NEW RIVER

RNS Announcement

NewRiver REIT plc Full Year Results

23 May 2019

Delivering robust performance and leveraging our operational capability

Allan Lockhart, Chief Executive commented: "We have delivered a robust performance during the year despite the significant headwinds facing the UK retail sector. While we have not been immune to these challenges, our retail portfolio is focused on the most resilient sub-sectors of the market, providing consumers with convenience, value and services which cannot easily be replicated online. In addition, the specialist and hands-on retail asset management platform we have built since NewRiver's inception almost 10 years ago means that we have been able to mitigate the impact of any retailer distress in our portfolio. Our pubs business continues to deliver strong cash returns, a modest valuation uplift and opportunities to extract further value, with the integration of Hawthorn Leisure, which we acquired In May 2018, providing a solid platform for future growth.

Looking ahead, we have held our dividend because we are confident that our market positioning, our growth prospects and the strength of our balance sheet give us a clear path to dividend cover. The UK retail real estate market is starting to look attractive to new capital, seeking to capitalise on market dislocation, and we plan to benefit from this by leveraging our asset management platform to manage assets on behalf of partners and third party owners. In that regard, we are delighted to announce today a new joint venture with BRAVO, a fund managed by PIMCO, and the acquisition of a portfolio of retail parks. We are pleased to have re-established this successful partnership, and we are aiming to quickly growth this portfolio, and deliver growing returns to our shareholders."

Strategies to deliver underlying FFO growth and a fully covered dividend with net neutral investment approach

- Established joint venture with BRAVO to acquire four retail parks in Aberdeen, Dundee, Inverness, and on the Isle of Wight for £60.5 million, NRR share £30.3 million, reflecting a NIY of 9.8%; re-establishing a successful partnership and growing our exposure to conveniently-located retail parks
- Signed three Asset Management Agreements, including with Canterbury City Council, for management of Whitefriars Shopping Centre, Canterbury, and with Areli Real Estate for Nicholsons Shopping Centre, Maidenhead

Proven business model delivering sustainable cash returns, underpinned by unsecured balance sheet

- Funds From Operations ('FFO') of £56.4 million (FY18: £60.3 million); FFO per share of 18.5 pence (FY18: 21.2 pence); decrease mainly due to £4.8 million profit on disposal in FY18
- Underlying FFO ('UFFO'), excluding profit/loss on disposal of investment properties, of £55.1 million (FY18: £55.5 million); UFFO per share of 18.1 pence (FY18: £19.5 pence)
- Ordinary dividend per share increased by 3% to 21.6 pence (FY18: 21.0 pence); 84% covered by UFFO, improved from 78% covered in H1 due to phasing of net acquisitions
- Q1 FY20 ordinary dividend maintained at 5.4 pence per share (Q1 FY19: 5.4 pence)
- EPRA NAV per share of 261 pence (March 2018: 292 pence), impacted by portfolio valuation decline of -6.4%
- Total Property Return +1.3%, +410 bps vs MSCI-IPD benchmark; Total Accounting Return of -3.3% (FY18: +8.1%)
- Proportionally consolidated LTV of 37% (March 2018: 28%) due primarily to net investment activity
- IFRS net assets £796.1 million (March 2018: £892.4 million); IFRS loss after tax -£36.9 million (FY18: profit of £45.7 million) due to non-cash valuation decline of £89.5 million; IFRS basic EPS -12.1 pence (FY18: 16.0 pence)

Strength of operational metrics demonstrate resilience of portfolio focused on convenience, value and services

- Retail occupancy of 95.2% (March 2018: 96.5%); Pub occupancy of 97.9% (March 2018: 99.0%)
- 1.2 million sq ft of leasing activity; long term deals on terms 0.5% ahead of previous rent and in-line with ERV
- Affordable average retail rent of £12.52 psf (March 2018: £12.36 psf); deliberately limited exposure to structurally challenged sub-sectors such as department stores (<0.1% of total income) and casual dining (1.2%)
- Like-for-like footfall across shopping centres declined -2.4%; ahead of the UK benchmark by 20 bps

Active in the capital markets; net neutral in retail, deploying capital into pubs

- In retail, acquired £35.5 million of assets at blended NIY of 9.1%, and recycled £36.2 million at blended NIY of 6.4% at pricing 7.0% ahead of book value
- In pubs, acquired £126.6 million of assets at blended NIY of 13.9% and recycled £31.3 million of pubs, pub land and convenience stores ('c-stores') at blended NIY of 4.0% with pricing 2% ahead of book value; Hawthorn Leisure acquired in May 2018 for an enterprise value of £106.8 million, representing a NIY of 13.6%; portfolio of 298 high quality community pubs and an established pub management platform; integration completed in January 2019, unlocking £2.1 million of £3.0 million of expected annualised operating cost synergies

Extracting growth through risk-controlled development pipeline

- In November 2018, completed 62,000 sq ft Canvey Island Retail Park development; M&S Foodhall, B&M, Sports Direct and Costa now open & trading; fully-let annualised rent roll of £1.0 million and projected yield on cost of 9%
- C-store development programme for the Co-op saw completion of six c-stores during the year; bringing the total number delivered to 25; eight sold in the year, blended NIY 4.9%

Financial Statistics

Performance	Note	FY19	FY18	Change
Funds From Operations ('FFO')	(1)	£56.4m	£60.3m	-7%
FFO per share (Pence Per Share)	(1)	18.5	21.2	-12%
Underlying Funds From Operations ('UFFO')	(2)	£55.1m	£55.5m	-1%
UFFO per share (Pence Per Share)	(2)	18.1	19.5	-7%
Ordinary dividend (Pence Per Share)		21.6	21.0	+3%
Ordinary dividend cover	(3)	84%	93%	
Admin cost ratio		13.1%	15.0%	
Interest cover	(4)	4.0x	4.7x	
Net Property Income		£90.5m	£87.1m	
IFRS (Loss)/Profit after taxation	(5)	-£36.9m	£45.7m	
IFRS Basic EPS (Pence Per Share)		-12.1	16.0	
EPRA EPS (Pence Per Share)		16.6	18.6	
Total Accounting Return	(6)	-3.3%	+8.1%	

Balance Sheet	Note	March 2019	March 2018	Change
IFRS Net Assets		£796.1m	£892.4m	
EPRA NAV per share (Pence Per Share)		261	292	-11%
Shares in issue		304.8m	303.7m	
Balance Sheet (proportionally consolidated)	Note	March 2019	March 2018	Change
Principal value of gross debt		£510.0m	£469.0m	
Cash		£27.6m	£116.2m	
Cost of debt	(7)	3.2%	3.1%	
Average debt maturity	(8)	6.9 years	7.9 years	
Loan to value		37%	28%	

Notes:
(1) Funds From Operations ('FFO') is a Company measure of cash profits which includes realised recurring cash profits plus realised profits (or losses) on the sale of properties and excludes other one off or non-cash adjustments as set out in Note 10 of the Financial Statements and in the Finance Review.
(2) Underlying Funds From Operations ('UFFO') is a Company measure of cash profits which includes realised recurring cash profits and excludes other one off or non-cash adjustments as set out in Note 10 of the Financial Statements and in the Finance Review. UFFO is used by the Company as the basis for ordinary dividend policy and cover
(3) Ordinary dividend cover is calculated with reference to UFFO. If calculated using FFO, as in prior years, ordinary dividend cover is 86% in FY19 and 101% in FY18
(4) Interest cover is tested at property level and is the basis for banking covenants. It is calculated by comparing actual net rental income received versus cash interest payable.
(5) IFRS (Loss)/Profit after taxation due to non-cash valuation decline of £89.5 million
(6) Total Accounting Return equals EPRA NAV per share movement during the year plus dividends paid in the year divided by the EPRA NAV per share at the start of the year
(7) Cost of debt assuming £215 million revolving credit facility is fully drawn
(8) Average debt maturity assumes one-year extension options are exercised and bank approved

For further information

NewRiver REIT plc +44 (0)20 3328 5800
Allan Lockhart (Chief Executive)
Mark Davies (Chief Financial Officer)
Will Hobman (Head of Investor Relations & Strategy)

Finsbury +44 (0)20 7251 3801
Gordon Simpson
James Thompson

This announcement contains inside information as defined in Article 7 of the EU Market Abuse Regulation No 596/2014 and has been announced in accordance with the Company's obligations under Article 17 of that Regulation. This announcement has been authorised for release by the Board of Directors.

Results presentation

The results presentation will be held at 10.30am today at the offices of Eversheds Sutherland (International) LLP, 1 Wood St, London EC2V 7WS. The presentation will be broadcast live via webcast and conference call.

A live audio webcast will be available at: http://view-w.tv/965-1325-21461/en

A recording of this webcast will be available on the same link after the presentation, and on the Company's website (http://www.nrr.co.uk/investor-center) later in the day.

The dial in details for the conference call facility are as follows:

UK Toll Free:	0808 109 0700
Standard International Access:	+44 (0)20 3003 2666
Password:	NewRiver

About NewRiver

NewRiver REIT plc ('NewRiver') is a leading Real Estate Investment Trust specialising in buying, managing, developing and recycling convenience-led, community-focused retail and leisure assets throughout the UK.

Our £1.3 billion portfolio covers over 9 million sq ft and comprises 34 community shopping centres, 19 conveniently located retail parks and over 650 community pubs. Having hand-picked our assets since NewRiver was founded in 2009, we have deliberately focused on the fastest growing and most sustainable sub-sectors of the UK retail market, with grocery, convenience stores, value clothing, health & beauty and discounters forming the core of our retail portfolio. This focus, combined with our affordable rents and desirable locations, delivers sustainable and growing returns for our shareholders, while our active approach to asset management and inbuilt 1.9 million sq ft development pipeline provide further opportunities to extract value from our portfolio.

NewRiver has a Premium Listing on the Main Market of the London Stock Exchange (ticker: NRR) and is a constituent of the FTSE 250 and EPRA indices. Visit www.nrr.co.uk for further information.

Forward-looking statements

The information in this announcement may include forward-looking statements, which are based on current projections about future events. These forward-looking statements reflect the directors' beliefs and expectations and are subject to risks, uncertainties and assumptions about NewRiver REIT plc (the 'Company'), including, amongst other things, the development of its business, trends in its operating industry, returns on investment and future capital expenditure and acquisitions, that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements.

None of the future projections, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise. The information and opinions contained in this announcement are provided as at the date of this document and are subject to change without notice. No one undertakes to update publicly or revise any such forward looking statements. No statement in this document is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company.

Chairman's statement

I have great pleasure in presenting my first review as Chairman of NewRiver. I was privileged to assume the chair of the Company on 1 October 2018 and would like to pay tribute to the stewardship of my predecessor, Paul Roy, whose wise counsel had guided the Company since its inception. I would also like to welcome Colin Rutherford to the Board, following his appointment as a Non-Executive Director in February 2019. Colin brings with him a wealth of experience from his various leadership roles in public and private companies across a wide range of relevant sectors and we are already benefiting from his insight and expertise.

Agreeing to chair NewRiver was not a difficult decision to take. I was well acquainted with the Company's affairs as a long-standing shareholder and had closely watched the highly talented management team build an impressive portfolio in the years following the global financial crisis. The skill and judgement that the management team has exercised in building up the Company is exactly why the Board has tremendous confidence that the same team will address the current challenges in the retail sector, regarding them as opportunities rather than as threats.

Our confidence stems from our core strength in four areas. First, management's ability to select the right assets. In any market dislocation there are winners and losers, and we are determined to emerge from the present dislocation in retail as clear winners. The skill with which NewRiver has built up a convenience-led, highly resilient portfolio is unique in the UK real estate industry. Our relative immunity from the various retailer restructuring programmes that have caused other landlords real concern continues to vindicate management's skill in selecting the right locations and in partnering with the right retailers. Consumers are still shopping in physical stores, but they must be the right kind of offer and they must be conveniently located. The Board is very confident that our portfolio delivers just that.

Secondly, we have confidence in our ability to take decisive action. Our management team was early to see the strategic implications of the changing shape of retailing in the UK and took action to diversify our retail assets with complementary assets in the shape of our community pub portfolio. This has added high quality and diversified income to our Funds From Operations and made a positive contribution to our asset values. At the same time, the pub portfolio has continued to build our presence in the communities we exist to serve.

Thirdly, our balance sheet is very strong following last year's successful debt refinancing, all of which is now entirely unsecured. Consequently, we have positioned ourselves well to take advantage of the attractive opportunities that we believe will present themselves in the coming period.

Finally, we have tremendous confidence in our asset management capability. It is our view that the winners in the current market conditions will be those companies which not only make the right strategic calls, but essentially, can deliver on the execution of those calls. In 40 years in the property industry, I have never seen more accomplished asset managers than the team at NewRiver, and we are determined to nurture and develop this talent further. The skill, energy and attention to detail that is evident in the management of our assets means that our investments are carefully stewarded and constantly improving. Critically, through our best in class platform, we can add value not only to assets under our own management, but to those held in joint ventures and by third parties.

As we develop our business over the next few years, all of these core strengths will stand us in good stead. NewRiver was built by capitalising on opportunities that emerged following the global financial crisis, and we will adopt the same intelligent approach to opportunities that will arise from the present restructuring of UK retail.

I have had the pleasure of working with exceptional Board colleagues and a highly talented team at all levels at NewRiver, whose commitment and energy are second to none. On behalf of the Board, I would like to extend my thanks to them for an outstanding effort this year.

Margaret Ford OBE
Non-Executive Chairman
22 May 2019

Chief Executive's review

I am pleased to report a year of robust performance, against a difficult market backdrop for the retail sector. Once again, our portfolio centred around community shopping centres, conveniently-located retail parks and community pubs, and our focus on growing and sustainable retail market sub-sectors, positioned us well to navigate market headwinds and deliver resilient cash returns to our shareholders.

Market backdrop

In retail, the challenges facing the sector have remained relatively constant throughout the year. Retailers continue to face cost pressures including business rate increases, the National Living Wage, the need to invest in supply chain infrastructure and the weaker pound, while at the same time, increased competition, online shopping and changing consumer behaviour, driven by squeezed household budgets, are reshaping the retail landscape.

Against this backdrop, a clear divergence in retailer performance has emerged. Retailers delivering sales growth and expanding their store estates are typically focused on providing either convenience, value or services. Our focus market sub-sectors of value fashion, food & grocery, discounter, health & beauty and grab & go food all exhibit one or more of these three key attributes. These retailers are less affected by wider economic conditions as they provide essential everyday goods and services, and are more resilient to online, either because they provide a face-to-face service that cannot be replicated electronically, or because online fulfilment would be too costly.

Retailer underperformance in these market conditions has generally been a result of operating in structurally challenged sub-sectors, poor management, or a combination of both of these factors. In the mid-market fashion and department store sub-sectors for example, online retail has intensified competition and given consumers complete price transparency, making it difficult for traditional retailers, challenged by over-spaced store estates and outdated supply chain infrastructure, to adapt and maintain market share. Some of these underperforming retailers have entered into Company Voluntary Arrangements ('CVAs') in an attempt to reduce rent costs, and in extreme cases, have exited the market completely.

In the investment market for retail property, the challenges facing the sector have weighed heavily on sentiment, and this has been reflected in a lower volume of transactions in the last 12 months, and a decline in valuations. We have not been immune from this negative sentiment, but our portfolio has several differentiating characteristics that position it better than most in the face of these headwinds: first, our portfolio yield has been consistently higher than all other IPD sectors and has maintained approximately 250 bps of headroom above the IPD equivalent yield benchmark over the past four years, meaning we're less reliant on income growth to drive returns at our assets; secondly, our average lot size, at £24 million, is significantly lower than peers, providing better liquidity; and finally, an internal review of our entire portfolio has shown that our current valuations are 90% underpinned by the valuation of the next-best alternative use for each of our assets.

In pubs, data from the British Beer & Pub Association ('BBPA') shows that demand for drinking in pubs remained strong in 2018, and has been relatively unchanged in the past five years. Despite squeezes on consumer incomes, the pub remains an integral part of community life across the UK, offering an affordable treat and a valuable social interaction that often cannot be replicated at home. Sales across the pub market have continued to grow, managing to offset the cost pressures facing the industry, which include business rates, the National Living Wage, the Apprenticeship Levy, and the 'Sugar Tax'.

The number of pubs operating in the UK is often viewed as a measure for the health of the pub industry. In recent decades, pub numbers have declined due to a range of factors, including lifestyle changes, increased alcohol sales in supermarkets and government interventions such as the smoking ban. However, in recent years the number of pub closures has slowed substantially, suggesting the market is reaching a sustainable, equilibrium number of pubs, which industry analysts believe to be around 45,000 outlets.

The investment market for pubs has remained strong, with transactions totalling £0.8 billion during the year to 31 March 2019, in line with the previous year and above the level seen in the year before, according to Property Data. Pub portfolios continue to attract a diverse range of buyers, with private equity, public and private companies, and institutional investors all active in the market. NewRiver itself has been active in the market during the year, with the acquisition of Hawthorn Leisure, and we foresee further opportunities to invest directly and to provide our pub management platform to other pub portfolio acquirers.

Financial performance

In the context of these challenges, our financial performance remained resilient during the year, with Funds From Operations ('FFO') decreased from £60.3 million to £56.4 million, with the additional income generated through net acquisition activity offset by the absence of one-off receipts seen in the prior year, including profits on disposal of investment properties. Underlying Funds From Operations ('UFFO'), which excludes profits on disposal of investment properties, was in-line with the prior year at £55.1 million (FY18: £55.5 million). Our IFRS loss after tax was £36.9 million, reduced from a profit of £45.7 million in FY18, predominantly due to a non-cash reduction in portfolio valuation of £89.5 million.

The Board has approved a final quarterly dividend of 5.4 pence per share, resulting in an ordinary dividend for the year of 21.6 pence per share, up 3% compared to the previous year. Our full year ordinary dividend cover, calculated with reference to UFFO, was 84%, an improvement from the position at the half year, but short of the full cover position we are used to presenting. We are determined to re-establish a fully covered dividend, and we have identified a series of strategies to generate UFFO growth and re-establish ordinary dividend cover while maintaining our conservative balance sheet position, which are covered in more detail later in this review.

Looking ahead, we have held our Q1 FY20 dividend at 5.4 pence per share, in-line with the prior year, which reflects our confidence in the strength of the underlying cashflows of our business. We are committed to first re-establishing full cover and then growing the dividend in the future in line with UFFO.

Our portfolio valuation now stands at £1.3 billion, increased from £1.2 billion at 31 March 2018 due primarily to the acquisition of Hawthorn Leisure in the year, offset by a non-cash reduction in portfolio valuation. Our EPRA net asset value per share decreased by 31 pence to 261 pence, reflecting the 6.4% reduction in portfolio valuation in the year. Our IFRS net assets reduced to £796.1 million, due principally to the same factor.

We continue to benefit from our transformational actions in the debt capital markets in the last financial year, which mean that we have now diversified our sources of funding, increased operational flexibility, increased debt maturity to 6.9 years and reduced our cost of debt. Our fully unsecured and unencumbered balance sheet remains conservatively positioned, with LTV increased to 37%, principally reflecting acquisition activity completed during the year and well within our stated guidance. The profitability of our platform is underpinned by the significant arbitrage between our portfolio net initial yield of 7.9% and cost of debt of 3.2%, and our efficient operating cost structure, which means that our interest cover is high at 4.0x, significantly ahead of our stated policy of >2.0x.

Operational performance

During the year we completed £162.1 million of acquisitions across our community shopping centres, conveniently-located retail parks and community pubs portfolios, at an average net initial yield ('NIY') of 12.7%.

In our retail portfolio, in June 2018 we acquired Grays Shopping Centre in Essex for £20.2 million, equating to a NIY of 9.4% on the shopping centre element. The acquisition comprised a community shopping centre with 177,300 sq ft of retail space, anchored by value and grocery retailers, and a 32,000 sq ft office building with permitted development rights for residential conversion. We have already identified a number of value-creating opportunities at the asset, to meet demand for a budget hotel, budget gym and discount food retailer, and to deliver much needed residential units, and are currently engaging with the local council to bring plans forward. In July 2018 we acquired Hollywood Retail & Leisure Park in Barrow-in-Furness, Cumbria for £15.3 million, equating to a NIY of 8.7%. The acquisition comprised a ten-unit 124,400 sq ft retail and leisure park with an occupier line-up including TK Maxx, Currys PC World, Dunelm, Nuffield Health and a six-screen Vue cinema. The asset offers a number of opportunities to extract further value, including the immediate conversion of two existing units to introduce a 20,000 sq ft store let to Aldi, which opened in May 2019.

In our community pub portfolio, in May 2018 we acquired Hawthorn Leisure for an enterprise value of £106.8 million, comprising a portfolio of 298 pubs and a best-in-class pub management platform. The integration of the business completed in January 2019, transferring all of NewRiver's community pubs to the Hawthorn Leisure platform and immediately unlocking £2.1 million of the £3.0 million of scale-based synergies identified at acquisition. The remaining £0.9 million of synergies is expected to follow in FY20.

Across our retail portfolio we continued to see robust operational metrics. Occupancy remained high at 95.2% (March 2018: 96.5%), reflecting our focus on growing and online-resilient retail sub-sectors, and our active approach to asset management. Our average rent remained low at £12.52 psf (March 2018: £12.36 psf), reflecting our commitment to affordability for retailers and underpinning the sustainability of our income. Our shopping centre like-for-like footfall declined by 2.4% during the year, ahead of the UK benchmark by 20 bps.

Over the year we completed 1.2 million sq ft of new lettings and renewals across our retail portfolio. On average, long-term deals were signed 0.5% ahead of previous passing rent and in-line with March 2018 ERV. Our leasing activity in the year continued to reflect our focus on growing and resilient retail sub-sectors, as we signed five leases with B&M Group, including on new-build stores at Canvey Island Retail Park and Victoria Retail Park, Beverley, as well as leases with discounters Poundstretcher, Poundland and Wilko. Elsewhere in our focus sub-sectors we signed deals with food and grocery retailers including Aldi, Sainsbury's, M&S Foodhall and Iceland; value fashion retailers such as TK Maxx, Yours Clothing and Claire's Accessories; grab & go food operators including Burger King and Costa; and health & beauty retailers Boots, Savers, Superdrug and Holland & Barrett. Other significant deals saw us introduce new value leisure provision to our assets, including the signing of a 15-year lease with community cinema operator Reel Cinemas to open a five-screen cinema at The Ridings shopping centre in Wakefield, occupying a space created by the conversion of three former retail units with minimal structural alterations, and the opening of The Gym in Broadway Shopping Centre, Bexleyheath in a new 12,900 sq ft unit created by converting a previously vacant storage area on the second floor of the shopping centre.

Retail failures in the form of Company Voluntary Arrangements ('CVAs') or administrations continue to have a limited impact on our rental income, having deliberately limited our exposure to sub-sectors facing structural challenges such as casual dining, department stores and mid-market fashion. Total exposure to retailers involved in CVAs or administrations during the year was £2.6 million, or 2.6%, of our annual net rental income at the start of the year, and the majority of this related to Poundworld and Homebase. Stores representing £0.7 million of this rent were unaffected by CVAs, and a further £1.2 million was recovered through new deals or deals currently in legals on impacted units. This results in a current estimated impact on FFO in FY20 of £0.6 million, which we are working to reduce further, encouraged by the strong progress we have made in mitigating the impact of CVAs and administrations occurring in the previous financial year.

We made good progress with our 1.9 million sq ft risk-controlled development pipeline during the year. In November 2018 we completed our 62,000 sq ft retail park development in Canvey Island, Essex, our largest development to date. The scheme was 75% pre-let on completion to M&S Foodhall, B&M, Sports Direct and Costa, and these retailers opened at the site in early 2019. Once fully-let, the scheme will deliver £1.0 million of annualised rental income. Elsewhere in our development pipeline, our convenience store ('c-store') development programme for the Co-operative saw the completion of six new c-stores during the year, bringing the total number delivered to date to 25.

During the year we made £67.5 million of disposals across our retail park, community pub and high street unit portfolios, on terms on average 4% ahead of March 2018 valuations. These disposals demonstrate our commitment to profitably recycling capital out of mature assets and into higher yielding assets with greater opportunities to extract value. The fact these disposals were made at a premium to valuations underscores their conservative nature and the attractive nature of our assets to a wide range of potential buyers.

We are committed to operating in a way that enhances the lives of the communities we serve and minimises our impact on the environment, as we believe this in the best interests of all of our key stakeholders. To this end we were delighted to receive a Green Star in the 2018 Global Real Estate Sustainability Benchmark ('GRESB') assessment during the year, with a 35% improvement in our overall score compared to the prior year. We have been a GRESB participant since 2015 and these latest results recognise the significant progress we have made in integrating environmental, social and governance considerations into our strategy and operations.

Capitalising on opportunities arising from increased risk in the UK retail real estate market

We are committed to delivering growing cash returns to our shareholders and have a track-record of extracting further value from our assets and our in-house expertise. Last year we identified a number of strategic opportunities arising from the changing ways in which we live, work and consume, and the increased levels of risk in the UK retail real estate market. Through pursuing these opportunities, we can continue to grow our income while maintaining a conservative balance sheet position, in turn re-establishing full dividend cover.

The strategic opportunity we have progressed furthest during the year is the use of our asset management platform to manage retail assets wholly owned by third parties, or owned by joint ventures between NewRiver and third parties, and it will continue to be a major area of focus for us in the year ahead. Local Authorities have been buying retail real estate in recent years, partly because they require income to fund local services and partly because they have become more interventionalist in order to protect the communities they serve. More recently, current levels of pricing have started to attract the interest of private equity investors.

Local authorities have been encouraged to acquire real estate assets through a range of policies aimed at making them take a more enterprising and commercial approach to raising revenue, and through the inexpensive loans available to them through the Public Works Loans Board. Figures from Property Data show that local authorities have acquired £4.8 billion of properties over the past three years, 16-times more than in the prior three years, and this includes £1.6 billion of retail property. A key motivation for local authorities purchasing these assets is the desire to take greater control of their town centres and ensure they better meet the needs of their communities in the current retail environment. However, in most cases local authorities lack the personnel, expertise or relationships to successfully manage these assets on their own, and have turned to professional asset managers such as NewRiver to ensure income streams are sustainable. During the year, we signed two asset management agreements, with Canterbury City Council for Whitefriars Shopping Centre and with Market Harborough District Council for the management of two high street assets.

For private equity investors, decline in valuations of some assets has meant that retail assets present attractive returns, with yields capable of meeting the c.15% IRRs that private equity requires. These investors typically want to co-invest with an active and specialist retail real estate partner. NewRiver is only one of a few of these partners with the scale and expertise required, and by recycling capital into these joint ventures, we gain exposure to high yielding assets with a reduced capital outlay, and receive asset management and promote fees, in addition to capital growth. In May 2019, we entered into a joint venture with Bravo III to acquire four retail park assets, re-establishing a successful partnership with a track record of delivering growing cash returns, and demonstrating an endorsement of our asset management capabilities by a leading property investor.

Outlook

We recognise that the challenges facing the UK retail sector will continue in the near-term, but we remain confident in our operating platform and excited about the opportunities this presents. In pubs, we expect those with a wet-led offer to continue to deliver performance due to their resilience to changes in consumer behaviour and their position at the centre of everyday life in communities across the UK.

Our priority for the year ahead is to leverage our in-house expertise to re-establish a fully covered dividend, by growing our income while maintaining a conservative balance sheet position. In order to achieve this, we must capitalise on the opportunity created from the increased risk in UK retail real estate market, and the resulting changes in ownership of retail assets and need for specialist asset management. Our track-record of success has been built on our ability to adapt to changing market conditions, and we must act innovatively to continue delivering growing cash returns and thriving communities.

We recognise that there are significant threats in the UK retail real estate market, and it is tough, but we remain optimistic, we have limited competition and we are very clear what we want to deliver.

Allan Lockhart
Chief Executive
22 May 2019

Property review

Highlights

- Portfolio increased by 4% to £1.3 billion (March 2018: £1.2 billion), driven by net acquisitions
- Ungeared total property return of 1.3%, outperforming the MSCI-IPD benchmark by 410 bps
- Completed £162.1 million of acquisitions in six separate transactions, at an average equivalent yield of 12.9%
- Retail occupancy remains high at 95.2% (March 2018: 96.5%), with impact of CVAs/administrations mitigated
- Completed 1.2 million sq ft of new lettings and renewals in retail portfolio; long-term deals on average 0.5% ahead of previous passing rent and in-line with March 2018 ERV
- Impact of CVAs/administrations mitigated; reduced FY19 FFO by £1.4 million vs £1.6 million impact expected at H1
- Completed 62,000 sq ft Canvey Island Retail Park; annualised rent roll of £1.0 million once fully-let, and projected yield on cost of 9%
- Delivered six c-stores to the Co-op, bringing total number developed to 25; sold eight during the year
- Completed £67.5 million of disposals on terms on average 4% ahead of March 2018 valuation

Portfolio overview

As at 31 March 2019	Valuation NRR share (£m)	Weighting NRR Share (%)	Valuation surplus/(deficit) (%)	Topped-up NIY (%)	NEY (%)	LFL ERV Movement (%)
Shopping centres	741	58	(9.2)	7.1	7.6	(3.1)
Regional shopping centres	*585*	*46*	*(11.3)*	*7.5*	*8.2*	*(3.5)*
London shopping centres	*156*	*12*	*(0.3)*	*5.7*	*5.7*	*(1.0)*
Retail parks	165	13	(2.5)	6.2	6.9	(2.4)
High street	17	1	(11.1)	9.0	8.4	(4.8)
Pubs & c-stores	288	22	1.3	10.8	10.8	N/A
Development	77	6	(13.2)	N/A	N/A	N/A
Total	1,288	100	(6.4)	7.9	8.3	(3.0)

During the year our portfolio valuation increased to £1.3 billion, from £1.2 billion in March 2018. This was the result of £162.1 million of acquisitions in the year being partially offset by £67.5 million of disposals and a 6.4% decline in valuations.

The portfolio initial yield stood at 7.9% in March 2019, increased from 7.2% in March 2018, due primarily to the acquisition of Hawthorn Leisure in May 2018.

Year ended 31 March 2019	Total Return %	Income Return %	Capital Growth %
NRR portfolio	1.3	7.5	(5.7)
MSCI-IPD Benchmark[1]	(2.6)	5.0	(7.3)
Relative performance	+410 bps	+230 bps	+170 bps

1. Benchmark includes monthly & quarterly valued retails

Our portfolio outperformed the MSCI-IPD benchmark for income return and capital growth, delivering a total return of 1.3%, compared to the benchmark of (2.6)%, an outperformance of 410 bps.

Disciplined stock selection

Retail

During the year we completed £35.5 million of acquisitions in two separate transactions, at a blended equivalent yield of 9.1%.

Since 1 April 2018	Acquisition price (£m)	Net initial yield (%)	Equivalent yield (%)
Grays Shopping Centre, Grays	20.2	9.4	9.8
Hollywood Retail & Leisure Park, Barrow-in-Furness	15.3	8.7	8.2
Total	35.5	9.1	9.1

Grays Shopping Centre, Grays

In June 2018, we acquired Grays Shopping Centre in Grays, Essex. The acquisition comprised a community shopping centre with 177,300 sq ft of retail space and a 32,000 sq ft office building with permitted development rights for residential conversion, across a 4.7 acre site located in the centre of Grays, with the City of London accessible by train in less than 35 minutes.

The convenience-led community shopping centre is anchored by value and grocery retailers including Wilko, Poundland, Iceland and Peacocks, and has a 700-space multi-storey car park. At acquisition, it had an affordable average rent of £9.62 per sq ft and a weighted average unexpired lease term of 4.6 years, which will facilitate asset management and risk-controlled development opportunities.

We have already identified a number of value-creating opportunities at the asset, to meet demand for a budget hotel, budget gym and discount food retailer, and to deliver much needed residential units. These plans are in line with the Grays Town Centre Framework, produced by Thurrock Council, and NewRiver will work closely with them in redeveloping the site as part of the wider masterplan to regenerate the town, while continuing to receive an attractive income in the interim. The masterplan is likely to include improved public realm in and around our ownership, together with significant numbers of new residential apartments above the shopping centre.

Hollywood Retail & Leisure Park, Barrow-in-Furness

In July 2018, we acquired Hollywood Retail & Leisure Park in Barrow-in-Furness, Cumbria. The acquisition comprised a ten-unit 124,400 sq ft retail and leisure park providing 665 free car parking spaces, with a line-up consisting of quality national retailers and leisure operators including TK Maxx, Currys PC World, Dunelm, Nuffield Health and a six-screen Vue cinema.

The asset offers a number of opportunities to extract further value, including the conversion of two units into a 20,000 sq ft store let to Aldi, which opened in May 2019 and resulted in the asset being 100% occupied. Proforma for the Aldi store, at acquisition the retail park had a weighted average unexpired lease term of 8.3 years and an affordable average rent of £11.36 per sq ft. The asset is conveniently located in the main retail park concentration in Barrow-in-Furness, a town with a large catchment and limited retail competition, and with the introduction of Aldi, provides the primary discount food offer for the community.

Pubs

During the year we completed £126.6 million of property acquisitions in four separate transactions, at an equivalent yield of 13.9%.

Since 1 April 2018	Acquisition price (£m)	Net initial yield (%)	Equivalent yield (%)
Hawthorn Leisure (298 pubs)	114.0	13.6	13.6
Star Pubs & Bars portfolio (76 pubs)	12.0	17.1	17.1
Individual pubs (two pubs)	0.6	N/A	N/A
Total	126.6	13.9	13.9

Hawthorn Leisure

In May 2018, we acquired Hawthorn Leisure Holdings Limited (‘Hawthorn Leisure’), comprising a portfolio of 298 high quality community pubs, an established brand and a pub management platform. By combining NewRiver’s existing pub portfolio with Hawthorn Leisure we aim to achieve scale-based benefits and other improvements in purchasing and logistics in order to realise synergies of £3 million per annum. The integration of the business completed on schedule in January 2019, and to date we have unlocked £2.1 million of the synergies. The unlocking of the remaining £0.9 million of synergies is expected to follow in FY20.

Star Pubs & Bars portfolio

In December 2018, we acquired a portfolio of pubs from Star Pubs & Bars, a subsidiary of Heineken, for £12.0 million. The portfolio comprises 76 wet-led community pubs located across the UK. The pubs were predominantly let on short-term leases, with a weighted average unexpired lease term across the portfolio of one year, which facilitated immediate active asset management initiatives, such as signing new long-term leases with new and existing occupiers, and the deployment of targeted capex, including into risk-controlled development opportunities.

Active asset management

We have developed a best in class retail asset management platform since NewRiver was founded 10 years ago. In addition, having acquired the Hawthorn Leisure business in May 2018, we now own a high quality and specialist pub management platform based in the Midlands, which is the heartland of the UK brewing industry.

We have a hands-on approach to asset management drawing on our expertise, scale, and strong relationships with our occupiers and publicans, which enables us to deliver the right space in the right locations on terms beneficial to all parties. We believe that our asset management platform contains inherent monetary value which we will plan to extract through third party asset management mandates and recycling our capital into joint ventures.

Retail

During the year we completed 1.2 million sq ft of new lettings and renewals across our retail portfolio. This high volume of leasing activity means that our occupancy rate remained high at 95.2% despite the challenging market backdrop. On average, long-term deals were signed 0.5% ahead of previous passing rent and in-line with March 2018 ERV.

Our leasing activity in the year continued to reflect our focus on growing and online-resilient retail sub-sectors, as we signed five leases with B&M, including on new-build stores at Canvey Island Retail Park and Victoria Retail Park, Beverley, as well as leases with discounters Poundstretcher, Poundland and Wilko. Elsewhere in our focus sub-sectors we signed deals with food and grocery retailers including Aldi, Sainsbury's, M&S Foodhall and Iceland; value fashion retailers such as TK Maxx, Yours Clothing and Claire's Accessories; grab & go food operators including Burger King and Costa; and health & beauty retailers Boots, Savers, Superdrug and Holland & Barrett.

Other significant deals saw us introduce new value leisure provision to our assets, including the signing of a 15-year lease with community cinema operator Reel Cinemas to open a five-screen cinema at The Ridings shopping centre in Wakefield, occupying a space created by the conversion of three former retail units with minimal structural alterations, and the opening of The Gym in Broadway Shopping Centre, Bexleyheath in a new 12,900 sq ft unit, created by converting a previously vacant storage area on the second floor of the shopping centre.

Since the start of FY19 we have also opened two 40,000 sq ft Primark stores, at the Abbey Centre, Newtownabbey and Priory Meadow Shopping Centre, Hastings, in units vacated by BHS following its administration. In Hastings, the store opened in March 2019 to an 800-strong crowd and the centre saw a 34% increase in footfall on opening day compared to the previous year. In Newtownabbey, the store opened in May 2019, having upsized from a 19,000 sq ft unit elsewhere in the centre, which has been let to Poundland.

Our rental income is well-diversified, with no single retailer accounting for more than 1.9% of contracted rents, and our policy is that no single retailer will account for more than 5% of total rent. Continuing a trend seen in FY18, the year saw a number of retailers enter into Company Voluntary Arrangements ('CVAs') or administrations, some of which have impacted our annualised FFO. The table below analyses the impact of CVAs and administrations relating to occupiers in our portfolio.

Operator	% annualised rent roll pre-CVA/Admin (%)	Rent pre-CVA/Admin (£m)	Rent not impacted by CVA/Admin (£m)	Rent secured on new deals (£m)	Rent in legals (£m)	Actual FY19 FFO Impact £m)	Expected FY20 FFO impact (£m)
Byron Burger, Jamie's Italian, Toys R Us, Prezzo, House of Fraser, Carluccio's	-	-	-	-	-		-
Maplin	0.1	0.2	-	0.1	0.1	0.2	0.0
Select	0.4	0.4	-	0.3	-	-	0.1
New Look	1.9	1.9	0.6	0.9	-	0.5	0.4
Carpetright	0.3	0.3	0.3	-	-	-	-
Mothercare	0.5	0.5	0.2	0.2	-	0.1	0.1
Total FY18	3.2	3.3	1.1	1.5	0.1	0.8	0.6
Gaucho, Gourmet Burger Kitchen, Coast, Fabb Sofas, L K Bennett, Warren Evans, Saltrock, Pretty Green, tReds, OddBins	-	-	-	-	-		-
Poundworld	1.0	1.0	-	0.6	0.1	0.4	0.3
Homebase	0.7	0.6	0.1	0.4		0.1	0.1
Office Outlet	0.2	0.2	-	0.1		-	0.1
HMV	0.3	0.4	0.3			-	0.1
Patisserie Valerie	-	-	-			-	0.0
Debenhams	0.1	0.1	0.1			-	-
Greenwoods	0.1	0.1	-			0.1	-
Blue Inc	0.1	0.1	0.1			-	-
American Golf	0.1	0.1	0.1				
Total FY19	2.6	2.6	0.7	1.1	0.1	0.6	0.6
Total	5.8	5.9	1.8	2.6	0.2	1.4	1.2

In summary, our retail net property income was reduced by £1.4 million due to the impact of CVAs/administrations, which compared to the estimated impact when we reported results for the first half of £1.6 million, which demonstrates that we have been able to further mitigate the adverse impact of retailer restructurings during the year through our active asset management approach. In addition, in the second half of the financial year, and in calendar year 2019 to date, we have seen limited further impact from restructurings, which means that it is our current expectation that the impact in FY20 will be reduced further, to £1.2 million.

The retailer failures have given further weight to our long-held view that it is affordability, rather than lease length, that underpins the sustainability of rental income. Our average rent remained affordable at £12.52 psf in March 2019, compared to £12.36 psf in March 2018, and in addition to this, we have made significant early progress in our efforts to reduce occupational costs for our occupiers, reducing service charge budgets by £1.7 million in the year, through reviews of areas such as staffing, soft services and the monitoring and evaluation of energy consumption.

Pubs

Pub portfolio movements

# Pubs held at 31 March 2018	Pubs acquired	Pubs sold	Pubs converted to c-stores	# Pubs held at 31 March 2019
331	376	(40)	(2)	665

In January 2019 we completed the integration of Hawthorn Leisure as scheduled, eight months after its acquisition in May 2018. The integration of all IT, Finance and HR systems, means that all of NewRiver's community pubs are now being managed by the Hawthorn Leisure platform. At the time of the acquisition we identified scale-based synergies of £3.0 million on an annualised basis, achieved through a 'best of both' approach whereby expertise and best practice are shared between the two portfolios. The integration resulted in the immediate unlocking of £2.1 million of these synergies, with the remaining £0.9 million expected to follow in FY20.

Across the pub portfolio, we continued our programme of targeted capital investment projects aimed at enhancing the customer experience, further improving trade and increasing capital values. We completed 75 such projects at a total cost of £2.8 million during the year which in aggregate have delivered a return on investment of 13.4%. Returning capex invested in our leased and tenanted estate (85% of the total number of projects) have delivered a return of 19.4%.

Risk controlled development

During the year we made significant progress across our risk-controlled development pipeline, which totals 1.9 million sq ft (1.4 million sq ft in the near-term) including our Retail (1.6 million sq ft) and Pub (0.3 million sq ft) portfolios, and which we believe will be a key driver of long-term returns for our shareholders.

Our risk-controlled approach means that we will not commit to a new development unless we have pre-let or pre-sold at least 70% by area, and our development strategy includes:

- Development of sites acquired in portfolio acquisitions (e.g. Canvey Island Retail Park, Essex)
- Capitalising on opportunities within our ownership above or adjacent to our assets (e.g. Cowley, Oxford)
- Complete redevelopment of existing assets (e.g. Burgess Hill, c-store pub conversions)

Total development pipeline

	Shopping Centre Sq ft	Retail Park Sq ft	Health care Sq ft	Hotel Sq ft	C-stores Sq ft	Residential Sq ft	Total Pipeline Sq ft	Retail & Leisure Pre-let %	Resi. Pre-sold %
Completed in year/ Under construction	-	76,800	-	-	26,800	-	103,600	86	-
Planning granted	266,300	15,600	-	87,700	10,700	583,600	963,900	60	28
In planning	-	-	-	-	3,500	17,000	20,500	100	-
Pre-planning	129,400	26,000	-	-	3,500	176,300	335,200	2	-
Near-term pipeline	395,700	118,400	-	87,700	44,500	776,900	1,423,200		
Early feasibility stages	-	-	100,000	50,000	-	282,100	432,100	-	-
Total pipeline	395,700	118,400	100,000	137,700	44,500	1,059,000	1,855,300		
Additional residential potential[1]	-	-		-	-	*926,500*			
Basingstoke Leisure Park	*700,000*	-		-	-	-			

1. A strategic review of our entire retail portfolio identified the potential to deliver up to 1,300 residential units adjacent to or above our assets over the next 5-10 years

During the year we completed 100,100 sq ft of development, with 3,500 sq ft currently under construction. This includes Canvey Island Retail Park, our largest development to date, which was completed in November 2018 and was 75% pre-let at completion, in line with our risk-controlled approach to development. Also during the year, we progressed our 465,000 sq ft regeneration project in Burgess Hill and 236,000 sq ft residential-driven redevelopment of Templars Square Shopping Centre in Cowley, Oxford. Looking at our longer-term pipeline, we held our first public engagement during the year on our 66-acre leisure park development in Basingstoke.

Retail

Retail portfolio development pipeline

	Shopping Centre Sq ft	Retail Park Sq ft	Health care	Hotel Sq ft	Residential Sq ft	Total Pipeline Sq ft	Resi Units #	Retail & Leisure Pre-let %	Resi. Pre-sold %
Completed in year/ Under construction	-	76,800	-	-	-	76,800	-	80	-
Planning granted	266,300	15,600	-	87,700	461,900	831,500	468	61	35
In planning	-	-	-	-	-	-	-	-	-
Pre-planning	129,400	26,000	-	-	174,900	330,300	265	-	-
Near-term pipeline	395,700	118,400	-	87,700	636,800	1,238,600	733		
Early feasibility stages	-	-	100,000	20,000	245,000	365,000	350	-	-
Total retail pipeline	395,700	118,400	100,000	107,700	881,800	1,603,600	1,083		
Additional residential potential[1]	-	-		-	*926,500*		*1,315*		
Basingstoke Leisure Park	*700,000*	-		-	-				

1. A strategic review of our entire retail portfolio identified the potential to deliver an additional 1,300 residential units adjacent to or above our assets over the next 5-10 years

Completed in year/Under construction

Canvey Island Retail Park

In November 2018 we completed our 62,000 sq ft retail park development in Canvey Island, Essex, on a site which we acquired for £1 million in July 2015 as part of the Ramsay portfolio. The asset was 75% pre-let at completion and has a retailer line-up comprising M&S Foodhall, Sports Direct, B&M and Costa. These retailers are all now open and trading, and we have had strong interest on the remaining units at the retail park from health & beauty, value fashion and value gym occupiers. Once fully-let, the asset will have an annualised rent roll of £1.0 million and a projected yield on cost of 9%.

Victoria Retail Park, Beverley

In August 2018 we completed the construction of a 13,000 sq ft extension to the retail parade at Victoria Retail Park in Beverley, which we acquired in July 2015 as part of the Ramsay portfolio. The extension was pre-let to B&M, which opened its new store in September 2018. B&M joins a high-quality retailer line-up comprising Halfords, Poundstretcher and Poundland at the asset, which is adjacent to a Morrisons superstore and now provides 36,600 sq ft of fully-let retail space.

Planning granted

Burgess Hill

During the year we made further progress at our mixed-use regeneration of Burgess Hill town centre. In late 2018 we completed remediation and site preparation works at a contaminated brownfield site on Leylands Road, close to the town centre, to allow Lidl to relocate away from the development. We completed the sale of that site to Lidl in November 2018 and expect their new store to open in summer 2019. Once the new Lidl at Leylands Road has opened, the existing Lidl at the centre of the scheme will be closed, removing one of the last obstacles to redevelopment.

Meanwhile on site we have started the development works to relocate the existing library to a new unit at the heart of the scheme, and following close engagement with the library services, these works are now close to completion so that the existing library can be demolished. Demolition works have already begun on the Martlets Hall building adjacent to the existing library to clear the site for the new surface carpark.

Our risk-controlled development pipeline currently includes planning consent for a 465,000 sq ft mixed-use scheme, and includes the pre-lets we have secured to date with Travelodge, Cineworld, Hollywood Bowl, Next, Nando's and Superdrug as well as the pre-sale of the entire residential element of the development to Delph Property Group.

However, working closely with local stakeholders, we have recently adjusted the design of the scheme specifically to increase its leisure and residential provision, introduce additional uses such as primary health, and reduce space designated for retail, reflecting the changing nature of the retail market and needs of town centres. The revised scheme will now include a 16-lane bowling alley, a 10-screen multiplex cinema, and a larger hotel with a new public café bar. In addition, the development will provide a much improved public realm which would provide functional space for managed outdoor events. We plan to submit a variation to our consented scheme in the first half of FY20.

Cowley, Oxford

In July 2017, Oxford City Council approved plans for our major mixed-use development to regenerate Templars Square Shopping Centre. The 236,000 sq ft development will include 226 new residential apartments, a 71-bed Travelodge hotel, two new restaurant units, a modernised car park and major improvements to the public realm. The hotel and leisure element of the scheme is already 82% pre-let.

During the year we advanced discussions with local authorities to finalise the Section 278 highways agreement. This is now in agreed form with Oxford County Council and Oxford City Council and once signed, we will proceed to the technical design phase of the development.

Pre-planning

Blenheim Shopping Centre, Penge

At the Blenheim Shopping Centre, we have plans to revitalise this key Greater London asset and provide a residential development in the airspace above the shopping centre to meet significant local demand for housing. During the year we have undertaken a planning pre-application submission and held a number of positive discussions regarding the site with Bromley Council. The new London Plan is set to significantly increase housing delivery targets in Bromley, and we believe this will provide even more support to our plans.

Early feasibility stages

We believe that our risk-controlled development pipeline will be a key driver of future growth and we are currently reviewing several medium-term opportunities from within our retail portfolio. These opportunities include 120,000 sq ft of extensions across our shopping centre portfolio and over 245,000 sq ft of residential potential above and adjacent to our shopping centres in Bexleyheath and Witham.

Basingstoke Leisure Park

In March 2018, we exchanged contracts with Basingstoke and Deane Borough Council on a development agreement for a 66-acre leisure park in a prominent location in Basingstoke, near Junction 6 of the M3 motorway.

Capitalising on the growing popularity of integrated leisure and retail, our proposals currently comprise approximately 500,000 sq ft of leisure and 200,000 sq ft of designer outlet shopping. We are confident that this unique combination of leisure and designer outlet shopping will appeal to the local community and a catchment significantly beyond Basingstoke in one of the UK's most affluent regions. To facilitate this development, we have entered into a long-term Development Agreement with Basingstoke and Deane Borough Council which is conditional on achieving planning consent and pre-lets as well as a viability assessment, amongst other conditions. In the event that the development becomes unconditional, NewRiver will be granted a 250-year leasehold interest.

The project is currently paused, pending the outcome of a legal challenge brought by a local stakeholder against Basingstoke and Deane Borough Council, in relation to the procurement process that led to the appointment of NewRiver.

Pubs

Pubs portfolio development pipeline

	C-stores Sq ft	Hotel Sq ft	Residential Sq ft	Total Pipeline Sq ft	Retail & Leisure Pre-let %	Residential Pre-sold %
Completed in year/ Under construction	26,800	-	-	26,800	100	-
Planning granted	10,700	-	121,700	132,400	100	-
In planning	3,500	-	17,000	20,500	100	-
Pre-planning	3,500	-	1,400	4,900	100	-
Near-term pipeline	44,500	-	140,100	184,600		
Early feasibility stages	-	30,000	37,100	67,100	-	-
Total pubs pipeline	44,500	30,000	177,200	251,700		

As well as generating high levels of low risk cash returns, our portfolio of community pubs contains a number of inbuilt value creating development opportunities. These include the potential to build convenience stores or residential units on surplus land adjacent to pubs which was effectively acquired at zero cost, and opportunities to convert pubs into convenience stores or residential units.

Convenience stores ('c-stores')

We have an overarching agreement with the Co-operative (the 'Co-op') to deliver up to 40 c-stores and, based on planning achieved to date and viability assessments, it is our current expectation that we will deliver around 30 c-stores in total. These stores are let on fixed lease terms of 15 years at rents ranging from £15.00-17.50 per sq ft, with RPI linked increases capped at 4% and collared at 1%. The agreement also includes performance receipts linked to c-store delivery, with the first receipt triggered by the delivery of our 15th c-store to the Co-op, which took place in January 2018. In total, we recognised performance receipts of £0.2 million in the year.

During the year we completed six c-stores and at the year end were on-site with a further one. This brings our total number of c-stores delivered to date to 25, of which 18 utilised surplus land adjacent to existing pubs, three were the result of pub conversions and four were new builds on sites previously occupied by pubs.

Residential

To date we have received planning consent for 141 residential units, and our strategy with these residential opportunities is to create value by obtaining planning consent, and then to realise value by selling on to local developers. During the year we sold 13 parcels of land with planning consent to build 20 dwellings for £1.5m, which compares favourably with a valuation at March 2018 of £1.0m.

Profitable capital recycling

During the year we completed £67.5 million of disposals, on terms on average 4% ahead of March 2018 valuation, and 11% above total cost (being purchase price plus subsequent capex), generating a cash profit of £6.9 million. In line with our strategy, these disposals were typically of mature assets where our estimates of forward looking returns were below target levels, assets where we believe that the risk profile has changed, or assets sold to special purchasers.

Since 1 April 2018	Number of Disposals[1]	Disposal price £m	Total cost £m	Disposal vs Total cost %	March 2018 Valuation £m	Disposal vs Valuation %	Blended NIY %	Blended IRR %
Shopping centre units	2	3.9	3.8	**2**	3.3	**18**	**6.5**	**7**
Retail parks	3	22.2	19.0	**17**	22.0	1	**7.3**	**12**
High street	3	10.1	10.4	**-3**	8.8	**16**	**4.3**	**7**
Pubs and pub land	33	22.3	19.4	**15**	21.7	**3**	**3.7**	**22**
C-stores	8	9.0	7.9	**14**	9.0	**0**	**4.9**	**9**
Total	49	67.5	60.5	11	64.8	4	5.3	10

1. Refers to the number of individual transactions

Whitwick Retail Park, Coalville

In September 2018 we completed the disposal of Whitwick Retail Park in Coalville for £9.9 million, reflecting a topped-up net initial yield of 6.9% and delivering an unlevered IRR of 7.5%. The asset was sold following the completion of a comprehensive programme of asset management initiatives, which saw us invest £1.2 million, increase the weighted average unexpired lease term from 2.2 years at acquisition to 10.7 years, and increase net rental income across the park by 17%.

Mount Street Retail Park, Wrexham and Saltney Retail Park, Chester

In February 2019 we sold Mount Street Retail Park in Wrexham and Saltney Retail Park in Chester to M7 Real Estate for £12.3 million, representing a blended net initial yield of 7.6% and a blended unlevered IRR of 14.7% over their period of ownership.

Mount Street Retail Park is the final asset to be disposed of from the Linear portfolio of four retail parks acquired by NewRiver in June 2014 for £17.3 million, representing a net initial yield of 9.1%. In total, this portfolio generated an unlevered IRR of 14.0% over its period of ownership.

Portfolio of 22 pubs let to Marston's

In October 2018 we completed the disposal of 22 community pubs to a private equity investor for £14.8 million, representing a net initial yield of 5.6%. The 22 pubs were part of the Trent portfolio of 202 community pubs acquired from Marston's PLC ('Marston's) in December 2013 under a four-year leaseback agreement, for a yield of 12.8%. The pubs were acquired for total consideration of £10.7 million and generated £5.6 million of EBITDA during their period of ownership by NewRiver.

We secured contracted income on the 22 pubs in December 2016 by surrendering the four-year leaseback agreement with Marston's 13 months early and agreeing new 15-year RPI linked leases with Marston's. As a result of the transaction, the return profile of the assets differed from the remainder of our pub portfolio and we determined the capital could be deployed more profitably elsewhere. Demonstrating our strategy to recycle capital profitably, shortly after this transaction we acquired a portfolio of 76 pubs from Star Pubs & Bars for £12.0 million, representing a net initial yield of 17.1%, which compares favourably to the 5.6% yield secured on this disposal.

Pubs and pub land

Throughout the year, we disposed of 40 pubs and 13 pieces of pub land. These were sales to special purchasers, mainly the occupiers of pubs, in line with our commitment to working with our pub occupiers to best meet their needs and those of the local community.

Finance review

Our financial performance has remained resilient over the last year, despite challenges faced in the wider UK retail sector, and our fully unencumbered balance sheet remains conservatively positioned. Funds From Operations ('FFO') has decreased from £60.3 million to £56.4 million, with the additional income generated through net acquisition activity offset by the absence of one-off receipts seen in the prior year, including profits on disposal of investment properties. Underlying Funds From Operations ('UFFO'), which excludes profits on disposal of investment properties, was in-line with the prior year at £55.1 million (FY18: £55.5 million).

Our full year ordinary dividend per share increased by 3% to 21.6 pence (FY18: 21.0 pence), and was 84% covered by UFFO per share of 18.1 pence. Our IFRS loss after tax was £36.9 million, compared to a profit of £45.7 million in the prior year predominantly due to a non-cash reduction in portfolio valuation of £89.5 million, which also caused IFRS net assets to decrease by 11% from £892.4 million at 31 March 2018 to £796.1 million at 31 March 2019.

Our fully unsecured and unencumbered balance sheet remains conservatively positioned, with LTV increased to 37%, principally reflecting acquisition activity completed during the year, and well within our stated guidance. The profitability of our platform is underpinned by the significant arbitrage between our portfolio net initial yield of 7.9% and cost of debt of 3.2%, and our efficient operating cost structure, which means that our interest cover is high at 4.0x, significantly ahead of our stated policy of >2.0x.

Key performance measures

The Group financial statements are prepared under IFRS where the Group's interests in joint ventures are shown as a single line item on the income statement and balance sheet. Management reviews the performance of the business principally on a proportionally consolidated basis which includes the Group's share of joint ventures on a line-by-line basis. The Group's financial key performance indicators are presented on this basis.

In addition to information contained in the Group financial statements, Alternative Performance Measures ('APMs'), being financial measures which are not specified under IFRS, are also used by management to assess the Group's performance. These include a number of the financial statistics included on page 2 of this document. These APMs include a number of European Public Real Estate Association ('EPRA') measures, prepared in accordance with the EPRA Best Practice Recommendations reporting framework. We report a number of these measures because management considers them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies. Definitions for APMs are included in the glossary and the most directly comparable IFRS measure is also identified. The measures used in the review below are all APMs presented on a proportionally consolidated basis unless otherwise stated.

The APMs on which management places most focus, reflecting the Company's commitment to driving cash income returns are Funds From Operations ('FFO') and Underlying Funds From Operations ('UFFO'). FFO is a measure familiar to non-property and international investors and is determined by cash profits which includes realised recurring cash profits, realised profits or losses on the sale of properties and excludes other one-off or non-cash adjustments.

During the current financial year, we introduced UFFO as an additional APM. UFFO is calculated on the same basis as FFO, but excludes profits or losses on the sale of properties. We believe UFFO to be the most appropriate Company measure when considering our ordinary dividend policy and cover as it is an operational cash measure, which is more closely aligned to the measures used by our peer group and which will remove volatility from our ordinary dividend cover calculation, caused by the inclusion of profits or losses on the sale of properties.

The relevant sections of this Finance Review contain supporting information, including reconciliations to the financial statements and IFRS measures. Definitions for APMs are also included in the glossary.

Funds From Operations

The following table reconciles IFRS profit after taxation to Funds From Operations ('FFO'), which is the Company's measure of cash profits.

Reconciliation of profit after taxation to FFO

	31 March 2019 £m	31 March 2018 £m
(Loss) / profit for the year after taxation	(36.9)	45.7
Adjustments		
Revaluation of investment properties	88.2	12.9
Revaluation of joint ventures' investment properties	1.3	0.5
Revaluation of derivatives	3.2	(3.7)
Profit on disposal of investment properties	(1.3)	(4.8)
Share-based payment charge	2.5	2.6
Depreciation of properties	0.8	-
Gain on bargain purchase	(7.0)	(3.0)
Cost in respect of unsecured refinancing	-	5.3
Acquisition and Integration costs in the respect of Hawthorn Leisure	4.3	-
Underlying Funds From Operations	55.1	55.5
Profit on disposal of investment properties	1.3	4.8
Funds From Operations	56.4	60.3

Funds From Operations is represented on a proportionally consolidated basis in the following table.

FUNDS FROM OPERATIONS	31 March 2019 £m	31 March 2018 £m
Revenue (proportionally consolidated)	127.1	107.0
Property operating expenses	(36.6)	(19.9)
Net property income	90.5	87.1
Administrative expenses	(16.2)	(15.1)
Net finance costs	(18.7)	(15.3)
Taxation	(0.5)	(1.2)
Underlying Funds From Operations	55.1	55.5
Profit on disposal of investment properties	1.3	4.8
Funds From Operations	56.4	60.3
Underlying FFO per share (pence)	18.1	19.5
FFO per share (pence)	18.5	21.2
Ordinary dividend per share (pence)	21.6	21.0
Ordinary dividend cover[1]	84%	93%
Admin cost ratio	13.1%	15.0%
Weighted average # shares	304.0	285.0

1. Calculated with reference to Underlying Funds From Operations. If calculated using FFO, as in prior years, ordinary dividend cover is 86% in FY19 and 101% in FY18

Net property income

Analysis of retail net property income (£m)

Retail net property income for the year ended 31 March 2018	**74.4**
BRAVO JV promote	(2.2)
Surrender premia impact	(4.8)
Like-for-like	(1.4)
Acquisitions	5.8
Disposals	(2.5)
Completed development	0.2
Held for development	(0.9)
Retail net property income for the year ended 31 March 2019	**68.6**

On a proportionally consolidated basis, retail net property income has decreased by 8% to £68.6 million, from £74.4 million in FY18. A key driver of this decrease is the number of one-off receipts in the prior year. We received a one-off promote fee of £2.2 million linked to the BRAVO JV and £6.0 million of surrender premia, compared to £1.2 million of surrender premia in the current financial year, which reduced current year net property income by £4.8 million.

Like-for-like within our retail portfolio fell by £1.4 million (2.0% of retail net property income) during the year, with £1.4 million of the reduction due to the impact of CVAs/administrations entered into by retailers in FY18 and FY19. As active and specialist retail asset managers with well diversified income streams, we have successfully mitigated the impact of CVAs/administrations experienced to date, and saw limited impact from new restructurings in the second half of the financial year. In fact, the £1.4 million of net property income impacted by CVAs/administrations in FY19 was lower than our expectation of £1.6 million which we communicated at the half year.

Retail acquisitions accounted for an increase in net retail property income of £5.8 million. The acquisition of Hollywood Retail Park and Grays shopping centre in the first quarter of the financial year increased net retail property income by £2.1 million, and we benefitted from the full year impact of acquisitions made part way through the prior year, namely the acquisition of two retail parks in Cardiff and Dewsbury and the remaining 50% share in the BRAVO joint ventures in July 2017 which altogether increased net property income by £3.7 million.

As part of our profitable capital recycling programme, we sold £36.2 million of retail assets in the year which, along with the full year impact of the £53.8 million of disposals made in the prior year, reduced net property income by £2.5 million. We saw a £0.9 million reduction in net property income due to assets held within our risk-controlled development pipeline, where income is reducing as we secure vacant possession in advance of construction, and we saw a contribution of £0.2 million in the year from completed developments, principally Canvey Island Retail Park.

Analysis of pub net property income (£m)

Pub net property income for the year ended 31 March 2018	**12.7**
Performance receipts for convenience stores	(1.4)
Development (convenience stores)	0.5
Trent transfer programme	(1.8)
Disposals	(0.7)
Star Pubs & Bars acquisition	0.2
Hawthorn Leisure acquisition	11.9
Hawthorn Leisure like-for-like	0.1
Hawthorn Leisure synergies	0.4
Pub net property income for the year ended 31 March 2019	**21.9**

Net property income in the pub portfolio has increased significantly, principally due to the acquisition of Hawthorn Leisure, a portfolio of 298 pubs and a management platform, in May 2018.

Performance receipts for the delivery of convenience stores to the Co-op reduced by £1.4 million compared to the prior year, principally because our agreement with the Co-op includes performance receipts linked to c-store delivery, with the larger receipt triggered by the delivery of our 15th c-store, which took place in the prior year.

Over the last 12 months, development income has increased by £0.5 million due to the opening of five c-stores. A further eight convenience stores were sold in the year, as well as 40 community pubs and 13 parcels of land from pub sites, which contributed to a decline of £0.7 million.

The Trent transfer programme led to a decline of £1.8 million in net pub property income. When the Trent portfolio was acquired in November 2013, we entered into a four-year leaseback agreement with Marston's PLC ('Marston's'). We started the transfer programme from Marston's to our outsourced pub manager in November 2016 and completed the process in December 2017. The transfer was structured in such a way that the final two tranches included those pubs in most need of more active management and capital investment, causing a reduction in income when compared to the leaseback, which we are confident of recovering having acquired the Hawthorn Leisure platform in May 2018.

The acquisitions of the Hawthorn Leisure business and a portfolio of 76 community pubs from Star Pubs & Bars added £12.1 million to net property income in the year. The acquisition of Hawthorn Leisure bought its own established pub management platform which our existing pub portfolio successfully transferred to in January 2019. The Hawthorn Leisure portfolio generated 1.2% like-for-like net property income growth since it was acquired in May 2018, adding £0.1 million to net property income. Following on from the transfer and since acquisition, the Group has realised £0.4 million of the £3 million of synergies originally identified. In FY20 we expect to see an increase in net pub property income as we experience a full year of benefit of the acquisition and further synergies are unlocked.

Administrative expenses

Administrative expenses increased by 7% in the year, from £15.1 million to £16.2 million, predominately due to the acquisition of Hawthorn Leisure in May 2018. The administrative cost ratio has decreased from 15.0% to 13.1%.

Net finance costs

Net finance costs increased by 22% to £18.7 million from £15.3 million as a result of the Group's net acquisition activity which caused our weighted average amount of gross debt to increase from £412 million in the prior year to £518 million in the current year.

Taxation

As a REIT we are exempt from UK corporation tax in respect of our qualifying UK property rental income and gains arising from disposal of exempt property assets. The majority of the Group's income is therefore tax free as a result of its REIT status. The Group's REIT exemption does not extend to profits arising from the margin made on the sale of drinks within the pub portfolio and other sources of income, resulting in a tax charge for the year of £0.5 million.

Profit on disposal

We raised proceeds of £67.5 million from capital recycling in the year, delivering a profit on disposal with reference to March 2018 valuation of £1.3 million. The most notable disposal was the disposal of the Travelodge within the Arndale Centre, Morecambe, which generated a profit on disposal of £0.6 million.

Dividends

We are committed to growing UFFO and re-establishing a fully covered ordinary dividend. Our dividend policy is driven by two key objectives:

- Growing UFFO and UFFO per share so that we can re-establish a fully covered dividend
- The REIT requirement to pay out at least 90% of recurring cash profits

	Paid in FY19 (pence)		Declared in relation to FY19 (pence)	
	Ordinary	**Total**	Ordinary	**Total**
FY18 Q4	5.25	**5.25**	-	**-**
FY19 Q1	5.40	**5.40**	5.40	**5.40**
FY19 Q2	5.40	**5.40**	5.40	**5.40**
FY19 Q3	5.40	**5.40**	5.40	**5.40**
FY19 Q4	-	**-**	5.40	**5.40**
Total	**21.45**	**21.45**	**21.60**	**21.60**

The Board has declared a final dividend of 5.4 pence in respect of the year ended 31 March 2019, taking the total dividend declared to 21.60p, up 3% on last year. Our first dividend of FY20 has also been announced today of 5.4 pence, which will be paid on 26 July 2019. The ex-dividend date will be 20 June 2019. The quarterly dividend will be payable as a REIT Property Income Distribution (PID).

Ordinary dividend cover, calculated with reference to UFFO, improved to 84% in the year, from 78% in the first half, reflecting the benefit of acquisitions made during the financial year. We have identified a series of strategies to generate UFFO growth and re-establish ordinary dividend cover by leveraging our asset management platform to manage assets on behalf of partners and third party owners, and by recycling capital into joint ventures. Ordinary dividend cover is one of our five key Financial Policies which are explained in the 'Financial Policies' section of this Review.

Balance sheet

EPRA net assets include a number of adjustments to the IFRS reported net assets and both measures are presented below on a proportionally consolidated basis.

	As at 31 March 2019			As at 31 March 2018
	Group £m	**Joint ventures £m**	**Proportionally consolidated £m**	Proportionally consolidated £m
Properties at valuation	1,281.0	7.4	**1,288.4**	1,239.6
Investment in joint ventures	7.6	(7.6)	**-**	-
Other non-current assets	1.9	-	**1.9**	4.3
Cash	27.1	0.5	**27.6**	116.2
Other current assets	19.1	-	**19.1**	34.6
Total assets	**1,336.7**	**0.3**	**1,337.0**	1,394.7
Other current liabilities	(35.7)	(0.3)	**(36.0)**	(41.2)
Debt	(502.7)	-	**(502.7)**	(460.9)
Other non-current liabilities	(2.2)	-	**(2.2)**	(0.2)
Total liabilities	**(540.6)**	**(0.3)**	**(540.9)**	(502.3)
IFRS net assets	**796.1**	**-**	**796.1**	892.4
EPRA adjustments:				
Warrants in issue			**0.4**	0.5
Unexercised employee awards			**1.3**	1.3
Deferred tax			**1.6**	-
Fair value derivatives			**(0.1)**	(3.3)
EPRA net assets			**799.3**	890.9
EPRA NAV per share			**261p**	292p
IFRS net assets per share			**261p**	294p
LTV			**37%**	28%

Net assets

During the year, IFRS net assets decreased from £892.4 million to £796.1 million. The reduction in IFRS net assets was primarily due to a 6.4% decrease in portfolio valuation, due predominantly to the write down in value of our community shopping centre portfolio by 9.2%.

EPRA NAV is calculated by adjusting net assets to reflect the potential impact of dilutive ordinary shares, and to remove the fair value of any derivatives held on the balance sheet. These adjustments are made with the aim of improving comparability with other European real estate companies. EPRA NAV decreased by 10% to £799.3 million, from £890.9 million at 31 March 2018. EPRA NAV per share decreased by 11% to 261 pence per share at March 2019 compared to 292 pence per share in March 2018. The decrease in EPRA NAV and EPRA NAV per share is primarily due to the 6.4% decrease in portfolio valuation.

Properties at valuation

Properties at valuation increased by £48.8 million during the year, predominantly due to acquisitions and capital expenditure, less disposals and a decline in portfolio valuation of 6.4%. Hawthorn Leisure and other accretive acquisitions added £181.1 million and we incurred £24.6 million of capital expenditure during the year, spending £7.5 million on our retail park development in Canvey Island, which reached practical completion during the year, and £3.3 million constructing six c-stores which we completed during the year. This was partially offset by disposals of £64.7 million, and a decline in portfolio valuation of £89.5 million.

Net debt & financing

Analysis of movement in proportionally consolidated net debt (£m)

Proportionally consolidated net debt at 31 March 2018	**344.7**
Operating activities	
Net cash inflow from operations before working capital movements	(50.6)
Changes in working capital	15.0
Investing activities	
Purchase of investment properties	51.5
Hawthorn Leisure acquisition	107.3
Disposal of investment properties	(78.7)
Purchase of plant and equipment	0.7
Development and other capital expenditure	24.6
Financing activities	
Ordinary dividends paid	63.1
Other	(2.5)
Proportionally consolidated net debt at 31 March 2019	**475.1**

Net debt increased by £130.4 million over the year, to £475.1 million, primarily as a result of net investment activity completed during the year.

Operating activities generated a net cash inflow from operations before working capital movements of £50.6 million, compared with FFO of £56.4 million.

Investing activities included the acquisition of the Hawthorn Leisure management platform and portfolio of community pubs, which contributed £107.3 million to the increase in net debt in the year, and the purchase of investment properties, which added £51.5 million, principally the acquisition of retail assets in Grays and Barrow-in-Furness, and a portfolio of 76 community pubs acquired from Star Pubs & Bars. This acquisition activity was offset by £78.7 million received following the disposal of investment properties, with the largest being Coalville Retail Park where we had completed a comprehensive programme of asset management initiatives and which we sold for £9.9 million, and the sale of 22 community pubs which were let to Marston's on long-term RPI-linked leases for £14.8 million, reflecting a net initial yield of 5.6%. In addition, at the start of the year we received £16.2 million relating to the disposal of the Primark unit in the Hillstreet Shopping Centre in Middlesbrough, which was sold in FY18.

Financial Policies

	Financial policy	Proportionally consolidated 31 March 2019	31 March 2018
Net debt		£475.1m	£344.7m
Principal value of gross debt		£510.0m	£469.0m
Weighted average cost of drawn debt[1]		3.2%	3.1%
Weighted average debt maturity of drawn debt[2]		6.9 yrs	7.9 yrs
Loan to value[3]	Guidance <40% Policy <50%	37%	28%
		31 March 2019	**31 March 2018**
Net debt: EBITDA	<10x	6.3x	4.5x
Interest cover	>2.0x	4.0x	4.7x
Ordinary dividend cover[4]	>100%	84%	93%
		Group 31 March 2019	**31 March 2018**
Balance sheet gearing	<100%	60%	38%

1. Cost of debt assuming £215 million revolving credit facility is fully drawn
2. Average debt maturity assumes one-year extension options are exercised and bank approved
3. See Note 22 of the Financial Statements for calculation of Loan to value
4. Calculated with reference to UFFO. If calculated using FFO, as in prior years, ordinary dividend cover is 86% in FY19 and 101% in FY18

Our conservative financial policies were put in place in consultation with shareholders and form a key component of our financial risk management strategy.

- Loan to Value was 37% at 31 March 2019, an increase from 28% on 31 March 2018. Our guidance is that our LTV will remain below 40%.
- Net debt: EBITDA was 6.3x, an increase from 4.5x in the prior year. Our guidance is that Net debt: EBITDA will remain below 10x.
- Interest cover was 4.0x at 31 March 2019, which remains significantly ahead of our financing policy which requires a minimum cover of 2.0x.
- Ordinary dividend cover, calculated with reference to UFFO per share, was 84%. Previously we have measured ordinary dividend cover with reference to FFO per share, but during the year we have introduced UFFO per share on the basis that it is an operational cash measure which is more closely aligned to the measures used by our peer group and which will remove volatility from our ordinary dividend cover calculation, caused by the inclusion of profits or losses on the sale of properties. We remain committed to a delivering a fully covered dividend to our shareholders, and establishing ordinary dividend cover with reference to UFFO will allow us to establish a strong platform from which to grow the dividend in the future.
- Balance sheet gearing increased to 60% from 38% at 31 March 2018, largely due to the increase in drawn debt from the funding of acquisitions in the year.

Additional guidelines

Sitting alongside our financial policies are additional guidelines, used by management when analysing operational and financial risk, which we disclose in the following table:

	Guideline	31 March 2019
Single retailer concentration	<5%	1.9%
Development expenditure	<10% of GAV	1%
Risk-controlled development	>70% pre-let or pre-sold on committed	86%
Pub weighting	<30% of GAV	21%

- Our largest single retailer concentration at the year end was Poundland, with a single retailer concentration, expressed as a percentage of total rent roll, of 1.9%.
- Our development expenditure in the last 12 months as a proportion of total gross asset value was less than 1%.
- Our risk-controlled approach to development means that we will not commit to a new development unless we have pre-let or pre-sold at least 70% by area, and we are currently 86% pre-let on committed developments.
- Our pub weighting is currently 21% excluding c-stores. Previously we have guided that our community pub portfolio would not account for more than 20% of our total portfolio by valuation. This self-imposed limit was established at

a time when we did not have an in-house management solution. However, having acquired the Hawthorn Leisure business in May 2018, complete with a market leading specialist pub management platform, and completed the integration of the Hawthorn Leisure business in January 2019, we now feel well positioned to increase our weighting into community pubs.

Mark Davies
Chief Financial Officer
22 May 2019

Principal risks and uncertainties

Our approach to risk management

The Board has ultimate responsibility for the risk management and internal control of the Group. Managing risks is an essential part of any business and the Board regularly evaluates the Group's appetite for risk, ensuring our exposure to risk is kept at an appropriate level.

The Audit Committee monitors the adequacy and effectiveness of the Group's risk management and internal controls and supports the Board in assessing the risk mitigation processes and procedures.

The Executive Committee is closely involved with day-to-day monitoring of risk management and delegation of accountability for risk management to senior management.

Senior Management manage and report on risk, ensuring that they are within the risk appetite as established by the Board.

Key features of the risk management policy

- Ongoing analysis and review of the risk register
- Delegation of accountability for each risk
- Use of external advisors regarding risk impacts
- Quarterly reporting and exposure analysis
- Training of employees and outsourced staff on policies and regulations

Risk Appetite
There are a number of risks that could impact the ability of the Group to successfully execute its strategy.

The Board operates a low tolerance for risk, most notably within regulatory, financial and strategic matters. The Group is prepared to operate in an external environment which is inherently risky, and our experienced leadership team continuously works to mitigate the risks arising from the external environment.

Significant factors which contribute to the low risk of our business include;

- We maintain an unsecured balance sheet benefiting the Group with a more diversified debt structure and gaining access to a larger pool of capital to help achieve our strategic goals
- The disciplined stock selection in which we invest
- A diverse tenant base in which there is no single tenant exposure of more than 3%
- Our experienced board and senior management.

Risk monitoring and assessment

The identification of risks is a continual process which is reviewed regularly. The Company maintains a risk register in which a range of categories are considered. These risks are linked to the strategic priorities of the Group and the appetite as described above.

The risk register assesses the impact, likelihood and residual risk of each identified risk specific to the Group.

Where the residual risk is deemed too high by the Board then actions are taken to further mitigate the risk, and each action is assigned to an individual or group.

A risk-scoring map is used to determine the potential impact and probability of each significant risk prior to mitigation and residual risk after mitigation.

Principal risk areas are;

- Macroeconomic environment
- People
- Corporate strategy and performance
- Financial
- Asset management
- Development
- Environmental

The principal risks are set out below.

Risk category and type	Impact on strategy	Mitigation	Residual risk
1. Market risk			
The Group may be affected via external economic conditions such as a recession.	Economic uncertainty leading to a reduction in market activity, demand for investment assets, or the flow through impact of a decline in spending by the UK population.	We continuously monitor the strategy of the Group in the context of the macroeconomy. We consider updates from external advisors and economic data subscriptions when evaluating strategy.	The residual risk is deemed to be low due to the level of income produced by the Group's portfolio and the nature of the its tenants which are focused on non-discretionary and convenience spend.
2. Political risk			
Adverse changes in Government policy, the adverse effects of Brexit on the Group's tenants or the impact of political uncertainty on the UK's retail and leisure spend.	Upward cost pressures, reduced tenant profitability and a reduction in rental income.	The Company is a member of various industry bodies, with representatives on advisory panels. The Board has considered the potential impact of Brexit on the Group's operations, on the supply chain and on the Group's tenants.	There are remaining inherent risks which could impact the profitability of the Group's operations.
3. People			
Loss of key employees. Inability to attract, retain and develop our people to ensure we have the right skills in place to reach our strategic goals.	Over-reliance on key employees may make the Group vulnerable and cause failure to maintain competitiveness.	Succession planning is in place for all key positions, and the plan is reviewed by the Nomination Committee. Notice periods are higher for key employees. The Group's operations are diverse and do not rely on any one individual.	The Board have reviewed the succession plans and mitigating controls and believe the residual risk to be low.
4. Financial risk			
Gearing levels higher than the Group's risk appetite. Breaches in bank Covenants. Lack of funding for the business. Rising interest rates through macroeconomic influences.	Insufficient cash resources prevents the Group from deploying capital and actively managing its development projects. Insufficient headroom on banking covenants could prevent the Group from pursuing its strategy in order to address the covenant.	Active engagement with key lenders. On-going debt covenant analysis and review presented at each Board meeting. The Group has a completely unsecured balance sheet mitigates the risk of a covenant breach due to fluctuations in individual property valuations. The Group's weighted average debt maturity is 6.9 years, providing longevity and financial support to maintain the portfolio.	The strength of the Group's balance sheet has led the Board to consider the residual financial risk to the Group to be low.

		Weekly working capital and cash flow analysis is reviewed by the Executive Committee. The LTV policy allows for a significant fall in property valuations.	
5. Technology changes			
A perceived reduction in consumer demand for physical retail stores. Failure to address a changing retail environment may have adverse financial consequences. Retailers may find physical retailing a more challenging environment. Adverse impact on property valuations.	Certain physical retail space could become less appealing to retailers. Tenant turnover leading to a loss of revenue. Market sentiment could cause valuations to fall.	High-quality retail portfolio which focuses on convenience where the threat from the changing retail environment is low. Focus on initiatives such as Click and Collect to drive footfall into centres. Tenant covenant appraisals. Exposure to single retailers is regularly monitored at Board meetings, limiting negative impacts of CVAs or administrations. KPIs to deliver sustainable rental income.	The Board consider NewRiver's response to technology changes to be effectively managed. The diversification of the group's property and the sectors in which the Company operates are deemed by the Board to be resilient to technology changes.
6. Asset Management			
Performance of assets may not meet expectations of their business plans.	Underperforming assets which may not meet business objectives.	Business plans are regularly reviewed by asset managers and updated twice yearly.	NewRiver's active asset management approach which has a proven track record has led the Board to assess that the residual risk is low.
7. Development			
Development returns may be eroded through inactive cost monitoring.	The Group may be unable to meet their strategic goal of profitable capital recycling. Exposure to cost overruns may erode returns on development.	The Group applies a risk-controlled development strategy through negotiating long-dated pre-lets (typically at least 70%). All development is risk controlled and does not form more than 10% of the portfolio. Capital deployed is actively monitored at Executive Committee meetings following detailed due diligence modelling and research. An experienced development team	The Board perceives the mitigation applied by the Group regarding its risk-controlled pipeline to effectively limit the Group's exposure to such development risk.

		monitors on site development and cost controls.	
8. **Environmental**			
Adverse impact from an environmental incident such as extreme weather, flooding or energy supply issues at our assets. Changes in environmental regulations and legislation that impact our business operations. Failure to achieve environmental targets as established in our ESG disclosures, or those outlined in external benchmarks.	Performance of our assets could be impacted by asset closure or accessibility issues. The Group could face increased costs in meeting new environmental standards. Our financial performance and reputation could be impacted by not meeting targets outlines in our ESG disclosures or external benchmarks.	The Group has a comprehensive Environmental, Social and Governance ('ESG') programme that is regularly reviewed to account for the latest environmental regulations and standards, and industry best practice. The ESG programme is overseen by our Head of ESG, who is a member of Executive Committee, and significant ESG matters are addressed at Executive Committee and Board level. The Group regularly assesses assets for environmental risk and ensures sufficient insurance is in place to minimise the impact of environmental incidents.	The Board considers NewRiver's approach to ESG, and its practices to limit the impact of environmental incidents on its assets, are sufficient to ensure the residual impact is low.

Statement of Directors' Responsibilities

The responsibility statement has been prepared in connection with the Company's full Annual Report for the year ended 31 March 2019. Certain parts of the Annual Report are not included in this announcement, as described in note 1.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's Statement and the Chief Executives' review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board:

Allan Lockhart	Mark Davies
Chief Executive Officer	Chief Financial Officer
22 May 2019	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	Operating and financing 2019 £m	Fair value adjustments 2019 £m	Total 2019 £m	Operating and financing 2018 £m	Fair value adjustments 2018 £m	Total 2018 £m
Revenue	4	125.4	-	125.4	106.3	-	106.3
Property operating expenses	5	(36.4)	-	(36.4)	(19.2)	-	(19.2)
Net property income		89.0	-	89.0	87.1	-	87.1
Administrative expenses	6	(19.4)	-	(19.4)	(17.5)	-	(17.5)
Acquisition and integration costs		(3.3)	-	(3.3)	-	-	-
		(22.7)		(22.7)	(17.5)		(17.5)
Share of income from joint ventures	13	0.8	(1.3)	(0.5)	2.0	(0.5)	1.5
Net valuation movement	12	-	(88.2)	(88.2)	-	(12.9)	(12.9)
Profit on disposal of investment properties	7	0.9	-	0.9	4.9	-	4.9
Operating (loss) / profit		68.0	(89.5)	(21.5)	76.5	(13.4)	63.1
Gain on bargain purchase	14	-	7.0	7.0	-	-	-
Finance income	8	-	-	-	0.1	-	0.1
Finance costs	8	(18.7)	-	(18.7)	(16.9)	(3.1)	(20.0)
Revaluation of derivatives	8	-	(3.2)	(3.2)	-	3.7	3.7
(Loss) / profit for the year before taxation		49.3	(85.7)	(36.4)	59.7	(12.8)	46.9
Taxation	9	(0.5)	-	(0.5)	(1.2)	-	(1.2)
(Loss) / profit for the year after taxation		48.8	(85.7)	(36.9)	58.5	(12.8)	45.7
(Loss) / earnings per share							
Basic (pence)	10			(12.1)			16.0
Diluted (pence)	10			(12.1)			16.0

	2019 £m	2018 £m
(Loss) / profit for the year after taxation	(36.9)	45.7
Other comprehensive income		
Revaluation of property, plant and equipment	1.2	-
Total comprehensive (loss) / income for the year	(35.7)	45.7

All activities derive from continuing operations of the Group.

CONSOLIDATED BALANCE SHEET
As at 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	12	1,254.1	1,227.2
Investments in joint ventures	13	7.6	8.5
Property, plant and equipment	15	28.1	1.0
Derivative financial instruments	17	0.7	3.3
Total non-current assets		1,290.5	1,240.0
Current assets			
Trade and other receivables	16	19.1	34.4
Derivative financial instruments	17	-	0.1
Cash and cash equivalents	18	27.1	115.8
Total current assets		46.2	150.3
Total assets		1,336.7	1,390.3
Equity and liabilities			
Current liabilities			
Trade and other payables	19	35.4	38.7
Current taxation liabilities		0.3	2.1
Total current liabilities		35.7	40.8
Non-current liabilities			
Derivative financial instruments	17	0.6	0.1
Deferred tax liability		1.6	-
Borrowings	20	502.7	457.0
Total non-current liabilities		504.9	457.1
Net assets		796.1	892.4
Equity			
Share capital	21	3.1	3.0
Share premium	21	225.0	223.3
Merger reserve	21	(2.3)	(2.3)
Retained earnings	21	570.3	668.4
Total equity		796.1	892.4
Net Asset Value (NAV) per share (pence)			
EPRA	10	261p	292p
Basic	10	261p	294p
Diluted	10	261p	293p

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2019

	2019 £m	2018 £m
Cash flows from operating activities		
(Loss) / profit for the year before taxation	(36.4)	46.9
Adjustments for:		
Profit on disposal of investment property	(0.9)	(4.9)
Gain on bargain purchase	(7.0)	(3.0)
Net valuation movement	88.2	12.9
Net valuation movement in joint ventures	1.3	0.5
Share of income from joint ventures	(0.8)	(2.0)
Net interest expense	18.7	19.9
Rent free lease incentives	(2.1)	(3.4)
Movement in provision for bad debts	0.6	0.1
Amortisation of legal and letting fees	0.3	0.3
Depreciation on property plant and equipment	1.0	0.3
Share based-payment expense	2.5	2.6
Net movement from fair value of derivatives	3.2	(3.7)
Cash generated from operations before changes in working capital	68.6	66.5
Changes in working capital		
Increase in receivables and other financial assets	(4.7)	(10.6)
Decrease in payables and other financial liabilities	(10.3)	(1.2)
Cash generated from operations	53.6	54.7
Interest paid	(16.3)	(15.1)
Corporation tax paid	(2.1)	(0.3)
Dividends received from joint ventures	0.4	2.3
Net cash inflow from operating activities	35.6	41.6
Cash flows from investing activities		
Interest income	-	0.1
Purchase of investment properties	(51.5)	(31.2)
Business combinations	(46.7)	(53.6)
Disposal of investment properties	78.7	44.2
Development and other capital expenditure	(24.6)	(17.3)
Purchase of plant and equipment	(0.7)	(1.0)
Net cash used in investing activities	(44.8)	(58.8)
Cash flows from financing activities		
Proceeds from issuance of new shares	-	222.3
Repayment of bank loans	(78.6)	(577.5)
New borrowings	62.4	506.2
Purchase of derivatives	(0.2)	(1.9)
Dividends paid – ordinary	(63.1)	(62.1)
Net cash (used in)/generated from financing activities	(79.5)	87.0
Cash and cash equivalents at beginning of the year	115.8	46.0
Net (decrease)/increase in cash and cash equivalents	(88.7)	69.8
Cash and cash equivalents at 31 March	27.1	115.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2019

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
As at 31 March 2017		2.3	1.7	(2.3)	682.8	684.5
Profit for the year after taxation		-	-	-	45.7	45.7
Total comprehensive income for the year		-	-	-	45.7	45.7
Transactions with equity holders						
Net proceeds of issue from new shares	22	0.7	227.2	-	-	227.9
Cost of issue of new shares		-	(5.6)	-	-	(5.6)
Share-based payments	23	-	-	-	2.6	2.6
Dividends paid	11	-	-	-	(62.7)	(62.7)
As at 31 March 2018		3.0	223.3	(2.3)	668.4	892.4
Loss for the year after taxation		-	-	-	(36.9)	(36.9)
Revaluation of property, plant and equipment	15	-	-	-	1.2	1.2
Total comprehensive loss for the period		-	-	-	(35.7)	(35.7)
Transactions with equity holders						
Net proceeds from issue of shares	22	0.1	1.7	-	-	1.8
Share-based payments		-	-	-	2.5	2.5
Dividends paid	11	-	-	-	(64.9)	(64.9)
As at 31 March 2019		3.1	225.0	(2.3)	570.3	796.1

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

General information
NewRiver REIT plc (the 'Company') and its subsidiaries (together the 'Group') is a property investment group specialising in commercial real estate in the UK.

These condensed financial statements are presented in Sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern
The Directors of NewRiver REIT plc have reviewed the current and projected financial position of the Group making reasonable assumptions about future trading and performance. The key areas reviewed were:

- Value of investment property
- Timing of property transactions
- Capital expenditure and tenant incentives
- Rental income
- Loan covenants
- Capital and debt funding

The Group has cash and short-term deposits, significant undrawn borrowing facilities, as well as profitable rental income streams and as a consequence the Directors believe the Group is well placed to manage its business risks. The Group is currently well within the prescribed financial covenants on its borrowing facilities.

After making enquiries and examining major areas which could give rise to significant financial exposure, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue its operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these consolidated financial statements.

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

Basis of preparation
The financial information set out in these condensed financial statements does not constitute the Company's statutory accounts for the years ended 31 March 2019 or 31 March 2018 but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

Changes in accounting policy and disclosures
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU:

- IFRS 16 *Leases*
- IFRS 17 *Insurance contracts*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle *Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- Amendments to IAS 19 *Employee benefits*
- IFRS 10 Consolidated Financial Statements and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRS 9 Financial Instruments (became effective 1 January 2018)
IFRS 9 replaces IAS 39 Financial Instrument: Recognition and Measurement and introduces a single model that has initially only two classification categories rather than the multiple classification and measurement models in the previous standard. The new models are amortised at cost and fair value.

Due to the nature of the Group's financial instruments, the adoption of IFRS 9 does not have a material impact on the Group's consolidated results or financial position and does not require there to be a restatement of comparative figures.

The fair value of each category of the Group's financial instruments approximates to their carrying value other than the Group's debt instruments, the fair value of which are disclosed in the accounts. Where financial assets and liabilities are measured at fair value the measurement hierarchy, valuation techniques and inputs used are consistent with those used at 31 March 2018.

Having considered the requirements of IFRS 9, under section 5.5.15(b), the Directors have chosen to apply the simplified approach when considering the Expected Credit Loss ('ECL') model when determining the expectations of impairment. Under the simplified approach the Company is always required to measure lifetime expected losses.

Given the nature of the Group's receivables and counterparties, the Directors do not consider any to be impaired. The Directors believe that the majority of receivables are fully recoverable and therefore there is no material ECL to recognise. The probability of credit loss is immeasurably small.

IFRS 15 Revenue from Contracts with Customers (became effective 1 January 2018)
The new revenue recognition model under which IFRS 15 operates recognises revenue either at a point in time or over time.

The new standard combines a number of previous standards, setting out a five-step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard does not apply to rental income, which is in the scope of IAS 17, but does apply to service charge income, asset management and promote fees and wet and dry income from pubs. The changes introduced by IFRS 15 will result in minimal qualitative changes to revenue disclosure and will not have a quantitative impact on the consolidated financial statements of the Group.

IFRS 16 Leases (effective 1 January 2019)
This standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the statement of comprehensive income. The Group is undertaking detailed analysis of the impact of IFRS 16 and expects there to be an impact of a c£80million right of use asset and resultant liability, particularly in respect of ground rent obligations payable by the Group. Judgement is required to determine the discount rate applicable to the Group to discount the cash flows of the right-of-use asset. 3.2% was used to estimate the potential impact which is the Group's weighted average cost of debt.

There are no other standards or Interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group.

2. Critical accounting judgements and estimates

The preparation of financial statements requires management to make estimates affecting the reported amounts of assets and liabilities, of revenues and expenses, and of gains and losses. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Critical accounting judgements

Business Combinations
Management must assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Management exercise judgement to determine whether the assets and liabilities acquired contains processes and inputs in addition to property. On 25 May 2018, the Group acquired Hawthorn Leisure Holdings Limited ('Hawthorn Leisure') (see note 14). It was determined that a business had been acquired and as such the transaction would be accounted for as a business combination under IFRS 3.

Business combinations are accounted for using the acquisition method and any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill and if the fair value of the net asset assets is deemed to be higher than the purchase consideration then this is recognised as a bargain purchase.

Operating segments
Following the acquisition of Hawthorn Leisure in May 2018, the Group's operations are organised into two operating segments, being investment in retail property and in pubs. The retail investments comprise shopping centres, retail warehouses and high street stores. The pub investments consist of over 650 community public houses. The Board reviews the results of the pub and retail businesses separately and discrete financial information is provided to the Board. The Group's assets and revenue have been shown as two separate operating segments in note 3.

Pub classification
The Group's strategic aim is to hold all of its property for capital appreciation and income, regardless of the asset type and operating model. The Group operates pubs under three operating models; leased, operator managed and fully managed. Management have concluded that the most appropriate classification is investment property for the leased model as the Group earns rental income from these properties and, whilst it may in some cases earn a margin on beverage sales to the pub, it does not retain the risks and rewards associated with operating these pubs. The fully managed and operator managed pubs have been classified as property, plant and equipment as the Group directly and indirectly manages those pubs and retains all the risks and rewards from trading.

Sources of estimation uncertainty

As noted above, the Group's investment properties are stated at fair value. The assumptions and estimates used to value the properties are detailed in note 12. Small changes in the key estimates, such as the estimated future rental income, can have a significant impact on the valuation of the investment properties, and therefore a significant impact on the balance sheet and key performances measures such as Net Asset Value per share. Certain estimates require an assessment of factors not within management's control, such as overall market conditions.

Rents, ERVs, EBITDA multiples and maintainable earnings have a direct relationship to valuation, while yield has an inverse relationship. Estimated costs of a development project will inversely affect the valuation of development properties. There are interrelationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input could be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in directions which have an opposite impact on value e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation, see note 12 for sensitivity analysis.

The estimated fair value may differ from the price at which the Group's assets could be sold. Actual realisation of net assets could differ from the valuation used in these financial statements, and the difference could be significant.

3. Segmental reporting

Following the acquisition of Hawthorn Leisure in May 2018, the Group's operations are organised into two operating segments, being investment in retail property and in pubs. The retail investments comprise shopping centres, retail warehouses and high street stores. The pub investments consist of over 650 community public houses. All of the Group's operations are in the UK and therefore no geographical segments have been identified.

The relevant revenue, net rental income and property and other assets, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. The results include the Group's share of assets and results from properties held in joint ventures.

Segment revenues and result	2019			2018		
	Retail	Pubs	Group	Retail	Pubs	Group
	£m	£m	£m	£m	£m	£m
Property rental and related income	81.0	42.0	123.0	81.0	15.3	96.3
Asset management fees	0.3	-	0.3	0.4	-	0.4
Realised gain received from joint venture	-	-	-	2.2	-	2.2
Surrender premiums and commissions	3.3	0.5	3.8	6.4	1.7	8.1
	84.6	42.5	127.1	90.0	17.0	107.0
Service charge expense	(4.4)	-	(4.4)	(4.9)	-	(4.9)
Amortisation of tenant incentives and letting costs	(1.3)	(0.5)	(1.8)	(1.1)	(0.4)	(1.5)
Ground rent	(2.9)	-	(2.9)	(3.0)	-	(3.0)
Rates	(2.3)	(0.7)	(3.0)	(2.6)	-	(2.6)
Pub operating expenses	-	(15.3)	(15.3)	-	(1.4)	(1.4)
Other property operating expenses	(5.1)	(4.1)	(9.2)	(4.0)	(2.5)	(6.5)
Property operating expenses	(16.0)	(20.6)	(36.6)	(15.6)	(4.3)	(19.9)
Net property income (segment result)	68.6	21.9	90.5	74.4	12.7	87.1
Administrative expenses			(22.9)			(17.8)
Unallocated property rental provision			(0.9)			-
Net valuation movement			(89.5)			(13.4)
Profit on disposal of investment properties			1.3			4.8
Finance income			-			0.1
Finance costs			(18.7)			(20.6)
Gain on bargain purchase			7.0			3.0
Revaluation of derivatives			(3.2)			3.7
Taxation			(0.5)			(1.2)
(Loss) / profit for the year after taxation			(36.9)			45.7

Segment assets	2019				2018			
	Retail	Pubs	Unallocated	Total	Retail	Pubs	Unallocated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets								
Investment properties	987.0	267.1	-	1,254.1	1,047.9	179.3	-	1,227.2
Investments in joint ventures	7.6	-	-	7.6	8.5	-	-	8.5
Public houses	-	26.9	-	26.9	-	-	-	-
Property, plant and equipment	-	0.4	0.8	1.2	-	-	1.0	1.0
Other non-current assets	-	-	0.7	0.7	-	-	3.3	3.3
Total non-current assets				1,290.5				1,240.0
Current assets								
Trade and other receivables	12.7	6.4	-	19.1	29.6	4.9	-	34.5
Other current assets and cash	-	-	27.1	27.1	-	-	115.8	115.8
Total current assets				46.2				150.3
Segment assets	1,007.3	300.8	28.6	1,336.7	1,086.0	184.2	120.1	1,390.3

4. Revenue

	2019	2018
	£m	£m
Retail property rental and related income	79.3	77.3
Pub property rental and related income	42.0	15.3
Asset management fees	0.3	0.4
Realised gain received from joint venture	-	5.2
Surrender premiums and commissions	3.8	8.1
	125.4	106.3

5. Property operating expenses

	2019	2018
	£m	£m
Service charge expense	4.4	4.9
Amortisation of tenant incentives and letting costs	1.8	1.4
Ground rent	2.9	2.8
Rates	2.9	2.5
Pub operating expenses	15.3	1.4
Other property operating expenses	9.1	6.2
	36.4	19.2

Property and pub operating expenses have increased year on year principally due to the acquisition of Hawthorn Leisure.

6. Administrative expenses

	2019 £m	2018 £m
Wages and salaries	7.8	7.6
Social security costs	1.9	1.9
Other pension costs	0.3	0.1
Staff costs	10.0	9.6
Depreciation	1.0	0.3
Share-based payments	2.5	2.6
Operating lease payments	0.3	0.1
Other administrative expenses	5.6	4.9
	19.4	17.5
Professional fees in relation to the acquisition of Hawthorn Leisure	3.3	-
Administrative expenses	22.7	17.5

Net administrative expenses ratio is calculated as follows:

	2019 £m	2018 £m
Administrative expenses	22.7	17.5
Asset management fees	(0.3)	(0.4)
Share of joint ventures' administrative expenses	0.1	0.3
Less share-based payments	(2.5)	(2.6)
Less depreciation of public houses	(0.8)	-
Less acquisition and integration costs	(3.3)	-
Group's share of net administrative expenses	15.9	14.8
Retail property rental and related income	79.3	77.3
Pub property rental and related income	42.0	15.3
Realised gain received from joint ventures	-	5.2
Less gain on bargain purchase	-	(3.0)
Share of joint ventures' property income	0.9	3.7
	122.2	98.5
Net administrative expenses as a % of property income (including share of joint ventures)	13.1%	15.0%
Number of staff		
Directors	7	7
Operations and asset managers	34	23
Pubs	53	-
Support functions	55	26
	149	56

7. Profit on disposal of investment properties

	2019 £m	2018 £m
Gross disposal proceeds	62.5	57.8
Legal fees in relation to disposals	(0.9)	(1.0)
Fair value of investment property at disposal	(60.7)	(51.9)
	0.9	4.9

8. Finance income and expense

	2019 £m	2018 £m
Finance income		
Income from cash and short-term deposits	-	0.1
Finance expense		
Interest on borrowings	(18.7)	(14.7)
Early redemption fees and associated costs	-	(2.2)
Write off of unamortised fees	-	(3.1)
	(18.7)	(20.0)
Revaluation of derivatives		
Revaluation of derivatives	(3.2)	3.7
Net finance expense	(21.9)	(16.3)

9. Taxation

	2019 £m	2018 £m
UK Corporation Tax at 19% (2018: 19%)		
Current year	1.2	1.2
Prior year	(0.7)	-
Taxation	0.5	1.2

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income follows:

	2019 £m	2018 £m
(Loss) / profit before tax	(36.4)	46.9
Tax at the current rate of 19% (2018: 19%)	(6.9)	8.9
Revaluation of property	16.7	2.6
Other timing differences	2.8	0.1
Non-taxable profit due to REIT regime	(10.5)	(10.4)
Other	(0.9)	-
Prior year adjustment	(0.7)	-
Taxation	0.5	1.2

10. Performance measures

The Group's key performance measure is 'Funds from Operations' or 'FFO'. This performance measure is intended to measure the underlying profitability of the Group and as such includes realised cash gains on disposals and adds back expense recognised for non-cash share-based payment, unrealised gains/losses and the one-off cost in respect of the costs to refinance debt and in the prior year cost of the move to the main market. The measure is not intended to replace the cash measures disclosed in the cash flow statement. 'Underling Funds From Operations' or 'UFFO' removes the volatility caused the inclusion in profits or losses on the sale of properties.

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in 2014 and additional guidance in 2016, which gives recommendations for performance measures. The EPRA earnings measure excludes investment property revaluations and gains on disposals, intangible asset movements and their related taxation.

A reconciliation of the performance measures to the nearest IFRS measure is below:

	2019 £m	2018 £m
(Loss) / profit for the year after taxation	(36.9)	45.7
Adjustments		
Revaluation of investment properties	88.2	12.9
Profit on disposal of investment properties	(0.9)	(4.9)
Revaluation of derivatives	3.2	(3.7)
Gain on bargain purchase	(7.0)	(3.0)
Refinance costs – write off of unamortised fees[1]	-	3.1
Refinance costs – early redemption and associated fees[1]	-	2.2
Acquisition costs[2]	3.0	-
Group's share of joint ventures' adjustments		
Revaluation of investment properties	1.3	0.5
(Profit) / loss on disposal of investment properties	(0.4)	0.1
EPRA earnings	50.5	52.9
Share-based payment charge	2.5	2.6
Depreciation on public houses[3]	0.8	-
Integration costs[2]	1.3	-
Underlying Funds From Operations (FFO)	55.1	55.5
Profit on disposal of investment properties	0.9	4.9
Share of joint ventures' profit on disposal	0.4	(0.1)
Funds From Operations (FFO)	56.4	60.3

1. The Group recognised an expense of £3.1 million in relation to writing off unamortised fees and £2.2 million of early redemption and associated fees following early repayment of certain borrowings. See note 20.
2 Acquisition and integration costs relate to the acquisition of Hawthorn Leisure. See note 14.
3 Depreciation of the Group's public houses of £0.8 million has been recognised in the Consolidated Statement of Comprehensive Income. See note 15.

Number of shares

Number of shares	2019 No. m	2018 No. m
Weighted average number of ordinary shares for the purposes of Basic EPS, FFO, UFFO and EPRA	304.0	285.0
Effect of dilutive potential ordinary shares:		
Share options	-	0.1
Deferred bonus shares	0.3	0.3
Performance share plan	-	0.5
Warrants	0.2	0.2
Weighted average number of ordinary shares for the purposes of diluted EPS, FFO, UFFO and EPRA	304.5	286.1
Performance measures (pence)		
IFRS		
Basic EPS	(12.1)	16.0
Diluted EPS	(12.1)	16.0
FFO		
FFO per share	18.5	21.2
Diluted FFO per share	18.5	21.1
UFFO		
UFFO per share	18.1	19.5
Diluted UFFO per share	18.1	19.4
EPRA		
EPRA EPS	16.6	18.6
Diluted EPRA EPS	16.6	18.5

EPRA NAV per share and Basic NAV per share:

	2019			2018		
	£m	Shares m	Pence per share	£m	Shares m	Pence per share
Net assets	796.1	304.8	261p	892.4	303.7	294p
Warrants in issue	0.4	0.3		0.5	0.3	
Unexercised employee awards	1.3	0.9		1.3	1.2	
Diluted net assets	797.8	306.0	261p	894.2	305.2	293p
Fair value derivatives	(0.1)	-		(3.3)	-	
Deferred tax	1.6	-		-	-	
EPRA net assets	799.3	306.0	261p	890.9	305.2	292p

11. Dividends

2019	PID	Non-PID	Pence per share	£m
Ordinary dividends payment date				
25 May 2018	5.25	-	5.25	15.8
27 July 2018	5.40	-	5.40	16.4
16 November 2018	5.40	-	5.40	16.4
24 January 2019	5.40	-	5.40	16.3
	21.45	-	21.45	64.9

2018				
Special dividends payment date				
4 August 2017	3.00	-	3.00	7.0
Ordinary dividends payment date				
11 May 2017	5.00	-	5.00	11.7
4 August 2017	5.25	-	5.25	12.3
1 November 2017	5.25	-	5.25	15.9
9 February 2018	5.25	-	5.25	15.8
	23.75	-	23.75	62.7

	2019 £m	2018 £m
Dividend per statement of changes in equity	64.9	62.7
Timing on withholding tax	(0.1)	(0.3)
Less scrip dividends	(1.7)	(0.3)
Dividends paid per the cash flow statement	63.1	62.1

A final dividend of 5.4 pence per share was approved by the Board on 22 May 2019 and will be paid in July 2019 to shareholders on the register on 21 June 2019.

12. Investment properties

	2019 £m	2018 £m
Fair value brought forward	1,227.2	995.9
Acquisitions	49.9	31.2
Capital expenditure	23.7	16.4
Properties acquired in business combinations	100.2	244.7
Lease incentives, letting and legal costs	2.7	3.7
Reclassification to plant property and equipment	(1.3)	-
Disposals	(60.7)	(51.8)
Net valuation movement	(87.6)	(12.9)
Fair value carried forward	1,254.1	1,227.2

The Group's investment properties have been valued at fair value on 31 March 2019 by independent valuers, Colliers International Valuation UK LLP and Knight Frank LLP, on the basis of fair value in accordance with the Current Practice Statements contained in The Royal Institution of Chartered Surveyors Valuation – Professional Standards, (the 'Red Book'). The valuations are performed by appropriately qualified valuers who have relevant and recent experience in the sector.
Reconciliation of net valuation movement in consolidated statement of comprehensive income:

	2019 £m	2018 £m
Net valuation movement in investment properties	(87.6)	(12.9)
Net valuation movement in property, plant and equipment	(0.6)	-
Net valuation movement in consolidated statement of comprehensive income	(88.2)	(12.9)

The fair value at 2019 represents the highest and best use.

13. Investments in joint ventures

As at 31 March 2019 the Group has one joint venture. There were five joint ventures which were equity accounted for prior to the acquisition of the joint venture partner's holding in July 2017.

	2019 £m	2018 £m
Opening balance	8.5	71.8
Effective disposal of investments	-	(62.4)
Group's share of profit after taxation excluding valuation movement	0.8	2.0
Net valuation movement	(1.3)	(0.5)
Distributions and dividends	(0.4)	(2.4)
Investment in joint venture	7.6	8.5

Name	Country of incorporation	2019 % holding	2018 % holding
NewRiver Retail Investments LP	Guernsey	50	50

The Group is the appointed asset manager on behalf of these joint ventures and receives asset management fees, development management fees and potentially performance-related bonuses.

NewRiver Retail Investments LP has a 31 December year end. The aggregate amounts recognised in the consolidated balance sheet and statement of comprehensive income are as follows:

Balance sheet	2019 Total £m	2019 Group's share £m	2018 Total £m	2018 Group's share £m
Non-current assets	14.8	7.4	24.8	12.4
Current assets	1.0	0.5	0.8	0.4
Current liabilities	(0.6)	(0.3)	(0.6)	(0.3)
Borrowings due in less than one year	-	-	(8.0)	(4.0)
Net assets	15.2	7.6	17.0	8.5

Statement of comprehensive income	2019 Total £m	2019 Group's share £m	2018 Total £m	2018 Group's share £m
Net property income	1.2	0.6	6.1	3.0
Administration expenses	(0.2)	(0.1)	(0.6)	(0.3)
Net finance costs	(0.2)	(0.1)	(1.3)	(0.6)
	0.8	0.4	4.2	2.1
Net valuation movement	(2.6)	(1.3)	(1.1)	(0.5)
Profit on disposal	0.8	0.4	(0.2)	(0.1)
Profit after taxation	(1.0)	(0.5)	2.9	1.5
Add back net valuation movement	2.6	1.3	1.1	0.5
Group's share of associates' FFO	1.6	0.8	4.0	2.0

14. Business combinations

On 24 May 2018, the Group acquired Hawthorn Leisure Holdings Limited ('Hawthorn Leisure') for a cash consideration of £55.1 million. Hawthorn Leisure owned 298 public houses situated across England and Scotland. From the date of acquisition, Hawthorn Leisure contributed net revenue of £12 million and profit before tax from continuing operations of the Group of £4.6 million If the acquisition had taken place at the beginning of the year, net revenue from continuing operations would have been £14.1 million and profit before tax from continuing operations for the Group would have been £8.1 million.

Details of the fair value of the assets and liabilities acquired and the resultant gain on bargain purchase are as follows:

	Acquired	Adjustments	Fair value
	£m	£m	£m
Investment property	100.6	(0.4)	100.2
Property, plant and equipment	24.1	0.9	25.0
Goodwill	16.5	(16.5)	-
Current assets	2.3	(0.1)	2.2
Cash and cash equivalents	7.7	-	7.7
Other net current liabilities	(80.9)	7.9	(73.0)
Fair value of acquired interest in net assets on subsidiaries			62.1
Gain on bargain purchase			(7.0)
Total purchase consideration			55.1

The bargain purchase is a result of the fair value determined for the assets purchased exceeding the gross asset value determined. The gain on bargain purchase has been recognised in the Statement of Comprehensive Income. A loan of £60.6 million was repaid as part of the acquisition.

15. Property plant and equipment

	Office equipment	Fixtures and fittings	Public houses	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2018	0.9	0.7	-	1.6
Additions	0.4	-	25.0	25.4
Business combinations	0.1	-	0.8	0.9
Revaluation:				-
Recognised in the statement of comprehensive income	-	-	1.2	1.2
Recognised in the income statement	-	-	(0.6)	(0.6)
Net transfers from investment property	-	-	1.3	1.3
Disposals	-	(0.1)	-	(0.1)
At 31 March 2019	1.4	0.6	27.7	29.7
Accumulated depreciation				
At 1 April 2018	0.1	0.5	-	0.6
Charge for the year	0.2	0.1	0.8	1.1
Disposals	-	(0.1)	-	(0.1)
At 31 March 2019	0.3	0.5	0.8	1.6
Net book value at 31 March 2019	1.1	0.1	26.9	28.1
Net book value at 31 March 2018	0.8	0.2	-	1.0

Refer to note 12 for fair value disclosures relating to public houses.

16. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	7.7	8.6
Receivable from the sale of investment property	3.3	16.2
Other receivables	4.5	4.7
Prepayments	1.4	3.0
Accrued income	2.2	1.9
	19.1	34.4

The loss allowance was £0.3 million at 31 March 2019 (31 March 2018: £0.9 million).

17. Derivatives

The Group enters into derivative financial instruments to provide an economic hedge to its interest rate exchange risks. These financial instruments are classified as Level 2 fair value measurements, being those derived from inputs other than quoted prices. There were no transfers between levels in the current year.

	2019 £m	2018 £m
Interest rate caps		
Non-current assets	-	0.3
Current assets	-	0.1
Interest rate swaps		
Non-current assets	0.7	3.0
Non-current liabilities	(0.6)	(0.1)
	0.1	3.3

	Average contract interest rate		Notional principal amount		Fair value	
	2019 %	2018 %	2019 £m	2018 £m	2019 £m	2018 £m
Interest rate swaps – receive floating pay fixed						
In less than one year	0.8%	-	13.9	-	-	-
In more than one year but less than two	1.0%	0.8%	151.1	13.9	0.1	-
In more than two years but less than five	-	0.8%	-	151.1	-	2.9
Interest rate caps – receive floating pay fixed						
In less than one year	2.9%	2.0%	148.7	107.2	-	-
In more than one year but less than two	1.6%	2.9%	80.2	148.7	-	-
In more than two years but less than five	-	1.6%	-	80.2	-	0.4
			393.9	501.1	0.1	3.3

18. Cash and cash equivalents

There are no restrictions in place over cash. In the prior year a number of the Group's borrowing arrangements placed certain restrictions on the rent received each quarter. These did not prevent access to or use of this funding within the borrowing entities, however they did place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted.

19. Trade and other payables

	2019 £m	2018 £m
Trade payables	6.1	3.3
Other payables	7.5	7.7
Accruals	12.6	15.6
Rent received in advance	9.2	12.1
	35.4	38.7

20. Borrowings

Maturity of bank facilities:	2019 £m	2018 £m
Between four and five years	210.0	165.0
After five years	300.0	300.0
	510.0	465.0
Less unamortised fees / discount	(7.3)	(8.0)
	502.7	457.0

During the prior year the Company secured £680 million of new unsecured borrowing facilities to replace its secured borrowings. The refinancing exercise provided the Company with a reduced cost of debt, increased flexibility and an increased borrowings maturity.

The facilities include a £165 million term loan and a £215 million revolving credit facility, with an initial maturity of five years which can be extended to a maximum of seven years, subject to lender consent. The facility agreement contains financial covenants based on loan to value ratio, interest cover and the level of secured borrowings. The floating rate interest on the loan must be substantially hedged and the Group has entered into interest rate swaps to fix the interest on the five-year term loan.
In February 2018, the Group issued a £300 million publicly listed corporate bond with a maturity of 10 years to March 2028 and a coupon of 3.5%. The unsecured corporate bond was rated BBB+ by Fitch.

Unsecured borrowings:	Maturity date	Facility £m	Facility drawn £m	Unamortised facility fees / discount £m	£m
Term loan	August 2024	165.0	165.0	(1.3)	163.7
Revolving credit facility	August 2024	215.0	45.0	(1.6)	43.4
Corporate bond	March 2028	300.0	300.0	(4.4)	295.6
		680.0	510.0	(7.3)	502.7

21. Share capital and reserves

Share capital

Ordinary shares	Number of shares issued m's	Price per share pence	Total m's	Held by EBT m's	Shares in issue m's
31 March 2017			238.6	4.6	234.0
Issue of shares in firm placing and open offer	67.2	335.0	305.8	4.6	301.2
Exercise of share options	1.1	242.0	306.9	4.6	302.3
Scrip dividends issued	0.1	335.0	307.0	4.6	302.4
Shares issued under employee share schemes	0.7	-	307.0	4.0	303.0
31 March 2018			307.0	4.0	303.0
Scrip dividends issued	0.7	252.5	307.7	4.0	303.7
Shares issued under employee share schemes	0.9	-	307.7	3.1	304.6
Exercise of warrants	0.1	124.0	307.8	3.0	304.8
31 March 2019			307.8	3.0	304.8

	Share capital £'000	Share premium £'000	Total £'000
31 March 2017	2,340	1,691	4,031
Issue of shares in firm placing and open offer	672	219,028	219,700
Exercise of share options	10	2,568	2,578
Shares issued under employee share schemes	7	-	7
31 March 2018	3,029	223,287	226,316
Exercise of warrants	1	57	58
Exercise of share options	11	-	11
Scrip dividends issued	9	1,649	1,658
31 March 2019	3,050	224,993	228,043

Warrants
Shareholders who subscribed for placing shares in the original share listing of NewRiver Retail Limited's shares received warrants, in aggregate, to subscribe for 3% of the fully diluted share capital. The subscription price is adjusted following the payment of dividends or share issuance and was 121p as at 31 March 2019 333,401 remain outstanding (31 March 2018: 380,000).

Merger reserve
The merger reserve arose as a result of the scheme of arrangement and represents the nominal amount of share capital that was issued to shareholders of NewRiver Retail Limited.

Retained earnings
Retained earnings consist of the accumulated net profit of the Group, less dividends paid from distributable reserves, and transfers from equity issues where those equity issues generated distributable reserves. Dividends are paid from the Company's distributable reserves which were approximately £300 million at 31 March 2019 (2018: £26 million).

Shares held in Employee Benefit Trust (EBT)
As part of the scheme of arrangement and group reorganisation, the Company established an EBT which is registered in Jersey. The EBT, at its discretion, may transfer shares held by it to directors and employees of the Company and its subsidiaries. The maximum number of ordinary shares that may be held by the EBT may not exceed 10% of the Company's issued share capital. It is intended that the EBT will not hold more ordinary shares than are required in order to satisfy share options granted under employee share incentive plans.

There are currently 2,984,650 ordinary shares held by the EBT.

22. Financial instruments and risk management

Reconciliation of movement in the Group's share of net debt in the year	2019 £m	2018 £m
Group's share of net debt at beginning of year	344.7	417.9
Cash flow		
Net decrease/(increase) in cash and cash equivalents	88.7	(69.8)
New bank loans (net of expenses)	62.4	506.2
Bank loans acquired in business combinations	60.6	120.7
Bank loans repaid	(78.6)	(577.5)
Amortisation of bank loan fees	1.4	-
Group's share of joint ventures' cash flow		
Net (increase)/decrease in cash and cash equivalents	(0.1)	3.1
Bank loans repaid	(4.0)	-
Borrowings disposed of	-	(60.3)
Amortisation of bank loan fees	-	4.4
Group's share of net debt	475.1	344.7

Net debt to equity ratio	2019 £m	2018 £m
Borrowings	502.7	456.9
Cash and cash equivalents	(27.1)	(115.8)
Net debt	475.6	341.1
Equity attributable to equity holders of the parent	796.1	892.4
Net debt to equity ratio ('Balance sheet gearing')	60%	38%
Share of joint ventures' borrowings	-	4.0
Share of joint ventures' cash and cash equivalents	(0.5)	(0.4)
Group's share of net debt	475.1	344.7
Carrying value of investment property and public houses	1,281.0	1,227.2
Share of joint ventures' carrying value of investment properties	7.4	12.4
Group's share of carrying value of investment properties	1,288.4	1,239.6
Net debt to property value ratio ('Loan to value')	37%	28%

Reconciliation of financial liabilities

	Borrowings £m	Derivatives £m	Total £m
As at 1 April 2018	457.0	3.3	460.3
Increase / (decrease) through financing cash flows			
Repayment of bank loans and other costs	(78.6)	-	(78.6)
New borrowings	62.4	-	62.4
Increase / (decrease) through changes in fair value			
Change in fair value of derivative	-	(3.2)	(3.2)
Increase / (decrease) through business combinations			
Acquisition of Hawthorn Leisure	60.6	-	60.6
Other changes			
Loan amortisation	1.3	-	1.3
As at 31 March 2019	502.7	0.1	502.8

23. Post balance sheet events

The first quarter dividend in relation to the year ended 31 March 2020 will be 5.4 pence per share (March 2019: 5.4 pence per share) and will be paid on 26 July 2019 to shareholders on the register on 21 June 2019. The ex-dividend date will be 20 June 2019.

On 22 May 2019, the Group exchanged contracts on the acquisition of a portfolio of four retail parks for total consideration of £60.5 million reflecting a net initial yield of 9.8%. It is intended that the acquisition of the portfolio will be completed by a joint venture, once established, in which the Group will hold a 50% interest.

EPRA performance measures

The information in this section is unaudited and does not form part of the consolidated primary statements of the company or the notes thereto.

Introduction

The Group discloses financial performance measures in accordance with the European Public Real Estate Association (‘EPRA’) Best Practice Recommendations which are aimed at improving the transparency, consistency and relevance of reporting across European Real Estate companies.

This section sets out the rationale for each performance measure as well as how it is measured. A summary of the performance measures is included in following table.

Performance Measure	March 2019	March 2018
EPRA Earnings per Share (EPS)	16.6p	18.6p
EPRA NAV per share	261p	292p
EPRA NNNAV per share	260p	293p
EPRA NIY	7.5%	6.8%
EPRA ‘topped-up’ NIY	7.9%	7.2%
EPRA Vacancy Rate	4.8%	3.5%
EPRA Cost Ratio	22.1%	19.7%

A. EPRA Earnings per Share: 16.6p

Definition
Earnings from operational activities

Purpose
A key measure of a company’s underlying operating results and an indication of the extent to which current dividend payments are supported by earnings

Calculation of EPRA Earnings	March 2019 £m	March 2018 £m
Earnings per IFRS income statement	(36.9)	45.7
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	88.2	12.9
Profits or losses on disposal of investment properties, development properties held for investment and other interests	(1.3)	(4.8)
Negative goodwill / goodwill impairment	(7.0)	(3.0)
Changes in fair value of financial instruments and associated close-out costs	3.2	(3.8)
Acquisition costs on share deals and non-controlling joint venture interests	3.0	
Exceptional costs in respect of refinancing		5.3
Adjustments to above in respect of joint ventures (unless already included under proportional consolidation)	1.3	0.6
EPRA Earnings	50.5	53.0
Basic number of shares	304.0m	285.0m
EPRA Earnings per Share (EPS)	16.6p	18.6p

B. EPRA NAV per share: 261p

Definition
Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

Purpose
Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.

Calculation of EPRA Net Asset Value	March 2019 £m	March 2018 £m
NAV per the financial statements	796.1	892.4
Effect of exercise of options, convertibles and other equity interests (diluted basis)	1.7	1.8
Diluted NAV, after the exercise of options, convertibles and other equity interests	797.8	894.2
Exclude:		
Fair value of financial instruments	(0.1)	(3.3)
Deferred tax	1.6	
EPRA NAV	799.3	890.9
Fully diluted number of shares	306.0	305.3
EPRA NAV per share	261p	292p

C. EPRA NNNAV per share: 260p

Definition
EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

Purpose
Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

Calculation of EPRA Triple Net Asset Value (NNNAV)	March 2019 £m	March 2018 £m
EPRA NAV	799.3	890.9
Include:		
Fair value of financial instruments	0.1	3.3
Fair value of debt	(3.8)	(0.3)
Deferred tax	(1.6)	-
EPRA NNNAV	794.0	893.9
Fully diluted number of shares	306.0	305.3
EPRA NNNAV per share	260p	293p

D. EPRA NIY: 7.5%, EPRA 'topped-up' NIY: 7.9%

Definition
The basic EPRA NIY calculates the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

In respect of the 'topped-up' NIY, an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Purpose

A comparable measure for portfolio valuations to assist investors in comparing portfolios.

Calculation of EPRA NIY and 'topped-up' NIY		March 2019 £m	March 2018 £m
Investment property – wholly owned		1,279.0	1,226.3
Investment property – share of JVs/Funds		7.4	12.4
Trading property (including share of JVs)		-	-
Less: developments		(75.4)	(78.7)
Completed property portfolio		1,211.0	1,159.9
Allowance for estimated purchasers' costs and capital expenditure allowed for		83.9	76.3
Gross up completed property portfolio valuation	B	1,294.9	1,236.3
Annualised cash passing rental income		107.5	95.4
Property outgoings		(10.0)	(11.1)
Annualised net rents	A	97.4	84.3
Add: notional rent expiration of rent free periods or other lease incentives[1]		4.8	4.5
Topped-up net annualised rent	C	102.2	88.8
EPRA NIY	A/B	7.5%	6.8%
EPRA 'topped-up' NIY	C/B	7.9%	7.2%

1. The weighted outstanding rent-free period was less than one year in respect of March 2019 and less than one year in respect of March 2018

E. EPRA Vacancy rate: 4.8%

Definition
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio, excluding pub and development assets.

Purpose
A 'pure' (%) measure of investment property space that is vacant, based on ERV.

Calculation of EPRA Vacancy Rate		March 2019 £m	March 2018 £m
Estimated Rental Value of vacant retail space	A	3.8	2.8
Estimated rental value of the retail portfolio	B	80.0	80.1
EPRA Vacancy Rate	A/B	4.8%	3.5%

F. EPRA Cost Ratio: 22.1%

Definition
Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Purpose
A key measure to enable meaningful measurement of the changes in a company's operating costs.

Calculation of EPRA Administrative costs		Mar-19 £m	Mar-18 £m
Administrative/operating expense line per IFRS income statement		19.4	17.4
Net service charge costs/fees		4.4	6.3
Management fees less actual/estimated profit element		(0.3)	(0.4)
Other operating income/recharges intended to cover overhead expenses less any related profits		-	-
Share of Joint Ventures expenses		(0.4)	(0.2)
Exclude (if part of the above):			
Investment property depreciation		-	-
Ground rent costs		(2.9)	2.8
Service charge costs recovered through rents but not separately invoiced		-	-
EPRA Costs (including direct vacancy costs)	A	26.60	21.10
Direct vacancy costs		7.7	3.8
EPRA Costs (excluding direct vacancy costs)	B	18.90	17.30
Gross Rental Income less ground rents – per IFRS		119.3	103.3
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		-	-
Add: share of Joint Ventures (Gross Rental Income less ground rents)		0.8	3.7
Gross Rental Income	C	120.1	107.0
EPRA Cost Ratio (including direct vacancy costs)	A/C	22.1%	19.7%
EPRA Cost Ratio (excluding direct vacancy costs)	B/C	15.7%	16.2%

Alternative Performance Measures (APMs)

In addition to information contained in the Group financial statements, Alternative Performance Measures ('APMs'), being financial measures which are not specified under IFRS, are also used by management to assess the Group's performance. These include a number of the financial statistics included on page 2 of this document. These APMs include a number of European Public Real Estate Association ('EPRA') measures, prepared in accordance with the EPRA Best Practice Recommendations reporting framework. We report these because management considers them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies.

The table below identifies the APMs used in this statement and provides the nearest IFRS measure where applicable, and where in this statement an explanation and reconciliation can be found.

APM	Nearest IFRS measure	Explanation and reconciliation
Funds From Operations ('FFO'), Underlying Funds From Operations ('UFFO'), FFO per share and UFFO per share	Profit for the year after taxation	Note 10 of the Financial Statements and page 19 of this document
EPRA Net Asset Value ('NAV') and EPRA NAV per share	Net Assets	Note 10 of the Financial Statements and pages 22 and 51 of this document
Dividend cover	N/A	Page 19 of this document and Glossary
Admin cost ratio	N/A	Note 6 of the Financial Statements and Glossary
Interest cover	N/A	Page 2 of this document and Glossary
EPRA EPS	IFRS Basic EPS	Note 10 of the Financial Statements
EPRA NNNAV	Net Assets	Page 51 of this document
EPRA NIY	N/A	Page 52 of this document
EPRA 'topped-up' NIY	N/A	Page 52 of this document
EPRA Vacancy Rate	N/A	Page 52 of this document
Total Accounting Return	N/A	Page 2 of this document and Glossary
Cost of debt	N/A	Page 2 of this document and Glossary
Average debt maturity	N/A	Page 2 of this document and Glossary
Loan to Value	N/A	Page 2 of this document and Glossary

Glossary

Admin cost ratio: Is the Group's share of net administrative expenses (including its share of JV administrative expenses) divided by the Group's share of property income (including its share of JV property income).

Average debt maturity: Is measured in years, when each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the year end.

Balance sheet gearing: Is the balance sheet net debt divided by IFRS net assets.

Book value: Is the amount at which assets and liabilities are reported in the financial statements.

Cost of debt: Is the Group loan interest and derivative costs at the year end, divided by total Group debt in issue at the year end.

CVA: is a Company Voluntary Arrangement, a legally binding agreement that allows a company to settle debts by paying only a proportion of the amount that it owes to creditors (such as contracted rent) or to come to some other arrangement with its creditors over the payment of its debts.

Dividend cover: Funds From Operations per share divided by dividend per share declared in the year.

EPRA: Is the European Public Real Estate Association.

EPRA earnings: Is the IFRS profit after taxation excluding investment property revaluations, fair value adjustments on derivatives and gains/losses on disposals.

EPRA net assets (EPRA NAV): Are the balance sheet net assets excluding the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share: Is EPRA NAV divided by the diluted number of shares at the year end.

ERV growth: Is the change in ERV over a year on our investment portfolio expressed as a percentage of the ERV at the start of the year. ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by MSCI Real Estate (formerly named IPD).

Estimated rental value (ERV): Is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Footfall: Is the annualised number of visitors entering our shopping centre assets.

Funds From Operations: Is a measure of cash profits which includes realised recurring cash profits, realised cash profits or losses on the sale of properties and excludes other one off or non-cash adjustments.

Group: Is NewRiver REIT plc, the Company and its subsidiaries and its share of joint ventures (accounted for on an equity basis).

Head lease: Is a lease under which the Group holds an investment property.

IFRS: Is the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the EU.

Income return: Is the income derived from a property as a percentage of the property value.

Interest cover: Is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

Interest-rate swap: Is a financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are used by the Group to convert floating-rate debt obligation or investments to fixed rates.

MSCI Real Estate: MSCI Real Estate (formerly Investment Property Databank Ltd or 'IPD') produces independent benchmarks of property returns and NewRiver portfolio returns.

Joint venture: Is an entity in which the Group holds an interest on a long-term basis and is jointly controlled by the Group and one or more ventures under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each joint venture partner's consent.

Leasing events: Long-term and temporary new lettings, lease renewals and lease variations within investment and joint venture properties.

LIBOR: Is the London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Like-for-like ERV growth: Is the change in ERV over a year on the standing investment properties expressed as a percentage of the ERV at the start of the year.

Like-for-like footfall: Is the movement in footfall against the same period in the prior year, on properties owned throughout both comparable periods, aggregated at 100% share.

Like-for-like net income: Is the change in net income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period, properties with guaranteed rent reviews, asset management determinations and surrender premiums.

Loan to Value (LTV): Is the ratio of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments. LTV is expressed on a proportionally consolidated basis.

Mark to market: Is the difference between the book value of an asset or liability and its market value.

Net equivalent yield (NEY): Is the net weighted average income return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent received annually in arrears and on values before deducting prospective purchaser's costs.

Net initial yield (NIY): Is the current annualised rent, net of costs, expressed as a percentage of capital value, after adding notional purchaser's costs.

Net rental income: Is the rental income receivable in the year after payment of ground rents and net property outgoings. Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

NRR share: Represents the Group's ownership on a proportionally consolidated basis.

Passing rent: Is the gross rent, less any ground rent payable under head leases.

Pre-let: A lease signed with an occupier prior to the completion of a development.

Pre-sale: A sale exchanged with a purchaser prior to completion of a development.

Promote: An incentive return based on the financial performance of a joint venture.

Property Income Distribution (PID): As a REIT the Group is obliged to distribute 90% of the tax-exempt profits. These dividends, which are referred to as PIDs, are subject to withholding tax at the basic rate of income tax. Certain classes of shareholders may qualify to receive the dividend gross. See our website (www.nrr.co.uk) for details. The Group can also make other normal (non-PID) dividend payments which are taxed in the usual way.

Real Estate Investment Trust (REIT): Is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax.

Rental value growth: Is the increase in the current rental value, as determined by the Company's valuers, over the 12-month period on a like-for-like basis.

Retail occupancy rate: Is the estimated rental value of let units expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties.

Reversion: Is the increase in rent estimated by the external valuers, where the passing rent is below the estimated rental value. The increases to rent arise on rent reviews, letting of vacant space and expiry of rent-free periods.

Reversionary yield: Is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

Risk-controlled development pipeline: Is the combination of all development projects that the Company is currently pursuing or assessing for feasibility. Our risk-controlled approach means that we will not commit to a new development unless we have pre-let or pre-sold at least 70% by area.

Tenant (or lease) incentives: Are 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. Under accounting rules the value of lease incentives given to tenants is amortised through the Income Statement on a straight-line basis to the lease expiry.

Total Accounting Return (TAR): Is the increase or decrease in EPRA NAV per share plus dividends paid in the year, expressed as a percentage of EPRA NAV per share at the beginning of the year.

Total Property Return (TPR): Is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by MSCI Real Estate (formerly IPD). Total property returns are calculated monthly and indexed to provide a return over the relevant period.

Total Shareholder Return (TSR): Is calculated by the growth in capital from purchasing a share in the Company assuming that the dividends are reinvested each time they are paid.

Underlying FFO (UFFO): is a measure of cash profits which includes realised recurring cash profits and excludes other one off or non-cash adjustments. Underlying FFO is used by the Company as the basis for ordinary dividend policy and cover.

Voids: Are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings of up to 12 months are also treated as voids.

Weighted average lease expiry (WALE): Is the average lease term remaining to first break, or expiry, across the portfolio weighted by rental income. This is also disclosed assuming all break clauses are exercised at the earliest date, as stated. Excludes short-term licences and residential leases.

Yield on cost: Passing rents expressed as a percentage of the total development cost of a property.

Yield shift: Is a movement (usually expressed in basis points) in the equivalent yield of a property asset.