NEW RIVER

Annual Report and Accounts 2019

665 PUBS

CONVENIENCE & COMMUNITY

34 SHOPPING CENTRES

19 RETAIL PARKS

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.

NewRiver has a Premium Listing on the Main Market of the London Stock Exchange and is a constituent of the FTSE 250 and EPRA indices.

Our financial highlights

Revenue (proportionally consolidated)

£127.1M

FY18: £107.0m

Funds From Operations

£56.4M

FY18: £60.3m

IFRS (loss) / profit after tax[1]

£(36.9)M

FY18: £45.7m

FFO per share

18.5P

FY18: 21.2p

Ordinary dividend per share

21.6P

FY18: 21.0p

Portfolio valuation

£1.3BN

FY18: £1.2bn

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1. Adversely impacted by a non-cash valuation decline of £89.5 million in FY19, compared to a non-cash valuation decline of £13.4 million in FY18
Reconciliations between Alternative Performance Measures (APMs) and their nearest IFRS equivalent can be found on page 155

Our assets are INTEGRAL to the communities they serve

Our community shopping centres, conveniently-located retail parks and community pubs are a key part of daily life for consumers, providing value for money on everyday essential goods and services.

SEE MORE ON PAGE 2

Our income is DIVERSIFIED and sustainable

Our portfolio is diversified by asset type, geography and tenant base, with over 800 different occupiers across our retail portfolio and over 600 individual tenants across our pub portfolio.

SEE MORE ON PAGE 4

We are FOCUSED on growing sub-sectors of the retail & leisure markets

Our retail portfolio is focused on food & grocery, discounters, value fashion, health & beauty and grab and go food. These sub-sectors are growing and are online resilient.

SEE MORE ON PAGE 14

We extract further VALUE from assets, through our proven business model

Our active approach to asset management, our risk-controlled development pipeline and our ability to recycle capital profitably enable us to consistently grow returns.

SEE MORE ON PAGE 22

We have a strong and UNENCUMBERED balance sheet

Our diversified source of funding and low levels of debt, which is unsecured, provide us with flexibility and firepower.

SEE MORE ON PAGE 48

We are COMMITTED to operating responsibly

We aim to enhance the lives of consumers and minimise our impact on the environment. This ensures thriving communities, reduces operating costs and unlocks opportunities.

SEE MORE ON PAGE 58

Specialists in Convenience & Community

NewRiver's diverse portfolio of community pubs, conveniently-located retail parks and community shopping centres meet the everyday needs of consumers, providing a combination of convenience, value and services, and generating resilient cash returns.

Conveniently-located retail parks

Our retail parks are typically located on the edge of town centres and in close proximity to supermarkets. They offer a diverse line-up of retail and leisure operators and often have grab & go food provision through a drive-thru pod in the car park. With free parking and excellent transport links, they are the ideal location for retailers providing click & collect and other in-store services.

Committed to sustainability

We have installed 18 electric vehicle chargers across our portfolio to date, which is just one of the ways in which we are minimising our environmental impact.

FIND OUT MORE ON PAGE 58

Community shopping centres

Our community shopping centres are conveniently located in town centres. They have an occupier line-up focused on convenience, value and services and typically include a value leisure element. These centres have income-generating car parks and other commercialisation opportunities, and often have the potential to develop residential units in the space above and adjacent to them. Their location also means these assets have strong alternative use potential.

Community pubs

Our pubs are located in the heart of communities, within walking distance of residential areas and with good roadside visibility. The vast majority of our pubs are wet-led and operated through a leased and tenanted model, with occupiers often living in the free accommodation above. Many of our pubs have excess land on which we have received planning consent for residential units or to build convenience stores (‘c-stores’).

C-store development programme

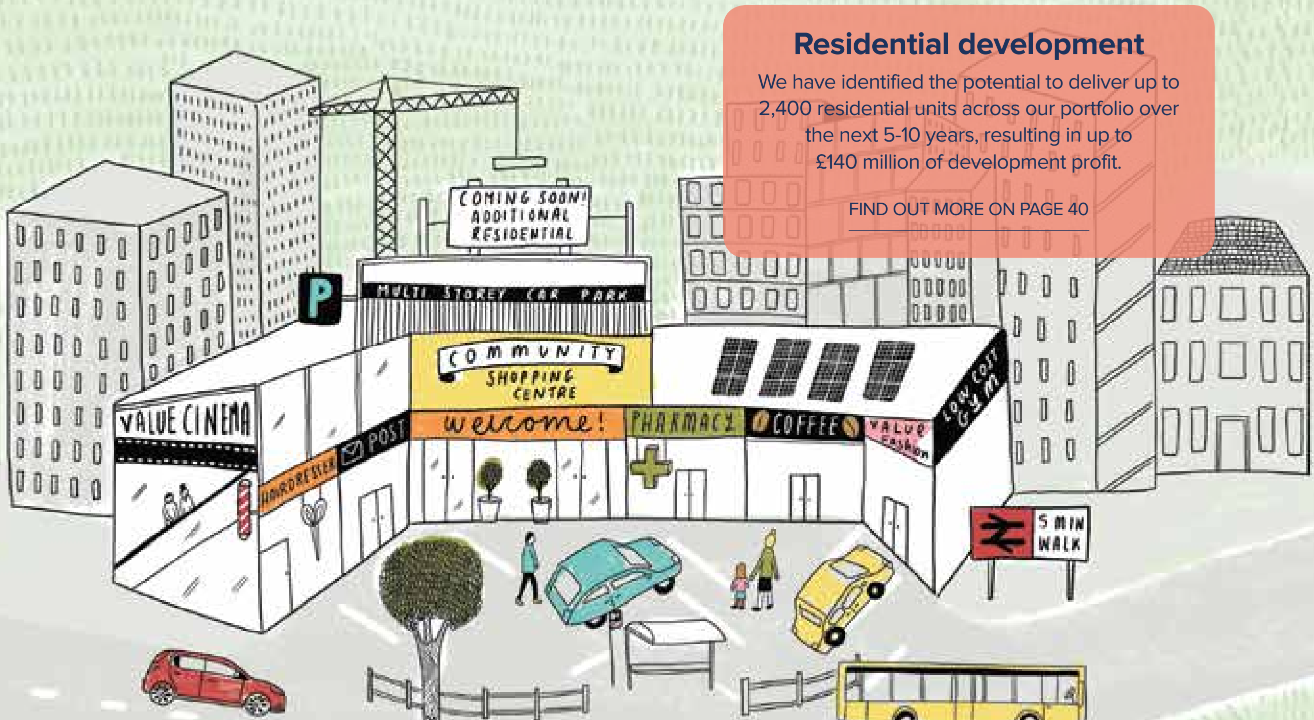
In 2015 we signed an overarching agreement with the Co-op to develop c-stores on surplus pub land. This year saw the opening of our 25th c-store.

FIND OUT MORE ON PAGE 44

Residential development

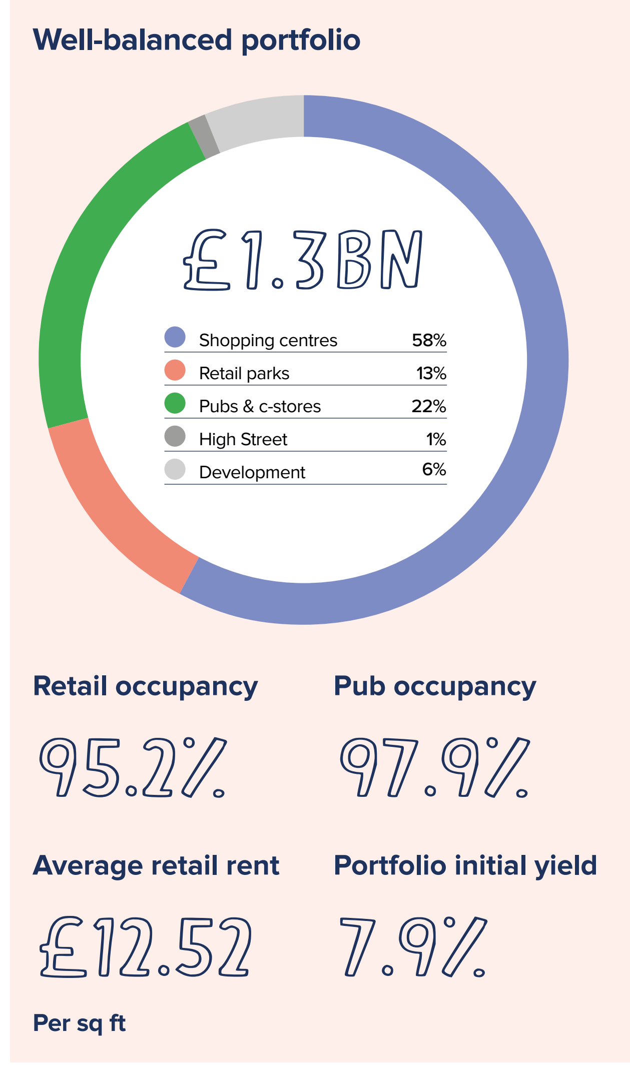
We have identified the potential to deliver up to 2,400 residential units across our portfolio over the next 5-10 years, resulting in up to £140 million of development profit.

FIND OUT MORE ON PAGE 40



Our diversified portfolio

NewRiver owns and manages a diversified portfolio of community shopping centres, conveniently-located retail parks and community pubs across the UK.



Top 10 occupiers are focused on convenience and value

Occupier	% of rent roll
Poundland	1.9%
wilko	1.8%
Boots	1.7%
Superdrug	1.7%
PRIMARK	1.5%
b&m	1.3%
Co-op	1.3%
ASDA	1.2%
TK Maxx	1.2%
M&S	1.2%

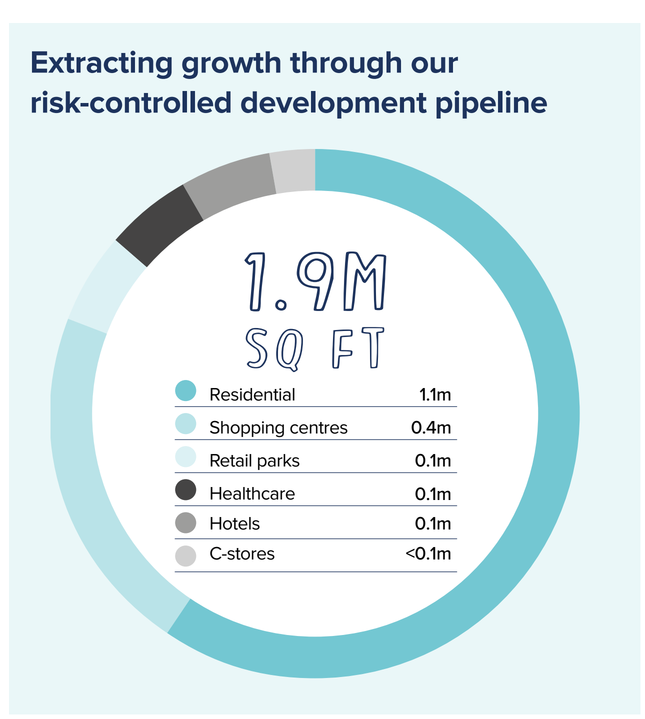
Active in the investment markets in FY19

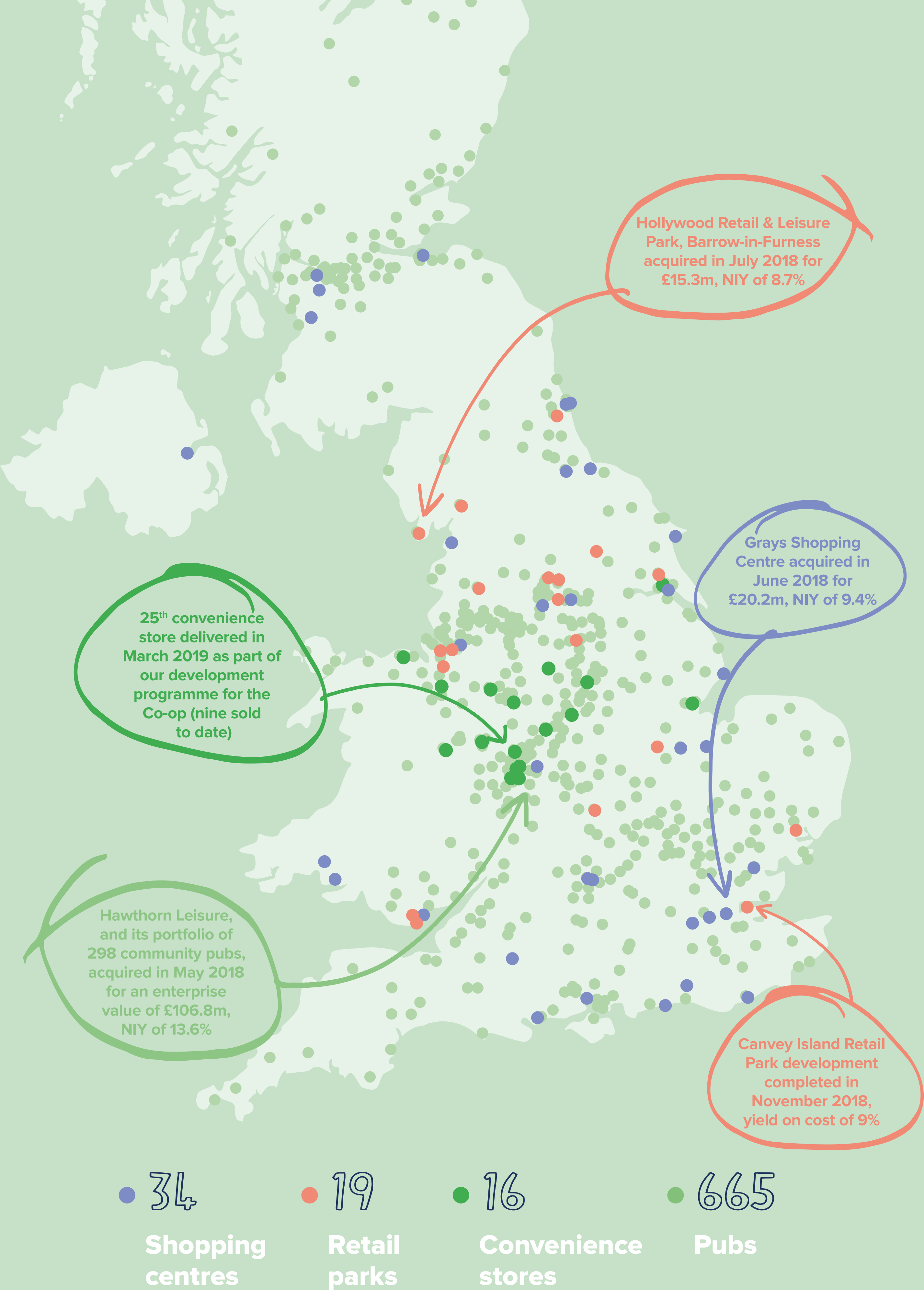
£162.1M of acquisitions, NIY of 12.9%

£67.5M of disposals, NIY of 5.3%

Net neutral in retail, investing into pubs

Extracting growth through our risk-controlled development pipeline





Hollywood Retail & Leisure Park, Barrow-in-Furness acquired in July 2018 for £15.3m, NIY of 8.7%
Grays Shopping Centre acquired in June 2018 for £20.2m, NIY of 9.4%
25th convenience store delivered in March 2019 as part of our development programme for the Co-op (nine sold to date)
Hawthorn Leisure, and its portfolio of 298 community pubs, acquired in May 2018 for an enterprise value of £106.8m, NIY of 13.6%
Canvey Island Retail Park development completed in November 2018, yield on cost of 9%
34
Shopping centres
19
Retail parks
16
Convenience stores
665
Pubs

Confidence in a challenging market

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.

"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."

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.

Baroness Ford OBE
Non-Executive Chairman

22 May 2019

Delivering robust performance

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.

Dividend per share

21.6P

FY18: 21.0p

Funds From Operations

£56.4M

FY18: £60.3m

Portfolio valuation

£1.3BN

FY18: £1.2bn

IFRS Net Assets

£796.1M

FY18: £892.4m

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 £23 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 12.9%.

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,

Key events during the year

May 2018
Acquisition of Hawthorn Leisure for £106.8 million, NIY of 13.6%

June 2018
Acquisition of Grays Shopping Centre for £20.2m, NIY of 9.4%

July 2018
Acquisition of Hollywood Retail & Leisure Park, Barrow-in-Furness for £15.3m, NIY of 8.7%

September 2018
Asset management agreement signed with Canterbury City Council for the management of Whitefriars Shopping Centre

October 2018
Disposal of 22 pubs let to Marston's for £14.8 million, NIY of 5.6%

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

November 2018
Completion of 62,000 sq ft Canvey Island Retail Park, yield on cost of 9%

December 2018
Acquisition of 76 pubs from Star Pubs & Bars for £12.0m, NIY of 17.1%

January 2019
Completion of Hawthorn Leisure integration, meaning all NewRiver pubs are now managed from a single platform

February 2019
Disposal of Mount Street Retail Park, Wrexham and Saltney Retail Park, Chester for £12.3m, NIY of 7.6%

March 2019
25th c-store delivered to the Co-op

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 Loan 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.

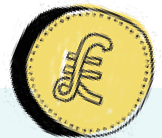
We recognise that there are significant threats in the UK retail real estate market, and it is tough, but we remain optimistic, we have limited competition and we are very clear what we want to deliver.

Allan Lockhart
Chief Executive

22 May 2019

Resilience in a changing market

Retail



Operating market

The challenges facing the £335 billion UK retail sector have remained relatively constant throughout the year. Retailers face cost pressures arising from factors such as increases to business rates and the National Living Wage, the need to invest in their supply chains and distribution infrastructure to meet customer expectations, and the weaker pound.

At the same time, increased competition, the growth of online, and changing consumer behaviour is rapidly reshaping the retail landscape. As household budgets have continued to be squeezed, consumers have become more focused on costs and less brand-loyal, making it difficult for retailers to pass on their increased costs to customers and requiring them to invest further in their infrastructure and store estates in order to protect their market share.

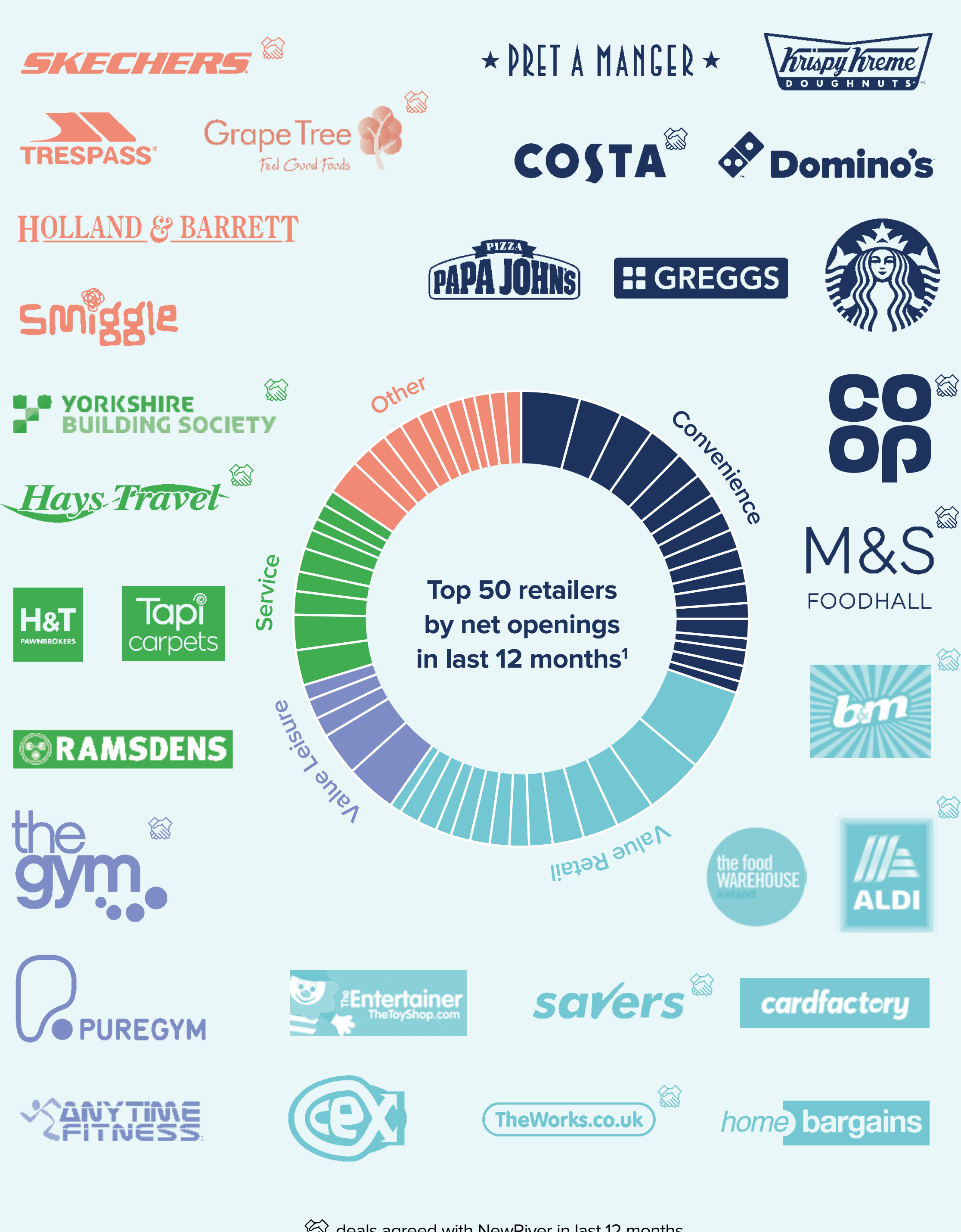
Against this backdrop, a clear divergence in retailer performance has emerged. Retailers posting strong results and growing their store estates have typically focused on providing a combination of either convenience, value or services. These retailers are less affected by wider economic conditions as a result of providing essential, everyday goods and services at a low price point, and are more resilient to online, either because they provide a face-to-face service that cannot be replicated online, or because online fulfilment would be uneconomical. Data from the Local Data Company confirms this trend, showing that, in the year to March 2019, the Top 50 top expanding operators by net store openings was dominated by retailers offering convenience, value or services. NewRiver's focus market sub-sectors of value fashion, food & grocery, discounters, health & beauty and grab & go food all exhibit one or more of these three key attributes.

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. For example, in the mid-market fashion and department store sub-sectors, online retail has intensified competition and given consumers complete price transparency, making it difficult for traditional retailers, with over-spaced store estates and outdated supply chain infrastructure, to adapt and maintain market share. Elsewhere, in the casual dining sub-sector, the market has suffered from overcapacity and the squeeze on household budgets, exposing the fact that a number of operators have expanded too rapidly, with corporate structures that are heavily indebted and therefore unsustainable in this market. These headwinds have led to operators posting weaker performance, entering into Company Voluntary Arrangements ('CVA's) in an attempt to reduce rent costs and, in extreme cases, entering administration or exiting the market completely.

Investment market

The challenges facing the sector have weighed heavily on sentiment, and this has been reflected in valuation declines and lower transaction volumes. Data from Property Data shows that the total value of shopping centre and retail park transactions in the year to 31 March 2019 was £1.0 billion and £1.8 billion respectively. For shopping centres this represents a 40% decline from the previous year and a near 60% fall compared to two years ago. For retail parks, it marks a 34% decline from the previous year and a 40% fall compared to two years ago.

We have not been immune from the negative sentiment, but our portfolio has several differentiating characteristics that leave it better positioned than most in the face of these headwinds, as evidenced by the disposal of 5% of our portfolio during the year, despite the slowdown in transaction volumes. First, our portfolio yield has been consistently higher than all other IPD sectors and has maintained approximately 250 bps of headroom above the IPD benchmark over the past four years, meaning we are less reliant on income growth to drive returns at our assets; secondly, our average lot size, at £23 million, is significantly lower than peers, providing better liquidity; and finally, a detailed internal review of our entire retail portfolio has found that our current valuations are 90% underpinned by alternative use valuations.



1. Source: The Local Data Company, May 2019. Data presented is for the 12 months to 31 March 2019

Pubs

Operating market

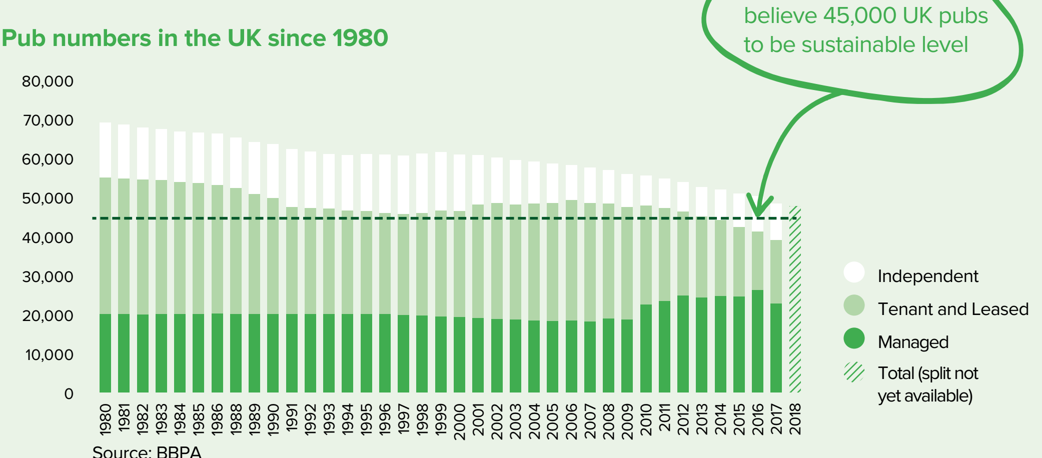
Data from the British Beer & Pub Association ('BBPA') shows that demand for drinking in pubs remained strong in 2018, and has been relatively unchanged in the past five years. Despite wider economic conditions weighing on consumer sentiment, the pub remains an integral part of community life across the UK, offering an affordable treat and an experience that cannot be replicated at home. Sales across the pub market have continued to grow, as an increase in drinks prices has more than offset declining volumes, driven by customers drinking less but higher quality products. Rising sales have partially offset the cost pressures facing the industry, with increases in the National Living Wage, the Apprenticeship Levy, and the 'Sugar Tax' all contributing to a tightening of pub operator margins.

BBPA data also shows that in 2018, sales growth at wet-led pubs, which account for the vast majority of NewRiver's community pub portfolio, outpaced those of food-focused pubs for the first time since 2008. Wet-led pubs in particular benefited from a general trend towards more experiential spending, prolonged periods of warm weather and a strong line-up of sporting events during the year. In contrast, the performance of food-focused pubs was held back by the headwinds facing the wider casual dining market, predominantly market oversupply and competition from growing sub-sectors such as home delivery.

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

Industry analysts believe 45,000 UK pubs to be sustainable level

Pub numbers in the UK since 1980



Source: BBPA

Investment market

The investment market for pubs saw a significant increase in activity in the year to 31 March 2019, with transactions totalling £828 million according to the Property Data database. This is significantly higher than in the previous two years, which both saw transaction levels of around £300 million. 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 during the year. NewRiver was active in the market, with the acquisition of Hawthorn Leisure in May 2018, and we foresee further opportunities to invest in pub portfolios, including through joint ventures.

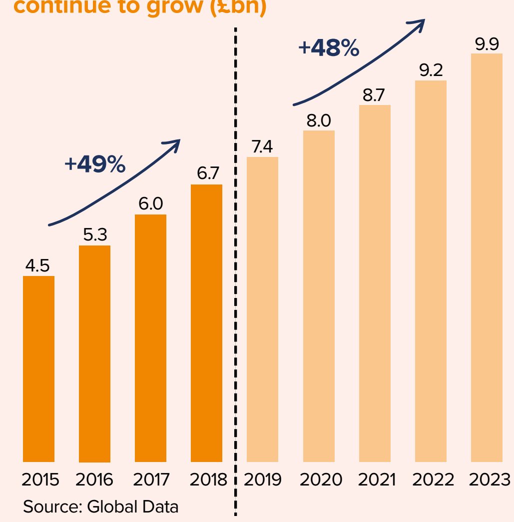
Consumer and societal trends

The rise of multi-channel retailing and click & collect

According to GlobalData, online transactions accounted for 14% of all retail sales in the UK in 2018, and this is forecast to grow to 18% by 2023. As online sales have grown, so too have customer expectations around the speed and cost of order fulfilment and returns, placing additional cost pressures on both physical and online retailers as they invest in systems and infrastructure to remain competitive.

In this environment, many retailers have leveraged their physical store networks and third party click & collect providers to fulfil online orders and returns, with the value of transactions through the click & collect channel increasing by 49% between 2015 and 2018, according to GlobalData, and 69% of online shoppers having recently used the service. The key benefits of click & collect for physical retailers are significantly reduced costs, the ability to resolve customer queries quicker, and the driving footfall and ancillary purchases in-store, and for online retailers physical click & collect points give them a wider reach and reduced costs in processing returns. For customers, the benefits of click & collect are better customer service, and the ability to collect an order at a time that is convenient for them, which can be especially important during the week when many people are away from home.

Click & Collect sales expected to continue to grow (£bn)

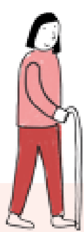


Source: Global Data

Urbanisation and housing supply

The ONS forecasts that the UK population will grow by 5.5% to 69.2 million people over the decade to 2026, and the proportion of people living in urban areas is expected to reach almost 90% by this time. In order to address population growth, deal with long-standing undersupply and improve affordability, the Government has set a target of building around 300,000 homes a year. To meet this target, planning policy has become strongly supportive of residential development in town centres, with the National Planning Policy Framework encouraging planning policies that "recognise that residential development often plays an important role in ensuring the vitality of town centres" and "support opportunities to use the airspace above existing residential and commercial premises for new homes".

At the same time, the nature of housing tenure in the UK is changing, with the private rental sector ('PRS') now accounting for 20% of all UK households, compared to 13% just ten years ago, according to ONS data. The key drivers of PRS growth have been a lack of housing affordability and societal lifestyle changes, and these factors, combined with favourable government policies towards PRS, have led to growth of the large scale institutional PRS market and the forward-funding of purpose-build PRS schemes in town centres.



Ageing population and changing healthcare provision

As the UK population grows, it is also set to become older and less healthy. The ONS forecasts that the number of the people more than 85 years old in the UK is forecast to double from 1.6 million in 2018 to 3.2 million in 2040, and increasing affluence and advancements in medicine mean our medical needs are becoming more complex too.

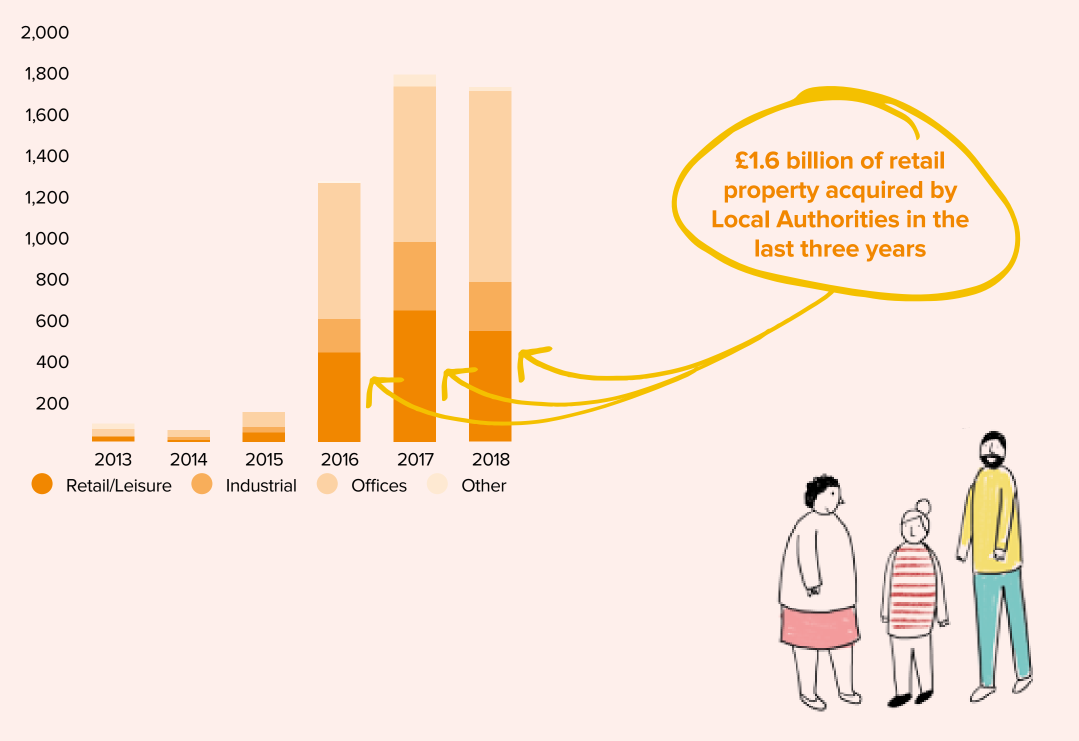
All these factors are putting intense pressure on the NHS, which has responded with a five-year transformation programme focused on extending primary care and access to services closer to home, providing treatment and advice in a way that is convenient to patients and delivered at a substantially lower cost than in hospitals. Key to delivering this programme will be the development of new, purpose-built facilities in town centres which are accessible and close to existing public amenities.

Local Authority investment in commercial property

Over the last decade, Local Authorities have faced substantial falls in central government grants and the introduction of legislation and policies aimed at making them more enterprising, independent, and forward thinking. Against this backdrop, and with inexpensive loans available to them through the Public Works Loan Board, Local Authorities have built significant property portfolios of commercial buildings, in order to generate revenue but also to take control of their town centres and better respond to the needs of the local community.

According to Property Data, Local Authorities have acquired £4.8 billion of properties over the past three years, including £1.6 billion of retail property. However, most Local Authorities lack the scale, expertise or relationships to successfully manage these assets on their own, and have turned to professional asset managers to ensure income streams are sustainable.

Local Authority investment in commercial property



Strategies to deliver Underlying FFO growth with a net neutral investment approach

Our strategies aim to take advantage of the current market dislocation and leverage our market leading operating platform to deliver Underlying FFO growth while maintaining a conservative balance sheet.

Capital recycling into joint ventures

Market dislocation resulting from the negative sentiment towards the retail sector, and the subsequent falls in valuations, has meant that retail assets once again present attractive returns for private equity buyers.

These investors typically want to co-invest with an active and specialist real estate partner, and NewRiver is one of only a few of these partners with the scale and expertise required.

By recycling capital into these joint ventures, we gain exposure to high yielding assets with a reduced capital outlay, and receive asset management fees and promotes in addition to rental income, boosting our returns.

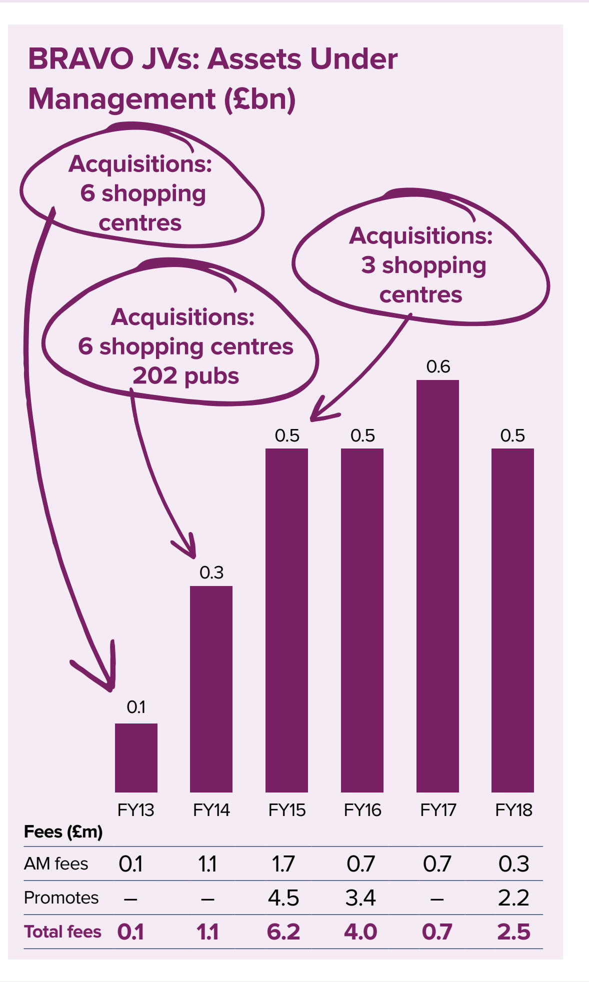
Progress to date

In May 2019, NewRiver agreed terms, in principle, relating to a new 50:50 joint venture with BRAVO Strategies III LLC ("BRAVO"), and also announced that it has exchanged contracts to acquire a portfolio of four retail parks for total consideration of £60.5 million, reflecting a net initial yield of 9.8%. NewRiver will hold a 50% interest in the gross assets of the joint venture (NRR share: £30.2 million) and NewRiver will benefit from 50% of the net rental income (NRR share: £3.1 million per annum).

Once established, it is intended that the joint venture will acquire and manage a portfolio of retail parks in the UK, as well as identifying and pursuing other opportunities in the UK retail sector. It is intended that NewRiver will be appointed as asset manager to the portfolio, in return for a management fee calculated with reference to the gross rental income of the portfolio, and will also receive a promote based on financial performance.

Our relationship with BRAVO

- Our relationship with BRAVO was first established in December 2012 and grew to a portfolio of £0.6 billion by FY17
- Backed by a large US private equity firm, BRAVO chose us as a preferred partner on UK retail opportunities
- We were responsible for asset management for the portfolio, and the assets were typically acquired in 50:50 JV
- We acquired JV partner's share of assets as the Company grew, crystallising promote receipts linked to performance
- FFO benefit peaked at £6.2 million in FY15, with £4.5 million of promote receipts and £1.7 million of asset management fees



Fees (£m)	FY13	FY14	FY15	FY16	FY17	FY18
AM fees	0.1	1.1	1.7	0.7	0.7	0.3
Promotes	–	–	4.5	3.4	–	2.2
Total fees	**0.1**	**1.1**	**6.2**	**4.0**	**0.7**	**2.5**

Third-party asset management mandates

Local Authorities have been encouraged to buy commercial properties by policies aimed at making them more enterprising and commercial, and through the inexpensive loans available to them through the Public Works Loan Board.

However, Local Authorities often lack the in-house expertise to manage the assets they own, and require specialist asset managers with the scale, expertise, relationships and governance to successfully manage the assets on their behalf.

NewRiver launched its asset management platform for assets owned by third parties in May 2018, and has since signed three mandates with a number of partners aiming to improve town centres for the benefit of their local communities. We are in active discussions with a further 30 Local Authorities to explore other opportunities.

Progress to date

September 2018

Whitefriars Shopping Centre, Canterbury

Owner: Canterbury City Council

"Our purchase of Whitefriars Shopping Centre in February 2018 was a once-in-a-generation opportunity to take control of one of our city's key sites and ensure it works for the benefit of the community. The Council is very pleased to be partnering with one of the UK's leading retail asset managers in NewRiver to realise this ambition."

Colin Carmichael, Chief Executive, Canterbury City Council

March 2019

High street units, Market Harborough

Owner: Market Harborough DC

"The purchase of these buildings will not only support the future economic regeneration of Market Harborough, but also provide a return on the Council investment and this will be used to support wider council services across the district."

Norman Proudfoot, Director of Harborough District Commercial Services

May 2019

Nicholsons Shopping Centre, Maidenhead

Owner: Areli Real Estate

"We are very pleased to have appointed NewRiver to manage the Nicholsons Shopping Centre. NewRiver's deep retail expertise and great relationships with key retailers made them the clear choice to protect and enhance our income returns at this asset."

Andrea Vanni, Partner, Areli

£0.5m of third-party mandates secured to date

Delivering growing cash returns and thriving communities

Community Shopping Centres

Located within the heart of communities

–

Focused on food and grocery, discounters, value fashion, health & beauty and grab & go food

Conveniently-located Retail Parks

Located at the edge of urban areas

–

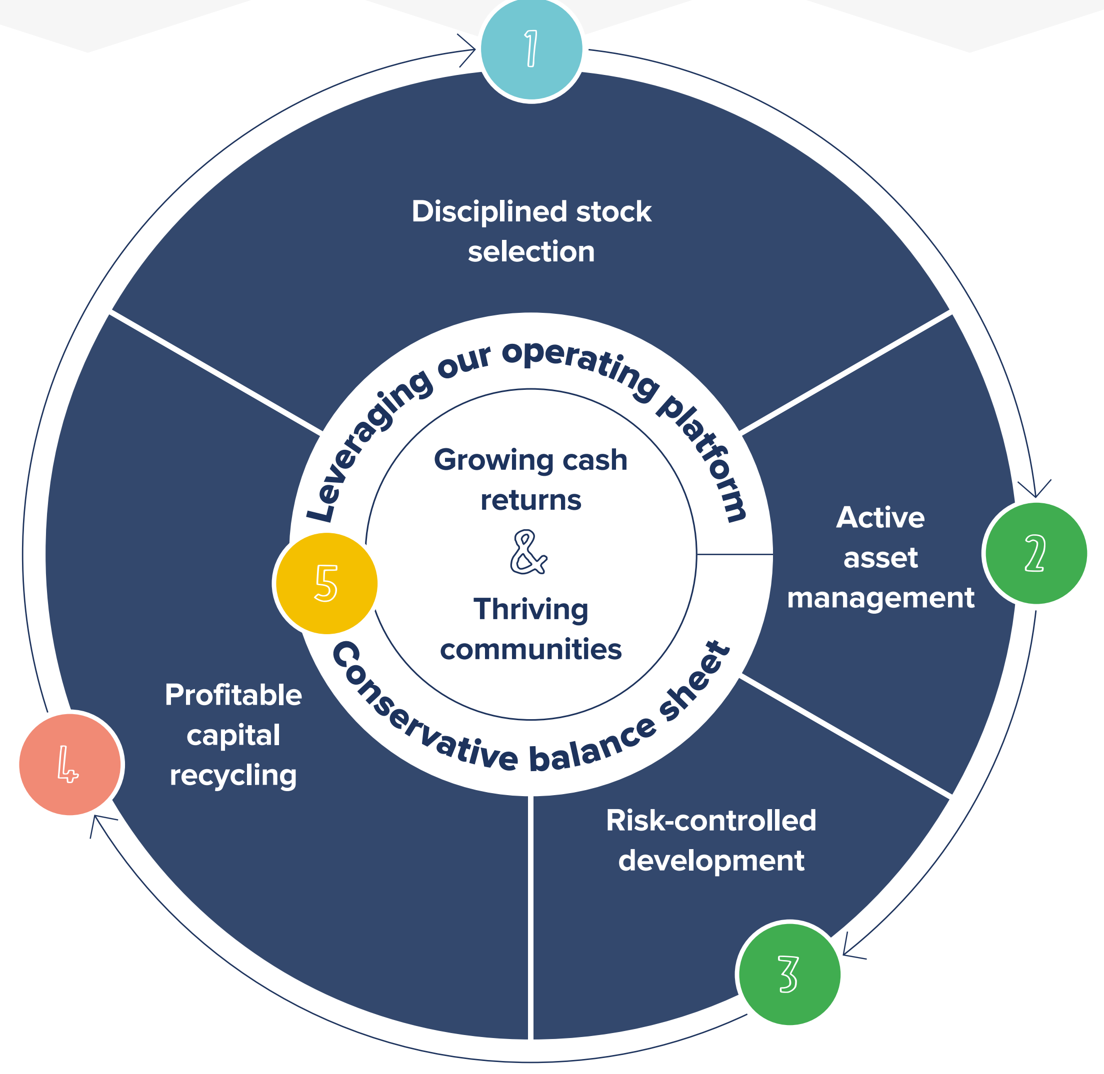
Free parking, a diverse retailer line-up and ideal for click & collect and other services

Community Pubs

Located within residential areas, with good roadside visibility

–

Predominantly leased & tenanted, wet-led and profitable



Supported by our Environmental, Social & Governance ('ESG') objectives

Minimising our environmental impact

Engaging our staff and occupiers

Supporting our communities

Leading on governance and disclosure

Our key stakeholders

		Our contribution
Staff **The expertise and dedication of our employees is the driving force behind our success**	For a company of our size we have a relatively small headcount, with just 120 full time employees working across our asset management, development, finance and support functions. The wellbeing of our staff is a top priority for us. In 2018 we launched a staff wellbeing programme which includes initiatives to encourage physical activities and healthy eating and to support flexible working.	87% **of staff received professional training during the year**
Occupiers **We have over 800 retailers across our retail portfolio and over 600 individual tenants in our community pub portfolio**	Our diverse range of occupiers meet the everyday needs of our customers, providing convenience, value and services. As an active owner, we work closely with occupiers to ensure our centres are clean, secure and inviting, that our rents are affordable, and our occupational costs are low. During the year we completed our most comprehensive occupier satisfaction survey to date.	650 **responses to our 2018 occupier satisfaction survey**
Councils and communities **We work with councils and local groups across the UK to deliver sustainable and thriving communities**	Our relationships with Local Authorities and communities that our assets serve are key to ensuring their successful operation and that they continue to serve the needs of the community today and in the future. This year we have introduced our asset management platform for third party assets, and are actively engaging with a number of Local Authorities on applying our asset management expertise to their assets.	**Invested in over** 700 **communities throughout the UK**
Lenders **Our relationship banks and bondholders provide us with the funding to execute our strategy**	We continue to benefit from our transformational actions in the debt capital markets in the prior financial year, which mean that we have a fully unsecured balance sheet with increased operational flexibility, increased debt maturity and a reduced cost of debt. We will continue to work closely with our relationship banks and bondholders to maintain our strong balance sheet position.	**Fitch Ratings rated our £300 million unsecured corporate bond** BBB+
Shareholders **An open and continuous dialogue with the owners of our business ensures we build and maintain their support**	We engage our shareholders through an active programme of meetings, presentations and site visits through the year. The Chief Executive, Chief Financial Officer and Head of Investor Relations & Strategy are our principal spokespersons for investors, with our asset managers also meeting investors where appropriate. The Non-Executive Chairman and Senior Independent Director are available to meet with shareholders to discuss governance and other matters.	171 **contacts with investors in FY19**

Delivering growing cash returns and thriving communities

The execution of our proven business model, and focus on our ESG objectives, enables us to deliver beneficial outcomes for all our stakeholders.

Our strategic priorities

Disciplined stock selection

What we do

We target high yielding assets with low risk characteristics in our key sectors of community shopping centres, conveniently-located retail parks and community pubs. We acquire these assets either directly or through joint ventures. Our significant market experience and in-depth analysis enable us to price risk appropriately and buy assets at the right prices.

Progress in FY19

- We acquired £35.5 million of retail assets at a NIY of 9.1%, comprising Grays Shopping Centre in Essex and Hollywood Retail & Leisure Park, Barrow-in-Furness
- In May 2018 acquired Hawthorn Leisure for an enterprise value of £106.8 million, a NIY of 13.6%, comprising a portfolio of 298 community pubs and a pub management platform
- Acquired a portfolio of 76 pubs from Star Pubs & Bars for £12.0 million, at a NIY of 17.1%

Priorities for FY20

- Continue to target high yielding assets with low risk characteristics, leveraging the opportunities created by dislocation in the UK retail real estate market
- Invest through joint ventures to grow income while maintaining a conservative balance sheet

KPIs

- Annualised rent roll
- Funds From Operations
- Total Accounting Return
- Total Property Return
- GRESB Score

2 Active asset management

What we do

We enhance and protect income returns through our asset management initiatives, which range from the deployment of targeted capex to improve asset environments to measures to reduce occupational costs for occupiers. We draw on our in-house expertise, a deep understanding of our market and strong relationships with our occupiers to achieve this.

Progress in FY19

- Completed 294 retail leasing events across 1.2 million sq ft with long term deals on terms 0.5% ahead of previous rent and with occupiers focused on value, convenience and services
- Signed deals to introduce new value leisure operators to our centres, including Reel Cinemas in Wakefield and The Gym in Bexleyheath
- Reduced service charge budgets by £1.7 million across the portfolio

Priorities for FY20

- Continue asset management initiatives across the portfolio
- Sustain high levels of retail occupancy
- Maintain affordable rents and reduce occupier costs to ensure sustainability of cash income

KPIs

- Annualised rent roll
- Funds From Operations
- Retail occupancy
- Total Accounting Return
- Total Property Return
- GRESB Score

3 Risk-controlled development

What we do

We create income and capital growth through our risk-controlled development pipeline. Our in-house development team works with stakeholders to obtain valuable planning consents, which we can develop ourselves or sell to crystallise a profit. Our risk-controlled approach means that we will not commit to developments without securing significant pre-lets or pre-sales.

Progress in FY19

- In November 2018, completed the 62,000 sq ft Canvey Island Retail Park in Essex. M&S Foodhall, B&M, Sports Direct and Costa are now open at the park, which has a fully-let annualised rent roll of £1.0 million
- Convenience store development programme for The Co-operative saw the completion of six c-stores during the year, bringing the total number delivered to date to 25

Priorities for FY20

- Deliver currently under-construction c-stores and explore further development opportunities
- Progress the Burgess Hill and Cowley developments
- Submit planning for Penge development

KPIs

- Annualised rent roll
- Funds From Operations
- Retail occupancy
- Total Accounting Return
- Total Property Return
- GRESB Score

4 Profitable capital recycling

What we do

We regularly assess potential upside opportunities in disposing of assets and recycling capital into new opportunities, and we have a track record of doing this profitably. These disposals are typically of mature assets where our estimates of forward looking returns are below target levels, assets where we believe the risk profile has changed, or assets sold to special purchasers.

Progress in FY19

- Made £67.5 million of disposals on terms on average 4% ahead of March 2018 valuations
- In October 2018 disposed of 22 community pubs let to Marston's for £14.8 million, representing a NIY of 5.6%
- In February 2019 disposed of Mount Street Retail Park, Wrexham and Saltney Retail Park, Chester for £12.3 million, representing a NIY of 7.6%
- Sold nine c-stores to date, in-line with valuation

Priorities for FY20

- Continue to recycle assets that no longer meet our return criteria
- Continue to make opportunistic disposals to special purchasers

KPIs

- Funds From Operations
- Total Accounting Return
- GRESB Score

5 Leveraging our operating platform with a conservative balance sheet

What we do

We leverage the scale and expertise of our platform, underpinned by a conservative and unencumbered balance sheet, to drive further returns. This includes using our platform to manage assets owned by third parties or which we own through joint ventures with third parties.

Progress in FY19

- Completed the integration of Hawthorn Leisure, providing us with an industry-leading pub management platform to grow our pubs business further
- Signed third-party asset management agreements for assets owned by Canterbury City Council, Harborough District Council and Areli
- Maintained unencumbered balance sheet and an LTV of 37%, within our guidance
- Investment-grade credit rating of BBB+ for our corporate bond re-affirmed by Fitch Ratings

Priorities for FY20

- Continue to abide by our financial policies and guidance
- Maintain a conservative balance sheet as we pursue our net neutral investment strategy

KPIs

- Admin cost ratio
- Funds From Operations
- Interest cover
- Loan To Value
- GRESB Score
- Total Accounting Return

ESG objectives

Minimising our environmental impact

Reducing greenhouse gas emissions in order to prevent climate change is one of the biggest challenges facing our society. We aim to minimise our environmental impact through procuring energy from renewable resources, reducing our consumption and encouraging stakeholders to be more sustainable.

Engaging our staff and occupiers

Our staff and occupiers are key stakeholders in our business, and their wellbeing is vital to the long-term success of our company. We aim to engage our staff and occupiers through maintaining an ongoing dialogue to understand and act upon their needs.

Supporting our communities

Our assets are located in communities across the UK and play an integral role in the lives of our customers. We aim to enrich lives and strengthen communities through meeting the needs of all our customers and supporting and championing local causes.

Leading on governance and disclosure

High standards of corporate governance and disclosure are essential to ensuring the effective operation of our company and instilling confidence amongst our stakeholders. We aim to continually improve our levels of governance and disclosure to achieve industry best practice.

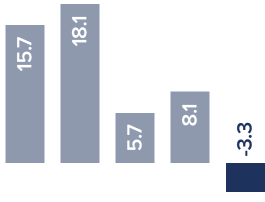
Measuring our progress over time

We measure our progress against our strategic priorities and ESG objectives with reference to our key performance indicators (KPIs).

KPI	Description	Our performance

Total Accounting Return

-3.3%

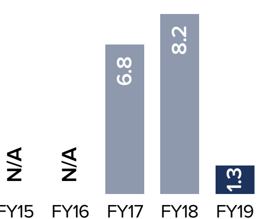


Description: Total Accounting Return ('TAR') is the change in EPRA Net Asset Value ('NAV') per share over the year, plus dividend paid, as a percentage of the EPRA NAV at the start of the year. TAR performance relative to UK-listed Real Estate Investment Trusts is a key metric used in setting the long-term incentive plan.

Our performance: Our TAR was -3.3% during the year, as our EPRA NAV reduced 11%, mainly due to a decline in the valuation of our assets partially offset by our dividend, which increased by 3%.

Total Property Return

1.3%

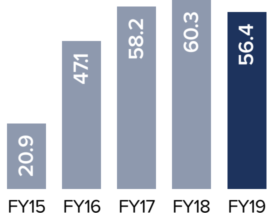


Description: Total Property Return is a measure of the income and capital growth generated across our portfolio. It is calculated by MSCI Real Estate (formerly known as IPD) on our behalf, using independent valuers, and we assess our performance against the market by comparing our returns to the MSCI-IPD All Retail benchmark.

Our performance: We delivered a Total Property Return of 1.3%, outperforming the MSCI-IPD benchmark by 410 bps. This outperformance was driven by our Income Return of 7.5%, outperforming the benchmark by 230 bps.

Funds From Operations

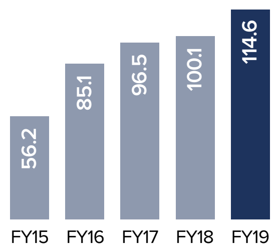
£56.4M

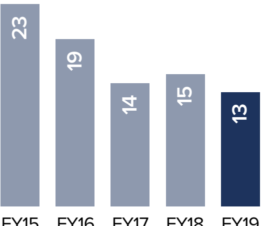


Description: Funds From Operations ('FFO') is a Company measure determined by cash profits which includes realised recurring cash profits plus realised cash profits or losses on the sale of properties and excludes other one off or non-cash adjustments.

Our performance: FFO decreased from £60.3 million to £56.4 million during the year, 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.

KPI	Description	Our performance
Annualised rent roll £114.6M	Annualised rent roll is a measure of the scale of our business and the success of our active asset management and risk-controlled development. It is disclosed on a proportionally consolidated basis, including rental income from joint ventures at our share.	Our annualised rent roll increased 14% to £114.6 million during the year, as increased rental income from acquisitions, including Hawthorn Leisure, and asset management initiatives more than offset rental income lost through disposals.
Admin cost ratio 13%	The admin cost ratio is total administrative expenses as a proportion of gross revenue on a proportionally consolidated basis, including our share of administrative expenses and gross revenue from joint ventures. It is a measure of the operational efficiency of the Company.	Our admin cost ratio was 13% for the year, reduced from 15% for FY18, as our scale meant that the proportional growth of our gross revenue was greater than the proportional growth in our administrative expenses.





Links to our strategic priorities

Disciplined stock selection

Active asset management

Risk-controlled development

Profitable capital recycling

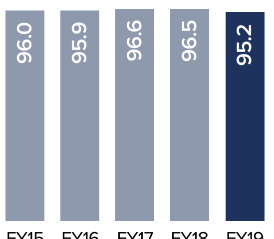
Leveraging our operating platform with a conservative balance sheet

Management remuneration

KPI	Description	Our performance

Retail occupancy

95.2%

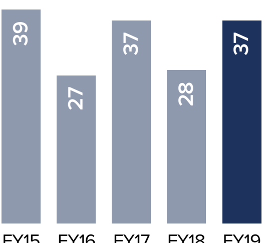


Retail occupancy is the estimated rental value of units expressed as a percentage of the total estimated rental value of the retail portfolio, excluding development activities.

Retail occupancy remained high at 95.2% at the year end, due to our active asset management, affordable rents, and efforts to reduce occupational costs for our retailers.

Loan to Value

37%

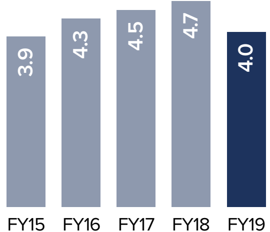


Loan to Value ('LTV') is the proportion of our properties that are funded by borrowings. The measure is presented on a proportionally consolidated basis, including our share of properties and borrowings held in joint ventures. Maintaining an LTV of less than 50% is one of our five key Financial Policies. Our guidance is that LTV will remain below 40%.

Our LTV increased over the year, from 28% to 37%, principally reflecting acquisition activity completed during the year and well within our stated guidance.

Interest cover

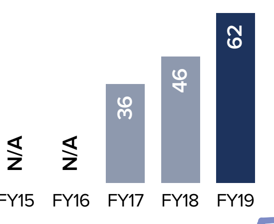
4.0X



Interest cover is the ratio of our operating profit to our net financing costs, on a proportionally consolidated basis, including our share of operating profit and net financing costs from joint ventures. Maintaining interest cover of more than 2.0x is one of our five key Financial Policies.

Our interest cover was 4.0x in FY19, reduced from 4.7x in the previous year but still significantly ahead of our stated policy.

KPI	Description	Our performance
GRESB Score 62	The Global Real Estate Sustainability Benchmark ('GRESB') is the leading sustainability benchmark for the global real estate sector. Assessments take place annually and are guided by factors that investors and the industry consider to be material issues in the sustainability performance of real asset investments, resulting in an overall score marked out of 100.	NewRiver has been a GRESB participant since 2016. In our 2018 GRESB Assessment we received a GRESB Score of 62, a 35% improvement compared to our 2017 score, and one which qualified us for Green Star status.



Our GRESB Score is just one of the ways we measure progress against our ESG Objectives.
For more information on our ESG programme see page 58

Links to our strategic priorities

Disciplined stock selection

Active asset management

Risk-controlled development

Profitable capital recycling

Leveraging our operating platform with a conservative balance sheet

Management remuneration

5

deals with B&M Group, including a new-build store in Victoria Retail Park, Beverley

62,000 SQ FT

Canvey Island Retail Park development completed in November 2018

25TH

C-store delivered to the Co-op. 9 sold to date

80,000 SQ FT

of Primark openings in former BHS units, including Priory Meadow, Hastings

3

Asset Management Agreements signed, including with Canterbury City Council for Whitefriars Shopping Centre

£162.1M

of acquisitions, including Hollywood Retail & Leisure Park, Barrow-in-Furners

Completed the integration of Hawthorn Leisure and unlocked

£2.1M

of scale-based synergies

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.

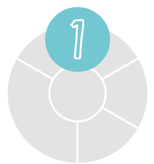
The portfolio initial yield stood at 7.9% in March 2019, increased from 7.2% in March 2018, due primarily to the acquisition of Hawthorn Leisure in May 2018.

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.

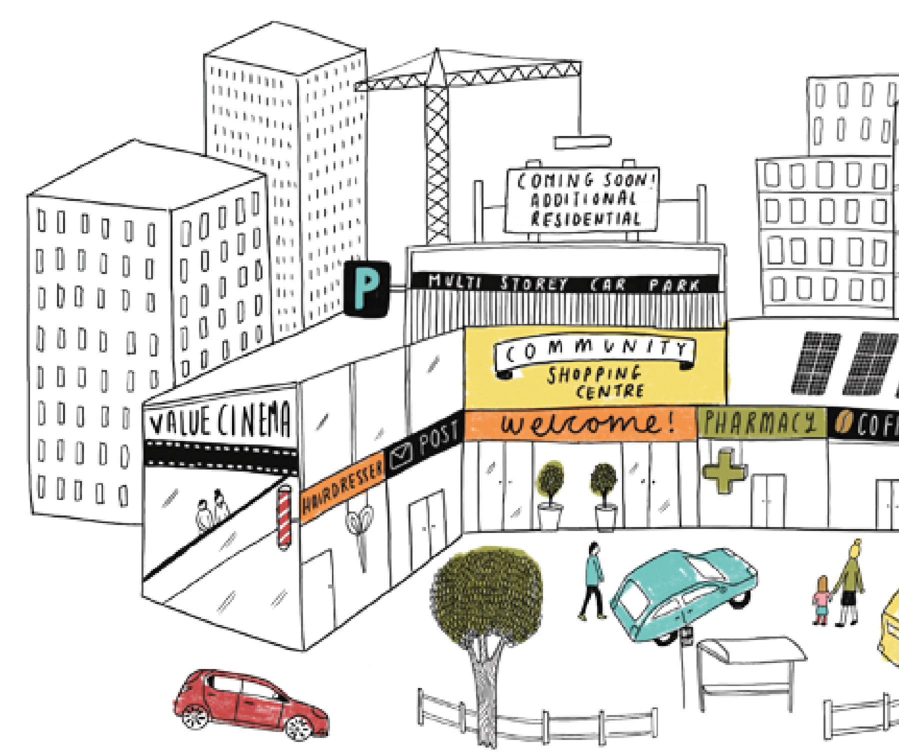
The convenience-led community shopping centre is anchored by value and grocery retailers including Wilko, Poundland, Iceland and Peacocks, and has a 700-space multi-storey car park. At acquisition, it had an affordable average rent of £9.62 per sq ft and a weighted average unexpired lease term of 4.6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

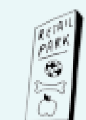
The asset offers a number of opportunities to extract further value, including the conversion of two units into a 20,000 sq ft store let to Aldi, which opened in May 2019 and resulted in the asset being 100% occupied. Proforma for the Aldi store, at acquisition the retail park had a weighted average 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.



HOLLYWOOD RETAIL & LEISURE PARK

In July 2018, we acquired Hollywood Retail & Leisure Park, Barrow-in-Furness for £15.3 million, representing a net initial yield of 8.7%.

The acquisition comprises a ten-unit 124,400 sq ft retail park with 665 free car parking spaces and an occupier 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.



Conveniently located in the main retail park concentration in the town, which has a large catchment and limited retail competition

£11.36 per sq ft affordable average rent, and 100% occupied with an unexpired average lease term of 8.3 years

Primary discount food offer in town following the opening of Aldi in May 2019

Employment level above national and regional averages, and BAE Systems, the dominant local employer, awarded £2.4bn government contract in May 2018, which will lead to further investment and jobs in the area

Opportunity to improve frontages with light refurbishment

Agreed a new 10-year lease with Currys PC World in January 2019

Potential to develop new drive-thru pod next to Cinema

Immediate conversion of two existing units into a 20,000 sq ft Aldi, which opened in May 2019

OUR COMMUNITY PUBS

NewRiver has been invested in pubs since 2013, and today owns a portfolio of 665 pubs, which account for 21% of our total assets.

97.9%
Occupancy

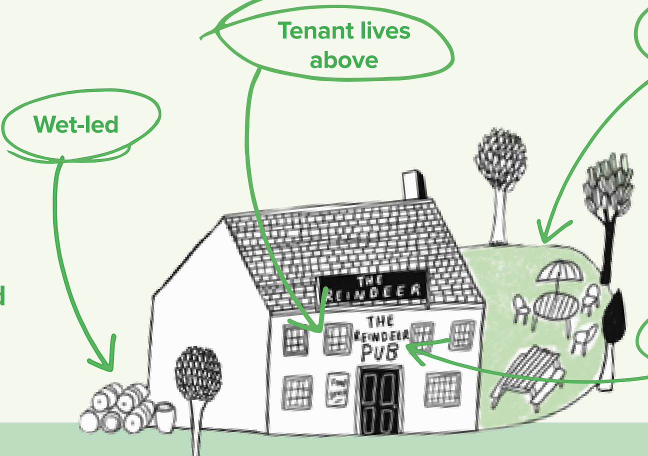
92%
Wet-led

95%
Under leased and tenanted model

25
c-stores delivered to the Co-op

Why we invest in pubs

- Strong cash flows
- Community assets
- Inherently diversified
- Value-creating opportunities through developing on surplus land / change of use



Acquisition/ disposals

December 2013
Acquired 202 pubs from Marston's PLC (the 'Trent' portfolio) under a four-year leaseback agreement

September 2015
Acquired 158 pubs from Punch Taverns plc (the 'Mantle' portfolio)

Key events

April 2014
Deal signed with the Co-op to build convenience stores ('c-stores') on excess pub land

Our main pub operating model: Leased & Tenanted

Operational arrangements

We enter into an Occupational Lease Agreement with a tenant. The tenant is self-employed, and employs all staff and manages the pub. Often, the tenant lives in free accommodation above the pub.

Supply arrangements

Depending on the terms of the lease agreement, the tenant is required to purchase drinks from us and lease amusement machines from suppliers nominated by us. These are known as tied agreements.

Our income

We receive rental income under the lease agreement, and often a share of amusement machine profits. We also receive a margin on the difference between the wholesale purchase price we pay for drinks and the price at which we sell these to tenants under tied agreements.

Our specialist platform

Hawthorn Leisure is an award-winning pub management platform which now manages NewRiver's portfolio of 665 community pubs from their head office in Solihull, West Midlands.

By working together with pub occupiers, Hawthorn Leisure helps to ensure they have the tools and support they need, and provides targeted capex to create long-term, sustainable businesses.

32 Finance professionals

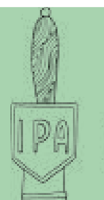
11 Property professionals

20 Business development managers

May 2018
Acquisition of Hawthorn Leisure for £106.8 million, NIY of 13.6%

October 2018
Disposal of 22 pubs let on long-term leases to Marston's, NIY of 5.6%

November 2018
Acquisition of 76 pubs from Star Pubs & Bars, NIY of 17.1%



October 2018
Completion of supply contract negotiation – unlocking scale-based synergies

January 2019
Integration of Hawthorn Leisure completed, meaning all NewRiver pubs managed from a single platform

Worked example

This representative example shows how income is derived from our pubs, from both a tenant and NewRiver perspective.

Tenant income statement	£'000
Wet income (Beer, wine, spirits)	280
Wet cost of sales	(140)
Net food income	40
Total operating income	**180**
Machine income	15
Machine income – share to NRR	(7)
Gross Profit	**188**
Rent	(25)
Direct operating costs	(110)
Publican site profit	**53**
Notional benefit of free accommodation above pub	**12**

NewRiver income statement	£'000
Wet income to NRR	140
Wet cost of sales (from brewer)	(90)
Net wet income	**50**
Machine income (NRR share)	**7**
Rental income	**25**
Outlet EBITDA	**82**

Pubs

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

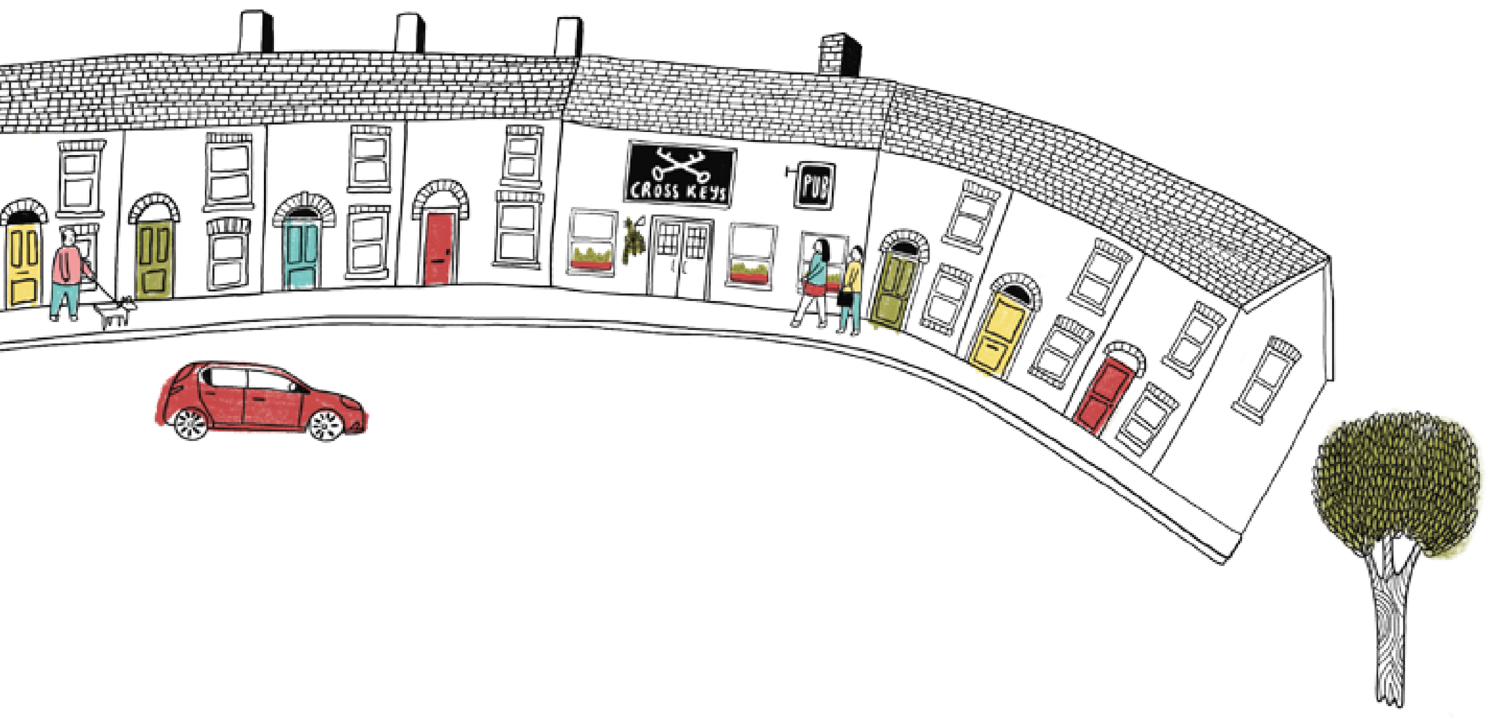
Since 1 April 2018	Acquisition price (£m)	Net initial yield (%)	Equivalent yield (%)
Hawthorn Leisure (298 pubs)	114.0	13.6	13.6
Star Pubs & Bars portfolio (76 pubs)	12.0	17.1	17.1
Individual pubs (two pubs)	0.6	N/A	N/A
Total	**126.6**	**13.9**	**13.9**

Hawthorn Leisure

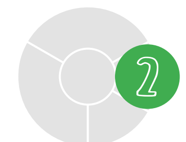
In May 2018, we acquired Hawthorn Leisure Holdings Limited ('Hawthorn Leisure'), comprising a portfolio of 298 high quality community pubs, an established brand and a pub management platform. By combining NewRiver's existing pub portfolio with Hawthorn Leisure we aim to achieve scale-based benefits and 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.

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.

SOUTH LAKELAND RETAIL PARK

South Lakeland Retail Park, Kendal is a 73,600 sq ft retail park acquired in July 2015 from Morrisons as part of the Ramsay Portfolio of nine conveniently-located retail parks and four development sites.

Close proximity to high-performing food stores, Morrisons and Aldi adjacent to asset

£13.47 per sq ft affordable average rent, 100% occupied with an unexpired average lease term of 8.3 years

Diversified occupier line-up combining value fashion, discount and retailers with added services and click & collect

Limited retail competition in an affluent and relatively isolated catchment

Agreed a new 10-year lease with Halfords in June 2017

Next vacated at expiry in June 2018 as we did not accept renewal terms – replaced on a new 10-year lease with B&M at £15.29 psf, above the £13.79 psf paid by Next

Opportunity to add grab & go food pod to car park

FFO Impact of CVAs/Administrations

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**

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)

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.

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

Retail

Retail portfolio development pipeline

	Shopping Centre (Sq ft)	Retail Park (Sq ft)	Health care (Sq ft)	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%.

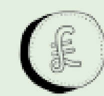
Victoria Retail Park, Beverley

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.

CANVEY ISLAND RETAIL PARK

In November 2018 we completed our largest development to date, the 62,000 sq ft Canvey Island Retail Park, Essex.

The retail park was built on a site acquired for £1 million in July 2015 as part of the Ramsay portfolio. In early 2019, M&S Foodhall, B&M, Costa and Sports Direct opened at the asset, and we have had strong interest for the remaining units.



£1 million of annualised rent roll once fully let, with a projected yield on cost of 9%

Conveniently-located adjacent to a high-performing Morrisons store and in close proximity to the A13

Diverse retailer line-up includes value fashion, discounter, food & grocery and grab & go food

Large Morrisons superstore

M&S Foodhall opened in January 2019

Strong interest for the remaining units from operators in the home improvement and low-cost gym sub-sectors

Sports Direct opened in March 2019

Costa coffee pod with drive-thru opened in February 2019

256 free car parking spaces

B&M home store with garden centre opened February 2019

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 car park.

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.

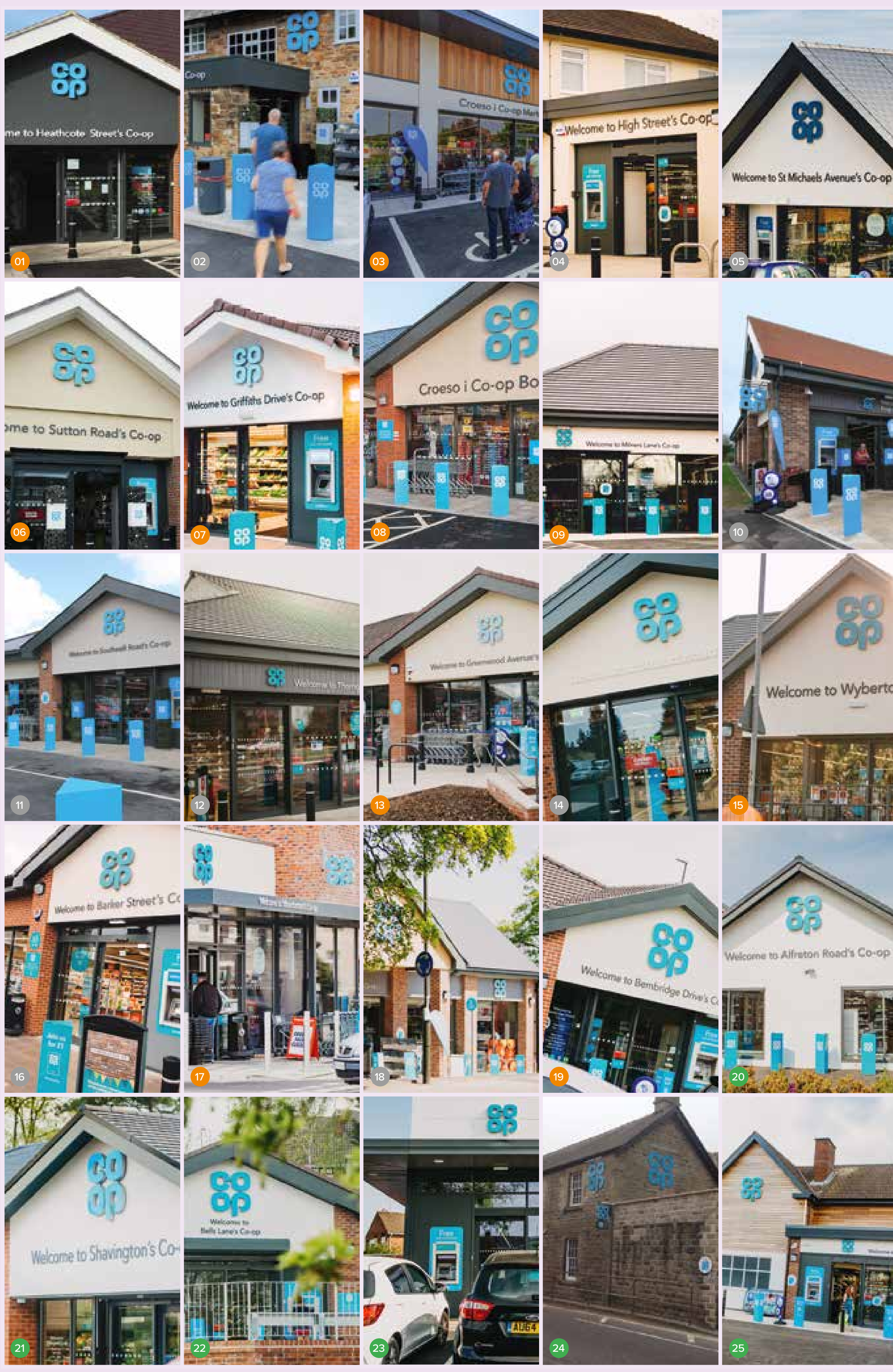
Residential

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.

C-store development programme

	C-store name	Town
01	Heathcote Street	Stoke-on-Trent
02	Spital Lane	Chesterfield
03	Marford Hill	Wrexham
04	High Street	Shifnal
05	St Michael's Avenue	Yeovil
06	Sutton Road	Shrewsbury
07	Griffith's Drive	Wolverhampton
08	Bodelwyddan	Rhyl
09	Milners Lane	Telford
10	Kings Bromley	Kings Bromley
11	Southwell Road	Mansfield
12	Thorngumbald	Thorngumbald
13	Greenwood Avenue	Hull
14	Stroud Road	Gloucester
15	Wyberton	Boston
16	Barker Street	Worcester
17	Woodsetton	Dudley
18	Newbold	Newbold, Chesterfield
19	Bembridge Drive	Derby
20	Alfreton Road	Sutton-in-Ashfield
21	Shavington	Shavington
22	Bells Lane	Stourbridge
23	Bassnage Road	Halesowen
24	Baslow	Bakewell
25	Hasbury	Halesowen

Completed pre-FY19 (01, 03, 06, 07, 08, 09, 13, 15, 17, 19)
Sold (02, 04, 05, 10, 11, 12, 14, 16, 18)
Completed in FY19 (20, 21, 22, 23, 24, 25)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02
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Welcome to High Street's Co-op
04
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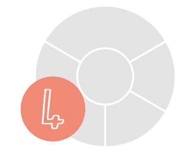


Profitable capital recycling

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	–	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.

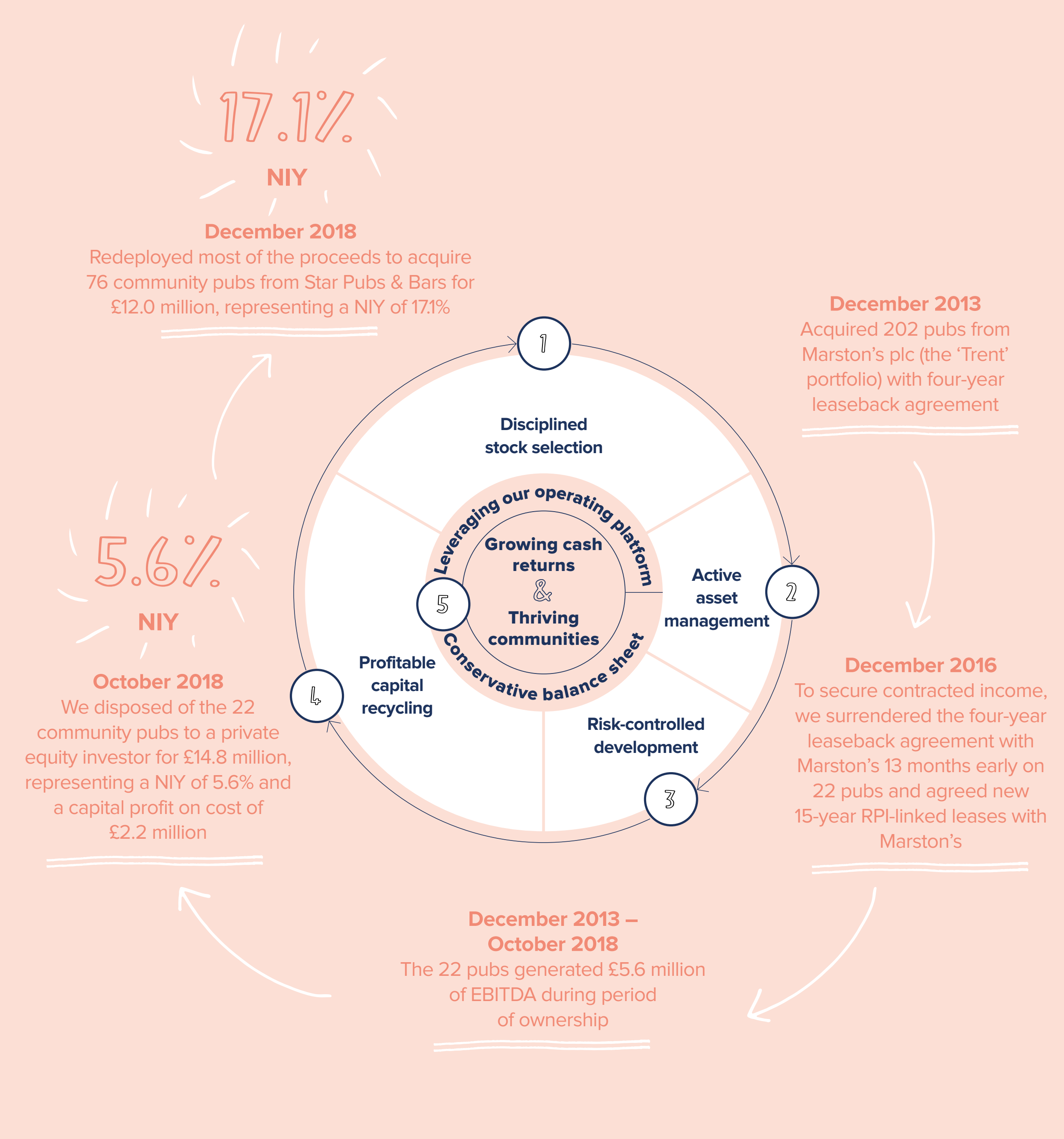
We secured contracted income on the 22 pubs in December 2016 by surrendering the four-year leaseback agreement with Marston's 13 months early and agreeing new 15-year RPI linked leases with Marston's. As a result of the transaction, the return profile of the assets differed from the remainder of our 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.

PROFITABLE CAPITAL RECYCLING IN ACTION

During FY19 we disposed of a portfolio of 22 community pubs let to Marston's for £14.8 million, representing a NIY of 5.6%, and reinvested the proceeds into a portfolio of 76 community pubs from Star Pubs & Bars, representing a NIY of 17.1%.



FINANCIAL 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 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	**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 benefited 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.

BALANCE SHEET	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%	**37%**	28%
	Policy <50%		

		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 25 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

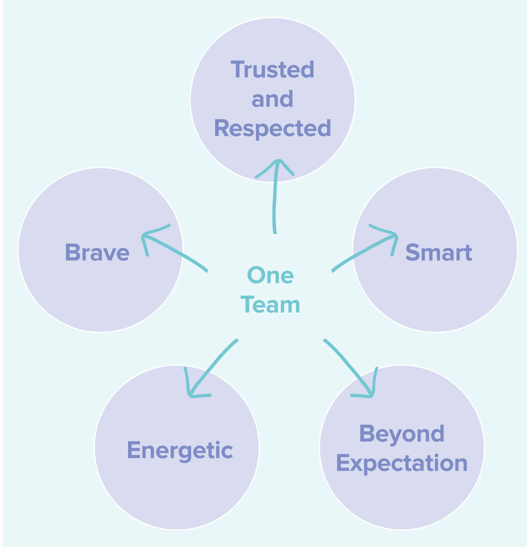
OUR PEOPLE

Our culture

NewRiver has a collaborative and supportive culture which gives every individual a sense of purpose and an opportunity to thrive. Our people are our key asset. Their hard-work, dedication and entrepreneurial spirit sit at the heart of our business.

Our values

We have a set of values which lie at the core of our business and have guided us through our journey so far and are embraced by our people. They are values that drive open and collegiate behaviour and focus everyone on success.



Our approach

Our HR strategy and road map seeks to create a competitive edge through people, enabling us to attract and retain our employees. This is achieved by putting the right people into the right roles and developing their careers to ensure that they grow with the business. A positive work environment where employees feel valued and supported underpins the success of our business.

Leadership

Our Executive Committee (ExCo) provides the leadership and direction to drive our business forward. In October 2018, Edith Monfries, Head of HR, joined ExCo emphasising the importance of our people agenda. Edith joins our existing ExCo Team of Allan Lockhart, Chief Executive, Mark Davies, Chief Financial Officer, David Lockhart, Executive Deputy Chairman, Nick Sewell, Charles Spooner, Emma Mackenzie, and Stuart Mitchell.

Communication

Effective communication starts at the top of the business and permeates throughout the organisation, ensuring that all our people understand the strategy and key drivers for success. It is equally important that our Board has the means of hearing directly the views and concerns of the wider team.

NewRiver has established a staff forum to liaise with the Board and to create an environment where our people can raise and discuss issues. This will ensure that the Board has regard to our staff's interests in taking its decisions. We are facilitating, by ensuring the accessibility of our Non-Executive Directors, an environment in which employees can raise concerns in confidence directly with the Board.

Recruitment

Following our acquisition of Hawthorn Leisure in May 2018 we now have a total head count across both businesses, including our Managed Pubs division, of 226. Our gender diversity is 57% female and 43% male across the entire business and 48% female and 52% male within our head office locations in London and Birmingham.

Our recruitment policies consider the needs of the business today and our aspirations for the future, whilst ensuring that our unique corporate culture is maintained. During the year we hired four additional experienced employees at NewRiver across our portfolio management, development, finance and HR teams taking NewRiver's head count to 55.

Hawthorn Leisure has a headcount of 65, including individuals who were part of a TUPE process in January 2019, where nine individuals transferred to NewRiver during the integration project, which also involved recruitment of 21 new staff.

Our Managed Pub division employs a further 106 staff.

Developing & Retaining

We are committed to maximising the skills, capability and performance of all employees. We provide all our colleagues with the opportunity to develop themselves and progress in their careers. Our support ranges from funding through professional qualifications including RICS and ACCA to informal weekly teach-ins with experts on a wide range of topics, which all staff members are encouraged to participate in. We also support the Apprenticeships Scheme. Of our head office staff in both Birmingham and London, 87% have received training during the course of this year.

In addition, all employees benefit from a tailored performance review and professional development plan which allows them to measure their progress and fulfil their potential. We have further developed our appraisal processes this year and we completed 226 appraisals across the entire business. The support we provide to our staff is reflected in our excellent staff satisfaction and retention rates, and this allows us to further attract the best talent. Across our business we have a retention rate of 88%.

Reward & Recognition

We are committed to ensuring that we reward our employees through our remuneration policies which include bonus entitlements for all staff to reward excellent performance and our Long Term Incentive Plan.

We currently offer our employees comprehensive benefits, ranging from paid family medical insurance for all staff and dependents to income protection. We review these benefits each year to ensure they are meeting employee expectations. We also offer enhanced shared parental pay entitlements.

Our remuneration policies are tailored to reward excellence and ensure retention of our talented team.

Health & wellbeing

We are committed to creating a safe and healthy environment which improves the quality of our employees' lives.

In June 2018 over 80% of staff participated in a Staff Wellbeing Survey the results of which have led to our development of a health and wellbeing strategy with a focus on:

- Enhancing employee engagement and organisational commitment, and increase the feeling of empowerment when at work
- Creating a safe and healthy environment where employees thrive
- Improving physical and emotional wellbeing
- Improving staff engagement levels, recruitment and retention

We currently have in place initiatives from exercise bootcamps to fresh fruit and healthy snacks for all, combined with an Employee Assistance Programme, encouraging employees to live a healthier lifestyle.

Our flexible working practices enable our staff to work in a way that is smart, focused and tailored to their individual needs. The effect of this is visible through our low absentee rates of less than 0.5%.

Our aim in FY20 is to implement more activities which will help to foster a healthier working environment. We are participating in "Thrive at Work", a programme seeking the highest level of accreditation to demonstrate our commitment to employee health and wellbeing.

We have also enrolled in a campaign called "This is me", whose core objective is to promote mental health in the workplace and end the stigma around mental health issues.

OUR APPROACH TO ESG

As an owner of assets located in communities across the UK, we are committed to enhancing the lives of the people we serve and minimising our impact on the environment.

At the same time, we want to ensure we are good neighbours in our communities, supporting and championing local causes and innovating to address the needs of local people. At a corporate level, we are passionate about engaging with our staff and our occupiers and maintaining our high standards of governance, to ensure we are an excellent employer and the best company to do business with.

Our ESG programme

Our ESG activities are informed and shaped by both external benchmarks and guidance, and our own ESG targets. These activities occur at every stage of our business model in order to meet our ESG objectives. Our progress against these objectives is then measured against our ESG targets and external benchmarks on an annual basis, and this is used to determine our ESG activities for the following year. This approach generates a feedback loop whereby our programme can adapt as the business changes and as best practice evolves.

ESG oversight

Our ESG programme is headed by Emma Mackenzie, a Director with asset management responsibilities for our Northern, Scottish and Northern Ireland portfolios and a member of our Executive Committee. The programme is developed and reviewed by an internal ESG committee, headed by Emma Mackenzie and comprises representatives from our retail and pub asset management teams, our Investor Relations and HR functions, and representatives from Cushman & Wakefield, our external environmental consultants. The committee meets quarterly and its agenda is supplemented by monthly updates from Cushman & Wakefield, who are also responsible for the collection and collation of environmental data from our assets.

Our ESG objectives

Minimising our environmental impact

Reducing greenhouse gas emissions in order to prevent climate change is one of the biggest challenges facing our society. We aim to minimise our environmental impact through procuring energy from renewable resources, reducing our consumption and encouraging stakeholders to be more sustainable.

Engaging our staff and occupiers

Our staff and occupiers are key stakeholders in our business, and their wellbeing and satisfaction is vital to the long-term success of our company. We aim to engage these groups through maintaining an ongoing dialogue to understand and act upon their needs.

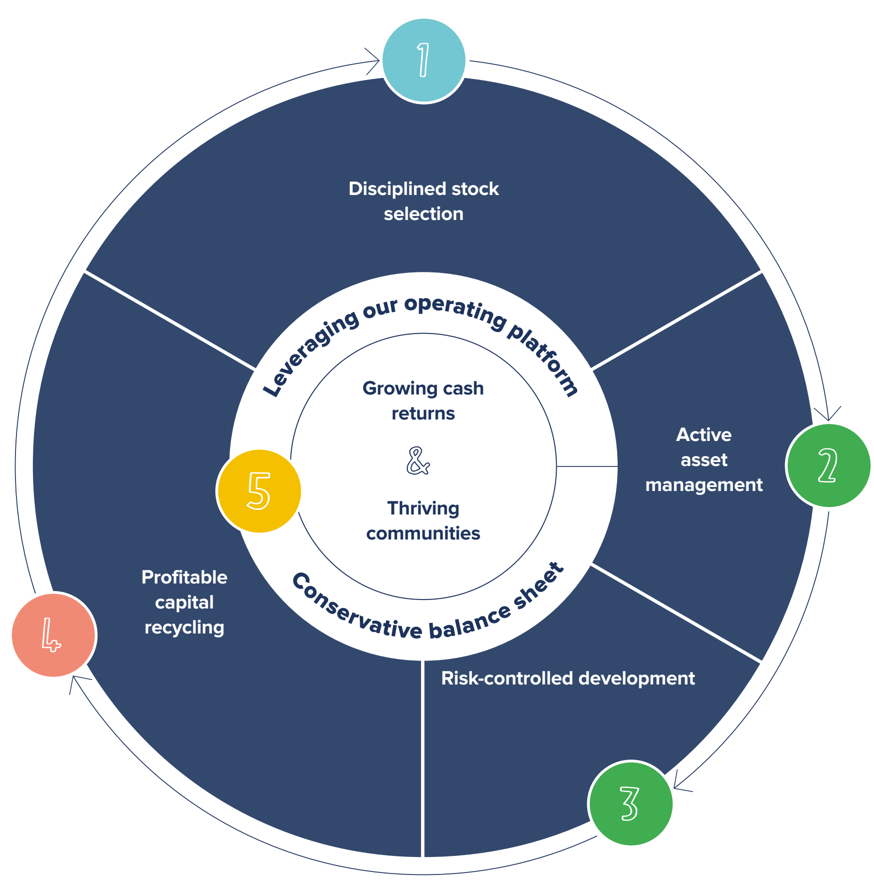
Supporting our communities

Our assets are located in communities across the UK and play an integral role in the lives of our customers. We aim to enrich lives and strengthen communities through meeting the needs of all of our customers and supporting and championing local causes.

Leading on governance and disclosure

High standards of corporate governance and disclosure are essential to ensuring the effective operation of our company and instilling confidence amongst our stakeholders. We aim to continually improve our levels of governance and disclosure to achieve industry best practice.

Meeting our ESG objectives at every stage of our business model



1 Disciplined stock selection

We invest in assets that are already part of the fabric of their communities. These have typically been underinvested and we aim to revitalise them through investment and introducing the most appropriate mix of operators and uses.

We also undertake environmental due diligence during our stock selection process, including assessment of energy efficiency & legislative risk and flood risks.

All acquisition decisions are subject to a rigorous review process, including Executive Committee or Board sign-off where appropriate, and drawing on expertise from around the business.

2 Active asset management

We introduce features to our assets that reduce energy consumption and therefore occupational costs for our occupiers. These include the installation of solar PV panels on the roofs of our centres, EV charging points in our car parks, new metering systems and recycling points.

We work closely with occupiers to ensure fit-outs are carried out sustainably and with regard to the occupiers' own ESG objectives and the latest recommendations on energy efficiency.

We look at ways that space can be used to support communities better, for example through using mall space and storage units for charities and local causes through to adding council and healthcare facilities that can better serve the needs of the local population.

Risk-controlled development pipeline

We only undertake development where it is viable for the local community, for example where we can be sure it will not lead to oversupply of retail or adversely impact the local population or economy.

We work closely with councils and local communities in development to ensure all local needs and concerns are addressed, and to ensure our schemes deliver the right balance of residential, retail, offices and other civic amenities.

We engage closely with the occupiers to which our assets are pre-let to keep them updated on development progress and to understand their needs and timelines.

In construction we aim for high industry sustainability standards e.g. BREEAM

Profitable capital recycling

Having completed our active asset management and risk-controlled development initiatives, we will look to recycle our capital profitably. We leave behind well-invested assets that are fit for the future and deploy proceeds into underinvested community assets elsewhere

Leveraging our operating platform / maintaining a conservative balance sheet

In using our platform to manage third party assets, we help local authorities and other asset owners to create thriving assets that benefit their local communities.

Our ESG targets

We have established comprehensive short, medium and long-term targets to 2050 against our 2017 baseline year, aligned with the Science-Based Targets Initiative (SBTI) methodology. Our intention is to commit to an ambitious programme to provide long-term resilience for our business. In recognition of the UK's Net Zero ambitions, we will be reviewing these targets during 2019 – 2020 to ensure we are supporting the requirements to meet a 1.5 degree celcius global warming limit in line with the IPCC recommendations.

Short-term targets (by 2020)

NewRiver has set ambitious short-term targets to FY21 as it pursues its ESG objectives.

1. Expand our data collection on waste management to encompass all multi-let retail assets
2. Expand the switch to Automatic Meter Reading (AMR) systems to cover all NewRiver responsible electricity, gas and water supplies at all shopping centres and pubs.
3. Zero to landfill across the entire portfolio
4. Increase the provision of recycling points at our assets
5. Implement staff wellness monitoring procedures
6. 5% reduction in NewRiver-procured utilities
7. 5% reduction in NewRiver Greenhouse Gas ('GHG') emissions from 2017 levels

Medium-term targets (by 2030)

1. 75% of waste generated at NewRiver assets is recycled
2. 75% of energy procured from renewable sources
3. 20% reduction in NewRiver-procured utilities
4. 20% reduction in NewRiver GHG emissions

Long-term targets (by 2050)

1. Over 25% of NewRiver energy generated from renewable sources at our own assets
2. 100% energy procured from renewable sources
3. 40% reduction in NewRiver procured utilities
4. 40% reduction in NewRiver GHG emissions

Our ESG activities

Minimising our environmental impact

Monitoring & reporting improvements

Automatic meter reading ('AMR') systems are essential to the timely monitoring of our energy consumption, the identification of reduction opportunities, and ensuring our billing is accurate. We consider these systems to be so fundamental to our ESG programme that their further improvement forms a key part of our short-term targets for the business.

We continued our rollout of AMRs across our portfolio during the year, and have now installed electricity AMRs at over two-thirds of our portfolio and gas AMRs at three-quarters of our portfolio. For all remaining assets we are on-track to install AMRs in the coming year, ahead of internal targets.

Electric vehicle charging

In 2018, we partnered with InstaVolt - one of the UK's largest owner-operators of rapid DC charging stations for electrical vehicles – to install and maintain charging points to a number of our shopping centres and retail parks. We now have 18 charging points installed across six retail sites in Wallsend, Fareham, Dumfries, Middlesbrough, Market Deeping and Barry, and we have plans to install them at further sites in the coming year.

Water

Reducing water consumption at our assets saves money and reduces our overall resource intensity.

We have implemented water saving initiatives at seven centres including undertaking several toilet refurbishments. Initiatives included installation of sensor taps, water saving cisterns and new water heaters.

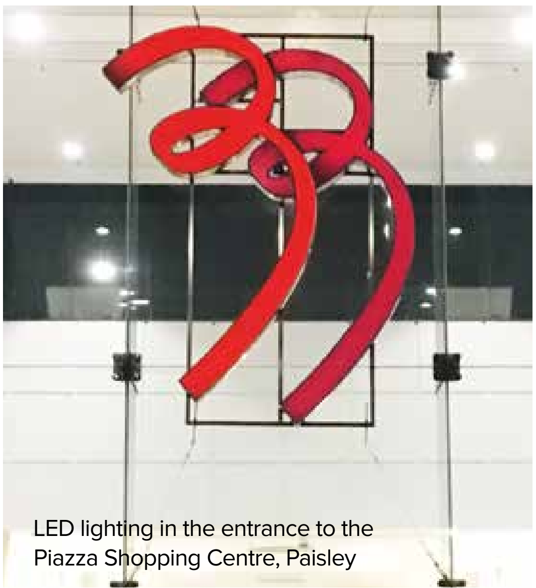
We also installed water harvesters on service decks and rooftops, such as on the roof of Broadway Shopping Centre, Bexleyheath. These installations substantially reduce the consumption of potable water by using the roof as a collector of rainwater.

Our partnership with InstaVolt

InstaVolt is one of the UK's leading providers of electric vehicle charging points and is the owner and operator of all EV charging points across the NewRiver portfolio. InstaVolt's chargers are available to use on a subscription-free, pay-as you go basis, and with rapid DC chargers providing a minimum 50kW of electricity, can charge a vehicle in the time it takes to have a cup of coffee.

Better still, all the electricity supplied to InstaVolt comes from 100% renewable energy sources, and the units are future-proofed through the ability to upgrade them to provide up to 350kW as battery technology develops, without the need to remove them from the ground.

InstaVolt installs and maintains its chargers for free and makes its money from the sale of electricity to drivers. NewRiver receives a rent for hosting the chargers at its centres.


LED lighting in the entrance to the Piazza Shopping Centre, Paisley

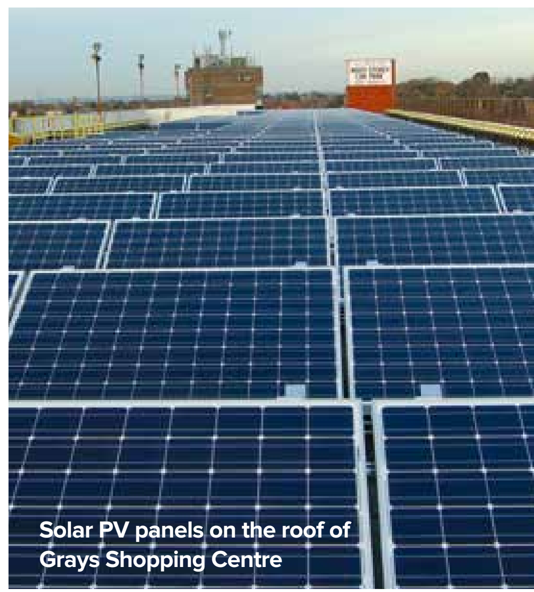
LED lighting rollout

Lighting is essential to ensuring our centres are safe, secure and pleasant places to visit. Recognising that many of our centres are still reliant upon inefficient light sources, we have recently commenced the rollout of LED lighting, which uses at least 80% less electricity than an equivalent conventional halogen source. LED lighting has become the favoured option for businesses wishing to reduce energy consumption, as LEDs have the highest efficacy and lamp life of all, are cost effective to run, and are easy to control and maintain.

Over the last 18 months, we have installed LED lighting at an additional nine shopping centres, and we are in the process of installing them at a further two centres, meaning that the majority of our shopping centres are now running off these renewable light sources.

Solar PV panel installation

The installation of solar photovoltaic ("PV") panels on the roofs of our assets and other open spaces provides a renewable source of electricity derived directly from sunlight, which is used to power lighting and other amenities at our centres, while also reducing our carbon emissions and energy procurement costs.


Solar PV panels on the roof of Grays Shopping Centre

NewRiver now has Solar PV panels at four shopping centres – in Boscombe, Llanelli, Skegness and Hastings - each with a 50 kWp system capacity. Together, these generate almost 400,000 kWh per year, enough to power 130 UK households.

In addition, Grays Shopping Centre, which NewRiver acquired in July 2018, already has a system of almost 200 panels covering 15,000 sq ft on the roof of the centre. These panels generate approximately 45,000 kWh per year, sufficient to power the centre's car park, and saving around 600 tonnes of CO_2 over their life.

Waste and recycling

Minimising our waste production and encouraging recycling at our centres helps to reduce the pollution caused by sending rubbish to landfills and the manufacture of new replacement materials.

A number of our centres have partnered with Don't Waste and its industry-leading waste management platform to devise their own waste management programmes. These programmes are already showing results, with the Prospect Centre in Hull seeing a 43% reduction in waste year on year after implementing a new waste strategy and The Ridings in Wakefield seeing a 28% reduction year-on-year. We are also committed to improving our waste recycling streams and on-site management practices.

Engaging our staff and occupiers

Occupier satisfaction survey

We have over 800 unique occupiers across our retail assets and are committed to continually improving the service we provide to these key stakeholders in the business.

As part of our engagement programme, we conducted an occupier satisfaction survey in June 2018 across our shopping centre portfolio. The aim of the exercise was to gain a better understanding of occupier's views on topics including:

- Facility and maintenance services;
- Centre manager communication and responsiveness;
- Cleanliness, safety and security;
- Factors impacting ease of doing business, and staff retention and morale; and
- Energy, water and waste management.

NewRiver sent out surveys to all of our shopping centres and received over 650 responses, equating to a 60% response rate.

Over 80% of occupiers were 'satisfied' or 'very satisfied' with the responsiveness of their centre manager and the majority provided a net promoter score ('NPS') of 8 or above for the shopping centres they operate in. Over three-quarters of respondents expressing a view were 'satisfied' or 'very satisfied' with the provision of security personnel and over 85% were 'satisfied' or 'very satisfied' with the cleaning and management of rubbish in common areas.

The survey also revealed areas for further development, and we will look to address in our centre manager plans for the coming year. These include improving parking provision for centre staff, providing more natural light and greenery into our centres, and raising awareness of initiatives to promote sustainability at a centre-level.

Staff wellbeing programme

NewRiver's 120 head office staff are the driving force behind our success as a company, and their wellbeing is a top priority for us. In FY18 NewRiver launched a staff wellbeing programme which includes aspects such as encouraging physical activities, supporting flexible working and providing healthy food options.

Our flexible working practices enable our staff to work in a way that is smart, focused and tailored to their individual needs. The effect of this is visible through our low absentee rates of less than 0.5%.

Our aim in FY20 is to implement more activities which will help to foster a healthier working environment. We are participating in "Thrive at Work", a programme seeking the highest level of accreditation to demonstrate our commitment to employee health and wellbeing.

We have also enrolled in a campaign called "This is Me", a business-led campaign to support organisations and their employees, to talk about mental health. It encourages people with experience of a mental health problem, whether their own or a loved one, to share their stories and end the stigma around mental health issues.

In June 2018, NewRiver conducted its first staff wellbeing survey, which covered topics including:

- Physical health, levels of exercise and diet;
- Mental health, levels and drivers of stress;
- Work-life balance; and
- Personal and career development.

The survey was sent to all NewRiver and Hawthorn Leisure staff, and had an almost 80% response rate. The findings were generally very favourable, with the majority of staff considering their levels of physical and mental health to be 'good' or 'very good', but it also identified some important areas for improvement, such as making it easier and cheaper for staff to exercise, and encouraging more breaks during the working day.

Following the survey, an internal working group has been established to review the survey results and assess how the company's wellbeing programme can be further enhanced.

Health and safety

We are committed to ensuring the health and safety of our staff and clients and to providing a safe environment for all those attending our premises. A key part of this is our controls to address health and safety risks arising from our work activities, provision and maintenance of safe plant and equipment and the taking of steps to prevent accidents and cases of work-related ill health. The Board has nominated the Company Secretary as the Principal Health and Safety Officer with day-to-day responsibility for health and safety measures, though we encourage all staff to take responsibility for ensuring healthy and safe working conditions.

We are pleased to report that during the year the company recorded no injuries and no fatalities throughout the business.

Total staff sickness days remained at less than 0.5% of total working days for the second consecutive year.

Supporting our communities

As part of our commitment to being good neighbours and supporting local causes, our community shopping centres, conveniently-located retail parks and community pubs made significant contributions to their communities during the year. Alongside local fundraising, NewRiver contributes to a number of charities at a corporate level, including through our recent partnership with the Trussell Trust and our annual 'Way of the Roses' challenge, raising thousands of pounds for local causes.

Our first charity partnership with the Trussell Trust

In May 2019 we announced our first corporate charity partnership with the Trussell Trust, an organisation that aims to end hunger and poverty in the UK. The Trussell Trust supports more than 1,200 food banks across the UK to provide a minimum of three days' nutritionally-balanced emergency food to people in need, as well as providing support to help people resolve the challenges they face. In 2018-19, food banks in the Trussell Trust's network provided 1.6 million emergency food parcels to people in crisis. More than 550,000 of these went to children.

Through this partnership, NewRiver will join a number of leading UK retailers and consumer goods companies who already support the Trussell Trust. Our support will entail financial support at a corporate level and from fundraising at its community shopping centres and community pubs, as well as identifying local opportunities to use our assets for storage, donation drop-off points, awareness campaigns and volunteer recruitment.

"We are thrilled to have NewRiver as our new corporate partner. We have seen a record demand in food bank use in the last year, with more and emore people struggling to afford the basics. This isn't right.

But thanks to the incredibly vital support from our partners, we're committed to working towards a future where there is no need for food banks. We're continually blown away by people's support to provide emergency help and this kind of generosity from NewRiver shows that as a nation we believe in justice and compassion to change society for the better."

Alex Christian, Head of Corporate Partnerships at The Trussell Trust

The team at Abbey Centre, Belfast accept the Autism Impact Award

Making our centres autism-friendly

There are 700,000 autistic people in the UK, and trips to the shops can be stressful for autistic adults and children. Frustration or anxiety can be caused by not knowing why we need to shop or what will happen when shopping, and a person can be overwhelmed by sensory experiences in retail destinations.

NewRiver is a proud participant in the National Autistic Society's Autism Hour initiative, ensuring centres and their occupiers adapt their environments to make autistic shoppers more comfortable and to reduce sensory overload, including:

- Turning down music, in-store tannoy announcements and other controllable noise
- Dimming or switching off lights where it is safe to do so
- Training employees to understand autism and how they can help
- Raising public awareness of autism and collecting feedback

Launched in 2017, the Autism Hour campaign is run every October and the National Autistic Society encourages businesses to run their own Autism Hour regularly through the year.

NewRiver had 16 centres participate in the 2018 campaign, and over half of these now run a regular Autism Hour throughout the year. A number of our centres have also produced pre-visit sensory guides, which can make the shopping experience more comfortable for those suffering from autism.

In October 2018, the Abbey Centre, Belfast was recognised with an 'Autism Impact Award' from Autism NI for its efforts to make the centre a more autism-friendly environment.

Tackling loneliness amongst the elderly

Most people will feel lonely at some points in their lives, but for a growing number of people, particularly those in later life, loneliness can have a significant impact on their wellbeing. According to Age UK, the UK has 3.6 million older people living alone, of whom 2 million are aged 75+.

In association with Age UK and other elderly charities, a number of our centres – including The Forum in Wallsend, Priory Meadow Shopping Centre in Hastings and Hillstreet Shopping Centre in Middlesbrough - host regular events for old people promoting friendship and providing activities

The Ridings Centre in Wakefield hosts a monthly 'Cuppa Club', a free monthly meet-up, with events including afternoon tea, live music, dancing, craft activities and more. In May 2018, the centre won a prestigious Golden Apple Award for its work on Cuppa Club, which was commended by the judges for tackling a national issue with a simple yet effective campaign.

Showcasing local creative talent

We work with a range of national arts-based charities, in co-operation with The Arts Council, Charities Commission and the Local Government Association, to use empty spaces across our portfolio as a platform for local artists. This includes use of units for exhibition and gallery space, workshops, temporary studios, performance spaces and even just for storage of artworks.

As part of the agreement, the charities take liability for the business rates on each unit and NewRiver covers any shortfall not covered by charity business rates relief. In addition, NewRiver makes a monthly charitable donation to the charities.

Mandatory Carbon Reporting

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, we are required to report on greenhouse gas ('GHG') emissions for which we are responsible.
Our GHG emissions for the financial year ending 31 March 2019 are summarised in the table below. Emission data from the financial year ending 31 March 2018 has also been included for comparison purposes.

Sources of greenhouse gas emissions	**FY19 (tCO_2e)**	FY18 (tCO_2e)
Scope 1		
Combustion of fuel & operation of facilities	**1,480.18**	501.46
Scope 2		
Electricity, heat, steam and cooling purchased for own use	**4,022.48**	4,410.75
Total footprint	**5,502.67**	4,912.21

Intensity measure	**FY19 (tCO_2e/sq m)**	FY18 (tCO_2e/sq m)
Emissions per sq m	**0.035**	0.078

We have used the operational control method to outline our carbon footprint boundary. Occupiers' energy usage and emissions are not included as this is not deemed to be within our operational control boundary. Following the acquisition of Hawthorn Leisure during the year, our managed pub portfolio is now of a sufficient size to warrant inclusion in our FY19 reporting. This is reflected in the total emission increase in FY19 compared to FY18.

For intensity level reporting, we have used the operationally controlled area of our assets as the denominator, which we estimate to be 28% of the total area of our assets. Emissions from vacant units have been excluded in the intensity measure due to the variability of emissions and floor area year-on-year. In any event, vacant units represent a de minimis percentage of our total GHG emissions.

We have measured emissions based on the GHG Protocol Corporate Accounting Standard (revised edition) and guidance provided by the UK's Department for Business, Energy & Industrial Strategy and the Department for Environment, Food and Rural Affairs ('Defra') on mandatory carbon reporting. The emissions factors and conversions used for 2018 reporting are from the Defra greenhouse gas reporting tool 2017 and the factors and conversions used for 2019 reporting are from Defra's 2018 reporting tool.

	2018 ($kgCO_2e$/kWh)	2017 ($kgCO_2e$/kWh)	% change
Electricity	0.28307	0.35166	-19%
Natural gas	0.20437	0.20437	-13%

The above table outlines the emission factors for the UK used for the 2018 and 2019 reporting. It demonstrates that the emission factors have reduced, which is mainly due to a cleaner energy supply mix as the UK is moving away from coal and gas to a greater proportion of renewables.

EPRA sBPR

Relevant environmental data has been reported, where possible, following the European Real Estate Association Best Practice Recommendations on Sustainability Reporting, September 2017 (EPRA sBPR).

Environmental

EPRA Code	Performance Measure	Unit(s) of Measure	Retail FY19	Pubs[1] FY19	Total FY19	Total FY18	Total FY17
Elec-Abs	Total electricity consumption	annual kWh	**11,241,179**	**2,969,029**	**14,210,208**	12,546,213	13,398,347
Elec-LfL	Like-for-like total electricity consumption	annual kWh	**9,914,299**	**–**	**9,914,299**	11,295,402	–
Fuels-Abs	Total fuel consumption	annual kWh	**3,894,148**	**3,348,511**	**7,242,659**	2,450,633	2,413,295
Fuels-LfL	Like-for-like total fuel consumption	annual kWh	**2,116,698**	**–**	**2,116,698**	2,184,042	–
Energy-Int[2]	Building energy intensity	kWh/ m^2	**105.83**	**281.91**	**130.84**	120.38	126.92
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	annual metric tonnes CO_2e	**3,978**	**1,525**	**5,503**	4,912	5,204
GHG-Int[2]	Greenhouse gas (GHG) emissions intensity from building energy consumption	tonnes CO_2e / m^2	**0.028**	**0.068**	**0.035**	0.039	0.042
Water-Abs	Total water consumption	annual cubic metres (m^3)	**73,940**	**–**	**73,940**	65,747	–
Water-LfL	Like-for-like water consumption	annual cubic metres (m^3)	**53,959**	**–**	**53,959**	60,627	–
Water-Int[2]	Building water intensity	m^3 consumption / m^2	**0.06**	**–**	**0.06**	0.05	–
Waste-Abs	Total weight of waste by disposal route	Annual metric tonne	**4,112**	**420**	**4,534**	3,658	–
Waste-LfL	Like-for-like total weight of waste by disposal route	Annual metric tonne	**3,265**	**–**	**3,265**	3,341	–

1. Following the acquisition of Hawthorn Leisure during the year, our managed pub portfolio is now of a sufficient size to be included in our consumption data as of FY19
2. Intensity figures have been restated for prior years to allow for comparison with FY19 figures, which are calculated with reference to controlled floorspace on an asset-by-asset basis, rather than using the previous method of applying a flat percentage across the portfolio

Note: Water data was not reported in 2017 as we were developing our data coverage and processes to build a complete data set.

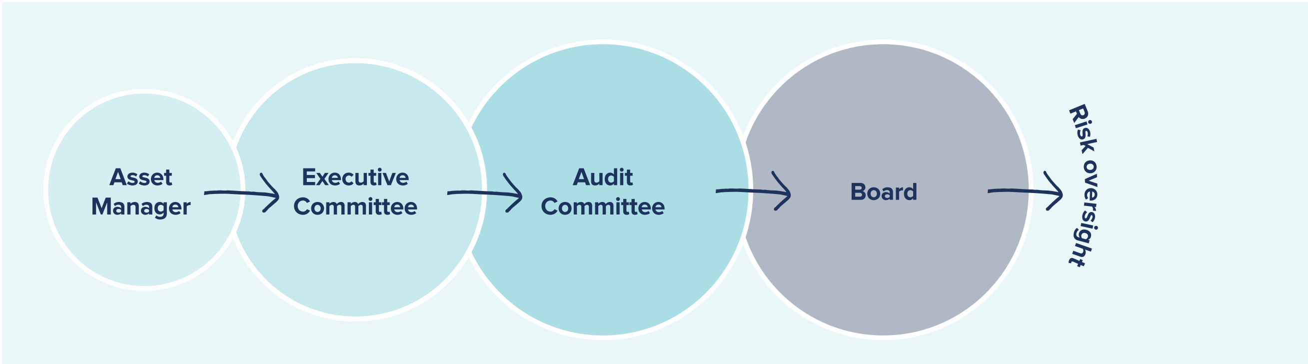
Social

EPRA Code	Performance Measure	Unit(s) of Measure	FY19	FY18
Diversity-Emp	Employee gender diversity	Percentage of employees	• Board Diversity: 29% Female / 71% Male • Employee Gender Diversity: 48% Female / 52% Male	• Board Diversity: 29% Female / 71% Male • Employee Gender Diversity: 45% Female / 55% Male
Emp-Training	Employee training and development	Average hours / employee	30	42
Emp-Dev	Employee performance appraisals	Percentage of employees	100%	100%
Emp-Turnover	New hires and turnover	Total number and rate	• 14 joiners • 10 leavers • 120 total employees (including Hawthorn Leisure, acquired in May 2019) • Turnover rate: 8%	• 9 joiners • 7 leavers • 55 total employees • Turnover rate: 13%
H&S-Emp	Employee health and safety	Injury rate, absentee rate and number of work related fatalities	• Sickness Absence Rates: 171 sickness days taken • Injury Rate: 0 • Fatalities: 0	• Sickness Absence Rates: 77 sickness days taken • Injury Rate: 0 • Fatalities: 0
H&S-Asset	Asset health and safety assessments	Percentage of assets	100%	100%
H&S-Comp	Asset health and safety compliance	Number of incidents	0	0
Comty-Eng	Community engagement, impact assessments and development programmes	Percentage of assets	100%	100%

Governance

EPRA Code	Performance Measure	Unit(s) of Measure	FY19	FY18
Gov-Board	Composition of the highest governance body	Total number	7	7
Gov-Selec	Process for nominating and selecting the highest governance body	Narrative on process	See Nomination Committee report of 2019 Annual Report	See Nomination Committee report of 2018 Annual Report
Gov-Col	Process for managing conflicts of interest	Narrative on process	See Nomination Committee report of 2019 Annual Report	See Nomination Committee report of 2018 Annual Report

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 2%
- 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.

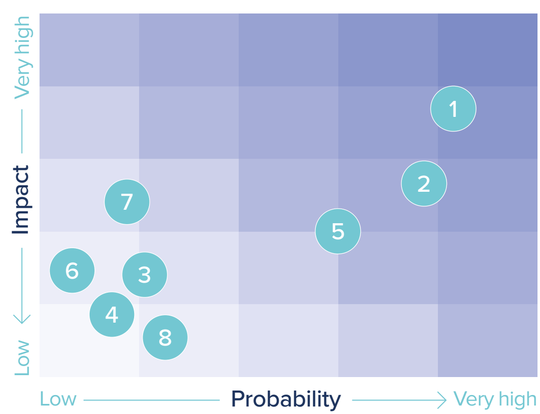
The risk register assesses the impact, likelihood and residual risk of each identified risk specific to the Group.

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 and should be reviewed in conjunction with the viability statement on page 73.

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 6.4 years, providing longevity and financial support to maintain the portfolio. Weekly working capital and cash flow analysis is reviewed by the Executive Committee. The LTV policy allows for a significant fall in property valuations.	The strength of the Group's balance sheet has led the Board to consider the residual financial risk to the Group to be low.

Risk category and type	Impact on strategy	Mitigation	Residual risk
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 monitors on site development and cost controls.	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.
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.

Viability Statement

The Board, as part of its strategy process, has assessed the viability of the Group over a three-year period to March 2022 as this timeframe gives greater certainty over the forecasting used and is aligned to the Group's investment cycle. When assessing the Group's long-term viability, the Board considered the Group's existing investment commitments, available financial resources and long-term financing arrangements. They also considered profits; the three-year cash flow forecast for the portfolio, the Group's funding requirements, REIT compliance and other key financial ratios over the period, as well as the headroom in the financial covenants contained in our various loan agreements.

In making their assessment, the Directors assessed the potential impacts, in severe but plausible scenarios, of the principal risks together with the likely degree of effectiveness of mitigating actions reasonably expected to be available to the Group.

At the time of writing there remains considerable uncertainty surrounding the final outcome over Brexit and how it will impact businesses in the UK.

The most relevant, with the highest potential impact, of these risks on viability were considered to be:

- market/economic changes such as higher interest rates, reduced availability of credit and increasing investment yields restricting development and causing valuation falls;
- market factors impacting rental and pub income, leading to a decline in net property income;
- a decline in property valuations as a result of investment decisions could result in lower income and capital returns to shareholders than forecast and expose them to unforeseen risks and liabilities; and
- poor control of development projects could lead to inadequate returns on investment and over exposure to developments could put pressure on cash flow and debt financing.

The nature of the Group's business as the owner and asset manager of a diverse income producing portfolio of shopping centres, retail warehouses, high street assets, and public houses located throughout the UK and let to a wide variety of national tenants reduces the impact of adverse changes in the general economic environment or market conditions in any one sector in the Group.

On the basis of this and other matters considered by the Board during the year, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment.

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. Further details are provided in the financial statements.

Leading with integrity

Mark Davies Allan Lockhart David Lockhart

Baroness Ford OBE

Non-Executive Chairman
Appointed July 2017

Relevant skills

Baroness Ford has over 20 years' experience as a Non-Executive Director and Chairman of private and Stock Exchange listed companies and extensive experience of working with the Government. Margaret has extensive knowledge across the real estate market and is an Honorary Member of the Royal Institute of Chartered Surveyors.

Other appointments and previous experience

Margaret is currently Chairman of STV Group plc, Chairman of the Tennis Foundation and National President of the British Epilepsy Association. Margaret was appointed to the House of Lords in 2006 and sits as an Independent Peer.

Margaret was previously a Non-Executive Director of Taylor Wimpey plc and SEGRO plc, and the former Chairman of Grainger plc, May Gurney Integrated Services plc, and English Partnerships. Margaret was a member of the Olympic Board and Chairman of the Olympic Park Legacy Company.

Allan Lockhart

Chief Executive Officer

Relevant skills

Allan has over 25 years' experience in the UK real estate market specialising in the retail sector. Allan started his career advising major property companies and institutions on retail investment and development, before joining Halladale. At Halladale Allan was responsible for co-ordinating the acquisition of, and implementation of the asset management strategies in respect of over 20 shopping centres, as well as acquiring and completing several profitable retail developments.

Other appointments and previous experience

Allan started his career with Strutt & Parker in 1988 before joining Halladale as Retail Director. In 2009, he co-founded NewRiver and served as Property Director since its IPO until being appointed Chief Executive Officer in May 2018.

Mark Davies

Chief Financial Officer

Relevant skills

Mark is a Chartered Accountant with over 20 years' experience who joined the Company at its inception in 2009 and has played an integral part in growing the business to FTSE 250 company. Mark has a strong track record in Capital Markets including raising £2 billion of new capital and as the steward of the Group balance sheet moving the Company to an unsecured debt structure following the issuance of a £300 million ten-year corporate bond in 2018.

Mark is also the Executive Chairman of Hawthorn Leisure, which is a business of over 650 community pubs and Convenience Stores. Mark led the acquisition of Hawthorn in 2018 and oversaw the successful integration of the business in early 2019.

Other appointments and previous experience

Prior to joining NewRiver Mark was CFO of Omega Land which was a £1 billion private equity fund owned by Morgan Stanley and prior to that an Audit and Corporate Finance Partner at Grant Thornton and BDO.

David Lockhart

Executive Deputy Chairman

Relevant skills

David Lockhart is a qualified Solicitor and Chartered Accountant and has over 40 years' operating experience in the UK real estate market. David is an experienced and successful entrepreneur, having founded several property businesses across the United Kingdom.

- Chair of committee
- R Member of Remuneration Committee
- N Member of Nomination Committee
- A Member of Audit Committee

Other appointments and previous experience

David practised law in his family law firm before starting a career in property, initially founding a property development company based in Scotland. David served as Executive Chairman of Caltrust Limited until 1987 when the company was acquired by Sheraton Securities International plc, following which he served as Managing Director of newly formed Sheraton Caltrust plc until 1990. In 1991, David founded Halladale, a business which he ran as CEO. Halladale floated on AIM in 2001 and was acquired by Stockland Corporation in 2007. In 2009, he co-founded NewRiver and served as its Chief Executive from its IPO until being appointed Executive Deputy Chairman in May 2018.

Kay Chaldecott

Independent Non-Executive Director
Appointed March 2012

Relevant skills

Kay has over 25 years' experience of developing and managing regional shopping centres throughout the UK. Kay is a member of the Royal Institution of Chartered Surveyors and has a breadth of industry knowledge covering the retail development process, retail mix and leasing and shopping centre operations.

Other appointments and previous experience

Kay is a member of the board of Lichfields planning and development consultancy, and is a member of the Advisory Board of Next Leadership.

Kay was Managing Director of the shopping centre business of Capital Shopping Centres Group plc (now Intu Properties plc) and served as a main Board Director. She was previously a Non-Executive Director of St. Modwen Properties PLC.

Alastair Miller

Senior Independent Non-Executive Director
Appointed January 2016

Relevant skills

Alastair is a Chartered Accountant and has significant, recent and relevant financial experience. Alastair's experience has developed skills over risk management, property, systems, company secretariat and investor relations. Having worked for New Look Group plc for 14 years, Alastair has an in depth understanding of retailers and the factors that impact their trading and profitability.

Other appointments and previous experience

Alastair was formerly Chief Financial Officer of New Look Group plc, Group Finance Director of the RAC, and Finance Director of a company within the BTR Group. Alastair qualified as a Chartered Accountant with Deloitte Haskins and Sells and was a management consultant at Price Waterhouse.

Colin Rutherford

Independent Non-Executive Director
Appointed February 2019

Relevant skills

Colin is a Chartered Accountant and has significant, recent and relevant financial experience. Colin has extensive experience of listed companies and has a wide-ranging sector exposure that includes real estate and public houses. Colin graduated in Accountancy and Finance and qualified as a Scottish Chartered Accountant.

Other appointments and previous experience

Colin currently serves on the Board and is Audit Committee Chairman of Mitchells & Butlers plc and Renaissance Services SAOG, and on the Board and Audit Committee of Nasdaq quoted Evofem Biosciences Inc. He is Chairman of Brookgate Limited, a property development business.

Alastair Miller | Margaret Ford | Colin Rutherford | Kay Chaldecott

Corporate governance report

Baroness Ford OBE
Chairman

> "The Board has continued to evolve the Group's governance framework to enhance the Board's performance - addressing its priorities of strategy, risk management, succession planning and listening to stakeholders."

It is a pleasure to introduce NewRiver's corporate governance report for the year ending 31 March 2019. After being appointed as Chairman during the year, I have continued to build on the commitment to strong governance and to evolve the structures that have resulted in compliance with the requirements of the UK Corporate Governance Code throughout the year.

This report describes how the Board and its committees worked on behalf of shareholders and other stakeholders, driving the culture and discipline necessary for the Company to achieve its goals.

The Board has reviewed the new requirements of the UK Corporate Governance Code that was published in July 2018 and we have also listened to the feedback from the external evaluation process to drive continuous improvements in the governance of the Group.

The year was another period of change for the Board and it was an honour to be offered the Chairman role that I assumed in October 2018 following Paul Roy's decision to retire from the Board. Paul made a significant contribution to the strong growth of the Company over nine successful years as Chairman.

As I moved into the Chairman role, Alastair Miller was appointed Senior Independent Director and we embarked on an externally managed process to appoint a new Non-Executive Director. The appointment of Colin Rutherford in February 2019 brings a new perspective to the Board given Colin's extensive experience in the pub industry, but also bolsters the financial experience of the Non-Executive team.

2019 was another active year for the Company from a governance perspective. Looking forward we will formalise our engagement processes to hear the views of our stakeholders and ensure these views are considered when decisions are being made by the Board.

Baroness Ford OBE
Chairman

22 May 2019

Board and Committee Structure:

Board
Responsible for leading & controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development.

Audit Committee
Reviews and monitors the Group's risk management processes.

Monitors the integrity of the half-year and annual financial statements before submission to the Board.

Monitors the effectiveness of the audit process.

Remuneration Committee
Implements the remuneration policy of the Group which is to ensure that Directors and senior management are rewarded in a way that attracts, retains and motivates them and aligns the interests of both shareholders and management.

Nominations Committee
Reviews the succession planning requirements of the Group and operates a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Executive Committee
To assist the Chief Executive with the development & implementation of the Group strategy, the management of the business and the discharge of its responsibilities delegated by the Board.

Board membership

Details of the Directors, including the skills and experience that they bring to the Board, are on pages 74 to 75. During the year, the Board comprised three independent Non-Executive Directors (excluding the Chairman) and three Executive Directors. The Nomination Committee is of the opinion that the Non-Executive Directors remain independent, in line with the definition set out in the 2016 Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement. The Chairman was independent on appointment and the Board still consider her to be independent.

Responsibilities of the board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board, supported by a company secretary, is also responsible for ensuring the maintenance of a system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of systems in place, as well as for the approval of any changes to the capital, corporate or management structure of the Group.

There is a clear division of responsibility between the Chairman, who is responsible for the leadership of the Board, and the Chief Executive, who is responsible for managing and leading the business.

A summary of the Directors' responsibilities is shown below:

Role	Responsibilities
Chairman	Margaret's role is to lead the Board and ensure that it operates effectively. Her responsibilities include: • setting the agenda, style and tone of Board meetings to ensure that all matters are given due consideration; • maintaining a culture of openness, debate and constructive challenge in the Board room; • ensuring the Board's effectiveness and ensuring it receives timely information; • ensuring a new Director receives a full, formal and tailored induction on joining the Board; • reviewing and agreeing training and development for the Board.
Executive Deputy Chairman	David's responsibilities include: • providing leadership and acting as an adviser to the Chief Executive Officer and Chief Financial Officer; • assisting the Executive Directors with relationships with shareholders and stakeholders; • working with the Board to develop the Company's strategy.
Chief Executive Officer	Allan's responsibilities include: • managing the business of the Group; • recommending the Group's strategy to the Board; • Environment, Social & Governance strategy; • implementing the strategy agreed by the Board; • management of the Group's property portfolio, including developments.
Chief Financial Officer	Mark's responsibilities include: • implementing the Group's financial strategy, including balance sheet capitalisation; • overseeing financial reporting and internal controls; • executive responsibility for the pub portfolio.
Senior Independent Non-Executive Director	Alastair's responsibilities include: • acting as a sounding board for the Chairman; • evaluating the Chairman's performance as part of the Board's evaluation process; • serving as an intermediary for the other Directors when necessary; • being available to shareholders should the occasion occur when there was a need to convey concern to the Board other than through the Chairman or the Chief Executive.
Non-Executive Directors	Kay, Alastair and Colin bring independent judgement, knowledge and varied commercial experience to the meetings and in their oversight of the Group's strategy. Kay and Alastair chair the Remuneration and Audit Committees respectively.

Attendance

Each of the Directors has committed to attend all scheduled Board and relevant committee meetings and have committed to make every effort to attend ad hoc meetings, either in person or by telephone. If a Director cannot attend a meeting, he or she will be provided with the papers in advance of the meeting as usual and will have the opportunity to discuss them with the Chairman or Chief Executive and to provide comments. The Non-Executive Directors meet without the Executive Directors and the Chairman present, at least once a year.

Attendance at committee meetings is shown in the respective committee reports. Attendance at Board meetings is shown below:

Director	Attendance
Margaret Ford	6/6
Allan Lockhart	6/6
Mark Davies	6/6
David Lockhart	6/6
Kay Chaldecott	6/6
Alastair Miller	6/6
Colin Rutherford[1]	2/2

1. Colin was appointed to the Board during the year

Business of the board during 2019

Group strategy
- Acquisition of Hawthorn Leisure
- Two-day strategy session with one day for corporate/blue sky considerations, and one day for sector research and trends

Routine business
- Review of quarterly finance updates
- Quarterly review of the Group's portfolio, leasing activity, capital projects, development status and significant operational matters
- Approval of the annual report and interim report, and associated financial statements
- Approval of the annual budget
- Approval of quarterly interim dividends

Additional business
- Appointment of a new Chairman, a new Senior Independent Director and a new Non-Executive Director
- Appointment of a new auditor for the next financial year
- Monitoring the integration of Hawthorn Leisure and the Group's existing pub portfolio
- Consider feedback from shareholder meetings
- Consideration and approval of dividend policy
- Review of Board effectiveness and implementation of recommendations
- Review of new Corporate Code and implications for the governance processes in the Group

Board evaluation process

The Board appointed Prism Cosec ('Prism') to conduct its external Board evaluation in 2017. Each year following the evaluation, Prism have reviewed the results of the Board's feedback on the operation of the Board, and reported the conclusions back to the board. Prism do not undertake any other work for the Company.

The scope of, and methodology for, the evaluation was discussed and agreed between Prism, the Company Secretary and the Chairman in the context of an agreed three-year evaluation plan. Directors were asked to respond to a number of open questions about the operation of the Board and its committees before completing detailed questionnaires on the same. Prism reviewed the responses to the questionnaires, drew out the pertinent themes and discussed these with the Board. The Board believe that it continues to operate effectively and has addressed the evaluation points raised as follows.

Area	Actions required	Status
Nomination Committee		
Succession plans for Board and Executive Committee appointments required.	Succession plans created and implemented. New Chairman and CEO appointed. Succession plans refreshed for new appointments.	Complete.
Plan formal Nomination Committee meetings as part of annual Board cycle and set agenda items to cover.	Create corporate calendar, Board and committee annual planners.	Complete.
Board process		
Balance presentations and blue sky thinking. Share executive research.	Two-day strategy session arranged with one day for corporate/blue sky considerations, and one day for property research and trends.	Complete.
Other governance points		
Consideration of diversity in Nomination Committee's Board appointment process.	Diversity integral part of Board appointment process and is regularly discussed at the Nomination Committee.	No immediate action required.
Consider Senior Independent Director's duties with shareholders.	Alastair is available to shareholders should the occasion occur. Largest shareholders will be an offered opportunity to meet.	Ongoing.
Review the reporting line of the Company Secretary.	The Company Secretary had a reporting line to the Chairman on all board related matters.	Complete.
Consider HR resources.	HR Director and HR manager appointed.	Complete.
ExCo member attendance at future Remuneration Committee Meetings.	HR Director attends Remuneration Committee Meetings. CEO invited to present as required.	Complete.
Competitive tender for advisors to the Remuneration Committee.	Competitive tender completed during the year.	Complete.

Induction of new directors

The Chairman and Company Secretary manage an induction process to ensure that new Directors are fully briefed about the Company and its operations. This process included asset visits and meetings with members of the executive management team as well as specific briefing with regard to their legal and regulatory obligations as a Director. Colin Rutherford joined during the year and has received the induction.

Corporate Governance Code

The Company was compliant with the requirements of the UK Corporate Governance Code, published in April 2016, throughout the year.

The Board has reviewed the requirements of the updated Code announced in July 2018 that will apply to the Company for the next financial year. A plan was developed to ensure compliance with the Code and the plan is substantially complete.

Corporate culture

The Chairman and the Board are aware of the importance of corporate culture in achieving high standards of corporate governance. Our culture is discussed in detail in the Strategic Review.

Shareholder engagement during the year

The Board is committed to providing investors with regular announcements of significant events affecting the Group.

The Chief Executive, Chief Financial Officer and Head of Investor Relations and Strategy are the Company's principal spokesmen responsible for communication with investors, fund managers, analysts and the press. The Company organises a twice-yearly investor roadshow for its institutional investors after the half-year and full-year results and holds one-on-one and Group investor meetings throughout the year as required. In addition, the Chairman met with the largest shareholder during the year.

The Company regularly announces events that may be of interest to stakeholders through its news release service.

The Chairman and Senior Independent Non-Executive Director are available to meet with shareholders to discuss governance or any other concerns which are not appropriate to discuss through normal channels of communication, or where normal channels of communication have failed to allay the concern.

The Board is kept regularly updated of the meetings that the Executive Directors have with shareholders and analysts. The Head of Investor Relations and Strategy provides the Board with an update of the market for the Company's shares, what its peers are doing and any reports issued about the sector generally and the Company specifically.

Annual General Meeting ("AGM")

The AGM is the annual opportunity for all shareholders to meet with the Directors and to discuss with them the Company's business and strategy. Directors are available to meet informally with shareholders before and after the meeting.

The notice of AGM is posted to all shareholders at least 21 working days before the meeting. Separate resolutions are proposed on all substantive issues and voting is conducted by a poll. The Board believes this method of voting is more democratic than voting via a show of hands since all shares voted at the meeting, including proxy votes submitted in advance of the meeting, are counted.

For each resolution, shareholders will have the opportunity to vote for or against or to withhold their vote. Following the meeting, the results of votes lodged will be announced to the London Stock Exchange and displayed on the Company's website.

Anti-corruption and anti-bribery

We are committed to the highest legal and ethical standards in every aspect of our business. It is our policy to conduct business in a fair, honest and open way, without the use of bribery or corrupt practices to obtain an unfair advantage. We provide clear guidance for suppliers and employees, including policies on anti-bribery and corruption, anti-fraud and code of conduct. All employees receive training on these issues appropriate to their roles and responsibilities.

Human Rights

Being mindful of human rights, the Company has a Modern Slavery policy and published its second annual Modern Slavery statement during the year, to ensure that all of its suppliers are acting responsibly and are aware of the risks of slavery and human trafficking within their own organisation and supply chain.

Margaret Ford's view of strategy day

Strategy is not a topic that is visited once a year and the Board is continually discussing the ever-changing retail and leisure market. A key part of the strategic agenda for the year is set during the two-day strategy that the Board attended in March.

Central to the Board strategy is the consideration of stakeholders' views. We commissioned a perception study to collate the views of our shareholders, and an independent team presented the results to the Board. We heard investors' views of the management team, strategy, diversification of the portfolio and capital management policies. Investors acknowledge that the Group is operating in a tough market, but the NewRiver team have the strategy and skills to outperform their peers. A specific area of feedback was on the desire for the group to improve disclosures, an area on which we have taken further feedback from analysts and other advisors to continually improve the quality of the information provided externally.

Specific issues from shareholders were also debated, with particular focus on the Company's capital management strategy. The Board considered a range of forecasts, strategies and sensitised projections to consider the appropriateness of the dividend policy. We also considered the most appropriate capital and ownership structures to maximise shareholder return.

The Board engaged a third-party study into future retail market performance drivers to ensure that the Group's strategy is set in the context of the factors impacting the majority of our tenants and to understand the forces shaping the competitive environment. In that context, potential mergers and acquisitions were discussed to ensure that the company was prepared for competition in its markets and as a way of rebalancing the portfolio to maintain the income focus. We reviewed operational geographies and adjacent sectors, considering how the Group can diversify its income profile and future proof the company.

The Board spent the second day with the wider senior management team to hear their views, which complement the views of the Executive Directors. The Board regularly meets with the team and considers this an essential part of understanding the culture of the Group and in assessing the Board's succession plan. The team presented in some detail the operational strategies for the year ahead, which are built around smarter asset management, delivering development profits early, reducing costs and building strategic partnerships.

Q&A with Colin Rutherford

Q: Colin, you are a very experienced Non-Executive Director of listed companies. What are your first impressions of how the Board operates at NewRiver?

A: This is one of the most professional Boards I have worked with. There is a great diversity of skills and experience in a board that has a clear purpose and strategy and considers all aspects of how to deliver for its stakeholders.

Q: You have an in-depth understanding of the property and public house industries. How do you feel the board will benefit from your knowledge?

A: I think with a reasonable grasp of current Retail Property and Leisure sector challenges, I hope to be able to add value by helping address the key issues prevailing in those segments which are germane to the Board's strategy. Both sectors are under real pressure having to adapt to new trading norms, especially the abundance of consumer choice, but sensible opportunities for grounded well-run companies, and those engaged in particularly astute partnerships, will prevail once again, and create value.

Q: The induction process is a vital journey for any new Non-Executive Director, even one as familiar with corporate governance as you. How did NewRiver's induction meet your expectations?

A: The recruitment and induction process was handled with real aplomb, and I was able to hit the ground running from my very first formal Board meeting. It was very smooth and met my expectations albeit I expected no less from such an experienced team.

Q: You were straight into the deep end with attendance at this year's strategy day. What were the highlights of the strategy day for you?

A: I was impressed with the senior team's depth of sector experience, their knowledge and assessment of trend and opportunities, and in consequence their directional business emphasis. There is a clear 'can do' desire for growth but this is tempered by assuredness and a more than healthy appreciation of risk, and how to protect and hopefully enhance total shareholder returns. The analysis provided to the Board at the meeting was detailed, thorough and showed the depth of experience of the management team.

Audit Committee report

Alastair Miller
Audit Committee Chairman

> "The Committee has continued to focus on the risks affecting the Group, with new risks emerging from the political and economic environment the Group operates in."

Principle Roles:

- Oversight of financial reporting and internal controls
- Risk management and review of control processes
- Managing the external audit process
- Maintaining a whistleblowing procedure
- Assessment of management judgements and external values

Key activities in 2018/19:

- Completion of an audit tendering process
- Developing the reporting and ownership of risk management and internal control processes
- Review of the risks and controls in the Hawthorn Leisure business
- Monitoring of the integration of Hawthorn Leisure into the Group's processes

Area of focus in 2019/20:

- Ensuring emerging risks are continually assessed and addressed
- Oversight of introduction of new auditors, managing the audit process and scope

Dear shareholders,

As Chairman of the Audit Committee I am pleased to present a summary of the work of the Committee in the last year.

In addition to the Committee's regular programme of work, the main focus of the Committee for the year was to conduct the audit tender and recommend a preferred firm to the Board. The Board has recommended the appointment of PricewaterhouseCoopers to replace Deloitte as the Company's auditor for the shareholders to vote upon at the Annual General Meeting in July 2019. The Committee would like to thank Deloitte for their services as auditor since the Company was founded in 2009.

With the new Corporate Code announced during the year, the Committee reviewed its terms of reference to ensure it was applying best practice in governance. The terms of reference are available on the Company's website.

I consider that the regular discussions and meetings that are held by the Committee, and the robust discussions that the Committee has with the Company's management, the auditor and property valuers, together with the quality of the reports and information prepared for the Committee meetings, has enabled the Committee members to discharge their duties and responsibilities.

Alastair Miller
Audit Committee Chairman

22 May 2019

How the Committee operates

The Committee provides independent review and monitoring of the risk management and control procedures within the Company.

Audit Committee composition and attendance at Meetings:

Alastair Miller: Committee Chairman	4/4
Kay Chaldecott	4/4
Colin Rutherford[1]	2/2
Margaret Ford[2]	2/2

1. Colin was appointed to the Committee during the year
2. Margaret ceased to be a member of the Audit Committee upon appointment as Chairman of the Board during the year

Each Committee member is independent and has broad commercial experience as a director. Alastair Miller is a Chartered Accountant and previously the Chief Financial Officer of New Look Group, and has significant, recent and relevant financial experience. Colin Rutherford was appointed to the Committee in February 2019 upon joining the Board. Colin also has significant, recent and relevant financial experience and is currently the Chairman of the Audit Committee of Mitchells & Butlers plc.

The Chief Financial Officer, Financial Controller, and the Company's auditors were invited to attend the Committee meetings. The Company Secretary acts as secretary to the Committee.

Responsibilities of the Committee during the year

During the year, the Committee was responsible for:

- overseeing the Group's relationship with the auditors, Deloitte, including their remuneration;
- monitoring the integrity of the half-year and annual financial statements before submission to the Board;
- discussing any issues arising from the half-year review and year-end audit of the Group;
- reviewing significant financial reporting matters and judgments;
- reviewing the effectiveness of the Group's system of internal controls;
- reviewing and monitoring the Group's risk management processes;
- conducting an annual review of the need to establish an internal audit function;
- monitoring and annually reviewing the auditor's independence, objectivity and effectiveness of the audit process; and
- evaluating the Committee's own performance, which was undertaken as part of the Board evaluation.

Activities during the year

Relationship with the auditors

The audit of this year's financial statements is the tenth year that the current auditors, Deloitte, have audited the Group's results therefore the Committee conducted an audit tender during the year. The Chairman of the Committee met with five firms initially with the aim of inviting three firms to provide proposals to the Audit Committee. Three firms were identified based on the quality of the audits of the firm, the firm's capability and expertise, and the mix of experience of the individuals met.

A thorough process was run that involved the three firms meeting the management team and gaining an understanding of the Group's businesses and structures. Opportunity was given for the firms to visit the Group's shopping centres and pubs. The three firms presented to the Audit Committee, focusing on how each would conduct a quality audit.

The Committee was impressed by the insights that each firm presented and the knowledge that had been accumulated during the tender process. A considerable amount of time is invested by management and the audit firms in tender processes.

Following the meetings, the Audit Committee assessed each firm against a range of criteria and recommended two firms to the Board, noting PricewaterhouseCoopers as the preferred firm.

External auditor

The Committee considers the nature, scope and results of the external auditor's work and reviews, develops and implements a policy on the supply of any non-audit services that are to be provided by the external auditor. It receives and reviews reports from the Group's auditors relating to the Group's annual report and accounts and the external audit process.

In respect of the audit for the financial year ended 31 March 2019, Deloitte presented their audit plan (prepared in consultation with management) to the Committee. The audit plan took into account key changes in the business, materiality levels, valuation of the portfolio and the acquisition made during the year.

The Committee approved the implementation of the plan following discussions with both Deloitte and management.

Audit & non-audit fees

The Company paid £361,000 in audit fees for the financial year ended 31 March 2019.

The Company has a non-audit services policy in place which limits Deloitte to working on the audit or such other matters where their expertise as the Company's auditor makes them the logical choice for the work. This is to preserve their independence and objectivity. The Company paid £35,000 in non-audit fees to Deloitte for the financial year ended 31 March 2019. The non-audit fees relate to Deloitte's review of the interim results for the six months to 30 September 2018.

Effectiveness and independence

The Chair of the Committee speaks regularly to the audit partner to ascertain if there are any concerns, to discuss the audit reports and to ensure that the auditor has received support and information requested from management.

The Committee reviewed the effectiveness of the 2018 external audit process by considering the extent to which the audit plan was met, the degree of challenge involved in the process, the depth of understanding, the review of key accounting policies and audit judgements, and the content of the auditor's reports to the Committee. It was noted that the audit had been completed to a high standard.

There were no disagreements with the Group's current auditor, Deloitte, and the Committee has been extremely satisfied with their work.

Key judgements and estimates

The Committee reviewed the external reporting of the Group including the interim review, quarterly announcements and the annual report. In assessing the annual report, the Committee considers the key judgements and estimates.

The valuation of the Group's properties at 31 March 2019 was £1.3 billion. Changes in the key estimates can have a significant impact on the valuation of investment properties. The Committee, independently of management, met with Colliers International and Knight Frank to discuss the valuation of the assets, to understand the process that was followed, the key estimates used, and to ensure that a robust and independent valuation had taken place. The meetings were productive and the Committee concluded that the valuations were independent and an appropriate basis for the year-end financial accounts.

The Committee considered the accounting for the acquisition of Hawthorn Leisure, and management's judgement that it constituted a business combination. The Committee reviewed the assumptions surrounding the fair value of the assets and liabilities acquired.

The Group's assets and revenue and disclosed in two operating segments. The Committee reviewed the disclosures and the basis for the conclusion on the segmentation.

The Committee reviewed the integrity of the narrative statements in the Annual Report and made recommendations to the Board. The Company received a letter from the Financial Reporting Council in relation to its annual report for the year ended 31 March 2018. The Audit Committee considered the findings of the Financial Reporting Council's review, reviewed the Company's response and agreed with the Financial Reporting Council to enhance disclosures on the sensitivity of the Group's valuations to changes to the underlying assumptions.

Risk management

Internal control structure

The Board oversees the Group's risk management and internal controls and determines the Group's risk appetite. The Audit Committee at each of its meetings monitors the effectiveness of the Group's risk management and internal controls systems. The Committee reviewed its assessment of key risks, and the process of reporting the risks and associated mitigating controls to the Committee during the year, with particular consideration of emerging risks. The Committee is satisfied that the risk management framework is effective and did not identify any failing in the control systems.

Further details of the Company's risk management process, together with the principal risks, can be found in the Risk Management report.

Internal audit function

The Group employs an internal audit team within the pub division, responsible for conducting inventory and cash counts on a rolling basis across the managed pub estate, supported by external inventory auditors for certain geographic regions. This allows the business greater comfort over inventory balances, monitoring wastage and where relevant charging operators for any losses they have incurred. The Group does not have an internal audit team across its retail operations. The need for this is reviewed annually by the Committee. Due to the relative lack of complexity and the outsourcing of the majority of the day-to-day functions, it is felt that there is no requirement for such a team.

BDO, as an independent third party, are engaged to undertake bespoke reviews of the Group's internal control system to ensure that the Company has sufficient controls in place. During the year BDO reviewed the Group's controls over cash and the financial reporting controls in the pub division.

The external auditors perform a broadly substantive audit and therefore the absence of a Group-wide internal audit team does not impact their work as auditors.

Whistleblowing policy

The Committee conducts an annual review of the Group's whistleblowing policy to ensure it remains up to date and relevant. There have never been any concerns raised through the whistleblowing process or through any other process to the Committee.

Statement of compliance

The Company confirms that it has complied with terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory User of Competitive Tender Processes an Audit Committee Responsibilities) Order 2014 ("the Order") throughout the year. In addition to requiring mandatory audit re-tendering at least every ten years for FTSE 350 companies, the Order provides that only the Audit Committee, acting collectively or through its Chair, and for and on behalf of the Board is permitted:

- to the extent permissible in law and regulation, to negotiate and agree the statutory audit fee and the scope of the statutory audit;
- to initiate and supervise a competitive tender process;
- to make recommendations to the Directors as to the auditor appointment pursuant to a competitive tender process;
- to influence the appointment of the audit engagement partner; and
- to authorise an auditor to provide any non-audit services to the Group, prior to the commencement of those non-audit services.

Fair, balanced and understandable

The Directors are required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee has satisfied itself that the controls over the accuracy and consistency of information presented in the Annual Report are robust, that the information is presented fairly (including the calculations and use of alternative performance measures) and has confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate allowing the Board to make the "fair, balanced and understandable statement" in the Directors' Responsibilities Statement.

Viability statement and going concern

The Committee has reviewed the basis for the Company's viability statement that is based on financial forecasts for the next three years. The Committee is satisfied that the assumptions used in the forecasts and the basis of the viability statement are appropriate. The Committee provides advice to the Board on the Viability Statement.

The Committee ensured sufficient review was undertaken of the adequacy of the financial arrangements, cash flow forecasts and lender covenant compliance. Accordingly, the Committee recommended to the Board that the statement be approved.

Similarly, the Committee reviewed the basis for the financial forecasts for the going concern assumption in the financial statements and satisfied itself that the going concern basis of presentation of the financial statements is appropriate.

Nomination Committee report

Baroness Ford OBE
Chairman

> "Another busy year for the committee with the appointment of a new Chairman, a new Non-Executive Director and the Senior Independent Director."

Principle Roles:

- Identifying and nominating for approval candidates to fill Board vacancies
- Evaluating the Board's diversity and balance of skills
- Evaluating the performing of the Board
- Consideration of succession planning at Board and Executive Committee level

Key activities in 2018/19:

- Appointment of a new Chairman, new Senior Independent Director and a new Non-Executive Director
- Review of succession plans for the Board and for the Executive Committee

Area of focus in 2019/20:

- Updating succession plans for the Board and Executive Committee
- Review of training requirements for the Board

Dear Shareholders,

Last year saw the Group appoint a new Chief Executive Officer and a new Senior Independent Director, and this year I have moved in to the Chairman's role and again we have appointed a Non-Executive Director.

Diversity has been at the forefront of those discussions at the Committee, encompassing diversity of skills, background, race and gender. The Committee will ensure that diversity remains at the top of the agenda in the forthcoming year.

Baroness Ford OBE
Committee Chairman

22 May 2019

Nomination Committee composition and attendance at Meetings:

Margaret Ford: Committee chairman	4/4
Kay Chaldecott	4/4
Alastair Miller	4/4
Colin Rutherford[1]	2/2
Paul Roy[2]	2/2

1. Colin was appointed to the Nomination Committee during the year
2. Paul resigned from the Board during the year

How the Committee operates

The Committee meets four times a year and holds ad-hoc meetings when required. It met four times during the year.

Only members of the Committee are entitled to attend the meetings. The Chief Executive Officer is invited to attend so that the Committee can understand the views of executive management when making its deliberations, especially on succession planning.

The Terms of Reference were reviewed during the year and are available on the Company's website at www.nrr.co.uk.

Activities of the Committee during the year

Appointment of a Chairman

The Committee considers succession planning a key part of its remit. It recognises the importance of creating robust succession plans for both the Board and executive management so that they can fulfil the Company's long-term strategy.

The Committee acknowledges that succession plans should be regularly reviewed so that employees and Board members continue to have the skills and experience necessary to ensure the continuing success and good governance of the Company.

The Committee works with the Executive Directors to nurture a pipeline of talented employees below Board level who will be able to serve as the next generation of plc Board directors.

During the year the succession plan was once more put into active service to identify and appoint a new Chairman.

In May 2018 Paul Roy announced that he would not stand for re-election as Chairman at the 2019 Annual General Meeting. Paul had served as the Company's Chairman since its formation in 2009, during which time NewRiver had grown from a market capitalisation of £25 million into a FTSE 250 constituent.

The Committee commissioned Spencer Stuart, a leading independent executive search firm to conduct an external assessment and a review of possible candidates for the role. Spencer Stuart do not have any connection with the Company other than providing executive search services. Spencer Stuart recommended a number of candidates, one of whom was Margaret Ford, the Company's Senior Independent Director. Margaret has over 20 years' experience as a Non-Executive Director and Chairman of private and listed companies and extensive knowledge of the real estate market.
The Nomination Committee met with the Executive Directors without Margaret present and concluded that Margaret was the strongest candidate. Margaret was appointed Chairman thus ensuring a seamless succession for the Board.

Following Margaret's appointment, the Board required a new Senior Independent Non-Executive Director. Margaret recommended that Alastair Miller, who joined the Company as a Non-Executive Director in January 2016, was appointed. The Committee met with the Executive Directors without Alastair present and agreed that Alastair had the requisite knowledge of the Company and skills to be an effective Senior Independent Director.

Recruitment of a new Non-Executive Director

Following Paul Roy's retirement, the Board required a new Non-Executive Director. The Committee commissioned Spencer Stuart to conduct an external assessment and a produce a long list of possible candidates for the role. The list was reduced to eight candidates who were approached to gauge appetite and capacity to be a Non-Executive Director. Interviews were held with five candidates following which the Committee recommended the appointment of Colin Rutherford. Colin brings a wealth of experience across the pub and real estate sector, and as a qualified accountant, bolsters the Board's financial expertise.

Succession planning

Under the UK Corporate Governance Code an appointment term of longer than nine years from election to the Board is a factor that may affect whether a Non-Executive Director is considered independent. Kay Chaldecott was appointed in 2012 and a succession plan has been discussed at the Committee.

The committee reviewed the composition of the Executive Committee during the year and considered the development needs of the talent pool as a potential succession pool for the Executive Directors.

Independence

The Nomination Committee is of the opinion that the Non-Executive Directors and the Chairman remain independent, in line with the definition set out in the 2016 Code, and are free from any relationship or circumstances that could affect, or appear to affect, their independent judgement.

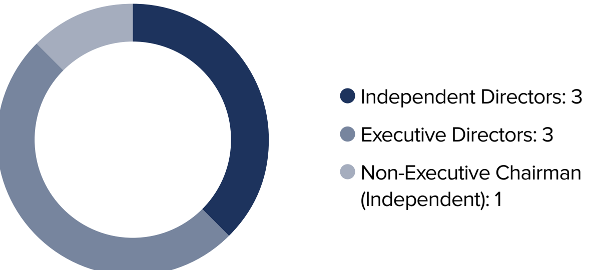
Diversity policy

The Company has developed a culture which recognises the benefits of diversity and has been successful at recruiting key members of its senior management team from a range of different backgrounds. The Board currently comprises two female Non-Executive Directors and two male Non-Executive Directors, and three male Executive Directors.

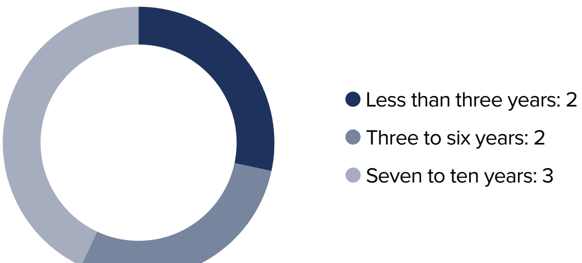
When recruiting, the Company has always considered all aspects of diversity during the process. The Company ensures there is a selection of candidates who have a good balance of skills, knowledge and experience. The Committee places particular value on experience of operating in a listed company, experience of the real estate, retail and leisure sectors, with financial or real estate training.

The Company aims to recruit the best candidates on the basis of their merit and ability.

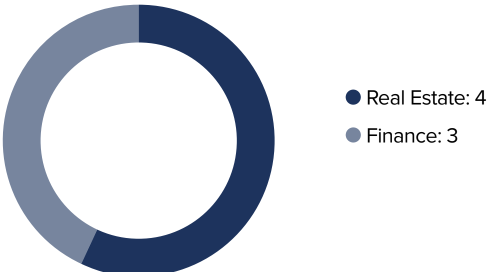
Composition of the Board during the year



Length of Directors' tenure



Director's core area of expertise



Remuneration Committee report

Kay Chaldecott
Committee Chairman

"The Committee has carefully considered the performance of the directors to ensure that there is a strong link between reward and performance."

Dear shareholders,

This is the second year of the application of the remuneration policy approved by shareholders at the 2017 AGM and there have not been any significant changes to the operation of the policy.

Performance in FY19 and incentive plan payments

The management team has delivered a robust performance in a challenging market, with resilient cash returns underpinned by solid operational performance. Funds from Operations was £56.4 million (FY18: £60.3 million) with the decrease mainly due to the absence of one-off receipts seen in the prior year and the impact of disposals completed during the prior year. The dividend per share increased by 3% to 21.6 pence (FY18: 21.0 pence). The dividend was not fully covered, but the Company is committed to re-establishing cover, and has identified a series of strategies to leverage its operating platform in order to grow income while maintaining a conservative balance sheet position. EPRA NAV per share was 261 pence (FY18: 292 pence), reflecting the 6.4% reduction in portfolio valuation in the year.

The committee reviewed the results against the performance targets set for the annual bonus and Performance Share Plan, which were set to align the Directors' remuneration with strategy and shareholders' interests.

For the annual bonus the Committee set two growth-based targets, which rewarded outperformance in terms of total return against the market (50% of salary) and earnings yield against the Company's peers (30%). Other performance conditions related to maintaining the Group's financial discipline (20%), and personal performance (25%) resulting in a total potential bonus of 125% of salary.

In relation to the targets that were set, our Total Return outperformed the IPD Index by 3.9% which resulted in a full pay out of 50% of salary. Our earnings yield was similarly positive, placing us 10th out of the peer group of 34, resulting in 17% out of 30% of salary being payable. Our financial discipline was strong, although as noted above our level of dividend cover did not achieve the threshold level of performance, resulting in 13.7% out of 20% of salary being payable. Finally, personal performance was similarly strong, with Allan Lockhart and Mark Davies receiving a payment of 18.75% out of 25% of salary. Based on their individual performance and achievement of the targets, bonuses of just under 100% of salary were due to be awarded to Allan Lockhart and Mark Davies.

The Committee considered that there was a strong link between reward and performance based on the out-performance of the KPIs against the Company's peers. However, given the fact that financial performance and share price fell, in absolute terms, discretion was applied by the Committee and the bonuses awarded to Allan Lockhart and Mark Davies were reduced to 80% of salary (64% of the maximum opportunity).

30% of the bonus will be deferred in shares in line with the approved policy and past practice.

Performance for the 2015 and 2016 PSP awards were assessed against the performance conditions measured over the four and three year periods respectively ending in FY19. The performance has failed (or looks likely to fail) to meet the minimum thresholds for each of the performance measures and so both awards will lapse resulting in a nil pay-out.

Operation of the policy in FY20

Salaries were reviewed with effect from 1 April 2019. Executive Directors will not receive an increase and pension and benefits will be unchanged.

The annual bonus plan and LTIP will remain subject to the same mix and weightings of performance measures as FY19 with the incentive opportunity unchanged. A two year holding period will apply to vested awards granted under the FY20 PSP.

Focus for FY20

The Committee's focus for the coming year will be to review the remuneration policy to ensure it is effective in supporting our strategy while also ensuring smooth management of the changes required by the new Corporate Governance Code, including a review of pension provision and share ownership guidelines (including post-cessation of employment). A fundamental part of this is the oversight of a broader executive management population and workforce pay policies and practices, which will be considered as part of the policy review.

If you have any questions I am contactable through our Company Secretary. I very much hope that you will support the shareholder resolution on the Annual Report on Remuneration at our forthcoming meeting.

Kay Chaldecott
Committee Chairman

22 May 2019

Remuneration Committee operation, composition and attendance at meetings

The Committee meets at least four times a year, together with ad-hoc meetings when required. It met four times during the year and attendance was as follows:

Kay Chaldecott: Committee Chairman	4/4
Alastair Miller	4/4
Margaret Ford	4/4
Colin Rutherford[1]	2/2
Paul Roy[2]	2/2

1. Colin Rutherford was appointed to the Committee during the year
2. Paul Roy retired from the Company during the year

The Chief Executive Officer, Head of HR and representatives of the Company's remuneration adviser were invited to attend all or part of the meetings as relevant. The Company Secretary acts as secretary to the Committee.

The Committee's responsibilities

The Committee's responsibilities during the year were:

- to consider the objectives, annual pay and targets for the Executive Directors
- review and agree changes to the remuneration policy as applied to the wider workforce
- review the operation of the Group's share incentive schemes and the granting and vesting of options

The Terms of Reference were reviewed during the year and are available on the Company's website at www.nrr.co.uk

Remuneration Policy

This section of the report summarises the Group's Remuneration Policy, which was approved by shareholders at the 2017 Annual General Meeting. The full Remuneration Policy can be found in the 2017 Annual Report which is available at www.nrr.co.uk

Remuneration Policy Summary Table

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
Executive Directors				
Fixed				
Salary	Market competitive remuneration base reflecting role, responsibilities, skills and experience.	Normally reviewed annually, effective 1 April although salaries may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate. Paid in cash monthly. Reviewed in context of the salary increases across the Group. Reviewed periodically against peer companies.	There is no prescribed maximum. Increases will typically be dependent on the results of an annual review in the context of the average increase for the wider work force, inflation and market data. Increases will not normally be above the level implemented across the wider workforce. Increases may be above this level, for example if there is an increase in the scale, scope or responsibility of the role.	Not applicable
Pension	To provide competitive post-retirement benefits To assist with recruitment and retention.	There is no Group pension scheme. The Group has set up a Group personal pension plan. The Company currently contributes 15% of base salary for all Executive Directors. The Company reserves the right to pay a non-pensionable cash supplement in lieu of pension contributions.	The maximum Company contribution is 15% of base salary.	Not applicable
Benefits	To provide a competitive and cost-effective benefits package. To assist with recruitment and retention.	The Company provides a range of non-pensionable benefits to Executive Directors which may include medical insurance, life assurance, permanent health insurance, holiday and sick pay. Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee.	Benefits are set at a level which the Committee considers appropriate when compared to the Company's listed real estate investment trust peers. There is no prescribed maximum. For David Lockhart, the Company will reimburse him on a tax grossed-up basis for the cost of his personal private medical insurance policy not exceeding £12,000 per annum, subject to upward adjustments to reflect only any future increases in premium which are in line with general increases in market rates.	Not applicable

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
Variable				
Bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are intended to be consistent with the Group's long term strategy. The deferral of a proportion of the bonus in shares seeks to align Directors' interests with those of shareholders and to discourage short term decision making.	Awards of annual bonus are made pursuant to the Annual Bonus Plan. All measures and targets will be reviewed and set annually by the Committee at the beginning of the financial year and levels of award determined by the Committee after the year end are determined based on achievement of performance against the stipulated measures and targets. The Committee retains an overriding discretion to reduce pay-outs from formulaic outcomes to ensure that overall bonus payments reflect its view of corporate performance during the year and are fair to both shareholders and participants. Paid in cash and in shares. The cash element is paid shortly following the completion of the audit for the year. Currently 30% of bonus is deferred into shares but this percentage is at the discretion of the Committee. The share element is deferred for a period which is currently two years (but this may be increased at the discretion of the Committee). Deferral of bonuses is achieved by means of awards of nil-cost options over shares pursuant to the Deferred Bonus Plan. Vesting of the deferred shares will normally be subject to continued employment. Non-pensionable. Clawback and malus provisions apply.	The maximum bonus is 125% of salary. On target performance would result in a bonus payment of 60% of maximum bonus. Threshold performance would result in bonus payment of 20% of maximum bonus. There is no maximum or minimum percentage of the bonus which is deferred into shares. The Committee has discretion to vary this percentage from year to year based on its assessment of circumstances at the time.	All measures and targets relate to a financial year of the Company and are reviewed on an annual basis. For FY20, 80% of bonus will be paid on the basis of corporate targets and 20% of bonus on the basis of personal performance targets. Corporate targets include relative property performance, relative earnings yield and meeting the Group's financing policies in respect of loan to value, balance sheet gearing, interest cover and dividend cover.

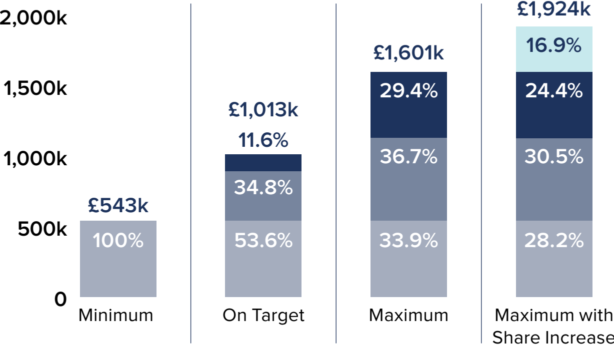
Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
Variable				
Share Option plans	Aligns the Executive Directors' interests with those of shareholders.	The Executive Directors may participate in all-employee share incentive plans established by the Company from time to time such as a tax-advantaged Sharesave Plan or Share Incentive Plan. The Executive Directors may also be granted options under the Company Share Option Plan and the Unapproved Share Option Plan. However, it is the Company's current intention not to make any further awards under this type of plan.	Participation in a tax-advantaged Sharesave Plan or Share Incentive Plan and/or in the Company Share Option Plan will be limited by reference to limits imposed by the applicable legislation from time to time.	Not applicable
Performance Share Plan	To incentivise and reward the delivery of returns to shareholders and sustained long-term performance. Aligns the Executive Directors' interests with those of shareholders. Rewards and helps retain/recruit executives.	Discretionary grant of nil-cost options under the 2016 PSP and historically the 2009 PSP. Currently awards normally vest three years from the date of award. The vesting period may be increased at the discretion of the Committee. Vesting of awards is subject to satisfaction of performance targets. Targets are currently measured over a three-year period but this may be increased at the discretion of the Committee. In relation to each grant of awards, the Committee has discretion to determine the applicable performance targets and their weightings to ensure they are appropriate. Unless the Committee determines otherwise, following the conclusion of the vesting period, a holding period of two years will apply before participants are entitled to receive their shares. Clawback and malus provisions apply.	The maximum award level permitted under the 2016 PSP plan rules is 200% of salary. The normal annual award is 100% of salary for all Executive Directors. Awards currently vest on the following basis: • threshold performance delivers 25% of the shares awarded; and • maximum performance delivers 100% of the shares awarded.	Performance targets will apply in respect of a performance period which will not be less than three years. Currently, awards are subject to the following targets: • the target applicable to 50% of the shares which are subject to an award is based on Total Accounting Return relative to certain UK-REITs that report on an EPRA accounting basis; and • the target applicable to 50% of the shares which are subject to an award is based on Total Shareholder Return relative to the FTSE All Share index. Notwithstanding the extent to which the performance targets are met, awards shall only vest if the Committee (in its absolute discretion) is satisfied that performance against the conditions is a fair reflection of underlying performance.

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
Variable				
Shareholding Requirement	To encourage long term share ownership and support alignment of interests with shareholders.	The Company operates a shareholding requirement which is subject to periodic review.	Executive Directors are expected to build up a shareholding within five years of appointment worth 200% of base salary for the CEO and 100% of base salary for other Executive Directors. Unvested share options and shares which are subject to performance do not count for the purposes of the shareholding requirement.	Not applicable
Chairman and Non-Executive Directors				
Fees	To provide market-competitive Director fees.	Annual fee for the Chairman. Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional responsibilities such as being the Senior Independent Non-Executive Director or chairing a Board Committee. Fees are reviewed from time to time taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity. Payable in cash. Expenses incurred by Non-Executive Directors fulfilling their roles are reimbursed.	Fee increases are applied in line with outcome of the review.	Not applicable

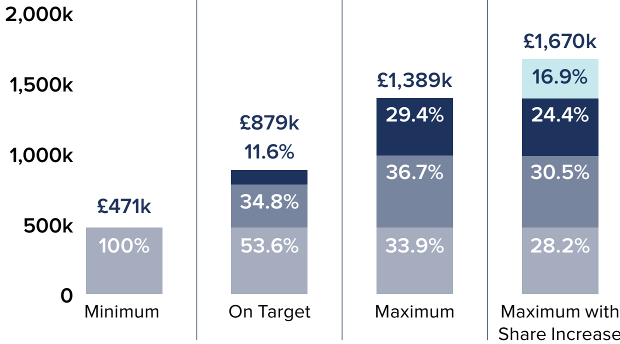
Illustration of Remuneration Policy

The table below illustrates the remuneration opportunity provided to each Executive Director in line with the policy at different levels of performance for FY20. Three scenarios have been illustrated for each Executive Director:

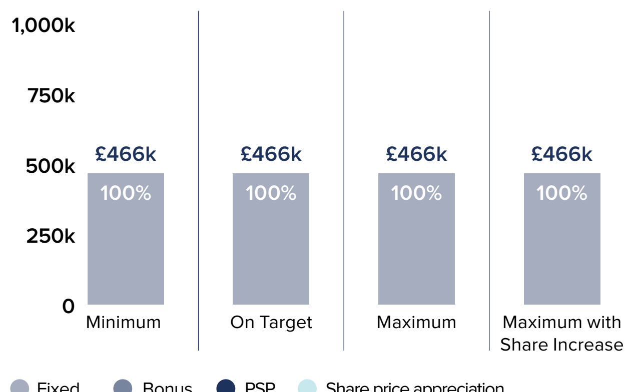
Allan Lockhart



Mark Davies



David Lockhart



Fixed Bonus PSP Share price appreciation

1. Minimum performance:	comprising the minimum remuneration receivable (being base salary and pension allowances for FY20 and benefits calculated using FY19 figures as set out in the table on page 95);
2. On target performance:	comprising fixed pay, an annual bonus payment at 60% of the maximum opportunity (75% of salary) and long-term incentive awards vesting at 25% of maximum opportunity (25% of salary); and
3. Maximum performance:	comprising fixed pay, 100% of annual bonus (125% of salary) and 100% vesting of long-term incentive awards (100% of salary).
4. Maximum performance with share price increase:	comprising fixed pay, 100% of annual bonus (125% of salary) and 100% vesting of long-term incentive awards (100% of salary), adjusted for share price appreciation of 50%.

External Directorships and Memberships

Executive Directors' are encouraged to take up one external directorship, subject to the prior approval of the Board. In considering the appointment, the Board will consider whether the appointment will have an adverse impact on the Director's role within the Company and whether it will be a conflict of interest. Fees earned may be retained by the Director. At present, no Executive Director has an external directorship.

Executive Directors' are encouraged to join, when invited, advisory committees of industries and professional bodies directly related to the Company's business. This helps to keep the Company informed of any future regulations or trends which may affect it in the future, as well as providing the opportunity to influence future decision making.

Recruitment Arrangements

The Committee will apply the same remuneration policy and principles when setting the remuneration package for a new Executive Director. The Committee will take into consideration all relevant factors to ensure that pay arrangements are in the best interests of the Company and its shareholders.

Ongoing benefits, pension provisions, annual bonus participation and awards under both the deferred bonus plan and the performance share plan will be in line with those stated in the policy. The pension contribution of a new director will be in line with the majority of the workforce. Different performance measures may be set for any initial awards under the annual bonus plan and performance share plan taking into account the responsibilities of the individual and the point in the year that they joined and the rules of the applicable plan. The rationale will be clearly explained in the annual report following such recruitment. The level of bonus which may be paid will be pro-rated to reflect the time in the year when the Executive Director joins.

In addition, the Committee will have discretion to make payments or awards to buy out incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above and may exercise the discretion available under the listing rules if necessary to do so. In doing so, the Committee will seek, to the best possible extent, to do no more than match the fair value of the awards forfeited, taking account of the applicable performance conditions, the likelihood of those conditions being met and the proportion of the applicable vesting period remaining.

Where an Executive Director appointment is an internal candidate, the Committee will honour any pre-existing remuneration obligations or outstanding variable pay arrangements that relate to the individual's previous role.

The Committee retains the discretion to offer appropriate remuneration outside the standard policy where an interim appointment is made to fill an executive role on a short-term basis or where exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function.

Other contractual matters

Further details on service contracts, Non-Executive Director's letter of appointment, Termination of employment and change of control and arrangement for the founding executive directors are detailed in the annual report for the year ended 31 March 2017.

Remuneration Committee report

This section is subject to an advisory vote at the AGM.

Total remuneration payable to Directors for FY19 (audited)

The following tables show a single figure total of remuneration for the year ended 31 March 2019 for each of the Directors and compares this figure to the prior year.

Executive Directors

	Financial year	Salary £	Benefits[1] £	Pension £	Subtotal for fixed pay £	Cash bonus £	Value of bonus deferred into shares £	Long-term incentive plans[2] £	Subtotal for variable £	Total £
Allan Lockhart	**2019**	**466,250**	**2,784**	**69,938**	**538,972**	**261,100**	**111,900**	**–**	**373,000**	**911,972**
	2018[3]	425,000	2,536	63,750	491,286	346,959	148,697	42,554	538,210	1,029,496
Mark Davies	**2019**	**408,000**	**2,000**	**61,200**	**471,200**	**228,480**	**97,920**	**–**	**326,400**	**797,600**
	2018[3]	400,000	1,856	60,000	461,856	340,550	145,950	36,475	522,975	984,831
David Lockhart	**2019**	**399,583**	**12,000**	**59,938**	**471,521**	**–**	**–**	**–**	**–**	**471,521**
	2018[3]	450,000	12,000	67,500	529,500	304,369	130,444	48,633	483,446	1,012,946

1. Benefits are the Director's private medical cover
2. For details of the awards and their performance conditions, see pages 96 to 97
3. The comparative figures have been restated to present the value of the long-term incentive plans relative to the year in which the performance conditions were largely met. Previously, the value of the long-term incentive plans was calculated with reference to the year in which the performance condition was fully met. For example, if an award has a performance condition relating to TSR for a period to June, then the value of the award will be included in the financial year ended in March based on an estimate of the outcome. Where the actual level of vesting is different from the estimated level then the comparative figures will be restated and an explanation provided

Non-Executive Directors

	Financial year	Base Fee £	Audit Committee Chairman £	Remuneration Committee Chairman £	Senior Independent Non-Executive Director £	Total £
Margaret Ford[1]	**2019**	**105,000**	**–**	**–**	**3,750**	**108,750**
	2018	29,167	–	–	2,916	32,083
Kay Chaldecott	**2019**	**50,000**	**–**	**7,500**	**–**	**57,500**
	2018	50,000	–	5,000	–	55,000
Alastair Miller[2]	**2019**	**50,000**	**7,500**	**–**	**3,750**	**61,250**
	2018	50,000	4,872	–	–	54,872
Colin Rutherford[3]	**2019**	**7,628**	**–**	**–**	**–**	**7,628**
	2018	–	–	–	–	–
Paul Roy[4]	**2019**	**50,000**	**–**	**–**	**–**	**50,000**
	2018	100,000	–	–	–	100,000
Chris Taylor[5]	**2019**	**–**	**–**	**–**	**–**	**–**
	2018	962	96	–	96	1,154

1. Margaret Ford was appointed as a Director and as Senior Independent Non-Executive Director on 1 September 2017 and was appointed as Chairman on 1 October 2018
2. Alastair Miller was appointed as Audit Committee Chairman on 10 April 2017 and as Senior Independent Non-Executive Director on 1 October 2018
3. Colin Rutherford was appointed on 5 February 2019
4. Paul Roy retired as Chairman on 30 September 2018
5. Chris Taylor retired as a Director on 9 April 2017

Salaries

The salaries of the Executive Directors were changed as follows during FY19 as disclosed in the Remuneration Committee report for FY18.

Allan Lockhart – Chief Executive Officer – salary upon appointment from 1 May 2018	£470,000
Mark Davies – Chief Financial Officer – increased with effect from 1 April 2018	£408,000
David Lockhart – Executive Deputy Chairman – salary upon appointment from 1 May 2018	£395,000

Fees

Non-Executive fees were changed effective 1 April 2018. The Chairman's fee changed upon appointment of a new Chairman on 1 October 2018. The Chairman and Non-Executive Directors fees during the year were as follows:

Chairman – from 1 October 2018	£160,000
Basic fee for a Non-Executive Director	£50,000
Additional fee for serving as Chairman of the Audit and Remuneration Committees	£7,500
Additional fee for serving as the Senior Independent Non-Executive Director	£7,500

Annual bonus for the year ended 31 March 2019

The annual bonus for the year ended 31 March 2019 operated as laid out in the policy section of this report. Executive Directors had the opportunity to earn a bonus up to a maximum of 125% of salary on the basis of the achievement of the following measures.

								Actual % awarded	
Corporate	Threshold	Potential % salary	On target	Potential % salary	Stretch	Potential % salary	Actual result	Allan Lockhart	Mark Davies
Growth based									
Total return vs IPD All Retail	At index	12.5%	10% ahead	31.25%	20% ahead	50%	1.3% vs (2.6)%	50.0%	50.0%
Earnings yield (FFO) – comparative*	At index	7.5%	Top quartile	18.75	Top 5	30%	10 / 34	17.0%	17.0%
Financial discipline (each element equally weighted)									
LTV	<50%		<40%		<35%		36.9%	3.7%	3.7%
Gearing	<100%		<85%		<75%		60%	5.0%	5.0%
Interest cover	+2x		>2.25x		>2.5x		4.0x	5.0%	5.0%
Dividend cover	100%		105%		110%		86%	–	–
		5%		12.5%		20%		13.7%	13.7%
Personal									
Personal objectives	Discretionary	Discretionary	Good performance					18.75%	18.75%
Total: % of salary		25%		75%		125%		99.45%	99.45%
Amount awarded by Committee after applying downward discretion (% of salary)								80.0%	80.0%

* The comparative group for earnings yield was the same as for the TAR comparator group disclosed below excluding Real Estate Investors and Schroder European Real Estate and adding Custodian REIT, Edison Property Investment, Capital & Regional, F&C UK Real Estate Investment, Unite Group, Town Centre Securities and Ground Rents Income Fund

The objectives of the CEO and CFO for the year were:

Objective	Performance	Amount awarded
Allan Lockhart		
• To focus on delivering a growing and sustainable income stream and to grow the business to maximise the benefits of economies of scale	• The Company has been impacted by the headwinds in the retail market that led to a decline in net income due to disposals and the Company's cautious approach to investment in current conditions.	–
• To lead the formulation and regular review of the vision and strategy of the business	• Built the programme for the strategy sessions and set a clear strategy for the Group to navigate a difficult market backdrop, as detailed in the annual report.	6.25%
• To ensure that the Company proactively engage with its stakeholders at all levels of the business	• An extensive roadshow of meetings with investors, lenders, bond holders, employees and key suppliers was held during the year. As well as regulatory reporting the Company has added a news release channel to keep stakeholders informed.	6.25%
• To develop the strength and depth of leadership qualities within the Senior Management Team	• Four new appointments were made to the Executive Committee during the year. Mentoring and personal guidance was provided to develop their executive skill set.	6.25%
Mark Davies		
• Ensure the NewRiver balance sheet is adequately capitalised	• NewRiver has maintained strong financial discipline in the year, with an LTV of less than 40%, and undrawn bank facilities and cash of £197.5 million. However, no new capital or facilities were raised during the year.	–
• Successfully manage the debt financing of the Group, including the extension of the NewRiver bank facilities and the annual review of the investment grade credit rating	• The Group's weighted average debt expiry stood at 6.4 years at March 2019, with a low weighted interest cost of 3.6%. The Group's bank facilities were extended to 2023 and the listed bonds' investment grade credit rating of BBB+ was reiterated during the year.	6.25%
• Pro-active engagement with shareholders and working alongside the CEO and Executive Deputy Chairman to extend the investor relations reach into Europe and the USA	• Mark has proactively engaged with existing and potential shareholders in England, Scotland, South Africa, the USA, and the Netherlands, with new holders in South Africa and the USA as a result.	6.25%
• Lead and successfully integrate the Hawthorn Leisure business into the Group, delivering income and cost synergies	• Mark has had executive responsibility for the Group's pub business during the year. The Group's existing pub portfolio was successfully integrated into Hawthorn Leisure in January 2019, unlocking £2.1 million of income and cost synergies.	6.25%

70% of the annual bonus was paid in cash and 30% in nil-cost share options, deferred for two years.

Long-term Incentive Plans

Vesting of Performance Share Plan awards

The performance conditions for the 2015 Performance Share Plan award that vest in September 2019 are:

	Performance period start	Performance period end	Minimum hurdle	Maximum hurdle	Achieved / estimated
Total Shareholder Return	Sept 2015	Sept 2019	9%	16%	-1.9%
Earnings Per Share growth	April 2015	March 2019	5.0%	12.0%	-1.6%
NAV growth	April 2015	March 2019	9%	16%	7.1%

It is currently estimated that the awards will not meet the minimum hurdle and will lapse.

The performance conditions for the 2016 Performance Share Plan award that vest in July 2019 are:

	Performance period start	Performance period end	Minimum hurdle	Maximum hurdle	Achieved / estimated
Total Shareholder Return	July 2016	July 2019	100% of index	150% of index	Less than 100% of index
Total Accounting Return	July 2016	July 2019	100% of index	150% of index	Less than 100% of index

It is currently estimated that the awards will not meet the minimum hurdle and will lapse.

The performance conditions for the 2015 Performance Share Plan award that vested in September 2018 were:

	Performance period start	Performance period end	Minimum hurdle	Maximum hurdle	Achieved / estimated
Total Shareholder Return	Sept 2015	Sept 2018	9%	16%	5.6%
Earnings Per Share growth	April 2015	March 2018	5.0%	12.0%	2.3%
NAV growth	April 2015	March 2018	9%	16%	10.3%

The Total Shareholder Return and Earnings per Share growth targets failed to achieve the threshold level of vesting. The NAV growth condition achieved the threshold and 39.2% of this part of the award vested. Overall, 13.1% of the award vested and the value is set out in the total remuneration for FY18.

The table below shows the impact of share price movement on the value of the Performance Share Plan award that vested in September 2018.

	Share price at vesting	Value vested	Share price at grant	Historical value at grant
Allan Lockhart	2.60	42,554	3.40	55,648
Mark Davies	2.60	36,475	3.40	47,699
David Lockhart	2.60	48,633	3.40	63,597

PSP awards granted in the year ended 31 March 2019

The following Performance Share Plan awards were granted to Executive Directors as nil cost options:

Executive	Value of awards at grant date (% salary)*	Number of shares comprising award	% of award vesting at threshold	Vesting period end date
Allan Lockhart	£425,000 (100%)	142,857	25%	May 2021
Mark Davies	£400,000 (100%)	134,454	25%	May 2021
David Lockhart	£450,000 (100%)	160,142	25%	July 2021

* The closing price on the day before the grant date has been used to determine the value of the awards at grant date. This was £2.735 and £2.975

Each award is subject to clawback and malus provisions in line with the Company's policy. Each award is subject to two performance conditions which will be tested over a three-year period. Following the conclusion of the vesting period, a holding period of two years will apply before participants are entitled to receive their shares (normally subject to continued employment).

50% of each award may vest based on the Company's TSR compared to that of the FTSE All Share index (the TSR Benchmark).

50% of each award may vest based on the Company's Total Accounting Return ("TAR") compared to a group of UK REITs that report their NAV on an EPRA basis. TAR is defined as the annualised return over the performance period based on the change in EPRA NAV per share and the level of dividends paid per share.

The range of targets, for both performance conditions, is as follows:

Range	% award vesting
Less than 100% of the index	0
Equal to 100% of the index	25
More than 100% but less than 125% of the index	between 25 and 75 on a straight-line basis
More than 125% but less than 150% of the index	between 75 and 100 on a straight-line basis
Equal to 150% of the index or more	100

For the assessment of performance against the index, the TSR of NewRiver and the index value will be re-based to 100 at the start of the period, thus ensuring that the maximum out-performance requirement equates broadly to upper quartile performance, based on back-testing analysis.

For the assessment of performance against the index for the TAR growth of NewRiver will be compared to the growth of the index, in all cases requiring that there is minimum absolute growth above the index of 10%, where performance of the index is close to zero or negative. Similarly, this ensures that the maximum out-performance requirement equates broadly to upper quartile performance, based on back-testing analysis.

The TAR comparator group was composed of the companies set out in the list below.

Land Securities Group plc	Redefine International plc
British Land Company plc	Real Estate Investors plc
Hammerson plc	Safestore Holdings plc
Intu Properties plc	Primary Health Properties plc
Segro plc	Empiric Student Property plc
Derwent London plc	Secure Income REIT plc
Shaftesbury plc	GCP Student Living plc
Great Portland Estates plc	Standard Life Investments Property Income Trust Limited
Big Yellow Group plc	Regional REIT Limited
Workspace Group plc	Target Healthcare REIT Limited
Tritax Big Box REIT plc	A&J Mucklow Group plc
Londonmetric Property plc	McKay Securities plc
Assura plc	Schroder European Real Estate Investment Trust Limited
Hansteen Holdings plc	

Summary of Directors Interests (audited)

The beneficial interests of the Executive Directors in share awards and share options as at 31 March 2019 are shown in the following tables.

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 31 March 2018	Granted	Dividend equivalent shares added	Lapsed	Exercised	**At 31 March 2019**
Allan Lockhart	Sept 2009	USOP	Vested	2.50	192,686	–	–	–	–	**192,686**
	Sept 2011	USOP	Vested	2.35	338,000	–	–	–	–	**338,000**
	Jan 2013	PSP	Vested	2.04	71,937	–	–	–	(71,937)	**–**
	July 2014	PSP	Vested	3.06	104,480	–	–	–	(104,480)	**–**
	Sept 15	PSP	Vested	3.40	120,851	–	4,544	(109,028)	(16,367)	**–**
	Sept 15	PSP	Sept 19	3.40	120,851	–	10,738	–	–	**131,589**
	March 2016	DBP	Vested	3.26	148,377	–	–	–	(148,377)	**–**
	June 2016	DBP	Vested	3.16	56,158	–	1,011	–	(57,169)	**–**
	July 2016	PSP	July 2019	2.98	151,199	–	13,435	–	–	**164,634**
	June 2017	PSP	June 2020	3.46	127,007	–	11,285	–	–	**138,292**
	July 2017	DBP	July 2019	3.42	38,064	–	3,380	–	–	**41,444**
	May 2018	DBP	May 2020	2.86	–	52,028	3,620	–	–	**55,648**
	May 2018	PSP	May 2021	2.98	–	142,857	9,943	–	–	**152,800**
	Total				**1,469,610**	**194,885**	**57,956**	**(109,028)**	**(398,330)**	**1,215,093**

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 31 March 2018	Granted	Dividend equivalent shares added	Lapsed	Exercised	**At 31 March 2019**
Mark Davies	Sept 15	PSP	Vested	3.40	103,586	–	3,895	(93,452)	(14,029)	**–**
	Sept 15	PSP	Sept 19	3.40	103,586	–	9,204	–	–	**112,790**
	March 2016	DBP	Vested	3.26	93,574	–	–	–	(93,574)	**–**
	June 2016	DBP	Vested	3.16	48,136	–	866	–	(49,002)	**–**
	July 2016	PSP	July 2019	2.98	132,300	–	11,755	–	–	**144,055**
	Jan 2017	PSP	Jan 2022	3.34	130,776	–	11,620	–	–	**142,396**
	June 2017	PSP	June 2020	3.46	119,536	–	10,620	–	–	**130,156**
	July 2017	DBP	July 2019	3.42	35,825	–	3,183	–	–	**39,008**
	May 2018	DBP	May 2020	2.86	–	51,067	3,553	–	–	**54,620**
	May 2018	PSP	May 2021	2.98	–	134,454	9,357	–	–	**143,811**
	Total				**767,319**	**185,521**	**64,053**	**(93,452)**	**(156,605)**	**766,836**

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 31 March 2018	Granted	Dividend equivalent shares added	Lapsed	Exercised	**At 31 March 2019**
David Lockhart	Sept 15	PSP	Vested	3.40	138,116	–	5,193	(124,604)	(18,705)	**–**
	Sept 15	PSP	Sept 19	3.40	138,116	–	12,272	–	–	**150,388**
	March 2016	DBP	Vested	3.26	174,323	–	–	–	(174,323)	**–**
	June 2016	DBP	Vested	3.16	64,182	–	1,155	–	(65,337)	**–**
	July 2016	PSP	July 2019	2.98	160,650	–	14,274	–	–	**174,924**
	June 2017	PSP	June 2020	3.46	134,479	–	11,949	–	–	**146,428**
	July 2017	DBP	July 2019	3.42	40,303	–	3,579	–	–	**43,882**
	May 2018	DBP	May 2020	2.86	–	45,642	3,175	–	–	**48,817**
	July 2018	PSP	July 2021	2.74	–	160,142	7,910	–	–	**168,052**
	Total				**850,169**	**205,784**	**59,507**	**(124,604)**	**(258,365)**	**732,491**

DBP = Deferred Bonus Plan
PSP = Performance Share Plan
USOP = Unapproved Share Option Plan

Unapproved Share Option Plan

Awards made under the Unapproved Share Option Plan have vested and the participants have until the tenth anniversary from the date of grant for each award in which to exercise the options. The exercise price per share to be paid upon exercise is shown against each award.

Details of the Directors' shareholdings and rights to shares (audited)

It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Under these guidelines the Chief Executive Officer and other Executive Directors are expected to hold Company shares equal in value to 200% and 100% of their base salary respectively.

The beneficial interests of Directors who served during the year, together with those of their families, in the shares of the Company are as follows:

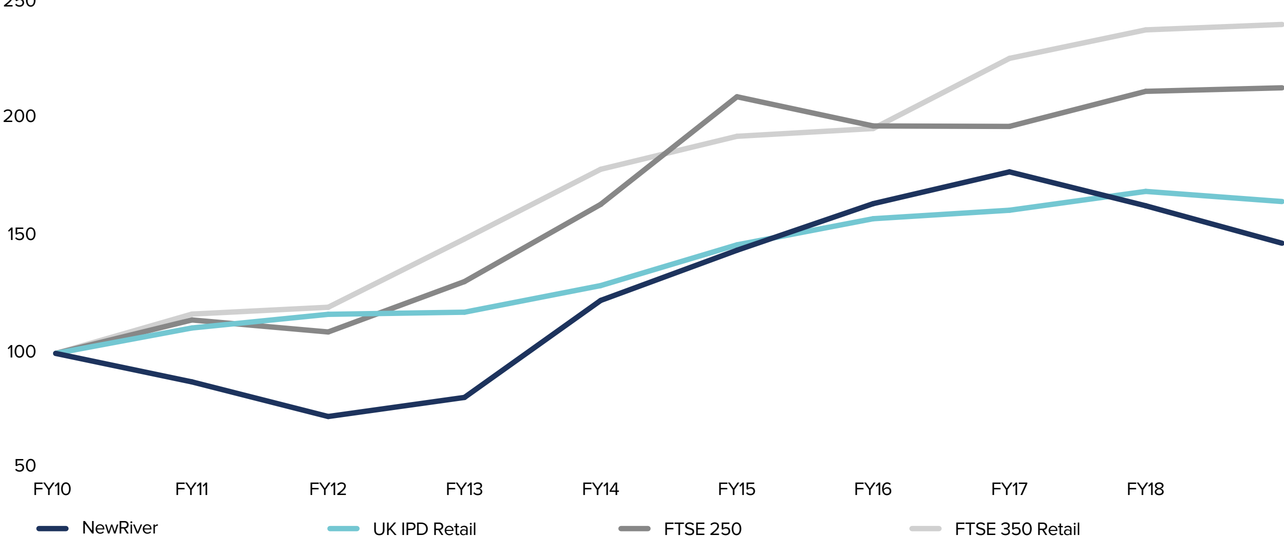
	Shares held at 31 March 2019	Shareholding as % of salary*	Unvested DBP awards held at 31 March 2019**	Unvested PSP awards held at 31 March 2019**	Vested DBP awards held at 31 March 2019**	Vested but unexercised PSP awards held at 31 March 2019	Vested but unexercised USOP awards held at 31 March 2019	Unconverted warrants held at 31 March 2019	Total held as at 31 March 2019
Allan Lockhart	458,195	259%	97,092	587,315	–	–	530,686	–	1,673,288
Mark Davies	222,468	159%	93,628	673,208	–	–	–	–	989,304
David Lockhart	1,793,200	1112%	92,699	639,792	–	–	–	128,175	2,653,866
Margaret Ford	25,000	–	–	–	–	–	–	–	25,000
Kay Chaldecott	39,445	–	–	–	–	–	–	–	39,445
Alastair Miller	35,956	–	–	–	–	–	–	–	35,956

* based on the closing share price of £2.385 as at 31 March 2019 and salary for FY20. Shareholding guidelines are for the CEO to hold a minimum number of shares with a value in excess of 200% of his base salary and for the other Executive Directors to hold a minimum number of shares with a value in excess of 100% of their base salary. Includes nil price share options with no performance conditions
** includes dividend equivalent shares added to that date
DBP = Deferred Bonus Plan
PSP = Performance Share Plan
USOP = Unapproved Share Option Plan

There have been no changes in the number of shares held from 31 March 2019 to 21 May 2019, being the latest practicable date before the publication of this Annual Report.

Historic performance and chief executive remuneration

The following information allows comparison of the Company's TSR (based on share price growth and dividends reinvested) with the remuneration of the CEO over the last nine years.



The chart shows the TSR of the Company, the FTSE250 and the FTSE350 REIT Indices, and the UK IPD Retail Index, based on an initial investment of £100 on 1 April 2010 and values at intervening financial year ends over a nine-year period to 31 March 2019. These are considered to be appropriate benchmarks for the graph as the Company was a constituent of these indices during the financial year.

Chief Executive Officer remuneration for year ended 31 March

Single figure table

	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Total remuneration (£)	337,500	467,500	504,000	642,000	850,000	1,792,205	1,341,958	1,012,946	**911,972**
Annual bonus (% of max)	42.0	36.5	32.6	69.0	70.0	100.0	66.7	77.3	**64.0**
Total LTIP vesting (% of max)	–	–	–	–	–	50.0	76.3	13.1	**–**

CEO pay ratio

The ratio of the CEO's total pay to the total pay of the 25th, 50th and 75th percentile paid employee is shown below. The Group employs the majority of its staff in managed pubs which tend to offer hourly pay based on market rates, without any performance related bonuses.

The CEO's pay is set in accordance with the remuneration policy, i.e. it is a market competitive remuneration reflecting the role, and the CEO's responsibilities, skills and experience.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	15:1	35:1	52:1

	Total remuneration
25th percentile	£58,000
50th percentile	£24,000
75th percentile	£16,286

Chief Executive Officer pay compared to employees

The table below shows the percentage change in salary benefits and bonus for FY19 for both the Chief Executive Officer and for all permanent employees of the Group, excluding joiners and leavers.

	Salary	Benefits[1]	Annual Bonus
Chief Executive	4.4%	10%	-24.1%
All employees	8.8%	10%	-24.2%

1. The 10% increase in benefits relates to the increased cost of private medical insurance and represents an increase of £248 for the CEO

Relative importance of spend on pay

The table below shows employee pay and distributions to shareholders for FY19 and FY18.

	2019 £'000	2018 £'000	% difference from prior year
Total spend on employee pay[1]	**14,235**	9,853	+50%
Total distributions to shareholders	**64,325**	62,734	+3%

1. Includes salaries, bonuses, social security costs and pension costs as shown in the notes to the Financial Statements. The increase is due to the acquisition of Hawthorn Leisure

Other Directorships

The Executive Directors do not serve on any other Boards in a Non-Executive Director capacity

Payments to past Directors and payments for loss of office

There are no payments to past directors

External advice to the Committee

During the year the Committee received advice on executive remuneration from Korn Ferry. h2glenfern has previously provided advice to the Committee and Korn Ferry were appointed following a competitive process. Fees charged by Korn Ferry were on a time and materials basis and totalled £12,900 in the year ended 31 March 2019.

Another division within h2glenfern provides corporate advice to the Company and it has confirmed that it has operated in accordance with the Code of Conduct of the Remuneration Consultants' Group in relation to executive remuneration consulting in the United Kingdom. Korn Ferry does not provide any other services to the Group. The Committee is satisfied that all advice provided by h2glenfern and Korn Ferry was objective and independent.

What the Directors can earn in FY20

Salaries for Executive Directors

The base salaries are unchanged from FY19 and are as follows:

Allan Lockhart – Chief Executive Officer	£470,000
Mark Davies – Chief Financial Officer	£408,000
David Lockhart – Executive Deputy Chairman	£395,000

The average increase for the workforce was 1.5%.

Fees for Non-Executive Directors

The Board considered the remuneration of the non-executive directors during the year. The Committee (without the Chairman of the Board) determines the Chairman of the Board's fee and recommends it to the Board. The Chairman of the Board and Executive Directors determine the Non-Executive Directors' fees. The Non-Executive Directors' fees were last increased in April 2018 and will remain unchanged for FY20.

Fees payable to the Chairman and Non-Executive Directors are as follows:

Chairman	£160,000
Basic fee for a Non-Executive Director	£50,000
Additional fee for serving as Chairman of the Audit and Remuneration Committees	£7,500
Additional fee for serving as the Senior Independent Non-Executive Director	£7,500

Annual bonus

The annual bonus arrangements for the financial year ending 31 March 2020 will operate as laid out in the remuneration policy. The Chief Executive Officer and the Chief Financial Officer will have the opportunity to earn a bonus up to a normal maximum of 125% of salary on the basis of the achievement on achievement of the following measures.

Measure		Proportion of salary payable
Corporate Performance	Total Accounting Return v IPD All Retail Earnings (FFO) yield v comparative peer group Targets for financial discipline	For on target performance: 62.5% For stretch performance: 100%
Personal	Achievement against a number of business, strategic, organisational, stakeholder and financial targets tailored to the role of each Executive Director	For on target performance: 12.5% For stretch performance: 25%

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are commercially sensitive. However, retrospective disclosure of the targets and performance against them will be set out in the Remuneration Committee Report for the year ending 31 March 2020.

The Executive Deputy Chairman will not participate in the bonus plan.

Long-term incentives – Performance Share Plan

Performance Share Plan awards granted to The Chief Executive Officer and the Chief Financial Officer in the financial year ended 31 March 2020 will be over shares worth 100% of salary and will be consistent with the long-term incentives policy detailed on page 99.

The targets and weightings will be the same as those described on page 99, albeit the performance measurement periods will be aligned to the financial year in all cases. The basis for calculating the TSR and TAR performance will however be changed from being compared to an index, to being calculated based on the ranking in a comparator group. 25% of the award will vest for performance at a median rank, rising incrementally so that there is full vesting for upper quartile performance or above, with an intervening step for 75% to vest at a ranking of 62.5%.

Awards will be subject to a two year holding period after the vesting date, i.e. for a period of five years from the grant date. In line with market practice the shares subject to the holding period would not be at risk of forfeiture in the event an executive ceases employment (but will remain subject to clawback).

The Executive Deputy Chairman will not participate in Performance Share Plan.

2018 Annual General Meeting shareholder vote

At the Annual General Meeting held on 4 July 2018, votes cast by proxy and at the meeting in respect of the Remuneration Committee report were as set out below:

	Votes for	%	Votes against	%	Total shares for & against	% of total voting rights	Votes withheld
That the Directors' Remuneration Committee report, be received and approved	255,001,767	99.38	1,596,918	0.62	256,598,685	84.65%	108,893

The remuneration policy was approved at the Annual General Meeting held on 14 July 2017.

	Votes for	%	Votes against	%	Total shares for & against	% of total voting rights	Votes withheld
That the Directors' remuneration policy be received and approved	243,604,524	96.3	9,414,395	3.7	253,018,919	84.0	71,795

Signed on behalf of the Board:

Kay Chaldecott
Committee Chairman

22 May 2019

Directors' report

The Directors present their report and Group financial statements for the year ended 31 March 2019.

Principal activities and status

NewRiver REIT plc ("the Company") is a premium listed REIT on the London Stock Exchange and a constituent of the FTSE250 and EPRA Indices. The Company is a specialist real estate investor, asset manager and developer focused solely on the UK retail and leisure sector.

Strategic Report

The Strategic Report for the year ended 31 March 2019 is set out on pages 1 to 73 and contains a fair review of the business of the Group during the year including a description of the principal risks and uncertainties, an indication of likely future developments in the business on page 40 and disclosures concerning Greenhouse Gas Emissions on page 58.

Results and dividend

The results for the year are set out in the financial statements. During the year the Group paid quarterly interim dividends totalling £64.9 million (2018: £62.7 million). Further details on the dividend payments are set out in note 11 to the financial statements.

The Board

The Directors, who served throughout the year unless stated otherwise, are detailed below:

Margaret Ford	Non-Executive Chairman
Allan Lockhart	Chief Executive Officer
Mark Davies	Chief Financial Officer
David Lockhart	Executive Deputy Chairman
Kay Chaldecott	Non-Executive Director
Alastair Miller	Non-Executive Director
Colin Rutherford	Non-Executive Director– appointed 5 February 2019
Paul Roy	Non-Executive Chairman – retired 30 September 2018

The Board recognises the requirement of the UK Corporate Governance Code regarding the segregation of roles and division of responsibilities between the Chairman and Chief Executive and has complied with this requirement during the year.

The Board has determined that a major part of its role is the overall strategy of the Group and to consider the following matters which are key to the performance of the Group:

- implementation of the agreed business strategy to focus on value creating retail and leisure property opportunities;
- ensuring adequate funding is in place to implement the Group's business model;
- monitoring of cash management policies and cash flow forecasts;
- responsibility for the financial reporting procedures and safeguarding the Group's assets and those held in joint ventures;
- approval of the annual and interim financial statements and annual budget;
- review of quarterly management accounts including forecasts;
- dividend policy and approval of all dividend payments;
- the performance of and relationships with key service providers including corporate brokers and advisers;
- monitoring key performance indicators; and
- establishing and maintaining appropriate delegated authorities, internal controls and risk management policies and procedures.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time. A copy of the Company's Articles of Association can be found on the Company's website, www.nrr.co.uk.

Substantial shareholdings

As at 7 June 2019, the Company has been advised under DTR5 by shareholders with holdings of more than 3% of the total voting rights of the Company as follows:

Shareholder	Number of ordinary shares	% of Issued Share Capital
Invesco Perpetual Asset Management	79,470,823	26.00
Woodford Investment Management	45,492,833	14.88
St James Place plc	15,236,757	4.99
BlackRock Investment Management	13,789,054	4.54

Directors' interests

Details of the Directors' share interests can be found in the Remuneration Committee report and are applicable as at 30 April 2019.

All related party transactions are disclosed in note 27 to the financial statements.

Financial instruments

The Group's exposure to and management of capital risk, market risk and liquidity risk is set out in note 25 to the Group's financial statements.

Directors' indemnification and insurance

The Company's articles of association provide for the Directors' and officers' of the Company to be appropriately indemnified, subject to the provisions of the Companies Act 2006. The Company purchases and maintains insurance for the Directors' and officers' of the Company in performing their duties, as permitted by section 233 Companies Act 2006.

Share capital

The Company has one class of share capital, being ordinary shares with a nominal value of one penny each. Details of the share capital, including the rights and obligations attached to the ordinary shares issued during the year ended 31 March 2019, are summarised in note 22 of the financial statements.

At the Annual General Meeting held in 2018, shareholders authorised market purchases of the Company's ordinary shares, limited to 14.99% of the issued share capital at that time, as well as the allotment of new shares within certain limits approved by shareholders. These authorities expire are the AGM in 2019 and appropriate renewals will be sought.

The Company has 333,401 warrants to subscribe for ordinary shares in issue. These warrants were issued when NewRiver Retail Limited listed in 2009 and were converted across on the same terms and conditions to warrants in NewRiver REIT plc when the Company listed on the Main Market in August 2016. Each warrant can be surrendered for one ordinary share at a current subscription price of 121p per share. The warrants in issue have to be exercised by 1 September 2019 otherwise they will lapse.

There are no securities of the Company carrying special rights with regards to the control of the Company in issue.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and ensure that the auditor is aware of such information.

Auditor

Following a competitive tender process, PricewaterhouseCoopers will be nominated as the Group's auditor at the AGM.

Political Donations

No political donations were made by the Company or its subsidiaries during the year (2018: Nil).

Pubs Code Regulations

In accordance with the Pubs Code Regulations 2016 the Company has produced an annual compliance report to be submitted the Pubs Code Adjudicator (PCA). The report details the Company's compliance with the Pubs Code where applicable; instances of breaches and alleged breaches; and additional steps taken to ensure compliance. The Company has complied with the regulations and there have been no breaches or alleged breaches during the period. The Company has conducted additional staff training to ensure continued compliance. The Company's annual compliance report will be submitted to the PCA on 31 July 2019.

Annual General Meeting

The Annual General Meeting will be held at 2:00p.m on 25 July 2019. At the meeting, resolutions will be proposed to receive the Annual Report and financial statements, approve the Directors' remuneration report, re-elect Directors and appoint and determine the remuneration of PricewaterhouseCoopers. In addition, it will be proposed that expiring authorities to allot shares and to repurchase shares are extended.

Internal controls review

Taking into account the principal risks and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board, the Directors:

- are satisfied that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; and
- have reviewed the effectiveness of the risk management and internal control systems and no significant failings were identified.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Committee report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

- In preparing these financial statements, the Directors are required by International Accounting Standard 1 to:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
Chief Executive Officer

Mark Davies
Chief Financial Officer

22 May 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of NewRiver REIT plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated cash flow statement;
- the consolidated and company statement of changes in equity; and
- the related notes 1 to 27 and A to E.

The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Key judgements within the valuation of the shopping centre, high street and retail warehouse portfolio, including development properties; – Key judgements within the valuation of the pub portfolio; and – The accounting treatment for the acquisition of the Hawthorn portfolio. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with . Key audit matters with increased or lower levels of risk compared to the prior year are identified with and .
Materiality	The materiality that we used for the Group financial statements was £13.4 million which was determined on the basis of approximately 1% of total assets.
Scoping	We performed a full scope audit to respond to the risks of material misstatement for the Group and performed an audit of specified account balances for the joint venture entity.
Significant changes in our approach	There have been no significant changes to our audit approach in 2019. We have continued to focus on the key judgements within the investment property valuations. The key audit matter relating to accounting for investment property acquisitions focuses specifically on the Hawthorn acquisition.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and parent company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 70-72 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 106 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 120 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key judgements within the valuation of the shopping centre, high street and retail warehouse portfolio, including development properties

Key audit matter description

NewRiver REIT plc owns and manages a portfolio of commercial assets. The valuation of the shopping centres, high street assets and retail warehouse portfolio (including a number of development properties) is a significant judgement area and is underpinned by a number of assumptions.

The portfolio (excluding development properties) is valued by external valuers using the 'investment method' of valuation, in which the principal assumptions include estimated rental values and capitalisation yields. Development properties are valued by applying the same methodology, but with a deduction for the future costs necessary to complete the development together with an allowance for remaining risk, developers' profit and purchasers' costs ('the residual method').

We have therefore pinpointed the significant risk to these principal assumptions made in the valuation, as described above. Focus was given to the estimated rental values and yields used in the valuations in the current year given the challenges faced by the retail industry.

There has been an increase in the level of judgement in the valuations, particularly around estimated rental values and yields used in the valuation, given the challenges faced by the retail industry.

The Group's share of property assets are valued at £987.0 million (2018: £1,059.7 million) of which £979.6 million are held by subsidiaries (2018: £1,047.3 million) and £7.4 million by joint ventures (2018: £12.4 million).

Please see note 1 and 12 to the financial statements and discussion in the report of the Audit Committee on page 83.

How the scope of our audit responded to the key audit matter

We assessed, in consultation with our property valuation specialists, management's process for reviewing and challenging the work of the external valuer. We also assessed the competence, independence and integrity of the external valuer.

In consultation with our property valuation specialists, we performed detailed analysis of the valuations for a sample of properties in the portfolio. We performed audit procedures to assess the integrity of information provided to the independent valuer including agreement on a sample basis back to underlying lease agreements.

Alongside our property valuation specialists, we held discussions with the external valuers of the portfolio to understand the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including estimated rental values with consideration of Compulsory Voluntary Arrangements ('CVAs') and administrations during the year, and yields. We benchmarked these assumptions to relevant external industry data and comparable property transactions, in particular the yield.

For development properties we assessed the classification of development properties and whether the methodology applied (i.e. investment or residual method) was appropriate.

Key observations

We have concluded that the assumptions applied in arriving at the fair value of the Group's shopping centre, high street and retail warehouse portfolios were appropriate.

Key judgements within the valuation of the pub portfolio

Key audit matter description

NewRiver owns a pub portfolio comprising of 665 pubs (2018: 331 pubs). The extent and variety of judgements involved in the valuation of the pub portfolio is different to the rest of the investment property portfolio due to the specific operational nature of the properties, as well as the contractual arrangements in place.

The majority of the pubs are valued by external valuers using the 'investment method' of valuation, whereby the principal assumptions include income from fair maintainable trade and capitalisation multiples.

We have therefore pinpointed the significant risk to the judgements made in the valuation, as described above.

The Group's assets are valued at £294 million (2018: £179.9 million).

Please see note 1 and 12 to the financial statements and discussion in the report of the Audit Committee on page 83.

How the scope of our audit responded to the key audit matter

We assessed, in consultation with our property valuation specialists, management's process for reviewing and challenging the work of the external valuer. We also assessed the competence, independence and integrity of the external valuer.

We performed analytical procedures over the pubs on a portfolio-by-portfolio basis, with in depth reviews for a sample of pubs with movements of + / - 10% compared to the portfolio average. We performed audit procedures to assess the integrity of information provided to the independent valuer including agreement on a sample basis back to underlying tenant leases and wet sales volumes.

Alongside our property valuation specialists, we held discussions with the external valuers of the portfolio to understand key trends in the market and challenged the material assumptions.

Furthermore, we reconciled the audited EBITDA to the EBITDA used in the valuation by Colliers.

Key observations

We have concluded that the assumptions applied in arriving at the fair value of the Group's pub portfolio were appropriate,

The accounting treatment of the acquisition of the Hawthorn portfolio

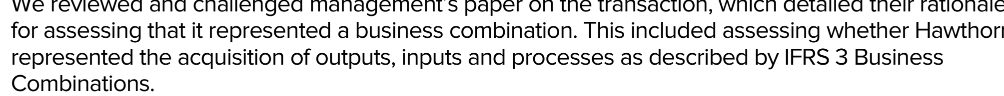
Key audit matter description

The Group completed the acquisition of Hawthorn Leisure Holdings Limited (Hawthorn Leisure) in May 2018 for a consideration of £55.1m. Judgement is required to determine whether the transaction was an acquisition of a group of assets, or a business combination within the scope of IFRS 3. If identified as a business combination there is judgement in determining the FV of the assets and liabilities acquired.

The transaction involved the acquisition of all shares in Hawthorn Leisure. This included acquiring 298 pubs under 3 operating models – Lease & Tenanted, Operator managed and Fully managed. Further to this the Group acquired the management platform and supplier agreements that manage these pub assets. There is evidence that the transaction involved the acquisition of inputs, processes and outputs and therefore we agree with management's assessment that this should be treated as a business combination. Our focus has therefore been on the determination of the fair value of the assets and liabilities acquired.

Please see note 1 and 14 to the financial statements and discussion in the report of the Audit Committee on page 83.

How the scope of our audit responded to the key audit matter



We reviewed and challenged management's paper on the transaction, which detailed their rationale for assessing that it represented a business combination. This included assessing whether Hawthorn represented the acquisition of outputs, inputs and processes as described by IFRS 3 Business Combinations.

We have reviewed the acquisition balance sheet against the audited balance sheet of Hawthorn at 31 December 2017 and have challenged the fair value adjustments made by management.

We have recalculated and challenged management on the recognition of the gain on bargain purchase.

Key observations

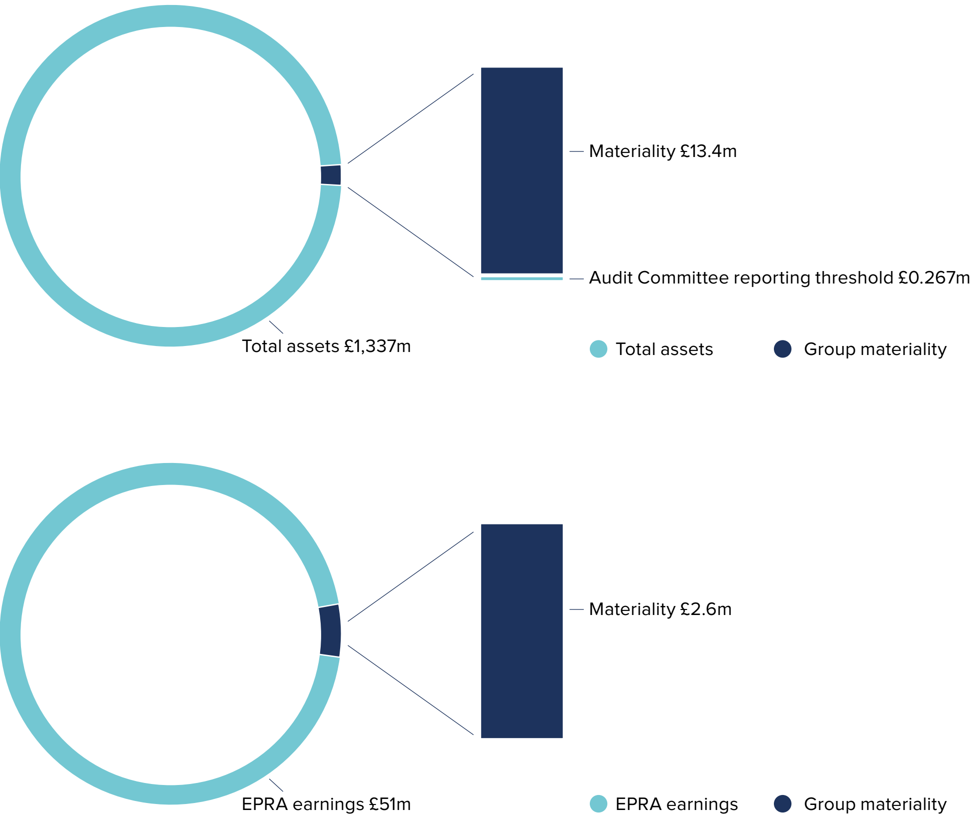
We concur with management's conclusion to account for the acquisition of Hawthorn as a business combination and that this is consistent with the principles of IFRS 3 and that the gain on bargain purchase was appropriately recognised.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£13.4 million (2018: £14.05 million) and a lower materiality of £2.6 million (2018: £2.6 million) for balances affecting EPRA earnings.	£13.2 million (2018: £13.91 million)
Basis for determining materiality	We determined materiality for the Group based on approximately 1% of total assets (2018: 1% of total assets). The lower level materiality used for balances impacting EPRA earnings was determined based on approximately 5% (2018: 5%) of EPRA earnings.	We determined materiality for the company based on approximately 1% of total assets (2018: 1%). Materiality however was capped at 99% of Group materiality (2018: 99%).
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining the overall materiality given that key users of the Group's financial statements are primarily focussed on the valuation of the Group's assets; principally the investment properly portfolio (whether held directly or through joint ventures).	The parent company is primarily a holding company for investments in subsidiaries of the Group and has limited trading.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £267,000 (2018: £281,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

We performed a full scope audit to respond to the risks of material misstatement for the Group and performed an audit of specified account balances for the joint venture entity. Together these elements account for 100% (2018: 100%) of the Group's net assets and 100% (2018: 100%) of Group's profit before tax. Our audit work was executed at levels of Group or EPRA earnings materiality applicable to each account balance.

At the parent entity level we also tested the consolidation process. We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulation.
- discussing among the engagement team and involving relevant internal specialists, including tax and property valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: judgemental areas including the valuation of the shopping centre, high street, retail warehouse and pub portfolios, the acquisition of the Hawthorn portfolio and through earnings manipulations including the calculation of KPIs and manipulating results to meet performance targets; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation in respect of REIT compliance.

Audit response to risks identified

As a result of performing the above, we identified key judgements within the valuation of the shopping centre, high street and retail warehouse portfolio, including development properties; key judgements within the valuation of the pub portfolio and the accounting treatment for the acquisition of Hawthorn as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws, regulations, and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 25 May 2010 to audit the financial statements of NewRiver Retail Limited (the previous parent company of the Group) for the period from incorporation ending 31 March 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the period/years ending 31 March 2010 to 31 March 2019.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
St Peter Port, Guernsey

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.

The notes on pages 120 to 143 form an integral part of these financial statements.

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	22	**3.1**	3.0
Share premium	22	**225.0**	223.3
Merger reserve	22	**(2.3)**	(2.3)
Retained earnings	22	**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

The notes on pages 120 to 143 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 May 2019 and were signed on its behalf by:

Allan Lockhart
Chief Executive

Mark Davies
Chief Financial Officer

NewRiver REIT plc

Registered number: 10221027

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

The notes on pages 120 to 143 form an integral part of these financial statements.

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**

The notes on pages 120 to 143 form an integral part of these financial statements.

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 consolidated financial statements have been approved for issue by the Board of Directors on 22 May 2019.

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 and assessing possible sensitivities, 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

Statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS'), therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements are presented in pounds Sterling. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, the revaluation of property, plant and equipment and derivatives which are stated at fair value.

Cash flow statement

The Group has reported the cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company, made up to 31 March each year. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

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.

Business combinations

The Group applies the acquisition method to account for business combinations. The cost of the acquisition is measured at the aggregate of the fair values, at the date of completion, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS are recognised at their fair value at the acquisition. Where the fair value of the consideration is less than the fair value of the identifiable assets and liabilities then the difference is recognised as a bargain purchase in the statement of comprehensive income.

Where properties are acquired through corporate acquisitions, each transaction is considered by management in light of the substance of the acquisition to determine whether the acquisition is a business combination or an asset acquisition.

Joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. The Group's joint ventures are entities over which the Group has joint control with a partner. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment or share of income adjusted for dividends. In assessing whether a particular entity is controlled, the Group considers all of the contractual terms of the arrangement, whether it has the power to govern the financial and operating policies of the joint venture so as to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude whether the Group controls the joint venture.

Investment property

Property held to earn rentals or for capital appreciation, or both, is classified as investment property. Investment property comprises both freehold and leasehold land and buildings.

Investment property is recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the Company;
- There are no material conditions precedent which could prevent completion; and
- The cost of the investment property can be measured reliably.

1. Accounting policies continued

Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is carried at fair value. Additions to properties include costs of capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as it is incurred. Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income in the period in which they arise.

When the Group begins to redevelop an investment property for continued future use as an investment property, the property remains an investment property.

Investment property is derecognised when the risk and rewards of the property is transferred to the purchaser. Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. The costs of properties in the course of development includes attributable interest and other associated outgoings including attributable development personnel costs.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised over the useful lives of the equipment, using the straight-line method at a rate of between 10% to 25% depending on the useful life.

Public houses are initially measured at cost and subsequently measured at valuation, net of depreciation and any impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Buildings 4% on a straight line-basis or the lease term if shorter
- Fixtures and fittings 20% on a straight line-basis depending on the useful life
- IT 33% on a straight line-basis
- Freehold land and assets in the course of construction are not depreciated.

Residual value is reviewed at least at each financial year and there is no depreciable amount if residual value is the same as, or exceeds, book value.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Operating leases

As lessor

The cost of securing an operating lease are capitalised within the carrying amount of the related investment property and amortised over the lease term. Revenue from operating leases is recognised as per the revenue recognition policy.

As lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on a straight-line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less which are readily accessible.

Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss or loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised upon becoming party to the contractual terms and are initially measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The fair value of a non-interest bearing asset is its discounted receivable amount. If the due date of the asset is less than one year, discounting is omitted.

The Group's financial assets consist of cash, loans and receivables and derivative instruments.

The financial instruments classified as financial assets at fair value through profit or loss include interest rate swap and cap arrangements. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are recognised at fair value and transaction costs are included directly in finance costs.

The fair values of derivative financial assets and financial liabilities are determined as follows:

Interest rate swaps and caps are measured using the midpoint of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (that is the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income.

Trade receivables are carried at amortised cost less a loss allowance where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms. Impaired debts are derecognised when they are assessed as uncollectible. A loss allowance is measured at an amount equal to the lifetime ECL at initial recognition and throughout its life.

If in a subsequent period the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised costs at the reversal date.

Financial liabilities

Financial liabilities are classified at fair value through profit or loss or as other liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. The cost of issuing share capital is recognised directly in equity against the proceeds from the share capital.

Taxation

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the balance sheet. Tax is recognised in the Statement of Comprehensive Income.

Deferred tax

Any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share-based payments

The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. Where vesting performance conditions are non-market based, the fair value excludes the effect of these vesting conditions and an estimate is made at each balance sheet date of the number of instruments expected to vest. The fair value is recognised over the vesting period in the Statement of Comprehensive Income, with a corresponding increase in equity. Any change to the number of instruments with non-market vesting conditions expected to vest is recognised in the Statement of Comprehensive Income for that period.

1. Accounting policies continued

Employee Benefit Trust
The Group operates an Employee Benefit Trust for the exclusive benefit of the Group's employees. The investment in the Company's shares held by the trust is recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the shares held by the trust.

Revenue recognition
Rental income
Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the entire lease term. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease.

Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the expiry date of the lease.

Where a lease incentive payment, or surrender premiums are paid to enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease. It is management's policy to recognise all material lease incentives and lease incentives greater than six months. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

In the Group's pub business, revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Asset management fees
Management fees are recognised in the Statement of Comprehensive Income as the services are delivered.

Promote payments
The Group is contractually entitled to receive a promote payment should the returns from a joint venture to the joint venture partner exceed a certain internal rate of return. This payment is only receivable by the Group on disposal of underlying properties held by the joint venture or other termination events. Any entitlements under these arrangements are only accrued for in the financial statements once the Group believes that crystallisation of the fee is virtually certain.

Dividends
Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by equity holders.

Finance income and costs
Finance income and costs are recognised using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Service charge income and expense
Service charge income is recognised in the accounting period in which the services are rendered and the related property expenses are recognised in the period in which they are incurred.

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.

	2019			2018		
Segment revenues and result	Retail £m	Pubs £m	Group £m	Retail £m	Pubs £m	Group £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
Segment revenue	**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

	2019				2018			
Segment assets	Retail £m	Pubs £m	Unallocated £m	Total £m	Retail £m	Pubs £m	Unallocated £m	Total £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 £m	2018 £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 £m	2018 £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

6. Administrative expenses continued

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

Auditor's remuneration

	2019 £'000	2018 £'000
Audit of the Company's financial statements	**126**	155
Audit of subsidiaries, pursuant to legislation	**235**	138
Audit related assurance services	**35**	35
	396	328
Non-audit fees	**–**	188
Total fees	**396**	516

Non-audit fees payable to the Company's auditor in the prior year are for reporting accountant services in relation to the corporate bond and the prospectus required for the equity raise.

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)
Profit on disposal of investment properties	**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 loss 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

As at 31 March 2019, the Group has unrecognised tax losses of £9.0 million (March 2018: £1.0 million). The losses have not been recognised as an asset due to uncertainty over the availability of taxable income to utilise the losses. The losses do not expire but are reliant on continuity of ownership and source of trade.

Real Estate Investment Trust regime (REIT regime)

The Group is a member of the REIT regime whereby profits from its UK property rental business are tax exempt. The REIT regime only applies to certain property-related profits and has several criteria which have to be met. The main criteria are:

- the assets of the property rental business must be at least 75% of the Group's assets;
- the profit from the tax-exempt property rental business must exceed 75% of the Group's total profit;
- at least 90% of the Group's profit from the property rental business must be paid as dividends.

The Group continues to meet these conditions and management intends that the Group should continue as a REIT for the foreseeable future.

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.

10. Performance measures continued

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 fourth interim of 5.4 pence per share (£16.5m) was approved by the Board on 19 March 2019 and will be paid on 24 May 2019 to the shareholders on the register on 23 April.

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.

The properties are categorised as Level 3 in the IFRS 13 fair value hierarchy. There were no transfers of property between Levels 1, 2 and 3. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Information about fair value measurements for the investment property and public houses using significant unobservable inputs (Level 3)

		Property ERV			Property rent			Property equivalent yield	EPRA topped up net initial yield
	Fair value (£m)	Min £ per sq ft	Max £ per sq ft	Average £ per sq ft	Min £ per sq ft	Max £ per sq ft	Average £ per sq ft	Average %	Average %
Shopping centres	734.8	7.7	37.9	14.1	4.2	31.5	11.2	7.6%	7.1%
High street	16.7	4.0	11.5	9.0	2.7	16.9	7.6	8.2%	9.0%
Retail warehouse	164.8	8.0	21.9	13.6	6.1	21.4	9.4	6.9%	6.2%
Development sites	70.7	6.0	16.4	10.0	2.0	8.7	3.1	–	–
	987.0								

	Fair value	Property Rent (£ per sq ft)			EBITDA multiples (x) / Net Initial Yield (%)			EBITDA (£ per sq ft)		
	(£m)	Min	Max	Average	Min	Max	Average	Min	Max	Average
Pub portfolio	275.0	–	–	–	2.0x	12.0x	8.0x	2.3	101.0	22.1
Convenience store development portfolio	19.0	15.0	17.5	17.1	5.0%	5.3%	5.0%	-	–	–
	294.0									
Total	1,281.0									

The investments are several retail, leisure assets, convenience stores and public houses in the UK with a total carrying amount of £1,281.0 million (£1,254.1 million: investment property. £26.9 million: property plant and equipment). The valuation was determined using an income capitalisation method, which involves applying a yield to rental income streams. Inputs include yield, current rent, ERV and EBITDA multiples and maintainable earnings. There have been no changes to valuation techniques in the year.

Development properties are valued using a residual method, which involves valuing the completed investment property using an investment method and deducting estimated costs to complete, then applying an appropriate discount rate. The relationship of unobservable inputs to fair value are the higher the rental values and the lower the yield, the higher the fair value. In respect of the pub portfolio the valuer makes judgements on whether to use residual value or a higher value to include development potential where appropriate. Where no conversion opportunity has been identified at present, the valuer has not specifically considered an alternative use valuation.

These inputs include:

Retail portfolio

- Rental value – total rental value per annum
- Equivalent yield – the discount rate of the perpetual cash flow to produce a net present value of zero assuming a purchase at the valuation
- Estimated development costs

Pub portfolio

- EBITDA multiples and maintainable earnings from each pub
- Estimated development costs

There were no changes to valuation techniques during the year.

Valuation reports are based on both information provided by the Group, e.g. current rents and lease terms which is derived from the Company's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuer, e.g. ERVs and yields. These assumptions are based on market observation and the valuer's professional judgement.

Revenues are derived from a large number of tenants with no single tenant or group under common control contributing more than 2% of the Group's revenue.

During the year two public houses in the Trent portfolio were reclassified as from investment property to property, plant and equipment as these operate under the fully managed model.

Sensitivities of measurement of significant inputs

There are interrelationships between all these unobservable inputs as they are determined by market conditions. The effect of an increase in more than one unobservable input would 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 opposite directions, e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

As set out within significant accounting estimates and judgments above, the Group's property portfolio valuation is open to judgments and is inherently subjective by nature.

As a result, the following sensitivity analysis has been prepared.

Sensitivity impact on valuations of a 5% change in estimated rental value and absolute yield of 50 bps.

	Impact on valuations of a 5% change in ERV		Impact on valuations of 0.5% change in yield	
£m Retail asset valuation	£m Increase 5%	£m Decrease 5%	£m Increase 0.5%	£m Decrease 0.5%
987.0	30.1	(27.8)	(41.6)	47.7

Sensitivity impact on valuations of a 5% change in EBITDA and multiplier of 0.5x.

	Impact on valuations of a 5% change in EBITDA		Impact on valuations of a 0.5x change in multiplier	
£m Pub asset valuation	£m Increase 5%	£m Decrease 5%	£m Increase 0.5x	£m Decrease 0.5x
294.0	14.4	(14.4)	16.6	(16.6)

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:

	2019		2018	
Balance sheet	**Total £m**	**Group's share £m**	Total £m	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		2018	
	Total £m	**Group's share £m**	Total £m	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

The Group's share of contingent liabilities in the joint ventures is £nil (March 2018: £nil).

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 £m	Adjustments £m	Fair value £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 £m	Fixtures and fittings £m	Public houses £m	Total £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 2023	165.0	165.0	(1.3)	163.7
Revolving credit facility	August 2023	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. Operating lease arrangements

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At the balance sheet date the Group had contracted with tenants for the following future minimum lease payments on its investment properties:

	2019 £m	2018 £m
Within one year	**77.9**	79.8
Between one and two years	**78.5**	73.3
In the second to fifth year inclusive	**209.4**	151.6
After five years	**230.0**	214.3
	595.8	519.0

The Group's weighted average lease length of operating leases at 31 March 2019 was 5.5 years (March 2018: 6.0 years).

Operating lease payments payable by the Group were as follows:

	2019 £m	2018 £m
Within one year	**3.2**	2.7
One to two years	**3.2**	2.7
Two to five years	**9.7**	7.9
After five years	**233.9**	227.4
	250.0	240.7

Operating lease obligations exist over the Group's offices, head leases on the Group's retail portfolio and ground rent leases in the Group's pub portfolio. The expense for the year was £2.9 million (March 2018: £2.9 million).

22. 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**

23. Share-based payments

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 £159 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.

24. Share-based payments

The Group has three share schemes for employees:

- Share option scheme
- Performance Share Scheme
- Deferred bonus scheme

Share option scheme

Options were granted between 2009 and 2011. The options were priced at the share price at date of issue. No options were granted in 2018 or 2019. The charge for the year recognised in the Statement of Comprehensive Income was nil (March 2018: nil).

Year issued	Average exercise price	Outstanding at start of the year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2010	2.54	192,686	–	–	–	192,686	192,686	0.4
2012	2.35	338,000	–	–	–	338,000	338,000	2.5
		530,686	–	–	–	530,686	530,686	

Performance Share Scheme

Zero priced share options have been issued to senior management and Executive Directors under the Performance Share Scheme since 2013. The options vest to the extent that performance conditions are met over a three or four-year period. At the end of the period there may be a further vesting condition that the employee or Director remains an employee of the Group. Further details on the scheme and the performance conditions is provided in the Remuneration Committee report. The charge for the year recognised in the Statement of Comprehensive Income was £1.6 million (March 2018: £1.1 million).

Year issued	Average exercise price	Outstanding at start of the year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2013	–	71,937	–	(71,937)	–	–	–	–
2015	–	104,480	–	(104,480)	–	–	–	–
2016	–	1,180,565	67,643	(61,493)	(692,317)	494,398	–	6.5
2017	–	1,182,902	104,440	–	(23,900)	1,263,442	–	7.3
2018	–	866,238	76,437	–	(23,118)	919,557	–	8.2
2019	–	–	1,549,587	–	(12,581)	1,537,006	–	9.3
		3,406,122	1,798,107	(237,910)	(751,916)	4,214,403	–	

24. Share-based payments continued

Deferred Bonus Scheme

Zero priced share options have been issued to senior management and Executive Directors under the Deferred Bonus Scheme since 2016. The options vest based on the employee or Director remaining in the employment of the Group for a defined period (usually two years). The charge for the year recognised in the Statement of Comprehensive Income for this scheme was £1.2m (March 2018: £1.5m).

Year issued	Average exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2016	–	539,967	–	(539,967)	–	–	–	–
2017	–	205,524	3,697	(195,045)	–	14,176	14,176	0.2
2018	–	233,737	20,735	–	–	254,472	–	1.3
2019	–	–	314,375	–	–	314,375	–	2.2
		979,228	338,807	(735,012)	–	583,023	14,176	

Fair value

The fair value of the share options has been calculated based on a Monte Carlo Pricing Model using the following inputs:

	2019	2018
Share price	**2.885 – 2.715**	3.4870
Exercise price	**Nil**	Nil
Expected volatility	**18%**	17%
Risk free rate	**0.628% – 0.826%**	0.2410%
Expected dividends*	**7.27% – 7.72%**	6.35% – 7.07%

* based on quoted property sector average.

25. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks in relation to the financial instruments it uses: market risk including cash flow interest rate risk, credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables, borrowings and derivative financial instruments.

Risk management parameters are established by the Board on a project-by-project basis. Reports are provided to the Board quarterly and also when authorised changes are required.

Financial instruments

	Valuation level	**2019 £m**	2018 £m
Financial assets			
Fair value through profit or loss			
Interest rate caps	2	**–**	0.5
Interest rate swaps		**0.7**	3.0
Loans and receivables			
Trade and other receivables		**15.5**	29.4
Cash and cash deposits		**27.1**	115.8
		43.3	148.7
Financial liabilities			
Fair value through profit or loss			
Interest rate swaps	2	**(0.6)**	(0.1)
At amortised cost			
Borrowings		**(502.7)**	(457.0)
Payables and accruals		**(26.2)**	(26.6)
		(529.5)	(483.7)
		(486.2)	(335.0)

Market risk

Currency risk

The Group is not subject to any foreign currency risk as nearly all transactions are in Pounds Sterling.

Interest rate risk

The Group's interest rate risk arises from borrowings issued at floating interest rates (see note 20). The Group's interest rate risk is reviewed quarterly by the Board. The Group manages its exposure to interest rate risk on borrowings through the use of interest rate derivatives (see note 17). Interest rate caps and interest rate swaps are used to both mitigate the risk of an increase in interest rates but also to allow the Group to benefit from a fall in interest rates. The Group has employed an external adviser when contracting hedging to advise on the structure of the hedging.

Sensitivity analysis is carried out to assess the impact of an increase in interest rates on finance costs to the Group. Management consider that a significant movement in interest rates would be 200 bps and have therefore carried out sensitivity analysis of the impact of such a movement. The impact of a 200 bps increase in interest rates for the year would reduce net interest payable in the Statement of Comprehensive Income by £5.9 million (March 2018: nil). The impact of a 200 bps decrease in interest rates for the year would reduce the net interest payable in the Statement of Comprehensive Income by £2.5 million (March 2018: £0.4 million). The directors consider this to be a reasonable sensitivity given historic interest rates and the possibility for short term swings in rates.

Credit risk

The Group's principal financial assets are cash, trade receivables and other receivables.

The Group manages its credit risk through policies to ensure that rental contracts are made with tenants meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from international banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned.

The Group monitors its counterparty exposures on cash and short-term deposits weekly. The Group monitors the counterparty credit rating of the institutions that hold its cash and deposits and spread the exposure across several banks.

The Group's maximum exposure to credit risk as at 31 March 2019 was £43 million (31 March 2018: £149 million).

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash balances and committed credit facilities. The Board reviews the credit facilities in place on a project-by-project basis. Cash flow reports are issued weekly to management and are reviewed quarterly by the Board. A summary table with maturity of financial liabilities is presented below:

2019	Less than one year	One to two years	Two to five years	More than five years	Total
Borrowings	**–**	**–**	**(210.0)**	**(300.0)**	**(510.0)**
Interest on borrowings	**(15.8)**	**(15.8)**	**(46.0)**	**(41.2)**	**(118.8)**
Interest rate swaps	**(0.1)**	**(0.1)**	**–**	**–**	**(0.2)**
Payables and accruals	**(26.2)**	**–**	**–**	**–**	**(26.2)**
	(42.1)	**(15.9)**	**(256.0)**	**(341.2)**	**(655.2)**
2018					
Borrowings	–	–	(165.0)	(300.0)	(465.0)
Interest on borrowings	(14.0)	(14.0)	(40.0)	(52.0)	(120.0)
Interest rate swaps	(1.0)	(1.0)	(1.0)	–	(3.0)
Payables and accruals	(26.6)	–	–	–	(26.6)
	(41.6)	(15.0)	(206.0)	(352.0)	(614.6)

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

25. Financial instruments and risk management continued

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any external capital requirements. As detailed in note 9, the Group is a REIT and to qualify as a REIT the Group must distribute 90% of its taxable income from its property business.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings, less cash and cash equivalents.

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**

26. Contingencies and commitments

The Group has no material contingent liabilities (2018: None). The Group was contractually committed to £4.0 million of capital expenditure to construct or develop investment property as at 31 March 2019 (31 March 2018: £14.9 million).

27. Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Management fees are charged to joint ventures for asset management, investment advisory, project management and accounting services. Total fees charged were:

	2019 £'000	2018 £'000
NewRiver Retail Investments LP	**101**	113
NewRiver Retail Property Unit Trust No.2*	**–**	42
NewRiver Retail Property Unit Trust No.5*	**–**	44
NewRiver Retail Property Unit Trust No.6*	**–**	185
NewRiver Retail Property Unit Trust No.7*	**–**	38

* The above entities are no longer related parties for the year ended 31 March 2019

There were no amounts outstanding at each year end.

Total emoluments of key management during the year are disclosed in the Remuneration Committee report.

28. 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 in 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.

Company Balance Sheet

As at 31 March 2019

	Notes	**2019 £m**	2018 £m
Non-current assets			
Investment in subsidiaries	B	**664.9**	693.5
Total non-current assets		**664.9**	693.5
Current assets			
Amounts owed from subsidiary undertakings		**655.6**	748.1
Other receivables		**1.3**	3.4
Cash and cash equivalents		**3.3**	1.7
Total current assets		**660.2**	753.2
Total assets		**1,325.1**	1,446.7
Equity and liabilities			
Current liabilities			
Trade creditors		**1.3**	0.3
Accruals		**2.7**	3.1
Other creditors		**0.2**	0.4
Amounts owed to subsidiary undertakings		**18.3**	320.6
Total current liabilities		**22.5**	324.4
Non-current liabilities			
Borrowings		**502.7**	457.0
Total non-current liabilities		**502.7**	457.0
Net assets		**799.9**	665.3
Equity			
Share capital		**3.1**	3.0
Share premium		**225.0**	223.3
Merger reserve		**413.1**	413.1
Retained earnings		**158.7**	25.9
Total equity		**799.9**	665.3

The notes on pages 146 to 150 form an integral part of the Company financial statements. The Company has applied the exemption in s408 of the Companies Act for omitting the income statement of the parent company. The profit for the period after taxation was £198 million.

The financial statements were approved by the Board of Directors on 22 May 2019 and were signed on its behalf by:

Allan Lockhart
Chief Executive

Mark Davies
Chief Financial Officer

Statement of Changes in Equity

As at 31 March 2019

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
As at 31 March 2017	2.3	1.7	413.1	87.9	505.0
Profit after taxation	–	–	–	0.7	0.7
Net proceeds of issue from new shares	0.7	227.1	–	–	227.8
Cost of issue of new shares	–	(5.5)	–	–	(5.5)
Dividends paid	–	–	–	(62.7)	(62.7)
As at 31 March 2018	3.0	223.3	413.1	25.9	665.3
Profit after taxation	–	–	–	197.7	197.7
Equity issue	0.1	1.7	–	–	1.8
Dividends paid	–	–	–	(64.9)	(64.9)
As at 31 March 2019	**3.1**	**225.0**	**413.1**	**158.7**	**799.9**

The notes on pages 146 to 150 form an integral part of these financial statements. There was no other income in the period therefore the profit after taxation is the Company's total comprehensive income for the period.

Retained earnings reflects the Company's distributable reserves.

Notes to the financial statements

A. Accounting policies

Basis of accounting

The Company's separate financial statements for the year ended 31 March 2019 are prepared in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council. The financial statements are presented in pounds Sterling. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate. The most critical estimates, assumptions and judgements relate to the determination of carrying value of the investment in the Company's subsidiary undertaking. The nature, facts and circumstance of the investment are taken into account on assessing whether there are any indications of impairment.

Disclosure exemptions

The Company has taken advantage of all disclosure exemptions allowed by FRS 101. These financial statements do not include:

- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- certain disclosures in respect of financial instruments;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with wholly-owned members of the Group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated Group accounts into which the Company is consolidated.

Dividends

Dividend information is provided in note 11 to the consolidated accounts.

Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less provision for impairment.

Financial instruments

Financial assets

Financial assets consist of loans and receivables. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially measured at fair value plus directly attributable transaction costs. The Group's financial assets consist of cash, and loans and receivables.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (that is the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit and loss.

If in a subsequent period the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised costs at the reversal date.

Financial liabilities

Financial liabilities are classified as other liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Share-based payments
The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. Where vesting performance conditions are non-market based, the fair value excludes the effect of these vesting conditions and an estimate is made at each balance sheet date of the number of instruments expected to vest. The fair value is recognised over the vesting period in the Statement of Comprehensive Income of the company that employs the recipient of the share-based payment, with a corresponding increase in equity. The Company increases the carrying value of the subsidiary by the value of the share-based payment.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

Dividends
Dividends to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by equity holders at a general meeting.

Merger reserve
The merger reserve resulted from the acquisition of NewRiver Retail Limited and represents the difference between the value of the net assets acquired of £526 million and the nominal value of the shares issued, less the impairment in NewRiver Retail Limited following the payment of a dividend to the Company of £111 million.

B. Investment in subsidiaries

All subsidiaries are held indirectly except NewRiver Retail Limited, the former ultimate parent of the Group.

Name	Country of incorporation	Activity	Proportion of ownership interest	Class of share
C-store REIT Limited	UK	Dormant company	100%	Ordinary Shares
Convenience Store REIT Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Capital Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Burgess Hill) Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Community Pubs Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver (Darnall) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Finance Company Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver REIT (UK) Limited	UK	Asset management	100%	Ordinary Shares
NewRiver Leisure Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Public Houses Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Bexleyheath) Holdings Limited	UK	Group holding company	100%	Ordinary Shares
NewRiver Retail (Bexleyheath) Limited	Jersey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Boscombe No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Broadway Square) Limited	Jersey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Cardiff) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Carmarthen) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Colchester) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Darlington) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Grays S.a.r.l	Luxembourg	Real estate investments	100%	Ordinary Shares
NewRiver Retail (GP3) Limited	UK	General partner	100%	Ordinary Shares
NewRiver Retail (Leylands Road) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Mantle) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Market Deeping No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Morecambe) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Newcastle No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Nominee No.3) Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail (Paisley) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Penge) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 2) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 3) Limited	UK	Holding company	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 3) Limited Partnership	UK	Real estate investments	100%	Partnership
NewRiver Retail (Portfolio No. 5) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 6) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 4) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 8) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Development) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Investment) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness Developments) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wakefield) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Warminster) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wisbech) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Witham No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wrexham) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Academy Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail Holdings Limited	Guernsey	Group holding company	100%	Ordinary Shares

Name	Country of incorporation	Activity	Proportion of ownership interest	Class of share
NewRiver Retail Holdings No. 1 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 2 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 3 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 4 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 5 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 6 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 7 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Property Unit Trust	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 2	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 3	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 4	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 5	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 6	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 7	Jersey	Real estate investments	100%	Ordinary units
Pub REIT Limited	UK	Dormant company	100%	Ordinary Shares
Shopping Centre REIT Limited	UK	Dormant company	100%	Ordinary Shares
Hawthorn Leisure Holdings Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Finco Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Scotco Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Management Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Honey Limited	UK	Real estate investments	100%	Ordinary Shares
Hawthorn Leisure Acquisitions Limited	UK	Real estate investments	100%	Ordinary Shares

The Company's investment in joint venture entities are detailed in note 13. The registered offices of the company is:

Guernsey – NewRiver Retail (GP1) Ltd, Floor 2 Trafalgar Court, Les Banques, St Peter Port, GY1 4LY

Reconciliation of the movement in investment in subsidiaries:

	2019 £m	2018 £m
Opening balance	**693.5**	415.5
Investment in subsidiaries	**121.4**	278.0
Impairment in subsidiaries	**(150.0)**	–
Investment in subsidiaries	**664.9**	693.5

C. Auditors remuneration

The auditors' remuneration in respect of the Company is disclosed in note 6.

D. Average staff numbers

The average number of staff employed by the Company's subsidiaries was:

	2019 £m	2018 £m
Directors	**7**	7
Operations and asset managers	**34**	23
Pubs	**53**	–
Support functions	**55**	26
	149	56

The staff costs of the staff employed by the Company's subsidiaries were:

	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

The Company itself has no direct employees. The Directors emoluments are disclosed in the Remuneration Committee report.

E. Borrowings

All borrowings issued by the Group at 31 March 2019 were issued by the Company. See note 20 of the consolidated financial statements for details.

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**	(3.7)
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**	0.5
EPRA Earnings	**50.5**	**52.9**
Basic number of shares	**304.0m**	285.0m
EPRA Earnings per Share (EPS)	**16.6p**	**18.6p**

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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		**March 2019 £m**	March 2018 £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 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 49 of this document
EPRA Net Asset Value ('NAV') and EPRA NAV per share	Net Assets	Note 10 of the Financial Statements and pages 52 and 152 of this document
Ordinary dividend cover	N/A	Page 52 of this document and Glossary
Admin cost ratio	N/A	Note 6 of the Financial Statements and Glossary
Interest cover	N/A	Glossary
EPRA EPS	IFRS Basic EPS	Note 10 of the Financial Statements
EPRA NNNAV	Net Assets	Page 152 of this document
EPRA NIY	N/A	Page 153 of this document
EPRA 'topped-up' NIY	N/A	Page 153 of this document
EPRA Vacancy Rate	N/A	Page 153 of this document
EPRA Cost Ratio	N/A	Page 154 of this document
Total Accounting Return	N/A	Glossary
Cost of debt	N/A	Page 54 of this document
Average debt maturity	N/A	Glossary
Loan to Value	N/A	Note 25 of the Financial Statements

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.

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 fromannualised 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 aproportionally consolidated basis.

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

Ordinary 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.

Company information

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(Non-Executive Chairman)

Allan Lockhart
(Chief Executive Officer)

Mark Davies
(Chief Financial Officer)

David Lockhart
(Executive Deputy Chairman)

Kay Chaldecott
(Non-Executive Director)

Alastair Miller
(Non-Executive Director)

Colin Rutherford
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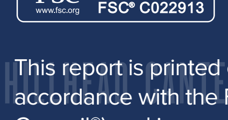

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