NEW RIVER

RNS Announcement

NewRiver REIT plc Half Year Results

21 November 2019

Robust performance and good progress with strategies to deliver UFFO growth

Allan Lockhart, Chief Executive commented: "We are pleased to report another period of solid performance, as we entered our 10th year of operations. Our diversified and differentiated portfolio continued to outperform the market, delivering sustainable cash flows, robust operational metrics and resilient valuations. We have made good progress with our key strategies to deliver Underlying Funds From Operations growth and a fully covered dividend. In light of this progress, we have maintained our dividend for the first half at 10.8 pence per share, with cover improved from the comparative period.

Since 1 April 2019 to the date of this announcement we have completed, exchanged or are under offer on disposals at a blended yield of 5.4%, and have recycled most of this capital into five retail parks at a blended yield of 9.0%. Our market-leading asset management platform continues to expand, and now covers a growing number of third-party assets, including our most recent appointment by Knowsley Council. In pubs, supply chain benefits continue to drive like-for-like EBITDA growth, and we continue to extract further value from our portfolio. Our strong and unsecured balance sheet, and our ability to recycle capital, leaves us well-positioned to continue our progress to dividend cover."

Good progress with strategies to deliver Underlying FFO growth and re-establish dividend cover

- So far in FY20, disposals completed, exchanged or under offer total £59.5 million, reflecting a blended NIY of 5.4%; completed disposals on terms in line with March 2019 valuation
- Capital recycled into new joint venture with BRAVO, which to date has acquired five retail parks for £105.1 million (NRR share: £34.7 million), reflecting a blended NIY of 9.0%; in addition to rental income, joint venture acquisitions generate management fees and promotes, driving higher returns on investment
- Third-party asset management platform continues to expand, with recent appointment by Knowsley Council to become strategic asset manager for Kirkby Town Centre; agreement includes fees for acquisition due diligence, asset management and a potential development monitoring fee

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

- Underlying FFO ('UFFO') of £26.4 million (HY19: £25.6 million); UFFO per share of 8.6 pence (HY19: 8.4 pence)
- H1 Ordinary dividend per share held at 10.8 pence (HY19: 10.8 pence); 80% covered by UFFO (HY19: 78% covered); further cover improvement expected as identified strategies to deliver UFFO growth are executed
- Q3 FY20 ordinary dividend maintained at 5.4 pence per share (Q3 FY19: 5.4 pence)
- EPRA NAV per share of 244 pence (March 2019: 261 pence), impacted by 3.3% portfolio valuation decline, due to a reduction in estimated rental values of 2.7% and modest yield expansion
- Total Property Return +0.3%, +320 bps vs MSCI-IPD benchmark; Total Accounting Return of -2.4% (HY19: +0.6%)
- Fully unsecured balance sheet, with proportionally consolidated LTV of 38% (March 2019: 37%)
- IFRS net assets of £745.4 million (March 2019: £796.1 million); IFRS loss after tax £21.3 million (HY19: profit of £2.7 million) due to non-cash valuation decline of £42.5 million; IFRS basic EPS -7.0 pence (HY19: +0.9 pence)
- Entered pre-planning phase on our residential-led redevelopment of Grays Shopping Centre, Essex

Robust operational metrics show resilience of retail portfolio focused on convenience, value and services

- Retail occupancy remained high at 95.6% (March 2019: 95.2%)
- 337,900 sq ft of leasing activity completed; long term deals on terms 2.5% ahead of previous rent and 0.5% ahead of ERV; activity focused on retailers providing convenience, value and services
- Affordable average retail rent of £12.49 psf (March 2019: £12.52 psf)
- Like-for-like retail net rental income decline of 3.5%, impacted by CVAs and Administrations
- Like-for-like footfall across shopping centres outperformed UK benchmark by 70 bps, with a decline of 2.3%

Hawthorn Leisure: growth driven by scale-based synergies secured in FY19 and active asset management

- Like-for-like EBITDA growth per pub of +5.5%, as the portfolio continued to benefit from the scale-based synergies secured in FY19; rate of growth expected to moderate following annualisation of Hawthorn Leisure integration in January 2020
- Pub occupancy remained high at 96.7% (March 2019: 97.9%) across our 660 community pubs
- Highly active six months for capital markets activity in the pub sector, which has been supportive of valuations and presents attractive investment opportunities

Financial Statistics

Performance	Note	HY20	HY19	Change
Underlying Funds From Operations ('UFFO')	(1)	£26.4m	£25.6m	+3%
UFFO per share (Pence Per Share)	(1)	8.6	8.4	+2%
Funds From Operations ('FFO')	(2)	£25.6m	£25.3m	+1%
FFO per share (Pence Per Share)	(2)	8.4	8.3	+1%
Ordinary dividend (Pence Per Share)		10.8	10.8	-
Ordinary dividend cover	(3)	80%	78%	
Admin cost ratio	(4)	14.6%	12.9%	
Interest cover	(5)	3.8x	3.8x	
Net Property Income		£46.9m	£43.2m	
IFRS (Loss)/Profit after taxation	(6)	-£21.3m	£2.7m	
IFRS Basic EPS (Pence Per Share)		-7.0	0.9	
EPRA EPS (Pence Per Share)		8.1	8.0	
Total Accounting Return	(7)	-2.4%	+0.6%	
GRESB Score	(8)	70	62	

Balance Sheet	Note	Sep 2019	March 2019	Change
IFRS Net Assets		£745.4m	£796.1m	
EPRA NAV per share (Pence Per Share)		244	261	-7%
Shares in issue		305.6m	304.8m	
Balance Sheet (proportionally consolidated)	**Note**	**Sep 2019**	**March 2019**	**Change**
Principal value of gross debt		£515.1m	£510.0m	
Cash		£25.7m	£27.6m	
Cost of debt	(9)	3.2%	3.2%	
Average debt maturity	(10)	6.4 years	6.9 years	
Loan to value		38%	37%	

Notes:
(1) Underlying Funds From Operations ('UFFO') is a Company measure of cash profits which includes realised recurring cash profits and excludes other one off or non-cash adjustments as set out in Note 7 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) Funds From Operations ('FFO') is a Company measure of cash profits which includes realised recurring cash profits plus realised profits (or losses) on the sale of properties and excludes other one off or non-cash adjustments as set out in Note 7 to the Financial Statements and in the Finance Review
(3) Ordinary dividend cover is calculated with reference to UFFO
(4) Admin cost ratio is net administrative expenses expressed as a proportion of property revenue (including the Group's share of joint ventures)
(5) Interest cover is tested at property level and is the basis for banking covenants. It is calculated by comparing actual net rental income received versus cash interest payable.
(6) IFRS (Loss)/Profit after taxation due to non-cash valuation decline of £42.5 million
(7) Total Accounting Return equals EPRA NAV per share movement during the period plus dividends paid in the period divided by the EPRA NAV per share at the start of the period
(8) GRESB is the leading sustainability benchmark for the global real estate sector, and its annual assessment scores participating companies out of 100
(9) Cost of debt assuming £215 million revolving credit facility is fully drawn
(10) Average debt maturity assumes one-year extension options are exercised and bank approved

The Group has applied IFRS 16 Leases from 1 April 2019, which requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives for the year ended 31 March 2019 have not been restated.

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

The results presentation will be held at 10.30am today at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF. The presentation will be broadcast live via webcast and conference call.

A live audio webcast will be available at: https://kvgo.com/IJLO/NewRiver_FY20HYR

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

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

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

About NewRiver

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

Our £1.3 billion portfolio covers 9 million sq ft and comprises 33 community shopping centres, 24 conveniently located retail parks and over 650 community pubs. Having hand-picked our assets since NewRiver was founded in 2009, we have deliberately focused on the fastest growing and most sustainable sub-sectors of the UK retail market, with grocery, convenience stores, value clothing, health & beauty and discounters forming the core of our retail portfolio. This focus, combined with our affordable rents and desirable locations, delivers sustainable and growing returns for our shareholders, while our active approach to asset management and inbuilt 2.3 million sq ft development pipeline provide further opportunities to extract value from our portfolio.

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

Forward-looking statements

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

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

Chief Executive's review

I am pleased to report another solid performance, as we entered our 10th year of operations. Since our formation in 2009, NewRiver has grown to become one of the market-leading platforms operating in UK retail real estate, and also the seventh-largest tenanted pub company. We are very proud of the fact that over the last 10 years we have delivered for all our key stakeholders: for our people, we have created a culture that has been supportive of personal development; the communities where we have invested, and our occupiers, have benefitted from the great work that we have done at our assets; and our shareholders have received £286 million of dividends.

During the first half we continued to deliver robust operational metrics across our diversified portfolio and made good progress with our strategies to deliver Underlying FFO ('UFFO') growth and re-establish dividend cover, all whilst maintaining a conservative and fully unsecured balance sheet.

Market backdrop

Despite a relatively resilient consumer backdrop, which has seen modest wage growth and employment at a 40-year high, the retail sector continues to face significant challenges, and there remains a clear divergence in retailer performance as a result. Retailers focused on providing convenience, value or services – which represent the majority of our occupiers – have shown resilience due to their focus on essential spending and the barriers to replicating their business models online. In contrast, retailer underperformance in these market conditions has generally been a result of operating in structurally challenged sub-sectors, mismanagement, or a combination of both factors. Some of these underperforming retailers have entered into Company Voluntary Arrangements ('CVAs') to reduce rent costs, and in extreme cases, have exited the market completely, impacting rental income for retail property owners. Even for those retailers performing well, the market conditions have increased their focus on occupational costs, resulting in more challenging negotiations around new lettings and renewals. However, we feel relatively better positioned in responding to this pressure, due to our affordable rents, our active approach to asset management, and our conveniently located assets.

It remains our belief that the UK has too much retail space. While we have aligned ourselves to the right types of assets, which meet the everyday needs of consumers and the changing needs of successful retailers, this excess of space has led to increased vacancy in town centres, a lack of investment by landlords and lower business rates income for councils, with significant implications for the vitality of town centres. Local Authorities remain the ultimate custodians of these spaces, and they have taken an increasingly interventionist approach in recent years, acquiring retail assets with the aim of delivering much-needed regeneration projects for their communities. With our market-leading asset management platform, we are well positioned to support Local Authorities as they take these steps, bringing our scale, relationships and expertise to help them generate sustainable income from these assets while they realise their ambitions for their town centres.

In the investment market for retail property, the challenges facing the sector have weighed heavily on sentiment, and this has been reflected in a low volume of transactions in the first half, and a decline in valuations. We have not been immune from this negative sentiment, but our portfolio has several differentiating characteristics that have supported our valuations: first, our average lot size, at £23 million for shopping centres and £11 million for retail parks, is significantly smaller than peers, providing better liquidity; secondly, our portfolio yield has been consistently higher than all other MSCI-IPD sectors and has maintained approximately 250 bps of headroom above the IPD equivalent yield benchmark over the past five years, meaning we are less reliant on income growth to drive returns at our assets; and finally, an internal review of our entire retail portfolio has shown that our current valuations are 87% underpinned by the valuation of the next-best alternative use for each of our assets. Against a backdrop of declining retail property values, an increasing number of domestic and overseas buyers are recognising the superior returns offered by retail assets relative to other real estate sectors, which is likely to provide a tailwind for market activity and therefore valuations in the near term.

The pub sector has generally performed well over the period, with data from the Coffer Peach Business Tracker showing like-for-like sales growth of 1.8% across the sector over the 12 months to September 2019, as consumers spend an increasing proportion of their discretionary income on experiential leisure. Wet-led pubs have outperformed those focused on food, as the latter continue to be impacted by the wider challenges facing the casual dining sector, such as overcapacity and the growth of the home delivery market. The generally favourable market conditions in the pub sector resulted in a highly active six months for capital markets activity, with several major deals relating to pub portfolios and operators being transacted. These deals have been supportive of valuations in the sector as a whole and will likely provide further investment opportunities as these new or enlarged operators look to reshape their pub portfolios.

Strategies to deliver UFFO growth and re-establish full dividend cover

At our Full Year Results in May 2019 we announced a number of strategies to deliver UFFO growth and re-establish dividend cover. The strategies are as follows:

1. Disposal of lower yielding assets, targeting around 5% of the portfolio on an annual basis
2. Capital recycling into higher yielding assets, primarily in joint ventures
3. Leveraging our asset management platform
4. Delivering sharper asset management and operational efficiencies
5. Extracting further growth from our pubs business

1. Disposal of lower yielding assets, targeting around 5% of the portfolio on an annual basis

We have a target to dispose of 5% of our portfolio this financial year, which equates to around £64 million based on the portfolio valuation at 31 March 2019. Since 1 April 2019 to the date of this announcement, we have completed £35.3 million of disposals at a blended yield of 5.7%, comprising £32.8 million of disposals in the period and £2.5 million post-period end, and are currently exchanged or under offer on £24.2 million of disposals, at a blended yield of 4.9%. Together, these represent £59.5 million of disposals, at a blended yield of 5.4% and on terms only 2% below March 2019 book value, which underscores the conservative nature of our valuations. So far this year, disposals have been completed across all asset types, which demonstrates the inherent liquidity in our portfolio and the attractiveness of our assets - which typically have small lot sizes and alternative use potential - to a large pool of potential buyers.

2. Capital recycling into higher yielding assets, primarily in joint ventures

In May 2019 we formed a new joint venture relationship with BRAVO, re-establishing a successful partnership that dates back to 2012. The joint venture relationship was formed to acquire and manage a portfolio of retail parks in the UK, as well as to identify and pursue other opportunities in the UK retail sector. To date we have acquired four retail parks in a 50:50 joint venture with BRAVO for £60.5 million (NRR share: £30.2 million) at a blended net initial yield of 9.8%, and one further retail park in a 10% investment with BRAVO for £44.7 million (NRR share: £4.5 million) at a net initial yield of 8.0%.

In addition to a share of the rental income from these assets, the joint venture relationship generates asset management fees and promotes based on financial performance, resulting in a superior return on investment than under full ownership of the asset. The ability to take either 10% or 50% stakes also provides us with increased flexibility, as we can make attractive opportunistic acquisitions whilst maintaining our conservative balance sheet position.

3. Leveraging our asset management platform

Our market-leading platform comprises a highly experienced team of asset managers working alongside finance, development and marketing professionals, and has a track record of delivering growing returns. In addition to servicing our owned assets, this platform manages assets held by our joint ventures and supports third-party owners, which realise the benefits that the scale, relationships and governance credentials of a major asset manager can provide. Over the past year we have been actively marketing our platform to third-party owners of retail assets, particularly Local Authorities, which have become increasingly acquisitive of these assets, as they seek to take control of their town centres and better serve their communities. Few retail asset managers can match our scale and expertise in managing multi-tenanted retail assets, so we consider ourselves to face limited competition in this market, positioning us well for further growth.

To date we have signed four third-party mandates to our asset management platform. Our most recent appointment, by Knowsley Council, relates to Kirkby Town Centre, and encompasses a fee for strategic asset management and business planning advice, as well as the potential for a development monitoring fee relating to the construction of a Morrisons superstore at the site. This demonstrates how our platform can provide support throughout every stage of the asset ownership. During the first half we advanced talks with several councils and embarked on an active marketing programme targeting Local Authorities across the UK.

4. Delivering sharper asset management and operational efficiencies

A key priority is to extract further value from our existing assets through sharper asset management, and achieve operational efficiencies through cost reductions, both centrally and for our occupiers.

Our sharper asset management initiatives are focused on further co-ordinating leasing across our portfolio and deriving better insights from our occupiers and third-party data sources to enhance our business planning capabilities. During the period we took an important step towards achieving this with the appointment of a Head of Asset Management, Emma Mackenzie, to lead our occupier relationships and ensure asset management activity is co-ordinated across our portfolio.

Our operating efficiencies are focused on lowering service charges for occupiers in line with our target reduction of 30% over three years to FY21, mitigating the financial impact of vacancies, and better leveraging our scale, technology and marketing platforms to achieve scale-based efficiencies and avoid duplication of costs. During the first half we reduced service charge budgets across our shopping centre portfolio by 8% through reviews of areas such as staffing, marketing and the monitoring and evaluation of energy consumption. We are also now preparing for the next round of rates reassessments, where we have a track record of delivering significant reductions for our occupiers.

5. Extracting further growth from our pubs business

Following the acquisition of Hawthorn Leisure in May 2018, we now own a market-leading pub management platform, which has the scale and expertise to enable us to further grow our investment exposure to this attractive sector. The integration of Hawthorn Leisure in January 2019 unlocked significant scale-based synergies that have significantly contributed to like-for-like EBITDA growth per pub of 5.5% in the first half. This growth is expected to moderate following the annualisation of the Hawthorn Leisure integration in January 2020, when our active asset management initiatives will become the main driver of future growth.

During the first half we continued our programme of targeted capital investment projects aimed at enhancing the customer experience in our pubs, as well as further improving trade and increasing capital values. We completed 26 such projects at a total cost of £1.4 million during the half, which in aggregate have delivered a return on investment of 24%. We also further advanced our risk-controlled development pipeline across the pub portfolio, including commencing the development of a combined c-store and residential development at the site of the Sea View Inn in Poole, Dorset, which will generate a £275,000 performance fee from the Co-op.

Financial performance

Our financial performance remained resilient during the first half, as Underlying Funds From Operations ('UFFO'), which excludes profit or losses on the disposal of investment properties, increased to £26.4 million, from £25.6 million in the first half of FY19 as growth in net rental income more than offset increased administrative and finance costs. Our IFRS loss after tax was £21.3 million, compared to a profit of £2.7 million in the first half of last year, predominantly due to a non-cash reduction in portfolio valuation of £42.5 million.

The Board approved two quarterly dividends of 5.4 pence per share, resulting in a first half dividend of 10.8 pence per share, in line with the total dividend for the first half of FY19. Achieving dividend cover remains a key priority for the Company, and the increase in UFFO has also resulted in an improved dividend cover of 80% compared to 78% in HY19. We have also announced a third quarter dividend of 5.4 pence, in line with the prior year, and expect dividend cover to further improve as we progress our UFFO-accretive strategies.

Our portfolio valuation reduced slightly during the period, from £1.29 billion to £1.26 billion, primarily due to a 3.3% decline in portfolio valuation. Our EPRA net asset value per share decreased by 17 pence to 244 pence per share, also mainly due to the non-cash reduction in portfolio valuation, and our IFRS net assets declined from £796.1 million to £745.4 million for the same reason.

One of our core strengths is our unencumbered balance sheet, which remains conservatively positioned with an LTV of 38%, a slight increase from the 37% reported at March 2019 but well within our stated guidance. The profitability of our portfolio continues to be underpinned by the significant arbitrage between our portfolio net initial yield of 7.9% and cost of debt of 3.2%, and our efficient cost operating structure, which means that our interest cover is high at 3.8x, significantly ahead of our stated policy of >2.0x.

Operational performance

During the period we acquired four retail parks in a 50:50 joint venture with BRAVO for total consideration of £60.5 million (NRR share: £30.2 million), reflecting a net initial yield of 9.8%. The acquisition comprised Kittybrewster Retail Park, Aberdeen; Glendoe & Telford Road Retail Parks, Inverness, Units in Kingsway East Retail Park, Dundee; and Wakes Retail Park, Isle of Wight. The portfolio has a number of attractive characteristics, including an affordable average rent of £14.77 per sq ft, supportive Rent to Sales ratios ranging from 6.0 to 7.6%, a low land capital value of £57 per sq ft and strong occupier covenants that complement our existing portfolio.

Our retail portfolio continued to deliver robust operational metrics in the first half. Occupancy remained high at 95.6% (March 2019: 95.2%), reflecting our focus on growing and online-resilient retail sub-sectors, and our active approach to asset management. Our average rent remained low at £12.49 psf (March 2019: £12.52 psf), reflecting our commitment to affordability for retailers and underpinning the sustainability of our income. Our shopping centre like-for-like footfall outperformed the UK benchmark by 70 bps, with a decline of 2.3% during the first half.

During the period we completed 337,900 million sq ft of new lettings and renewals across our retail portfolio. On average, long-term deals were signed 2.5% ahead of previous passing rent and 0.5% ahead of March 2019 ERV. Our leasing activity continued to reflect our focus on occupiers providing convenience, value and services, as we signed deals with discounters such as Poundland, The Works and OneBelow during the period, and multiple deals with Superdrug, Shoe

Zone and WHSmith. In addition, we renewed leases on 29 Amazon Lockers across our shopping centre portfolio, underscoring their importance as Click & Collect destinations.

Retail failures in the form of Company Voluntary Arrangements (‘CVAs’) or Administrations continue to have a limited impact on our rental income, as we have deliberately limited our exposure to sub-sectors facing structural challenges such as casual dining, department stores and mid-market fashion. During the first half, the cumulative impact of CVAs and Administrations occurring since the beginning of FY19 reduced net rental income by £0.6 million, which included a £0.1 million impact from CVAs and Administrations in the period, relating to Bathstore, Monsoon/Accessorize and Select.

Hawthorn Leisure delivered like-for-like EBITDA per pub growth of +5.5%, largely driven by the scale-based synergies unlocked in January 2019, which included improvements in purchasing terms and reduced administrative costs in areas such as insurance, utilities and legal fees. Elsewhere in the portfolio we continued our programme of targeted capital investment projects aimed at enhancing the customer experience in our pubs, as well as further improving trade and increasing capital values.

We made good progress with our 2.3 million sq ft risk-controlled development pipeline during the period. We further advanced our 465,000 sq ft regeneration of Burgess Hill town centre with the submission of a planning application for a revised scheme which will reduce the retail footprint of the redevelopment and increase its residential provision. We also entered the pre-planning phase on our redevelopment of Grays Shopping Centre, which we acquired in June 2018, and where we are working closely with the Council to submit a planning application for a mixed-use regeneration scheme that will provide a significant amount of new homes at the site, which is located just 35 minutes away from Central London by train.

Our disposal programme resulted in the sale of £35.3 million of assets since the start of the period, comprising an Asda store in Llanelli, one shopping centre, one retail park, eight pubs, eight parcels of land and nine c-stores. Disposals were completed at a blended NIY of 5.7%, and in line with March 2019 valuation.

As an owner of asset located in communities across the UK, we are committed to enhancing the lives of the people we serve while minimising our impact on the environment. At the same time, we aim to be good neighbours by supporting and championing local causes and actively managing our assets to address the needs of communities. We were therefore delighted to have our efforts recognised with the receipt of a GRESB Green Star in September 2019 for the second consecutive year, with a 13% improvement on our GRESB Score from the previous year, and a 94% improvement from our first entry to the benchmark in 2016. GRESB is the leading sustainability benchmark for the global real estate sector, and this achievement underlines the significant progress we have made in this area in a relatively short period of time.

Outlook

The challenges facing the UK retail sector will continue in the near-term, but we remain confident in our differentiated portfolio focused on growing and resilient market sub-sectors, and our ability to execute our strategies to grow UFFO and re-establish a fully covered dividend.

Our market-leading asset management platform will continue to extract value from our portfolio, while enabling us to partner with the growing number of Local Authorities that are acquiring retail assets and taking positive steps to transform their town centres for the benefit of their communities. At the same time, our new joint venture relationship with BRAVO provides a highly profitable and capital efficient opportunity to take advantage of the current dislocation in the pricing of UK retail assets, and deliver growing, sustainable cash flows to our shareholders.

Allan Lockhart
Chief Executive
20 November 2019

Property review

Highlights

- Portfolio reduced to £1.26 billion (March 2019: £1.29 billion), driven by a 3.3% valuation decline
- Ungeared total property return of +0.3%, outperforming the MSCI-IPD benchmark by 320 bps
- Completed £105.1 million of acquisitions (NRR share: £34.7 million) at a blended NIY of 9.0%
- Retail occupancy remains high at 95.6% (March 2019: 95.2%); average rents remain affordable at £12.49 (March 2019: £12.52); and like-for-like footfall outperformed the UK benchmark by 70 bps
- Completed 337,900 sq ft of new lettings and renewals across the retail portfolio; long-term deals on average 2.5% ahead of previous passing rent and signed at a 0.5% premium to March 2019 ERV
- Delivered 5.5% like-for-like EBITDA per pub growth across our community pub portfolio, driven by the scale-based synergies unlocked in January 2019, and high occupancy of 96.7% (March 2019: 97.9%)
- Risk-controlled development pipeline stands at 2.3 million sq ft; during the first half we progressed 465,000 sq ft redevelopment of Burgess Hill and entered pre-planning at Grays Shopping Centre
- Completed £35.3 million of disposals during the first half, at a blended NIY of 5.7% and on terms in line with March 2019 valuation

Portfolio overview

As at 30 September 2019	Valuation (NRR share) (£m)	Portfolio Weighting (%)	Valuation surplus/(deficit) (%)	Topped-up NIY (%)	NEY (%)	LFL ERV Movement (%)
Shopping centres	692	55	(5.0)	7.3	7.9	(2.8)
Regional shopping centres	*538*	*43*	*(5.9)*	*7.7*	*8.5*	*(3.3)*
London shopping centres	*154*	*12*	*(1.7)*	*5.8*	*5.8*	*(0.6)*
Retail parks	188	15	(4.4)	6.8	7.2	(2.2)
High street	16	1	(5.1)	8.8	8.3	(2.6)
Pubs & c-stores	282	23	0.3	10.2	10.2	N/A
Development	77	6	1.8	N/A	N/A	N/A
Total	**1,255**	**100**	**(3.3)**	**7.9**	**8.3**	**(2.7)**

During the period our portfolio valuation reduced to £1.26 billion, from £1.29 billion in March 2019, which was predominantly due to a 3.3% decline in portfolio valuation and a like-for-like ERV reduction of 2.7%.The portfolio topped-up net initial yield remained constant over the period at 7.9% as modest outward yield shift in our shopping centre and retail park portfolios was offset by a slight inward shift in our pubs portfolio.

Six months to 30 September 2019	Total Return %	Income Return %	Capital Growth %
NRR portfolio	0.3	3.6	(3.2)
MSCI-IPD Benchmark[1]	(2.8)	2.6	(5.2)
Relative performance	**+320 bps**	**+100 bps**	**+210 bps**

1. Benchmark includes monthly & quarterly valued retails

Our portfolio outperformed the MSCI-IPD benchmark for both income return and capital growth, delivering a total return of 0.3%, compared to the benchmark of -2.8%, an outperformance of 320 bps.

The Company undertook an alternative use value review at the period end across its entire retail portfolio. This is a detailed internal assessment factoring in demolition costs, construction costs and a development profit to calculate the value of the next best alternative use for our retail assets. Due to our assets being predominantly located in town centres, the vast majority of the alternative use potential relates to residential development. At September 2019, the total alternative use valuation for our retail portfolio, at £848 million, was just 13% below our retail portfolio valuation of £973 million, which we consider to be an underpin to our valuations. This is a slight increase from the 10% difference reported at March 2019, mainly owing to an increase in construction cost assumptions and net acquisition activity in the first half.

Disciplined stock selection

Retail portfolio

Since the start of the period, we have acquired four retail parks in a 50:50 joint venture with BRAVO for £60.5 million (NRR share: £30.2 million) at a blended net initial yield of 9.8%, and one further retail park in a 10% investment with BRAVO for £44.7 million (NRR share: £4.5 million) at a net initial yield of 8.0%.

Since 1 April 2019	Acquisition price (£m)	NRR share of acquisition price (£m)	Net initial yield (%)	Equivalent yield (%)
Kittybrewster Retail Park, Aberdeen	35.2	17.6	8.9	8.0
Telford Retail Park, Inverness	15.1	7.5	12.3	9.8
Units at Kingsway East Retail Park, Dundee	3.6	1.8	8.4	9.7
Wakes Retail Park, Newport, Isle of Wight	6.5	3.3	9.7	8.2
Poole Retail Park	44.7	4.5	8.0	7.9
Total	**105.1**	**34.7**	**9.0**	**8.3**

Kittybrewster Retail Park, Aberdeen
Kittybrewster Retail Park is situated one mile north of Aberdeen city centre, beside the A96 and in close proximity to a Sainsbury's superstore. The 13-unit, fully-let retail park offers 154,400 sq ft of retail space and 402 car parking spaces, and has a convenience and value-led line-up including B&M, TK Maxx, Sports Direct, Halfords and PureGym. The asset has a low Rent to Sales ratio of 6.5%, which provides significant headroom to the asset's Affordable Rent to Sales ratio of 8.1%, as calculated by Harper Dennis Hobbs.

Telford Retail Park, Inverness
Telford Road Retail Park is located on the north west edge of Inverness city centre, close to the A82. The retail park provides 179,500 sq ft of retail space and is anchored by B&M, Go Outdoors, Oak Furnitureland and Poundstretcher. The asset has a low Rent to Sales ratio of 6.0% which provides significant headroom to the asset's Affordable Rent to Sales ratio of 7.5%, as calculated by Harper Dennis Hobbs, and the site has alternative use potential for hotels and light industrial.

Units at Kingsway East Retail Park, Dundee
Kingsway East Retail Park is situated two miles north east of Dundee city centre, close to the junction of the A972 and A92, and is anchored by an Asda superstore. The acquisition comprises two units: a 34,500 sq ft store let to B&M and a 14,700 sq ft store let to home furnishings retailer Harry Corry, which are adjacent to a 374-space car park. The asset has a low and sustainable average rent of £6.45 per sq ft and a very low land capital valuation of £23 per sq ft.

Wakes Retail Park, Newport, Isle of Wight
Wakes Retail Park is situated to the north of Newport town centre, beside the A3020 and is located in the main retail park concentration on the Isle of Wight. The retail park provides 40,800 sq ft of retail space across three units, and is anchored by Pets at Home and Currys PC World. The asset has a low Rent to Sales ratio of 7.6%, which provides significant headroom to the asset's Affordable Rent to Sales ratio of 9.0%, as calculated by Harper Dennis Hobbs. In addition, the asset has alternative use potential for hotels and residential, supported by a land capital valuation of £66 per sq ft.

Poole Retail Park
Poole Retail Park is located between the town centres of Poole and Bournemouth in Dorset, adjacent to the A35 and in close proximity to a large residential area. The fully-let retail park comprises 14 units offering 208,000 sq ft of retail space, with a tenant line-up including John Lewis at Home, DW Sports, Next Home, Homesense, Boots and Home Bargains, and a free car park providing 805 spaces. At acquisition, the asset had an attractive weighted average unexpired lease term of 6.7 years, an affordable average rent of £18.24 per sq ft and an average Rent to Sales ratio of 7.8%, as calculated by Harper Dennis Hobbs. We have identified a number of opportunities to extract further value and enhance income streams at the asset, including the expansion and adaption of units to better meet the needs of current and prospective occupiers.

Active asset management

We have developed a market-leading retail asset management platform since NewRiver was founded 10 years ago, and with the acquisition of Hawthorn Leisure in May 2018, we now also have an in-house pub management platform. Together these allow us to take a hands-on approach to asset management, drawing on our expertise, scale, and strong relationships with our occupiers and publicans, to deliver the right space in the right locations on terms beneficial to all parties. We believe this platform contains inherent value which we plan to further extract through our asset management platform strategy, which includes managing assets held in joint ventures and owned by third parties.

Retail portfolio

During the first half we completed 337,900 sq ft of new lettings and renewals across our retail portfolio. This high volume of leasing activity means that our occupancy rate remained high at 95.6% despite the challenging market backdrop. On average, long-term deals were signed 2.5% ahead of previous passing rent and 0.5% ahead March 2019 ERV. Our leasing activity has continued to reflect our focus on occupiers offering convenience, value and services, as we signed deals with discounters such as Poundland, The Works and OneBelow during the period, and multiple deals with Superdrug, Shoe Zone and WHSmith. In addition, we renewed leases on 29 Amazon Lockers across our shopping centre portfolio, underscoring their importance as Click & Collect destinations.

Our rental income is well-diversified, with no single retailer accounting for more than 2.1% of contracted rents, and our policy is that no single retailer will account for more than 5% of total rent. The past 18 months have seen a number of retailers impacted by difficult trading conditions and entering CVAs and Administrations as a result. The impact of these restructurings on our portfolio has remained modest due to our focus on growing and resilient market sub-sectors, and deliberately avoiding challenged sub-sectors such as department stores, mid-market fashion and casual dining. The cumulative impact of CVAs and Administrations occurring since the start of FY19 on our first half net rental income was £0.6 million, of which £0.1 million related to those occurring in the period, comprising Bathstore, Monsoon/Accesorize and Select.

The relatively modest impact from these business restructurings is due to our focus on growing and resilient market sub-sectors and our affordable rents, which averaged £12.49 per sq ft in September 2019, compared to £12.52 per sq ft in March 2019.

Pub portfolio

# Pubs held at 31 March 2019	Pubs acquired	Pubs sold	# Pubs held at 30 September 2019
665	-	(5)	**660**

During the period our pub portfolio saw like-for-like EBITDA per pub growth of 5.5%, largely driven by the scale-based synergies unlocked by the integration of Hawthorn Leisure in January 2019, which included improvements in purchasing terms and reduced administrative costs in areas such as insurance, utilities and legal fees. We expect the rate of EBITDA per pub growth to moderate upon the annualisation of the integration, which will occur in January 2020.

Across the pub portfolio, we continued our programme of targeted capital investment projects aimed at enhancing the customer experience, further improving trade and increasing capital values. We completed 26 such projects at a total cost of £1.4 million during the period, which in aggregate have delivered a return on investment of 24%.

Risk controlled development

Our risk-controlled development pipeline totals 2.3 million sq ft (1.9 million sq ft in the near-term) and is a key driver of long-term returns for our shareholders. Our risk-controlled approach means that we will not commit to a new development unless we have pre-let or pre-sold at least 70% by area, and our development strategy includes:

- Development of sites acquired in portfolio acquisitions
- Capitalising on opportunities within our ownership above or adjacent to our assets
- Complete redevelopment of existing assets

The pipeline provides us with flexibility as to how we proceed with developments, and for the majority of our pipeline we intend to either develop projects in joint ventures or sell the sites with planning permission, to crystallise value earlier and in a capital efficient way.

Total 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 in period/ Under construction	-	3,600	-	-	3,600	8,100	**15,300**	100	-
Planning granted	266,300	12,000	-	87,700	10,700	549,100	**925,800**	62	29
In planning	-	-	-	-	3,500	25,400	**28,900**	100	-
Pre-planning	-	26,000	54,200	-	3,500	801,800	**885,500**	4	-
Near-term pipeline	**266,300**	**41,600**	**54,200**	**87,700**	**21,300**	**1,384,400**	**1,855,500**		
Early feasibility stages	-	-	80,000	50,000	-	273,000	**403,000**	-	-
Total pipeline	**266,300**	**41,600**	**134,200**	**137,700**	**21,300**	**1,657,400**	**2,258,500**		
Additional residential potential[1]	-	-		-	-	*626,900*			
Basingstoke Leisure Park	*700,000*	-		-	-	-			

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

During the first half we began construction of our 11,700 sq ft development at the Sea View Inn in Poole, Dorset, which will comprise a Co-op c-store and 10 residential units, scheduled for completion in early 2020. We also progressed the two major projects on which we have achieved planning: the 465,000 sq ft regeneration project in Burgess Hill and the 236,000 sq ft residential-driven redevelopment of Templars Square Shopping Centre in Cowley, Oxford. In addition, we moved forward our plans to submit planning application for our development at the Blenheim Shopping Centre, Penge and entered the pre-planning phase on our mixed-use redevelopment of Grays Shopping Centre, which we acquired in June 2018.

Retail

Retail portfolio development pipeline

	Shopping Centre Sq ft	Retail Park Sq ft	Health & Social Care	Hotel Sq ft	Residential Sq ft	Total Pipeline Sq ft	Retail & Leisure Pre-let %	Resi Pre-sold %
Completed in period/ Under construction	-	3,600	-	-	-	**3,600**	100	-
Planning granted	266,300	12,000	-	87,700	491,900	**857,900**	61	33
In planning	-	-	-	-	12,200	**12,200**	-	-
Pre-planning	-	26,000	54,200	-	800,400	**880,600**	-	-
Near-term pipeline	**266,300**	**41,600**	**54,200**	**87,700**	**1,304,500**	**1,754,300**		
Early feasibility stages	-	-	80,000	20,000	236,600	**336,600**	-	-
Total retail pipeline	**266,300**	**41,600**	**134,200**	**107,700**	**1,541,100**	**2,090,900**		
Additional residential potential[1]	-	-		-	*626,900*			
Basingstoke Leisure Park	*700,000*	-		-	-			

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

Planning granted

Burgess Hill

During the first half, we submitted a revised planning application for the 465,000 sq ft mixed-use regeneration of Burgess Hill town centre to Mid Sussex District Council. Working closely with local stakeholders, we adjusted the design of the scheme to increase its leisure and residential provision, introduce additional uses such as primary health, and reduce space designated for retail, reflecting the changing nature of the retail market and needs of town centres. The revised scheme will include a 16-lane bowling alley, a 10-screen multiplex cinema, and an 85-bed hotel with a new public café bar. In addition, the development will provide a significantly improved public realm which would provide functional space for managed outdoor events.

During the first half we made significant progress in pre-letting negotiations at the development, to join existing pre-lets to Travelodge, Cineworld and Nando’s. The entire residential element of the development was previously pre-sold to Delph Property Group, and we are now in discussions with them regarding the new scheme.

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

We expect the Section 106 agreement will be signed before the end of the calendar year, which will trigger release of the Planning Decision Notice and completion of the Section 278 Agreement. At this stage we will introduce a delivery partner and advance the technical design phase of the development.

Pre-planning

Blenheim Shopping Centre, Penge
At the Blenheim Shopping Centre, we have plans to revitalise this key Greater London asset and provide a residential development in the airspace above the shopping centre to meet significant local demand for housing. Following positive consultations with Bromley Council we are in discussions to either re-gear our head lease with the Council or buy the freehold of the site. Once this process has been completed, we intend to introduce a delivery partner as we progress to the next stage in the scheme.

Grays Shopping Centre, Grays
We acquired Grays Shopping Centre in June 2018, as we recognised a significant value-creating opportunity for redevelopment at the site, which is located just 35 minutes from Central London by train. The centre was built in the 1960s and has served its community well, but given the changing nature of retail provision in the town and surrounding borough, there is significant scope to reduce the retail footprint of the site and provide much-needed residential units to revitalise the town centre. We are currently working closely with Thurrock Borough Council to bring forward a redevelopment plan that would reduce and repurpose existing retail floorspace, increase public open areas and facilitate an improved pedestrian flow through Grays town centre, as well as providing over 500 new homes. Our next step is to submit a Phase 1 joint outline planning application by 2020 to establish the basis for wider proposals.

Early feasibility stages

We believe that our risk-controlled development pipeline will be a key driver of future growth and we are currently reviewing several medium-term opportunities from within our retail portfolio. These opportunities include the potential for a 80,000 sq ft health hub at our shopping centre at Boscombe, a 20,000 sq ft hotel at our shopping centre in Hastings, 236,600 sq ft of residential potential above and adjacent to our shopping centre in Bexleyheath.

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

Capitalising on the growing popularity of integrated leisure and retail, our proposals currently comprise approximately 500,000 sq ft of leisure and 200,000 sq ft of designer outlet shopping. We are confident that this unique combination of leisure and designer outlet shopping will appeal to the local community and a catchment significantly beyond Basingstoke in one of the UK’s most affluent regions. To facilitate this development, we have entered into a long-term Development Agreement with Basingstoke and Deane Borough Council which is conditional on achieving planning consent and pre-lets as well as a viability assessment, amongst other conditions. In the event that the development becomes unconditional, NewRiver will be granted a 250-year leasehold interest. We are currently developing an outline planning application and aim to submit this in early 2021.

Pubs

Pubs portfolio development pipeline

	C-stores Sq ft	Hotel Sq ft	Residential Sq ft	Total Pipeline Sq ft	Retail Pre-let %	Residential Pre-sold %
Completed in period/ Under construction	3,600	-	8,100	**11,700**	100	-
Planning granted	10,700	-	57,200	**67,900**	100	-
In planning	3,500	-	13,200	**16,700**	100	-
Pre-planning	3,500	-	1,400	**4,900**	100	-
Near-term pipeline	**21,300**	**-**	**79,900**	**101,200**		
Early feasibility stages	-	30,000	36,400	**66,400**	-	-
Total pubs pipeline	**21,300**	**30,000**	**116,300**	**167,600**		

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

Convenience stores (‘c-stores’)
We have an overarching agreement with the Co-op to deliver up to 40 c-stores and, based on planning achieved to date and viability assessments, it is our current expectation that we will deliver just under 30 c-stores in total. These stores are let on fixed lease terms of 15 years at rents ranging from £15.00-17.50 per sq ft, with RPI linked increases capped at 4% and collared at 1%. The agreement also includes performance receipts linked to c-store delivery. To date we have delivered 25 c-stores, of which 18 utilised surplus land adjacent to existing pubs, three were the result of pub conversions and four were new builds on sites previously occupied by pubs. As part of our disposal programme, we have sold 17 c-stores to date, leaving eight c-stores remaining in our portfolio

During the period we were on-site with a further development at the site of the Sea View Inn in Poole, Dorset, where we are delivering a scheme comprising 10 residential units and c-store. Once completed, the development will unlock a £275,000 performance receipt from the Co-op. We are currently exploring further c-store opportunities on surplus land across our pub portfolio.

Profitable capital recycling

Since 1 April 2019, we have completed £35.3 million of disposals, on terms in line with March 2019 valuation. In line with our strategy, these disposals were typically of mature assets where our estimates of forward-looking returns were below target levels, assets where we believe that the risk profile has changed, or assets sold to special purchasers.

Since 1 April 2019	Number of transactions	Disposal price (£m)	March 2019 Valuation (£m)	Disposal vs Valuation (%)	Blended NIY (%)	Blended IRR (%)
Shopping centres	2	20.4	20.8	-2	7.0	4
Retail parks	1	1.9	1.9	-	-	5
Pubs and pub land	16	3.2	2.6	+24	3.3	26
C-stores	9	9.8	10.1	-3	5.2	25
Total	**28**	**35.3**	**35.4**	**-**	**5.7**	**11**

Foodstore at St Elli Shopping Centre, Llanelli
In June 2019 we disposed of a 70,000 sq ft Asda foodstore and petrol filling station at St Elli Shopping Centre, Llanelli to a private investor for £17.9 million, representing a net initial yield of 6.9% and a 1% discount to March 2019 valuation.

Pubs and pub land
Since the start of the period, we disposed of eight pubs and eight pieces of pub land. These were sales to special purchasers, mainly the occupiers of pubs, in line with our commitment to working with our pub occupiers to best meet their needs and those of the local community.

C-stores
To date we have completed 25 c-stores for the Co-op. Having disposed of eight of these c-stores in prior periods, we accelerated our disposal programme for these assets since the start of the period, disposing of nine stores for proceeds of £9.8 million, representing a disposal yield of 5.2%, and a 3% discount to March 2019 valuation.

Finance review

Our financial performance remained resilient during the first half, as Underlying Funds From Operations ('UFFO'), which excludes profit or losses on the disposal of investment properties, increased to £26.4 million, from £25.6 million in the first half of FY19 as growth in net rental income more than offset increased administrative and finance costs. Our IFRS loss after tax was £21.3 million, compared to a profit of £2.7 million in the first half of last year, predominantly due to a non-cash reduction in portfolio valuation of £42.5 million.

The Board approved two quarterly dividends of 5.4 pence per share, resulting in a first half dividend of 10.8 pence per share, in line with the total dividend for the first half of FY19. Achieving dividend cover remains a key priority for the Company, and the increase in UFFO has also resulted in an improved dividend cover of 80% compared to 78% in HY19. We have also announced a third quarter dividend of 5.4 pence, in line with the prior year, and expect dividend cover to further improve as we progress our UFFO-accretive strategies.

Our portfolio valuation reduced slightly during the period, from £1.29 billion to £1.26 billion, this was due partly to net disposals but primarily a 3.3% decline in portfolio valuation. Our EPRA net asset value per share decreased by 17 pence to 244 pence per share, also mainly due to the non-cash reduction in portfolio valuation, and our IFRS net assets declined from £796.1 million to £745.4 million for the same reason.

One of our core strengths is our unencumbered balance sheet, which remains conservatively positioned with an LTV of 38%, a slight increase from the 37% reported at March 2019 but well within our stated guidance. The profitability of our portfolio continues to be underpinned by the significant arbitrage between our portfolio net initial yield of 7.9% and cost of debt of 3.2%, and our efficient cost operating structure, which means that our interest cover is high at 3.8x, significantly ahead of our stated policy of >2.0x.

Key performance measures

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

In addition to information contained in the Group financial statements, Alternative Performance Measures ('APMs'), being financial measures 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 on Page 46 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 APMs on which management places most focus, reflecting the Company's commitment to driving cash income returns are UFFO and FFO. FFO is determined by cash profits which includes realised recurring cash profits, realised profits or losses on the sale of properties and excludes other one-off or non-cash adjustments. UFFO is calculated on the same basis, but excludes realised profits or losses on the sale of properties and is the measure we use to calculate dividend cover. We consider these metrics to be the most appropriate for measuring the underlying performance of the business as they are familiar to non-property and international investors, and they exclude non-recurring and non-cash adjustments. They therefore better reflect the Company's generation of cash profits, and 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. Definitions for APMs are also included in the glossary.

Funds From Operations

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

Reconciliation of profit after taxation to FFO

	30 September 2019 £m	30 September 2018 £m
(Loss) / profit for the period after taxation	**(21.3)**	2.7
Adjustments		
Revaluation of investment properties	**40.4**	24.7
Revaluation of joint ventures' investment properties	**2.1**	0.2
Revaluation of derivatives	**2.3**	0.4
Loss on disposal of investment properties	**0.8**	0.3
Share-based payment charge	**1.2**	1.2
Depreciation of properties	**0.5**	0.1
Deferred tax	**0.4**	-
Gain on bargain purchase	**-**	(6.9)
Acquisition and Integration costs in the respect of Hawthorn Leisure	**-**	2.9
Underlying Funds From Operations	**26.4**	25.6
Profit / (loss) on disposal of investment properties	**(0.8)**	(0.3)
Funds From Operations	**25.6**	25.3

Funds From Operations is represented on a proportionally consolidated basis in the following table. The Group has applied IFRS 16 Leases from 1 April 2019 which requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in the statement of comprehensive income. Comparatives for the year ended 31 March 2019 have not been restated and therefore the following table shows the impact of the adoption of IFRS 16 on the FFO figures presented for the 6 months ended 30 September 2019. See Note 1 to the Financial Statements for further details.

	Pre IFRS 16	**IFRS 16 Impact**	**Post IFRS 16**	
FUNDS FROM OPERATIONS	**30 Sep 2019 £m**		**30 Sep 2019 £m**	30 Sep 2018 £m
Revenue (proportionally consolidated)	**71.2**		**71.2**	59.7
Property operating expenses	**(25.8)**	**1.5**	**(24.3)**	(16.5)
Net property income	**45.4**	**1.5**	**46.9**	43.2
Administrative expenses	**(9.8)**	**0.1**	**(9.7)**	(7.7)
Net finance costs	**(9.4)**	**(1.4)**	**(10.8)**	(9.4)
Taxation	**-**		**-**	(0.5)
Underlying Funds From Operations	**26.2**	**0.2**	**26.4**	25.6
Loss on disposal of investment properties	**(0.8)**		**(0.8)**	(0.3)
Funds From Operations	**25.4**	**0.2**	**25.6**	25.3
Underlying FFO per share (pence)	**8.6**		**8.6**	8.4
FFO per share (pence)	**8.4**		**8.4**	8.3
Ordinary dividend per share (pence)	**10.8**		**10.8**	10.8
Ordinary dividend cover[1]	**80%**		**80%**	78%
Admin cost ratio	**14.6%**		**14.6%**	12.9%
Weighted average # shares	**305.6**		**305.6**	303.8

1. Calculated with reference to UFFO

Net property income

Analysis of retail net property income (£m)

Retail net property income for the six months ended 30 September 2018	**32.5**
Surrender premia	0.3
Like-for-like	(1.1)
Asset management fees	0.2
Completed development	0.2
Acquisitions	1.6
Disposals	(1.7)
Other	(0.2)
	31.8
IFRS 16 adjustment	1.5
Retail net property income for the six months ended 30 September 2019	**33.3**

On a proportionally consolidated basis, retail net property income increased by 2% to £33.3 million during the period, from £32.5 million in the first half of FY19. Excluding the impact of the implementation of IFRS 16, which removed ground rent payments from property operating expenses and added £1.5 million to net property income in the first half, net property income reduced by 2% to £31.8 million.

The key driver of this reduction was a 3.5% reduction in like-for-like income. Of this £1.1 million reduction, £0.6 million was due to the cumulative impact of CVAs and Administrations occurring since the start of FY19, with Poundworld the largest contributor.

This reduction in like-for-like income was partially offset by a £0.2 million increase in asset management fee income and a £0.2 million contribution from our completed Canvey Island Retail Park development. The increase in asset management fee income reflects our increased focus on leveraging our market-leading asset management platform, by managing assets on behalf of third parties and joint venture partners, with asset management income from Canterbury City Council for the Whitefriars Shopping Centre and from BRAVO, our joint venture partner, the key contributors to this increase.

The impact of our programme to recycle capital from low yielding assets into higher yielding assets was broadly neutral in the first half, with £70.4 million of acquisitions over the last 18 months proving a £1.6 million uplift, principally £0.9 million from the four retail parks acquired in our joint venture with BRAVO in June 2019, and £59.0 million of disposals over the last 18 months reducing net rental income by £1.7 million.

Analysis of pub net property income (£m)

Pub net property income for six months ended 30 September 2018	**10.7**
Like-for-like	0.8
Hawthorn Leisure acquisition	2.2
Star Pubs & Bars acquisition	0.4
Disposals	(0.7)
Completed development (convenience stores)	0.2
Pub net property income for six months ended 30 September 2019	**13.6**

Pub net property income increased by 27% to £13.6 million, from £10.7 million in the first half of last year, principally due to an increase in like-for-like EBITDA per pub of 5.5% and net acquisition activity.

The acquisition of Hawthorn Leisure was completed in May 2018, and therefore the current period benefited from six months of ownership, compared to four months in the comparative period. In addition, prior to the Hawthorn Leisure acquisition, the management of the Trent and Mantle portfolios had been outsourced to a 3rd party specialist manager, the cost of which was included within net property income. Our entire pub portfolio migrated onto the Hawthorn Leisure management platform in January 2019, and therefore the associated staff and other management costs are now included within administrative expenses.

Disposals in the pub portfolio reduced net property income by £0.7 million, due predominantly to the sale in October 2018 of 22 community pubs which were let to Marston's on long-term RPI-linked leases, and the disposal of 16 c-stores since the start of the comparative period. Lastly, convenience store developments completed since the start of the prior period have delivered an additional £0.2 million of income.

Administrative expenses

Administrative expenses increased by 26% in the period, from £7.7 million to £9.7 million, with £0.9 million of this increase due to the fact that the Hawthorn Leisure business was acquired partway through the prior period.

A further £0.9 million of the increase was because since January 2019 the entire pub portfolio, including the existing Trent and Mantle portfolios, has been managed by the Hawthorn Leisure platform. Prior to this, the management of the Trent and Mantle portfolios had been outsourced to a 3rd party specialist manager, the cost of which was included within net property income, rather than administrative expenses. Therefore, the £0.9 million increase in administrative expenses relating is offset by the £0.9 million increase in net property income, which is included within the "Hawthorn Leisure acquisition" category in the Analysis of pub net property income table. The acquisition of Hawthorn Leisure and the in-housing of the management of the pub portfolio also increased the administrative expenses ratio from 12.9% to 14.6%, reflecting the operational nature of the pub business.

Net finance costs

The increase in net finance costs from £9.4 million to £10.8 million is wholly attributable to the implementation of IFRS 16, which increased net finance costs by £1.4 million during the first half. On an underlying basis, net finance costs have remained in line with the prior period, reflecting the fact that the average level of debt drawn in the first half has remained in line with the prior period.

Taxation

As a REIT we are exempt from UK corporation tax in respect of our qualifying UK property rental income and gains arising from disposal of exempt property assets. The majority of the Group's income is therefore tax free as a result of its REIT status. The Group's REIT exemption does not extend to profits arising from the margin made on the sale of drinks within the pub portfolio and other sources of income. There was no tax charge during the first half, compared to £0.5 million in the first half of FY19.

Loss on disposal of investment properties

We completed £31.8 million of capital recycling, disposing of an Asda unit in Llanelli, one shopping centre, one retail park, seven convenience stores, and ten pubs/parcels of land adjacent to pubs. As a result of our disposal activity we made a loss on disposal of £0.8 million.

Dividends

Our dividend policy is driven by two key objectives:

- our commitment to growing UFFO and UFFO per share so that we can re-establish dividend cover; and
- the REIT requirement to pay out at least 90% of recurring cash profits

	Paid in FY20 (pence)	**Declared in relation to FY20 (pence)**
	Ordinary	**Ordinary**
FY19 Q4	5.4	-
FY20 Q1	5.4	5.4
FY20 Q2	-	5.4
FY20 Q3	-	5.4
Total	**10.8**	**16.2**

The Board has declared a dividend of 5.4 pence in respect of the third quarter of the year ended 31 March 2020, taking the total dividend declared to 16.2 pence, in line with the prior year.

Ordinary dividend cover, calculated with reference to UFFO, improved to 80% in the period, from 78% in HY19, reflecting the benefit of acquisitions made during the financial year. Ordinary dividend cover is one of our five key Financial Policies which are explained in the 'Financial Policies' section of this Review.

Balance sheet

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

	As at 30 September 2019			As at 31 March 2019
	Group £m	**Joint ventures £m**	**Proportionally consolidated £m**	Proportionally consolidated £m
Properties at valuation	1,217.8	37.5	**1,255.3**	1,288.4
Right of use asset	87.5	-	**87.5**	-
Investment in joint ventures	21.6	(21.6)	**-**	-
Other non-current assets	1.2	-	**1.2**	1.9
Cash	23.9	1.8	**25.7**	27.6
Other current assets	29.2	0.3	**29.5**	19.1
Total assets	**1,381.2**	**18.0**	**1,399.2**	1,337.0
Other current liabilities	(55.3)	(3.1)	**(58.4)**	(36.0)
Lease liability	(83.1)	-	**(83.1)**	
Debt	(493.3)	(14.9)	**(508.2)**	(502.7)
Other non-current liabilities	(4.1)	-	**(4.1)**	(2.2)
Total liabilities	**(635.8)**	**(18.0)**	**(653.8)**	(540.9)
IFRS net assets	**745.4**	**-**	**745.4**	796.1
EPRA adjustments:				
Warrants in issue			**-**	0.4
Unexercised employee awards			**-**	1.3
Deferred tax			**1.9**	1.6
Fair value derivatives			**2.2**	(0.1)
EPRA net assets			**749.5**	799.3
EPRA NAV per share			**244p**	261p
IFRS net assets per share			**243p**	261p
LTV			**38%**	37%

Net assets

During the period, IFRS net assets decreased from £796.1 million to £745.4 million. The reduction in IFRS net assets was primarily due to a 3.3% decrease in portfolio valuation.

EPRA NAV is calculated by adjusting net assets to reflect the potential impact of dilutive ordinary shares, and to remove the fair value of any derivatives held on the balance sheet. These adjustments are made with the aim of improving comparability with other European real estate companies. EPRA NAV decreased by 6% to £749.5 million, from £799.3 million at 31 March 2019. EPRA NAV per share decreased by 7% to 244 pence per share at September 2019 compared to 261 pence per share in March 2019. The decrease in EPRA NAV and EPRA NAV per share is primarily due to the 3.3% decrease in portfolio valuation.

Properties at valuation

Properties at valuation decreased by £33.1 million during the half to £1,255.3 million, predominantly due to a 3.3% decline in valuations across the portfolio.

Net debt & financing

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

Proportionally consolidated net debt at 31 March 2019	**475.1**
Operating activities	
Net cash inflow from operations before working capital movements	(31.4)
Changes in working capital	4.8
Investing activities	
Purchase of investment properties	30.2
Disposal of investment properties	(36.0)
Purchase of plant and equipment	0.4
Development and other capital expenditure	9.0
Financing activities	
Ordinary dividends paid	30.8
Other	(0.4)
Proportionally consolidated net debt at 30 September 2019	**482.5**

Net debt increased by £7.4 million over the period to £482.5 million, primarily as a result of our investment activity. Operating activities generated a net cash inflow, before working capital movements, of £31.4 million, compared with UFFO of £26.4 million.

As part of our disposal programme, we received cash proceeds of £36.0 million, largely offset by deployment of capital of £30.2 million to fund acquisitions made in our new joint venture relationship with BRAVO.

Financial Policies

	Financial policy	**Proportionally consolidated**	
		30 September 2019	**31 March 2019**
Net debt		£482.5m	£475.1m
Principal value of gross debt		£515.1m	£510.0m
Weighted average cost of drawn debt[1]		3.2%	3.2%
Weighted average debt maturity of drawn debt[2]		6.4 yrs	6.9 yrs
Loan to value	Guidance <40% Policy <50%	38%	37%
		HY20	**HY19**
Net debt: EBITDA	<10x	6.6x	6.9x
Interest cover	>2.0x	3.8x	3.8x
Ordinary dividend cover[3]	>100%	80%	78%
		Group	
		30 September 2019	**31 March 2019**
Balance sheet gearing	<100%	63%	60%

1. Cost of debt assuming £215 million revolving credit facility is fully drawn
2. Average debt maturity assumes one-year extension options are exercised and bank approved
3. Calculated with reference to UFFO

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

- Loan to Value was 38% at 30 September 2019, an increase from 37% on 31 March 2019. Our guidance is that our LTV will remain below 40%

- Net debt: EBITDA was 6.6x, reduced from 6.9x in the first half of FY19. Our guidance is that Net debt: EBITDA will remain below 10x
- Interest cover was 3.8x at 30 September 2019, in line with the 3.8x in HY19 and significantly ahead of our financing policy which requires a minimum cover of 2.0x
- Ordinary dividend cover, calculated with reference to UFFO per share, was 80% for the first half, increased from 78% in HY19
- Balance sheet gearing was 63% at 30 September 2019, increased from 60% at 31 March 2019

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	**30 September 2019**
Single retailer concentration	<5% of gross income	2.1%
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	22%

- Our largest single retailer concentration at the period end related to Poundland, which represents 2.1% of our gross income
- Our development expenditure in the last six months as a proportion of total gross asset value was less than 1%.
- Our risk-controlled approach to development means that we will not commit to a new development unless we have pre-let or pre-sold at least 70% by area, and we are currently 100% pre-let in retail across the two sites that are under construction in the period
- Our pub weighting is currently 22% excluding c-stores, which is well within our guideline of 30%.

Mark Davies
Chief Financial Officer
20 November 2019

Principal risks and uncertainties

Our approach to risk management

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

The Audit Committee monitors the adequacy and effectiveness of the Group's risk management and internal controls and supports the Board in assessing the risk mitigation processes and procedures. The Executive Committee is closely involved with day-to-day monitoring of risk management and delegation of accountability for risk management to senior management. Senior Management manage and report on risk, ensuring that they are within the risk appetite as established by the Board.

Key features of the risk management policy:

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

Risk Appetite

There are a number of risks that could impact the ability of the Group to successfully execute its strategy. The Board operates a low tolerance for risk, most notably within regulatory, financial and strategic matters. The Group is prepared to operate in an external environment which is inherently risky, and our experienced leadership team continuously works to mitigate the risks arising from the external environment.

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

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

Risk monitoring and assessment

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

The risk register assesses the impact, likelihood and residual risk of each identified risk specific to the Group. Where the residual risk is deemed too high by the Board then actions are taken to further mitigate the risk, and each action is assigned to an individual or group. A risk-scoring map is used to determine the potential impact and probability of each significant risk prior to mitigation and residual risk after mitigation.

Principal risk areas are:

1. Macroeconomic environment
2. People
3. Corporate strategy and performance
4. Financial
5. Technology changes
6. Asset management
7. Development
8. Environmental

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

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

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

Directors' Responsibility Statement

We confirm to the best of our knowledge:

(a) The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board

Allan Lockhart	Mark Davies
Chief Executive	Chief Financial Officer

21 November 2019

Copies of this announcement are available on the Company's website at www.nrr.co.uk and can be requested from the Company's registered office at 16 New Burlington Place, London W1S 2HX.

Independent Review Report to NewRiver REIT plc

Report on the Condensed Consolidated interim financial statements

Our conclusion

We have reviewed NewRiver REIT plc's Condensed Consolidated interim financial statements (the "interim financial statements") in the Half Year results of NewRiver REIT plc for the six month period ended 30 September 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 September 2019;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
21 November 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2019

		Six months ended 30 September 2019			Six months ended 30 September 2018 (restated)*		
		Operating and financing	Fair value adjustments	Total	Operating and financing	Fair value adjustments	Total
Unaudited	Notes	£m	£m	£m	£m	£m	£m
Revenue	4	70.0	-	70.0	67.1	-	67.1
Property operating expenses	5	(24.3)	-	(24.3)	(24.2)	-	(24.2)
Net property income		45.7	-	45.7	42.9	-	42.9
Administrative expenses	6	(11.3)	-	(11.3)	(8.9)	-	(8.9)
Acquisition and integration costs	6	-	-	-	(2.9)	-	(2.9)
		(11.3)		(11.3)	(11.8)		(11.8)
Share of income from joint ventures	11	1.0	(2.1)	(1.1)	0.2	(0.2)	-
Net valuation movement	10	-	(40.4)	(40.4)	-	(24.7)	(24.7)
Loss on disposal of investment properties		(0.8)	-	(0.8)	(0.3)	-	(0.3)
Operating (loss)/profit		34.6	(42.5)	(7.9)	31.0	(24.9)	6.1
Gain on bargain purchase		-	-	-	-	6.9	6.9
Finance costs	8	(13.0)	-	(13.0)	(9.8)	-	(9.8)
(Loss)/profit for the period before taxation		21.6	(42.5)	(20.9)	21.2	(18.0)	3.2
Taxation		-	(0.4)	(0.4)	(0.5)	-	(0.5)
(Loss)/profit for the period after taxation		21.6	(42.9)	(21.3)	20.7	(18.0)	2.7
(Loss)/earnings per share							
Basic (pence)	7			(7.0)			0.9
Diluted (pence)	7			(7.0)			0.9

	2019	2018
	£m	£m
(Loss) / profit for the year after taxation	(21.3)	2.7
Other comprehensive income		
Revaluation of property, plant and equipment	-	0.1
Total comprehensive (loss) / income for the year	(21.3)	2.8

All activities derive from continuing operations of the Group.

*The comparative figures for the six months ended 30 September 2018 have been restated. Refer to Note 1 for further information on the restatement.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2019

	Notes	30 September 2019 *Unaudited* £m	31 March 2019 (restated)* *Audited* £m
Non-current assets			
Investment properties	10	1,272.2	1,254.1
Right of use asset	1	3.5	-
Investments in joint ventures	11	21.6	7.6
Property, plant and equipment	13	30.8	28.1
Derivative financial instruments		-	0.7
Total non-current assets		1,328.1	1,290.5
Current assets			
Trade and other receivables	12	29.2	29.3
Cash and cash equivalents		23.9	27.1
Total current assets		53.1	56.4
Total assets		1,381.2	1,346.9
Current liabilities			
Trade and other payables	14	51.4	45.6
Lease liability	1	3.6	-
Current taxation liabilities		0.3	0.3
Total current liabilities		55.3	45.9
Non-current liabilities			
Derivative financial instruments		2.2	0.6
Deferred tax liability		1.9	1.6
Lease liability	1	83.1	-
Borrowings	15	493.3	502.7
Total non-current liabilities		580.5	504.9
Net assets		745.4	796.1
Equity			
Share capital	16	3.1	3.1
Share premium	16	227.2	225.0
Merger reserve	16	(2.3)	(2.3)
Retained earnings		517.4	570.3
Total equity		745.4	796.1
Net asset value (NAV) per share (pence)			
EPRA	7	244p	261p
Basic	7	244p	261p
Diluted	7	243p	261p

The financial statements were approved by the Board of Directors on 21 November 2019 and were signed on its behalf by:

*The comparative figures for the six months ended 31 March 2019 have been restated. Refer to Note 1 for further information for further information on the restatement.

Allan Lockhart
Chief Executive

Mark Davies
Chief Financial Officer

NewRiver REIT plc
Registered number: 10221027

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2019

Unaudited	Notes	Six months ended 30 September 2019 £m	30 September 2018 £m
Cash flows from operating activities			
(Loss)/profit for the period before taxation		(20.9)	3.2
Adjustments for:			
Loss on disposal of investment property		0.8	0.3
Net valuation movement	10	40.4	24.7
Net valuation movement in joint ventures	11	2.1	0.2
Share of income from joint ventures		(1.0)	(0.2)
Gain on bargain purchase		-	(6.9)
Net interest expense		10.8	9.4
Revaluation of derivatives		2.3	0.4
Rent free lease incentives		(1.2)	(0.7)
Movement in provision for bad debts		0.2	0.2
Amortisation of legal and letting fees		0.2	0.1
Depreciation on property plant and equipment		0.8	0.3
Share-based payment expense		1.2	1.2
Cash generated from operations before changes in working capital		35.7	32.2
Changes in working capital			
(Increase)/decrease in receivables and other financial assets		(4.4)	1.6
Decrease in payables and other financial liabilities		(0.4)	(4.7)
Cash generated from operations		30.9	29.1
Interest paid		(4.7)	(8.7)
Corporation tax refund/(paid)		0.1	(0.6)
Dividends received from joint ventures	10	0.3	0.1
Net cash inflow from operating activities		26.6	19.9
Cash flows from investing activities			
Investment in joint ventures	11	(15.4)	-
Purchase of investment properties	10	-	(37.3)
Business combinations, net of cash acquired		-	(48.5)
Disposal of investment properties		36.0	30.2
Development and other capital expenditure		(9.0)	(11.8)
Purchase of plant and equipment	13	(0.4)	(0.6)
Net cash generated by/(used in) investing activities		11.2	(68.0)
Cash flows from financing activities			
Proceeds from issuance of new shares		0.3	0.2
Repayment of borrowings acquired in business combination		-	(60.6)
Repayment of borrowings	15	(32.4)	(28.0)
New borrowings	15	22.0	83.4
Purchase of derivatives		(0.1)	(0.2)
Dividends paid	9	(30.8)	(32.1)
Net cash used in financing activities		(41.0)	(37.3)
Cash and cash equivalents at beginning of the period		27.1	115.8
Net decrease in cash and cash equivalents		(3.2)	(85.4)
Cash and cash equivalents at end of period		23.9	30.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 September 2019

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings and other reserves £m	Total £m
As at 31 March 2018		3.0	223.3	(2.3)	668.4	892.4
Profit for the period after taxation		-	-	-	2.7	2.7.
Total comprehensive income for the period		-	-	-	2.7	2.7
Transactions with equity holders						
Net proceeds from issue of shares		-	0.1	-	-	0.1
Share-based payments		-	-	-	1.2	1.2
Dividends paid		-	-	-	(32.2)	(32.2)
As at 30 September 2018		3.0	223.4	(2.3)	640.1	864.2
Loss for the period after taxation		-	-	-	(39.6)	(39.6)
Revaluation of property, plant and equipment		-	-	-	1.2	1.2
Total comprehensive loss for the period		-	-	-	(38.4)	(38.4)
Transactions with equity holders						
Net proceeds from issue of shares	16	0.1	1.6	-	-	1.7
Share-based payments		-	-	-	1.3	1.3
Dividends paid	16	-	-	-	(32.7)	(32.7)
As at 31 March 2019		3.1	225.0	(2.3)	570.3	796.1
Loss for the period after taxation		-	-	-	(21.3)	(21.3)
Total comprehensive loss for the period		-	-	-	(21.3)	(21.3)
Transactions with equity holders						
Net proceeds from issue of shares	16	-	2.2	-	-	2.2
Share-based payments		-	-	-	1.2	1.2
Dividends paid	9	-	-	-	(32.8)	(32.8)
As at 30 September 2019		3.1	227.2	(2.3)	517.4	745.4

The other reserves included within retained earnings relates to £1.2 million of revaluation of property, plant and equipment, which is non distributable.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 20 November 2019.

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

- Value of investment property
- Timing of property transactions
- Capital expenditure and tenant incentive commitments
- Forecast rental income
- Loan covenants
- Capital and debt funding

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

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

Statement of compliance
The information for the year ended 31 March 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements included in the Half Year results have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Basis of consolidation
The condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. The consolidated financial statements account for interest in joint ventures using the equity method of accounting per IFRS 11. Other than the change due to the adoption of IFRS 16 Leases and the changes in the presentation of service costs, under IFRS 15, the same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as applied in the Group's latest audited financial statements, a copy of which can be found on our website www.nrr.co.uk. The Group's financial performance is not seasonal.

The Group have restated their prior period comparatives to reflect the fact that they are principal in the provision of service charge rather than agent. The effect of this on the Condensed Consolidated Statement of Comprehensive Income is an increase in revenue and property operating expenses of £8.6 million and an increase in trade and other receivables and trade and other payables of £10.2 million. Included in the trade and other receivables balance is a restricted monetary asset of £8.6 million which 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 balance sheet. The amortisation of tenant incentives and letting costs of £0.7 million have also been offset against revenue rather than property operating expenses. The net effect of this amendment on the profit / (loss) after tax and net assets is £nil.

Changes in accounting policy and disclosures

IFRS 16 Leases
The Group has applied *IFRS 16 Leases* on 1 April 2019 which requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset ('ROU') will be recognised in the statement of comprehensive income.

In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives for the year ended 31 March 2019 have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. The payments made under the operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

The Group holds three types of leases.

- Head leases: A number of the investment properties owned by the Group are situated on land held through leasehold arrangements, as opposed to the Group owning the freehold.
- Pub leases the Group pay ground rents on some of the pub portfolio.
- Office leases: Office space occupied by the Group's head office.

In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard.

The balance sheet impact of recognising the lease liability and associated ROU asset upon adoption at the 1 April 2019 and subsequently at 30 September 2019 is set out below.

	1 April 2019 £m	30 September 2019 £m
Right of use asset (Investment property)	83.5	84.0
Right of use asset (Property, plant and equipment)	3.6	3.5
Current lease liability	3.6	3.6
Non-current lease liability	83.5	83.2

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. After initial recognition the ROU head lease asset is subsequently carried at fair value and the valuation gains and losses recognised within net valuation movement in the income statement.

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.

Impact on earnings per share from the adoption of IFRS 16:
The impact of applying IFRS 16 for the six months to 30 September 2019 is set out below:

	30 September 2019 Pre IFRS 16 £m	IFRS 16 Adjustment £m	30 September 2019 Post IFRS 16 £m
Property operating expenses	25.7	(1.5)	24.2
Administrative expenses	11.4	(0.1)	11.3
Finance costs	9.4	1.4	10.8

As shown above, for the period ended 30 September 2019, property operating expenses of £1.5 million which would have been recognised under IAS 17 have been replaced with an increase in finance costs of £1.4 million and a decrease in administrative expenses due to depreciation of £0.1 million, under IFRS 16.

New accounting polices
The Group's new accounting policies for leases under IFRS 16 and the restatement in respect of service charge income and expenses is set out below.

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. 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 are included in the heading Property, plant and equipment, and the lease liability included in the headings current and non- current Trade and other payables on the 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 Income Statement.

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. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Revenue
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 the new standard. However, the standard applies to service charge income and the condensed consolidated statement of comprehensive income and the condensed consolidated balance sheet have been amended to reflect service charge income, expenses, trade and other receivables and trade and other payables.

The managed pub income and turnover related rent have also been disaggregated for clearer presentation and the accounting policies for each of these revenue streams is set out below:

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.

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.

Other accounting policies:

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 income statement. 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.

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

2. Critical accounting judgements and estimates

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

Significant judgements

Pub classification

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 £210.8 million at 30 September 2019 (31 March 2019: £212.1 million) have been classified as Investment Property.

The Group has contracts with breweries and drinks distributors for the provision of wet drink 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 £7.5 million (30 September 2018: £6.2 million) in the period representing only the net margin earned on wet product sales, see note4 for further details.

Sources of estimation uncertainty

Investment property
As noted above, the Group's investment properties are stated at fair value. The assumptions and estimates used to value the properties are detailed in note 9. Small changes in the key estimates, such as the estimated future rental income, can have a significant impact on the valuation of the investment properties, and therefore a significant impact on the balance sheet and key performances measures such as Net Asset Value per share. Certain estimates require an assessment of factors not within management's control, such as overall market conditions.

Rents, ERVs, EBITDA multiples and maintainable earnings have a direct relationship to valuation, while yield has an inverse relationship. Estimated costs of a development project will inversely affect the valuation of development properties. There are interrelationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input could be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in directions which have an opposite impact on value e.g. an increase in rent may be offset by an increase in yield.

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

3. Segmental reporting

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

Segment revenues and result	Six months ended 30 September 2019			Six months ended 30 September 2018		
	Retail	Pubs	Group	Retail	Pubs	Group
	£m	£m	£m	£m	£m	£m
Property rental and related income	38.6	7.4	46.0	40.4	5.9	46.3
Managed pub income	-	9.4	9.4	-	6.8	6.8
Turnover related rent	-	7.5	7.5	-	6.2	6.2
Service charge income	8.2	-	8.2	8.6	-	8.6
Amortisation of tenant incentives and letting costs	(0.8)	-	(0.8)	(0.5)	(0.2)	(0.7)
Asset management fees	0.3	-	0.3	0.1	-	0.1
Surrender premiums and commissions	0.6	-	0.6	0.3	-	0.3
Segment revenue	46.9	24.3	71.2	48.9	18.7	67.6
Service charge expense	(10.2)	-	(10.2)	(11.7)	-	(11.7)
Ground rent	-	-	-	(1.5)	-	(1.5)
Rates	(1.5)	(0.6)	(2.1)	(1.9)	(0.3)	(2.2)
Other property operating expenses	(1.9)	(10.1)	(12.0)	(1.3)	(7.7)	(9.0)
Property operating expenses	(13.6)	(10.7)	(24.3)	(16.4)	(8.0)	(24.4)
Segment result	33.3	13.6	46.9	32.5	10.7	43.2
Administrative expenses			(9.7)			(7.7)
Net valuation movement			(43.0)			(24.9)
Acquisition costs			-			(2.9)
Loss on disposal of investment properties			(0.8)			(0.3)
Finance costs			(10.8)			(9.4)
Share based payment expense			(1.2)			(1.2)
Gain on bargain purchase			-			6.9
Revaluation of derivatives			(2.3)			(0.5)
Taxation			(0.4)			(0.5)
(Loss)/ Profit for the year after taxation			(21.3)			2.7

Segment assets	30 September 2019				31 March 2019			
	Retail	Pubs	Unallocated	Total	Retail	Pubs	Unallocated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets								
Investment properties	1,014.1	258.1	-	1,272.2	987.0	267.1	-	1,254.1
Investments in joint ventures	21.6	-	-	21.6	7.6	-	-	7.6
Public houses	-	29.6	-	29.6	-	26.9	-	26.9
Property, plant and equipment	-	-	1.2	1.2	-	0.4	0.8	1.2
Unallocated non-current assets	-	-	3.6	3.6	-	-	0.7	0.7
Total non-current assets				1,328.2				1,290.5
Current assets								
Trade and other receivables	13.5	3.2	-	16.7	12.7	6.4	-	19.1
Cash	-	-	23.9	23.9	-	-	27.1	27.1
Total current assets				40.6				46.2
Segment assets	1,049.2	290.9	28.7	1,368.8	1,007.3	300.8	28.6	1,336.7

Unallocated assets relate to items such as cash, right of use asset and head office property plant and equipment.

4. Revenue

	Six months ended 30 September 2019	30 September 2018 (restated)
	£m	£m
Property rental and related income	44.8	45.8
Turnover related rent	7.5	6.2
Amortisation of tenant incentives and letting costs	(0.8)	(0.7)
Surrender premiums and commissions	0.6	0.3
Rental related income	52.1	51.6
Asset management fees	0.3	0.1
Managed pub income	9.4	6.8
Service charge income	8.2	8.6
Revenue	70.0	67.1

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

	Six months ended 30 September 2019	30 September 2018 (restated)
	£m	£m
Service charge expense	10.2	11.7
Ground rent	-	1.5
Rates on vacant units	2.1	2.1
Pub operating costs	10.2	7.9
Other property operating expenses	1.8	1.0
Property operating expenses	24.3	24.2

6. Administrative expenses

	Six months ended 30 September 2019	30 September 2018
	£m	£m
Wages and salaries	5.5	3.9
Social security costs	0.5	0.6
Other pension costs	0.2	0.1
Staff costs	6.2	4.6
Depreciation	0.8	0.3
Share based payments	1.2	1.2
Other administrative expenses	3.1	2.8
	11.3	8.9
Professional fees in relation to the acquisition of Hawthorn	-	2.9
Administrative expenses	11.3	11.8

Net administrative expenses ratio is calculated as follows:

	Six months ended 30 September 2019	30 September 2018
	£m	£m
Administrative expenses	11.3	11.8
Adjust for:		
Asset management fees	(0.3)	(0.1)
Share of joint ventures' administrative expenses	(0.1)	-
Depreciation of properties	(0.5)	-
Less share-based payments	(1.2)	(1.2)
Less exceptional cost in respect of the acquisition of Hawthorn Leisure	-	(2.9)
Group's share of net administrative expenses	9.2	7.6
Property rental and related income	61.7	58.8
Share of joint ventures' property rental income	1.2	0.5
	62.9	59.3
Net administrative expenses as a % of property income (including share of joint ventures)	14.6%	12.9%
Average staff numbers including Directors		
Directors	7	7
Operations and asset managers	41	30
Pubs	61	48
Support functions	75	80
	184	165

7. Performance measures

The Group's key performance measure is 'Funds from Operations' or 'FFO'. This performance measure is intended to measure the underlying profitability of the Group and as such includes realised cash gains and losses on disposals and adds back expense recognised for non-cash share-based payment, unrealised gains/losses on investment property, derivatives and deferred tax, as well as the one-off cost in the prior period in respect of the acquisition and integration costs in relation to the acquisition of Hawthorn Leisure. The measure is not intended to replace the cash measures disclosed in the cash flow statement. 'Underlying Funds From Operations' or 'UFFO' removes the volatility caused by the inclusion in profits or losses on the sale of properties.

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

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

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
(Loss)/profit for the period after taxation	(21.3)	2.7
Adjustments		
Revaluation of property	40.4	24.7
Loss on disposal of investment properties	0.8	0.3
Revaluation of derivatives	2.3	0.4
Gain on bargain purchase	-	(6.9)
Exceptional cost in relation to the acquisition of Hawthorn	-	2.9
Deferred tax	0.4	-
Group's share of joint ventures' adjustments		
Revaluation of investment properties	2.1	0.2
EPRA earnings	24.7	24.3
Depreciation of property	0.5	0.1
Share-based payment charge	1.2	1.2
Underlying Funds From Operations (UFFO)	26.4	25.6
Loss on disposal of investment properties	(0.8)	(0.3)
Funds From Operations (FFO)	25.6	25.3

Number of shares	Six months ended 30 September 2019 No. m	Six months ended 30 September 2018 No. m
Weighted average number of ordinary shares for the purposes of Basic EPS, FFO and EPRA	305.6	303.8
Effect of dilutive potential ordinary shares:		
Share options	-	0.1
Deferred bonus shares	0.2	0.2
Performance share plan	0.4	0.6
Warrants	-	0.2
Weighted average number of ordinary shares for the purposes of diluted EPS	306.2	304.9
Performance measures (pence)		
IFRS		
Basic EPS	(7.0)	0.9
Diluted EPS	(7.0)	0.9
UFFO		
UFFO per share	8.6	8.4
Diluted UFFO per share	8.6	8.4
FFO		
FFO per share	8.4	8.3
Diluted FFO per share	8.4	8.3
EPRA		
EPRA EPS	8.1	8.0
Diluted EPRA EPS	8.1	8.0

EPRA NAV per share and basic NAV per share:

	30 September 2019 £m	Shares m	Pence per share	31 March 2019 £m	Shares m	Pence per share
Net assets	745.4	306.1	244	796.1	304.8	261
Warrants in issue	-	-		0.4	0.3	
Unexercised employee awards	-	0.7		1.3	0.9	
Diluted net assets	745.4	306.8	243	797.8	306.0	261
Deferred tax liability	1.9	-		1.6	-	
Fair value derivatives	2.2	-		(0.1)	-	
EPRA net assets	749.5	306.8	244	799.3	306.0	261

8. Finance costs

	30 September 2019 £m	30 September 2018 £m
Finance expense		
Interest on borrowings	9.3	9.4
Finance cost on lease liabilities	1.4	-
Revaluation of derivatives	2.3	0.4
Net finance expense	13.0	9.8

9. Dividends

Payment date	PID	Non-PID	Pence per share	£m
Six months to September 2019				
24 May 2019	5.40	-	5.40	16.3
12 July 2019	5.40	-	5.40	16.5
	10.80	-	10.80	32.80
Year to March 2019				
25 May 2018	5.25	-	5.25	15.8
27 July 2018	5.40	-	5.40	16.4
16 November 2018	5.40	-	5.40	16.4
8 February 2019	5.40	-	5.40	16.3
	21.45	-	21.45	64.90

10. Investment properties

	30 September 2019	31 March 2019
	£m	£m
Fair value brought forward	1,254.1	1,227.2
Acquisitions	-	49.9
Capital expenditure	9.0	23.7
Properties acquired in business combinations	-	100.2
Lease incentives, letting and legal costs	1.1	2.7
Reclassification of investment property	(3.1)	(1.3)
Disposals	(32.2)	(60.7)
Net valuation movement	(40.7)	(87.6)
Investment property	1,188.2	1,254.1
Right of use asset (investment property)	84.0	-
Fair value carried forward	1,272.2	1,254.1

The Group's investment properties have been valued at fair value on 30 September 2019 by independent valuers, Colliers International Valuation UK LLP and Knight Frank LLP, on the basis of fair value in accordance with the Current Practice Statements contained in The Royal Institution of Chartered Surveyors Valuation – Professional Standards, (the 'Red Book'). The valuations are performed by appropriately qualified valuers who have relevant and recent experience in the sector.

The fair value at 30 September 2019 represents the highest and best use.

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

The investments are several 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.

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 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.

Revenues are derived from a large number of tenants with no single tenant or group under common control contributing more than 3% of the Group's revenue.

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

11. Investments in joint ventures

As at 30 September 2019 the Group has two joint ventures. On the 21 June 2019, the Group completed an acquisition of a portfolio of four retail parks, in which the Group holds a 50% interest.

	30 September 2019	31 March 2019
	£m	£m
Opening balance	7.6	8.5
Investment in joint ventures	15.4	-
Group’s share of profit after taxation excluding valuation movement	1.0	0.8
Net valuation movement	(2.1)	(1.3)
Distributions and dividends	(0.3)	(0.4)
Investments in joint ventures	21.6	7.6

Name	Country of incorporation	30 September 2019 % Holding	31 March 2019 % Holding
NewRiver Retail Investments LP (NRI LP)	Guernsey	50	50
NewRiver Retail (Napier) Limited (Napier)	UK	50	-

	30 September 2019			31 March 2019	
	NRI LP	Napier	Group's share	NRI LP	Group's share
	£m	£m	£m	£m	£m
Non-current assets	13.8	61.2	37.5	14.8	7.4
Current assets	0.6	3.5	2.1	1.0	0.5
Current liabilities	(0.4)	(5.8)	(3.1)	(0.6)	(0.3)
Borrowings	-	(29.8)	(14.9)	-	-
Net assets	14.0	29.1	21.6	15.2	7.6

	Six months ended 30 September 2019			Six months ended 30 September 2018	
	NRI LP	Napier	Group's share	NRI LP	Group's share
	£m	£m	£m	£m	£m
Net property income	0.6	1.8	1.2	0.7	0.3
Administration expenses	(0.1)	(0.1)	(0.1)	(0.1)	-
Net finance costs	-	(0.3)	(0.1)	(0.2)	(0.1)
	0.5	1.4	1.0	0.4	0.2
Net valuation movement	(1.0)	(3.0)	(2.1)	(0.4)	(0.2)
Loss after taxation	(0.5)	(1.6)	(1.1)	-	-
Add back net valuation movement	1.0	3.0	2.1	0.4	0.2
Group's share of joint ventures’ FFO	0.5	1.4	1.0	0.4	0.2

12. Trade and other receivables

	30 September 2019	31 March 2019 (restated)
	£m	£m
Trade receivables	6.7	7.7
Other receivables	5.6	7.8
Restricted monetary asset	10.6	8.6
Service charge debtors	1.9	1.6
Prepayments	2.0	1.4
Accrued income	2.4	2.2
	29.2	29.3

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 balance sheet.

13. Property plant and equipment

	Office equipment	Fixtures and fittings	Public houses	Total
Cost or valuation	£m	£m	£m	£m
At 1 April 2019	1.4	0.6	27.7	29.7
Additions	0.1	0.1	0.4	0.6
Revaluation recognised in the income statement	-	-	(0.3)	(0.3)
Transfer of investment property	-	-	3.1	3.1
At 30 September 2019	1.5	0.7	30.9	33.1
Depreciation				
At 31 March 2019	0.3	0.5	0.8	1.6
Depreciation charge for the year	0.1	0.1	0.5	0.7
At 30 September 2019	0.4	0.6	1.3	2.3
Book value at 30 September 2019	1.1	0.1	29.6	30.8
Book value at 31 March 2019	1.1	0.1	26.9	28.1

14. Trade and other payables

	30 September 2019	31 March 2019 (restated)
	£m	£m
Trade payables	3.3	6.1
Other payables	10.5	7.5
Accruals	16.8	12.6
Rent received in advance	8.3	9.2
Service charge creditors	12.5	10.2
	51.4	45.6

15. Borrowings

Maturity of unsecured bank loans:	30 September 2019 £m	31 March 2019 £m
Between three and four years	200.0	-
Between four and five years	-	210.0
After five years	300.0	300.0
	500.0	510.0
Unamortised loan fees	(6.7)	(7.3)
	493.3	502.7

Unsecured borrowings:	Maturity date	Facility £m	Facility drawn £m	Unamortised facility fees / discount £m	£m
Term loan	August 2023	165.0	165.0	(1.1)	163.9
Revolving credit facility	August 2023	210.0	35.0	(1.4)	33.6
Corporate bond	March 2028	300.0	300.0	(4.2)	295.8
		675.0	500.0	(6.7)	493.3

Unsecured borrowings:	Maturity date	Opening March 2019 £m	New borrowings £m	Amortisation of fees £m	Repayment £m	Closing September 2019 £m
Term loan	August 2023	163.7	-	0.2	-	163.9
Revolving credit facility	August 2023	43.4	22.0	0.2	(32.0)	33.6
Corporate bond	March 2028	295.6	-	0.2	-	295.8
		502.7	22.0	0.6	(32.0)	493.3

16. Share capital and reserves

Share capital

Ordinary shares	Number issued m	Price per share pence	Total m	Held by EBT m	Shares in issue m
31 March 2018			307.0	4.0	303.0
Scrip dividends issued	0.7	253	307.7	4.0	303.7
Shares issued under employee share schemes	0.7	-	307.7	3.0	304.7
Exercise of warrants	0.7	124	307.8	3.0	304.8
31 March 2019			307.8	3.0	304.8
Scrip dividends issued	0.7	228	308.6	3.0	305.6
Shares issued under employee share schemes	0.7	-	308.6	2.8	305.8
Exercise of warrants	0.7	116	308.9	2.8	306.1
30 September 2019			308.9	2.8	306.1

	Share capital £000	Share premium £000	Total £000
31 March 2018	3,029	223,287	226,316
Scrip dividends issued	9	1,649	1,658
Shares issued under employee share schemes	11	-	11
Exercise of warrants	1	57	58
31 March 2019	3,050	224,993	228,043
Scrip dividends issued	8	1,870	1,878
Shares issued under employee share schemes	2	-	2
Exercise of warrants	3	333	336
30 September 2019	3,063	227,196	230,259

Warrants
Shareholders who subscribed for placing shares in the original share listing of NewRiver Retail Limited's shares, which were subsequently novated to NewRiver REIT plc, received warrants to subscribe for 3% of the fully diluted share capital. All warrants were either exercised or lapsed during the period.

Merger reserve
The merger reserve arose as result of a scheme of arrangement and group reorganisation, it represents the nominal amount of share capital that was issued to shareholders of NewRiver Retail Limited, the previous holding company of the group.

Retained earnings
Retained earnings consist of the accumulated net profit of the Group, less dividends paid from distributable reserves, and transfers from equity issues where those equity issues generated distributable reserves. Dividends are paid from the Company's distributable reserves which were approximately £123 million at 30 September 2019.

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's 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 2.8 million ordinary shares held by the EBT (3.0 million as at 31 March 2019).

17. 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. The cumulative amount previously recognised in equity was recycled to the income statement. See latest audited financial statements.

	Valuation level	30 September 2019 £m	31 March 2019 £m
Financial assets			
Fair value through profit or loss			
Interest rate swaps	2	-	0.7
Loans and receivables			
Trade and other receivables		27.2	27.8
Cash and cash deposits		23.9	27.1
		51.1	55.6
Financial liabilities			
Fair value through profit or loss			
Interest rate swaps	2	(2.2)	(0.6)
At amortised cost			
Borrowings		(493.3)	(502.7)
Payables and accruals		(43.1)	(36.4)
		(538.6)	(539.7)
		(487.5)	(484.1)

18. Related party transactions

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

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

	Six months ended 30 September 2019 £000	30 September 2018 £000
NewRiver Retail Investments LP	51	56
NewRiver Retail (Napier) Limited	74	-

No amounts were outstanding at period end.

19. Post balance sheet events

On the 17th October 2019, an investment with BRAVO Strategies III LLC completed the acquisition of Poole Retail Park for a total consideration of £44.7 million, reflecting a net initial yield of 8.0%. The Group will hold a 10% interest in the investment. The Group will be appointed as asset manager in return for a management fee calculated with reference to the gross rental income of the asset and will also receive a promote based on financial performance.

Since the period end, the Group has disposed of five pubs and one convenience store, raising total proceeds of £2.5 million.

The third quarter dividend in relation to the year ended 31 March 2020 will be 5.40 pence per share and will be paid on 7 February 2020 to shareholders on the register on 27 December 2019. The ex-dividend date will be 24 December 2019.

EPRA performance measures

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

Introduction

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

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

	HY20	**HY19**
EPRA Earnings per Share (EPS)	8.1p	8.0p
EPRA Cost Ratio	43.3%	39.1%

	September 2019	**March 2019**
EPRA NAV per share	244p	261p
EPRA NNNAV per share	239p	260p
EPRA NIY	7.5%	7.3%
EPRA ‘topped-up’ NIY	7.9%	7.8%
EPRA Vacancy Rate	4.4%	4.8%

A. EPRA Earnings per Share: 8.1p

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

	HY20	**HY19**
Calculation of EPRA Earnings	**£m**	**£m**
Earnings per IFRS income statement	(21.3)	2.7
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	40.4	24.7
Profits or losses on disposal of investment properties, development properties held for investment and other interests	0.8	0.3
Negative goodwill / goodwill impairment		(6.9)
Changes in fair value of financial instruments and associated close-out costs	2.3	0.4
Acquisition costs on share deals and non-controlling joint venture interests		2.9
Deferred tax in respect of EPRA adjustments	0.4	
Adjustments to above in respect of joint ventures (unless already included under proportional consolidation)	2.1	0.2
EPRA Earnings	**24.7**	**24.3**
Basic number of shares	305.6m	303.8m
EPRA Earnings per Share (EPS)	**8.1p**	**8.0p**

B. EPRA NAV per share: 244p

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.

	September 2019	March 2019
Calculation of EPRA Net Asset Value	**£m**	**£m**
NAV per the financial statements	745.4	796.1
Effect of exercise of options, convertibles and other equity interests (diluted basis)	-	1.7
Diluted NAV, after the exercise of options, convertibles and other equity interests	745.4	797.8
Exclude:		
Fair value of financial instruments	2.2	(0.1)
Deferred tax	1.9	1.6
EPRA NAV	749.5	799.3
Fully diluted number of shares	306.8m	306.0m
EPRA NAV per share	**244p**	**261p**

C. EPRA NNNAV per share: 239p

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

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

	September 2019	March 2019
Calculation of EPRA Triple Net Asset Value (NNNAV)	**£m**	**£m**
EPRA NAV	749.5	799.3
Include:		
Fair value of financial instruments	(2.2)	0.1
Fair value of debt	(11.2)	(3.8)
Deferred tax	(1.9)	(1.6)
EPRA NNNAV	734.2	794.0
Fully diluted number of shares	306.8m	306.0m
EPRA NNNAV per share	**239p**	**260p**

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

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

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

Purpose

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

		September 2019	March 2019
Calculation of EPRA NIY and 'topped-up' NIY		**£m**	**£m**
Investment property – wholly owned		1,217.8	1,281.0
Investment property – share of JVs/Funds		37.5	7.4
Trading property (including share of JVs)		1,255.3	1,288.4
Less: developments		(76.5)	(76.8)
Completed property portfolio		**1,178.8**	**1,211.6**
Allowance for estimated purchasers' costs and capital expenditure allowed for		81.8	83.9
Gross up completed property portfolio valuation	B	**1,260.6**	**1,295.5**
Annualised cash passing rental income		105.0	107.5
Property outgoings		(10.9)	(10.0)
Annualised net rents	A	**94.1**	**97.5**
Add: notional rent expiration of rent free periods or other lease incentives		5.6	4.8
Topped-up net annualised rent	C	**99.7**	**102.3**
EPRA NIY	**A/B**	**7.5%**	**7.5%**
EPRA 'topped-up' NIY	**C/B**	**7.9%**	**7.9%**

E. EPRA Vacancy rate: 4.4%

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.

		September 2019	March 2019
Calculation of EPRA Vacancy Rate		**£m**	**£m**
Estimated Rental Value of vacant retail space	A	3.5	3.8
Estimated rental value of the retail portfolio	B	79.4	80.0
EPRA Vacancy Rate	**A/B**	**4.4%**	**4.8%**

F. EPRA Cost Ratio: 43.3%

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.

		HY20	HY19
Calculation of EPRA Administrative costs		£m	£m
Administrative/operating expense line per IFRS income statement		25.7	22.2
Net service charge costs/fees		2.0	2.1
Management fees less actual/estimated profit element		(0.3)	(0.1)
Other operating income/recharges intended to cover overhead expenses less any related profits		(0.6)	(0.3)
Share of Joint Ventures expenses		0.2	0.2
Exclude (if part of the above):			
Investment property depreciation		-	-
Ground rent costs		0.5	(1.5)
Service charge costs recovered through rents but not separately invoiced		-	-
EPRA Costs (including direct vacancy costs)	**A**	**27.5**	**22.6**
Direct vacancy costs		(2.1)	(2.1)
EPRA Costs (excluding direct vacancy costs)	**B**	**25.4**	**20.5**
Gross Rental Income less ground rents – per IFRS		62.3	57.3
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		-	-
Add: share of Joint Ventures (Gross Rental Income less ground rents)		1.2	0.5
Gross Rental Income	**C**	**63.5**	**57.8**
EPRA Cost Ratio (including direct vacancy costs)	**A/C**	**43.3%**	**39.1%**
EPRA Cost Ratio (excluding direct vacancy costs)	**B/C**	**40.0%**	**35.5%**

Alternative Performance Measures (APMs)

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

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

APM	Nearest IFRS measure	Explanation and reconciliation
Funds From Operations ('FFO'), Underlying Funds From Operations ('UFFO'), FFO per share and UFFO per share	Profit for the year after taxation	Note 7 of the Financial Statements and page 16 of this document
EPRA Net Asset Value ('NAV') and EPRA NAV per share	Net Assets	Note 7 of the Financial Statements and pages 19 and 47 of this document
Dividend cover	N/A	Page 18 of this document and Glossary
Admin cost ratio	N/A	Note 6 of the Financial Statements and Glossary
Interest cover	N/A	Page 2 of this document and Glossary
EPRA EPS	IFRS Basic EPS	Note 7 of the Financial Statements
EPRA NNNAV	Net Assets	Page 47 of this document
EPRA NIY	N/A	Page 48 of this document
EPRA 'topped-up' NIY	N/A	Page 48 of this document
EPRA Vacancy Rate	N/A	Page 48 of this document
Total Accounting Return	N/A	Page 2 of this document and Glossary
Cost of debt	N/A	Page 2 of this document and Glossary
Average debt maturity	N/A	Page 2 of this document and Glossary
Loan to Value	N/A	Page 2 of this document and Glossary

Glossary

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

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

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

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

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

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

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

EPRA: Is the European Public Real Estate Association.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tenant (or lease) incentives: Are any incentives offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. Under accounting rules, the value of lease incentives given to tenants is amortised through the Income Statement on a straight-line basis to the lease expiry.

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

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

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

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

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.

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

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

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

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