NewRiver PLC

Preliminary unaudited results for the year ended 31 March 2021

3 June 2021

Resilient performance and a return to dividend

Allan Lockhart, Chief Executive commented: "Our resilient performance over the last year has underlined the fundamental strength of our business. Critically, we improved our cash and liquidity position through market-leading rent collection, achieving our non-core disposals target and letting over 1 million sq ft of retail space.

Our performance was underpinned by our unsecured balance sheet, our diversified portfolio focused on local convenience and community and the dedication and expertise of our staff who successfully completed a range of transactions in a very challenging market.

Whilst NewRiver's retail portfolio has proved to be more resilient than that of the wider market over the last twelve months, we are determined to ensure that this remains the case over the longer term. As previously announced, we have undertaken a full strategic review of our portfolio to help us refine our retail strategy. As part of this review the Board took the decision to dispose of our Hawthorn community pub business. The divestment is ongoing and will significantly improve our financial strength, provide the firepower required to reshape our portfolio and enable Hawthorn to capitalise on the significant growth potential available as an independent platform.

Having successfully navigated the challenges of COVID-19 we look to the future with genuine confidence based upon an improving consumer market, the underlying strength of our business and a clear strategic plan to deliver long-term shareholder value. This confidence is reflected in the Board's decision to reinstate our dividend."

Financial results

- Underlying Funds From Operations ('UFFO') of £11.5 million (FY20: £52.1 million)
- UFFO per share of 3.8 pence (FY20: 17.0 pence)
- IFRS loss after tax of -£150.5 million (FY20: -£121.1 million)
- Like-for-like valuation decline of 13.6% which was less marked in the second half (H1:-8.2%, H2:-5.6%)
- EPRA NTA per share down 24.9% to 151 pence, driven by the valuation decline

Strong liquidity position, dividend resumed

- In line with disposals target, £81 million of sales completed since April 2020 at a modest discount to book value
- Fully unsecured balance sheet with no bank refinancing requirement until August 2023
- Unrestricted cash of £154 million as at 31 March 2021, up 88% since start of the year from £82 million (total accessible liquidity at 31 March 2021 of £199 million)
- LTV of 50.6% at 31 March 2021 (31 March 2020: 47.1%); strategy in place to deliver significant reduction
- Reinstated dividend of 3.0 pence per share, representing 80% of UFFO
- Investment Grade balance sheet maintained at BBB with Stable Outlook

Resilient operational metrics

- 93% of retail rent due in FY21 either collected or alternative payments agreed
- Rent collection for Q1 FY22 stands at 85%, tracking ahead of the same period last year
- Increased retail occupancy of 95.8% (31 March 2020: 94.8%); pubs occupancy of 98.0% (31 March 2020: 97.0%)
- 1.2 million sq ft of new lettings and renewals completed across the retail portfolio at 0.6% premium to ERV
- Strong trading performance in Hawthorn community pub business following each reopening; since 12 April trading across our pub estates has significantly exceeded management expectations

Stakeholder management and support during COVID-19

- Over 300 revised payment agreements negotiated with retail occupiers to support them through a challenging period while ensuring strong rent collection
- Enhanced support offered to independent retailers and charity occupiers
- Service charges for retail occupiers further reduced; 12% reduction in budgets over the last four years
- £8 million invested in Hawthorn pub partner support to help retain tenants and ensure rapid recovery on reopening

Elevated focus on ESG

- Established our ambitious three-step net zero carbon targets, aligned with a 1.5°C scenario
- Rolled out bespoke shopping centre-led Environmental & Social Implementation Plans across 85% of our retail portfolio to guide on-the-ground Environmental, Social and Governance ('ESG') initiatives
- Continued to provide enhanced support to our charity partner, the Trussell Trust, through Board and Executive Committee salary sacrifices, donations and virtual fundraising events

Results summary

Performance	Note	FY21	FY20	Change
Underlying Funds From Operations (‘UFFO’)	(1)	£11.5m	£52.1m	-78%
UFFO per share	(1)	3.8p	17.0p	-78%
Ordinary dividend		3.0p	16.2p	-81%
Ordinary dividend cover	(2)	127%	105%	
Interest cover	(3)	2.3x	4.8x	
Net Property Income		£48.2m	£92.9m	
IFRS Loss after taxation	(4)	-£150.5m	-£121.1m	
IFRS Basic EPS		-49.1p	-39.6p	
Total Accounting Return	(5)	-24.9%	-14.7%	
GRESB Score	(6)	60	70	

Balance Sheet	Note	March 2021	March 2020	Change
IFRS Net Assets		£460.4m	£610.6m	
EPRA NTA per share	(7)	151p	201p	-25%
Balance Sheet (proportionally consolidated)	(8)	**March 2021**	**March 2020**	
Net debt		£493.3m	£563.6m	
Principal value of gross debt	(9)	£653.1m	£652.4m	
Cash		£154.3m	£82.1m	
Weighted average cost of debt	(10)	3.2%	3.4%	
Weighted average debt maturity	(11)	4.8 years	5.9 years	
Loan to value	(12)	50.6%	47.1%	

Notes:
(1) Underlying Funds From Operations (‘UFFO’) is a Company measure of cash profits which includes recurring cash profits and excludes other one off or non-cash adjustments as set out in Note 12 to the Financial Statements and in the Finance Review. UFFO is used by the Company as the basis for ordinary dividend policy and cover
(2) Ordinary dividend cover is calculated with reference to UFFO
(3) Interest cover is tested at corporate level and is calculated by comparing actual net property income received versus cash interest payable on a 12 month look-back basis. The calculation was aligned to covenant calculations during FY21 therefore the FY20 figure is now calculated as 4.8x compared to 3.8x as previously disclosed.
(4) IFRS Loss after taxation due to non-cash valuation decline of £152.9 million, compared to a decline of £166.9 million in the prior year
(5) Total Accounting Return is the EPRA NTA per share movement during the year, plus dividends paid in the year, divided by EPRA NTA per share at the start of the period
(6) GRESB is the leading sustainability benchmark for the global real estate sector, and its annual assessment scores participating companies out of 100. In 2020 GRESB Assessment structure fundamentally changed, establishing a new baseline for measuring performance. GRESB therefore advises against direct comparison between 2020 GRESB Scores and prior year results.
(7) EPRA Net Tangible Assets (‘NTA’) is based on IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the carrying value of intangibles, the mark-to-market on the convertible bonds, as well as deferred taxation on property and derivative valuations and is adjusted for the dilutive impact of share options
(8) Proportionally consolidated means Group and share of JVs & associates
(9) Principal value of gross debt being £635.0 million of Group and £18.1 million share of JVs & associates
(10) Cost of debt assuming £215 million revolving credit facility is fully drawn
(11) Average debt maturity assumes one-year extension option is exercised and bank approved. Excluding this option, debt maturity at 31 March 2021 is 4.3 years
(12) 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

For further information

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

Results presentation

A pre-recorded presentation will be streamed at 10:00am BST today on our website (www.nrr.co.uk) and at the following link: https://kvgo.com/IJLO/NewRiver_Full_Year_Results_2021. This will be followed immediately by a live Q&A session for investors and analysts.

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

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

The accompanying slides will be made available at www.nrr.co.uk just prior to the presentation commencing.

Forward-looking statements

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

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

Chief Executive's review

Overview

In a financial year dominated by COVID-19 disruption, we made good progress against our strategic objectives of enhancing our cash and liquidity position, reducing net debt and thereby protecting our balance sheet. Ongoing restrictions in the second half of the year had an impact on our trading performance however our affordable offering and strong relationships with retailers meant that we achieved market-leading retail rent collection rates and secured 1.2 million sq ft of new leases and renewals during the year. Our pub performance also recovered quickly on reopening last summer and in April of this year. In spite of a challenging market we reached our FY21 disposals target of £80 million at only a modest discount to book value, further supporting our cash position and LTV. Our strategic progress has been underpinned by a robust financial and operational performance which reflects the inherent quality and liquidity of our portfolio, our clear market offering and a best-in-class retail and pub platforms.

Results and dividend resumption

Our financial performance in the year was inevitably affected by the national lockdowns and restrictions imposed in response to COVID-19. Underlying Funds From Operations ('UFFO') were £11.5 million, compared with £52.1 million in the prior year, and EPRA Net Tangible Assets per share were down 25%, driven largely by a non-cash reduction in portfolio valuation. Pressure on rents and yield expansion, exacerbated by COVID-19, has led to valuation declines across the retail real estate sector. The decline in our portfolio valuation has, however, been less pronounced than that of our peers, owing primarily to our affordable rents and structurally higher equivalent yields. Encouragingly, our valuation decline has slowed in the second half of the financial year and our retail park portfolio has returned to growth. Our total return for the year of -6.9% has outperformed the MSCI-IPD benchmark by +120 bps, driven by an income return outperformance of 180 bps. We believe that this outperformance is explained by the quality of our asset management, the affordability of our rents, our portfolio positioning, and the liquidity of our assets.

Since the start of the pandemic we have been focused on protecting our cash position and, in spite of significant disruption throughout FY21, we closed the year with an improved cash and liquidity position of £199.3 million, increased from £127.1 million at the start of the year. As a result, net debt reduced to £493.3 million from £563.6 million at the start of the year. This improvement was made possible by market-leading rent collection metrics and a successful disposal programme.

At the start of the financial year we set a target to dispose of between £80 million and £100 million of assets, with the proceeds to be used to reduce debt. We reached our target with completed disposals of £81 million during the year at a blended discount of only 6% to book values. To have achieved this in an exceptionally challenging market demonstrates the inherent liquidity in our portfolio. We have already exchanged or are under offer on a further £79 million of disposals so far in FY22.

The disposal programme has mitigated the effects of valuation declines on our LTV metric which, at 50.6% as at 31 March 2021, is higher than our guidance but still well within debt covenant thresholds. We are confident that we will significantly reduce LTV through the divestment of Hawthorn, our community pub business, and through further non-core retail disposals.

Given our resilient operational performance during the pandemic, the success of our disposal programme to date and the further net debt reduction to come from the disposal of Hawthorn, the Board has declared a dividend of 3.0 pence per share in respect of the year ended 31 March 2021. Our future dividend policy will be to pay dividends equivalent to 80% of UFFO, with any top up as required under the REIT regime rules to be confirmed at the full year results. Dividends will be declared twice annually at the Company's half and full year results, with reference to the most recently completed six-month period.

Retail operational performance

Our retail portfolio, focused on essential retailing for local communities, delivered robust operational metrics throughout the year. Our strong relationships with occupiers, awareness of their individual circumstances and affordable rents meant that our rent collection levels improved throughout the year. This was despite the UK Government's rental moratorium being in place for the full year. We closed the financial year with a blended retail cash rent collection rate of 86% across all four quarters (rising to 93% including rent either deferred or subject to regear).

During the year we completed 1.2 million sq ft of new lettings and renewals across our retail portfolio, representing £6.5 million of annualised rent. Our high volume of leasing activity has generated an increase in our occupancy rate to 95.8% (31 March 2020: 94.8%). Our rental income is well-diversified, with 1,700 leases across over 800 different occupiers. This diversification, combined with our affordable rents at an average of £11.51 per sq ft as at 31 March 2021, supports the sustainability of our income.

Hawthorn community pub business

In our Hawthorn community pub business, protecting our people, our financial position and supporting our pub partners has been our primary focus throughout the year. Over 86% of our pub partners invested in their pub during the first lockdown and, seeing the positive impact on initial reopening, we invested a further £0.9 million in improving our pubs' outside space during the second half of FY21. In total, we invested £7 million in over 200 capital projects in FY21, many of which enhanced the outside space of our pubs to ensure that they were ready to welcome as many customers as possible on reopening. The success of our approach during lockdown was recently recognised in the results of KAM Media's 'Licensee Index', the leading operator sentiment tracker for the UK licensed and tenanted pub sector. Hawthorn's overall rating in this index – 8.5 out of 10 – was the highest of all major pub companies.

Despite lockdowns preventing our pub portfolio from operating for significant periods of the year, like-for like-volumes in our Leased & Tenanted pubs and like-for-like sales in our Operator Managed pubs recovered quickly on reopening in both July 2020 and April 2021. Pub occupancy remained high at 98.0% (31 March 2020: 97.0%).

We also made good progress on disposals, completing non-core pub sales of £9.8 million during the year, which further enhanced our cash and liquidity position and delivered on our strategic plan to exit from the fully managed segment of our portfolio.

Post the balance sheet date our insurers have confirmed that, in principle, our insurance policy should cover machine and wet rent losses incurred within our Leased and Tenanted estate for an indemnity period of three months. While the details and quantum of this claim are still to be confirmed it will, if successful, further improve our UFFO, cash and liquidity position in FY22.

Capital partnerships

Another strategic priority was to build on our BRAVO relationship to identify and pursue attractively priced acquisition opportunities.

In September 2020 we disposed of our 90% interest in Sprucefield Retail Park, Lisburn, to BRAVO for net proceeds of £34.7 million. This disposal expanded and strengthened our capital partnership with BRAVO while lowering our LTV. NewRiver retains a 10% interest in the asset, benefits from 10% of the net rental income and will also receive a management fee and 'promote' fee based on financial performance.

During the year we also exchanged contracts to acquire The Moor, Sheffield, in our capital partnership with BRAVO (completed in April 2021). The acquisition price of £41.0 million (NewRiver share: £4.1 million) reflects a significant discount to the breakup value of the individual assets acquired. It also represents an attractive net initial yield ('NIY') of 9.1% (rising to 9.8% following the completion of a number of leasing deals). Following this acquisition, the BRAVO capital partnership now has £192.8 million of assets under management (NewRiver share: £44.2 million) and we continue to review attractive acquisition opportunities to pursue within similar structures. Annualised asset management fee income is now £1.3 million.

Portfolio-wide strategic review

Alongside our FY21 objectives to execute our disposals programme, protect retail and pub revenues and strengthen capital partnerships, we also undertook a comprehensive portfolio-wide strategic review in the second half of the financial year. This strategic review, underpinned by the new portfolio segmentation we announced at half-year, involved analysing every asset in the portfolio in terms of current and projected resilience and value-creation opportunities. The review examined current and emerging trends across the retail landscape, including shoppers' changing behaviours and priorities, to determine how we can ensure that our portfolio remains as resilient in the future as it has proved to be during the pandemic.

The strategic review and its findings culminated in the Board's commitment to three key priorities for the business:

- Divest ourselves of our community pub business in order to reset our LTV and provide the firepower to reshape our portfolio.
- Sell our non-core retail assets and recycle the resultant capital into resilient retail
- Transform our regeneration assets to create long-term value by jointly working with sector specialists and appropriate capital partners

Our clear strategic aim is that by 2025 assets in our portfolio will display only the characteristics of resilient retail, and we believe that these collective measures will transform our business into a more agile and resilient proposition which provides the appropriate balance of income and capital returns.

We will be hosting a Capital Markets Day to provide further details around our new retail strategy in September 2021.

ESG priorities – supporting our communities and our commitment to net zero carbon

COVID-19 has highlighted the importance of community and we are proud that our assets and operations could offer some support to local communities during a year of extreme uncertainty and hardship for many. The initiatives we undertook in the year included security teams delivering shopping to those shielding, pubs converting into pop-up village shops to serve isolated neighbourhoods, and temporary units being used as vaccination centres to support the NHS. We continued to provide enhanced aid to our charity partner, the Trussell Trust, whose vital work supports over 1,200 food banks. One of our corporate fundraising initiatives included a steps challenge where we covered 7,723 miles over three weeks by cycling, running and walking - further than travelling to New York and back. We also focused on staff welfare, organising regular virtual events to maintain engagement and providing mental health and wellbeing workshops. Across our portfolio, we continued to engage with Local Authorities to help them secure and deploy funding to transform their town centres into vibrant places that serve their local communities.

We recognise the importance of promoting a robust ESG programme which is firmly embedded in our business model and were delighted to receive our first EPRA Sustainability Best Practice Recommendations award (Bronze) in September 2020. Another milestone in our ESG journey was reached in the year by the adoption of a net zero carbon target in-line with the UK's aim of achieving net zero carbon emissions by 2050. This year we reduced our greenhouse gas emissions by 33% compared to our baseline year of 2018. We will provide further details regarding our net zero pathway and progress later this year. Strong ESG credentials will form the basis of a sustainable business model and will also make us a more attractive long-term partner for our tenants, local authorities, capital partners and lenders. We will continue to identify potential improvements in this area which will shape our future ESG programme.

Outlook

COVID-19 has posed unprecedented challenges however our operational and financial achievements have reinforced our belief in the underlying strength of our portfolio and platform. As a result we have focused our efforts on ensuring that our portfolio remains resilient over the longer term.

The macroeconomic environment is improving; in May the Bank of England upgraded its 2021 growth outlook for the UK economy from 5% to 7.25%, driven by an anticipated sharp rise in consumer spending. Consumer confidence in the UK economy has returned to pre-pandemic levels and we are well placed to benefit from consumers' growing preference for shopping locally and supporting community assets.

In terms of the investment market, liquidity in retail parks improved during the year and investor demand for regeneration projects also increased over the second half of FY21, especially for assets located in areas with attractive underlying residential values. We are starting to see early signs of an uplift in shopping centre liquidity and we expect the investment market to improve further as we emerge from the COVID-19 crisis.

With the benefit of an improving market backdrop and the insights gained from our recent strategic review we are looking forward to the coming year with genuine optimism.

Allan Lockhart
Chief Executive

Business review

Highlights

- Completed £81 million of disposals at a blended NIY of 6.4% and 6% blended discount to valuation
- Exchanged on the acquisition of The Moor, Sheffield, in our capital partnership with BRAVO for total consideration of £41.0 million (NewRiver share: £4.1 million)
- Retail occupancy remained high at 95.8% (31 March 2020: 94.8%); average rent remains affordable at £11.51 per sq ft
- Completed 1.2 million sq ft of new lettings and renewals across the retail portfolio; long-term deals on average -3.1% below previous passing rent and +0.6% above valuation ERV
- Hawthorn occupancy of 98.0% at 31 March 2021 (31 March 2020: 97.0%); like-for-like volumes for Leased & Tenanted pubs (80% of Hawthorn) performed strongly following July 2020 and April 2021 reopening
- Development pipeline stands at 2.6 million sq ft, of which over 75% relates to residential development
- Portfolio valued on a proportionally consolidated basis at £974 million as at 31 March 2021 (31 March 2020: £1.20 billion)
- Total property return of -6.9%, outperforming the MSCI-IPD benchmark by 120 bps

Capital Allocation

Disposals

During the year we reached our FY21 disposal target of £80 million to £100 million of assets, completing £81.2 million of disposals at an average blended NIY of 6.4% and a 6% blended discount to March 2020 valuations. Disposals were typically of assets where we had completed our asset management and development initiatives or where we were disposing to joint venture structures in-line with our capital partnerships strategy, as was the case for Sprucefield Retail Park.

We achieved our disposal target amidst a challenging market environment, taking advantage of improved liquidity in retail parks during the last six months of the financial year to dispose of assets in Dundee, Felixstowe, Beverley and Canvey Island. All of these assets have been subject to the completion of successful asset management initiatives by NewRiver.

The most significant disposal in the second half of the financial year was of Canvey Island Retail Park, Essex, a 62,000 sq ft A1 development which was developed by NewRiver and completed in November 2018. The retail park recently became fully occupied, with the final 15,000 sq ft unit let to Iceland on a 10-year lease, completing an occupier line-up which also includes M&S Foodhall, Sports Direct, B&M and Costa Coffee. The disposal was completed for a total consideration of £11.9 million, in-line with the March 2020 valuation, and generated a 13% profit on cost.

Our largest asset disposal in the year was of a 90% interest in Sprucefield Retail Park, Lisburn, to our capital partner BRAVO for net proceeds of £34.7 million, reflecting a NIY of 9.0% and a 5% discount to the March 2020 valuation. NewRiver will retain a 10% interest in the asset, will benefit from 10% of the net rental income and, as appointed asset manager, will also receive a management fee and promote fee based on financial performance. This disposal has helped us to manage our LTV and has expanded and strengthened our relationship with BRAVO as part of NewRiver's capital partnerships strategy.

The success of our disposal programme demonstrates the inherent liquidity of our essential retail and locally positioned portfolio despite FY21 being one of the most challenging periods on record. So far in FY22 we have exchanged on £16 million of disposals and £63 million of disposals are under offer.

Acquisitions

Our investment priorities during the year were focused on the successful execution of our disposal programme, and acquisition activity in FY21 was therefore rightly limited. However, our capital partnerships strategy allowed us to take advantage of market dynamics, while limiting balance sheet exposure, and in February 2021 we exchanged on a 10% interest in The Moor, Sheffield, as part of a £41.0 million acquisition by our BRAVO relationship. This acquisition completed in April 2021.

The Moor is a 680,000 sq ft retail and leisure estate located in Sheffield city centre close to the city's railway station, council offices, and both Sheffield University and Sheffield Hallam University. The estate is anchored by Next, Sainsbury's, and an occupier-owned Primark, and is next to a 670-space car park, a nine-screen cinema and The Moor Market, a covered marketplace owned by Sheffield City Council.

The estate comprises 15 assets capable of being sold separately, which provides inherent liquidity and offers a range of mixed-use development opportunities. NewRiver has identified the potential to develop up to 1,100 build-to-rent residential units and up to 300 purpose-built student accommodation units, offering significant capital growth opportunities.

The acquisition price of £41.0 million reflects a significant discount to the break-up value of these individual assets, as provided by an independent valuer. It also represents a NIY of 9.1%, which is imminently expected to rise to 9.8% following the completion of a number of leasing deals, with an equivalent yield of 11.3% and a reversionary yield of 14.6%. NewRiver will also be appointed as asset and development manager, in return for a management fee calculated with reference to the gross rental income and development costs of the asset, and will receive a 'promote' based on financial performance.

Capital expenditure

In-line with our strategy of protecting our cash and liquidity position we took a prudent approach to capital expenditure ('capex') during the year, investing a total of £5.3 million in capex projects across our retail assets. The projects selected were all income or value-accretive for the portfolio.

Projects undertaken across the retail portfolio during the year include:

- The construction of two drive-thru units at Waterfront Retail Park, Barry, let on 15-year leases to Burger King and Costa Coffee, improving the weighted average lease expiry (WALE) of the park and likely to increase footfall, dwell time and average spend;
- Amalgamation of the former Maplin and Mothercare units at Blackburn Retail Park to create a new 25,000 sq ft B&M Bargains unit and garden centre;
- Lease surrender and subsequent landlord shell works of an unoccupied unit in Wakes Retail Park, Newport, which we subsequently relet to Food Warehouse on terms which materially increased the WALE of the park to eight years and enhanced the asset's valuation;
- Landlord shell works, which included replacing a shop front with a large, glazed entrance, to facilitate a letting to Wren Kitchens at Kittybrewster Retail Park in Aberdeen;
- Subdivision of the 55,000 sq ft unit formerly occupied by Boots in The Prospect Centre, Hull; the ground floor area was subsequently re-let to B&M Bargains, improving the WALE.

Across the pub estate we invested £7.9 million in capex projects during the financial year (£8.1 million including c-stores) which largely focused on improving the outside space of our pubs to ensure that they were ready to welcome customers on reopening.

Retail portfolio operations

Overview

Our UK-wide retail portfolio comprises 33 community shopping centres, 19 retail parks and a small number of high street units. These assets have an occupier line-up focused on essential goods and services, and over two-thirds of them are anchored by a major food and grocery brand. Our community shopping centres are located in town and city centres, in close proximity to transport connections, civic services and other local amenities, and are characterised by a low travel time and a high frequency of visits. Our retail parks are located on the edge of urban areas, in close proximity to major A-roads, and are characterised by a spacious open-air shopping experience and large free car parks which make them highly compatible with retailers' click & collect strategies.

COVID-19 lockdown, rent collection and ancillary revenue

Following the UK Government's requirement that all non-essential retail premises had to temporarily close on 23 March 2020, our centre managers ensured that all of our centres were compliant with the regulations and that the centres were able to remain open and provide a safe and secure shopping experience for those requiring essential retail. The safety of our staff and customers remained our main priority throughout FY21, a period in which communities and businesses faced the challenge of three national lockdowns and interim periods of tiered restrictions. Reflecting our focus on providing essential retail to local communities, on average 66% of our occupiers were open and trading throughout FY21.

Supported by affordable rents, occupiers across our portfolio have proved resilient, with the majority of retailers who were forced to close during lockdowns reopening within days of the easing of restrictions on non-essential retail. We have also made good progress in continuing to reduce occupier costs, achieving a 12% reduction in service charge budgets over the last four years.

Since the first national lockdown in March 2020, we have engaged constructively with our occupiers to collect contractual rent due, and we made significant progress by negotiating over 300 revised payment agreements. In a number of cases we have given occupiers the option to be invoiced and pay rent monthly, rather than quarterly in advance, which more closely aligns our revenue collection with occupier cash flows. Despite the UK Government's rental moratorium being in place for the full year, our rent collection figures improved throughout the period and we closed the year with a blended retail cash rent collection rate of 86% across all four quarters of the financial year. Including rent either deferred or subject to regear, this blended rate rises to 93%. Rent collection in respect of the first quarter of FY22, due on 25 March 2021, currently stands at 85% including deferrals and regears, ahead of collection at the same point last year.

Status of rent collection as at 27 May 2021

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Total FY21
Collected	82%	87%	91%	84%	86%
Deferred	2%	2%	1%	4%	3%
Re-gear	7%	4%	3%	4%	4%
Total collected or alternative payments agreed	**91%**	**93%**	**95%**	**92%**	**93%**
Waived	7%	5%	1%	3%	4%
Rent outstanding	2%	2%	4%	5%	3%
Total (%)	**100%**	**100%**	**100%**	**100%**	**100%**

As this table shows, the majority of rent has been collected as originally requested. Of the alternative payment agreements, the majority of occupiers have either had rent deferred, over a period of 2 to 24 months, averaging 12 months, or have agreed to a re-gear, which typically entails a lease being extended in exchange for the granting of a rent-free period. We have agreed to waive rent in exceptional circumstances, for example for certain charities and small and independent retailers.

Our rent collection metrics have consistently tracked ahead of the wider market, demonstrating the strength of our occupier relationships, the affordability of our rents and the resilience of value and essential retail during an unprecedented period of disruption and uncertainty.

Car parking utilisation and income during FY21 was also significantly reduced as a result of COVID-19. We provided free parking for key workers in relevant centres however overall park usage was lower, leading to a 63% fall in car park income to £2.7 million.

In a similar way, commercialisation income has also suffered, reducing by 57% year-on-year to £1.2 million. As we emerge from COVID-19 we are focused on restoring commercialisation income to previous levels and note that commercialisation activity is recovering well following the easing of restrictions in April 2021. We have retained all of our mall retail operators and our food and beverage operators have performed particularly strongly, especially those within open centres. A number of mall operators have expanded into retail units in our centres in Newtownabbey and Middlesbrough. Pop-up markets have also increased in number; whilst not highly profitable in isolation, they generate considerable consumer interest, animate centres and thereby help to revive footfall and dwell times.

Leasing activity

During the year we completed 1,157,100 sq ft of new lettings and renewals across our retail portfolio, representing £6.5 million of annualised rent. This represents over a 70% uplift on leasing volume of 678,100 sq ft completed in the previous financial year. In the final two quarters of the year we witnessed a progressive increase in the rents secured compared with both passing rent and ERV. Long-term leasing deals for the year in aggregate were signed at a -3.1% discount to previous passing rent and a 0.6% premium to March 2020 ERV. Long-term leasing deals had an average length of 7.3 years. This high volume of leasing activity means that our occupancy rate increased to 95.8% (31 March 2020: 94.8%) despite the challenging market backdrop.

Our leasing activity throughout the year reflected our focus on essential retailing. During the year we signed four leasing deals with B&M, including three new lettings across our retail park portfolio, and further deals with Homebase, Marks & Spencer, Holland & Barrett, Wren Kitchens, The Works, Costa Coffee and Burger King. In September 2020, we signed a portfolio deal with the value card and gift retailer Cardzone, which saw it take an additional six stores across our portfolio and more than doubled our rental income from this growing retailer.

During the third quarter Next opened one of its first collection & returns pods in the car park of Cuckoo Bridge Retail Park, Dumfries, underlining the increasing importance of retail parks to retailers' click & collect strategies.

In the final quarter of the financial year we completed two significant leasing transactions totalling over 37,000 sq ft with Instant Offices, a flexible office provider, in our shopping centres in Cardiff and Bexleyheath. These transactions highlight the alternative use potential of our well-located, accessible assets. We also signed a new lease with Sports Direct for a 30,400 sq ft unit in Poole Retail Park.

Retail portfolio profile

Our retail rental income is well-diversified, with 1,700 leases across over 800 different occupiers, and our top occupiers are focused on providing essential goods and services. Our policy is that no single retailer will account for more than 5% of total rent, and our top tenants in terms of gross rental income at period end were B&M, Poundland and Superdrug, each accounting for 1.9% of total rent. This diversification, combined with our affordable rents of £11.51 per sq ft as at 31 March 2021, underpins the sustainability of our income. Although we consider lease length to be less of a factor in supporting income sustainability, we were pleased to see our weighted average lease expiry remain constant at 5.2 years (31 March 2020: 5.2 years).

Top retail occupiers

Rank	Occupier	% Total gross income	Number of stores in portfolio
1	B&M	1.9	11
2	Poundland	1.9	20
3	Superdrug	1.9	16
4	Wilko	1.8	8
5	Boots	1.7	16
6	Primark	1.6	4
7	TK Maxx	1.5	8
8	Marks & Spencer	1.3	3
9	Iceland	1.3	14
10	Sainsbury's	1.2	3
	Subtotal	16.1	
11-25	e.g. Next, B&Q, WHSmith, Home Bargains	11.1	
26-100	e.g. Greggs, Costa, Tesco, Dunelm	18.8	
	Total	**46.0**	

At our half-year results we provided a new sub-segmentation of our shopping centre portfolio (Core/Regeneration/Work Out) in order to further improve understanding of the income and valuation profile of our assets, and our strategies to extract further value from our portfolio. The segmentation, provided in more detail below, shows that two-thirds of our assets are held in community pubs, Core Shopping Centres and retail parks; strategies here are to deliver income and valuation growth through active asset management and small-scale developments. Our Regeneration Shopping Centres portfolio includes our assets with significant large-scale residential redevelopment potential, to be realised through our development pipeline or disposal programme. Our Work Out Shopping Centres portfolio is where a supply and demand imbalance is having a significant impact on rents, and our strategy is to either successfully reposition these centres to enable them to become core through active management, or create regeneration opportunities or dispose of them.

Sub-segment[1]	Description	% of portfolio by value	Strategy
Community pubs	Wet-led community pubs in suburban locations. Delivering EBTIDA and valuation growth pre-COVID-19	25%	Operational initiatives and small-scale development (e.g. c-stores) initiatives to enhance income and valuations
Core Shopping Centres	Located in areas with good supply/demand dynamics for retail space, resulting in sustainable income and valuations	22%	Asset management and small-scale development (e.g. combining units) initiatives to enhance income and valuations
Regeneration Shopping Centres	Centres with opportunities to deliver larger scale residential-led regeneration schemes	22%	Unlock value from regeneration opportunities through capital partnerships or selling with the benefit of planning
Retail Parks	Conveniently located food & grocery-anchored retail parks, offering free car parking and optimised for click & collect	16%	Asset management and small-scale development (e.g. drive thru pods) initiatives to enhance income and valuations
Work Out Shopping Centres	Located in areas with an oversupply of retail space, leading to downward pressure on rents and valuations	13%	Asset management initiatives to reposition centres and move them into the Core Shopping Centres segment, and selective disposals
Other	Standalone high street units, non-income generating development sites and other miscellaneous assets	2%	Asset management initiatives to protect income and selective disposals

1. Note that the Group considers its operating segments to be Retail and Pubs for reporting purposes

Impact of CVAs and administrations

Our retail portfolio was affected by a number of Company Voluntary Arrangements (CVAs) or administrations during FY21 which related to occupiers including BrightHouse, New Look, Clarks, Clintons, Peacocks and Bonmarché. CVAs and administrations have been far more prevalent in the mid-market fashion and department store sectors this year. As we have long recognised this vulnerability we have deliberately avoided over-exposure to these sectors, focusing instead on occupiers who provide essential retail and convenience to their local community. Mid-market fashion retailers account for less than 4% of our total rent and we do not have any department stores within our portfolio.

Total exposure to retailers involved in CVAs or administrations during the year was £5.3 million, or 5.7% of our annual net rental income at the start of the year. Adjusting for those stores unaffected by CVAs and amounts recovered through new leasing transactions or transactions currently in legals on affected units, the net rental exposure falls by £1.3 million to £4.0 million. Furthermore, CVAs and administrations notably reduced in the second half of FY21; of the £5.3 million total exposure for FY21 only £1.7 million, primarily relating to New Look, Peacocks and Clarks, relates to the second half.

Asset management platform

Despite a challenging year for Local Authorities and asset owners we are pleased to have secured a renewal of our third-party asset management mandates with Canterbury City Council and Knowsley Council to manage key retail assets in their town centres. In addition, we have secured two further mandates for the assets acquired via our relationship with BRAVO during the year. The scale, relationships and governance credentials of the NewRiver platform continues to attract the interest of Local Authorities and private owners of retail assets.

Hawthorn community pub portfolio operations

Overview

Our Hawthorn community pub business owns 673 pubs throughout England, Scotland and Wales. Over 96% of our pubs are owned freehold, and occupancy was 98% at period end (31 March 2020: 97.0%).

Across Hawthorn, 80% of sites operate under a Leased & Tenanted model, whereby Hawthorn has an occupational lease with a tenant, who is responsible for all operating costs of the pub, including staff costs. Most of our Leased & Tenanted pubs are ‘tied’, meaning that tenants are required to purchase drinks from Hawthorn and lease games machines from Hawthorn-approved suppliers. In return, Hawthorn receives rental income, a margin between the wholesale price and sale price to tenants on drinks supplied, and a share of machine profits.

The remaining 20% of Hawthorn sites operate under an Operator Managed model, whereby Hawthorn enters into an operator agreement with a pub partner. Hawthorn incurs all operating costs of running the pub, except for staff costs, which are borne by the operator. In return, Hawthorn receives gross turnover generated by the pub and pays a management fee to the pub partner, which is on average around 20% of net revenue.

First COVID-19 lockdown and subsequent recovery

The UK Government required the temporary closure of all hospitality businesses on 20 March 2020, and our entire portfolio was closed until 4 July 2020, when pubs in England were allowed to reopen. During the lockdown period, our focus was on protecting Hawthorn’s financial position and supporting our pub partners. To protect our financial position, we accessed UK Government support packages which we invested directly in pub partner assistance and reduced non-essential capex and operating costs. Our Business Development Managers were in close contact with our pub partners and provided help in accessing available government support, including the Retail, Hospitality and Leisure Grant and the Coronavirus Job Retention Scheme. In addition, over 86% of our pub partners invested in their pub during the lockdown, particularly in improving outside space. Reflecting this level of support, 97% of our tenants said they were either satisfied or very satisfied with Hawthorn’s help during the lockdown period.

From 4 July 2020, our pubs in England were allowed to reopen, and within a week over 90% of our pub portfolio in England was operational. Following the lifting of restrictions in Scotland and Wales several weeks later, over 90% of our entire portfolio was trading by mid-August 2020.

The underlying performance of our pubs was strong following reopening, with like-for-like volumes in our Leased & Tenanted portfolio down only 8% and like-for-like sales in our Operator Managed pubs down only 16% compared to the same period in 2019. This performance compared favourably to the wider market; pub like-for-like sales were down 18% over the same period according to the Coffer Peach Business Tracker.

In order to support our pub partners recovery following reopening, we did not charge rent for the months of July or August 2020, and launched our innovative Partner Investment Fund, through which we matched investments made by pub partners. Both of these schemes were conditional on obtaining commitments from our pub partners that ensured we were able to retain the best tenants and operators for the long-term.

New restrictions from October 2020 and reopening from April 2021

From October 2020, our pub operations began to face new restrictions, initially in the form of new hospitality closures in Scotland but culminating in further national restrictions for England announced by the UK Government on 31 October. As a result of COVID-19 measures, our pubs were only able to trade for 17 weeks of the financial year and certain pubs have been able to operate for an even shorter period as a result of local tier restrictions. Furthermore, our pubs have also been subject to significant restrictions on trading capacity to satisfy social distancing requirements.

The experience gained during the first lockdown meant that we could act swiftly and effectively, offering financial aid and practical advice, to support our tenants and pub operators during this period of fresh restrictions.

During FY21 we invested £1.3 million of grant income in support payments to pub partners in our Operator Managed estate. These support payments, designed to cover operator living costs, were aimed at maintaining high levels of operator retention and occupancy. This ensured that our pubs were ready to welcome back customers on reopening and removed the burden of vacant property costs. At the end of our financial year only four pubs in our Operator Managed portfolio were vacant, representing a 96.4% occupancy level. This is a testament to the targeted support and strong relationships our Business Development Managers (BDMs) and wider team have forged with our pub operators.

Within our Leased & Tenanted pub estate we have invested almost £8 million in rental support to our pub tenants, enabling them to build cash reserves and recover swiftly on reopening. At the end of the financial year only 11 of our Leased & Tenanted pubs were unoccupied, representing a 98.0% occupancy level.

Following decisive action to invest in our portfolio during the first lockdown, and having seen the benefits of this on reopening, we took the opportunity to future-proof more of our pubs during the second half of FY21 and invested a further £0.9 million in improving outside space. An additional £0.3 million (matched by tenants) was also invested via our Partner Investment Fund to support 110 new schemes.

The dedication and talent of the Hawthorn team was recognised in the results of KAM Media's February 2021 'Licensee Index', the leading operator sentiment tracker for the UK licensed and tenanted pub sector. Hawthorn's overall rating in this index - 8.5 out of 10 - was the highest of all major pub companies, and in the area of COVID-related support specifically, Hawthorn scored 9.2 out of 10, again the highest amongst the major pub companies.

After several months of temporary closure, Hawthorn opened over 60% of its portfolio on 12 April 2021, following the easing of restrictions on outside trading, and reopened the vast majority of the remaining pubs following the easing of restrictions on indoor trading from 17 May. With a focus on well-located community and suburban pubs, and with the benefit of more consumers working from home and using their local services and facilities, we have once again been able to recover quickly on reopening and trading is tracking significantly ahead of budget. Since 12 April, like-for-like volumes in our Leased & Tenanted portfolio are down only 2% compared to the same period in 2019 which is a remarkable achievement given that for the majority of this time we have only been trading in outdoor space and the weather was poor. Like-for-like sales in our Operator Managed pubs are down 17% compared to the same period in 2019 but are still ahead of budget and in line with the wider pub sector as measured by the Coffer Peach Business Tracker. Rent collection is progressing well; we have collected 95% of all rent billed since 4 December 2020.

In response to the revenue recovery in our pubs since reopening we made the decision to repay funds received under the Coronavirus Job Retention Scheme during lockdown last year. These funds were repaid to HMRC in April 2021.

Convenience store ('c-store') developments

To date we have delivered 26 c-stores to the Co-op and during the year we completed construction of 10 apartments at the Seaview Inn, Poole. We sold these apartments, including the c-store, for £2.8 million in February 2021 to a single purchaser. We received a premium payment of £275,000 from the Co-op in May 2020 following completion of the Seaview Co-op development. We are currently exploring further c-store opportunities on surplus land across our pub portfolio. This includes one of our sites in Glasgow, where we could deliver a scheme similar to the development at the Sea View Inn, comprising a c-store and up to 30 apartments.

Pub and c-store disposals

Our disposal programme across the pub estate progressed well despite the restrictions on pub operations throughout large parts of the year, reflecting the inherent liquidity of these assets. Since 1 April 2020 we have completed 45 pub disposals and two c-store disposals, generating total sales proceeds of £13.8 million. The pub disposals generated gross proceeds of £9.8m, representing an average blended discount of only 7% to book values, and during this period we exited from the fully managed segment by selling our remaining fully managed pubs, in line with our strategy.

Development in the retail portfolio

Our development pipeline totals 2.6 million sq ft (2.2 million sq ft in the near-term) and is one of the ways in which we extract further value from our assets, particularly those in our Regeneration Shopping Centre segment. Over 70% of our development pipeline is within the Regeneration Shopping Centre portfolio and, reflecting our focus on realising alternative use potential, over 75% of the pipeline relates to residential development.

For the majority of projects in our pipeline, we intend to either sell the site with the benefit of planning or continue with development through capital partnerships. However, for smaller projects with a lead time of less than 12 months, such as our c-store developments for the Co-op, we will typically fund and manage the construction ourselves, using our experienced in-house development team.

The disruption caused by COVID-19 has had an acute impact on our development progress during the year; Local Authorities' planning resources have been stretched even further and planning applications and on-site construction works across the UK have experienced significant delays. To protect our cash and liquidity position we also curtailed many of our capex projects at the outset of the pandemic and focused on projects where we were confident of generating positive returns with limited risk.

Development pipeline

	Shopping Centre Sq ft	Retail Park Sq ft	Health & Social Care Sq ft	Hotel Sq ft	C-store Sq ft	Residential Sq ft	Total Pipeline Sq ft	Retail & Leisure Pre-let %	Resi Pre-sold %
Completed/Under construction in FY21	-	3,600	-	37,900	3,600	8,100	53,200	100	-
Planning granted	279,000	31,000	-	63,100	10,700	562,500	946,300	56	29
In planning	-	-	-	-	3,500	13,200	16,700	100	-
Pre-planning	-	77,300	54,200	-	3,500	1,056,900	1,191,900	41	-
Near-term pipeline	**279,000**	**111,900**	**54,200**	**101,000**	**21,300**	**1,640,700**	**2,208,100**		
Early feasibility stages	-	-	-	50,000	-	378,000	428,000		
Total pipeline	**279,000**	**111,900**	**54,200**	**151,000**	**21,300**	**2,018,700**	**2,636,100**		
Additional residential potential[1]	-	-	-	-	-	451,200			

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

Completed in period/Under construction

Romford Premier Inn: During the year we continued on-site at the development of an 85-room Premier Inn at a former high street unit in Romford, Greater London. This development has already been sold to a property investor as part of a pre-let forward funding agreement and practical completion is on schedule for the end of June. Our development team's efforts resulted in the achievement of BREEAM 'Very Good' certification for our design stages of the construction of the Premier Inn, which notably achieved 100% for Land Use & Ecology and Transport.

Planning granted

During the financial year over 436,000 sq ft of planning consents have been secured despite the considerable planning delays and disruption caused by COVID-19. A summary of some of the key projects is provided below.

Burgess Hill: In September 2020, Mid Sussex District Council approved our revised planning application for our 465,000 sq ft mixed-use regeneration scheme in Burgess Hill town centre. Working closely with local stakeholders, we had adjusted the design of the scheme to increase its residential provision, from 142 units to 172, and reduce space designated for retail, reflecting the changing nature of the retail market.

The revised scheme includes a 16-lane bowling alley, a 10-screen multiplex cinema, and an 85-bed hotel with a new public café, alongside a significantly improved public realm to provide functional space for managed outdoor events. However, the impact of COVID-19 over the last 12 months has been particularly challenging for the leisure sector, which means that it is likely to take longer to deliver the cinema and bowling elements of the masterplan. Therefore, in the meantime we are consulting with Mid Sussex District Council to investigate the potential of bringing forward the 172-unit residential redevelopment scheme as a priority alongside completing a 'partial implementation' scheme to build the new carpark and refurbish the existing retail units.

Medical centre in Wallsend: In February 2021 planning consent was granted for the development of a new medical centre on our land adjacent to The Forum shopping centre in Wallsend. This land is under offer to a primary care property specialist, and we anticipate that the new medical centre will be open by Summer 2022.

Expansion of existing unit at Rishworth Centre and Railway Street Retail Park, Dewsbury: We have signed an agreement for lease with Aldi to occupy a 19,000 sq ft unit at Rishworth Centre and Railway Street Retail Park, Dewsbury, expanding an existing unit that is currently occupied by Next. We achieved planning in March 2021 and intend to start on site in late summer 2021.

Newton Mearns extension and residential development: We have planning for a 10,000 sq ft extension of Newton Mearns' The Avenue shopping centre – near Glasgow – to accommodate a fitness operator. We are also under offer from a local housing developer on adjacent land at the shopping centre which has the potential for 36 residential units.

Pre-planning

Our pre-planning progress has also been impacted by COVID-19 however we are working on a number of opportunities which we will be looking to accelerate in the coming months.

Grays: We acquired Grays Shopping Centre in June 2018, recognising a significant opportunity for a high-density residential-led redevelopment of the site, which is located just 35 minutes from central London by train. We are currently working closely with Thurrock Council to bring forward a redevelopment plan that would reduce existing commercial floorspace from 177,000 sq ft to 70,000 sq ft, increase public open areas and facilitate an improved pedestrian flow through Grays town centre, as well as providing over 800 new homes. In February 2021 an updated pre-application report was submitted to Thurrock Council setting out the evolution of the scheme following consultations with council officers. In May the council confirmed their broad support for the work carried out on the proposals so far and we are now preparing presentations for the Design Review Panel in order to build further support for the outline planning application.

Fareham: We are awaiting planning consent to reconfigure the internal road network at Locks Heath shopping centre in Fareham, Hampshire, which will enable two land sales; one to a senior living housing developer and another to a local residential developer. Our value-add strategy will provide new homes adjacent to our thriving shopping centre and will improve overall returns from the asset.

Witham: At Newlands shopping centre in Witham, Essex, we are in negotiations to sell one site to a housebuilder alongside planning to deliver 37 apartments and potentially a new health centre on another site. Successful delivery will not only bring new homes into the centre of Witham but will also provide a much-needed community service in the heart of our shopping centre.

Valuation

During the year our portfolio valuation declined to £974 million from £1.20bn at 31 March 2020 as a result of disposal activity and a 13.6% reduction in portfolio valuation.

A breakdown of the key valuation movements by asset type is provided below.

As at 31 March 2021	Valuation (NRR share) (£m)	Portfolio Weighting (%)	*Valuation Deficit H1 (%)*	*Valuation Deficit H2 (%)*	Valuation Deficit FY (%)	Topped-up NIY (%)	NEY (%)	LFL ERV Movement (%)
Pubs & C-Stores	248	25%	*-4.5%*	*-4.2%*	-8.5%	11.0%	11.0%	-
Shopping Centres - Core	210	22%	*-10.4%*	*-8.5%*	-18.0%	9.5%	9.3%	-9.9%
Shopping Centres - Regeneration	210	22%	*-6.9%*	*-3.0%*	-9.7%	5.9%	6.7%	-7.1%
Retail Parks	157	16%	*-4.8%*	*0.7%*	-4.8%	7.3%	7.7%	0.4%
Shopping Centres – Work Out	132	13%	*-15.1%*	*-13.1%*	-26.2%	9.3%	13.2%	-5.6%
Other	17	2%	*-16.4%*	*-11.6%*	-27.2%	9.1%	7.6%	-17.4%
Total	**974[1]**	**100%**	***-8.2%***	***-5.6%***	**-13.6%**	**8.8%**	**9.5%**	**-6.4%**

1. See note 14 for reconciliation between Valuation (NRR share) shown in this table, and the relevant notes to the financial statements

Valuations in the shopping centre and retail park markets have been significantly impacted during the COVID-19 period through an acceleration of yield expansion, cash flow disruption and ERV decline. However, within our portfolio we are now seeing a clear trend towards valuation stabilisation, with our valuation decline slowing (H1 FY21: -8.2%, H2 FY21: -5.6%) driven by a significant improvement in ERV decline (H1 FY21: -4.8%, H2 FY21: -1.6%) as evidenced by our strong leasing performance during the year.

Overall, our shopping centre portfolio saw like-for-like equivalent yields expand by 81 bps resulting in the portfolio now being valued at an equivalent yield of 9.3%. Our shopping centre NIY is now 8.2% (260 bps higher than the 20-year MSCI long-term average of 5.6%).

Our Core shopping centre portfolio saw a valuation decline of 18% during the period attributable to 89 bps of yield expansion and 9.9% ERV decline. Regeneration shopping centres experienced a much lower rate of valuation decline of 9.7% owing to the portfolio's significant alternative use value ('AUV').

The resilience of our retail park assets was particularly evident in the second half of the financial year with ERV growth reverting to positive territory (H2 FY21: 2.0%) and yields stabilising (H2 FY21: -6 bps). Our retail park portfolio is now valued at an equivalent yield of 7.7%.

The Work Out shopping centre portfolio, which represents only 13% of all our gross assets, suffered a 26.2% valuation decline. This decline was mainly market driven with equivalent yields expanding by 206 bps to 13.2%. Whilst we do not anticipate further significant outward yield movement we remain committed to reducing our exposure to these assets over the medium term.

Despite the significant disruption to the pub sector during FY21 our pub values performed well, reporting just 8.5% of valuation decline, in part reflecting the portfolio's lack of exposure to city centre locations most affected by the abrupt shift to working from home.

As the table below shows, our portfolio outperformed the MSCI-IPD All Retail benchmark on a total return basis by 120 bps, attributable to an income return outperformance of 180 bps. When our portfolio returns are compared to the specific indices for shopping centres and retail parks, our portfolios show a considerably higher total return outperformance (total returns ahead by 1,670 bps for shopping centres and 430 bps for retail parks). In our view, our overall outperformance is driven by the affordable, sustainable nature of our rents, our smaller, more liquid lot sizes and our high occupancy levels, which means that our ERV decline was far less marked than our peers.

Year to 31 March 2021	**Total Return**	**Income Return**	**Capital Growth**
NRR portfolio	-6.9%	7.5%	-13.5%
MSCI-IPD Benchmark[1]	-8.1%	5.5%	-12.9%
Relative performance	+120 bps	+180 bps	-60 bps

Year to 31 March 2021	**Total Return**
NRR shopping centre portfolio	-10.8%
MSCI-IPD shopping centre Benchmark[1]	-23.6%
Relative performance	+1,670 bps
NRR retail park portfolio	0.6%
MSCI-IPD retail park Benchmark[1]	-3.6%
Relative performance	+430 bps

1. Benchmark includes monthly & quarterly valued retails

For a number of years we have been tracking the alternative use value ('AUV') for our retail assets and as at 31 March 2021 the AUV of our retail portfolio is £767 million which, for the first time, exceeds our retail book values by 6%. The majority alternative use in our portfolio is residential which has been a key driver of the increase in our AUV.

Finance review

COVID-19 has inevitably had an impact on our financial performance in the year. At the outset of the pandemic we moved quickly and decisively to protect our cash and liquidity position by drawing down on our Revolving Credit Facility ('RCF'), accelerating our disposal strategy, cancelling non-essential capital expenditure and suspending dividend payments. As a result, no dividends were paid in the period, compared to 16.2 pence per share in FY20. In recognition of the Company's increased cash and liquidity position, resilient performance during the pandemic and the improving market backdrop, the Board has today announced the resumption of dividends, declaring a dividend of 3.0 pence relating to FY21.

Given the difficult circumstances that we faced, it is unsurprising that Underlying Funds From Operations ('UFFO') came in at £11.5 million compared to £52.1 million in the prior year, however we have remained profitable in spite of the fact that our community pub business was only able to trade for 17 weeks of the financial year. Our IFRS loss after tax was -£150.5 million, compared to a loss of -£121.1 million in the prior year, predominantly reflecting a non-cash reduction in portfolio valuation of £152.9 million.

Our portfolio was valued on a proportionally consolidated basis at £0.97 billion at 31 March 2021, compared to £1.20 billion at 31 March 2020, reflecting a 13.6% like-for-like decline in portfolio valuation and the successful execution of our disposal strategy. Our EPRA Net Tangible Assets per share were 151 pence (31 March 2020: 201 pence) and our IFRS net assets were £460.4 million (31 March 2020: £610.6 million), with the changes predominantly explained by a non-cash reduction in portfolio valuation. The valuation declines across all segments of the portfolio have been less marked, or have reversed, in the second half of the financial year.

Improved cash and liquidity position despite unprecedented income disruption

Throughout the financial year, we have taken decisive actions to protect the strength of our unsecured and unencumbered balance sheet by maximising our cash and available liquidity position and reducing net debt. We ended the year with total available liquidity of £199.3 million, increased from £127.1 million as at 31 March 2020. This reflects the increase in our entirely unrestricted cash position from £82.1 million to £154.3 million. As a result, net debt reduced from £563.6 million to £493.3 million over the financial year.

Since the UK's first national lockdown in March 2020, we have closely monitored our liquidity position, undertaking detailed analysis and stress testing which continues to demonstrate that we remain a financially sound business with a capital structure that is well placed to absorb a prolonged period of uncertainty. We moved quickly to apply for the Covid Corporate Financing Facility ('CCFF'), for which our eligibility to draw £50 million was confirmed in April 2020. While we did not draw the CCFF, our eligibility meant that we had available undrawn debt facilities of £95 million including the undrawn portion of our revolving credit facility, until the CCFF lapsed in March 2021. In recognition of the resilience of our position, in December 2020, Fitch Ratings reaffirmed NewRiver's Long-Term Issuer Default Rating (IDR) at 'BBB' with Stable Outlook, its senior unsecured rating at 'BBB+', and its Short-Term IDR at 'F2'. The senior unsecured rating applies to NewRiver's £300 million senior unsecured bond dated 2028.

LTV increased by 350 bps from 47.1% at the start of the year to 50.6% at 31 March 2021, primarily as a result of non-cash valuation declines mitigated by the successful execution of our disposal strategy, with £81.2 million of completed disposals. Despite increasing during the year LTV remains safely below our covenant thresholds and, encouragingly, the rate of valuation decline has reduced significantly in the second half of the financial year with retail park valuations returning to growth. Notwithstanding a full year of COVID-19 disruption our interest cover ratio, the other covenant attached to our unsecured facilities, remains in compliance at 2.3x, ahead of our closest covenant of 1.75x.

Our LTV guidance is unchanged and we remain committed to reducing our LTV to below 40%. We plan to do this through further targeted disposals, as demonstrated by the £79 million of retail disposals we currently have exchanged or under offer, and the recently announced intention to divest ourselves of Hawthorn, our community pub business.

Finally, we have a covenant light capital structure with all of our balance sheet assets unencumbered. There are no refinancing events until August 2023, so our balance sheet is in a strong position as we emerge from COVID-19. Maintaining our balance sheet strength and executing our plan to reduce LTV will be a key focus for the rest of FY22 and beyond.

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 that are not specified under IFRS, are also used by management to assess the Group's performance. These include a number of the financial statistics included on Page 2 of this document. These APMs include a number of European Public Real Estate Association ('EPRA') measures, prepared in accordance with the EPRA Best Practice Recommendations reporting framework, which are summarised in the 'Alternative Performance Measures' section at the end of this document. We report 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 APM on which management places most focus, reflecting the Company's commitment to driving cash income returns, is UFFO. UFFO measures cash profits, which includes recurring cash profits and excludes other one-off or non-cash adjustments. We consider this metric to be the most appropriate for measuring the underlying performance of the business as it is familiar to non-property investors, and better reflects the Company's generation of cash profits. It is for this reason that UFFO is used to measure dividend cover.

The relevant sections of this Finance Review contain supporting information, including reconciliations to the financial statements and IFRS measures. The 'Alternative Performance Measures' section also provides references to where reconciliations can be found between APMs and IFRS measures.

Underlying Funds From Operations

The following table reconciles IFRS profit after taxation to UFFO, which is the Company's measure of cash profits.

Reconciliation of loss after taxation to UFFO

	31 March 2021 (£m)	31 March 2020 (£m)
Loss for the period after taxation	**(150.5)**	**(121.1)**
Adjustments		
Revaluation of property	154.7	162.6
Revaluation of joint ventures' investment properties	(1.8)	4.3
Loss on disposal of investment properties	5.5	1.8
Revaluation of derivatives	0.1	2.8
Loss on disposal of subsidiary	2.2	-
Acquisition costs	0.1	0.4
Deferred tax	(1.4)	0.5
EPRA earnings	**8.9**	**51.3**
Depreciation on public houses	1.1	0.8
Forward looking element of IFRS 9	0.6	-
Abortive fees	0.3	-
Share-based payment charge	0.6	-
Underlying Funds From Operations	**11.5**	**52.1**

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

	31 March 2021				31 March 2020
UNDERLYING FUNDS FROM OPERATIONS	**Group £m**	**Non-cash adjustments[1] £m**	**JVs & Associates £m**	**Proportionally consolidated £m**	**Proportionally consolidated £m**
Revenue	91.1	-	4.6	95.7	148.2
Property operating expenses	(47.1)	0.6	(1.0)	(47.5)	(55.3)
Net property income	**44.0**	**0.6**	**3.6**	**48.2**	**92.9**
Administrative expenses	(23.4)	2.1	(0.2)	(21.5)	(19.8)
Other income	7.2	-	-	7.2	-
Net finance costs	(22.8)	(0.1)	(0.8)	(23.7)	(22.0)
Taxation	2.7	(1.4)	-	1.3	1.0
Underlying Funds From Operations				**11.5**	**52.1**
UFFO per share (pence)				**3.8**	**17.0**
Ordinary dividend per share (pence)				**3.0**	**16.2**
Ordinary dividend cover				**127%**	**105%**
Admin cost ratio				24.9%	14.9%
Weighted average # shares				306.4	305.9

1. Adjustments to Group figures to remove non-cash items, principally forward looking element of IFRS 9 £(0.6) million, depreciation on public houses £(1.1) million, abortive fees and acquisition costs £(0.4) million, share-based payment charge £(0.6) million, revaluation of derivatives £0.1 million and Deferred tax £1.4 million

Net property income

Analysis of retail net property income (£m)

Retail net property income for the year ended 31 March 2020		**68.4**
Like-for-like rental income		(3.4)
FY21 CVAs and administrations	(2.4)	
Rent and service charge provisions	(5.6)	
Lease modifications	(1.6)	
Car park and commercialisation income	(5.6)	
COVID-19 impact		**(15.2)**
Acquisitions		2.1
Disposals		(2.2)
Asset management fees		0.3
Other property costs		(2.1)
Other		(0.7)
Retail net property income for the year ended 31 March 2021		**47.2**

On a proportionally consolidated basis, retail net property income was £47.2 million for the year ended 31 March 2021 compared to £68.4 million in the year ended 31 March 2020.

Like-for-like net rental income declined by £3.4 million, or -6.2%, including the impact of CVAs and administrations in the prior year. Further to this, CVAs and administrations in FY21, including New Look and Peacocks, reduced net property income by £2.4 million.

The £5.6 million provision increase has been made in relation to retail rents and service charge amounts that we have deemed unlikely to be received as a result of the COVID-19, and the lease modifications reduction of £1.6 million reflects the impact of reprofiling rents where, for example, rent free periods have been offered as a result of the impact of COVID-19. Car park and commercialisation income has declined by £5.6 million, or -59%, reflecting reduced footfall across town centres during the national lockdown period.

The £2.1 million of additional income from acquisitions related to a full half of income from five retail parks acquired in our relationship with BRAVO, and the acquisition of Sprucefield Retail Park, in FY20. This more than offset the £2.2 million of income lost as a result of our asset disposal programme.

The £0.3 million increase in asset management fee income, reflects our increased focus on leveraging our market-leading asset management platform, by managing assets on behalf of joint venture partners and third parties.

Analysis of Hawthorn net property income (£m)

Hawthorn net property income for the year ended 31 March 2020		**24.5**
Decrease in like-for-like income		(0.6)
COVID-19 closure impact	(14.6)	
Partner support provided	(8.7)	
Beer destruction	(0.4)	
COVID-19 impact		**(23.7)**
Bravo Inns acquisition		0.8
Acquisition of 28 pubs from Marston's		0.2
Pub and c-store disposals		(0.3)
Other		0.1
Hawthorn net property income for the year ended 31 March 2021		**1.0**

Pub net property income was £1.0 million during the year to 31 March 2021, compared to £24.5 million in the year to 31 March 2020, predominantly due to the mandatory closure of our pub portfolio for the vast majority of the financial year as part of the UK Government's response to the COVID-19 pandemic. In England, where the majority of our pubs are located, we experienced seven months of national lockdowns, two months of the tiered system, and just three months of normal trading over the Summer of 2020. When the pubs were open and able to trade, performance was encouraging, with only a modest like-for-like decline of £0.6 million, reflecting reduced capacity, recovering customer confidence, some localised restrictions, and the Government's Eat Out to Help Out scheme.

The direct impact of closing our pubs throughout the sustained periods of lockdown in the year adversely impacted by income by £14.6 million, with the support provided to partners, predominantly in the form of rent waivers, further reducing income by £8.7 million. The cost of destroying beer supplies adversely impacted income by £0.4 million.

The impact of a full year of income from the acquisitions of Bravo Inns and 28 community pubs from Marston's in FY20 added £0.8 million and £0.2 million respectively.

Administrative expenses

Administrative expenses were £21.5 million in the year, compared to £19.8 million in FY20. A driver of the increase included the investment we have made into our Hawthorn operating platform in support of the acquisitions made in FY20.

Other income

Other income of £7.2 million was received during the year, £2.7 million relating to our retail portfolio, and £4.5 million relating to our pub portfolio. In retail, other income related entirely to insurance proceeds received following the fire in October 2018 at the unit formerly occupied by B&M at Clifton Moor Retail Park in York.

In the pubs, we received a dilapidation payment in relation to cost of repairs made to the 'Trent' portfolio. This contributed a further £0.8 million to income. In addition, we received £3.7 million of government grants on our operator managed estate, due to the income disruption caused by the closure of the pub estate in Q1 as a result of COVID-19.

Net finance costs

Net finance costs were £23.7 million in the year, compared to £22.0 million in the prior year. This is mainly due to the strategic liquidity decision to draw on our RCF in order to protect our cash and liquidity position at the onset of COVID-19 (contributing £1.1 million of the increase), and increase in margin due to our LTV rising above 40% in the second half of FY20 (£0.6 million).

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. Our 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. There was a tax credit of £1.3 million during the year, reducing tax provisions made which are no longer expected to be required.

Dividends

On 19 March 2020 we announced that the Board had decided not to declare a fourth quarter dividend for the year ended 31 March 2020 due to uncertainty around the impact of COVID-19 on the Company's operations. When we announced our results for the first half of the financial year on 26 November 2020 we stated that, due to the uncertainty that remained at the time, the Board had decided not to pay a dividend in respect of the first half in order to continue its focus on cash reserves and liquidity, but that it was the Board's intention that a covered dividend would be reinstated at the full year.

Although significant uncertainty remains globally, with the success of the vaccine roll-out in the UK and with the easing of further restrictions on 17 May, England is on track to remove the majority of restrictions on 21 June 2021. In this context, together with the Company's increased cash and liquidity position and resilient performance during the pandemic, the Board has declared a dividend of 3.0 pence per share in respect of the year ended 31 March 2021.

Prior to COVID-19, NewRiver's policy was to pay dividends on a quarterly basis in equal instalments, and the quarterly dividend for the forthcoming year was set at the full year results. This policy was successful for a number of years, but ultimately did not allow management the flexibility to make the capital and operational decisions required in order to achieve the Company's strategic priorities.

As a consequence, NewRiver's dividend policy will now be to pay dividends equivalent to 80% of UFFO. These dividends will be declared twice annually at the Company's half and full year results, calculated with reference to the most recently completed six-month period.

The Company 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, including that at least 90% of our profit from the property rental business must be paid as dividends. We intend to continue as a REIT for the foreseeable future.

A dividend of 3.0 pence per share in respect of the year ended 31 March 2021 will, subject to shareholder approval at the 2021 AGM, be paid on 3 September 2021. The ex-dividend date will be 29 July 2021. The dividend will be payable as a REIT Property Income Distribution (PID).

Balance sheet

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

	As at 31 March 2021			As at 31 March 2020
	Group £m	JVs & Associates £m	Proportionally consolidated £m	Proportionally consolidated £m
Properties at valuation	930.1	44.1	974.2	1,197.1
Right of use asset	86.5	-	86.5	87.2
Investment in JVs & associates	30.9	(30.9)	-	-
Other non-current assets	1.9	1.6	3.5	2.9
Cash	150.5	3.8	154.3	82.1
Other current assets	26.0	1.2	27.2	27.9
Total assets	1,225.9	19.8	1,245.7	1,397.2
Other current liabilities	(47.6)	(1.9)	(49.5)	(49.9)
Lease liability	(84.9)	-	(84.9)	(86.3)
Debt	(629.7)	(17.9)	(647.6)	(645.7)
Other non-current liabilities	(3.3)	-	(3.3)	(4.7)
Total liabilities	(765.5)	(19.8)	(785.3)	(786.6)
IFRS net assets	**460.4**	**-**	**460.4**	**610.6**
EPRA adjustments:				
Goodwill			(0.5)	(0.2)
Deferred tax			0.7	2.1
Fair value financial instruments			2.6	2.7
EPRA NTA			**463.2**	**615.2**
EPRA NTA per share			**151p**	**201p**
IFRS net assets per share			**150p**	**199p**
LTV			**50.6%**	**47.1%**

Net assets

As at 31 March 2021, IFRS net assets were £460.4 million (31 March 2020: £610.6 million). The reduction was primarily due to a 13.6% like-for-like decrease in portfolio valuation.

EPRA NTA is calculated by adjusting net assets to reflect the potential impact of dilutive ordinary shares, and to remove the fair value of any derivatives and goodwill held on the balance sheet. These adjustments are made with the aim of improving comparability with other European real estate companies. EPRA NTA decreased by 25% to £463.2 million, from £615.2 million at 31 March 2020. EPRA NTA per share decreased by 25% to 151 pence per share at 31 March 2021 compared to 201 pence per share at 31 March 2020. The decrease in EPRA NTA and EPRA NTA per share is primarily due to the 13.6% like-for-like decrease in portfolio valuation.

Properties at valuation

Proportionally consolidated properties at valuation was £974.2 million at 31 March 2021, compared to £1,197.1 million at 31 March 2020, due to a 13.6% like-for-like decline in valuations and the completion of £81.2 million of disposals, in line with our strategy to complete between £80-100 million of disposals in FY21.

Net debt & financing

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

	Group	**JVs & Associates**	**Proportionally consolidated**
Net debt at 31 March 2020	**547.8**	**15.8**	**563.6**
Operating activities			
Net cash inflow from operating activities	(8.6)	(2.4)	(11.0)
Investing activities			
New borrowings	-	2.0	2.0
Investment in associate	2.4	-	2.4
Disposal of subsidiary	(38.5)		(38.5)
Disposal of investment properties	(40.1)	(2.1)	(42.2)
Purchase of plant and equipment	3.3	-	3.3
Development and other capital expenditure	10.0	0.4	10.4
Financing activities			
Ordinary dividends paid	1.4		1.4
Other	1.5	0.4	1.9
Net debt at 31 March 2021	**479.2**	**14.1**	**493.3**

Proportionally consolidated net debt decreased by £70.3 million during the year to £493.3 million, primarily as a result of our disposal activity.

Operating activities generated a net cash inflow of £11.0 million, compared with UFFO of £11.5 million. As part of our disposal programme, we received cash proceeds of £78.3 million, net of re-investment in associates, primarily Sprucefield, of £2.4m, in addition to new debt taken out in associates of £2.0 million. The purchase of plant and equipment, and development and other capex, represented cash outflows of £3.3 million and £10.4 million respectively. The payment of withholding tax on the dividend relating to Q3 FY20 resulted in a net cash outflow of £1.4 million.

Financial policies

Our conservative financial policies were put in place in consultation with shareholders and form a key component of our financial risk management strategy. Our LTV increased from 47.1% at 31 March 2020 to 50.6% at 31 March 2021 due to non-cash portfolio valuation declines, the effect of which was partially mitigated by the successful execution of our disposal programme and cash generation from our portfolio. While LTV at this level remains safely below our covenant thresholds, it is now ahead of both our stated policy and our guidance.

We are as committed as ever to reducing our LTV to below 40% and balance sheet gearing to below 100%, and we plan to do this through our actions, as demonstrated by the £79 million of retail disposals we currently have exchanged or under offer, and the recently announced intention to divest ourselves of Hawthorn, our community pub business.

Similarly, whilst our Net debt: EBITDA ratio is now above our stated policy, the strategic disposals outlined in these results alongside the projected revenue recovery following the easing of lockdown restrictions will significantly improve this metric in the future.

	Financial policy	Proportionally consolidated 31 March 2021	 31 March 2020
Net debt		£493.3m	£563.6m
Principal value of gross debt		£653.1m	£652.4m
Weighted average cost of debt[1]		3.2%	3.4%
Weighted average debt maturity[2]		4.8 yrs	5.9 yrs
Loan to value	Guidance <40% Policy <50%	50.6%	47.1%
		FY21	**FY20**
Net debt: EBITDA	<10x	14.6x	7.7x
Interest cover	>2.0x	2.3x	4.8x
Ordinary dividend cover[3]	>100%	127%	105%
		Group **31 March 2021**	 **31 March 2020**
Balance sheet gearing	<100%	104%	90%

1. Cost of debt assuming £215 million revolving credit facility is fully drawn
2. Average debt maturity assumes one-year extension option is exercised and bank approved. Excluding this option, debt maturity at 31 March 2021 is 4.3 years
3. Calculated with reference to UFFO

Additional guidelines

Alongside our financial policies we have a number of additional guidelines used by management to analyse operational and financial risk, which we disclose in the following table:

	Guideline	31 March 2021
Single retailer concentration	<5% of gross income	1.9% (B&M, Poundland and Superdrug)
Development expenditure	<10% of GAV	<1%
Risk-controlled development	>70% pre-let or pre-sold on committed	100%
Pub weighting (excluding c-stores)	<30% of GAV	25%

Conclusion

It has been a challenging year for the UK economy and lockdown restrictions have impaired the financial performance of the Company and impacted the valuation of our portfolio. In spite of this we remained profitable, generating £11.5 million of UFFO, our cash and liquidity position has improved over the year by £72 million and we have maintained our Investment Grade credit rating.

Key to the strength of our financial position in navigating our way through the pandemic has been our unsecured balance sheet, the flexibility and unencumbered nature of our banking facilities and our corporate bond, which have enabled us to take decisive action whilst not being distracted by any covenant issues, with a covenant light capital structure that puts us at an advantage to manage risk and explore opportunities. The divestment of our community pub business will strengthen the balance sheet and reduce LTV towards our stated guidance of 40%.

NewRiver has one of the best and most efficient capital structures in the sector. This financial year has tested and proven this and we have come through FY21 in a strong financial position as we look forward to the year ahead.

Mark Davies
Chief Financial Officer

Notes to Editors

About NewRiver

NewRiver REIT plc ('NewRiver') is a leading Real Estate Investment Trust specialising in buying, managing and developing essential retail and leisure assets throughout the UK.

Our £1.0 billion portfolio covers 9 million sq ft and comprises 33 community shopping centres, 19 conveniently located retail parks and 673 community pubs. We hand-picked our assets to deliberately focus on occupiers providing essential goods and services, and avoid structurally challenged sub-sectors such as department stores, mid-market fashion and casual dining. This focus, combined with our affordable rents and desirable locations, delivers sustainable and growing returns for our shareholders, while our active approach to asset management and inbuilt 2.6 million sq ft development pipeline provide further opportunities to extract value from our portfolio.

NewRiver has a Premium Listing on the Main Market of the London Stock Exchange (ticker: NRR). Visit www.nrr.co.uk for further information.

Principal risks and uncertainties

Our approach to risk management

Risk is inherent in all business and effective risk management is a key element in the delivery of our strategy and operation of our business model. The COVID-19 pandemic brought economic and social disruption over FY21 however our culture and strong governance systems have supported the business during this challenge. Our small workforce encourages flexibility and collaboration across the business in all areas including risk. The accessibility and flexibility of the Board and senior staff are particularly pertinent when adapting to emerging and external risks such as a global pandemic. This flexibility has enabled the business to adjust and respond to this fast-changing situation and prove its resilience and adaptability.

The Board has ultimate responsibility for the risk management and internal controls of the Company, and regularly evaluates our appetite for risk, ensuring our exposure to risk is managed effectively. The Audit Committee monitors the adequacy and effectiveness of the Company'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 risk management, ensuring that it is embedded within the Company's culture and values, and that there is a delegation of accountability for each risk to senior management.

Risk appetite

There are multiple risks that could impact our ability to successfully execute our strategy. The Board generally has a low risk appetite but recognises that the external environment in which it operates is inherently risky. Mitigating actions are therefore agreed for all risks that exceed the Group's risk appetite. 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:

- Maintaining an unsecured balance sheet, with the Company benefiting from a more diversified debt structure and gaining access to a larger pool of capital to help achieve our strategic goals
- Our disciplined approach to stock selection with probability risk adjusted returns
- Deploying capital in joint ventures, thereby diversifying risk
- A diverse tenant base in which there is no single tenant exposure of more than 3%
- Our experienced Board and senior management

Risk monitoring and assessment including emerging risks

The identification of risks is a continual process which has been highlighted more so this year than ever before with a global pandemic creating uncertainty across all sectors both economically and socially. The Company maintains a risk register in which a range of categories are considered. These risks are linked to the business model and strategic priorities of the Company.

The risk register assesses the impact and probability of each identified risk. By identifying all risks on a register and continuously updating this register principal risks can be identified as those that might threaten the Company's business model, future performance, solvency or liquidity and reputation. Their potential impact and probability will also be a factor in whether they are classed as principal. The risk register also records actions that can be taken to further mitigate the risk and each action is assigned to an individual or group. Mitigation factors and actions are assigned to all risks whether they are principal, non-principal or emerging. The continuous updating of this risk register assists in identifying emerging risks as they develop and ensures that their impact is continually assessed as they emerge and progress. All risks on the register are 'scored' in terms of impact and probability. A risk heat map can be a useful visual aid to understand the potential impact and probability of each significant risk on a gross basis prior to mitigation.

Principal risk areas are:

External risks	Operational risks
1. Macroeconomic	7. People
2. Political and regulatory	8. Financing
3. Catastrophic external event	9. Asset management
4. Climate change	10. Development
5. Changes in technology and consumer habits and demographics	11. Acquisition
6. Cyber Security (New)	12. Disposal

Risk assessment during the year

The general risk environment in which the Company operates remained uncertain throughout the year. While the easing of lockdown rules from June 2020 onwards removed some risk relating to COVID-19, particularly in our macroeconomic, catastrophic external event and asset management risk categories, the second wave of infections and the imposition of further restrictions by the UK and other national governments from October 2020 onwards meant that much of these risk factors returned. Wider concerns around the deterioration of the UK retail market, and continued political and economic uncertainty relating to the UK's departure from the EU, remained throughout the year.

External Risks

Risk and impact	Monitoring and management	Change in risk assessment during the period
1. Macroeconomic Economic conditions in the UK and changes to fiscal and monetary policy may impact market activity, demand for investment assets, the operations of our occupiers or the spending habits of the UK population.	• The Board regularly assesses the Company's strategy in the context of the wider macroeconomic environment. This continued review of strategy focuses on positioning our portfolio for the evolving economic situation. • The Board and management team consider updates from external advisers, reviewing key indicators such as forecast GDP growth, employment rates, interest rates and Bank of England guidance and consumer confidence indices. • Our portfolio is focused on resilient market sub-sectors such as essential retailers and wet-led pubs. • Through regular stress testing of our portfolio we ensure our financial position is sufficiently resilient. • Closely monitoring rent collection and cash flow	• Macroeconomic risk has remained the same during the period and is considered a **medium impact** risk with a **medium to high probability**. • Although retail sales and pub sales rebounded after the first national lockdown further restrictions by the UK and other national governments from October 2020 onwards meant that sales in pubs and non-essential retail were again impacted. Restrictions are however now lifting again and the vaccination programme is proving successful. • The uncertainty around the impact of the COVID-19 pandemic continues to result in declines in asset valuations, which has narrowed the headroom on some of our debt covenants. • Possible higher inflation could fuel wage growth and costs leading to rate increases above current forecasts. • The Bank of England is expecting a strong recovery to pre-pandemic levels so these Macroeconomic risks are expected to improve.

2. Political and regulatory Changes in UK Government policy, the adverse effects of Brexit on our tenants, or the impact of political uncertainty on the consumers' retail and leisure spend.	• The Board regularly considers political and regulatory developments and the impact they could have on the Company's strategy and operating environment. • External advisers, including legal advisers, provide updates on emerging regulatory changes to ensure the business is prepared and is compliant. • We regularly assess market research to gauge the impact of regulatory change on consumer habits. • We carry out stress testing on our portfolio in relation to regulatory changes which may impact our operations or financial position. • Where appropriate, we participate in industry and other representative bodies to contribute to policy and regulatory debate. Individual ExCo constituents are members of BPA, BBPA and the High Street task force.	• Political and regulatory risk has increased in the period and is considered a **high impact** risk with a **high probability**. • Political uncertainty surrounding COVID-19 remains, although the roll out of vaccinations and opening up of restrictions is positive. • There still remain uncertainties around the longer term impacts of Brexit and also uncertainties relating to the possibility of Scottish Devolution. • The Coronavirus Act imposed a moratorium on landlords' ability to forfeit leases of commercial property for non-payment of rent in England and Wales and Northern Ireland. This moratorium has again been extended and will now expire on 30 June 2021. • There are further uncertainties around the outcome of the Government review of the Landlord and Tenant Act 1954.
3. Catastrophic external event An external event such as civil unrest, a civil emergency including a large-scale terrorist attack or pandemic, could severely disrupt global markets and cause damage and disruption to our assets.	• The Board have developed a comprehensive crisis response plan which details actions to be taken at a head office and asset-level. • The Board regularly monitors the Home Office terrorism threat level and other security guidance. • The Board regularly monitors advice from the UK Government regarding pandemic responses and emergency procedures at our assets are regularly tested and enhanced in-line with the latest UK Government guidance. • We have robust IT security systems which cover data security, disaster recovery and business continuity plans. • The business has comprehensive insurance in place to minimise the cost of damage and disruption to assets.	• Catastrophic external event risk has been increased during the period and is considered a **high impact** risk with a **high probability**. • The impact of COVID-19 has caused unprecedented economic and operational disruption. We mitigated the impact through our portfolio positioning focused on essential goods and services, our cash position and liquidity and our active approach to asset management. • COVID-19 has also demonstrated the effectiveness of home working for the business, which has ensured preparedness for any future lockdowns. • The Board continues to review the Company's response to the COVID-19 pandemic and make any necessary amendments to our crisis response plan. • The roll out of vaccinations and the opening up of restrictions is positive and our operational performance has proved the resilience of our portfolio.
4. Climate change Adverse impacts from environmental incidents such as extreme weather or flooding could impact the operation of our assets. A failure to implement appropriate climate risk management measures, comply with evolving regulations and meeting our ESG targets could impact the operation and value of our assets, leading to a risk of asset obsolescence, reputational damage and erosion of investor value.	• We have a comprehensive ESG programme which is regularly reviewed by the Board and Executive Committee. A detailed overview of the programme can be found in our standalone ESG report. • One of the key objectives of the programme is to minimise our impact on the environment through reducing energy consumption, sourcing from renewable sources, and increased recycling. • We are developing our pathway to Net Zero Carbon and setting new medium and long term targets in line with the latest climate science. • We regularly assess assets for environmental risk and ensure sufficient insurance is in place to minimise the impact of environmental incidents. • ESG performance is independently reviewed by our external environmental consultants and is measured against applicable targets and benchmarks. • We have included TCFD disclosures in our Annual Report.	• Climate change risk has increased during the period and is considered a medium impact risk with a medium likelihood. • ESG has risen up the agenda of many stakeholders and expectations of compliance with best practice have increased • Regulatory requirements have also increased during the period, in addition to the scoring criteria for certain ESG benchmarks such as GRESB • Our ESG committee pre-empted these changes and our initiatives and disclosure continue to evolve in-line with best practice. • ESG is embedded into capital allocations and is considered for all future acquisitions.

5. Changes in technology and consumer habits and demographics. Changes in the way consumers live, work, shop and use technology could have an adverse impact on demand for our assets**.**	• The Board and Executive Committee regularly assess our overall corporate strategy, and acquisition, asset management and disposal decisions in the context of current and future consumer demand. Our strategy is designed to focus on resilient assets that take into account these future changes. • We closely assess the latest trends reported by CACI, our research provider, to ensure we are aligned with evolving consumer trends. • Our retail portfolio is focused on essential spending on goods and services which are resilient to the growth of online retail. Our community wet-led pubs perform an important social and societal function, providing experiences which cannot be replicated online. • Our retail parks are ideally positioned to help retailers with their multi-channel retail strategies. • The alternative use valuation of our portfolio shows we have optionality in realising value from assets which do not have a future as retail assets.	• Changes in technology and consumer habits risk has remained the same during the year and is considered a medium impact risk with a low to medium probability. • Although COVID-19 lockdown restrictions have significantly increased home working and online shopping, we expect some of this to unwind in the short term but consumer habits will evolve over the medium term. • Our portfolio is focused on providing essential retail to local communities, which continues to mitigate the impact of online retail on our portfolio. • While COVID-19 may have accelerated the trend to online shopping this provides opportunities for our portfolio, particularly retail parks and local community shopping centres. • Our strategy is to reshape our portfolio to ensure over the longer term we have the most resilient retail portfolio in the UK.
6. Cyber security A cyber attack could result in the Group being unable to use its IT systems and/or losing data. This could delay reporting and divert management time. This risk could be increased due to many employees working from home during the pandemic**.**	• There are limited IT servers on sites. • Multiple third party supplier programs are used which have their own security systems and are independently audited by Deloitte and ISO2000 accredited. • ExCo receives quarterly reporting on IT matters. • Security protocols are in place to ensure swift changes to data access following staff changes and authority limit access. • We are have reviewed our IT systems and have a number of focus areas to enhance over the year. • Cyber insurance cover is in place	• This is a New Principal risk. Whilst this risk has always been recorded and monitored on our risk register its prominence has been elevated in the year because one of our third party suppliers experienced a cyber security incident. No data breaches were found to have been made but our normal reporting systems were slower as a result of not having access to our normal reporting channels while the incident was being investigated. • This risk could also be increased due to employees working from home during the pandemic.

Operational Risks

Risk and impact	Monitoring and management	Change in risk assessment during the period
7. People The inability to attract, retain and develop our people and ensure we have the right skills in place could prevent us from implementing our strategy. .	• Attracting, retaining and developing talent is core to our HR strategy, which is regularly reviewed by the Board and Executive Committee. • We undertake an extensive Employee Engagement Survey once a year to gauge employee views on leadership, company culture, health and wellbeing, personal growth and benefits and recognition. This informs any changes to HR policy. • We regularly benchmark our pay and benefits against those of peers and the wider market. • Succession planning is in place for all key positions and is reviewed regularly by the Nomination committee. • Longer notice periods are in place for key employees. • Our recruitment policies consider the needs of the business today and our aspirations for the future, whilst ensuring our unique corporate culture is maintained.	• People risk remains unchanged during the period and is considered a low to medium impact risk with a low to medium probability. • It remains a challenging operating environment for the Company, which could present some issues in attracting and retaining talent, but this impact is mitigated by an active employee engagement programme and the alignment of reward with both individual and Company-level performance. • We have focused on staff well-being during this challenging time. We have actively sought regular feedback from staff. Mindful of mental and physical well-being during these prolonged periods of self-isolation and working from home we devised an active programme of staff events such as virtual social gatherings and exercise classes to help staff keep engaged. • Our staff retention rate is 95%.

8. Financing If gearing levels become higher than our risk appetite or lead to breaches in bank covenants this would impact our ability to implement our strategy. The business could also struggle to obtain funding or face increased interest rates as a result of macroeconomic factors.	• The Board regularly assesses Company financial performance and scenario testing, covering levels of gearing and headroom to financial covenants and assessments by external rating agencies. • The Company has a programme of active engagement with key lenders and shareholders. • The Company has a wholly unsecured balance sheet, which mitigates the risk of a covenant breach caused by fluctuations in individual property valuations. • The Company has long-dated maturity on its debt, providing sufficient flexibility for refinancing. • Weekly working capital and cash flow analysis is reviewed by the Executive Committee and detailed forward assessments of cashflows are carried out regularly. • Our credit rating is independently assessed by Fitch Ratings every six months.	• Financing risk remains unchanged during the period and is considered a high impact risk with a low to medium probability. • Although macroeconomic developments, particularly in the wake of COVID-19 have impacted financial markets, the strength of the Company's balance sheet, and the results of our extensive scenario testing, and stress-testing of headroom, means we have significantly mitigated the risk of not being able to secure sufficient financing. • Through our disposal programme strategy we have managed to mitigate the impact COVID-19 might otherwise have had on our cash and liquidity position and LTV.
9. Asset management The performance of our assets may not meet with the expectations outlined in their business plans, impacting financial performance and the ability to implement our strategies	• Asset-level business plans are regularly reviewed by the asset management team and the Executive Committee and detailed forecasts are updated frequently. • The Executive Committee reviews whole portfolio performance on a quarterly basis to identify any trends that require action. • Our asset managers are in contact with centre managers and occupiers on a daily basis to identify potential risks and improvement areas. • Revenue collection is reviewed weekly by the Executive Committee	• Asset management risk has increased during the period and is considered a medium to high impact risk with a medium to high probability. • The COVID-19 pandemic has placed restrictions on the operations of our occupiers and impacted performance and rent collection at our assets. • There have been a number of high-profile retail failures since the beginning of the pandemic, including amongst our occupier base. • Our COVID-19 response has focused on supporting occupiers and ensuring businesses can emerge from the crisis in robust financial shape. • The roll out of vaccinations and the opening up of restrictions is positive and our operational performance has proved the resilience of our assets.
10. Development Delays, increased costs and other challenges could impact our ability to pursue our development pipeline and therefore our ability to profitably recycle development sites and achieve returns on development.	• We apply a risk-controlled development strategy through negotiating long-dated pre-lets (typically at least 70% of assets). • All development is risk-controlled and forms only 5% of the portfolio by value. • Capital deployed is actively monitored by the Executive Committee, following detailed due diligence modelling and research. • An experienced development team monitors on-site development and cost controls. • On large scale developments where construction is more than 12 months we look to carry out the project in partnership and/or forward sell.	• Development risk has remained unchanged through the period and is considered a low to medium impact risk with a low probability. • Although the COVID-19 pandemic has brought delays to many development projects, they remain a small part of our portfolio and committed capex is low. • Our largest developments, which include regeneration schemes in Burgess Hill and Cowley, Oxford, are driven by key trends which are likely to re-emerge after the immediate impacts of COVID-19 ease. • A number of our regeneration assets are under offer and this will decrease the proportion of assets focussed on development which inherently reduces risk exposure.
11. Acquisition The performance of asset and corporate acquisitions might not meet with our expectations and assumptions, impacting our revenue and profitability.	• We carry out thorough due-diligence on all new acquisitions, using data from external advisers and our own rigorous in-house modelling before committing to any transaction. Probability weighted analysis takes account of these risks. • Acquisitions are subject to approval by the Board and Executive Committee, who are highly experienced in the retail and pub real estate sectors. • We have the ability to acquire in joint ventures, thereby sharing risk.	• Acquisition risk has reduced through the period and is considered a low impact risk with a low probability. • Our key capital allocation priority is to use cash proceeds to reduce debt therefore there will be limited acquisition activity for the foreseeable future, other than taking 10% stakes in capital partnerships where applicable.

12. Disposal We may face difficulty in disposing of assets or realising their fair value, thereby impacting profitability and our ability to reduce debt levels or make further acquisitions.	• Our portfolio is focused on high-quality assets with low lot sizes, making them attractive to a wide pool of buyers. • Assets are valued every six months by external valuers, enabling informed disposal pricing decisions. • Disposals are subject to approval by the Board and Executive Committee, who are highly experienced in the retail and pub real estate sectors. • Our portfolio is large and our average asset lot size is small, meaning that each asset represents only a small proportion of revenues and profits, thereby mitigating the impact of a sale not proceeding.	• Disposal risk has increased during the period and is considered a low to medium impact risk with a Medium Probability. • Political uncertainty and the onset of COVID-19 has increased market uncertainty, causing some purchasers to reconsider or delay acquisition decisions. • We have an active disposal programme, with the volume of transactions being completed naturally increasing disposal risk. The average lot size however is lower than most in the market so tends to be more liquid.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	**Operating and financing 2021 £m**	**Fair value adjustments 2021 £m**	**Total 2021 £m**	Operating and financing 2020 £m	Fair value adjustments 2020 £m	Total 2020 £m
Revenue	4	**91.1**	**–**	**91.1**	144.8	–	144.8
Property operating expenses*	5	**(47.1)**	**–**	**(47.1)**	(55.0)	–	(55.0)
Net property income		**44.0**	**–**	**44.0**	89.8	–	89.8
Administrative expenses	6	**(23.4)**	**–**	**(23.4)**	(20.9)	–	(20.9)
Other income	7	**7.2**	**–**	**7.2**	–	–	–
Share of income / (loss) from joint ventures	15	**2.3**	**1.2**	**3.5**	2.0	(3.9)	(1.9)
Share of income / (loss) from associates	16	**0.1**	**0.6**	**0.7**	0.1	(0.4)	(0.3)
Net valuation movement	14/17	**–**	**(154.7)**	**(154.7)**	–	(162.6)	(162.6)
Loss on disposal of subsidiary	8	**(2.2)**	**–**	**(2.2)**	–	–	–
Loss on disposal of investment properties	9	**(5.5)**	**–**	**(5.5)**	(1.5)	–	(1.5)
Operating profit / (loss)		**22.5**	**(152.9)**	**(130.4)**	69.5	(166.9)	(97.4)
Finance income	10	**0.3**	**–**	**0.3**	0.1	–	0.1
Finance costs	10	**(23.1)**	**–**	**(23.1)**	(24.3)	–	(24.3)
(Loss) / profit for the year before taxation		**(0.3)**	**(152.9)**	**(153.2)**	45.3	(166.9)	(121.6)
Taxation	11	**1.3**	**1.4**	**2.7**	1.0	(0.5)	0.5
Profit / (loss) for the year after taxation		**1.0**	**(151.5)**	**(150.5)**	46.3	(167.4)	(121.1)
Loss for the year after taxation				**(150.5)**			(121.1)
Other comprehensive loss							
Other movement				**0.2**			-
Revaluation of property, plant and equipment				**(0.5)**			(1.0)
Total comprehensive loss for the year				**(150.8)**			(122.1)
Loss per share							
Basic (pence)	12			**(49.1)**			(39.6)
Diluted (pence)	12			**(49.1)**			(39.6)

All activities derive from continuing operations of the Group.

*Included in property operating expenses is a charge of £7.1 million (2020: £2.5 million) for expected credit losses relating to tenant debtors.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment properties	14	**934.9**	1,185.6
Right of use asset		**3.5**	3.9
Investments in joint ventures	15	**25.6**	22.1
Investments in associates	16	**5.3**	0.9
Property, plant and equipment	17	**54.1**	56.2
Goodwill		**0.5**	0.2
Total non-current assets		**1,023.9**	1,268.9
Current assets			
Trade and other receivables	18	**26.0**	26.7
Current taxation asset		**–**	0.7
Cash and cash equivalents	21	**150.5**	80.8
Total current assets		**176.5**	108.2
Assets held for sale	19	**25.5**	–
Total assets		**1,225.9**	1,377.1
Equity and liabilities			
Current liabilities			
Trade and other payables	22	**46.9**	46.8
Lease liability	24	**0.7**	0.7
Derivative financial instruments	20	**–**	0.1
Total current liabilities		**47.6**	47.6
Non-current liabilities			
Derivative financial instruments	20	**2.6**	2.6
Deferred tax liability	11	**0.7**	2.1
Lease liability	24	**84.9**	85.6
Borrowings	23	**629.7**	628.6
Total non-current liabilities		**717.9**	718.9
Net assets		**460.4**	610.6
Equity			
Share capital	25	**3.1**	3.1
Share premium	25	**227.4**	227.4
Merger reserve	25	**(2.3)**	(2.3)
Retained earnings and other reserves	25	**232.2**	382.4
Total equity		**460.4**	610.6
Net Asset Value (NAV) per share (pence)			
EPRA	12	**151p**	201p
Basic	12	**150p**	199p
Diluted	12	**150p**	199p

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Loss for the year before taxation	**(153.2)**	(121.6)
Adjustments for:		
Loss on disposal of investment property	**5.5**	1.5
Loss on disposal of subsidiary	**2.2**	–
Net valuation movement	**154.7**	163.0
Net valuation movement in joint ventures	**(1.2)**	3.9
Net valuation movement in associates	**(0.6)**	0.4
Share of income from joint ventures	**(2.3)**	(2.0)
Share of income from associates	**(0.1)**	(0.1)
Net interest expense	**22.9**	18.7
Rent free lease incentives	**(2.6)**	(2.1)
Movement in expected credit loss	**7.1**	2.5
Amortisation of legal and letting fees	**0.2**	(0.2)
Depreciation on property plant and equipment	**1.9**	1.2
Share based-payment expense	**0.6**	–
Net movement from fair value of derivatives	**(0.1)**	2.7
Cash generated from operations before changes in working capital	**35.0**	67.9
Changes in working capital		
Increase in trade and other receivables	**(8.2)**	(1.7)
Increase / (decrease) in payables and other financial liabilities	**2.2**	(5.0)
Cash generated from operations	**29.0**	61.2
Interest paid	**(22.1)**	(17.7)
Corporation tax received	**1.7**	–
Dividends received from joint ventures	**–**	2.0
Net cash generated from operating activities	**8.6**	45.5
Cash flows from investing activities		
Disposal of subsidiary	**38.5**	–
Interest income	**0.3**	0.1
Investment in joint ventures assets	**–**	(15.4)
Investment in associate assets	**(2.4)**	(1.2)
Purchase of investment properties	**–**	(44.1)
Business combinations, net of cash acquired	**–**	(6.3)
Disposal of investment properties	**40.1**	50.7
Development and other capital expenditure	**(10.0)**	(14.1)
Purchase of plant and equipment	**(3.3)**	(10.1)
Net cash generated from / (used in) investing activities	**63.2**	(40.4)
Cash flows from financing activities		
Repayment of bank loans	**–**	(48.7)
New borrowings	**–**	161.9
Repayment of principal portion of lease liability	**(0.7)**	(0.8)
Dividends paid – ordinary	**(1.4)**	(63.8)
Net cash(used in) / generated from financing activities	**(2.1)**	48.6
Cash and cash equivalents at beginning of the year	**80.8**	27.1
Net increase in cash and cash equivalents	**69.7**	53.7
Cash and cash equivalents at 31 March	**150.5**	80.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings and other reserves £m	Total £m
As at a April 2019		3.1	225.0	(2.3)	570.3	796.1
Loss for the year after taxation		–	–	–	(121.1)	(121.1)
Revaluation of property, plant and equipment	17	–	–	–	(1.0)	(1.0)
Total comprehensive loss for the year		–	–	–	(122.1)	(122.1)
Transactions with equity holders						
Net proceeds from issue of shares	25	–	2.4	–	–	2.4
Dividends paid	13	–	–	–	(65.8)	(65.8)
As at 31 March 2020		**3.1**	**227.4**	**(2.3)**	**382.4**	**610.6**
Loss for the year after taxation		**–**	**–**	**–**	**(150.5)**	**(150.5)**
Other movements		**–**	**–**	**–**	**0.2**	**0.2**
Revaluation of property, plant and equipment	17	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(150.8)**	**(150.8)**
Transactions with equity holders						
Share-based payments		**–**	**–**	**–**	**0.6**	**0.6**
As at 31 March 2021		**3.1**	**227.4**	**(2.3)**	**232.2**	**460.4**

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. The Company is registered and domiciled in the UK and the registered office of the Company is 16 New Burlington Place, London, W1S 2HX.

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, other than where certain new policies have been adopted.

Basis of preparation

The financial information included in the consolidated financial statements has been prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and in accordance with the Companies Act 2006, and the Disclosure and Transparency Rules of the Financial Conduct Authority.

In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The unaudited financial information contained in this announcement does not constitute the Group's statutory accounts as at and for the year ended 31 March 2021, but is derived from those statutory accounts, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company's statutory accounts as at and for the year ended 31 March 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 27 July 2021. Accordingly, the financial information for 2021 is presented as unaudited in this announcement.

The statutory accounts for the year ended 31 March 2020 have been filed with the Registrar of Companies. The auditors' report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group and Company's going concern assessment considers the Group's principal risks, and is dependent on a number of factors, including cashflow and liquidity, continued access to borrowing facilities and the ability to continue to operate the Group's unsecured debt structure within its financial covenants. The Group's balance sheet is unsecured, which means that none of its debt is secured against any of its property assets. This type of financing affords significant operational flexibility, and consists of £380 million of unsecured bank facilities and a £300 million unsecured corporate bond with the earliest expiry date being August 2023. The debt has a number of financial covenants that the Group is required to comply with including an LTV covenant of less than 60%, and a 12 month historical interest cover ratio of more than 1.75x, and both sources of unsecured financing have cure provisions in the event of a breach.

The going concern assessment is based on a 12 month outlook from the date of the approval of these financial statements, using the Group's three year forecast. This forecast is based on a reasonable worst case scenario, which includes the key assumptions listed below.

- A further 6% blended reduction in capital values across the portfolio over the next twelve months, in addition to the 13.6% recorded in the year ended 31 March 2021
- A further 10% reduction in net income in our Retail portfolio, excluding agreed deferments; this reflects a significant downside to rental agreements re-geared or re-negotiated throughout the pandemic given that 92% of rents relating to Q4 FY21 were collected or alternative payments agreed at the time of reporting despite a full national Lockdown being in place throughout the quarter in question
- A further full national Lockdown in Winter/Spring in 2021/22 in our pub portfolio, this has been modelled to mirror the full national Lockdown seen this past year and is phased as a 50% reduction in Q3 FY22 (i.e. throughout December, including Christmas and New Year), a 100% reduction in Q4 FY22 (i.e. full lockdown for the entire 3 months) and a 25% reduction in Q1 FY23 as the Pubs once again re-open through the Spring
- No disposal proceeds are assumed throughout the forecast period, despite the completion of £81 million of disposals during FY21, at a relatively tight discount to book values, with a further £79 million of assets exchanged or under offer
- No new financing is assumed, but existing facilities are presumed to remain available (earliest expiry August 2023)

Under this scenario, the Group and Company is forecast to maintain sufficient cash and liquidity resources, and remain compliant with its financial covenants. Further sensitivity analysis was performed on this scenario, including assuming a more significant valuation decline and a lower income collection rate. Even applying this sensitivity analysis, the Group and Company maintains sufficient cash and liquidity reserves to continue in operation throughout the going concern assessment period.

In light of the significant impact of Covid-19 on the UK economy, and the retail and leisure sectors in which the Group operates, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's financial statements for the year ended 31 March 2021.

Based on the consideration above, the Board believes that the Group and Company has the ability to continue in business at least 12 months from the date of approval of the financial statements for the year ended 31 March 2021 and therefore have adopted the going concern basis in the preparation of this financial information.

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 acquisition and disposal 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.

The consolidated financial statements account for interest in joint ventures and associates using the equity method of accounting per IFRS 11 and IAS 28 respectively. The financial statements for the year ended 31 March 2021 have been prepared on the historical cost basis, except for the revaluation of investment properties, the revaluation of property, plant and equipment and derivatives which are held at fair value through profit and loss. In the current financial year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB, none of which have had a material impact on the Group. The accounting policies used are otherwise consistent with those contained in the Group's previous Annual Report and Accounts for the year ended 31 March 2020.

New accounting polices

The Group has adopted the following amendments and Conceptual Framework for the first time in the year ended 31 March 2021:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of a Business (Amendments to IFRS 3)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Revised Conceptual Framework and amendments to References to the Conceptual Framework in IFRS Standards.
- Adopting these amendments and Conceptual Framework has not impacted amounts recognised in prior periods or are expected to have a material impact in future periods based on the Group's current strategy.

Standards and amendments issued but not yet effective

A number of new amendments relevant to the Group, have been issued but are not yet effective for the current accounting period.

Effective for the year ended 31 March 2022

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Effective for the year ended 31 March 2023

- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

Effective for the year ended 31 March 2024

- Disclosure of Accounting Policies (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

No material impact is expected upon the adoption of these standards.

Other accounting policies:

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, this is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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 as a reduction of rental income. 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 accounted for from the effective date of the modification, being the date at which both parties agree to the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Letting costs are recognised over the lease term on a straight line basis as a reduction of rental income.

Service charge income
Service charge income is recognised in accordance with IFRS 15. This income stream is recognised in the period in it is earnt and when performance obligations are met.

IFRS 15 is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from tenant leases and is therefore outside of the scope of IFRS 15. However, the standard applies to service charge income. Under IFRS 15, the Group needs to consider the agent versus principal guidance. The Group is principal in the transaction if they control the specified goods or services before they are transferred to the customer. In the provision of service charge, the Group has deemed itself to be principal and therefore the consolidated statement of comprehensive income and the consolidated balance sheet reflect service charge income, expenses, trade and other receivables and trade and other payables.

Managed pub income
Managed pub income relates to income received in the pub business relating to food, drinks and machine income. The revenue from drink and food is recognised at the point at which the goods are provided. The revenue earned from machines is recognised in the period in which it relates.

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 consolidated statement of comprehensive income as the services are delivered and performance obligations met. The Group assesses whether the individual elements of service in the agreement are separate performance obligations. Where the agreements include multiple performance obligations, the transaction price will be allocated to each performance obligation.

Car park income

Car park income is recognised in accordance with IFRS 15. This income stream is recognised in the period in which it is earnt and when performance obligations are made.

Turnover related rent
Turnover related rent relates to the margin earnt on the sale of wet products and is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

Other income
Other income is recognised in accordance with IFRS 15. This income stream is recognised in the period in which it is earnt and when performance obligations are made.

Government grants
Monetary resources transferred to the Group by the government, government agencies or similar bodies are recognised at fair value, when the Group is reasonably certain that the grant will be received. Grants are recognised in the consolidated statement of comprehensive income within other income, on a systematic basis, over the same period during which the expenses, for which the grant was intended to compensate, are recognised.

Grants are disclosed in other income in note 7 to the accounts.

Promote payments

The Group is contractually entitled to receive a promote payment should the returns from a joint venture or associate to the joint venture or associate 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 associate or other termination events. Any entitlements under these arrangements are only accrued for in the financial statements once the Group believes the above performance conditions have been met and there is no risk of the revenue reversing.

IFRS 15

All revenue streams under IFRS 15 allocate transaction price against performance obligations as they are satisfied. With the exception of asset management fees, IFRS 15 revenue streams do not carry variable consideration. There are no significant judgements in applying IFRS 15. There are no significant payment terms on any of the IFRS 15 revenue streams.

Service charge expense

Service charge expenses are recognised in the period in which they are incurred.

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.

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 consolidated 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.

Investment properties

These properties include completed properties that are generating rent or are available for rent, and development properties that are under development or available for development. Investment properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by independent professional valuers. Leasehold properties are shown gross of the leasehold payables (and accounted for as right-of-use asset under IFRS 16, see Leases accounting policy). Valuation gains and losses in a period are taken to the consolidated statement of comprehensive income . As the Group uses the fair value model, as per IAS 40 Investment Properties, no depreciation is provided. An asset will be classified as held for sale within investment properties, in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, where the asset is available for immediate sale in their present condition and the sale is highly probable.

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
- 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.

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 consolidated 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 joint control in order to conclude whether the Group jointly controls the joint venture.

Associates

Interests in associates are accounted for using the equity method of accounting. The Group's associates are entities over which the Group has significant influence with a partner. Investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment or share of income adjusted for dividends. In assessing whether the Group has significant influence over a particular entity, the Group considers all of the contractual terms of the arrangement.

Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use ("ROU") asset and the lease liability at the commencement date of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to restore the asset, less any incentives received.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index).

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or if not, the incremental borrowing rate is used at 3.2%. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment. ROU assets that are not classified as investment properties are disclosed on the face of the consolidated balance sheet on their own line, and the lease liability included in the headings current and non-current liabilities on the consolidated balance sheet.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, after initial recognition the ROU asset is subsequently accounted for as investment property and carried at fair value (see Investment properties accounting policy). Valuation gains and losses in a period are taken to the consolidated statement of comprehensive income.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases of less than £3,000. The payments for such leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Depreciation is also charged on the right of use asset of £0.4 million (2020: £0.4 million).

Financial instruments

Financial assets

The Group classifies its financial assets as fair value through profit or loss or amortised cost, depending on the purpose for which the asset was acquired and based on the business model test. Financial assets carried amortised cost include tenant receivables which arise from the provision of goods and services to customers. These are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost, less provision for impairment. Impairment provisions for receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. The probability of tenant default and subsequent non-payment of the receivable is assessed. If it is determined that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. If in a subsequent year 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. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents.

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 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

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.

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 consolidated balance sheet.

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 issuing the shares.

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 year end date of the number of instruments expected to vest. The fair value is recognised over the vesting period in the consolidated 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 consolidated statement of comprehensive income for that period.

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 consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the shares held by the trust.

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.

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 consolidated 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. If a transaction is determined to be an asset acquisition then it is accounted for at cost.

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.

Significant judgements

Leased and tied pub classification as investment property

The Directors have exercised judgement in order to determine the appropriate classification of the leased and tied pubs as investment property or property plant and equipment. Under IAS40 'Investment Properties' an entity treats such a property as investment property if services provided to the occupier are insignificant to the arrangement as a whole. The Directors consider that whilst the relative proportion of wet income to lease income from a tied pub in quantitative terms is not insignificant other factors should be considered in making the assessment of whether the services provided to the tenants are insignificant. The income received by the Group in respect of the sale of wet products is higher than that which would be received by a third party providing the same services and that these pubs pay a lower fixed rent than they would without the wet product tie. This indicates the margin earned, in substance, predominantly represents turnover related rent. Accordingly, leased and tied pubs with an aggregate fair value of £195.5 million at 31 March 2021 (2020: £219.1 million) have been classified as Investment Property. Managed houses with an aggregate value of £52.7 million at 31 March 2021 (2020: £55.0 million) have been classified as Property, Plant and Equipment.

Principal vs agent

The Group has contracts with breweries and drinks distributors for the provision of wet product to its pub tenants. In assessing whether it is appropriate to recognise revenue as principal or agent, the Directors exercise their judgement in considering the criteria included in IFRS 15 'Revenue from Contracts with Customers'. The Group is not responsible for the delivery or the quality of the wet drink product and does not take physical control or assume inventory risk in the arrangement; these factors indicate that the Group is acting as agent and the Directors have concluded that this outweighs the fact that the Group sets the pricing with the tenant and bears an element of credit risk. In considering the nature of the relationship with its pub tenants, the Directors are satisfied that the provisions of IFRS 15 indicate that the Group is not acting as principal and has therefore recognised revenue of £4.5 million (2020: £13.8 million) in the period representing only the net margin earned on wet product sales, see note 4 for further details.

REIT Status

NewRiver is a Real Estate Investment Trust (REIT) and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is the Directors judgement that the Group has met the REIT conditions in the year.

Sources of estimation uncertainty

Investment property

The Group's investment properties and public houses are stated at fair value. The assumptions and estimates used to value the properties are detailed in note 14. Small changes in the key estimates, such as the estimated rental value, can have a significant impact on the valuation of the investment properties, and therefore a significant impact on the consolidated balance sheet and key performances measures such as Net Asset Value per share. As at the 31 March 2021, the material valuation uncertainty clause has been lifted within the UK Retail sector for the purposes of these valuations. The material valuation uncertainty clause has not, however, been lifted in the leisure and hospitality sectors, including pubs. The external valuers have confirmed that the inclusion of the "material valuation uncertainty" declaration does not mean that the valuations for NewRivers pub portfolio cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. The pubs for which there is a material valuation uncertainty amount to £195.5 million within investment property (note 14) and £52.7 million within property, plant and equipment (note 17).

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, see note 14 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.

Impairment of trade receivables

As a result of Covid-19 the Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assumptions made, most notably around the assessment over the likelihood of tenants having the ability to pay rent as demanded, as well as the likelihood of rent deferrals and rent free periods being offered to tenants as a result of the pandemic. The expected credit loss which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate given the uncertainty caused by Covid-19 at the reporting date and in the year ahead as the roadmap to unlocking the United Kingdom takes effect. The Group has recognised an expected credit loss on trade receivables of £5.6 million (31 March 2020: £2.5 million) in the year. A 10% increase to the percentage loss allowance rates applied to tenant receivables would result in a £0.1 million increase in other property costs and an equivalent increase in loss after tax. A 10% decrease to the percentage loss allowance rates applied to tenant receivables would result in a £0.1 million decrease in other property costs and an equivalent reduction in loss after tax. See note 18.

3. Segmental reporting

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 community public houses. All of the Group's operations are in the UK and therefore no geographical segments have been identified.

The relevant gross 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 and associates. Included within the administrative expenses is £0.4 million (2020: £0.4 million) and £1.5 million (2020: £1.2 million) of depreciation in respect of the pubs and retail segments. Included in the taxation credit is £1.3 million credit (2020: £0.5 million charge) and £1.4 million credit (2020: £1.0 million credit) in relation to the pubs and retail segments.

	2021			2020		
Segment revenues and result	**Retail £m**	**Pubs £m**	**Group £m**	Retail £m	Pubs £m	Group £m
Property rental and related income	**61.1**	**4.4**	**65.5**	76.8	13.6	90.4
Managed pub income	**–**	**9.1**	**9.1**	–	22.5	22.5
Turnover related rent	**–**	**4.5**	**4.5**	–	13.8	13.8
Service charge income	**11.6**	**–**	**11.6**	16.9	–	16.9
Amortisation of tenant incentives and letting costs	**(1.8)**	**–**	**(1.8)**	(1.5)	–	(1.5)
Asset management fees	**1.2**	**–**	**1.2**	0.9	–	0.9
Surrender premiums and commissions	**1.0**	**–**	**1.0**	1.8	–	1.8
Segment revenue	**73.1**	**18.0**	**91.1**	94.9	49.9	144.8
Service charge expense	**(17.5)**	**–**	**(17.5)**	(21.1)	–	(21.1)
Rates	**(2.2)**	**(0.3)**	**(2.5)**	(2.3)	(1.1)	(3.4)
Other property operating expenses	**(10.4)**	**(16.7)**	**(27.1)**	(6.2)	(24.3)	(30.5)
Property operating expenses	**(30.1)**	**(17.0)**	**(47.1)**	(29.6)	(25.4)	(55.0)
Other income	**2.7**	**4.5**	**7.2**	–	–	–
Segment result	**45.7**	**5.5**	**51.2**	65.3	24.5	89.8
Administrative expenses			**(23.4)**			(20.9)
Share of joint ventures' and associates' profit / (loss) after tax			**4.2**			(2.2)
Net valuation movement			**(154.7)**			(162.6)
Loss on disposal of investment properties			**(5.5)**			(1.5)
Loss on disposal of subsidiaries			**(2.2)**			–
Finance income			**0.3**			0.1
Finance costs			**(23.0)**			(21.5)
Revaluation of derivatives			**(0.1)**			(2.8)
Taxation			**2.7**			0.5
Loss for the year after taxation			**(150.5)**			(121.1)

Segment assets	**2021**				2020			
	Retail £m	**Pubs £m**	**Unallocated £m**	**Total £m**	Retail £m	Pubs £m	Unallocated £m	Total £m
Non-current assets								
Investment properties	**739.3**	**195.6**	**–**	**934.9**	961.2	224.4	–	1,185.6
Investments in joint ventures	**25.6**	**–**	**–**	**25.6**	22.1	–	–	22.1
Investment in associates	**5.3**	**–**	**–**	**5.3**	0.9	–	–	0.9
Public houses	**–**	**52.7**	**–**	**52.7**	–	55.0	–	55.0
Property, plant and equipment	**–**	**–**	**1.4**	**1.4**	–	–	1.2	1.2
Other non-current assets	**–**	**–**	**4.0**	**4.0**	–	–	4.1	4.1
Total non-current assets				**1,023.9**				1,268.9
Current assets								
Trade and other receivables	**25.1**	**0.9**	**–**	**26.0**	23.5	3.2	–	26.7
Current taxation asset	_	**–**	**–**	**–**	–	–	0.7	0.7
Cash and cash equivalents	**–**	**–**	**150.5**	**150.5**	–	–	80.8	80.8
Assets held for sale	**25.5**	**–**	**–**	**25.5**	–	–	–	–
Total current assets including assets held for sale				**202.0**				108.2
Segment assets	**820.8**	**249.2**	**155.9**	**1,225.9**	1,007.7	282.6	86.8	1,377.1

4. Revenue

	2021 £m	2020 £m
Property rental and related income*	**65.5**	90.4
Turnover related rent	**4.5**	13.8
Amortisation of tenant incentives and letting costs	**(1.8)**	(1.5)
Surrender premiums and commissions	**1.0**	1.8
Rental related income	**69.2**	104.5
Asset management fees	**1.2**	0.9
Managed pub income	**9.1**	22.5
Service charge income	**11.6**	16.9
Revenue	**91.1**	144.8

*Included within property rental and related income is car park income of £2.7 million (2020: £7.4 million) which falls under the scope of IFRS 15. The remainder of the income is covered by IFRS 16.

Asset management fees, managed pub income and service charge income which represents the flow through costs of the day-to-day maintenance of shopping centres falls under the scope of IFRS 15. Refer to accounting policies in Note 1.

5. Property operating expenses

	2021 £m	2020 £m
Service charge expense	**17.5**	21.1
Rates on vacant units	**2.2**	3.4
Expected credit loss	**7.1**	2.5
Pub operating expenses	**12.9**	20.3
Other property operating expenses	**7.4**	7.7
	47.1	55.0

6. Administrative expenses

	2021 £m	2020 £m
Wages and salaries	**11.3**	9.9
Social security costs	**1.4**	1.5
Other pension costs	**0.4**	0.4
Staff costs	**13.1**	11.8
Depreciation	**1.9**	1.6
Share-based payments	**0.6**	–
Other administrative expenses	**7.4**	7.1
	23.0	20.5
Professional fees in relation to the acquisition and integration of Bravo Inns Limited and Hawthorn	**0.1**	0.4
Abortive fees	**0.3**	–
Administrative expenses	**23.4**	20.9

Net administrative expenses ratio is calculated as follows:

	2021 £m	2020 £m
Administrative expenses	**23.4**	20.9
Adjust for:		
Asset management fees	**(1.2)**	(0.9)
Share of joint ventures' and associates administrative expenses	**0.2**	0.1
Depreciation of properties	**(1.1)**	(0.8)
Less share based payments	**(0.6)**	–
Less professional fees in relation to the acquisition and integration of Bravo Inns Limited and Hawthorn	**(0.1)**	(0.4)
Abortive costs	**(0.3)**	–
Group's share of net administrative expenses	**20.3**	18.9
Property rental and related income*	**77.6**	124.2
Share of joint ventures' and associates' property income	**3.9**	3.4
	81.5	127.6
Net administrative expenses as a % of property income (including share of joint ventures)	**24.9%**	14.9%

*This balance includes an expected credit loss of £5.0 million (2020: £nil), which excludes the £0.6 million (2020: £nil) forward looking element of the calculation and £1.5 million (2020: £nil) in relation to service charge and insurance (2020: £nil) and includes the expected credit loss held in joint ventures and associates of £0.3 million (2020: £0.1 million).

Average monthly number of staff

	2021	2020
Directors	**7**	7
Operations and asset managers	**48**	44
Pubs	**28**	52
Support functions	**90**	79
	173	182

Auditors' remuneration

	2021 £'000	2020 £'000
Audit of the Company's financial statements	**315**	315
Audit of subsidiaries, pursuant to legislation	**235**	235
	550	550
Non-audit fees	**100**	50
Total fees	**650**	600

In addition to this the joint ventures and associates (NewRiver Retail (Nelson) Limited), NewRiver Retail (Napier) Limited and NewRiver (Sprucefield) Limited) paid £82k (2020: £28k) in audit fees.

7. Other income

	2021 £m	2020 £m
Insurance proceeds	**2.7**	–
Government grants	**3.7**	–
Dilapidations	**0.8**	–
Other income	**7.2**	–

Insurance proceeds relates the full settlement received from a fire in one of the Group's retail parks, Government grants were received on the operator managed estate, due to the income disruption caused by the closure of the pub estate as a result of Covid-19.

8. Loss on disposal of subsidiary

On the 30 September 2020, the Group disposed of a subsidiary which owned Sprucefield Retail Park. The Group then acquired a 10% interest. See note 16.

Included in the carrying value were investment properties of £40.7 million and cash of £1.5 million.

	2021 £m	2020 £m
Gross disposal proceeds	**38.5**	–
Carrying value	**(40.7)**	–
Loss on disposal of subsidiary	**(2.2)**	–

9. Loss on disposal of investment properties

	2021 £m	2020 £m
Gross disposal proceeds	**40.1**	48.0
Carrying value	**(44.7)**	(47.9)
Cost of disposal	**(0.9)**	(1.6)
Loss on disposal of investment properties	**(5.5)**	(1.5)

Included in this calculation is a loss on disposal of property, plant and equipment. The properties had a carrying value of £0.9 million (2020: £nil million) and were disposed of for £0.9 million (2020: £nil), leading to a loss on disposal of £nil (2020: £nil).

10. Finance income and finance costs

	2021 £m	2020 £m
Finance income		
Income from loans with joint ventures	**0.3**	0.1
Finance expense		
Interest on borrowings	**(20.2)**	(18.7)
Finance cost on lease liabilities	**(3.0)**	(2.8)
Revaluation of derivatives	**0.1**	(2.8)
Net finance expense	**(22.8)**	(24.2)

11. Taxation

	2021 £m	2020 £m
UK Corporation Tax at 19% (2020: 19%)		
Current year	**(1.4)**	0.9
Prior year adjustment	**(1.3)**	(1.4)
Taxation credit	**(2.7)**	(0.5)

The credit for the year recognised in the consolidated statement of comprehensive income relates to a total income tax credit of £1.3 million (March 2020: £1.0 million) and a deferred tax credit of £1.4 million (March 2020: £0.5 million charge).

	2021 £m	2020 £m
Loss before tax	**(153.2)**	(121.6)
Tax at the current rate of 19% (2020: 19%)	**(29.1)**	(23.1)
Revaluation of property	**29.3**	30.9
Movement in unrecognised deferred tax	**2.2**	0.5
Non-taxable profit due to REIT regime	**(6.7)**	(9.7)
Non-deductible expenditure	**2.9**	1.9
Other	**–**	0.4
Prior year adjustment	**(1.3)**	(1.4)
Taxation credit	**(2.7)**	(0.5)

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.

Deferred tax

	31 March 2020 £m	Movement £m	**31 March 2021 £m**
Deferred tax asset	1.2	(1.2)	**–**
Deferred tax liabilities	(3.3)	2.6	**(0.7)**
Net deferred tax	(2.1)	1.4	**(0.7)**

	31 March 2019 £m	Movement £m	**31 March 2020 £m**
Deferred tax asset	1.2	–	**1.2**
Deferred tax liabilities	(2.8)	(0.5)	**(3.3)**
Net deferred tax	(1.6)	(0.5)	**(2.1)**

The deferred tax assets and liabilities have been calculated at the tax rate effective in the period that the tax is expected to crystallise. The Group has recognised a deferred tax liability calculated at 19% (2020: 19%). As at 31 March 2021, the Group has unrecognised tax losses of £46.0 million (2020: £22.5 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.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and include reducing the main rate to 19%. The reduction to 17% from 1 April 2020 enacted as part of the Finance Bill 2016 has been cancelled as announced in the Budget on 11 March 2020, maintaining the rate of corporation tax at 19%. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

12. Performance measures

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

	2021 £m	2020 £m
Loss for the year after taxation	**(150.5)**	(121.1)
Adjustments		
Net valuation movement	**154.7**	162.6
Loss on disposal of investment properties	**5.5**	1.5
Revaluation of derivatives	**(0.1)**	2.8
Acquisition costs	**0.1**	0.4
Deferred tax	**(1.4)**	0.5
Loss on disposal of subsidiary	**2.2**	–
Group's share of joint ventures' and associates' adjustments		
Revaluation of investment properties	**(1.8)**	4.3
Revaluation of derivatives	**0.2**	–
Loss on disposal of investment properties	**–**	0.3
EPRA earnings	**8.9**	51.3
Share-based payment charge	**0.6**	–
Forward looking element of IFRS 9*	**0.6**	–
Depreciation on public houses	**1.1**	0.8
Abortive costs	**0.3**	–
Underlying Funds From Operations (UFFO)	**11.5**	52.1

*Forward looking element of IFRS 9 relates to a provision against debtor balances in relation to invoices in advance for future rental income. These balances are not due in the current year and therefore no income has yet been recognised in relation to these debtors.

Number of shares

Number of shares	**2021 No. m**	2020 No. m
Weighted average number of ordinary shares for the purposes of Basic EPS, UFFO and EPRA	**306.4**	305.9
Effect of dilutive potential ordinary shares:		
Deferred bonus shares	**0.8**	0.3
Weighted average number of ordinary shares for the purposes of diluted EPS, UFFO and EPRA	**307.2**	306.2
Performance measures (pence)		
IFRS		
Basic EPS	**(49.1)**	(39.6)
Diluted EPS	**(49.1)**	(39.6)
UFFO		
UFFO per share	**3.8**	17.0
Diluted UFFO per share	**3.7**	17.0
EPRA		
EPRA EPS	**2.9**	16.7
Diluted EPRA EPS	**2.9**	16.7

The below table reconciles the differences between the calculation of basic and EPRA NTA.

EPRA NTA per share and basic NTA per share:

	2021			2020		
	£m	**Shares m**	**Pence per share**	£m	Shares m	Pence per share
Net assets	**460.4**	**306.5**	**150p**	610.6	306.2	199p
Unexercised employee awards	**–**	**0.8**		–	0.3	
Diluted net assets	**460.4**	**307.3**	**150p**	610.6	306.5	199p
Deferred tax liability	**0.7**	**–**		2.1	–	
Fair value derivatives	**2.6**	**–**		2.7	–	
Goodwill	**(0.5)**	**–**		(0.2)	–	
EPRA net assets	**463.2**	**307.3**	**151p**	615.2	306.5	201p

13. Dividends

No dividends have been paid in the year to 31 March 2021. Details of dividends paid in the year to 31 March 2020 are set out below:

Payment date	PID	Non-PID	Pence per share	£m
Year to March 2020				
Ordinary dividends				
24 May 2019	5.40	–	5.40	16.3
26 July 2019	5.40	–	5.40	16.5
15 November 2019	5.40	–	5.40	16.5
7 February 2020	5.40	–	5.40	16.5
	21.60	–	21.60	65.8

A dividend of 3.0 pence per share in respect of the year ended 31 March 2021 will, subject to shareholder approval at the 2021 AGM, be paid on 3 September 2021. The ex-dividend date will be 29 July 2021. The dividend will be payable as a REIT Property Income Distribution (PID).

Property Income Distribution (PID) dividends

Profits distributed out of tax-exempt profits are PID dividends. PID dividends are paid after deduction of withholding tax (currently at 20%), which NewRiver pays directly to HMRC on behalf of the shareholder.

Non-PID dividends

Any non-PID element of dividends will be treated in exactly the same way as dividends from other UK, non-REIT companies.

14. Investment properties

	2021 £m	2020 £m
Fair value brought forward	**1,102.3**	1,254.1
Acquisitions	**–**	44.1
Capital expenditure	**10.0**	14.1
Lease incentives, letting and legal costs	**2.4**	2.3
Reclassification to plant property and equipment	**(4.1)**	(5.4)
Transfer to assets held for sale	**(25.5)**	–
Disposals	**(44.7)**	(47.9)
Disposal of subsidiary	**(40.7)**	–
Net valuation movement	**(147.8)**	(159.0)
Fair value carried forward	**851.9**	1,102.3
Right of use asset (investment property)	**83.0**	83.3
Fair value carried forward	**934.9**	1,185.6

The Group's investment properties have been valued at fair value on 31 March 2021 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.

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. As such, as at the 31 March 2020 the external valuers were faced with an unprecedented set of circumstances on which to base a judgement. The valuations across all asset classes were therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – was attached to the valuations provided than would normally be the case.

As at the 31 March 2021, the material valuation clause has been lifted within the UK Retail sector for the purposes of these valuations. The material valuation uncertainty clause has not, however, been lifted in the leisure and hospitality sectors, including pubs. The external valuers have confirmed that the inclusion of the "material valuation uncertainty" declaration does not mean that the valuations for NewRivers pub portfolio cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. Investment property for which there is material valuation uncertainty amount to £195.6 million (2020: £224.4 million) of public houses in the above balance.

The Group is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk born by the Group is mitigated by active management of its property portfolio with the objective of optimising tenant mix in order to:

- achieve the longest weighted average lease term possible;
- minimise vacancy rates across all properties; and
- minimise the turnover of tenants with high quality credit ratings.

The Group also grants lease incentives to encourage high quality tenants to remain in properties for longer lease terms. In the case of anchor tenants, this also attracts other tenants to the property thereby contributing to overall occupancy levels.

There has been no change in the valuation methodology used for investment property as a result of Covid-19. The impact of Covid-19 on the retail valuation has been the impact on yields and the capital deduction based on rental income expectations. Within the pub business, the valuations have made allowances for a delinquency period.

The fair value at 31 March 2021 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) is set out below:

As at 31 March 2021

	Fair value (£m)	Property ERV Min £ per sq ft	Property ERV Max £ per sq ft	Property ERV Average £ per sq ft	Property rent Min £ per sq ft	Property rent Max £ per sq ft	Property rent Average £ per sq ft	Property equivalent yield Average %	EPRA topped up net initial yield Average %
Shopping Centres - Core	**209.5**	**9.1**	**25.4**	**13.8**	**8.4**	**26.9**	**12.6**	**9.3%**	**9.5%**
Shopping Centres - Regeneration	**210.5**	**5.3**	**19.7**	**14.7**	**5.1**	**13.5**	**10.5**	**6.4%**	**5.7%**
Shopping Centres - Work Out	**127.5**	**6.4**	**17.1**	**10.1**	**3.3**	**9.1**	**5.8**	**13.1%**	**9.3%**
Retail warehouses	**117.1**	**9.5**	**14.1**	**11.6**	**2.3**	**14.7**	**9.4**	**7.7%**	**6.9%**
High street and other	**17.3**	**5.7**	**14.2**	**8.1**	**2.2**	**17.0**	**6.7**	**4.6%**	**5.4%**
	681.9								

	Fair value (£m)	Property Rent (£ per site valuation) Min	Property Rent (£ per site valuation) Max	Property Rent (£ per site valuation) Average	EBITDA multiples (x) / Net Initial Yield (%) Min	EBITDA multiples (x) / Net Initial Yield (%) Max	EBITDA multiples (x) / Net Initial Yield (%) Average	EBITDA (£ per sq ft) Min	EBITDA (£ per sq ft) Max	EBITDA (£ per sq ft) Average
Pub portfolio	**246.8**	**–**	**–**	**–**	**0.6x**	**29.1x**	**7.4x**	**2.5**	**129.4**	**24.5**
Convenience store development portfolio	**1.4**	**88.6**	**88.6**	**88.6**	**6.2%**	**6.2%**	**6.2%**	**–**	**–**	**–**
	248.2									
Total	**930.1**									

As at 31 March 2020

	Fair value (£m)	Property ERV Min £ per sq ft	Property ERV Max £ per sq ft	Property ERV Average £ per sq ft	Property rent Min £ per sq ft	Property rent Max £ per sq ft	Property rent Average £ per sq ft	Property equivalent yield Average %	EPRA topped up net initial yield Average %
Shopping Centres - Core	254.7	9.3	31.4	14.9	8.2	21.4	13.9	8.5%	8.5%
Shopping Centres - Regeneration	232.0	5.3	21.0	15.1	0.2	15.9	10.7	6.4%	5.7%
Shopping Centres - Work Out	171.3	7.3	15.7	10.7	3.6	11.7	6.5	11.0%	7.9%
Retail warehouses	187.0	8.0	15.7	12.0	2.0	16.0	11.2	7.4%	7.1%
High street and other	32.9	5.0	15.5	6.5	–	16.9	5.2	4.9%	5.0%
	877.8								

	Fair value (£m)	Property Rent (£ per site valuation) Min	Property Rent (£ per site valuation) Max	Property Rent (£ per site valuation) Average	EBITDA multiples (x) / Net Initial Yield (%) Min	EBITDA multiples (x) / Net Initial Yield (%) Max	EBITDA multiples (x) / Net Initial Yield (%) Average	EBITDA (£ per sq ft) Min	EBITDA (£ per sq ft) Max	EBITDA (£ per sq ft) Average
Pub portfolio	273.8	–	–	–	1.7x	12.2x	7.6x	1.37	115.1	19.65
Convenience store development portfolio	5.7	19.2	19.4	19.3	5.0%	5.3%	5.2%	–	–	–
	279.5									
Total	1,157.3									

The investments are a portfolio of retail and leisure assets in the UK. The valuation was determined using an income capitalisation method, which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV. 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 the pub portfolio, the valuer values the assets on a Profits Method, assessing their opinion of the Fair Maintainable Trade (FMT) that a Reasonable Efficient Operator (REO) could achieve as at the valuation date having regard to actual trading performance of each asset and wider market dynamics. In respect of the pub portfolio, these are valued on the highest and best use basis. 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.

The inputs to the valuation include:

- Rental value – total rental value per annum
- Equivalent yield – the net weighted average income return a property will produce based upon the timing of the income received.
- EBITDA multiples and maintainable earnings from each pub
- Estimated development costs

There were no changes to valuation techniques during the year. The impact of Covid-19 on the retail valuation has been the impact on yields and the capital deduction based on rental income expectations. Within the pub business, the valuations have made allowances for a delinquency period. 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 valuers, e.g. ERVs and yields. These assumptions are based on market observation and the valuers' professional judgement.

Sensitivities of measurement of significant inputs

As set out within significant accounting estimates and judgements in note 2, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature. As a result, the sensitivity analysis below illustrates the impact of changes in key unobservable inputs on the fair value of the Group's properties.

Whilst the property valuations reflect the external valuers' assessment of the impact of Covid-19 at the valuation date, we consider +/-10% for ERV, +/-10% for EBITDA +/-100bps for NEY and +/-100bps for multiplier to capture the increased uncertainty in these key valuation assumptions, and deem it to be a reasonable possible scenario.

2021: Sensitivity impact on valuations of a 10% change in estimated rental value and absolute yield of 100 bps.

		Impact on valuations of a 10% change in ERV		***Impact on valuations of 100 bps change in yield***	
Asset Type *Retail asset valuation*	***£m***	***£m Increase 10%***	***£m Decrease 10%***	***£m Increase 1.0%***	***£m Decrease 1.0%***
Shopping Centres - Core	***209.5***	***18.5***	***(16.9)***	***(22.1)***	***27.8***
Shopping Centres - Regeneration	***210.5***	***17.6***	***(18.2)***	***(26.2)***	***35.6***
Shopping Centres – Work Out	***127.5***	***10.8***	***(11.2)***	***(11.2)***	***13.4***
Retail warehouses	***117.1***	***8.9***	***(9.3)***	***(14.4)***	***18.9***
High street and other	***17.3***	***0.7***	***(0.7)***	***(0.4)***	***0.5***
	681.9*	***56.5***	***(56.3)***	***(74.3)***	***96.2***

This number includes assets held for sale of £25.5m.

Sensitivity impact on valuations of a 10% change in EBITDA and multiplier of 1.0x.

	Impact on valuations of a 10% change in EBITDA		***Impact on valuations of a 1.0x change in multiplier***	
£m *Pub asset valuation*	***£m Increase 10%***	***£m Decrease 10%***	***£m Increase 1.0x***	***£m Decrease 1.0x***
248.2	***36.7***	***(30.0)***	***33.4***	***(33.4)***

2020: Sensitivity impact on valuations of a 10% change in estimated rental value and absolute yield of 100 bps.

		Impact on valuations of a 10% change in ERV		*Impact on valuations of 100 bps change in yield*	
Asset Type *Retail asset valuation*	*£m*	*£m Increase 10%*	*£m Decrease 10%*	*£m Increase 1.0%*	*£m Decrease 1.0%*
Shopping Centres - Core	*254.7*	*20.6*	*(19.0)*	*(26.2)*	*33.5*
Shopping Centres - Regeneration	*231.7*	*21.3*	*(20.5)*	*(30.1)*	*41.2*
Shopping Centres – Work Out	*171.3*	*15.4*	*(14.9)*	*(16.9)*	*20.5*
Retail warehouses	*186.9*	*9.4*	*(16.9)*	*(21.1)*	*28.0*
High street and other	*33.2*	*1.4*	*(1.4)*	*(1.4)*	*1.7*
	877.8	*68.1*	*(72.7)*	*(95.7)*	*124.9*

Sensitivity impact on valuations of a 10% change in EBITDA and multiplier of 1.0x.

	Impact on valuations of a 10% change in EBITDA		*Impact on valuations of a 1.0x change in multiplier*	
£m *Pub asset valuation*	*£m Increase 10%*	*£m Decrease 10%*	*£m Increase 1.0x*	*£m Decrease 1.0x*
279.3	*29.5*	*(24.1)*	*37.4*	*(34.5)*

Reconciliation to net valuation movement in consolidated statement of comprehensive income

Net valuation movement in investment properties	**2021 £m**	2020 £m
Net valuation movement in investment properties	**(147.8)**	(159.0)
Net valuation movement in property, plant and equipment	**(6.6)**	(4.0)
Net valuation movement in right of use asset	**(0.3)**	0.4

Net valuation movement in consolidated statement of comprehensive income		**(154.7)**	(162.6)

Reconciliation to properties at valuation in the portfolio

	Note	**2021 £m**	2020 £m
Investment property	14	**851.9**	1,102.3
Property, plant and equipment	17	**52.7**	55.0
Assets held for sale	19	**25.5**	–
Wholly owned properties at valuation		**930.1**	1,157.3
Properties held in joint ventures*	15	**35.2**	35.4
Properties held in associates	16	**8.9**	4.4
Properties at valuation		**974.2**	1,197.1

*Included in non-current assets in joint ventures is £1.5 million (31 March 2020: £1.5 million) loan to joint venture which should be deducted from this balance.

15. Investments in joint ventures

As at 31 March 2021 the Group has two joint ventures.

	2021 £m	2020 £m
Opening balance	**22.1**	7.6
Additions to investment in joint ventures	**–**	15.4
Loan to joint venture	**–**	3.0
Group's share of profit after taxation excluding valuation movement	**2.3**	2.0
Net valuation movement	**1.2**	(3.9)
Distributions and dividends	**–**	(2.0)
Investment in joint venture	**25.6**	22.1

Name	Country of incorporation	**2021 % Holding**	2020 % Holding
NewRiver Retail Investments LP (NRI LP)	Guernsey	**50**	50
NewRiver Retail (Napier) Limited (Napier)	UK	**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 and NewRiver Retail (Napier) Limited have a 31 December year end. The aggregate amounts recognised in the consolidated balance sheet and consolidated statement of comprehensive income are as follows:

	2021				2020			
Consolidated balance sheet	**Napier £m**	**NRI LP £m**	**Total £m**	**Group's share £m**	Napier £m	NRI LP £m	Total £m	Group's share £m
Non-current assets	**62.4**	**8.0**	**70.4**	**36.8**	60.2	10.5	70.7	36.9
Current assets	**7.0**	**1.6**	**8.6**	**4.3**	2.8	0.4	3.2	1.6
Current liabilities	**(6.5)**	**(1.0)**	**(7.5)**	**(1.8)**	(5.8)	(0.2)	(6.0)	(1.5)
Borrowings due in more than one year	**(27.3)**	**–**	**(27.3)**	**(13.7)**	(30.0)	–	(30.0)	(14.9)
Net assets	**35.6**	**8.6**	**44.2**	**25.6**	27.2	10.7	37.9	22.1

Consolidated statement of comprehensive income	2021 Napier £m	2021 NRI LP £m	2021 Total £m	2021 Group's share £m	2020 Napier £m	2020 NRI LP £m	2020 Total £m	2020 Group's share £m
Revenue	**6.6**	**1.3**	**7.9**	**4.0**	5.1	1.3	6.4	3.2
Property operating expenses	**(0.9)**	**(0.8)**	**(1.7)**	**(0.8)**	(0.3)	(0.3)	(0.6)	(0.3)
Net property income	**5.7**	**0.5**	**6.2**	**3.2**	4.8	1.0	5.8	2.9
Administration expenses	**(0.2)**	**(0.1)**	**(0.3)**	**(0.2)**	(0.2)	(0.1)	(0.3)	(0.1)
Net finance costs	**(1.3)**	**–**	**(1.3)**	**(0.7)**	(0.8)	(0.1)	(0.9)	(0.5)
Group's share of joint ventures' profit before valuation movements	**4.2**	**0.4**	**4.6**	**2.3**	3.8	0.8	4.6	2.3
Net valuation movement	**5.0**	**(2.6)**	**2.4**	**1.2**	(4.7)	(3.2)	(7.9)	(3.9)
Loss on disposal	**–**	**–**	**–**	**–**	–	(0.5)	(0.5)	(0.3)
Profit / (loss) after taxation	**9.2**	**(2.2)**	**7.0**	**3.5**	(0.9)	(2.9)	(3.8)	(1.9)
Add back net valuation movement	**(5.0)**	**2.6**	**(2.4)**	**(1.2)**	4.7	3.2	7.9	3.9
Group's share of joint ventures' profit before valuation movements	**4.2**	**0.4**	**4.6**	**2.3**	3.8	0.3	4.1	2.0

The Group's share of contingent liabilities in the joint ventures is £nil (2020: £nil).

The comparative information has been re-presented to show information per investment.

16. Investments in associates

On the 30 September 2020, the Group disposed of a subsidiary which owned Sprucefield Retail Park. The Group then acquired a 10% interest.

The Group has one investment in associate in which it has a 10% stake, Sealand S.à.r.l, which owns 100% of NewRiver Retail (Nelson) Limited, NewRiver Retail (Hamilton) Limited and NewRiver Retail (Sprucefield) Limited.

	2021 £m	2020 £m
Opening balance	**0.9**	–
Additions to Investment in associates	**3.7**	1.2
Group's share of profit after taxation excluding valuation movement	**0.1**	0.1
Net valuation movement	**0.6**	(0.4)
Investment in associates	**5.3**	0.9

Name	Country of incorporation	2021 % Holding	2020 % Holding
NewRiver Retail (Nelson) Limited (Nelson)	UK	**10**	10
NewRiver Retail (Hamilton) Limited (Hamilton)	UK	**10**	–
NewRiver Retail (Sprucefield) Limited (Sprucefield)	UK	**10**	10

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

NewRiver Retail (Nelson) Limited, NewRiver (Hamilton) Limited and NewRiver (Sprucefield) Limited have a 31 December year end. The aggregate amounts recognised in the consolidated balance sheet and consolidated statement of comprehensive income are as follows:

Consolidated balance sheet	31 March 2021 Total £m	31 March 2021 Group's share £m	31 March 2020 Total £m	31 March 2020 Group's share £m
Non-current assets	**89.5**	**8.9**	44.0	4.4
Current assets	**6.7**	**0.7**	2.0	0.2
Current liabilities	**(37.5)**	**(3.8)**	(15.0)	(1.5)
Borrowings due in more than one year	**(42.1)**	**(4.2)**	(22.0)	(2.2)
Net assets	**16.6**	**1.6**	9.0	0.9
Loans to associates	**–**	**3.7**	–	–
Net assets	**16.6**	**5.3**	9.0	0.9

Consolidated statement of comprehensive income	2021 Total £m	2021 Group's share £m	2020 Total £m	2020 Group's share £m
Revenue	**6.4**	**0.6**	1.7	0.2
Property operating expenses	**(1.6)**	**(0.2)**	0.1	–
Net property income	**4.8**	**0.4**	1.8	0.2
Administration expenses	**(0.2)**	**–**	(0.1)	–
Net finance costs	**(2.8)**	**(0.3)**	(0.7)	(0.1)
	1.8	**0.1**	1.0	0.1
Net valuation movement	**6.2**	**0.6**	(3.6)	(0.4)
Profit / (loss) after taxation	**8.0**	**0.7**	(2.6)	(0.3)
Add back net valuation movement	**(6.2)**	**(0.6)**	3.6	0.4
Group's share of associates' profit before valuation movements	**1.8**	**0.1**	1.0	0.1

17. Property plant and equipment

Cost or valuation	Office equipment £m	Fixtures and fittings £m	Public houses £m	Total £m
At 1 April 2020	**1.8**	**0.6**	**56.6**	**59.0**
Additions	**0.6**	**–**	**2.7**	**3.3**
Revaluation:				
Recognised in the consolidated statement of comprehensive income	**–**	**–**	**(0.5)**	**(0.5)**
Recognised in the consolidated income statement	**–**	**–**	**(6.6)**	**(6.6)**
Net transfers from investment property	**–**	**–**	**4.1**	**4.1**
Disposals	**–**	**–**	**(0.9)**	**(0.9)**
At 31 March 2021	**2.4**	**0.6**	**55.4**	**58.4**
Accumulated depreciation				
At 1 April 2020	**0.7**	**0.5**	**1.6**	**2.8**
Charge for the year	**0.4**	**–**	**1.1**	**1.5**
At 31 March 2021	**1.1**	**0.5**	**2.7**	**4.3**
Net book value at 31 March 2021	**1.3**	**0.1**	**52.7**	**54.1**
Net book value at 31 March 2020	**1.1**	**0.1**	**55.0**	**56.2**

Cost or valuation	Office equipment £m	Fixtures and fittings £m	Public houses £m	Total £m
At 1 April 2019	1.4	0.6	27.7	29.7
Additions	0.4	–	9.8	10.2
Business combinations	–	–	18.7	18.7
Revaluation:				
Recognised in the consolidated statement of comprehensive income	–	–	(1.0)	(1.0)
Recognised in the consolidated income statement	–	–	(4.0)	(4.0)
Net transfers from investment property	–	–	5.4	5.4
At 31 March 2020	1.8	0.6	56.6	59.0
Accumulated depreciation	0.3	0.5	0.8	1.6
At 1 April 2019				
Charge for the year	0.4	–	0.8	1.2
Disposals	–	–	–	–
At 31 March 2020	0.7	0.5	1.6	2.8
Net book value at 31 March 2020	1.1	0.1	55.0	56.2
Net book value at 31 March 2019	1.1	0.1	26.9	28.1

The Group's public houses have been valued at fair value on 31 March 2021 by independent valuers, Colliers International Valuation UK 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. Please see note 14 for further information on the valuation of the Group's properties. As mentioned in note 17, there is a material valuation uncertainty clause on the public house valuations, amounting to £52.7 million (2020: £55.0 million) in the note above.

The carrying amount of assets which have been revalued would have been £51.3 million (2020: £52.7 million) had they been carried under the cost model. Depreciation is also charged on the right of use asset of £0.4 million (2020: £0.4 million), which is not included in the note above.

18. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**9.6**	6.2
Restricted monetary asset	**5.6**	8.1
Service charge receivables*	**2.6**	5.6
Other receivables	**4.9**	3.8
Prepayments	**1.9**	1.4
Accrued income	**1.4**	1.6
	26.0	26.7

*Included in service charge receivables is £0.4 million of Value Added Taxation (2020: £0.9 million), £nil of accrued income (2020: £2.2 million), £nil of prepayments (2020: £0.4 million) and £2.2 million of service charge debtors (2020: £2.1 million).

Trade receivables are shown after deducting a loss allowance of £9.3m (2020: £4.2m). The provision for doubtful debts is calculated as an expected credit loss on trade receivables in accordance with IFRS 9. The charge to the consolidated statement of comprehensive income in relation to doubtful debts made against tenant debtors was £5.6 million (2020: £2.5 million). The Group has calculated the expected credit loss by applying a forward-looking outlook, impacted by the Covid-19 pandemic, to historic default rates.

The Group monitors rent collection in order to anticipate and minimise the impact of default by tenants, which may be impacted by Covid-19 and the ability of tenants to pay rent receivables. All outstanding rent receivables are regularly monitored. In order to measure the expected credit losses, trade receivables from tenants have been grouped on a basis of shared credit risk characteristics and an assumption around the tenants ability to pay their receivable, based on conversations held and our knowledge of their credit history. The expected loss rates are based on historical payment profiles of tenant debtors and corresponding historical credit losses. These historical loss rates are then adjusted to reflect the current pandemic and likelihood that tenants will pay.

	31 March 2021 £m	31 March 2020 £m
Opening loss allowance at 1 April 2020/2019	**4.2**	1.7
Increase in loss allowance recognised in the consolidated statement of comprehensive income during the year	**5.6**	2.5
Loss allowance write off	**(0.5)**	-
Closing loss allowance at 31 March 2021/2020	**9.3**	4.2

The restricted monetary asset relates to cash balances which legally belong to the Group but which the Group cannot readily access. They do not meet the definition of cash and cash equivalents and consequently are presented separately from cash in the consolidated balance sheet.

19. Assets held for sale

	2021 £m	2020 £m
Assets held for sale at 1 April 2020	**–**	–
Investment properties	**25.5**	–
Assets held for sale at 31 March 2021	**25.5**	–

In the year ended 31 March 2021 the Group has made a number of strategic disposals. As at 31 March 2021 there were three retail parks, included within the Group's retail segment, that were in negotiations for sale with a third party. These assets were considered to be in a condition ready for sale and are considered to meet the held for sale criteria under IFRS.

20. Derivative financial instruments

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.

	2021 £m	2020 £m
Interest rate swaps		
Current liabilities	**–**	(0.1)
Non-current liabilities	**(2.6)**	(2.6)
	(2.6)	(2.7)

	Average contract interest rate		Notional principal amount		Fair value	
	2021 %	2020 %	2021 £m	2020 £m	2021 £m	2020 £m
Interest rate swaps – receive floating pay fixed						
In less than one year	**–**	0.4%	**–**	13.4	**–**	(0.1)
In more than one year but less than two	**0.8%**	–	**137.2**	–	**–**	–
In more than two years but less than five	**1.5%**	0.4%	**137.2**	274.5	**(2.6)**	(2.6)
Interest rate caps	–		**–**		**–**	
In less than one year	**1.5%**	0.5%	**70.0**	9.7	**–**	–
In more than one year but less than two	**–**	0.4%	**–**	70.0	**–**	–
In more than two years but less than five	**–**	–	**–**	–	**–**	–
			344.4	367.6	**(2.6)**	(2.7)

21. Cash and cash equivalents

There are no restrictions on cash in place (2020: nil). As at the 31 March 2021 and 30 March 2020 cash and cash equivalents comprised of cash held in bank accounts.

22. Trade and other payables

	2021 £m	2020 £m
Trade payables	**4.4**	2.6
Service charge liabilities*	**10.9**	13.7
Other payables	**7.0**	4.4
Accruals	**15.0**	13.6
Value Added Taxation	**2.2**	4.4
Rent received in advance	**7.4**	8.1
	46.9	46.8

*Service charge liabilities includes accruals of £0.3 million (31 March 2020: £1.3 million), service charge creditors and other creditors of £2.8 million (31 March 2020: £2.9 million) and deferred income of £7.8 million (31 March 2020: £9.5 million).

23. Borrowings

Maturity of bank facilities:	2021 £m	2020 £m
Between two and three years	**335.0**	–
Between three and four years	**–**	335.0
Between four and five years	**–**	–
After five years	**300.0**	300.0
	635.0	635.0
Less unamortised fees / discount	**(5.3)**	(6.4)
	629.7	628.6

Unsecured borrowings:	Carrying amount 2021 £m	Fair value 2021 £m	Carrying amount 2020 £m	Fair value 2020 £m
Term loan	**165.0**	**165.0**	165.0	165.0
Revolving credit facility	**170.0**	**170.0**	170.0	170.0
Corporate bond	**300.0**	**283.7**	300.0	285.0
	635.0	**618.7**	635.0	620.0

The fair value of the Group's corporate bond has been estimated on the basis of quoted market prices, representing Level 1 fair value measurement as defined by IFRS 13 Fair Value Measurement. The fair value of the Group's bank loans is approximately the same as their carrying amount, after adjusting for the unamortised arrangement fees, and also represents Level 2 fair value measurement.

Unsecured borrowings:	Maturity date	Facility £m	Facility drawn £m	Unamortised facility fees / discount £m	£m
Term loan	August 2023	165.0	165.0	(0.7)	164.3
Revolving credit facility	August 2023	215.0	170.0	(1.0)	169.0
Corporate bond	March 2028	300.0	300.0	(3.6)	296.4
		680.0	635.0	(5.3)	629.7

In the year the Group drew down £nil (year-ended March 2020: £125 million) of the revolving credit facility.

24. Lease commitment arrangements

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

The Group holds two types of leases.

- Head leases: A number of the investment properties and managed houses held as property, plant and equipment owned by the Group are situated on land held through leasehold arrangements, as opposed to the Group owning the freehold.
- Office leases: Office space occupied by the Group's head office.

The lease liability and associated ROU asset recognised in the consolidated balance sheet are set out below.

	2021 £m	2020 £m
Right of use asset (Investment property)	**83.0**	83.3
Right of use asset (Property, plant and equipment)	**3.5**	3.9
Current lease liability	**0.7**	0.7
Non-current lease liability	**84.9**	85.6

As the head leases meet the definition of investment property, it is initially recognised in accordance with IFRS 16, and then subsequently accounted for as investment property in accordance with IAS 40 and the Group's accounting policy.

The ROU asset in relation to the head office lease has been recognised as property, plant and equipment. After initial recognition the ROU head office asset is depreciated on a straight-line basis over the period of the lease.

The expense relating to low value assets which have not been recognised under IFRS 16 was £0.1 million (March 2020: £nil) and the expense relating to variable lease payments not included in the measurement of lease liabilities was £nil million (March 2020: £nil). The total cash outflow in relation to lease commitments for the year was £3.5 million (March 2020: £3.4 million).

Lease liability maturity table

	2021 £m	2020 £m
Within one year	**0.7**	0.7
Between one and two years	**0.7**	0.7
In the second to fifth year inclusive	**2.1**	2.1
After five years	**82.1**	82.8
	85.6	86.3

Lease commitments payments payable by the Group were as follows:

	2021 £m	2020 £m
Within one year	**3.3**	3.4
One to two years	**3.3**	3.4
Two to five years	**10.0**	10.2
After five years	**253.9**	256.7
	270.5	273.7
Effect of discounting	**(184.9)**	(187.4)
Lease liability	**85.6**	86.3

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

	2021 £m	2020 £m
Within one year	**64.7**	77.2
Between one and two years	**55.9**	71.6
In the second to fifth year inclusive	**114.9**	161.8
After five years	**161.1**	206.6
	396.6	517.2

The Group's weighted average lease length of lease commitments at 31 March 2021 was 5.2 years (March 2020: 5.2 years).

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. Investment properties and public houses are leased to tenants under operating leases with rentals payable monthly and quarterly. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. The Group also grants lease incentives in order to encourage high quality tenants to remain in properties for longer lease terms. The expense for the year was £3.1 million (March 2020: £2.5 million).

25. 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
1 April 2019			307.8	3.0	304.8
Scrip dividends issued	0.9	206.8	308.7	3.0	305.7
Shares issued under employee share schemes	0.2	–	308.7	2.8	305.9
Exercise of warrants	0.3	116.0	309.0	2.8	306.2
31 March 2020			309.0	2.8	306.2
Shares issued under employee share schemes	0.1	-	309.0	2.7	306.3
31 March 2021			**309.0**	**2.7**	**306.3**

	Share capital £'000	Share premium £'000	Total £'000
1 April 2019	3,050	224,993	228,043
Exercise of warrants	3	333	336
Scrip dividends issued	9	2,023	2,032
31 March 2020	3,062	227,349	230,411
31 March 2021	3,062	227,349	230,411

All issued shares are fully paid up.

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 comprehensive profit of the Group, less dividends paid from distributable reserves, and transfers from equity issues where those equity issues generated distributable reserves.

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 2,625,006 ordinary shares held by the EBT.

26. 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 2020 or 2021. The charge for the year recognised in the consolidated statement of comprehensive income was nil (2020: nil).

Year issued	Average exercise price	Outstanding at start of year	Granted	Number Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2012	2.35	338,000	–	–	–	338,000	338,000	0.5
		338,000	–	–	–	338,000	338,000	

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 Report. The charge for the year recognised in the consolidated statement of comprehensive income was £0.3 million (2020: £0.8 million charge).

Year issued	Average exercise price	Outstanding at start of year	Granted	Number Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2017	–	278,506	–	–	–	278,506	–	5.5
2018	–	962,495	–	–	(962,495)	–	–	6.2
2019	–	1,588,060	–	–	(221,408)	1,336,652	–	7.3
2020	–	2,068,213	–	–	(250,060)	1,818,153	–	8.2
2021	–	–	3,129,236	–	(24,365)	3,104,871	–	9.4
		4,897,274	3,129,236	–	(1,458,328)	6,538,182	–	

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 consolidated statement of comprehensive income for this scheme was £0.3 million (March 2020: £0.8 million credit).

Year issued	Average exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2018	–	67,016	–	(3,462)	–	63,554	–	(0.7)
2019	–	280,957	–	(126,265)	–	154,692	–	0.2
2020	–	420,511	–	–	(97,499)	323,012	–	1.2
2021	–	–	526,640	–	–	526,640	–	2.4
		768,484	526,640	(129,727)	(97,499)	1,067,898	–	

Fair value

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

	2021	2020
Share price	**0.63**	1.770
Exercise price	**Nil**	Nil
Expected volatility	**21%**	21%
Risk free rate	**-0.048% - 0.009%**	0.548 – 0.7%
Expected dividends*	**0%**	12.2%

*based on quoted property sector average.

27. 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 and other 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	**2021 £m**	2020 £m
Financial assets			
Financial assets at amortised cost			
Trade and other receivables		**22.4**	20.2
Cash and cash deposits		**150.5**	80.8
		172.9	101.0
Financial liabilities			
Fair value through profit or loss			
Interest rate swaps	2	**(2.6)**	(2.7)
At amortised cost			
Borrowings		**(629.7)**	(628.6)
Lease liabilities		**(85.6)**	(86.3)
Payables and accruals		**(29.4)**	(24.8)
		(747.3)	(742.4)
		(574.4)	(641.4)

The fair value of the financial assets and liabilities at amortised cost are considered to be the same as their carrying value, with the exception of certain fixed rate borrowings, see note 22 for further details.

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 23). 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 20). 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 increase net interest payable in the consolidated statement of comprehensive income by £4.0 million (2020: £4.0 million). The impact of a 200 bps decrease in interest rates for the year would reduce the net interest payable in the consolidated statement of comprehensive income by £4.0 million (2020: £3.7 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 Group may suffer a void period where no rents are received. The quality of the tenant is assessed based on an extensive tenant covenant review scorecard prior to acquisition of the property. The assessment of the tenant credit worthiness is also monitored on an ongoing basis. Credit risk is assisted by the vast majority of occupational leases requiring that tenants pay rentals in advance. The Group monitors rent collection in order to anticipate and minimise the impact of default by tenants, which may be impacted by covid-19. All outstanding rent receivables are regularly monitored. In order to measure the expected credit losses, trade receivables from tenants have been grouped on a basis on shared credit risk characteristics and an assumption around the tenants ability to pay their receivable, based on conversations held and our knowledge of their credit history. The expected loss rates are based on historical payment profiles of tenant debtors and corresponding historical credit losses. These historical loss rates are then adjusted to reflect the current pandemic and likelihood that tenants will pay.

Ageing of past due gross trade receivables and the carrying amount net of loss allowances is set out below:

	2021 Gross amount £m	**2021 Loss allowance £m**	**2021 % applied £m**	**2021 Carrying amount £m**	2020 Gross amount £m	2020 Loss allowance £m	2020 % applied £m	2020 Carrying amount £m
0-30 days	**5.0**	**1.0**	**20%**	**4.0**	6.8	0.8	12%	6.0
30-60 days	**0.9**	**0.2**	**22%**	**0.7**	0.7	0.5	71%	0.2
60-90 days	**0.5**	**0.2**	**40%**	**0.3**	0.5	0.5	100%	–
90-120 days	**1.6**	**0.5**	**31%**	**1.1**	0.3	0.3	100%	–
Over 120 days	**10.9**	**7.4**	**68%**	**3.5**	2.1	2.1	100%	–
	18.9	**9.3**		**9.6**	10.4	4.2		6.2

The Group recognises an expected credit loss allowance on trade debtors, as noted in the above table. The Group also recognises an expected credit loss allowance of £1.4 million on service charge debtors and £0.1 million on insurance debtors.

The Group categorises trade debtors in varying degrees of risk, as detailed below:

	2021 £m	2020 £m
Risk level		
Very high	**3.9**	–
High	**2.4**	2.4
Medium	**4.4**	5.4
Low	**8.2**	2.6
Gross carrying amount before loss allowance	**18.9**	10.4
Loss allowance	**(9.3)**	(4.2)
Carrying amount	**9.6**	6.2

	2021 £m	2020 £m
Opening loss allowance at 31 March	**4.2**	1.7
Increase in loss allowance recognised in profit or loss during the year	**5.6**	2.5
Loss allowance write off	**(0.5)**	–
Closing loss allowance at 31 March	**9.3**	4.2

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 2021 was £26.0 million (31 March 2020: £26.7 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. As a result of the Covid-19 pandemic, the Directors took the decision to utilise a further £50 million of undrawn revolving credit facility in the year to 31 March 2020, meaning the Group has over £154 million of cash in the bank (including share of joint ventures and associates) and a further £45 million of undrawn RCF as at the 31 March 2021. To preserve cash, the Group suspended dividends through the year and suspended all non-essential capital expenditure projects, suspended business rates and marketing in the shopping centres and public houses. A summary table with maturity of financial liabilities is presented below:

2021 £m	Less than one year	One to two years	Two to five years	More than five years	Total
Borrowings	**–**	**–**	**335.0**	**300.0**	**635.0**
Interest on borrowings	**19.1**	**19.1**	**34.4**	**20.2**	**92.8**
Interest rate swaps	**0.7**	**1.3**	**0.6**	**–**	**2.6**
Lease liabilities	**3.3**	**3.3**	**10.0**	**253.9**	**270.5**
Payables and accruals	**29.4**	**–**	**–**	**–**	**29.4**
	52.5	**23.7**	**380.0**	**574.1**	**1,030.3**
2020 £m					
Borrowings	–	–	335.0	300.0	635.0
Interest on borrowings	18.8	18.8	46.7	30.7	115.0
Interest rate swaps	0.9	0.7	1.3	–	2.9
Lease liabilities	3.4	3.4	10.2	256.7	273.7
Payables and accruals	24.8	–	–	–	24.8
	47.9	22.9	393.2	587.4	1,051.4

Reconciliation of movement in the Group's share of net debt in the year	2021 £m	2020 £m
Group's share of net debt at beginning of year	**563.6**	475.1
Cash flow		
Net increase in cash and cash equivalents	**(69.7)**	(53.7)
New bank loans (net of expenses)	**–**	162.0
Bank loans acquired in business combinations	**–**	11.7
Bank loans repaid	**–**	(48.7)
Amortisation of bank loan fees	**1.1**	1.0
Group's share of joint ventures' and associates' cash flow		
Net increase in cash and cash equivalents	**(2.5)**	(0.9)
Bank loans repaid	**(1.2)**	–
New bank loans	**2.0**	17.1
Group's share of net debt	**493.3**	563.6
Being:		
Group borrowings	**629.7**	628.6
Joint ventures' and associates' borrowings	**17.9**	17.1
Group cash	**(150.5)**	(80.8)
Joint venture and associate cash	**(3.8)**	(1.3)
Group's share of net debt	**493.3**	563.6

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 11, 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.

During the year, the Group's LTV increased by 4% from 47% to 51% and the gearing ratio from 90% to 104% as at the 31 March 2021 mainly due to the valuation decline caused by the Covid-19 pandemic. The Group continually monitors LTV and will continue to monitor LTV closely, factoring in disposal activity and further valuation declines as mentioned in Note 1. The Group has remained compliant with all of its banking covenants during and since the year end as discussed in Note 1.

Net debt to equity ratio	**2021 £m**	2020 £m
Borrowings	**629.7**	628.6
Cash and cash equivalents	**(150.5)**	(80.8)
Net debt	**479.2**	547.8
Equity attributable to equity holders of the parent	**460.4**	610.6
Net debt to equity ratio ('Balance sheet gearing')	**104%**	90%
Share of joint ventures' and associates' borrowings	**17.9**	17.1
Share of joint ventures' and associates' cash and cash equivalents	**(3.8)**	(1.3)
Group's share of net debt	**493.3**	563.6
Carrying value of investment property and public houses	**851.9**	1,102.3
Carrying value of managed houses	**52.7**	55.0
Carrying value of assets held for sale	**25.5**	–
Share of joint ventures' and associates carrying value of investment properties	**44.1**	39.8
Group's share of carrying value of investment properties	**974.2**	1,197.1
Net debt to property value ratio ('Loan to value')	**51%**	47%

Reconciliation of financial liabilities

Reconciliation of financial liabilities	**Lease liabilities £m**	**Borrowings £m**	**Derivatives £m**	**Total £m**
As at 1 April 2020	**86.3**	**628.6**	**(2.7)**	**712.2**
(Decrease)/Increase through financing cash flows				
Repayment of principal portion of lease liability	**(0.7)**	**–**	**–**	**(0.7)**
Decrease through changes in fair value				
Change in fair value of derivative	**–**	**–**	**0.1**	**0.1**
Other changes				
Loan amortisation	**–**	**1.1**	**–**	**1.1**
As at 31 March 2021	**85.6**	**629.7**	**(2.6)**	**712.7**

Reconciliation of financial liabilities	Lease liabilities £m	Borrowings £m	Derivatives £m	Total £m
As at 1 April 2019	–	502.7	0.1	502.8
Adoption of IFRS 16	87.1			87.1
(Decrease)/Increase through financing cash flows				
Repayment of Bravo Inns loan	–	(11.7)	–	(11.7)
Repayment of bank loans and other costs	–	(37.0)	–	(37.0)
Repayment of principal portion of lease liability	(0.8)	–	–	(0.8)
New borrowings	–	162.0	–	162.0
Decrease through changes in fair value				
Change in fair value of derivative	–	–	(2.8)	(2.8)
Increase through business acquisitions				
Acquisition of Bravo Inns	–	11.7	–	11.7
Other changes				
Loan amortisation	–	0.9	–	0.9
As at 31 March 2020	86.3	628.6	(2.7)	712.2

28. Contingencies and commitments

The Group has no material contingent liabilities (2020: None). The Group was contractually committed to £4.0 million of capital expenditure to construct or develop investment property as at 31 March 2021 (31 March 2020: £1.0 million).

The Supreme Court has issued its judgement in respect of the FCA Business Interruption Test case and the appeal upheld the favourable decision for the FCA in the High Court. The issuer of certain insurance policies held by the Group confirmed in March 2021 that in principal the policy should cover certain losses incurred by the Group following earlier claims made. There is no certainty of the amount or timing of any receipts under these policies and no asset has been recognised in the consolidated balance sheet at 31 March 2021.

29. Related party transactions

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

During the year the Company paid £1.9 million (2020: £1.0 million) in professional legal fees to CMS Cameron McKenna Nabarro Olswang LLP for property services at commercial market rates. Allan Lockhart, CEO of NewRiver, has a personal relationship with one of the Partners at CMS who along with other Partners provides these legal services.

The Group have loans with a joint ventures of £3.0 million (note 15) (2020: £3.0 million) and loans with associates of £3.7 million (note 16) (March 2020: £nil). On the 30 September 2020, the Group disposed of a subsidiary which owned Sprucefield Retail Park. The Group then acquired a 10% interest, see note 8 and 16.

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

	2021 £m	2020 £m
NewRiver Retail Investments LP	**–**	0.1
NewRiver Retail (Nelson) Limited	**0.1**	0.1
NewRiver Retail (Napier) Limited	**0.2**	0.1
NewRiver Retail (Hamilton) Limited	**–**	–
NewRiver (Sprucefield) Limited	**0.1**	–

As at the 31 March 2021, an amount of £0.1 million was due to the Group relating to management fees.

During the year, the Group has recognised £0.3 million of interest from joint ventures and associates and as at the 31 March 2021 the amount owing to the Group was £0.2 million.

Key management personnel

The Executive Directors of the Company who served during the year are considered to be key management personnel.

The total compensation of key management personnel was £1.4 million (2020: £1.5 million), which comprised short-term benefits of £0.1 million (2020: £0.1 million)

The above is a complete list of the Company's related parties other than its 100% owned subsidiaries. All transfer of resources, services or obligations between the Company and these parties have been disclosed, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been accounted for and disclosed in accordance with the requirements of IFRSs or other requirements, for example, the Companies Act 2006.

All members of key management have been identified, as defined by IAS 24, and their remuneration is included in the disclosures of key management compensation.

30. Post balance sheet events

On 1 April 2021, the Group completed an acquisition of a shopping centre in Sheffield, in which the Group holds a 10% interest. The gross asset value subject to the transaction was £41.0 million and NewRiver will hold a 10% interest in the asset (NewRiver share: £4.1 million). Seven pubs have been disposed of post year end for £1.4 million, which in aggregate created a profit on disposal of £0.3 million and on 28 May 2021 the Group acquired 14 community pubs based in the East Midlands.

On the 14 April 2021 the Group announced its intention to divest its community pub business which could be via a potential Initial Public Offer ('IPO').

There were no other significant events occurring after the reporting period, but before the financial statements were authorised for issue.

EPRA PERFORMANCE MEASURES (UNAUDITED)

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

Below we disclose 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.

	FY21	FY20
EPRA Earnings per Share (EPS)	**2.9p**	16.7p
EPRA Cost Ratio (including direct vacancy costs)	**61.3%**	44.0%
EPRA Cost Ratio (excluding direct vacancy costs)	**58.6%**	41.4%

	March 2021	March 2020
EPRA NRV per share	**170p**	225p
EPRA NTA per share	**151p**	201p
EPRA NDV per share	**155p**	204p
EPRA NIY	**8.2%**	8.1%
EPRA 'topped-up' NIY	**8.8%**	8.5%
EPRA Vacancy Rate	**4.2%**	5.2%

EPRA Earnings per Share: 2.9p

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

	FY21 (£m)	FY20 (£m)
Earnings per IFRS income statement	**(150.5)**	(121.1)
*Adjustments to calculate EPRA Earnings, **exclude**:*		
Changes in value of investment properties, development properties held for investment and other interests	**154.7**	162.6
Profits or losses on disposal of investment properties, development properties held for investment and other interests	**7.7**	1.5
Changes in fair value of financial instruments and associated close-out costs	**(0.1)**	2.8
Acquisition costs on share deals and non-controlling joint venture interests	**0.1**	0.4
Deferred tax in respect of EPRA adjustments	**(1.4)**	0.5
Adjustments to above in respect of joint ventures (unless already included under proportional consolidation)	**(1.6)**	4.6
EPRA Earnings	**8.9**	51.3
Basic number of shares	**306.4m**	305.9m
EPRA Earnings per Share (EPS)	**2.9p**	16.7p

Reconciliation of EPRA Earnings to Underlying Funds From Operations (UFFO)

	FY21 (£m)	FY20 (£m)
EPRA Earnings	**8.9**	51.3
Share-based payment charge	**0.6**	–
Depreciation on public houses	**1.1**	0.8
Forward-looking element of IFRS 9	**0.6**	–
Integration costs and abortive fees	**0.3**	–
Underlying Funds From Operations (UFFO)	**11.5**	52.1
Basic number of shares	**306.4m**	305.9m
UFFO per share	**3.8p**	17.0p

EPRA NRV per share: 170p; EPRA NTA per share: 151p; EPRA NDV per share: 155p

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.

31 March 2021	EPRA NAV (£m)	EPRA NNNAV (£m)	EPRA NRV (£m)	EPRA NTA (£m)	EPRA NDV (£m)
IFRS Equity attributable to shareholders	460.4	460.4	460.4	460.4	460.4
Fair value of financial instruments	2.6	–	2.6	2.6	–
Deferred tax in relation to fair value gains of Investment Property/ PPE	0.7	–	0.7	0.7	–
Goodwill as per the IFRS balance sheet	–	–	–	(0.5)	(0.5)
Fair value of debt	–	16.3	–	–	16.3
Purchasers' costs	–	–	60.1	–	–
EPRA NRV / NTA / NDV	**463.7**	**476.7**	**523.8**	**463.2**	**476.2**
Fully diluted number of shares	307.3m	307.3m	307.3m	307.3m	307.3m
EPRA NRV / NTA / NDV per share	**151p**	**155p**	**170p**	**151p**	**155p**

31 March 2020	EPRA NAV (£m)	EPRA NNNAV (£m)	EPRA NRV (£m)	EPRA NTA (£m)	EPRA NDV (£m)
IFRS Equity attributable to shareholders	610.6	610.6	610.6	610.6	610.6
Fair value of financial instruments	2.7	–	2.7	2.7	–
Deferred tax in relation to fair value gains of Investment Property/ PPE	2.1	–	2.1	2.1	–
Goodwill as per the IFRS balance sheet	–	–	–	(0.2)	(0.2)
Fair value of debt	–	15.0	–	–	15.0
Purchasers' costs	–	–	75.3	–	–
EPRA NRV / NTA / NDV	**615.4**	**625.6**	**690.7**	**615.2**	**625.4**
Fully diluted number of shares	306.5m	306.5m	306.5m	306.5m	306.5m
EPRA NRV / NTA / NDV per share	**201p**	**204p**	**225p**	**201p**	**204p**

EPRA NIY: 8.2%, EPRA 'topped-up' NIY: 8.8%

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.

		March 2021 (£m)	March 2020 (£m)
Properties at valuation – wholly owned		**904.6**	1,157.3
Properties at valuation – share of Joint Ventures & Associates		**44.1**	39.8
Trading property (including share of Joint Ventures & Associates)		**25.5**	0.3
Less: Developments		**(17.5)**	(65.9)
Completed property portfolio		**956.7**	**1,131.5**
Allowance for estimated purchasers' costs and capital expenditure		**47.3**	74.8
Grossed up completed property portfolio valuation	B	**1,004.0**	**1,206.3**
Annualised cash passing rental income		**96.4**	110.0
Property outgoings		**(13.7)**	(11.9)
Annualised net rents	A	**82.7**	**98.1**
Add: Notional rent expiration of rent free periods or other lease incentives		**5.4**	4.7
Topped-up net annualised rent	C	**88.1**	**102.8**
EPRA NIY	A/B	**8.2%**	**8.1%**
EPRA 'topped-up' NIY	C/B	**8.8%**	**8.5%**

EPRA Vacancy rate: 4.2%

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.

		March 2021 (£m)	March 2020 (£m)
Calculation of EPRA Vacancy Rate		**£m**	£m
Estimated Rental Value of vacant retail space	A	**2.8**	4.2
Estimated rental value of the retail portfolio	B	**66.0**	81.4
EPRA Vacancy Rate	A/B	**4.2%**	**5.2%**

EPRA Cost Ratio: 61.3%

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.

		FY21 (£m)	FY20 (£m)
Administrative/operating expenses per IFRS		**52.0**	55.0
Net service charge costs/fees		**5.9**	4.2
Management fees less actual/estimated profit element		**(1.2)**	(0.9)
Other operating income/recharges intended to cover overhead expenses less any related profits		**(7.2)**	(1.8)
Share of Joint Ventures and associates expenses (net of other income)		**1.3**	0.4
Exclude (if part of the above):			
Investment property depreciation		**–**	–
Ground rent costs		**0.3**	0.6
Service charge costs recovered through rents but not separately invoiced		**–**	–
EPRA Costs (including direct vacancy costs)	A	**51.1**	57.5
Direct vacancy costs		**(2.2)**	(3.4)
EPRA Costs (excluding direct vacancy costs)	B	**48.9**	54.1
Gross Rental Income less ground rents – per IFRS		**79.5**	127.3
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		**–**	–
Add: share of Joint Ventures and associates (Gross Rental Income less ground rents)		**3.9**	3.4
Gross Rental Income	C	**83.4**	130.7
EPRA Cost Ratio (including direct vacancy costs)	A/C	**61.3%**	44.0%
EPRA Cost Ratio (excluding direct vacancy costs)	B/C	**58.6%**	41.4%

Reconciliation of EPRA Costs (including direct vacancy costs) to Net Administrative expenses per IFRS

		FY21 (£m)	FY20 (£m)
EPRA Costs (including direct vacancy costs)	A	**51.1**	57.5
Exclude			
Ground rent costs		**(0.3)**	(0.6)
Share of Joint Ventures and associates property expenses (net of other income)		**(1.1)**	(0.3)
Other operating income/recharges intended to cover overhead expenses less any related profits		**7.2**	1.8
Net service charge costs/fees		**(5.9)**	(4.2)
Operating expenses (excluding service charge cost)		**(28.9)**	(33.8)
Tenant incentives (included within income)		**(0.2)**	(0.3)
Letting & legal costs (included within income)		**(1.6)**	(1.2)
Group's share of net administrative expenses as per IFRS	D	**20.3**	18.9
EPRA Gross Rental Income	C	**83.4**	130.7
Ground rent costs		**(0.3)**	(0.6)
Expected credit loss		**(5.3)**	(2.5)
Government grant money		**3.7**	–
Gross Rental Income	E	**81.5**	127.6
Administrative cost ratio as per IFRS	D/E	**24.9%**	14.9%

Alternative Performance Measures (APMs)

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

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

APM	Nearest IFRS measure	Explanation and reconciliation
Underlying Funds From Operations ('UFFO') and UFFO per share	(Loss) / Profit for the period after taxation	'Underlying Funds From Operations' section of the 'Finance Review'
EPRA Net Tangible Assets ('NTA') and EPRA NTA per share	Net Assets	'Balance sheet' section of the 'Finance Review'
Dividend cover	N/A	'Financial Policies' section of the 'Finance Review'
Admin cost ratio	N/A	Note 6 of the Financial Statements
Interest cover	N/A	Note 3 of the 'Financial Statistics' table
EPRA EPS	IFRS Basic EPS	Note 12 of the Financial Statements
EPRA NNNAV	Net Assets	'EPRA performance measures' section of this document
EPRA NIY	N/A	'EPRA performance measures' section of this document
EPRA 'topped-up' NIY	N/A	'EPRA performance measures' section of this document
EPRA Vacancy Rate	N/A	'EPRA performance measures' section of this document
Total Accounting Return	N/A	Note 5 of the 'Financial Statistics' table
Weighted average cost of debt	N/A	Note 10 of the 'Financial Statistics' table
Weighted average debt maturity	N/A	Note 11 of the 'Financial Statistics' table
Loan to Value	N/A	Note 12 of the 'Financial Statistics' table

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 period end.

Affordable Rent to Sales ratio: Is an estimate of the maximum Rent to Sales ratio that an occupier would deem affordable in relation to a particular retail unit. It is calculated for NewRiver by retail consultancy Harper Dennis Hobbs.

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

BRAVO: Is BRAVO Strategies III LLC, with which NewRiver formed a capital partnership in May 2019 to acquire and manage a portfolio of retail assets in the UK.

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 period end, divided by total Group debt in issue at the period end.

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

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

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, gains/losses on disposals and deferred tax.

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

EPRA NTA per share: Is EPRA NTA divided by the diluted number of shares at the period end.

ERV growth: Is the change in ERV over a period on our investment portfolio expressed as a percentage of the ERV at the start of the period. 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.

GAV: Is Gross Asset Value, the total value of all real estate investments owned by the Company

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: International Financial Reporting Standards

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

Interest cover: Interest cover is tested at corporate level and is calculated by comparing actual net property income received versus cash interest payable on a 12 month look-back basis.

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.

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 parties 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.

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

Like-for-like footfall: Is the movement in footfall against the same period in the prior period, 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.

Long-term leasing deals: Are leasing deals with a fixed term certain of at least one year.

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.

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

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

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

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

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

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

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.

Rent to Sales ratio: Is the turnover of an occupier relation to a unit as a proportion of the headline rent of that unit. It is calculated for NewRiver by retail consultancy Harper Dennis Hobbs.

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.

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 NTA per share plus dividends paid in the period, expressed as a percentage of EPRA NTA per share at the beginning of the period.

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.

Topped-Up Net Initial Yield: Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date.

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

Unsecured balance sheet: The Company's balance sheet is unsecured, which means that none of its debt is secured against any of its property assets.

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.