

Under the equity method, the Esplanade is carried at £Nil value in the opening joint venture balance of the Group's financial statements at 1 September 2016 and remains at £Nil at 28 February 2017. This investment is in a net liability position with the cumulative losses exceeding the cost of the Group's investment. The Group does not recognise losses below its original cost in this joint venture but continues to impair the loans advanced to their recoverable amount in line with IAS 28. The Group share of losses amounted to £0.7 million at 28 February 2017 (31 August 2016: £1.6 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.

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 £0.4 million (Group share: £0.2 million). See Note 10 for further details.

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| | Wichford VBG Holding S.à.r.l. | RI Menora German Holdings S.à.r.l. | Leopard Portfolio | Esplanade | Total | Elimination of joint venture partners' interest | Proportionate Total |
|--|--|--|----------------------|---------------|----------------|---|------------------------|
| | £m | £m | £m | £m | £m | £m | £m |
| 31 August 2016 | | | | | | | |
| Percentage ownership interest | 49% | 50.5% | 50% | 50% | | | |
| Summarised Income Statement | | | | | | | |
| Rental income | 6.2 | 1.6 | 10.8 | 1.5 | 20.1 | (10.1) | 10.0 |
| Rental expense | (0.4) | (0.2) | (1.7) | - | (2.3) | 1.2 | (1.1) |
| Net rental income | 5.8 | 1.4 | 9.1 | 1.5 | 17.8 | (8.9) | 8.9 |
| Other income | - | - | 0.1 | 1.0 | 1.1 | (0.5) | 0.6 |
| Administrative costs and other fees | (0.5) | (0.1) | (0.3) | (0.1) | (1.0) | 0.5 | (0.5) |
| Net operating income | 5.3 | 1.3 | 8.9 | 2.4 | 17.9 | (8.9) | 9.0 |
| Gain/(loss) on revaluation of investment property | 2.7 | 0.5 | (0.2) | (0.4) | 2.6 | (1.3) | 1.3 |
| Net finance expense | (5.7) | (0.8) | (5.9) | (0.9) | (13.3) | 6.6 | (6.7) |
| Other finance expense | - | (0.1) | (0.1) | - | (0.2) | 0.1 | (0.1) |
| Gain/(loss) on financial liabilities | 7.3 | (0.6) | (1.4) | - | 5.3 | (2.8) | 2.5 |
| Change in fair value of derivative financial instruments | - | 0.1 | (1.5) | (2.1) | (3.5) | 1.8 | (1.7) |
| Profit/(loss) before tax | 9.6 | 0.4 | (0.2) | (1.0) | 8.8 | (4.5) | 4.3 |
| Taxation | (0.3) | (0.2) | (0.5) | - | (1.0) | 0.5 | (0.5) |
| Profit/(loss) and total comprehensive income/(expense) | 9.3 | 0.2 | (0.7) | (1.0) | 7.8 | (4.0) | 3.8 |
| Reconciliation to IFRS: | | | | | | | |
| Elimination of non-controlling and joint venture partners' interest | (4.7) | (0.1) | 0.3 | 0.5 | (4.0) | 4.0 | - |
| Movement in losses restricted in joint ventures | - | - | - | 0.2 | 0.2 | - | 0.2 |
| Group share of joint venture results | 4.6 | 0.1 | (0.4) | (0.3) | 4.0 | - | 4.0 |
| <i>Presented as:</i> | | | | | | | |
| Impairment reversal / (impairment) of loans to joint ventures | 3.6 | (0.3) | (0.4) | (0.3) | 2.6 | - | 2.6 |
| Share of post-tax profit from joint ventures | 1.0 | 0.4 | - | - | 1.4 | - | 1.4 |
| Summarised Balance Sheet | | | | | | | |
| Investment property | 82.9 | 26.5 | 150.4 | 23.4 | 283.2 | (142.3) | 140.9 |
| Derivative financial instruments | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Trade and other receivables | - | 1.0 | 1.0 | 0.1 | 2.1 | (1.1) | 1.0 |
| Cash and cash equivalents | 1.5 | 0.3 | 2.4 | 0.4 | 4.6 | (2.3) | 2.3 |
| Total assets | 84.4 | 27.8 | 153.9 | 23.9 | 290.0 | (145.7) | 144.3 |
| External borrowings | (47.7) | (15.0) | (73.7) | (18.0) | (154.4) | 77.6 | (76.8) |
| Loans from joint venture partners | (24.9) | (7.7) | (83.8) | (6.6) | (123.0) | 61.7 | (61.3) |
| Derivative financial instruments | (0.6) | (0.2) | (0.1) | (8.7) | (9.6) | 4.8 | (4.8) |
| Deferred tax | - | (1.0) | (2.9) | - | (3.9) | 2.0 | (1.9) |
| Trade and other payables | (4.2) | (1.0) | (2.9) | (0.4) | (8.5) | 4.6 | (3.9) |
| Total liabilities | (77.4) | (24.9) | (163.4) | (33.7) | (299.4) | 150.7 | (148.7) |
| Non-controlling interests | (0.1) | (0.3) | (0.3) | - | (0.7) | - | (0.7) |
| Net assets/(liabilities) | 6.9 | 2.6 | (9.8) | (9.8) | (10.1) | 5.0 | (5.1) |
| Reconciliation to IFRS: | | | | | | | |
| Elimination of joint venture partners' interests | (3.5) | (1.4) | 5.0 | 4.9 | 5.0 | (5.0) | - |
| Fair value on acquisition of joint venture interest | - | - | 0.9 | - | 0.9 | - | 0.9 |
| Loan to joint ventures ⁽⁴⁾ | 12.2 | 3.9 | 41.9 | - | 58.0 | - | 58.0 |
| Interest in joint ventures not recognised | - | - | - | 3.3 | 3.3 | - | 3.3 |
| Cumulative losses restricted ⁽⁵⁾ | - | - | - | 1.6 | 1.6 | - | 1.6 |
| Carrying value of interests in joint ventures | 15.6 | 5.1 | 38.0 | - | 58.7 | - | 58.7 |

⁽¹⁾ Included within administrative costs and other fees of Wichford VBG is the Performance Fee of £4.0 million payable to the Group on disposal of the property portfolio.

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

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

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

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15. INVESTMENT IN ASSOCIATE

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Opening balance at 1 September | 10.2 | 8.0 |
| Additions | - | 9.8 |
| Transfer to investment at fair value through profit or loss (Note 13) | - | (3.8) |
| Share of post-tax profit from associate | 0.3 | 1.7 |
| Distributions from associate | (1.1) | (2.3) |
| Impairment reversal/(impairment) of investment in associate | 0.6 | (3.2) |
| Carrying value of net investment in associate | 10.0 | 10.2 |

On 14 October 2015, the Company acquired, by way of private placement, 3.8 million shares in the newly listed IHL for £3.8 million. On the date of listing this represented 25.4% of the entity's issued share capital and the investment was classified as an associate on initial recognition. On 20 October 2015, this interest was diluted to 13.2% resulting in reclassification to investment at fair value through profit or loss (refer to Note 13).

On 30 August 2016, the Group settled amounts advanced to RedefineBDL by way of an equity contribution of £6.0 million. The equity contribution did not result in a further issue of shares to the Group or increase the Group's percentage interest in the associate. The equity contribution has been recognised in other reserves in the underlying financial statements of RedefineBDL.

During the period ended 28 February 2017, the Group's cumulative investment in RedefineBDL increased from 25.3% to 30.4%. On 7 February 2017, the Group acquired an additional 5.1% interest in RedefineBDL as part consideration (£1.3 million) for the settlement of the loan advanced to 4C Investments. This portion of the Group's investment has been classified as held for sale on initial recognition as the shares were acquired exclusively with a view to subsequent re-sale. Refer to Note 18 for further information. The table above presents movements in the Group's existing 25.3% interest in RedefineBDL.

Following an impairment review at 28 February 2017, the Directors consider that the recoverable amount of the Group's net investment in RedefineBDL is consistent with the attributed value at 31 August 2016 of circa £10 million. This has resulted in a reversal of the prior year impairment by £0.6 million (31 August 2016: impairment charge of £3.2 million) as distributions received had exceeded share of earnings.

Distributions from associate for the period ended 28 February 2017 of £1.1 million (31 August 2016: £2.3 million) comprised cash distributions only (31 August 2016: £0.3 million of the £2.3 million distributed related to the distribution in specie of 254,084 shares in IHL).

Summarised Financial Information

The summarised financial information of RedefineBDL is set out below.

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|------------------------------------|
| Summarised Income Statement | | |
| Revenue | 7.3 | 12.6 |
| Other income | 1.6 | 6.3 |
| Expenses | (6.8) | (10.9) |
| Profit from operations | 2.1 | 8.0 |
| Taxation | (0.9) | (1.4) |
| Profit for the period | 1.2 | 6.6 |
| Elimination of third party interest | (0.9) | (4.9) |
| Share of post-tax profit from associate | 0.3 | 1.7 |
| Summarised Balance Sheet | | |
| Non-current assets | 7.5 | 7.8 |
| Intangible asset | 28.1 | 28.1 |
| Trade and other receivables | 3.7 | 6.7 |
| Cash and cash equivalents | 2.6 | 3.2 |
| Total assets | 41.9 | 45.8 |
| Current liabilities | (9.6) | (10.6) |
| Total liabilities | (9.6) | (10.6) |
| Net assets | 32.3 | 35.2 |
| Elimination of third party interest | (24.2) | (26.3) |
| Share of net assets attributable to the Group | 8.1 | 8.9 |
| Net contributions attributable to Group less impairment charge | 1.9 | 1.3 |
| Carrying value of net investment in associate | 10.0 | 10.2 |

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16. TRADE AND OTHER RECEIVABLES

| | Reviewed 28 February 2017 £m | Re-presented ⁽¹⁾ Audited 31 August 2016 £m |
|--|---------------------------------------|---|
| Non-current | | |
| Tenant lease incentives ⁽²⁾ | 5.3 | 3.8 |
| Loans to external parties | 1.3 | 0.7 |
| Letting costs | 0.5 | 0.2 |
| Total non-current trade and other receivables | 7.1 | 4.7 |
| Current | | |
| Amounts receivable from related parties (Note 29) | 0.7 | 20.0 |
| Loans to external parties | 1.6 | - |
| Rent receivable | 0.3 | 1.5 |
| Prepayments and accrued income | 1.2 | 1.2 |
| Tenant lease incentives ⁽²⁾ | 1.3 | 0.9 |
| Other receivables | 1.6 | 3.1 |
| Total current trade and other receivables | 6.7 | 26.7 |
| Total trade and other receivables | 13.8 | 31.4 |

⁽¹⁾ Prior period trade and other receivables have been re-presented to correctly classify certain receivables as non-current and ensure consistency with the current period. Refer to Note 2.2.

⁽²⁾ Total tenant lease incentives of £6.6 million (31 August 2016: £4.7 million) have been deducted from investment property in determining fair value at the balance sheet date. Refer to Note 12.

17. CASH AND CASH EQUIVALENTS

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|------------------------------------|
| Bank balances | 58.4 | 28.7 |
| Unrestricted cash and cash equivalents | 58.4 | 28.7 |
| Restricted cash and cash equivalents | 3.3 | 3.3 |
| Cash and cash equivalents | 61.7 | 32.0 |

At 28 February 2017, cash and cash equivalents to which the Group did not have instant access amounted to £3.3 million (31 August 2016: £3.3 million). This amount is held with Aviva in relation to the shopping centre developments at Byron Place Seaham, Birchwood Warrington, Weston Favell and proposed developments at Grand Arcade Wigan. The amounts held with Aviva were released subsequent to the balance sheet date as part of the Aviva debt restructure (refer to Note 33).

Cash and cash equivalents at 28 February 2017 were £61.7 million (31 August 2016: £32.0 million). The Group's share of cash and cash equivalents, including its share of joint venture cash, at 28 February 2017 was £63.7 million (31 August 2016: £34.3 million), with a further £36.6 million undrawn committed facilities available.

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18. NON-CURRENT ASSETS HELD FOR SALE

| | Investment property £m | Investment in associate £m | Total £m |
|--|------------------------------|----------------------------------|-------------|
| Opening balance at 1 September | - | - | - |
| Transfers from investment property (Note 12) | 39.7 | - | 39.7 |
| Additions of investment in associate | - | 1.3 | 1.3 |
| Closing balance at 28 February | 39.7 | 1.3 | 41.0 |

Investment property held for sale

At 28 February 2017, five investment properties, comprising of one UK Retail property (£16.8 million), three UK Commercial offices (£17.4 million) and one German supermarket (£5.5 million), have been classified as held for sale. Four assets are being actively marketed and management are committed to a plan for their sale. It is considered highly probable that the carrying amount of these four assets will be recovered through a sale transaction, rather than through continuing use, within the next twelve months. The Company completed the disposal of one of these assets, The Observatory, Chatham, post period end (refer to Note 33).

The Company exchanged contracts for the disposal of the fifth asset held for sale, a UK Commercial office in 2 Duchess Place, Edgbaston, on 16 September 2016 for £1.6 million. The purchaser has the right to call completion at any point up to 1 April 2018. As there is a firm commitment from the purchaser to acquire the property and from the Company for its disposal, the asset has been classified as held for sale at 28 February 2017.

Investment in associate held for sale

On 7 February 2017, as part of the settlement of the loan outstanding from 4C Investments (refer to Note 29), the Company acquired 659 shares in RedefineBDL for an attributed value of £1,942 per share (an approximation of fair value on the date of acquisition). This represented 5.1% of the issued share capital of RedefineBDL. As part of the settlement agreement, 4C Investments has the right to buy back the shares at the transfer price of £1.3 million on or before 31 January 2018. If this right is not exercised the remaining shareholders of RedefineBDL will be offered the shares in proportion to their shareholding at the transfer price. It is considered highly probable that the value of the investment will be recovered through re-sale on or before 31 January 2018 and therefore the investment acquired has been classified as held for sale at 28 February 2017. The Directors have determined that the value inherent in the option to reacquire the shares is not material.

The Group considers that all non-current assets held for sale fall within 'Level 3', as defined by IFRS 13 (refer to Note 28). Accordingly, there has been no transfer within the fair value hierarchy during the period.

19. BORROWINGS, INCLUDING FINANCE LEASES

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Non-current | | |
| Bank loans | 723.2 | 759.8 |
| Less: unamortised debt issue costs | (4.4) | (4.1) |
| Less: fair value adjustments | (18.9) | (19.4) |
| Aviva profit share | - | 4.2 |
| Finance leases | 14.0 | 12.3 |
| Total non-current borrowings, including finance leases | 713.9 | 752.8 |
| Current | | |
| Bank loans | 15.8 | 13.8 |
| Less: unamortised debt issue costs | (0.3) | (1.2) |
| Less: fair value adjustments | (1.1) | (1.1) |
| Other external loans | 1.0 | 0.6 |
| Aviva profit share | 5.5 | - |
| Finance leases | 0.7 | 0.7 |
| Total current borrowings, including finance leases | 21.6 | 12.8 |
| Total borrowings, including finance leases | 735.5 | 765.6 |

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Bank loans

| | 28 February 2017 | | | 31 August 2016 | | |
|---|----------------------|---------------------|------------------|----------------------|---------------------|------------------|
| | Carrying Value £m | Nominal Value £m | Fair Value £m | Carrying Value £m | Nominal Value £m | Fair Value £m |
| Non-current liabilities | | | | | | |
| Bank loans | 723.2 | 723.2 | 735.0 | 759.8 | 759.8 | 781.6 |
| Less: unamortised debt issue costs | (4.4) | - | - | (4.1) | - | - |
| Less: fair value adjustments | (18.9) | - | - | (19.4) | - | - |
| Total non-current bank loans | 699.9 | 723.2 | 735.0 | 736.3 | 759.8 | 781.6 |
| Current liabilities | | | | | | |
| Bank loans | 15.8 | 15.8 | 15.8 | 13.8 | 13.8 | 13.8 |
| Less: unamortised debt issue costs | (0.3) | - | - | (1.2) | - | - |
| Less: fair value adjustments | (1.1) | - | - | (1.1) | - | - |
| Total current bank loans | 14.4 | 15.8 | 15.8 | 11.5 | 13.8 | 13.8 |
| Total IFRS bank loans | 714.3 | 739.0 | 750.8 | 747.8 | 773.6 | 795.4 |
| Joint ventures | | | | | | |
| Share of joint ventures bank loans | 53.3 | 53.3 | 53.3 | 77.0 | 77.0 | 77.0 |
| Share of joint ventures unamortised debt issue costs | (0.1) | - | - | (0.2) | - | - |
| Total bank loans (on a proportionately consolidated basis) | 767.5 | 792.3 | 804.1 | 824.6 | 850.6 | 872.4 |
| Cash and cash equivalents | (61.7) | (61.7) | (61.7) | (32.0) | (32.0) | (32.0) |
| Share of joint ventures cash and cash equivalents | (2.0) | (2.0) | (2.0) | (2.3) | (2.3) | (2.3) |
| Net debt (on a proportionately consolidated basis) | 703.8 | 728.6 | 740.4 | 790.3 | 816.3 | 838.1 |

The table above presents bank loans, cash and cash equivalents and net debt information prepared on a proportionately consolidated basis. This format is not a requirement of IFRS and is presented for informational purposes only as it is used in reports presented to the Group's Chief Operating Decision Maker.

The Group's bank loans are secured over investment property of £1,335.3 million (31 August 2016: £1,383.0 million) and are carried at amortised cost. On a proportionately consolidated basis, bank loans are secured over investment property of £1,435.2 million (31 August 2016: £1,523.9 million).

The Group has reduced the nominal value of drawn debt (on a proportionate basis) during the period to £792.3 million (31 August 2016: £850.6 million) following a number of successful refinancings. Firstly, in November 2016 the facility held against West Orchards Coventry was restructured after the repayment of £5.2 million which reduced the balance outstanding to £11.9 million and extended maturity to 2021. This was not considered a significant modification and no extinguishment of the existing loan is deemed to have occurred. In December 2016 and January 2017, the Group drew down on funds from the revolving credit facility ("RCF") secured against the AUK portfolio and repaid loans previously held with AIB Group (UK) p.l.c. (£5.4 million) and Commerzbank AG (£9.7 million). During the six month period ended 28 February 2017, the Group sold four properties secured against the AUK facility and applied £30.0 million of sales proceeds against the RCF to maintain a lower interest rate margin of 1.75 per cent (ratcheted based on LTV). As noted in Notes 10 and 14, Wichford VBG disposed of its property-owning subsidiaries including associated bank debt with DG Hyp (Group share: £23.5 million), effective 1 January 2017. Other small refinancings have occurred across the portfolio during the period and continue to be negotiated as highlighted in the subsequent events note (refer to Note 33).

The Group considers that all bank loans fall within 'Level 3', as defined by IFRS 13 (refer to Note 28).

The fair value of fixed rate borrowings 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 nominal value of floating rate borrowings is considered to be a reasonable approximation of fair value.

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

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---------------------------------|---------------------------------------|------------------------------------|
| Non-current | | |
| Between one year and five years | 545.3 | 471.8 |
| More than five years | 177.9 | 288.0 |
| | 723.2 | 759.8 |
| Current | | |
| Less than one year | 15.8 | 13.8 |
| | 15.8 | 13.8 |

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

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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 subsequently measured at amortised cost. At 28 February 2017, the profit share financial liability has been increased by £1.3 million to £5.5 million (31 August 2016: £4.2 million), being the best estimate of the agreed cost to the Company to extinguish Aviva's right to the profit participation. The terms of the Aviva debt restructure have been finalised post period end as detailed in Note 33.

Finance leases

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

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|--|---------------------------------------|------------------------------------|
| Minimum lease payments under finance leases obligations: | | |
| Not later than one year | 0.7 | 0.7 |
| Later than one year not later than five years | 3.3 | 3.0 |
| Later than five years | 117.4 | 88.6 |
| | 121.4 | 92.3 |
| Less: finance charges allocated to future periods | (106.7) | (79.3) |
| Present value of minimum lease payments | 14.7 | 13.0 |
| Present value of minimum finance lease obligations: | | |
| Not later than one year | 0.7 | 0.7 |
| Later than one year not later than five years | 2.8 | 2.5 |
| Later than five years | 11.2 | 9.8 |
| Present value of minimum lease payments | 14.7 | 13.0 |

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.

20. 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 bank debt arrangements, the Group has entered into interest rate swaps to convert the rates from floating to fixed which has eliminated potential exposure to interest rate fluctuations. Likewise, interest rate caps are used to limit the downside exposure to significant changes to the current low interest rates prevailing in the market.

The Group has also entered into a forward foreign currency option agreement whereby the Group has the right but not the obligation to convert a fixed amount of Euro currency to Sterling quarterly at an agreed rate between 1 November 2016 and 31 August 2017. The fair value of the contract was negligible at 28 February 2017.

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

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Derivative Assets | | |
| Non-current | | |
| Interest rate cap | 0.7 | 0.8 |
| Interest rate swaps | 0.2 | - |
| | 0.9 | 0.8 |
| Derivative Liabilities | | |
| Non-current | | |
| Interest rate swaps | (8.2) | (12.6) |
| | (8.2) | (12.6) |
| Net derivative financial instruments | (7.3) | (11.8) |

The Group's interest rate cap asset is at a rate of 3.0 per cent and matures in November 2021. The interest rate swap assets are held at a rate of 0.4 per cent, maturing in September 2020. Interest rate swap liabilities have maturities from January 2019 until April 2021, at a range of swap rates of 0.7 – 2.0 per cent.

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21. DEFERRED TAX

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

| | Fair value of investment property £m | Accelerated capital allowances £m | Total £m |
|--|---|--|-------------|
| Opening balance 1 September 2015 | 0.6 | 1.6 | 2.2 |
| (Income)/expense for the year recognised in the income statement | (0.2) | 1.4 | 1.2 |
| Opening balance 1 September 2016 | 0.4 | 3.0 | 3.4 |
| Expense for the period recognised in the income statement | 0.2 | 0.2 | 0.4 |
| Closing balance at 28 February 2017 | 0.6 | 3.2 | 3.8 |

Net deferred tax assets not recognised at 28 February 2017 amounted to £0.3 million (31 August 2016: £7.3 million).

22. TRADE AND OTHER PAYABLES

| | Reviewed 28 February 2017 £m | Restated ⁽¹⁾ Audited 31 August 2016 £m |
|---------------------------------|---------------------------------------|---|
| Rent received in advance | 4.4 | 4.8 |
| Trade payables | 1.5 | 0.5 |
| Accrued interest | 2.5 | 2.9 |
| VAT payable | 4.5 | 4.3 |
| Accruals | 5.5 | 3.8 |
| Other payables | 1.8 | 5.1 |
| Trade and other payables | 20.2 | 21.4 |

⁽¹⁾ Current tax liabilities of £2.4 million that were previously presented within trade and other payables at 31 August 2016 have been separately presented on the face of the consolidated balance sheet. Refer to Note 2.2.

23. SHARE CAPITAL AND SHARE PREMIUM

| AUTHORISED | Number of Shares | Authorised Share Capital £m |
|--|----------------------|-----------------------------------|
| - At 31 August 2016 (Ordinary shares of 8 pence each) | 3,000,000,000 | 240.0 |
| - At 28 February 2017 (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 2015 | 1,474,331,331 | 117.9 | 395.0 |
| Scrip dividend – issued December 2015 | 21,235,556 | 1.7 | 9.5 |
| Share placement – issued February 2016 | 270,588,236 | 21.7 | 87.4 |
| Scrip dividend – issued June 2016 | 28,443,527 | 2.3 | 10.2 |
| At 31 August 2016 | 1,794,598,650 | 143.6 | 502.1 |
| Scrip dividend – issued December 2016 | 17,141,172 | 1.3 | 5.3 |
| At 28 February 2017 | 1,811,739,822 | 144.9 | 507.4 |

SHARE CAPITAL AND SHARE PREMIUM

In October 2015, the Company declared a second interim dividend of 1.65 pence per share for the six months ended August 2015 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 699.1 million ordinary shares of 8 pence each representing a 47 per cent take up by shareholders, in respect of which 21.2 million scrip dividend shares were issued in December 2015.

In February 2016, the Company completed a placing of 270.6 million new ordinary shares of 8 pence each for an aggregate nominal value of £21.7 million. The placing generated proceeds of £109.1 million (net of costs).

In April 2016, the Company declared an interim dividend of 1.625 pence per share for the six months ended 29 February 2016 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 907.4 million ordinary shares of 8 pence each representing a 51 per cent take up by shareholders, in respect of which 28.4 million scrip dividend shares were issued in June 2016.

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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 Redefine International 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.

24. RESERVES

REVERSE ACQUISITION RESERVE

The reverse acquisition reserve of £134.3 million arose on the reverse acquisition of Wichford P.L.C. (subsequently renamed Redefine International) by Redefine International Holdings Limited ("RIHL") and comprises the difference between the capital structure of the Company and RIHL.

OTHER RESERVES

Share-Based Payment Reserve

The share-based payment reserve at 28 February 2017 of £2.7 million (31 August 2016: £2.2 million) arises from conditional awards of shares in the Company made to certain employees and the Executive Directors. The awards will vest on the third anniversary of grant, subject to certain performance conditions.

Other Reserves

Other reserves of £1.0 million (31 August 2016: £1.0 million) arose from the acquisition of subsidiaries.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve at 28 February 2017 of £11.1 million (31 August 2016: £10.8 million) represents exchange differences arising from the translation of the net investment in foreign operations. £2.2 million cumulative translation was transferred to the income statement during the period on disposal of joint venture interests (31 August 2016: £3.6 million on disposal of subsidiary).

25. NON – CONTROLLING INTERESTS

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---|------------------------------------|
| Opening balance at 1 September | 33.6 | 38.8 |
| <i>Comprehensive income/(expense) for the year:</i> | | |
| Profit/(loss) for the period attributable to non-controlling interest | 0.2 | (0.4) |
| Foreign currency translation on subsidiary foreign operations | - | 0.7 |
| <i>Changes in ownership interest in subsidiaries:</i> | | |
| Acquisition of non-controlling interest (Note 26) | (12.7) | (2.1) |
| Repayment of non-controlling interest shareholder loans | - | (0.1) |
| Reclassification of non-controlling interest shareholder loans to liabilities | (0.3) | (1.1) |
| Dividends paid to non-controlling interest | (0.6) | (2.2) |
| Total non-controlling interests | 20.2 | 33.6 |

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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.

| | Reviewed 28 February 2017 | | | Re-presented Audited 31 August 2016 | | |
|---|--|---|---|--|---|---|
| | Redefine Hotel Holdings Limited £m | Other individually immaterial subsidiaries £m | Total non- controlling interest £m | Redefine Hotel Holdings Limited £m | Other individually immaterial subsidiaries £m | Total non- controlling interest £m |
| Principal place of business | United Kingdom | | | United Kingdom | | |
| Country of incorporation | BVI | | | BVI | | |
| NCI % | 17.52% | | | 28.95% | | |
| Summarised balance sheet | | | | | | |
| Investment property and other non-current assets | 215.1 | | | 216.2 | | |
| Current assets | 9.8 | | | 7.0 | | |
| Non-current liabilities | (111.2) | | | (109.9) | | |
| Current liabilities | (1.5) | | | (1.7) | | |
| Elimination of tax paid wholly attributable NCI | 0.6 | | | 0.4 | | |
| Adjusted net assets | 112.8 | | | 112.0 | | |
| NCI share of adjusted net assets | 19.8 | | | 32.4 | | |
| Tax attributable to NCI | (0.6) | | | (0.4) | | |
| Carrying amount of NCI | 19.2 | 1.0 | 20.2 | 32.0 | 1.6 | 33.6 |
| Summarised statement of comprehensive income | | | | | | |
| Revenue | 7.0 | | | 14.7 | | |
| Profit/(loss) for the year | 2.8 | | | (0.7) | | |
| Profit/(loss) attributable to NCI ⁽¹⁾ | 0.5 | (0.3) | 0.2 | (0.6) | 0.2 | (0.4) |
| Other comprehensive income attributable to NCI | - | - | - | - | 0.7 | 0.7 |
| Dividends paid to NCI | 0.5 | 0.1 | 0.6 | 1.8 | 0.4 | 2.2 |
| Summarised cash flow statement | | | | | | |
| Cash inflow from operating activities | 5.6 | | | 10.5 | | |
| Cash outflow from investing activities | (1.4) | | | (0.9) | | |
| Cash outflow from financing activities | (0.7) | | | (7.8) | | |
| Net increase in cash and cash equivalents | 3.5 | | | 1.8 | | |

⁽¹⁾ Profit/(loss) attributable to NCI includes a non-resident landlord tax charge of £0.5 million (31 August 2016: £0.4m) which is fully attributable to the minority shareholders of RHHL. The cumulative tax attributable to the remaining 17.52% minority shareholder in RHHL for 2016 and 2017 is £0.6m.

26. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 1 June 2016, Ciref Europe Limited, a subsidiary of the Group, acquired the non-controlling interests in its subsidiaries CEL Portfolio 1 Ltd & Co. KG and Chelvey Holdings Limited, of 20.0% and 33.0% respectively, from Ellis Ventures Limited. Consideration for this transaction was £2.3 million (€2.7 million) including the acquisition of shareholder loans for £1.9 million (€2.2 million). A loss on acquisition of non-controlling interest of £0.2 million was recognised directly in equity.

At 31 August 2016, 4C Investments was a non-controlling shareholder of RHHL with an 11.43% equity interest (1,938 shares) in the issued share capital. The Company had a loan balance outstanding from 4C Investments (refer to Note 29), 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 on transfer was £12.7 million and, as a result, a gain of £0.6 million has been recognised directly in equity.

4C Investments has the right to reacquire the RHH shares on or before 31 January 2018 at the transfer price of £12.1 million. The exercise of this right is considered improbable however and the Directors are satisfied that there is no material value attributable to the option. The other non-controlling interest has formally waived the pre-emptive right to acquire its relative proportion of the shares on 31 January 2018. Dividends from these shares are payable to the Company on transfer and 4C Investments has no representation on the Board of RHHL in the intervening period.

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Carrying amount of non-controlling interest acquired | 12.7 | 2.1 |
| Consideration paid to non-controlling interest | - | (2.3) |
| Transfer value attributed to non-controlling interest | (12.1) | - |
| Increase/(decrease) in equity attributable to equity holders of the Parent | 0.6 | (0.2) |

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27. CASH GENERATED FROM OPERATIONS

| | | Reviewed 28 February 2017 £m | Re-presented Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|--|----|---------------------------------------|---|------------------------------------|
| Continuing operations | | | | |
| Cash flows from operating activities | | | | |
| Profit before tax | | 42.0 | 8.4 | 8.6 |
| <i>Adjustments for:</i> | | | | |
| Straight lining of rental income | | (0.8) | 0.2 | (1.5) |
| Depreciation | | - | 0.1 | - |
| (Gain)/loss on revaluation of investment property | | (2.6) | 17.3 | 42.5 |
| Gain on disposal of investment property | | (5.9) | (3.4) | (3.2) |
| Gain on disposal of subsidiary | 7 | - | - | (12.2) |
| Distributions from investment at fair value | | - | - | (0.5) |
| (Gain)/loss on revaluation of investment at fair value | | (1.0) | (1.0) | 0.8 |
| Amortisation of intangible asset | | 0.1 | 0.1 | 0.2 |
| Gain on disposal of non-current assets held for sale | | - | (0.2) | (0.2) |
| Foreign exchange gain | | - | (2.7) | (0.9) |
| Net finance expense | 8 | 11.6 | 12.2 | 26.4 |
| Other finance expenses | 9 | 1.5 | 0.8 | 1.9 |
| Change in fair value of derivative financial instruments | | (4.4) | 2.5 | 11.1 |
| Net gain on sale of joint venture interests | 10 | (5.0) | - | - |
| Net (impairment reversal)/impairment of joint ventures and associate interests | | (0.7) | 0.7 | 0.6 |
| Share of post-tax loss/(profit) from joint ventures | | 2.6 | 0.3 | (1.4) |
| Share of post-tax profit from associate | | (0.3) | (1.2) | (1.7) |
| Fair value of share-based payments | 6 | 0.5 | 0.5 | 1.2 |
| | | 37.6 | 34.6 | 71.7 |
| Changes in working capital | | 3.1 | (3.1) | (2.5) |
| Cash generated from operations | | 40.7 | 31.5 | 69.2 |

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28. 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using net present value and discounted cash flow models and comparisons to similar instruments for which market observable prices exist. 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. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments such as interest rate swaps and caps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for simple over the counter derivatives, e.g. interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The tables below present information about the Group's financial assets and liabilities measured at fair value as of 28 February 2017 and 31 August 2016.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total Fair Value £m |
|--|---------------|---------------|---------------|---------------------------|
| 28 February 2017 | | | | |
| Financial assets | | | | |
| Investment at fair value (Note 13) | 9.8 | - | - | 9.8 |
| Derivative financial assets (Note 20) | - | 0.9 | - | 0.9 |
| | 9.8 | 0.9 | - | 10.7 |
| Financial liabilities | | | | |
| Derivative financial liabilities (Note 20) | - | (8.2) | - | (8.2) |
| | - | (8.2) | - | (8.2) |
| 31 August 2016 | | | | |
| Financial assets | | | | |
| Investment at fair value (Note 13) | 7.9 | - | - | 7.9 |
| Derivative financial assets (Note 20) | - | 0.8 | - | 0.8 |
| | 7.9 | 0.8 | - | 8.7 |
| Financial liabilities | | | | |
| Derivative financial liabilities (Note 20) | - | (12.6) | - | (12.6) |
| | - | (12.6) | - | (12.6) |

No financial instruments were transferred between levels during the period.

The investment in IHL has been categorised as a Level 1 investment and priced using quoted prices in an active market; the AltX of the JSE. Derivative financial instruments have been categorised as Level 2 as although they are priced using directly observable inputs, the instruments are not traded in an active market.

As stated in Note 12, 18 and 19 respectively, the Group considers investment property, non-current assets held for sale and loan borrowings to be categorised as Level 3.

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

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29. RELATED PARTY TRANSACTIONS

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

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Related Party Transactions | | |
| Revenue Transactions | | |
| Rental income | | |
| RedefineBDL | 7.0 | 14.7 |
| Other income | | |
| International Hotel Properties Limited | - | 0.3 |
| <i>Joint Ventures</i> | | |
| Leopard Portfolio | 0.3 | 0.5 |
| Wichford VBG Holding S.à.r.l. (including Performance Fee of £4.0 million) | 4.1 | 0.1 |
| RI Menora German Holdings S.à.r.l. | - | 0.1 |
| | 4.4 | 1.0 |
| Distributions from investments at fair value | | |
| International Hotel Properties Limited | - | 0.5 |
| Finance income | | |
| <i>Joint Ventures</i> | | |
| Leopard Portfolio | 1.5 | 2.6 |
| Wichford VBG Holding S.à.r.l. | 0.8 | 2.2 |
| RI Menora German Holdings S.à.r.l. | 0.1 | 0.2 |
| International Hotel Properties Limited | - | 0.1 |
| 4C UK Investments Limited | 0.5 | 1.0 |
| | 2.9 | 6.1 |
| Capital Transactions | | |
| Investment property (capitalised expenditure) | | |
| Project monitoring fee to RedefineBDL – construction works | - | 0.3 |
| Investment at fair value through profit or loss | | |
| International Hotel Properties Limited (shares acquired at cost) | 9.7 | 8.7 |
| Investment in associate | | |
| Acquisition of 4C UK Investments Limited's interests in RedefineBDL | 1.3 | - |
| Capital contribution to RedefineBDL | - | 6.0 |
| Dividends received from RedefineBDL | (1.1) | (2.3) |
| Non-controlling interests | | |
| Acquisition of 4C UK Investments Limited's interests in RHHL | 12.1 | - |
| Related Party Balances | | |
| Loans to joint ventures | | |
| Leopard Portfolio | 36.7 | 36.8 |
| Wichford VBG Holding S.à.r.l. | - | 12.2 |
| RI Menora German Holdings S.à.r.l. | 3.8 | 3.9 |
| | 40.5 | 52.9 |
| Trade and other receivables | | |
| Leopard Portfolio | 0.5 | 1.9 |
| Wichford VBG Holding S.à.r.l. | - | 1.7 |
| 4C UK Investments Limited | - | 14.2 |
| RedefineBDL | 0.2 | 1.7 |
| International Hotel Properties Limited | - | 0.5 |
| | 0.7 | 20.0 |
| Related Party Transactions with equity holders of the Parent | | |
| Redefine Properties Limited – capital raise | - | 34.6 |
| Redefine Properties Limited – underwriting fee | - | 2.5 |
| Redefine Properties Limited – cash dividends | 8.5 | 8.0 |
| Redefine Properties Limited – scrip dividends | - | 8.0 |

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4C UK INVESTMENTS LIMITED

On 7 February 2017, the Company exercised its security against a loan extended to 4C Investments. 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 26)
- 4C Investments shareholding in RedefineBDL for a transfer price of £1.3 million (Note 18)
- 4C Investments shareholding in IHL for a transfer price of £1.0 million (Note 13)

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. The treatment on initial recognition of the transferred shares is explained in the referenced notes.

On the same date, the Company entered into a lock-up agreement with 4C Investments whereby the latter has the right to buy back the transferred shares in RHHL and RedefineBDL on or before 31 January 2018 at the transfer price. Under the terms of the lock-up agreement:

- the Company cannot dispose of the transferred shares;
- 4C Investments must be notified of material transactions; and
- any dividends declared by RHHL and RedefineBDL will be payable to the Company.

4C Investments is controlled by Bashir Nathoo. Bashir Nathoo was a Director of RHHL and RedefineBDL. Bashir Nathoo resigned from his directorships with immediate effect on transfer of the shares.

REDEFINE PROPERTIES LIMITED

During the year ended 31 August 2016, the Group paid Redefine Properties a fee of £2.5 million in consideration for the financial guarantee to support the AUK Portfolio acquisition by underwriting up to £70.0 million in the capital raise. On completion, Redefine Properties was allocated 81,373,179 shares, representing 30.07% of the total placing and this equated to an aggregate amount of £34.6 million of the total funds raised.

At 28 February 2017, Redefine Properties held a 29.79% interest in the issued share capital of the Company.

DIRECTORS

Non-executive Directors and Executive Directors represent key management personnel. The remuneration paid to Non-executive Directors for the period ended 28 February 2017 was £0.3 million (29 February 2016: £0.2 million) which represents Directors fees only. The remuneration paid to Executive Directors for the period ended 28 February 2017 was £1.3 million (29 February 2016: £1.2 million), representing salaries, benefits and bonuses. 4.9 million contingent share awards were issued to Executive Directors during the period (29 February 2016: 5.0 million). The share-based payment charge associated with the cumulative contingent share awards outstanding was £0.5 million (29 February 2016: £0.5 million) for the period.

Certain Directors acquired shares on 27 February 2017 as follows:

| Name | Number of ordinary shares acquired | Price per ordinary share acquired |
|-------------------|------------------------------------|-----------------------------------|
| Stephen Oakenfull | 50,000 | 36.57p |
| Adrian Horsburgh | 50,000 | 36.45p |
| Donald Grant | 50,000 | 36.32p |

Certain Directors participated in the February 2016 share placing as follows:

| Name | Number of placing shares | Number of ordinary shares held on admission | Percentage of enlarged share capital (%) |
|------------------|--------------------------|---|--|
| Mike Watters | 352,941 | 6,515,638 | 0.37 |
| Adrian Horsburgh | 10,000 | 10,000 | 0.00 |
| Robert Orr | 23,529 | 23,529 | 0.00 |
| Gavin Tipper | 100,000 | 508,630 | 0.03 |
| Marc Wainer | 195,000 | 1,676,545 | 0.09 |

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30. EARNINGS PER SHARE

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

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|---|---|---------------------------------------|------------------------------------|
| Profit attributable to equity holders of the Parent | 40.8 | 6.8 | 7.9 |
| <i>Group Adjustments:</i> | | | |
| (Gain)/loss on revaluation of investment property | (2.6) | 17.3 | 42.5 |
| Gain on disposal of investment property | (5.9) | (3.4) | (3.2) |
| Gain on disposal of subsidiary | - | - | (12.2) |
| (Gain)/loss on revaluation of investment at fair value | (1.0) | (1.0) | 0.8 |
| Amortisation of intangible assets | 0.1 | 0.1 | 0.2 |
| Gain on disposal of non-current asset held for sale | - | (0.2) | (0.2) |
| Re-measurement of financial liability | 1.3 | - | - |
| Refinancing costs | 0.2 | 0.1 | 0.2 |
| Change in fair value of derivative financial instruments | (4.4) | 2.5 | 11.1 |
| Gain on sale of joint venture interests | (5.2) | - | - |
| Impairment reversal of investment in associate | (0.6) | - | - |
| Capital gains tax refund on disposal of Swiss properties | - | (1.1) | (1.4) |
| Deferred tax adjustments | 0.4 | 0.8 | 1.2 |
| <i>Joint Venture Adjustments:</i> | | | |
| Loss/(gain) on revaluation of investment property | 0.6 | 0.5 | (1.3) |
| Loss on sale of subsidiaries | 0.2 | - | - |
| Change in fair value of derivative financial instruments | (0.9) | 1.4 | 1.7 |
| Deferred tax adjustments | 0.7 | 0.1 | 0.3 |
| Elimination of joint venture unrecognised losses ⁽¹⁾ | 0.8 | (0.8) | (1.2) |
| <i>Non-Controlling Interest Adjustments:</i> | | | |
| Loss on revaluation of investment property | (0.8) | (0.1) | (2.2) |
| Change in fair value of derivative financial instruments | - | 0.1 | (0.1) |
| Impairment reversal of investment in associate | 0.1 | - | - |
| EPRA earnings | 23.8 | 23.1 | 44.1 |
| <i>Adjustments:</i> | | | |
| Accretion of fair value adjustments | 0.5 | 1.1 | 3.1 |
| Foreign exchange gain | - | (2.7) | (0.9) |
| Underlying earnings (re-based) | 24.3 | 21.5 | 46.3 |
| Discontinued Company adjustments | - | 3.9 | 5.9 |
| Distributable earnings | 24.3 | 25.4 | 52.2 |
| Number of ordinary shares | | | |
| - Weighted average | 1,802.0 | 1,493.4 | 1,637.2 |
| - Diluted weighted average | 1,804.4 | 1,494.8 | 1,637.9 |
| Earnings per share (pence) | | | |
| - Basic | 2.3p | 0.5p | 0.5p |
| - Diluted | 2.3p | 0.5p | 0.5p |
| EPRA earnings per share (pence) | 1.3p | 1.5p | 2.7p |
| Diluted EPRA earnings per share (pence) | 1.3p | 1.5p | 2.7p |
| Underlying earnings per share (re-based) ⁽²⁾ | 1.35p | 1.40p | 2.80p |
| Distributable earnings per share (pence) | 1.35p | 1.70p | 3.20p |
| Dividend per share (pence) | 1.30p | 1.625p | 3.20p |
| First interim dividend per share (pence) | 1.30p | 1.625p | 1.625p |
| Second interim dividend per share (pence) | - | - | 1.575p |

⁽¹⁾ As per Note 14, the Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment. This adjustment eliminates the restricted losses for the period attributable to the Esplanade.

⁽²⁾ The calculation of underlying earnings was revised during the six months ended 28 February 2017 to align to the EPRA earnings metric as adjusted for foreign exchange and debt fair value movements only. The Directors consider this to be a more appropriate measure of recurring earnings that provides better alignment with operational cash flow. Additional distributable and other non-recurring adjustments made in the prior periods have now been discontinued and are presented on an aggregate basis within 'Discontinued Company adjustments' above. The calculation of prior period re-based underlying earnings has been disclosed for informational and comparative purposes.

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for the six months ended 28 February 2017

Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

| | Reviewed 28 February 2017 £m | Reviewed 29 February 2016 £m | Audited 31 August 2016 £m |
|---|---|---------------------------------------|------------------------------------|
| Profit attributable to equity holders of the Parent | 40.8 | 6.8 | 7.9 |
| <i>Group Adjustments:</i> | | | |
| (Gain)/loss on revaluation of investment property | (2.6) | 17.3 | 42.5 |
| Gain on disposal of investment property | (5.9) | (3.4) | (3.2) |
| Gain on disposal of subsidiary | - | - | (12.2) |
| Gain on disposal of non-current assets held for sale | - | (0.2) | (0.2) |
| Gain on sale of joint venture interests | (5.2) | - | - |
| Deferred tax | 0.4 | 0.6 | 1.2 |
| <i>Joint Venture Adjustments:</i> | | | |
| Loss/(gain) on revaluation of investment property | 0.6 | 0.5 | (1.3) |
| Loss on sale of subsidiaries | 0.2 | - | - |
| Deferred tax | 0.7 | 0.1 | 0.3 |
| Elimination of joint venture unrecognised losses ⁽¹⁾ | 0.1 | (0.1) | (0.2) |
| <i>Non-Controlling Interest Adjustments:</i> | | | |
| Loss on revaluation of investment property | (0.8) | (0.1) | (2.2) |
| Headline earnings attributable to equity holders of the Parent | 28.3 | 21.5 | 32.6 |
| Number of ordinary shares | | | |
| - Weighted average | 1,802.0 | 1,493.4 | 1,637.2 |
| - Diluted weighted average | 1,804.4 | 1,494.8 | 1,637.9 |
| Headline earnings per share (pence) | | | |
| - Basic | 1.6p | 1.4p | 2.0p |
| - Diluted | 1.6p | 1.4p | 2.0p |

⁽¹⁾ As per Note 14, the Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment. This adjustment eliminates the restricted losses for the period attributable to the Esplanade.

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31. NET ASSET VALUE PER SHARE

| | Reviewed 28 February 2017 £m | Audited 31 August 2016 £m |
|---|---------------------------------------|------------------------------------|
| Net assets attributable to equity holders of the Parent | 720.4 | 699.8 |
| <i>Group Adjustments:</i> | | |
| Fair value of derivative financial instruments | 7.3 | 11.8 |
| Deferred tax adjustments | 3.8 | 3.4 |
| <i>Joint Venture Adjustments:</i> | | |
| Fair value of derivative financial instruments | 3.8 | 4.7 |
| Elimination of unrecognised derivative financial instruments ⁽¹⁾ | (3.7) | (4.3) |
| Deferred tax adjustments | 1.9 | 1.9 |
| <i>Non-Controlling Interest Adjustments:</i> | | |
| Fair value of derivative financial instruments | 0.1 | 0.2 |
| Deferred tax adjustments | - | (0.1) |
| EPRA NAV | 733.6 | 717.4 |
| <i>Group Adjustments:</i> | | |
| Fair value of derivative financial instruments | (7.3) | (11.8) |
| Excess of fair value of debt over carrying value | (31.8) | (42.4) |
| Deferred tax adjustments | (3.8) | (3.4) |
| <i>Joint Venture Adjustments:</i> | | |
| Fair value of derivative financial instruments | (3.8) | (4.7) |
| Elimination of unrecognised derivative financial instruments ⁽¹⁾ | 3.7 | 4.3 |
| Deferred tax adjustments | (1.9) | (1.9) |
| <i>Non-Controlling Interest Adjustments:</i> | | |
| Fair value of derivative financial instruments | (0.1) | (0.2) |
| Deferred tax adjustments | - | 0.1 |
| EPRA NNAV | 688.6 | 657.4 |
| Number of ordinary shares | | |
| - In issue | 1,811.7 | 1,794.6 |
| - Diluted | 1,814.2 | 1,795.4 |
| Net asset value per share (pence): | | |
| - Basic | 39.8p | 39.0p |
| - Diluted | 39.7p | 39.0p |
| EPRA diluted NAV per share (pence) | 40.4p | 40.0p |
| EPRA diluted NNAV per share (pence) | 38.0p | 36.6p |

⁽¹⁾ As per Note 14, the Group has ceased to recognise the Esplanade in the IFRS statements as the cumulative losses of the joint venture exceed the cost of the Group's investment. This adjustment eliminates the derivative financial instruments attributable to the Esplanade from the proportionate adjustments.

32. CONTINGENCIES, GUARANTEES AND COMMITMENTS

At 28 February 2017, the Group was contractually committed to expenditure of £13.4 million (31 August 2016: £15.8 million), of which £12.3 million was committed to the future development and enhancement of investment property.

33. SUBSEQUENT EVENTS

On 28 March 2017, the Group disposed of its investment property at The Observatory, Chatham for £4.0 million. The carrying value of the property at the date of disposal was £3.6 million.

On 7 April 2017, the Group reached a conditional agreement to acquire the controlling interest in the Leopard Portfolio which is currently held as a joint venture with Redefine Properties. Redefine Properties is the majority shareholder of Redefine International P.L.C. and, due to the related party nature of the transaction, shareholder approval was sought and subsequently received on 25 April 2017. The transaction, which completes today, took effect from 1 March 2017 and resulted in aggregate consideration paid of €49.0 million, €0.3 million with respect to the equity interest acquired and €48.7 million in respect of the shareholder loans acquired. The net asset value of the portfolio at 28 February 2017, adjusted to reflect shareholder loans, was €86.3 million (€43.2 million being attributed to Redefine Properties).

On 10 April 2017, the Group refinanced £167.8 million of existing debt facilities secured over four of its UK Shopping Centre assets with Aviva. Following a repayment of £21.7 million, the four facilities were amalgamated into one facility carrying a fixed rate of interest of 5.52 per cent (previous range: 5.7 per cent – 6.4 per cent). In addition, following a payment of £5.5 million, the Group terminated the historic profit and capital appreciation arrangement with Aviva in respect to the Grand Arcade, Wigan.

On 25 April 2017, the Group formally agreed a refinancing of its HSH Nordbank facility, secured over CMC Shopping Center Altona, Hamburg. The refinancing will take effect from 28 April 2017 with the facility will be extended to February 2024. Following a prepayment of €6.5 million, the nominal value of debt outstanding under the facility was reduced to €45.0 million.

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 Redefine International P.L.C. |
| Brexit / Article 50 | Article 50 of the Lisbon Treaty gives any European Union member the right to withdraw from the EU and outlines the procedure for doing so. On 29 March 2017, Article 50 was triggered by the UK Government following the vote to leave in June 2016 (the "EU Referendum") which is colloquially referred to as Brexit, and must be concluded by March 2019. |
| BVI | British Virgin Islands |
| Discontinued Company adjustments | Items previously added back to distributable earnings, for example, debt issue costs and share based payment charges. |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| EPRA | European Public Real Estate Association |
| 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 NNAV | 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 voids | Voided are expressed as a percentage of ERV and represent a measure of unlet space |
| 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 |
| IASB | International Accounting Standards Board |
| IFRS | International Financial Reporting Standards |
| IHL | International Hotel Properties Limited (formerly: International Hotel Group 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 |
| IRR | Internal rate of return |
| JSE | JSE Limited, licensed as an exchange and a public company incorporated under the laws of South Africa and the operator of the Johannesburg Stock Exchange. |
| Lease incentives | Any incentives offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit out or similar costs. |
| Like-for-like income | Income generated by assets which were held by the Group throughout both the current and comparable periods for which there has been no significant development which materially impacts upon income and used to illustrate change in comparable income values. |
| Like-for-like property | Property which has been held at both the current and comparative balance sheet dates for which there has been no significant development and used to illustrate change in comparable capital values. |
| LSE | The London Stock Exchange |
| Loan-to-value or LTV | The ratio of net debt divided by the market value of investment property. Calculated on a proportionate (share of value) basis. |
| LUXSE | The Luxembourg Stock Exchange |
| NAV | Net Asset Value |
| NCI | Non-controlling interest |
| Net debt | Total nominal value of borrowings less cash and cash equivalents |
| RCF | Revolving Credit Facility |
| Redefine International, RI PLC, the Company or the Group | Redefine International P.L.C., also referred to as the "Company" taken together with all its subsidiaries and Group undertakings are collectively referred to as the "Group". |
| RedefineBDL or RBDL | RedefineBDL Hotel Group Limited |
| Redefine Properties or RPL | Redefine Properties Limited, listed on the JSE, 29.79% Shareholder of the Company. |
| RECML | Redefine Earls Court Management Limited |
| Reversionary yield | The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV. |
| RevPar | Revenue per available room |
| RICS | Royal Institute of Chartered Surveyors |
| RIHL | Redefine International Holdings Limited |
| RIMH | Redefine International Management Holdings Limited |
| RHHL | Redefine Hotel Holdings Limited |
| RHML | Redefine Hotel Management Limited |

GLOSSARY

| | |
|--------------------------------|---|
| SAICA | South African Institute of Chartered Accountants |
| 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 (re-based) | The calculation of underlying earnings was revised during the six months ended 28 February 2017 to align to the EPRA earnings metric as adjusted for foreign exchange gains and debt fair value accretion adjustments only. |
| WAULT | Weighted average unexpired lease term |