

NEW  
RIVER

# CONVENIENCE-LED COMMUNITY-FOCUSED



# INVESTING IN CONVENIENCE & COMMUNITY

## TO DELIVER GROWING AND SUSTAINABLE RETURNS

NewRiver is one of the UK's largest REITs focused on the dynamic convenience-led retail and leisure sectors. Our high quality retail and leisure portfolio caters for the weekly needs of millions of UK wide shoppers, in turn creating desirable and profitable trading opportunities for our retail and leisure occupiers. We understand that affordability for occupiers means sustainability for our business.

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#### Financial Statements

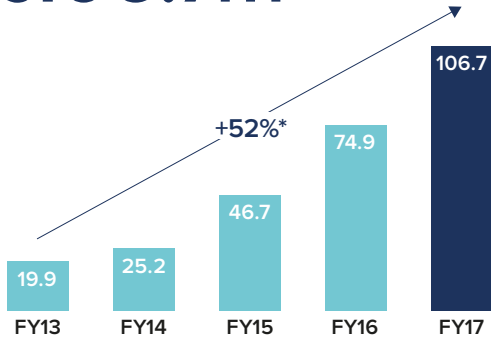
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our business: [www.nrr.co.uk](http://www.nrr.co.uk)

# Strong track record

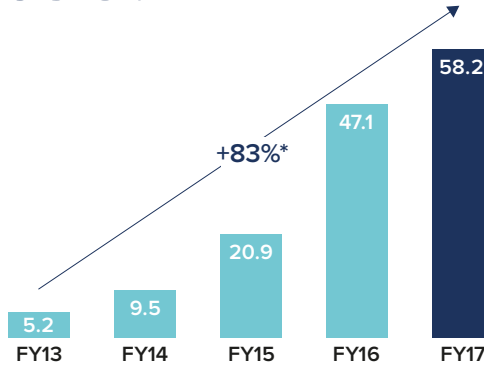
Gross income  
(proportionally consolidated)

**£106.7m**



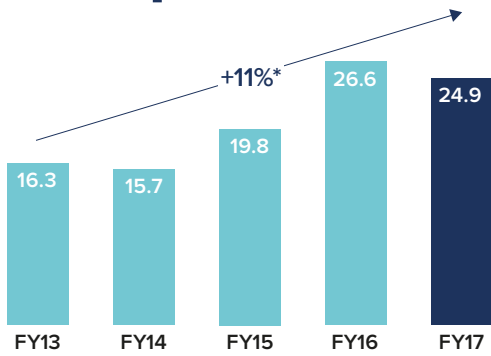
Funds From Operations<sup>1</sup>

**£58.2m**



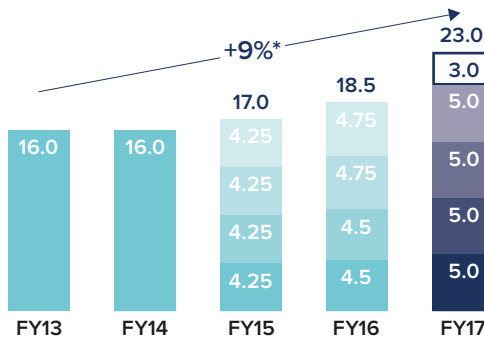
FFO per share

**24.9p**



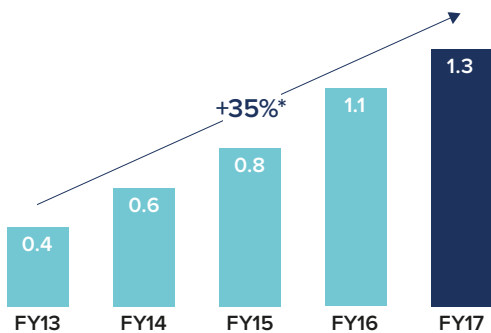
Dividend per share<sup>2</sup>

**23.0p**



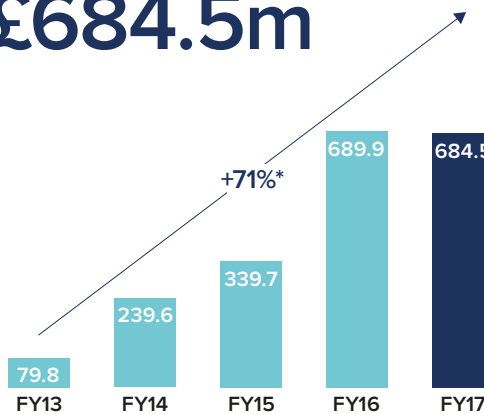
Assets under management

**£1.3bn**



IFRS net assets

**£684.5m**



\* Compound annual growth rate

1. Previously this measure was referred to as EPRA adjusted earnings  
2. FY17 includes 3.0 pence per share of special dividend

# CONVENIENCE AND VALUE RETAILERS DOMINATED 2016 STORE OPENINGS, ACCOUNTING FOR 69% OF ALL NEW STORES, WITH GROWTH EXPECTED TO CONTINUE

Source: GlobalData

# OUR TOP 10 RETAILERS INCLUDES A STRONG MIX OF VALUE AND CONVENIENCE FOCUS



Source: Company

# IN-STORE SPEND IS FORECAST TO GROW +10% BY 2021, DRIVEN BY NON- DISCRETIONARY & CONVENIENCE SPEND

Source: GlobalData

# OUR PORTFOLIO IS FOCUSED ON CONVENIENTLY POSITIONED COMMUNITY ASSETS



16% pubs  
+ c-stores

84%  
convenience-led retail

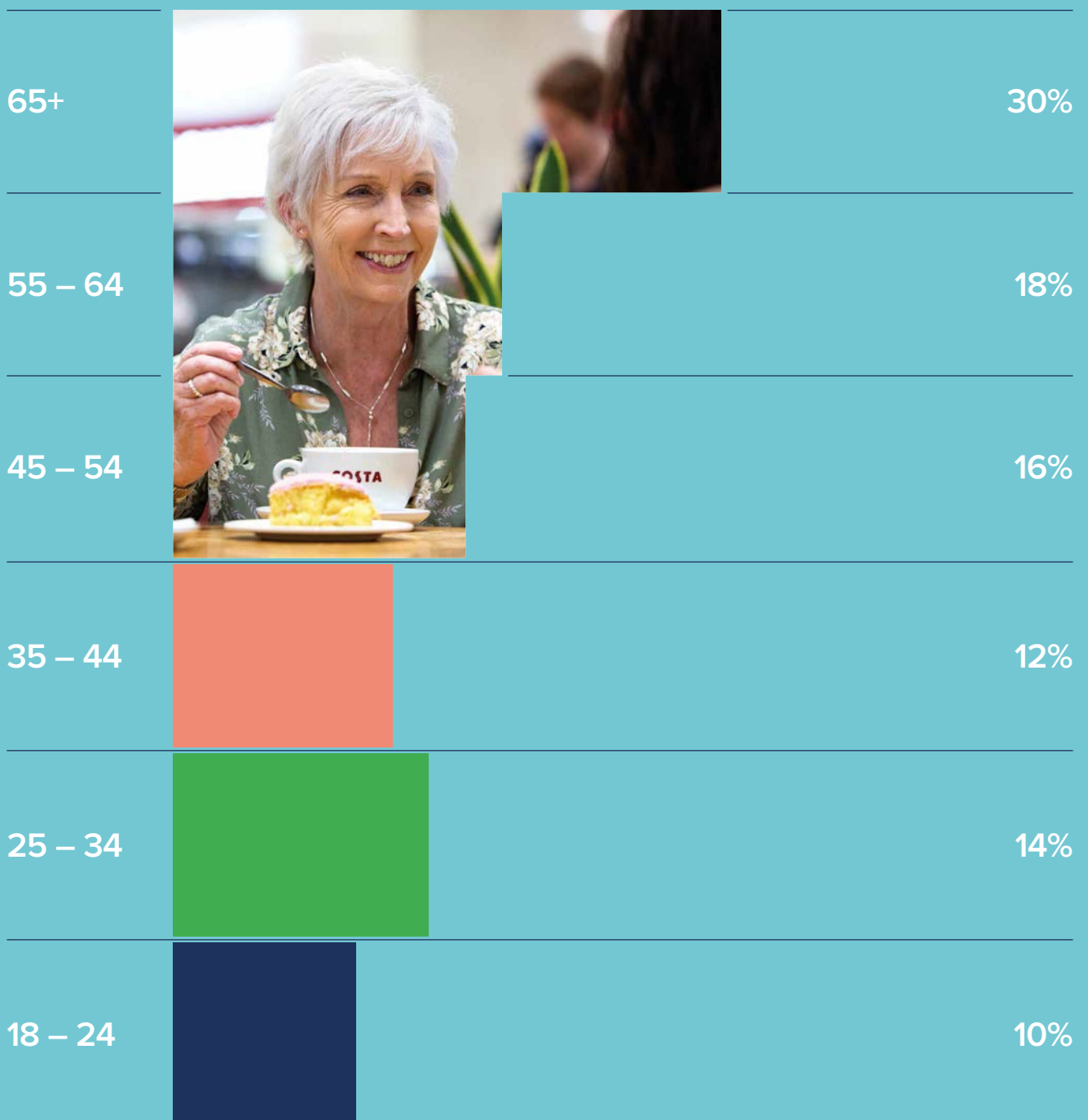
**THE 55+  
DEMOGRAPHIC  
IS FORECAST TO  
ACCOUNT FOR  
ALMOST 60% OF  
IN-STORE SALES  
GROWTH OVER  
THE NEXT 10 YEARS**



# OUR PORTFOLIO IS WELL-PLACED TO CAPTURE INCREASED SPEND FROM CHANGING DEMOGRAPHICS

Age group vs customer percentage

The 45+ demographic accounts for 64% of NewRiver's portfolio



Source: NewRiver/CACI Consumer Surveys 2017

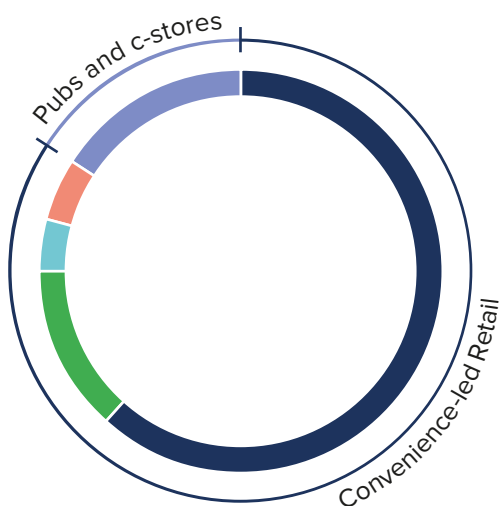
# At the heart of the UK retail and leisure market

Our convenience-led, community-focused retail and leisure portfolio is ideally positioned to cater for the non-discretionary, essential needs of the UK consumer.

Retail represents 84% of our portfolio and notwithstanding the uncertain economic landscape, the UK retail market is forecast to continue to grow, with convenience-driven categories dominating total physical store spend. In 2016, convenience and value retail operators accounted for the greatest share of new store openings.

Moreover, the physical store continues to be fundamental to the retail mix, with the top 10 multichannel retailers accounting for nearly 50% of total online sales.

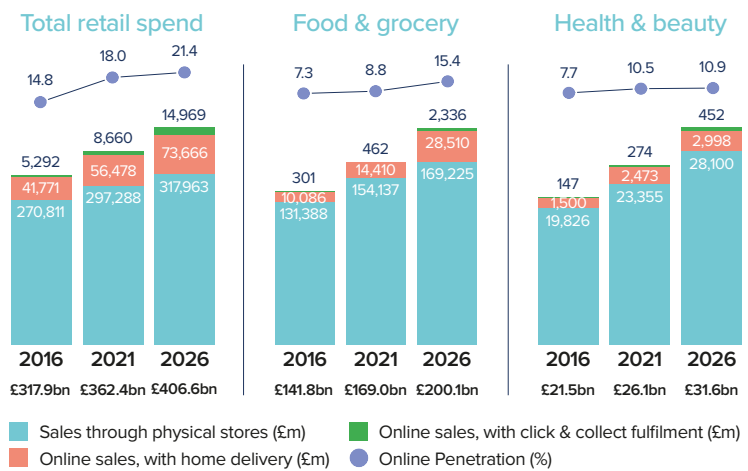
## Our portfolio



- Shopping centres 61%
- Retail warehouses 14%
- High street (Big Boxes) 4%
- Retail development 5%
- Pubs and convenience stores 16%

## The UK retail market is forecast to grow with convenience-driven categories leading the way for physical spend

### Retail sales growth forecast



Source: GlobalData

- In 2016, total retail spend in the UK was £317.9bn, with physical sales and click & collect accounting for £276.1bn of total spend.
- By 2021 total retail spend is forecast to increase to £362.4bn, with physical and click & collect sales accounting for £305.9bn, an increase of 11%.
- By 2026 total retail spend is forecast to increase to £406.6bn, with physical and click & collect sales accounting for £332.9bn, a further increase of 9%.
- Although online penetration is forecast to increase from 14.8% to 18.0% by 2021 (and to 21.4% in 2026), convenience-driven/non-discretionary spend is forecast to remain resilient to the growth of online and has the strongest growth prospects across retail over the coming years.

## This high-volume convenience-led spend is well served by our portfolio

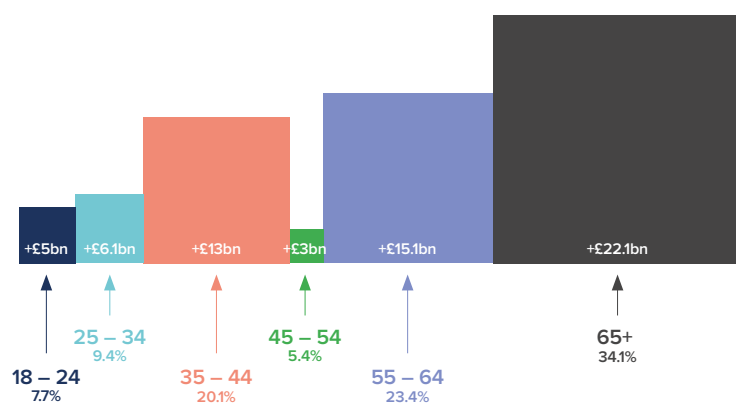
NewRiver Income Profile	
Grocery & Convenience	12%
Value Fashion	12%
Discount & Value	11%
Health & Beauty	7%
Banks	1%
Food & Beverage	1%
Community pubs	19%
<b>Convenience &amp; Community</b>	<b>67%</b>

**67%**  
of NewRiver's income is generated by convenience & community

## Forecast growth in retail spend is underpinned by changing demographics

The 55+ age-group is set to account for 57.5% of all store and click & collect sales growth over the next ten years

Spend growth by age 2016-2026

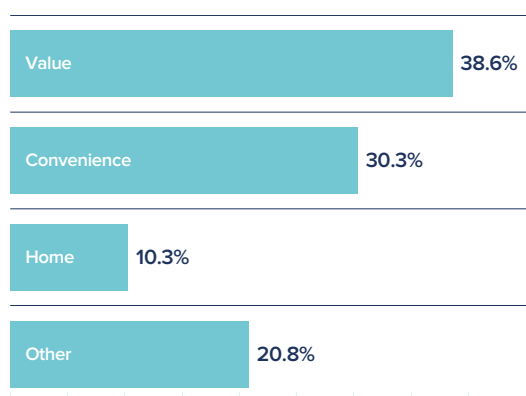


Source: GlobalData

- Between 2016 and 2026, GlobalData forecasts that a further £64.7bn will be added to the retail market due to sales made either in store or through click & collect. Of this, 57.5% will come from shoppers aged 55 and over.
- The under 35s are less financially mobile than their older generations, suffering lower disposable incomes, reduced car ownership and significant barriers to getting on to the property ladder.
- The ageing of the comparatively asset-rich, baby-boomer generation, means that spending and, in particular, spending through stores and click & collect, is set to be driven by the baby-boomers.

## Convenience and value retailers continue to expand

Top 30 retailers by store openings 2016 split by sector



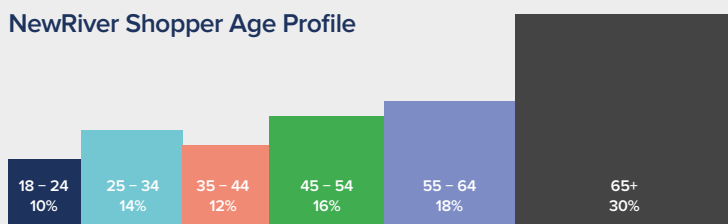
Source: GlobalData

- Bucking the trend for margin depletion over the past decade or so, the store-only value retailers, including B&M and Home Bargains, have historically performed well in challenging economic environments. These retailers have successfully expanded, maintaining healthy operating margins, and are looking to continue to expand.

## Our portfolio is well-placed to capture spend from changing demographics

- With 64% of shoppers across NewRiver's portfolio in 2017 aged 45 and over, NewRiver is well placed to benefit from this key growth segment of the population over the next ten years.
- Older shoppers appreciate the ease of access and free parking offered by retail parks, which now constitute 14% of the NewRiver portfolio.

NewRiver Shopper Age Profile



Source: NewRiver/CACI Consumer Surveys 2017

## Our portfolio is well-placed to capture the growth in value retail

NewRiver's top 10 retailers is comprised of robust, expanding convenience and value led retailers.



# A convenience-led, community-focused portfolio

We invest in convenience & community to deliver secure and sustainable returns to our shareholders. Since the Company was founded in September 2009 we have hand-picked a high quality and geographically diverse portfolio, catering to the day to day needs of our consumers, occupiers & communities.

## Our retail portfolio

Invested in over 60 towns across the UK

### 33 Shopping centres

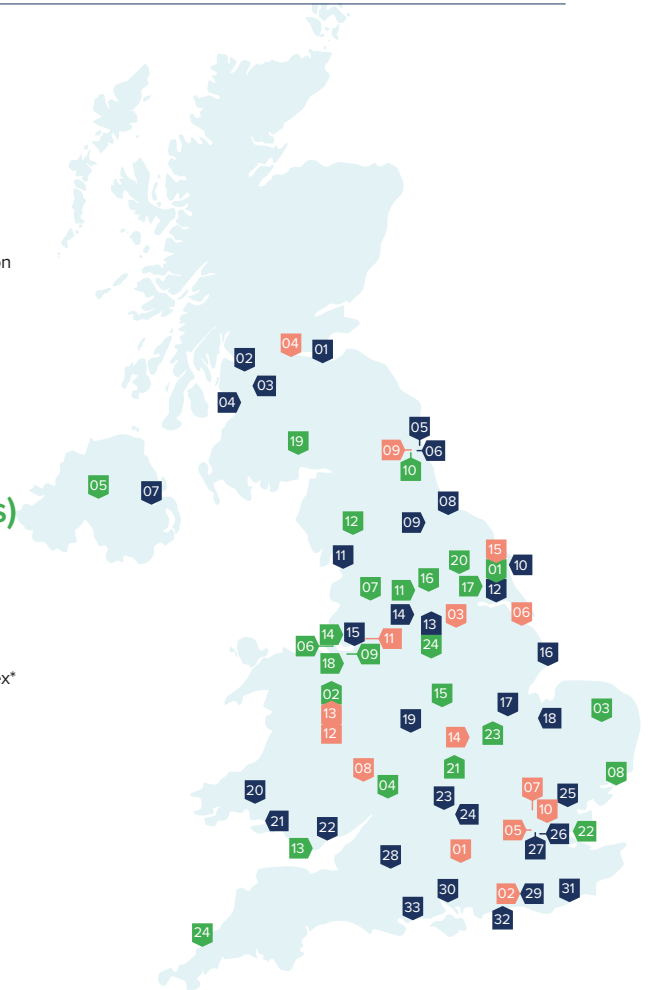
- |                          |                    |                         |
|--------------------------|--------------------|-------------------------|
| 1. Leith, Edinburgh      | 12. Hull           | 23. Oxford              |
| 2. Paisley               | 13. Wakefield      | 24. Cowley, Oxford      |
| 3. Newton Mearns         | 14. Huddersfield   | 25. Witham              |
| 4. Kilmarnock            | 15. Widnes         | 26. Bexleyheath, London |
| 5. North Shields         | 16. Skegness       | 27. Penge, London       |
| 6. Wallsend              | 17. Market Deeping | 28. Warminster          |
| 7. Newtownabbey, Belfast | 18. Wisbech        | 29. Burgess Hill        |
| 8. Middlesbrough         | 19. Erdington      | 30. Fareham             |
| 9. Darlington            | 20. Carmarthen     | 31. Hastings            |
| 10. Bridlington          | 21. Llanelli       | 32. Worthing            |
| 11. Morecambe            | 22. Cardiff        | 33. Boscombe            |

### 22 Retail warehouses (\* 2 Development sites)

- |               |               |                           |
|---------------|---------------|---------------------------|
| 1. Hull       | 9. Chester    | 17. Beverley              |
| 2. Wrexham    | 10. Gateshead | 18. Saltney, Chester      |
| 3. Wymondham  | 11. Bradford  | 19. Dumfries              |
| 4. Gloucester | 12. Kendal    | 20. York                  |
| 5. Cookstown  | 13. Barry     | 21. Daventry              |
| 6. Wirral     | 14. Liverpool | 22. Canvey Island, Essex* |
| 7. Blackburn  | 15. Coalville | 23. Stamford*             |
| 8. Felixstowe | 16. Leeds     | 24. Sheffield             |

### 15 High street locations

- |                 |              |                       |
|-----------------|--------------|-----------------------|
| 1. Basingstoke  | 6. Grimsby   | 11. Warrington        |
| 2. Burgess Hill | 7. Harlow    | 12. Wrexham           |
| 3. Doncaster    | 8. Hereford  | 13. Wrexham           |
| 4. Grangemouth  | 9. Newcastle | 14. Market Harborough |
| 5. East Ham     | 10. Romford  | 15. Hull              |

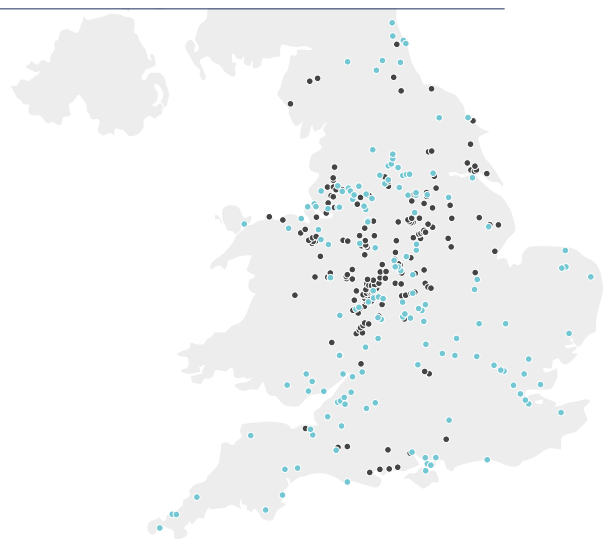


## Our pub portfolio

344 pubs throughout the UK

**Trent Portfolio (189 Pubs)**

**Mantle Portfolio (155 Pubs)**

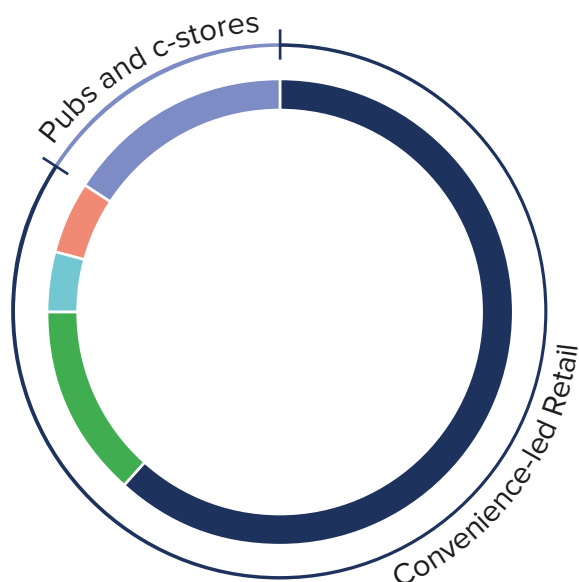


Visit our website for an interactive view of our locations at [www.nrr.co.uk](http://www.nrr.co.uk)

Assets under management

£1.3 billion

(FY16: £1.1 billion)

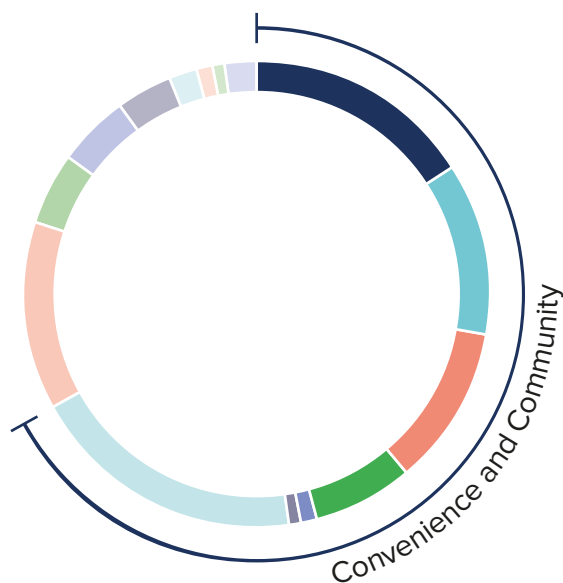


- Shopping centres 61%
- Retail warehouses 14%
- High street (Big Boxes) 4%
- Retail development 5%
- Pubs and convenience stores 16%

Income profile

67%

Convenience and Community



- Grocery & Convenience 16%
- Home, Electrical and DIY 13%
- Value Fashion 12%
- Discount & Value 11%
- Community pubs 19%
- Convenience and Community 67%
- Mid-market Fashion 5%
- Books & Stationery 5%
- Service Related 4%
- Health & Beauty 7%
- Banks 1%
- Food & Beverage 1%
- Jewellery 2%
- Games & Toys 1%
- Leisure 1%
- Other 2%

Top 10 occupiers

		% Rent secured	No. of stores		% Rent secured	No. of stores
1		2.6%	23	6	2.0%	16
2		2.4%	22	7	1.8%	9
3		2.4%	8	8	1.7%	7
4	PRIMARK	2.4%	6	9	1.7%	3
5	NEW LOOK	2.0%	15	10	1.7%	9

Retail occupancy rate

97%

(FY16: 96%)

Retail average rent

£12.45

(FY16: £12.14)

Shopping centre footfall

149m

(FY16: 140m)

Retail occupiers

2,000

(FY16: 1,840)

Total leasing events

355

(FY16: 235)

# Continued growth in uncertain times



Paul Roy

Chairman

I am delighted to report that NewRiver REIT plc ("NewRiver") produced excellent financial results for the year ended 31 March 2017. Funds From Operations grew by 24% to £58 million, and the Company increased the ordinary dividend for the period by 8% to 20.0 pence per share (FY16 18.5 pence), as well as declaring an additional special dividend of 3.0 pence per share.

Following graduation from AIM to a Premium Listing on the Main Market of the London Stock Exchange in August 2016, the Company became a constituent of the FTSE 250 and FTSE All-Share indices on 19 December 2016. From the same date, it was also included in the EPRA indices which measure the performance of the European listed REIT sector. I would like to welcome all new shareholders joining the register as a result of these significant events.

On admission to the Main Market, NewRiver REIT plc became the ultimate parent company, replacing NewRiver Retail Limited. The change in name reflected the combination of the Company's portfolio now including both retail and leisure assets as well as its high dividend pay-out ratio as a UK-registered Real Estate Investment Trust. The core business strategy remains unchanged and the Company continues to operate according to its strict

founding principles of active asset management and risk-controlled development.

NewRiver's specialism is owning convenience-led, community-focused assets, primarily serving family shopping and leisure requirements. Its occupiers are, in the main, value-led retailers, paying affordable rents and providing shoppers with everyday non-discretionary items such as clothing and groceries. From the perspective of the landlord, this sector consistently proves itself to be a highly resilient segment of the retail market, capable of sustaining cash flows in most economic conditions. The strength of the Company's key operating metrics demonstrated the soundness of its business model during what was at times a turbulent year for the retail sector generally. Notably, like-for-like footfall and occupancy levels both improved compared to the previous period.

The Company showed agility in the acquisitions market over the year with the purchase of a major shopping centre in Bexleyheath, South East London, a retail park in Dumfries and a retail warehouse in Sheffield. The latter purchase subsequently generated cash receipts of £11.5 million, which, in accounting terms, fall within the definition of Funds From Operations. The Board has therefore approved a further special dividend of 3.0 pence to be paid on 4 August 2017 to shareholders on the register on 16 June 2017. The ex-dividend date will be 15 June 2017.

I am also delighted to announce that the first quarter dividend for FY18 will be increased to 5.25 pence per share (Q1 FY17: 5.00 pence), payable on 4 August 2017 to shareholders on the register on 16 June 2017. The ex-dividend date will be 15 June 2017.

As previously announced, Chris Taylor, Senior Independent Director, stepped down from the Board with effect from 9 April 2017. On behalf of NewRiver, I would like to thank Chris for his major contribution over five years as a Non-Executive Director and to wish him well for the future. On behalf of the Board, I would also like to thank NewRiver's management and employees, whose hard work, enthusiasm and entrepreneurial flair delivered another strong performance. Finally, I am grateful to the Company's advisers and shareholders for their continuing support.

While the Board is aware of general economic caution in light of uncertainty over Brexit negotiations and the potential for rises in inflation and interest rates, it believes that NewRiver is well placed to meet the challenges that could arise in this environment. The Company owns a sizeable portfolio with critical mass. It is highly cash generative with an occupier base representing some of the strongest covenants in the UK retail and leisure sectors. Assets are geographically diversified with a focus on day to day shopping needs which the Company considers to be significantly less volatile than other segments of the retail market.

The Board remains optimistic in its outlook for the Company and looks forward to the future with confidence.



**Paul Roy**

Chairman

15 May 2017

## A track record of delivery

### Funds From Operations

**£58.2m**

(FY16: £47.1m)

### FFO per share

**24.9p**

(FY16: 26.6p)

### Total dividend per share

**23.0p**

(FY16: 18.5p)

### Assets under management

**£1.3bn**

(FY16: £1.1bn)

# Focused strategy delivering growing cash profits

*“Our convenience-led, community-focused retail & leisure portfolio has proved well-positioned in what has been an uncertain twelve months at the macro economic and political levels.”*

This has been another outstanding year for NewRiver, which is reflected in a strong set of full year results. These results also demonstrate that our focused business model, which we have strictly adhered to since our IPO, is clearly working well.

Our convenience-led, community-focused retail and leisure portfolio has proved well-positioned and well-placed in what has been an uncertain twelve months at the macro economic and political levels. As a business, we have maintained our disciplined approach to stock selection, remained active asset managers, progressed our risk-controlled development pipeline and recycled capital profitably, all of which has allowed us to continue to deliver growing and sustainable cash profits to our shareholders.

Our Funds From Operations ('FFO') of £58.2 million were up 24% compared to the same period last year due to acquisitions made in the last 12 months as well as our highly active asset management programme. The Board recently approved a final quarterly dividend of 5.0 pence per share, resulting in a fully covered ordinary dividend for the year of 20.0 pence per share, up over 8% compared to last year. We are delighted to announce an additional 3.0 pence per share special dividend linked to our acquisition in Sheffield, taking the total dividend for the year to 23.0 pence per share, an increase of 24%. This special dividend demonstrates our commitment to continue to distribute growing cash returns to our shareholders. Looking ahead, the increase in our Q1 FY18 dividend to 5.25 pence per share, an increase of 5% on Q1 FY17, reflects our confidence in the security and sustainability of our cash flows.

Our assets under management now stand at £1.3 billion, £1.1 billion at NewRiver's share, with our EPRA net asset value per share down marginally by 3 pence to 292 pence reflecting the absorption of acquisition costs and Main Market move costs as well as a small 0.6% reduction in portfolio valuation. Importantly, this reduction came in the first half of our financial year, when real estate values were



**David Lockhart**  
Chief Executive Officer

## Our Executive Committee



**Mark Davies**  
Chief Financial Officer



**Allan Lockhart**  
Property Director



**Nick Sewell**  
Executive Committee member



impacted by Brexit fears, and our valuations showed improvement in the second half. Our IFRS net assets have decreased by 0.8%, due principally to the same factors.

During the year, we completed acquisitions totalling £158 million at an equivalent yield of 7.2%. In April 2016 we completed our largest acquisition to date, buying the Broadway Shopping Centre and Broadway Square Retail Park in Bexleyheath, South East London, for £120 million at a blended equivalent yield of 7.0%. We have been active in the year since acquisition, improving rental tone in the shopping centre by 15% and working in partnership with the London Borough of Bexley to design a masterplan for the shopping centre, retail park and surrounding council owned land. In April 2017, following a comprehensive fit out, London based Morleys Department Stores opened at the centre in the 40,000 sq ft unit formerly occupied by BHS. The opening of this new store has been a real success for Morleys, and we have benefitted from increased footfall across the rest of the shopping centre.

We completed the acquisition of Cuckoo Bridge Retail Park in Dumfries in June 2016 in an off-market transaction for £20 million. At the time of acquisition, we identified several opportunities to drive income

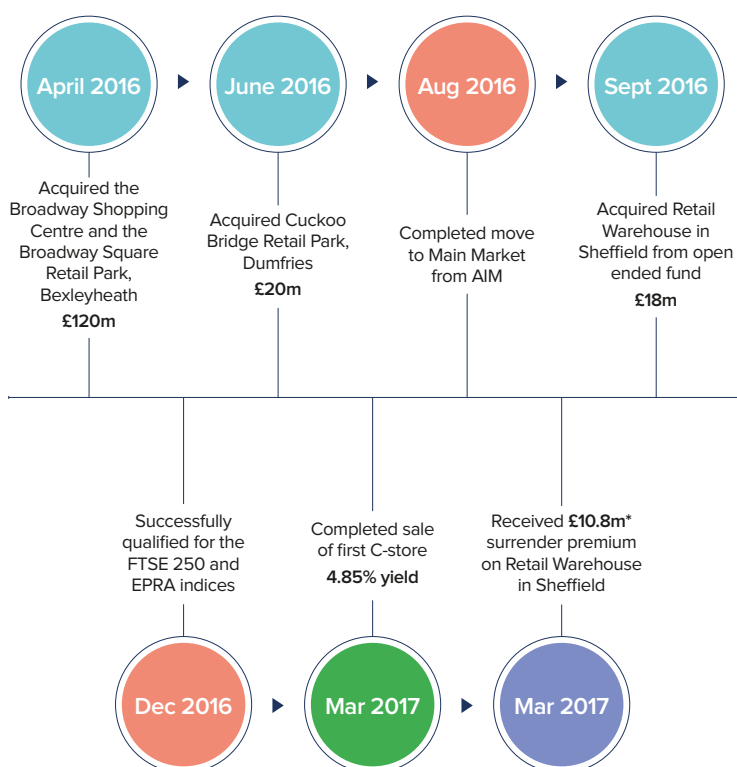
and capital growth by improving the occupier line-up and have agreed heads of terms with a fashion/homeware occupier to introduce a 20,000 sq ft full line store subject to obtaining planning consent which is anticipated in the next few months.

In September 2016, we moved quickly to acquire a retail warehouse in Sheffield from an open-ended property fund for £18 million. As we completed the acquisition, we exchanged contracts with the occupier to accept a surrender premium of up to £12.25 million by May 2017, meaning that in essence we acquired a 110,000 sq ft prominently located retail warehouse on an 11 acre site for a net price of £6 million. In March 2017, having moved into advanced negotiations with a number of potential occupiers and purchasers, we requested and received the surrender premium, having received rent in the interim, the majority of which we are paying to our shareholders as a 3.0 pence per share special dividend. Pleasingly, the asset has been independently valued at 50% more than our net purchase price.

Across our retail portfolio we continued our track record of strong and improving operational metrics, with the increase in occupancy from 96% in March 2016 to 97% in March 2017 reflecting the compelling nature of our convenience-led, community-focused portfolio to occupiers. Our highly active approach to asset management resulted in the completion of more than 300 new lettings and renewals, with long term deals completed on terms 3.9% ahead of ERV. Importantly our rents remain affordable for our occupiers, at £12.45 per sq ft on average. The combination of our high occupancy and affordable average rents indicates to us that retailers are trading profitably at our assets, underpinning the sustainability of our income. This affordability will be further supported by this year's business rates revaluation, with draft rateable values across our retail portfolio in England, Scotland and Wales falling by over 19% on average. Our pub operators will also benefit from the rates revaluation, saving on average 40% on business rates from 1 April 2017.

During the year, we successfully applied our active asset management approach to our pub portfolio. At the time of the Trent portfolio acquisition, we signed a four year leaseback agreement with Marston's Plc which ends later this year.

## Significant milestones in 2017



\* Rents received in interim of £0.7m, total receipt £11.5m

Of the 189 pubs held in the Trent portfolio, we have now successfully transferred the management of 44 pubs from Marston's, and during the year we secured contracted income on a further 22 pubs by surrendering the leaseback arrangement early and agreeing new 15 year RPI linked leases with Marston's. The remaining pubs will be transferred in small batches over the remainder of the calendar year. We have continued to make selective and profitable disposals from our pub portfolio, selling seven pubs for £4 million in the year representing a 10% premium to March 2016 valuation and over a 30% premium to purchase price.

We have made good progress on our 1.9 million sq ft risk-controlled development pipeline during the year. At our 465,000 sq ft consented regeneration project in Burgess Hill, we have pre-let 49% of the retail and leisure element, up from 41% just six months ago, with leases now signed with Next and Nandos. On the residential element of the scheme, we have agreed terms with a residential investment company for a significant pre-sale. In order to facilitate the development, we recently agreed terms with Lidl and Iceland to surrender and relocate to sites adjacent to the shopping centre, as well as agreeing to re-locate the local council owned library. All of this progress means that we hope to be in a position to start on site later in the summer.

Elsewhere in our risk-controlled development pipeline, in November 2016 we received planning consent at Canvey Island for a 62,000 sq ft retail park which is already 52% pre-let. In the same month we also submitted the planning application for our exciting 236,000 sq ft mixed-use regeneration in Cowley, Oxford. Our current development commitment is modest, with 26,000 sq ft under construction all of which is pre-let. Our risk-controlled approach to development means we will not commit to further developments without substantial pre-letting.

*“We believe that with our convenience and community specialism, strong operational metrics, affordable rents and conservative balance sheet we are well-positioned to continue to deliver secure and sustainable cash returns to our shareholders and we look forward to the coming year with confidence.”*

The convenience store programme within our pub portfolio continued to progress, and we handed over a further eight c-stores to the Co-operative in the period taking the total number completed to date to 11. In early 2017 we completed our first c-store disposal for £970,000, representing an initial yield of 4.85%, and over 11% ahead of valuation. We are on site for the construction of a further three c-stores totalling 11,000 sq ft and we have consent to construct a further 15 totalling 53,400 sq ft.

Our LTV was 37% at 31 March 2017, up from 27% at March 2016 predominantly due to the acquisition of our assets in Bexleyheath which completed in April 2016. Our interest cover remained robust at 4.5x and our weighted average cost of debt was 3.5%, down from 3.7% in March 2016.

We completed our move from AIM to a Premium Listing on the Main Market in August 2016 marking a significant milestone for NewRiver and we continued this impressive momentum into December, when we qualified for admission into the FTSE 250, FTSE All-Share and EPRA indices at the first attempt.

We have a fantastic, talented and enthusiastic team at NewRiver and I would like to thank them all for their hard work and significant contribution to this year's results.

## Outlook

We believe that with our convenience and community focus, strong operational metrics, affordable rents and conservative balance sheet we are well-positioned to continue to grow and deliver secure and sustainable cash returns to our shareholders.

In the context of the slowdown in the investment market since the EU Referendum we are pleased to have bided our time and believe that current market conditions and the pricing for typical assets which NewRiver wishes to acquire are beginning to provide opportunities for the Company.

We have never relied on the market to drive returns for our shareholders, instead we have ourselves created value by applying our proven business model, and focusing on the convenience-led, community-focused retail and leisure sectors where the UK household budget is spent day in, day out. We remind ourselves that the business was founded in 2009 during a severe recession and has grown into a FTSE 250 entity in less than eight years.

NewRiver is highly capable of enhancing shareholder value through its very active asset management programme and our strict adherence to risk-controlled development practices. Our business model remains highly scalable and we view the future with excitement and confidence.



---

David Lockhart

Chief Executive

15 May 2017

# Delivering returns at every stage

## What sets us apart

### Our people

- Experienced management team
  - In-house capability in investment, asset management, development and financial management
  - Lean, motivated and entrepreneurial head office team
- 

### Our portfolio

- High yield and low risk characteristics, hand-picked over the last eight years
  - Track record of high occupancy and affordable average rents
  - Ability to enhance income through active asset management
  - Opportunities to create income and capital growth through inbuilt risk-controlled development pipeline
- 

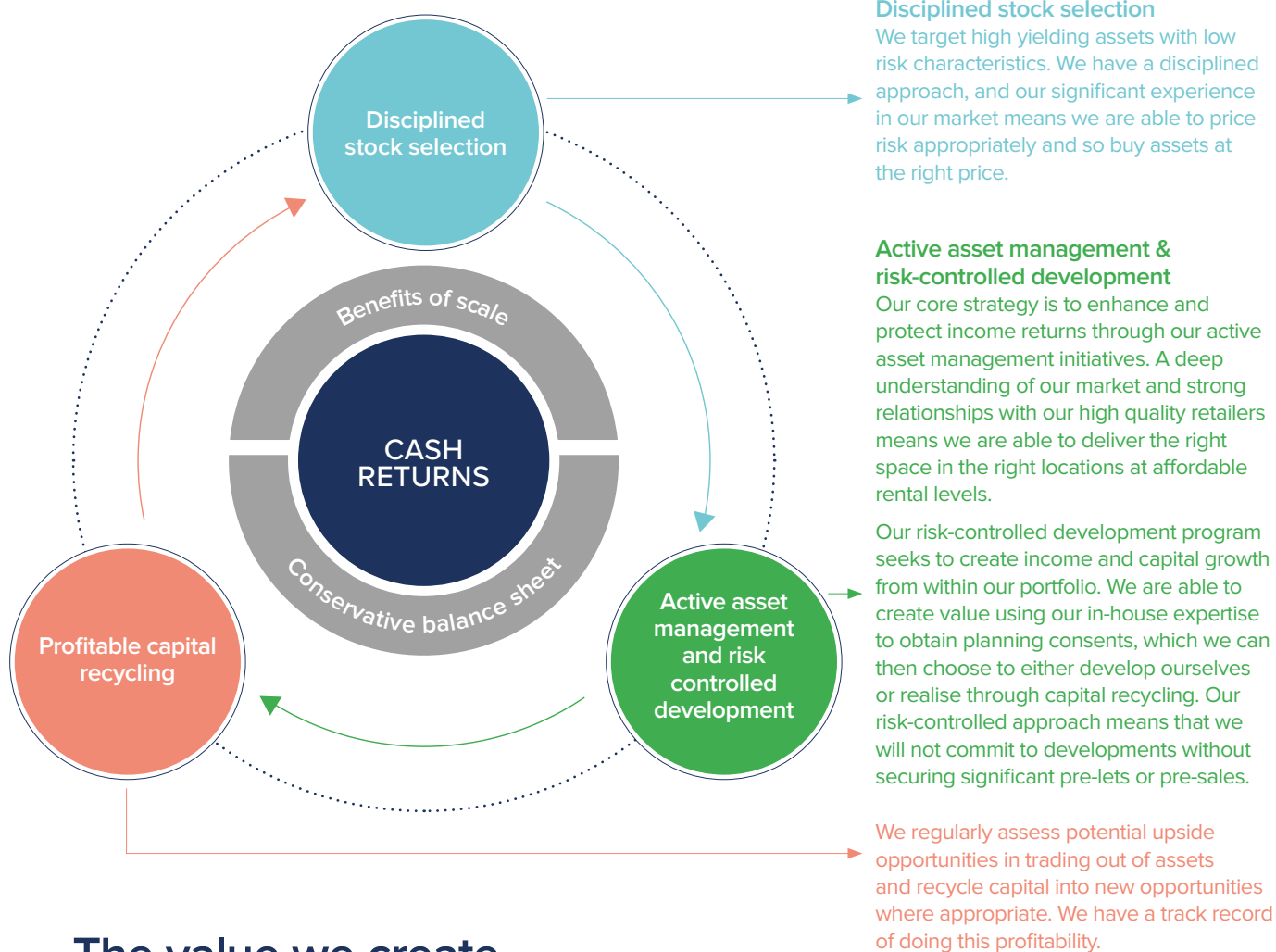
### Our key relationships

- Retailers and leisure operators: makes us aware of expansion plans and space requirements
  - Councils and communities: enables execution of asset management and development plans
  - External consultants: Facilitates off-market deal execution
  - Lenders: provides flexible & low cost financing
- 

### Our approach to risk

- Operational risk management: largest retailer accounts for less than 3% total of rent
  - Risk-controlled approach to development means we will not commit to developments without significant pre-lets or pre-sales
  - Comprehensive financial policies in place
  - Uncomplicated debt structure, 97% hedged, conservative LTV with high interest cover
-

## How we make money



## The value we create

### For our investors

- Growing & sustainable cash returns

Total dividend

**23.0p (+24%)**

- Continued growth in assets under management, gross rental income, FFO and dividend

Assets under management

**£1.3 billion**

### For our customers

- Low occupancy costs through affordable rents and business rate reductions

Average rent per sq ft    Business rate reductions of

**£12.45**

**19%**

across retail portfolio

### For our communities

- Thriving town centres and communities

Retail occupancy

**97%**

# Our aim is to create secure, sustainable and growing cash returns

At the core of our strategy and ethos is delivering superior returns to our shareholders. In order to achieve this, we have always recognised the importance of cash returns as demonstrated by our growing Funds From Operations and progressive dividend policy

Strategic priority	1 Disciplined stock selection	2 Active asset management
Strategic objective	To grow the business through selective acquisitions where we can add value and grow income streams	To implement active asset management initiatives across our portfolio to enhance and protect our income streams
Progress in FY17	<ul style="list-style-type: none"> <li>£158 million of strategic acquisitions at an average equivalent yield of 7.2%</li> <li>Largest single acquisition to date of £120 million of Broadway Shopping Centre and Broadway Square Retail Park in Bexleyheath</li> <li>Acquisition of retail warehouse in Sheffield for £18 million from open-ended property fund</li> </ul>	<ul style="list-style-type: none"> <li>Retail occupancy increased to 97% from 96% in March 2016</li> <li>355 leasing events completed, increased from 235 in FY16</li> <li>Long term leasing events completed 3.9% ahead of ERV</li> <li>Like-for-like net rental income increased by 1.2% through active asset management</li> </ul>
Priorities in FY18	<ul style="list-style-type: none"> <li>Remain active in the investment market and continue to target high yielding assets with low risk characteristics</li> <li>Progress asset management and risk-controlled development initiatives at Bexleyheath</li> <li>Progress repositioning of retail warehouse in Sheffield</li> </ul>	<ul style="list-style-type: none"> <li>Complete ongoing active asset management initiatives at the Abbey Centre, Newtownabbey and Coalville Retail Park</li> <li>Achieve business rates savings identified in FY17</li> <li>Sustain high level of retail occupancy</li> <li>Maintain affordable rents for occupiers to ensure sustainability of cash income</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>Total property return</li> <li>FFO</li> <li>Annualised rent roll</li> <li>Total accounting return</li> </ul>	<ul style="list-style-type: none"> <li>Total property return</li> <li>Annualised rent roll</li> <li>Leasing events</li> <li>Retail occupancy</li> <li>Total accounting return</li> </ul>

### 3 Risk-controlled development

To create income and capital value from within our existing portfolio (e.g. airspace above our assets) through new developments and redevelopments

- 77,100 sq ft of development projects completed, including eight convenience stores for the Co-op
- Planning secured on 62,000 Canvey Island development, and over 50% pre-let in the year
- Planning submitted on 236,000 sq ft mixed-use development in Cowley, Oxford
- Pre-lets secured on Burgess Hill, meaning now 49% pre-let

- Deliver our 15<sup>th</sup> c-store to the Co-operative to trigger £750k incentive payment
- Commence on-site at our 62,000 sq ft Canvey Island retail park development
- Commence on-site at our 465,000 sq ft mixed use development in Burgess Hill
- Secure planning consent at our 236,000 sq ft mixed-use regeneration in Cowley, Oxford

- Total property return
- Annualised rent roll
- Leasing events
- Total accounting return

### 4 Profitable capital recycling

To generate cash profits for our shareholders and prove our valuations through recycling mature assets and opportunistic disposals

- Sold £10.7 million of assets on terms 7% ahead of valuation and almost 30% ahead of total cost
- Includes £4.1 million of pub disposals at 10% ahead of valuation
- Includes first convenience store disposal for £1.0 million, at an initial yield of 4.85%

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

- FFO
- Total accounting return

### 5 Maximise benefits of scale/ Conservative balance sheet

To focus on driving efficiencies in our financing and operating costs to maximise cash returns to shareholders, while maintaining a conservative balance sheet

- Cost of debt reduced to 3.5% from 3.7% in March 2016
- Interest cover improved to 4.5x from 4.3x in FY16
- Rothschild & Co appointed as independent debt advisor in February 2017 to assist Management in completing a balance sheet refinancing exercise
- Admin cost ratio reduced to 15.1% from 18.5%

- Complete refinancing exercise, including moving from secured to unsecured debt with an improved maturity and potentially a cost benefit
- Maintain admin cost ratio below 16% over medium term

- FFO
- LTV
- Interest cover
- Admin cost ratio

# Measuring our strategic progress

We measure our progress against our strategic objectives with reference to our key performance indicators (KPIs). These KPIs are linked to our strategic priorities and in some instances are used to determine how management and employees are remunerated.

## Indicator

## What it is

### Total property return\*

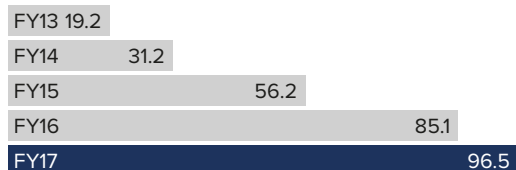
FY13: N/A  
 FY14: N/A  
 FY15: N/A  
 FY16: N/A

FY17 **6.8%**

**6.8%**

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

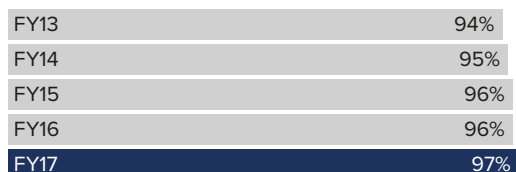
### Annualised rent roll



**£96.5m**

Annualised rent roll is a measure of the scale of our business and the success of our active asset management and risk-controlled development. It is disclosed on a proportionally consolidated basis, including rental income from joint ventures at our share.

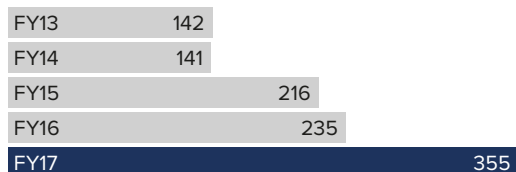
### Retail occupancy



**97%**

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

### Leasing events



**355**

The number of leasing events completed is a measure of how active we have been in our asset management over the year. Leasing events include new leases, lease renewals and lease regears.

\* This is the first year we have been included in the MSCI Real Estate databank, hence we cannot show our performance historically.



Further details on remuneration policies and the metrics used to determine remuneration are set out in the remuneration report on pages 78 to 101.

## Our performance

## How it links to our strategic priorities

We delivered a total property return of 6.8%, outperforming the MSCI-IPD All Retail benchmark by 400 bps. We delivered an income return of 7.4%, outperforming the benchmark by 230 bps, and a capital return of -0.6%, outperforming the benchmark by 170 bps.



We completed £158.4 million of acquisitions during the year, increasing our annualised rent roll by £12.6 million\*\*. Like-for-like net income increased by 1.2% due principally to our active asset management and risk-controlled development.



Retail occupancy increased from 96% to 97% in the period, due to our active asset management activity. This is the highest level of occupancy we have seen since the Company was founded almost 8 years ago.



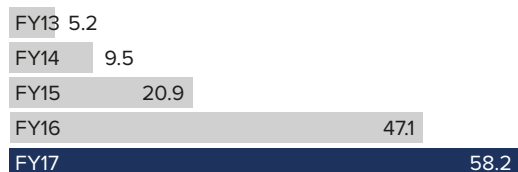
We completed 355 leasing events in the year, across both our retail and pub portfolios, which compares to the 235 leasing deals completed in FY16. These leasing deals were completed across 1.1 million sq ft of space, compared to 0.5 million sq ft in FY16. Long term deals were completed 3.9% ahead of our valuers' estimate of rental values.



**Indicator**

**What it is**

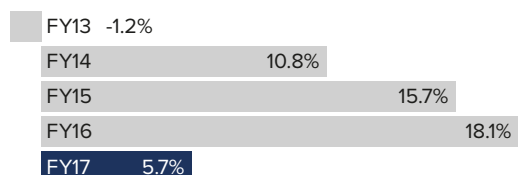
**Funds From Operations**



**£58.2m**

Funds From Operations ('FFO') is a Company measure determined by cash profits which includes realised recurring cash profits plus realised cash profits or losses on the sale of properties and excludes other one off or non-cash adjustments. FFO per share is used by the Company when considering our dividend policy.

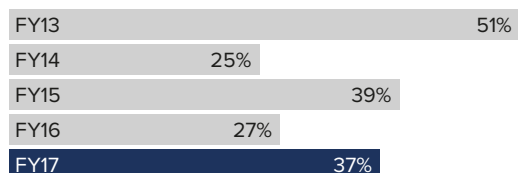
**Total Accounting Return**



**5.7%**

Total Accounting Return ('TAR') measures the change in EPRA Net Asset Value per share over the year, plus dividends paid, as a percentage of the EPRA Net Asset Value at the start of the financial year. TAR performance relative to UK listed Real Estate Investment Trusts is a key metric used in setting the long-term incentive plan ('Performance Share Plan') remuneration for Executive Directors and senior members of staff.

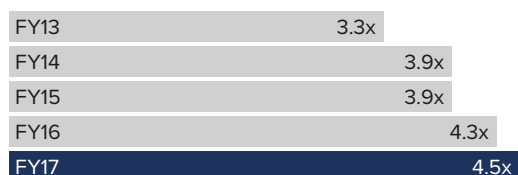
**Loan to Value**



**37%**

Loan to Value ('LTV') is the proportion of our properties that are funded by borrowings. The measure is presented on a proportionally consolidated basis, including our share of properties and borrowings held in joint ventures. Maintaining an LTV of less than 50% is one of our four key Financial Policies, and compliance with these policies contributes towards Executive Director variable pay.

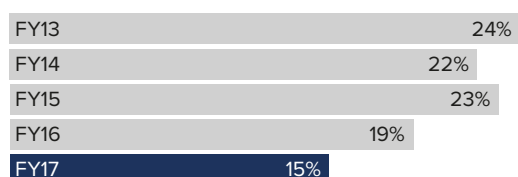
**Interest cover**



**4.5x**

Interest cover is the ratio of our operating profit to our net financing costs, on a proportionally consolidated basis, including our share of operating profit and net financing costs from joint ventures. Maintaining interest cover of more than 2.0x is one of our four key Financial Policies, and compliance with these policies forms part of Executive Director variable pay.

**Admin cost ratio**



**15%**

The Admin cost ratio the ratio of administrative expenses to gross revenue on a proportionally consolidated basis, including our share of administrative expenses and gross revenue from joint ventures. It is a measure of the operational efficiency of the Company.

Our performance	How it links to our strategic priorities
<p>FFO increased by 24% to £58.2 million in FY17, from £47.1 million in FY16. This increase was principally due to acquisition activity, including the surrender premium received on our retail warehouse acquisition in Sheffield.</p>	
<p>Total Accounting Return was 5.7% on a paid basis. This return is principally due to 19.75 pence per share of dividend paid in the year, offset by a marginal decline in EPRA Net Asset Value per share of 3 pence.</p>	
<p>Our LTV was 37% at 31 March 2017, increased from 27% at 31 March 2016 due principally to acquisitions made in the year. While LTV has increased in the year, we have no intention of increasing our LTV in the near term and we are significantly below our upper limit of 50% as stated in our Financial Policies.</p>	
<p>Our interest cover was 4.5x in FY17, increased from 4.3x in FY16, due to acquisition activity and a reduction in our cost of debt from 3.7% to 3.5%.</p>	
<p>Our Admin cost ratio was 15% in FY17, reduced from 19% in FY16 as we have continued to benefit from our increasing scale.</p>	

# Active approach creating secure and sustainable income



**Allan Lockhart**  
Property Director

## Overview

### Conveniently positioned at the heart of the community

We are experts in the convenience-led, community-focused UK retail and leisure market and own, operate and actively manage a high quality, necessity based portfolio of assets that cater to the day to day needs of our consumers, retailers and communities. We are relevant, progressive and create attractive venues that cater to all daily needs.

To successfully drive value and returns for our shareholders we are focused on consistent and sustainable cash flows, the realisation of embedded asset management opportunities and the unlocking of redevelopment and development value.

We successfully apply a disciplined and focused plan to achieve the desired value and returns.

**Strategic:** Our stock selection is supported by a wealth of experience and discipline which means that we are able to assess and price risk appropriately.

**Active:** We are able to grow income and unlock value from within our portfolio through active asset management and risk-controlled developments. Either opportunistically or once we have successfully implemented our business plans, we are able to realise and distribute the value we have created to our shareholders, through profitable capital recycling.

**Intelligence through research and local market knowledge:** Across our retail portfolio, we conduct regular consumer surveys, so we understand how local residents are using our assets, what they value and what we can do to make their lives easier. These show a trend of high frequency visits and loyalty by our core customers. In our view, demographic

changes will be as influential if not more so than technology over the coming years and we are well positioned to benefit from the growth of the grey pound and undoubted benefits of click and collect.

**Engagement:** We have close and well established relationships with our retail and leisure occupiers. We understand their challenges, not least from rising input and staff costs, and we are focused on working with and on behalf of our occupiers to ensure that they will continue to operate profitably at our assets and grow their bottom line.

**Experienced and focused:** We benefit from an exceptionally talented team that is patient, determined and focused. We have scale within the business to drive efficiency and create value. Our occupiers listen to us and we listen to them.

With uncertainty comes opportunity and we have a proven track record of sustainable cash flow enhancement and value creation and we remain well-positioned for the future.

## The team to take us forward



**Emma Mackenzie**  
Director



**Stuart Mitchell**  
Director



**Charles Spooner**  
Director



**Paul Wright**  
Director



**David Shipton**  
Director of Pubs and Leisure



**Justin Thomas**  
Director of Residential Development



**Jamie Whitfield**  
Director of Commercial Development



**Ben Green**  
Director of Construction



**Katie Johnson-Heskins**  
Head of Financial Planning and Analysis



**Lucy Mitchell**  
Director of Marketing

## Highlights

- Assets under management increased by 14% to £1.3 billion (NRR share £1.1 billion)
- Portfolio capital return down 0.6% including acquisition costs; H2 +0.5% mitigating 1.0% fall seen in H1
- Ungearing total property return +6.8%, outperforming the MSCI-IPD All Retail benchmark by 400 bps
- £158.4 million of acquisitions at an average equivalent yield of 7.2%
- Occupancy increased to 97% from 96% in March 2016; maintained above 94% since NRR was founded in 2009
- 355 total leasing events across 1,108,700 sq ft; new long term retail leasing events on average 3.9% ahead of ERV
- Like-for-like net income +1.2%; affordable average retail rent of £12.45 per sq ft (March 2016: £12.14 per sq ft)
- Like-for-like footfall +0.5%, outperforming benchmark by 210bps
- Eight further convenience stores handed over to Co-operative taking total delivered to date to 11
- Planning granted on 192,900 sq ft, including 62,000 sq ft Canvey Island Retail Park, already over 50% pre-let
- 384,800 sq ft of planning applications submitted, including 236,000 sq ft mixed-use regeneration in Cowley, Oxford

## Portfolio performance

As at 31 March 2017	Valuation NRR share £m	Weighting NRR share %	H2 Capital Return %	FY Capital Return %	NIY %	NEY %	LFL ERV Growth %
Shopping centres	697	61	+0.6	(0.8)	6.9	7.7	1.6
Retail warehouses	153	14	+0.6	+0.5	6.4	7.3	2.1
High street	45	4	(2.7)	(3.9)	7.1	6.9	2.5
Pubs & c-stores	178	16	+0.6	(0.9)	10.8	10.8	N/A
Development	57	5	+1.5	(0.5)	N/A	N/A	N/A
<b>Total</b>	<b>1,130</b>	<b>100</b>	<b>+0.5</b>	<b>(0.6)</b>	<b>7.5</b>	<b>8.1</b>	<b>1.7</b>

During the year, our portfolio valuation at NRR share increased to £1.13 billion, from £0.97 billion in March 2016. Acquisitions accounted for the majority of the increase, offset by a marginally negative capital return of -0.6%, which includes acquisition costs and capital expenditure incurred. Capital returns fell in the first half by 1.0%, as the investment market stalled in the immediate aftermath of the EU Referendum, but importantly capital returns for the second half of the financial year were +0.5%.

Our capital return compares favourably to the market, outperforming the MSCI-IPD All Retail benchmark of -2.3% by 170 bps. Moreover, we delivered a total property return of 6.8%, significantly outperforming the benchmark of 2.8% by 400 bps.

The portfolio equivalent yield stands at 8.1% in March 2017, from 8.2% in March 2016. The equivalent yield on our Shopping Centres, which account for 61% of our portfolio, has compressed from 7.9% to 7.7%, principally following the acquisition of our assets in Bexleyheath.

## Assets Under Management\*

# £1.3 billion

\* NewRiver share: £1.1 billion

## Portfolio equivalent yield

# 8.1%

## Retail occupancy

# 97%

## Shopping Centres

# 33

## Retail Warehouses

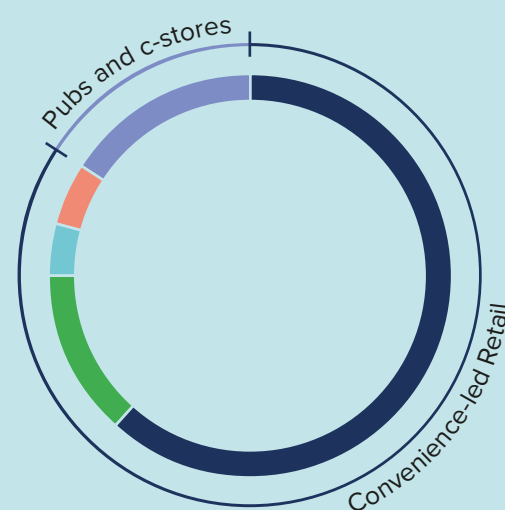
# 22

## High Street Assets

# 15

## Pubs

# 344



● Shopping centres	61%
● Retail warehouses	14%
● High street (Big Boxes)	4%
● Retail development	5%
● Pubs and convenience stores	16%

# Disciplined stock selection

Since 1 April 2016 we have completed £158.4 million of acquisitions in three separate transactions, at an average equivalent yield of 7.2%.

From 1 April 2016	Price (gross) £m	Price (NRR share) %	Equivalent Yield %
Broadway Shopping Centre & Retail Park, Bexleyheath	120.3	120.3	7.0
Cuckoo Bridge Retail Park, Dumfries	20.2	20.2	7.9
Retail warehouse, Sheffield	17.9	17.9	7.6
<b>Total acquisitions</b>	<b>158.4</b>	<b>158.4</b>	<b>7.2</b>

## Bexleyheath

Our most significant acquisition was in Bexleyheath, South East London, where in April 2016 we purchased both the Broadway Shopping Centre and the Broadway Square Retail Park for a total cost of £120.3 million at a blended equivalent yield of 7.0%. The assets were acquired from an institutional vendor, and represent NewRiver's largest single asset acquisition to date. The Bexleyheath assets were 100% occupied at acquisition, and provide a balanced range of convenience, food and fashion retailers to the local community, in-line with our wider portfolio. In total, the assets comprise 525,000 sq ft of space, representing over 60% of the town's retail space and provide the principal retail destination for a South East London borough earmarked for significant growth with attractive and sustained footfall of over 9 million per annum.

We believe that the assets are well placed to benefit from rental growth due to the combination of an affluent and growing local population, high occupancy and strong underlying retailer sales. Furthermore, having purchased from an institution, at acquisition we identified a number of opportunities to use our active asset management and risk-controlled development approach to unlock capital growth.

We have been active in the year since acquisition, completing 23,300 sq ft of leasing activity with WH Smiths, Vodafone, Card Factory, Claire's and McDonalds and improving the rental tone of the shopping centre by 15% which is already ahead of our underwriting assumptions. On 13 April 2017, following a comprehensive fit out, London based Morleys Department Stores opened at the centre in the 40,000 sq ft unit vacated by BHS in August 2016. The opening of this new store has been a real success for Morleys, and we have benefitted from increased footfall across the rest of the shopping centre. After absorbing acquisition costs, we have already seen a 3.7% capital return in our first year

of ownership, and as we underwrite all acquisitions on a five year view we have identified a number of other active asset management initiatives which we will roll out over the next few years.

We have worked in partnership with the London Borough of Bexley to design a masterplan for the shopping centre, retail park and surrounding council owned land. As part of this process we have identified the potential to build a number of towers in the airspace above our existing ownership, and whilst we are unlikely to build all of these towers, we have now included provision for up to 300 units within the 'early feasibility stage' section of our risk-controlled development pipeline. Importantly, although we commissioned a structural assessment of the assets as part of our pre-acquisition due diligence, we did not include any upside regarding the development potential in our conservative acquisition underwriting assumptions.

## Dumfries

In June 2016, we completed the acquisition of Cuckoo Bridge Retail Park, Dumfries, in an off-market transaction for total consideration of £20.2 million. The asset is 100% occupied and comprises 130,000 sq ft of income generating space across seven retail and two drive through units, with 550 car park spaces. The acquisition equated to an equivalent yield of 7.9% with net rental income of £1.5 million per annum and a weighted average lease expiry at acquisition of 8.3 years. Cuckoo Bridge is the dominant retail park in Dumfries, with a strong and isolated catchment, and is located adjacent to a 24 hour Tesco supermarket which provides the main food offer for the town. Anchored by Homebase, the retail park offers a good mix of occupiers including B&M, Poundstretcher, Laura Ashley, KFC and Costa Coffee.

At the time of acquisition, we identified several opportunities to drive income and capital growth by further improving the occupier line-up and have

agreed heads of terms with a fashion/homeware occupier to introduce a 20,000 sq ft full line store subject to obtaining planning consent which is anticipated in the next few months.

### Sheffield

In September 2016, we moved quickly to complete the acquisition of a retail warehouse in Sheffield from an open-ended property fund for £17.9 million, representing an equivalent yield of 7.6%. The 11 acre site comprises a 110,000 sq ft retail warehouse unit and 580 car parking spaces, and is well located 2.5 miles east of Sheffield city centre and in close proximity to Meadowhall shopping centre.

The asset presented an attractive value-creating opportunity for NewRiver with the unit let to a home improvement retailer no longer in occupation due to over representation in the area. As we completed the acquisition, we simultaneously exchanged contracts with the home improvement retailer to accept a surrender premium of up to £12.25 million to release them from their lease obligations, meaning that in essence we acquired a prominently located retail warehouse for £6 million or less than £55 per sq ft in capital value terms. The timing of the surrender premium was flexible, and we had until early May 2017 to exercise the option.

Since acquisition, we have made good progress in our plans to reposition the asset and in March 2017,

having moved into advanced negotiations with a number of potential occupiers and purchasers, we requested and received a surrender premium of £10.8 million, having received £0.7 million of rent in the interim. While our plans are not final at this stage, it is likely we will subdivide the existing retail warehouse into 4-5 units, build two drive through units in the car park and sell a portion of the site to a value food retailer or a self-storage operator. Pleasingly, at 31 March 2017 the asset has been valued at over 50% more than our effective purchase price.

### Profitable capital recycling

Since 1 April 2016 we have completed £10.7 million of disposals, on terms 7% ahead of valuation and almost 30% ahead of total cost (being purchase price plus subsequent capex).

During the year we completed the disposal of two assets which were acquired in July 2015 as part of the Ramsay portfolio. At acquisition, the Ramsay portfolio included nine retail parks and four development sites located adjacent to upper-quartile performing Morrison's foodstores. In August 2016 we sold a development site in Newquay for £700,000, and in September we sold Leafield Retail Park in Dumfries for £2.7 million. These disposals were completed marginally ahead of March 2016 book value, and 33% ahead of the price paid in July 2015.

We made a number of disposals across our pub portfolio comprising pub sales to tenants, sales of non-core ancillary land and the sale of our first convenience store. In total we sold seven pubs for £4.1 million, a 10% premium to March 2016 valuation, and over a 30% premium to purchase price. We sold two plots of land adjacent to pubs at the Royal Oak, Kings Bromley and the Ostrich Inn, Longford for £86,000 in aggregate. These plots were held at zero value, and so although small in size they demonstrate the incremental value we are able to extract from the pub portfolio.

In early 2017 we decided to test the convenience store investment market by offering the Spital Lane Co-op, a c-store pub conversion completed in April 2016 and let to the Co-op on a 15 year RPI linked lease, for sale at auction. The auction was held in February 2017 and the c-store was sold to a private investor for £970,000, representing an initial yield of 4.85%, and over 11% ahead of valuation.

We will continue to recycle mature assets, assets where our estimates of forward looking returns are below acceptable levels and assets where we believe that the risk profile has changed.



1 Broadway Shopping Centre & Broadway Square Retail Park, Bexleyheath

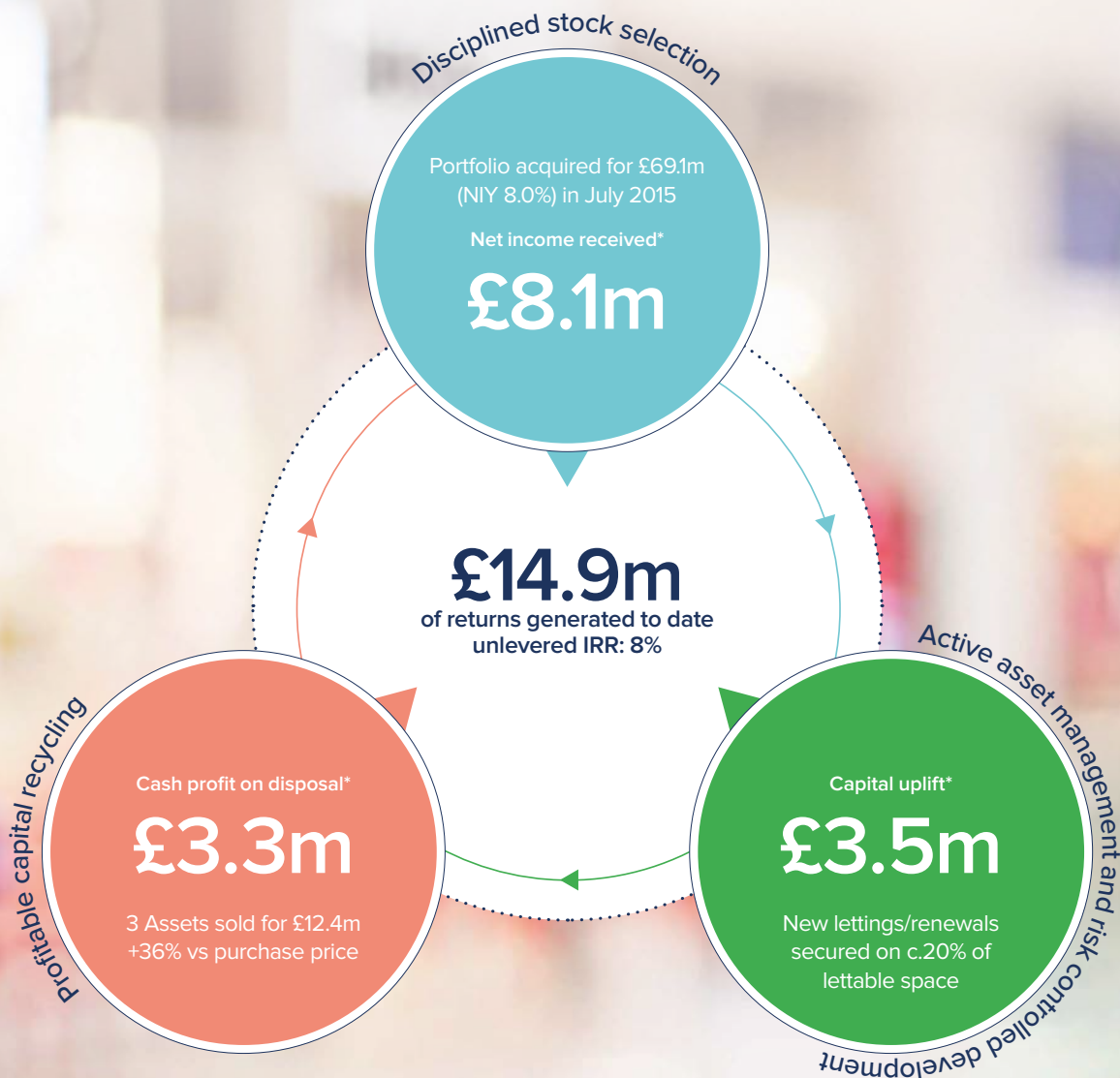


2 Spital Co-op, Chesterfield

# Business model delivering: Ramsay retail warehouse portfolio

The Ramsay Portfolio was acquired in July 2015 for a total consideration of £69.1 million reflecting a net initial yield of 8.0%.

Since acquisition we have created unlevered returns of £14.9m and an unlevered Internal Rate of Return (IRR) of 8%.



\* Since acquisition



## Disciplined stock selection

Comprised 463,000 sq ft of lettable space across 13 geographically diverse assets adjacent to upper-quartile performing Morrisons food stores.

**9**  
conveniently  
positioned  
retail parks

**4**  
development sites each with  
approved planning consents



## Active asset management

New lettings/renewals secured on almost 20% (91,000 sq ft) of the total 463,000 sq ft of lettable space acquired

## Risk-controlled development

Planning  
granted on

**62,000 sq ft**  
retail park development at Canvey Island

Planning submitted  
in Stamford for

**100**  
residential units  
in March 2017

**52%**  
pre-let



**SPORTS DIRECT**



Stamford plan



Canvey Island CGI

## Profitable capital recycling

	Acquisition £m	Disposal £m	Profit £m	Disposal Date
Glasgow (development site)	6.4	9.0	2.6	Jan-16
Newquay (development site)	0.5	0.7	0.2	Aug-16
Dumfries Leaffield Retail Park	2.2	2.7	0.5	Sep-16
	<b>9.1</b>	<b>12.4</b>	<b>3.3</b>	

# Active asset management

Our active asset management is a key driver of long-term capital value and the generation of cash returns to shareholders.

We have an active and hands on approach to asset management utilising our in-house expertise, a deep understanding of our market and strong relationships with our occupiers which means we are able to deliver the right space in the right locations.

## Retail

We continued to sign leases on terms ahead of valuers' estimates in the year, completing 333 new lettings and renewals across our retail portfolio, with long term deals secured on average 3.9% ahead of March 2016 ERV. These deals were spread evenly over the year, across 993,300 sq ft which is over 10% of the lettable space in our retail portfolio, reflecting our active asset management approach. Our increased scale means that we can offer occupiers the opportunity to complete deals on a portfolio basis and during the year we completed 8 lease renewals with Peacocks/Edinburgh Woollen Mill across 54,400 sq ft, securing a 13.4% increase in passing rent to £634,000. This high volume of leasing activity means that our occupancy rate was 97% at March 2017, a significant increase from 96% in March 2016.

Our average rents remain affordable at £12.45 per sq ft, with the increase from £12.14 at March 2016 due predominantly to the assets purchased in Bexleyheath. The combination of our high occupancy and affordable average rents indicates to us that retailers are trading profitably at our assets, underpinning the sustainability of our income. This affordability will be further supported by the 2017 business rates revaluation, with draft rateable values showing that across our retail portfolio in England, Scotland and Wales rateable values will fall by over 19% on average, with over 90% of our occupiers benefitting from this saving.

Footfall across the shopping centre portfolio totalled 149 million during the year, up 0.5% compared to last year on a like-for-like basis and outperforming the national benchmark by 210 bps. Footfall was particularly strong at assets where we have recently completed active asset management or risk-controlled development initiatives. For example, at The Forum Shopping Centre, Wallsend, like-for-like footfall was up 11%, due principally to the opening of a new 18,500 sq ft Aldi and 1,450 sq ft Burger King in the second half of the year. Downward footfall movements were often linked to ongoing and planned development activity. For example, at the Abbey Centre, Newtownabbey,

footfall was down almost 9% mainly due to the volume of ongoing development and enhancement works at the centre, such as the new Next anchor store which opened in December 2016, which we believe will drive future footfall. Reflecting the impact of our actions, we saw ERV growth of almost 7% in the year at the Abbey Centre, and a capital return of almost 3%.

A year ago we had exposure of 1% of total rent to BHS, spread across three centres. Ahead of the BHS administration, we advanced plans to secure alternative occupiers and we have made good progress in re-letting these units. At the Abbey Centre, we agreed a temporary letting of the former BHS unit to Dunnes Stores, the leading Irish department store operator, to allow them to continue to trade whilst we extend their current unit by 15,000 sq ft. We have terms agreed with a best in class retailer to take occupation of the 40,000 sq ft former BHS unit at the end of the temporary Dunnes lease. At Priory Meadow, Hastings we have terms agreed with a major flagship retailer that we believe will be a major attraction to the centre and at the Burns Mall Shopping Centre, Kilmarnock, we are actively pursuing a subdivision and are in discussions with a range of retail and leisure operators.

As well as our shopping centre portfolio, we remained active across our retail warehouse portfolio. During the year we completed a comprehensive programme of asset management enhancements at Clough Road Retail Park in Hull, having acquired the asset in June 2014 as part of the Linear Portfolio. We paid £7.5 million for the 95,500 sq ft park which was only 85% let, was in need of investment and had adjacent PC World and Currys units. Within a year of acquisition, we had let the vacant unit to Go Outdoors and the park was fully occupied. In the year under review, we signed a new 10 year lease with Currys and negotiated the surrender of the PC World unit, which we then sub-divided and re-let to Office Outlet and Halfords at an improved rental level. In November 2016, we completed the construction of a Costa coffee pod in the car park, signed on a 15 year lease, taking total investment in the asset to £1.2 million, and driving a valuation uplift since acquisition of over 30%.

## Retail highlights

Occupancy

**97%**

New lettings and renewals

**333**

Average rents per sq ft

**£12.45**

Shopping centre footfall

**149m**

Occupiers

**2,000**

Total retail space

**8.1m sq ft**



Morleys department store, Broadway Shopping Centre, Bexleyheath (former BHS unit)



Clough Road Retail Park, Hull



Aldi and Burger King, Forum Shopping Centre, Wallsend



Primark, Abbey Centre, Newtownabbey

### Marketing & commercialisation

The principal objective of our shopping centre marketing is to drive footfall, dwell time and spend because if our retailers are successful, our shopping centres and our business are successful. We seek to achieve these marketing objectives by delivering an outstanding customer experience through innovative, high-quality and consistent marketing.

In today's retail and leisure environment achieving these objectives requires highly targeted, smart and creative marketing by working in close partnership with our retailers to ensure that our marketing achieves the greatest return on investment.

Successful engagement with our shoppers and retailers relies on a detailed understanding of our shoppers' needs and the goals and challenges of our retailers. To this effect, this year we have begun developing bespoke retailer campaigns that utilise the brands of the world-class retailers we have within our portfolio to deliver marketing campaigns that integrate the brick and click by driving click and collect usage for our physical store retailers.

Our 33 shopping centres are convenience-led, community-focused retail and leisure hubs so providing consistent convenience, affordability and accessibility is paramount. Our 2017 shopping centre consumer surveys reported a 4-fold increase in the usage of click and collect at our centres, with 2.3% of shoppers who visited using click and collect, up from 0.6% in 2015. In 2017, the average click and collect spend (online spend collected at the centre) was £44. Importantly, 57% of those shoppers went on to make an additional spend of £24.82 on retail and 24% made an additional spend of £5.40 on catering. The NewRiver click and collect shopper is therefore worth an average of £60 versus the non-click and collect shopper who is spending £25.46 on average per visit. In summary, from 2015 we have grown click and collect user volumes by almost four times, those shoppers are worth over twice as much as the non-user and are a highly valuable customer to target for the benefit of our retailers.

We are working on ways to bridge the gap between online and offline shopping across our portfolio and channel customer spend back into store. During this financial year we ran a sector-first marketing

initiative with Amazon called "Lucky Codes", becoming the first UK shopping centre owner to partner with Amazon in a bespoke campaign to drive awareness and usage of the Amazon Lockers located at 20 of our centres. Importantly, it was an exciting opportunity for us to offer our customers new ways to shop with us. Click and collect works well for both our customers and our shopping centres. Our customers enjoy free and convenient deliveries and returns whilst our centres benefit from uplifts in sales and footfall as a result of people choosing the lockers as their means of delivery.

The Outcome:

- Lucky Codes rewarded customers using the lockers and shopping in the centre between Black Friday (25 November 2016) through to 2 December 2016 and featured a fully integrated marketing campaign.
- The campaign was targeted specifically at the over 35 age bracket linked to research recently published by Savills that the Over 35's are the largest users of click and collect, with a large number owning their own houses, cars and having families as well as being primary shoppers within the NewRiver portfolio. We therefore saw an opportunity to capture a new customer within our catchments.
- 18,000 emails were issued from Amazon to their Amazon customers within the postcode sectors of all 20 participating centres. That email achieved a 28% open-rate, being opened by over 5,000 customers who are now aware they can click and collect at our centres.
- As a result of the campaign, footfall across the participating centres was +4% and was +2% ahead of the target.
- Amazon Locker usage was up +40% and +30% ahead of target.

We continue to drive our marketing forward creating significant economies of scale as we drive innovation, improve sophistication, consistency and co-ordination at a corporate and asset level in a variety of ways to ensure our shoppers are happy and our marketing is achieving the greatest return on investment for our retailers.

Increasing the volume of commercialisation activity across our retail portfolio has been an area of focus for NewRiver for a number of years, as it represents a significant opportunity to generate incremental income from our existing assets as well as increasing customer dwell time and basket spend. During the year to March 2017, commercialisation income grew by an impressive 41% to £3.2 million from £2.3 million in March 2016. Whilst this increase was fuelled by acquisitions, even on a like-for-like basis the growth was still almost 9%.

Highlights for the year have included investing in purpose-built kiosks for temporary promotions to improve mall aesthetics. They have also generated increased income and a second phase of investment is now underway. We have seen a dramatic improvement in mall aesthetics with over 80 bespoke mall kiosks now installed, 26 of which are independent retailers all investing in a future with NewRiver. At Bexleyheath we have introduced Krispy Kreme and Mr Pretzels to our portfolio, both of which are now in discussions to expand across other centres in the portfolio.

During the year we signed ten year leases with our preferred mobile phone accessories operator, Top Gift, which include scheduled kiosk upgrades to keep the offer fresh. Contracts are now also in place with Elonex for the installation of digital advertising screens in the 17 centres and four further centres now have large format external advertising panels.



Beach event at Priory Meadow Shopping Centre, Hastings



New café opening at Morleys. Broadway Shopping Centre, Bexleyheath



Fashion event at Hillstreet Shopping Centre, Middlesbrough



Fitness event at Hillstreet Shopping Centre, Middlesbrough



Amazon locker at Hildreds Shopping Centre, Skegness

## Pubs

### Pub portfolio movements

	# Pubs acquired	Pubs sold	Closed for C-store conversion	# Pubs held at 31 March 2016	Pubs sold	Closed for C-store conversion	# Pubs held at 31 March 2017
Trent	202	(2)	(3)	197	(4)	(4)	189
Mantle	158	–	–	158	(3)	–	155
<b>Total</b>	<b>360</b>	<b>(2)</b>	<b>(3)</b>	<b>355</b>	<b>(7)</b>	<b>(4)</b>	<b>344</b>

In October 2013, we acquired a portfolio of 202 pubs from Marston's Plc (the 'Trent' portfolio). Each pub in the portfolio was handpicked by management for its high roadside visibility, high passing footfall and prominent location, with the intention of converting a significant number of them for retail/residential use. The pubs in the portfolio traded strongly, with high occupancy and strong income returns, and consequently in August 2015 we acquired a second portfolio of 158 pubs from Punch Taverns (the 'Mantle' portfolio). We have since sold nine pubs, many of which were to existing tenants, and closed seven for convenience store conversion meaning we now have 344 pubs remaining in our portfolio.

At the time of the Trent portfolio acquisition, we signed a four year leaseback agreement with Marston's Plc, which comes to an end at the end of 2017. We have been active in negotiating the transfer of a number of pubs in advance of the deadline, with 35 pubs transferred to NewRiver with existing tenancies in place and 9 pubs transferred to be operated by LT Management, the specialist pub management company that already manages the Mantle portfolio on our behalf. Further to these transfers, in December 2016 we secured contracted income on 22 pubs by surrendering the leaseback arrangement 13 months early and agreeing new 15 year RPI linked leases with Marston's PLC.

We have in place a structured programme to transfer the remaining 123 Trent pubs to the management of NewRiver and LT Management, and through a detailed estate review, involving all relevant stakeholders, we have split the transfer into small batches in order to manage the programme effectively. The first tranche of pubs will be transferred in May 2017 with the last batch transferring by the end of the agreement. Throughout the programme our team will be visiting each site and working with the publicans to ensure a smooth transition. We are confident that the majority of publicans will remain in their pubs during the transfer and our operations managers and instructed solicitors will ensure that new leases and tenancies are implemented seamlessly. For the minority of pubs where the publican intends

to vacate, we will implement our tried and tested lettings programme to recruit high quality publicans who will continue to grow the business. Throughout the transfer programme we are working closely with Marston's to ensure that the process is as smooth as possible.

### Trent portfolio transfer programme

Transferred to NewRiver	44
Leaseback surrendered and new 15 year leases agreed in FY17	22*
Closed for refurbishment/for disposal in FY17	2
Pubs to be transferred in tranches in the coming months	123
Trent pubs held at 31 March 2017	189

\* 21 pubs transferred per the NewRiver REIT plc Third Quarter Company Update, with one additional pub added subsequently

Across our entire pub portfolio we are making targeted capital investment in order to drive trade and increase values. Since 1 April 2016, we have completed works on nine of our pubs, investing more than £100,000 in projects including external redecoration and improved signage to enhance curb appeal, internal refurbishment to enhance the customer experience and extensive works to improve kitchens, toilets and tenant accommodation. At those pubs where we have completed refurbishment works we have seen significant improvements to both rental income and sales volumes, and we have a further £2.3 million of capital expenditure planned over the next twelve months.

Lastly, as part of the 2017 business rates revaluation our pub operators will save 40% on average on business rates from 1 April 2017 when the business rate relief threshold rose from £6,000 to £12,000.



Before – West Hill Tavern, Brighton



After – West Hill Tavern, Brighton



Ashmore Inn, Wolverhampton (Griffiths Drive Co-op)



Hope & Anchor, Ross on Wye



Nags Head, Buckingham



Luckwell Hotel, Bristol

# Creating an exciting retail and leisure destination in the heart of the community

## The Abbey Centre, Newtownabbey

Acquired from the Royal Bank of Scotland in August 2014 as part of the 'Swallowtail' shopping centre portfolio, along with Priors Meadow in Hastings and The Avenue in Newton Mearns.

### Key facts since acquisition

Total retail space

**320,000 sq ft**

Increased by 21%

Valuation

**£81.6m**

Increased from £62.6m

Total capex spend

**£7.0m**

Total return

**32%**

Since acquisition





Doubling Dunnes Stores  
Increased the retail space from 20k sq ft to  
**35k**  
sq ft



Active asset management and risk controlled development

Next upsize  
**+29k**  
sq ft to  
**44k**  
sq ft

Nandos opened in April 2017  
**3.5k**  
sq ft

New Look  
To occupy the former  
**15k**  
sq ft Next store

- New occupiers introduced
- JACK & JONES
  - CAFFE NERO
  - PANDORA
  - NEW LOOK
  - Nando's
- Upsized occupiers
- next
  - DUNNES STORES



# Risk-controlled development

## Total development pipeline

	Shopping Centre Sq ft	Retail Warehouse Sq ft	Hotel Sq ft	C-stores Sq ft	Residential Sq ft	Total Pipeline Sq ft	Let/ Pre-let* %
Completed in period/Under construction	59,000	3,300	–	40,800	–	103,100	100
Planning granted	279,300	65,600	58,400	56,900	220,400	680,600	59
In planning	6,600	12,000	29,300	13,500	340,800	402,200	70
Pre-planning	–	32,000	–	17,100	171,700	220,800	35
<b>Near-term pipeline</b>	<b>344,900</b>	<b>112,900</b>	<b>87,700</b>	<b>128,300</b>	<b>732,900</b>	<b>1,406,700</b>	
Early feasibility stages	127,600	68,400	30,000	–	291,900	517,900	
<b>Total pipeline</b>	<b>472,500</b>	<b>181,300</b>	<b>117,700</b>	<b>128,300</b>	<b>1,024,800</b>	<b>1,924,600</b>	

\* Excluding residential

We have made significant progress on our risk-controlled development pipeline which now totals 1.9 million sq ft (1.4 million sq ft in the near-term) across our retail (1,653,100 sq ft) and pub (271,500 sq ft) portfolios, and which we believe will be a key driver of long term returns for our shareholders.

Our development strategy includes:

- Regeneration of existing space (e.g. new food court at Montague Centre, Worthing)
- Development of sites acquired in portfolio acquisitions (e.g. Canvey Island retail park)
- Capitalising on opportunities above or adjacent to existing assets (e.g. Cowley, Oxford, new build c-store/residential development)
- Complete redevelopment of existing assets (e.g. Burgess Hill, c-store/residential pub conversions)

During the period, we completed 77,100 sq ft of development across 11 assets, with 26,000 sq ft of development currently under construction.

Since the start of the period, we have secured planning permission for 192,900 sq ft of development, including Canvey Island Retail Park and an 85 bedroom hotel in Romford. We have submitted planning applications on 384,800 sq ft of development, including 236,000 sq ft mixed-use regeneration in Cowley, Oxford and a 100 unit residential scheme in Stamford.

### Retail

#### Completed in period/Under construction

**Abbey Centre, Newtownabbey:** At the Abbey Centre, located 6 miles to the north of Belfast, a new 44,000 sq ft Next anchor store was handed over for fit-out in August 2016 on schedule and within budget and Next were delighted with the finished product. The store opened on 14 December 2016

## Retail portfolio development pipeline

	Shopping Centre Sq ft	Retail Warehouse Sq ft	Hotel Sq ft	Residential Sq ft	Total Pipeline Sq ft	Let/ Pre-let* %
Completed in period/Under construction	59,000	3,300	–	–	62,300	100
Planning granted	279,300	65,600	58,400	161,700	565,000	53
In planning	6,600	12,000	29,300	300,200	348,100	61
Pre-planning	–	32,000	–	147,800	179,800	n/a
<b>Near-term pipeline</b>	<b>344,900</b>	<b>112,900</b>	<b>87,700</b>	<b>609,700</b>	<b>1,155,200</b>	
Early feasibility stages	127,600	68,400	30,000	271,900	497,900	
<b>Total Retail pipeline</b>	<b>472,500</b>	<b>181,300</b>	<b>117,700</b>	<b>881,600</b>	<b>1,653,100</b>	

\* Excluding residential

and we understand that early trading has been ahead of forecast. We are now on-site with the subsequent phase of development works at the centre, constructing a 15,000 sq ft extension to create a 35,000 sq ft flagship unit for Dunnes Stores, the leading Irish department store operator, which we will hand over for fit-out works by the end of the summer 2017.

### Planning granted

**Canvey Island:** We acquired the site in Canvey Island, Essex, in July 2015 as part of the Ramsay portfolio, and submitted a planning application in June 2016 to create a 62,000 sq ft (87,000 sq ft including mezzanine) retail park. We received planning consent in early November 2016, and this consent was granted with no section 106 requirement nor any restriction on opening hours. The park is already 52% pre-let to B&M and Sports Direct, with a further 23% in solicitors' hands. This pre-letting activity has significantly de-risked the development, and so it is our intention to begin onsite works within the next six months.

**Burgess Hill:** We secured full detailed planning consent for our £65 million mixed-use redevelopment of Burgess Hill town centre in March 2016. The 465,000 sq ft project will provide a 10-screen multiplex cinema, a 63 bed hotel pre-let to Travelodge, a higher quality retail offer and new restaurant and leisure provisions, 174 additional car park spaces and an improved public realm, together with 142 new residential units and a new purpose built library. In the first half of the financial year, we exchanged contracts with Cineworld so that at 30 September 2016, the retail and leisure element of the scheme was 41% pre-let. Since then we have exchanged contracts on a further 24,500 sq ft with Next and Nandos, meaning that the retail and leisure element of the scheme is now 49% pre-let, with a further 10% in solicitors' hands. On the residential element of the scheme, we have terms agreed with a residential investment company for a significant pre-sale.

In order to facilitate the development, we have agreed terms with Lidl and Iceland to surrender and relocate to sites adjacent to the shopping centre, as well as agreeing to re-locate the local council owned library. All of this progress means that we hope to be in a position to start on site later in the summer.

### In planning

**Cowley, Oxford:** Templars Square shopping centre has been at the heart of Cowley, less than 2 miles from Oxford city centre, for over fifty years and its future success is of great importance to the local community. We have owned Templars Square since December 2012 and in November 2016 we

submitted a planning application for a 236,000 sq ft mixed-use development to rejuvenate the shopping centre, meet strong demand for new housing in the local area and add a much needed choice of restaurants and hotels to Cowley. The development will include a 71-bed hotel, 226 new residential apartments, modernised car parks and major improvement of the public realm. The leisure element of the scheme is already 82% pre-let, having exchanged contracts with Travelodge last year.

A combination of rationalisation of the existing car park provision, capitalising on the air space above the centre and site assembly have enabled a proposal with significant massing. The existing shopping centre will continue to trade throughout and we are confident that its rental tone will benefit from the improvement works. Having completed a comprehensive programme of community engagement and consultation both prior to and following the submission of our planning application, we anticipate that our planning application will be determined at Planning Committee in July 2017.

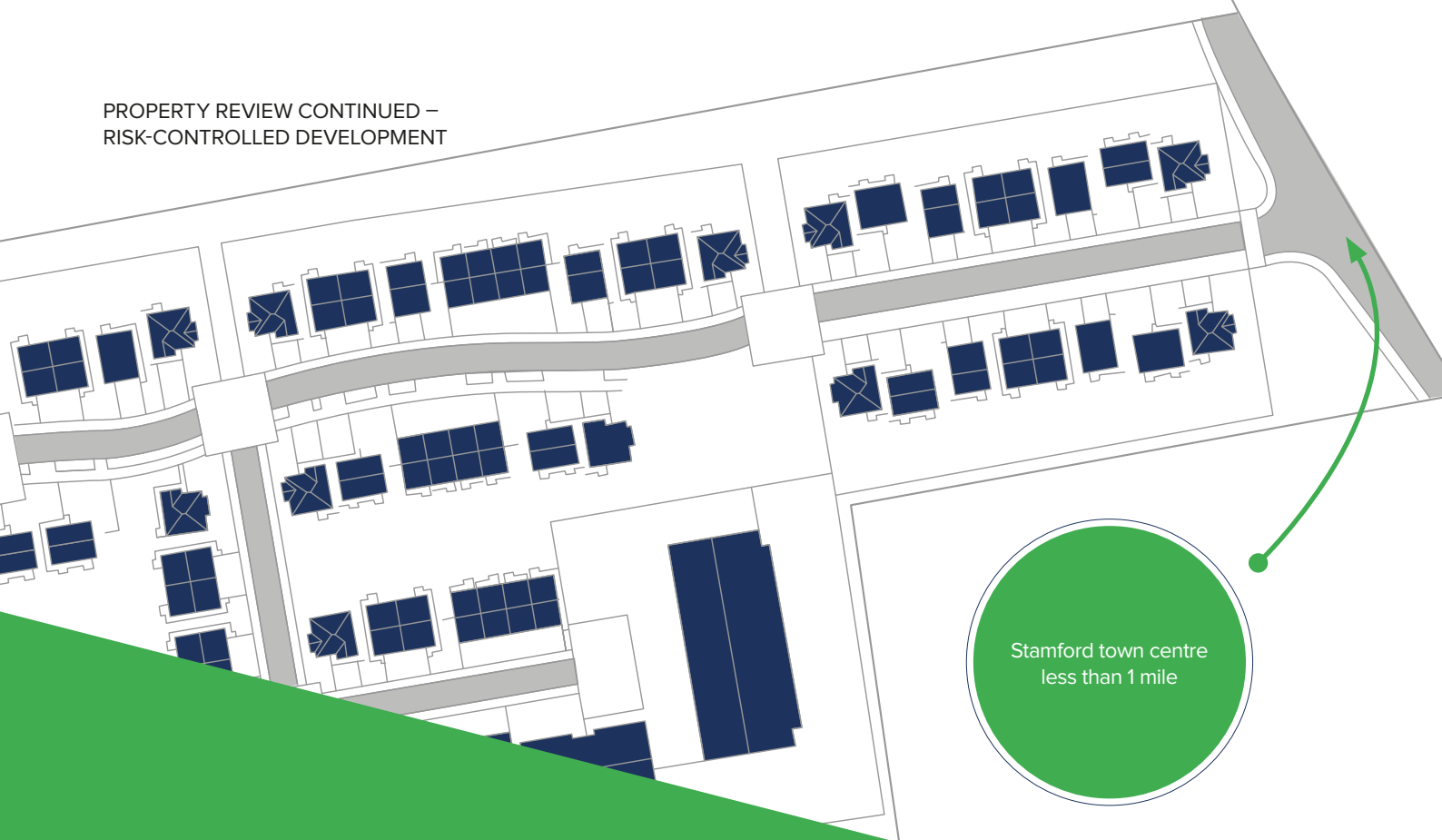
**Stamford:** We acquired the 8 acre site in Stamford, Lincolnshire, in July 2015 as part of the Ramsay portfolio, along with our Canvey Island development site and two other development sites. The site is well located less than 1 mile from the centre of Stamford and in March 2017 we submitted an outline planning application for the provision of up to 100 dwellings comprising a mix of house types and tenures.

### Pre-planning

**Capitol Shopping Centre, Cardiff:** We are in pre-application consultation with Cardiff Council to bring forward a major re-positioning of the Capitol Shopping Centre, acquired in January 2016 as part of the Neptune Portfolio. The centre is well located in the city centre, benefitting from a high volume of commuter traffic from Cardiff Queen Street Station as well as a significant student population. We plan to reposition the centre as a mixed retail and leisure destination, and construct 400 student accommodation units in the air space above the centre.

### Early feasibility stages

We believe that our risk-controlled development pipeline will be a key driver of future growth and we are currently reviewing a number of medium-term opportunities across our retail portfolio. These opportunities include 127,600 sq ft of extensions across our shopping centre portfolio and over 250,000 sq ft of residential potential above our Greater London shopping centres in Bexleyheath and Penge.



## Development of sites acquired in portfolio acquisitions

### Planning submitted: Stamford, Lincolnshire

#### Background:

- We acquired the 8 acre site in Stamford, Lincolnshire, in July 2015 as part of the Ramsay portfolio
- The site is located less than 1 mile from the centre of Stamford
- Acquired for £1.0m in July 2015
- Valued at £2.8m in March 2017

#### Our proposal:

- The regeneration of existing brownfield land to provide up to 100 new homes
- This will assist Stamford in meeting its future housing need by providing a mix of two, three and four bedroom family homes with a range of house types
- Improve and enhance habitats, introducing biodiversity through Green Infrastructure and improving connections to surrounding green spaces
- Provision of two acres of public open space with linear parks connecting to existing footpath network and access to Burghley Park

#### Progress/next steps:

- We submitted an outline planning application in March 2017
- Planning to be determined Summer 2017
- If successful, sell site with the benefit of planning to return capital profit to our shareholders

#### Delivering our business model





# Capitalising on opportunities above or adjacent to existing assets

## Early feasibility stages: Blenheim Shopping Centre, Penge, London

### Background:

- Acquired from an institution in December 2015 for a total consideration of £6.9m reflecting a net initial yield of 6.2%, and an equivalent yield of 7.9%
- Located in South East London, a short walk from Crystal Palace Park
- Public Transport Accessibility Level score of 5 (very good) supporting high density development

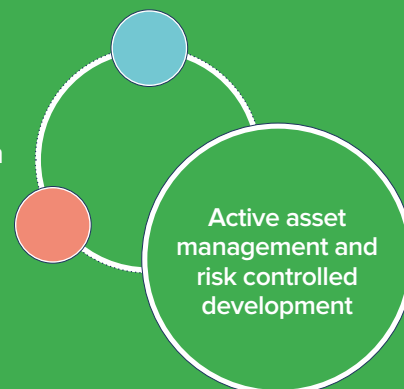
### Our proposal:

- Working to deliver a revitalised Greater London shopping centre along with significant residential development above the existing 216 space car park
- Improved public realm
- Modernised mall space
- Upper limit of 102 residential apartments which could enable a PRS scheme

### Progress/next steps:

- Completed surrender of the car park lease in May 2017 to unlock residential opportunity
- Pre-application submission and presentation to Bromley Council in June 2017
- Submit planning application in early 2018

### Delivering our business model



## Pubs portfolio development pipeline

	C-stores Sq ft	Residential Sq ft	Total Pipeline Sq ft	Let/ Pre-let* %
Completed in period/Under construction	40,800	–	40,800	100
Planning granted	56,900	58,700	115,600	100
In planning	13,500	40,600	54,100	100
Pre-planning	17,100	23,900	41,000	100
<b>Near-term pipeline</b>	<b>128,300</b>	<b>123,200</b>	<b>251,500</b>	
Early feasibility stages	–	20,000	20,000	
<b>Total Pubs pipeline</b>	<b>128,300</b>	<b>143,200</b>	<b>271,500</b>	

\* Excluding residential

### Pubs

As well as generating high levels of low risk cash returns, our portfolio of 344 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 with zero value, and opportunities to convert pubs into convenience stores or residential units.

### Convenience stores

We signed a conditional agreement with the Co-operative in September 2014, which was varied in January 2016, to deliver up to 45 c-stores for 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%. In January 2017, we signed a supplemental agreement with the Co-operative revising this number to 40 c-stores. The agreement also includes performance fees of up to £3.4 million, with the first payment triggered by the delivery of our 15<sup>th</sup> c-store to the Co-operative, which we expect to occur in the first half of the next financial year.

To date we have handed over 11 c-stores to the Co-op, with eight c-stores totalling 29,800 sq ft handed over since 1 April 2016. Of the stores delivered to date, eight utilised surplus land adjacent to the existing pubs, two were pub conversions and one was a new build on a site previously occupied by a pub. We completed our first c-store disposal, selling the Spital Lane Co-op for £970,000 in February 2017, representing an initial yield of 4.85% and over 11% ahead of valuation.

We are on site for the construction of a further three c-stores totalling 11,000 sq ft and we have consent to construct a further 15 totalling 53,400 sq ft.



Chesterfield, Spital Lane

11 C-Stores delivered to Co-op and agreement to deliver up to 40

First C-store disposal

**4.85%**

Initial yield

## Convenience stores completed to date



Dec 2015  
Stoke-on-Trent – Heathcote Street  
New build



Apr 2016  
Chesterfield – Spital Lane  
Conversion



Apr 2016  
Wrexham – Marford Hill  
New build



June 2016  
Shifnal – High Street  
Conversion



July 2016  
Yeovil – St. Michaels Avenue  
New build



Aug 2016  
Shrewsbury – Sutton Road  
New build



Sept 2016  
Bodelwyddan – Ty Fry Lane  
New build



Sept 2016  
Wolverhampton – Griffiths Drive  
New build



Oct 2016  
Telford – Milners Lane  
New build



Jan 2017  
Kings Bromley – Manor Road  
New build



Apr 2017  
Mansfield – Southwell Road West  
New build

### Residential

Our pubs portfolio development pipeline includes the potential for almost 200 residential units across 55 pub sites. To date we have received planning consent for 71 residential units across 25 pub sites, with consent received for 50 units across 16 pub sites in the current financial year. Using our in-house residential planning expertise, our strategy with these residential opportunities is to create value by obtaining planning consent, and then to realise value by selling on to local developers. We currently have 13 opportunities on the market, five of which are in solicitors' hands at pricing ahead of March 2017 valuation.

Allan Lockhart  
Property Director

15 May 2017

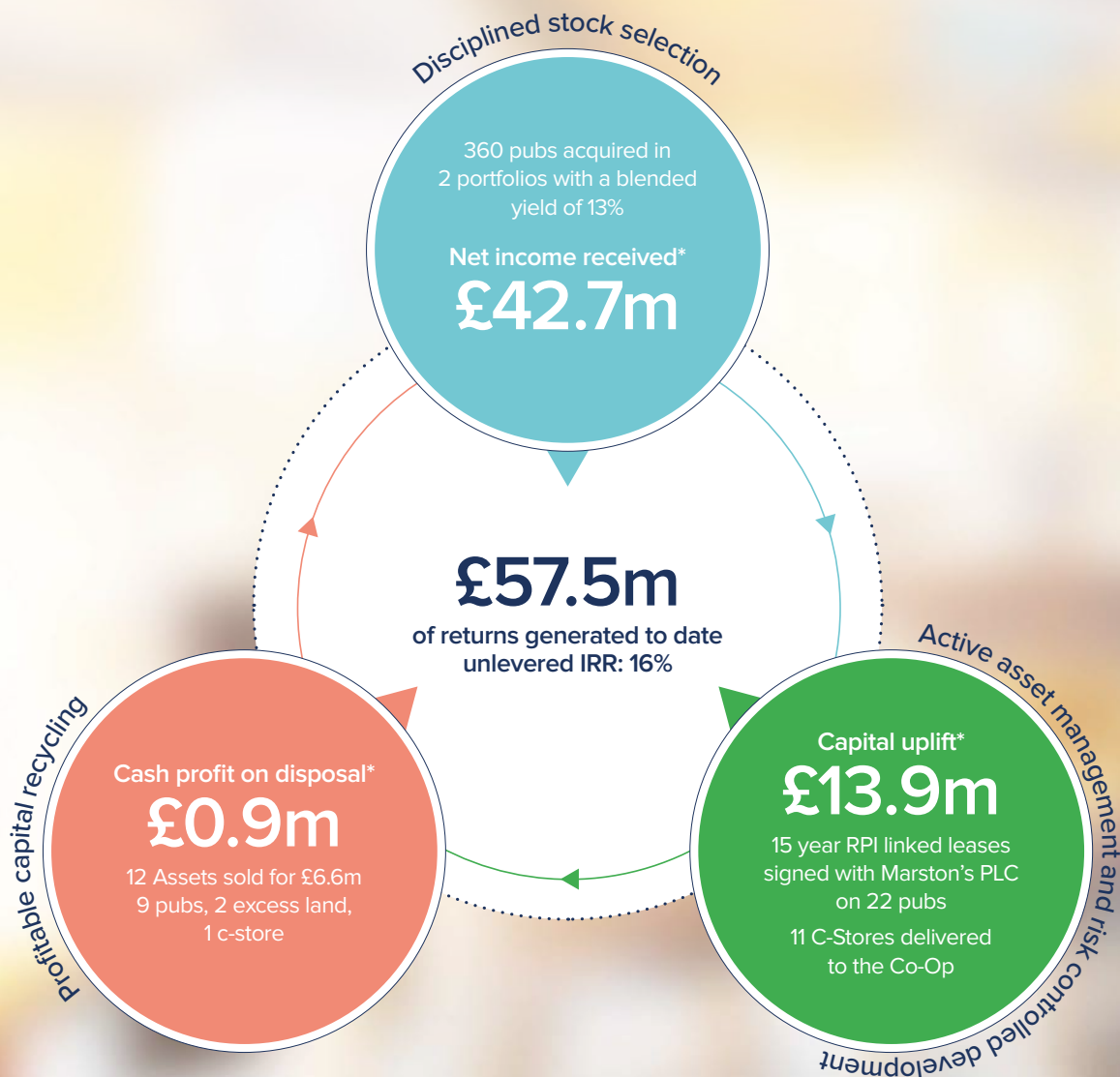
*“The Co-op has had a brilliant impact on the pub and already business at the start of this year has been much better than last year. Previously, people used to visit the small shopping precinct across the road and didn't see the pub, but now that the Co-op is here there is more passing trade and more people notice the pub and come in for a drink. Having the Co-op here is definitely a bonus.”*

Kevin Ward (Publican)  
Ashmore Inn, Wolverhampton (Griffiths Drive Co-op)

# Business model delivering: Our portfolio of community pubs

Our pubs account for 16% of our total portfolio.

We were attracted to the sector by the strong cashflow generation and low risk characteristics, as well as the development upside. Since acquisition we have created unlevered returns of £57.5m and an unlevered Internal Rate of Return (IRR) of 16%.



\* Since acquisition





*Duchess, Scarborough*

## Disciplined stock selection

In October 2013 we acquired a portfolio of 202 pubs from Marston's Plc ('Trent' portfolio), each was handpicked by for its high roadside visibility, passing footfall and prominent location.

Due to the success of the Trent portfolio, in August 2015 we acquired a portfolio of 158 public houses from Punch Taverns ('Mantle' portfolio).

	Pubs acquired	Sold	Closed for C-store conversion	Pubs at 31 March 2017
Trent portfolio	202	(6)	(7)	189
Mantle Portfolio	158	(3)	–	155
<b>Total</b>	<b>360</b>	<b>(9)</b>	<b>(7)</b>	<b>344</b>



*The Anchor, Canewdon*

## Active asset management

On acquisition of the Trent portfolio, Marston's entered into a leaseback agreement to manage and operate the portfolio as pubs on our behalf, which expires at the end of 2017. Ahead of this expiry we are now in the process of transferring the management of the Trent pubs from Marston's.

In December 2016 we secured contracted income on 22 pubs by surrendering the leaseback arrangement early and agreeing new 15 year RPI linked leases with Marston's PLC.



*Marford Hill Co-op, Wrexham*

## Risk-controlled development

Following the Trent portfolio acquisition, we signed a conditional agreement with the Co-operative to deliver up to 40 c-stores for 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%.

- 11 c-stores completed and handed over to the Co-op to date
- 3 currently under construction
- 15 with planning granted
- 5 in planning



*The Knockerdown, Ashbourne*

## Profitable capital recycling

Sold nine pubs for £5.5 million, over a 20% premium to purchase price.

Sold two plots of land adjacent to pubs, at the Royal Oak, Kings Bromley and the Ostrich Inn, Longford for £86,000.

Sold one c-store let to the Co-op on a 15 year RPI-linked lease at auction. The auction was held in February 2017 and the c-store was sold for £970,000, over 11% ahead of valuation and representing a net initial yield of 4.85%.



*The Pavilion, Birmingham*

## Benefits of scale/conservative balance sheet

- Refinanced debt on the Trent portfolio with major US insurance company
- Reducing the cost of the facility by 30%
- Increasing the cash returns from the pubs

# Convenience + Community = Cash returns



**Mark Davies**

Chief Financial Officer

## 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 (in accordance with IFRS 11 Joint Arrangements) and all subsidiaries are consolidated at 100%.

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 also presented on this basis.

Alternative Performance Measures (‘APMs’), being financial measures which are not specified under IFRS, are also used by Management to assess the Group’s performance. These APMs include a number of European Public Real Estate Association (‘EPRA’) measures, prepared

*“Our convenience-led, community focused retail & leisure portfolio has delivered another highly profitable year for our shareholders”*

in accordance with the EPRA Best Practice Recommendations (BPR) reporting framework. We report a number of these measures because Management considers them to improve the transparency and relevance of our published results as well as the comparability with other listed European real estate companies. Definitions for APMs are included in the Glossary. The measures used in this review are all APMs presented on a proportionally consolidated basis unless otherwise stated.

The APM on which Management places most focus, reflecting the Company’s commitment to driving cash income returns and growing the dividend, is Funds From Operations (‘FFO’). We feel that this measure is most appropriate when considering our dividend policy as it is a cash measure and it is familiar to non-property and international investors. FFO is a Company measure determined by 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. Previously, we referred to this measure as EPRA Adjusted earnings.

## Overview

Our convenience-led, community-focused retail and leisure portfolio has delivered another highly profitable year for our shareholders, with FFO increasing by 23.6% to £58.2 million, from £47.1 million in FY16. FFO per share was 24.9 pence, and our ordinary dividend per share increased by 8.1% to 20.0 pence (FY16: 18.5 pence).

## The finance and corporate team to take us forward



**Will Hobman**

Head of Investor Relations



**Rob Marcus**

Head of Finance



**Kathy Sams**

Financial Controller – Property



**Sara Shipton**

Financial Controller – Pubs and Leisure



**Patrick Colgan**

Corporate Finance



**Debbie Underwood**

Executive Assistant to CFO

## Highlights

- FFO increased by 23.6% to £58.2 million (FY16: £47.1 million) delivering an FFO per share of 24.9 pence
- Ordinary dividend per share increased by 8.1% to 20.0 pence (FY16: 18.5 pence) and fully covered in line with Company's Financial Policy
- Special dividend declared of 3.0 pence per share taking total dividend to 23.0 pence, an increase of 24.3% on prior year
- FY18 first quarter dividend announced today of 5.25 pence per share, an increase of 5.0% (Q1 FY17: 5.00 pence)
- EPRA NAV per share decreased by 1.0% to 292 pence (March 2016: 295 pence); increased from 290 pence reported in H1 due to capital return of +0.5% in H2
- IFRS profit after tax of £36.2 million (FY16: £69.4 million) including £19.4 million of non-cash fair value reductions; IFRS basic EPS 15.5 pence (FY16 39.2 pence); IFRS net assets £684.5 million (March 2016: £689.9 million)
- Total accounting return (dividend paid basis) +5.7%; total accounting return (dividend declared basis) +6.8%
- Loan to value increased to 37% (March 2016: 27%) due to £158.4 million of acquisitions completed in the period; well within the Company's stated Financial Policy
- Cost of debt 3.5% (March 2016: 3.7%); interest cover of 4.5x (March 2016: 4.3x)
- Refinancing exercise underway, expected to complete in FY18 with Management intending to increase maturity and convert the majority of the Company's debt to unsecured

Reflecting our commitment to continue to deliver growing cash returns to shareholders, we declared a special dividend of 3.0 pence per share taking our fully covered total dividend for the year to 23.0 pence, an increase on FY16 of 24.3%. Including the special dividend and based on our opening EPRA NAV per share, we provided a high income yield of 7.8% to our shareholders.

IFRS Profit for the period after tax of £36.2 million decreased by £33.2 million from £69.4 million in FY16 due predominantly to £24.0 million of non-cash property revaluation surplus generated in FY16, compared to a decline of £15.4 million and some mark to market non-cash adjustments to interest rate instruments in the current year.

IFRS net assets have proved robust decreasing by only 0.8% to £684.5 million, from £689.9 million at 31 March 2016. When our portfolio was last independently valued in September 2016 we reported IFRS net assets of £674.6 million, reflecting exceptional costs linked to our move to the Main Market as well as the adverse impact of the EU Referendum on our portfolio valuation, and so we are pleased to report a positive NAV performance in the second half of the year. EPRA NAV per share decreased by 1.0% to 292 pence per share, from 295 pence per share at 31 March 2016.

Our operations are underpinned by a conservatively positioned balance sheet which we have maintained well within our stated Financial Policies, with LTV of 37% (March 2016: 27%) and interest cover of 4.5x

(March 2016: 4.3x). The increase in LTV was due predominantly to the acquisition of our assets in Bexleyheath which completed in April 2016, and on a proforma basis our LTV at March 2016 was 35%. This acquisition was completed utilising our existing cash resources and taking on a new debt facility, which, along with our other refinancing activities, contributed to the reduction in our cost of debt from 3.7% in March 2016 to 3.5% in March 2017.

The provider of the new facility, DekaBank, was keen to put in place a longer term loan but we agreed to just a two year maturity, knowing that a balance sheet refinance in the near future would be a more effective longer term solution. This meant that as at 31 March 2017 our weighted average debt maturity was deliberately lower at 2.5 years.

We recently appointed Rothschild & Co as independent debt advisor to assist Management in completing this refinancing in the next twelve months. A low debt maturity puts the Company in the best possible position to complete this exercise in a cost-efficient and timely manner, maximising the cost benefit to our shareholders. As part of the proposed refinancing, we intend to increase our debt maturity and become an issuer of unsecured debt.

Reflecting our confidence in the strength and sustainability of our underlying cash profits, the Board has approved a Q1 FY18 dividend of 5.25 pence per share, a further increase of 5% (Q1 FY17 5.00 pence).

### Reconciliation of IFRS profit after taxation to Funds From Operations

	31 March 2017 £'000	31 March 2016 £'000
IFRS profit for the year after taxation	36,201	69,409
Adjustments		
Revaluation of investment properties	15,030	(19,513)
Revaluation of joint ventures' investment properties	419	(4,489)
Revaluation of derivatives	3,607	–
Revaluation of joint ventures' derivatives	350	–
Share-based payment charge	1,434	808
Exceptional cost in respect of move to the Main Market	1,191	900
Funds From Operations	58,232	47,115

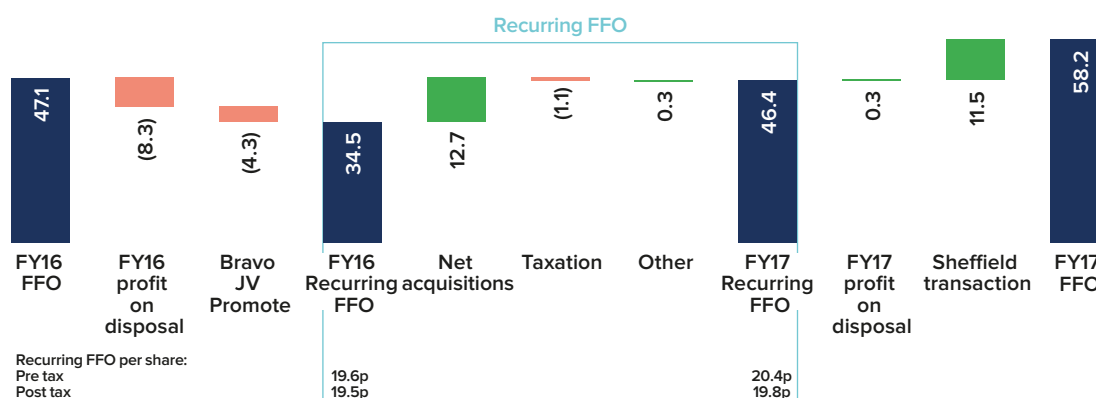
### Income statement

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

INCOME STATEMENT	31 March 2017			31 March 2016
	Group £'000	Joint ventures £'000	Proportionally consolidated £'000	Proportionally consolidated £'000
Gross income	96,100	10,557	106,657	74,874
Property operating expenses	(15,705)	(1,212)	(16,917)	(7,721)
Net property income	80,395	9,345	89,740	67,153
Administrative expenses	(12,750)	(831)	(13,581)	(12,699)
Net financing costs	(15,139)	(1,930)	(17,069)	(15,519)
Profit on disposal of investment properties	894	(551)	343	8,316
Taxation	(1,201)	–	(1,201)	(136)
Funds From Operations	52,199	6,033	58,232	47,115
FFO per share (pence)			24.9	26.6
Dividend per share <sup>1</sup> (pence)			23.0	18.5
Dividend Cover			108%	144%
Admin cost ratio			15.1%	18.5%
Cost of debt			3.5%	3.7%

1. Including 3.0 pence special dividend in FY17

### Funds From Operations bridge (£m)



## Net property income

### Analysis of net property income (£m)

Net property income in year to March 2016	67.2
Promote receipts from Bravo JV in FY16	(4.3)
Net acquisitions in FY16	5.9
Net acquisitions in FY17	8.7
Sheffield transaction	11.5
Other	0.7
<b>Net property income in year to March 2017</b>	<b>89.7</b>

Group net property income increased by 47% to £80.4 million, from £54.6 million in FY16. This increase was due primarily to £158.4 million of acquisition activity completed in the current year, as well as the full year impact of acquisition activity completed in the year to March 2016.

On a proportionally consolidated basis, net property income increased by 33.5% to £89.7 million, from £67.2 million in FY16 with the key driver being the acquisition activity described above.

The full year impact of net acquisitions completed in the year to March 2016 added £5.9 million to net property income. Current year net acquisitions added £8.7 million to net property income. In April 2016, we acquired the Broadway Shopping Centre and the Broadway Square Retail Park in Bexleyheath for a total cost of £120.3 million. In June 2016 we completed the acquisition of Cuckoo Bridge Retail Park in Dumfries for £20.2 million and in September 2016 we completed the acquisition of a retail warehouse in Sheffield for £17.9 million.

Linked to our acquisition in Sheffield, as well as receiving rent from the date of acquisition we also received a surrender premium from the incumbent occupier. Including rent received and the premium itself, receipts totalled £11.5 million.

### Administrative expenses

Administrative expenses increased by 7.1% during the year, to £13.6 million from £12.7 million in FY16, but importantly our cost ratio reduced to 15.1% (FY16: 18.5%) demonstrating the benefits of scale to the business.

In addition to these administrative costs, we incurred exceptional costs of £1.2 million (March 2016: £0.9 million) linked to our move to the Main Market which completed in August 2016. While the Main Market move costs of £2.1 million are significant, we are confident that the benefits of access to a wider pool of capital and improved liquidity in our shares will outweigh this cost over the longer term. We qualified for the FTSE 250, All-Share and EPRA indices in December 2016, and have already welcomed a number of new shareholders to our share register as a consequence.

### Net financing costs

In FY17, net financing costs increased by 10.3% to £17.1 million from £15.5 million in FY16. Over the same period, our property portfolio has increased by 16.5% to £1,130.6 million, which is significantly more than the increase in finance costs. This differential is caused by our growing scale and the reduction in our cost of debt from 3.7% to 3.5% due to refinancing activity completed in the year, which is explained in the 'Net debt & financing' section of this Review.

### Profit on disposal of investment properties

During the year ended 31 March 2017 we completed a modest level of property disposals compared to the prior year, reflecting the slowdown in the investment market following the EU Referendum in June 2016. The proceeds of our disposals were £10.7 million at NewRiver share, and these disposals were completed at a premium to book value of £0.3 million. This level of activity compares to £48.2 million of disposals completed in the year to March 2016, at a premium to book value of £8.3 million.

Profitable capital recycling is a key aspect of our business model, and we remain committed to recycling mature assets, assets where our estimates of forward looking returns are below acceptable levels and assets where we believe that the risk profile has changed.

### Taxation

As a REIT, the Company is not exposed to tax on qualifying UK property rental income and gains arising from disposal of exempt property assets. In the year ended March 2017, we incurred a corporation tax charge of £1.2 million, compared to a £0.1 million charge incurred in the year to March 2016.

The majority of the charge incurred relates to income received from the Mantle portfolio of pubs, which we purchased from Punch Taverns in August 2015. The occupational agreement for some of these pubs is on a 'managed' basis, which means that we receive a profit from the pubs rather than just a rental income.

### Our growing dividend

At NewRiver, we are proud of our track record of delivering a growing ordinary dividend to our shareholders, and we are committed to maintaining this discipline in the future. Our dividend policy is driven by two key objectives:

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

We are committed to a fully covered dividend, and this is one of our four key Financial Policies. Our Financial Policies are explained in the 'Net debt & financing' section of this Review.

In FY17, we increased our ordinary dividend by 8.1% to 20.0 pence, from 18.5 pence in FY16. Further to this, on 16 May 2017 we announced an additional 3.0 pence special dividend linked to the retail warehouse acquisition in Sheffield which we completed in September 2016. We acquired the Sheffield asset for £17.9 million, and during the year we received a surrender premium and rent from the incumbent occupier totalling £11.5 million, the majority of which we will pay to our shareholders as a special dividend. The special dividend will be paid on 4 August 2017 to shareholders on the register at close of business on 16 June 2017. The ex-dividend date will be 15 June 2017. The dividend will be payable as a REIT Property Income Distribution (PID).

	As at 31 March 2017			As at 31 March 2016
	Group £'000	Joint ventures £'000	Proportionally consolidated £'000	Proportionally consolidated £'000
<b>BALANCE SHEET</b>				
Properties at valuation	995,928	134,640	1,130,568	973,269
Investment in joint ventures	71,763	(71,763)	–	–
Other non-current assets	351	–	351	551
Cash	45,956	3,618	49,574	117,500
Other current assets	5,999	191	6,190	9,279
<b>Total assets</b>	<b>1,119,997</b>	<b>66,686</b>	<b>1,186,683</b>	<b>1,100,599</b>
Other current liabilities	(30,089)	(2,408)	(32,497)	(28,103)
Debt	(403,079)	(64,278)	(467,357)	(379,179)
Other non-current liabilities	(2,291)	–	(2,291)	(3,450)
<b>Total liabilities</b>	<b>(435,459)</b>	<b>(66,686)</b>	<b>(502,145)</b>	<b>(410,732)</b>
<b>IFRS net assets</b>	<b>684,538</b>	<b>–</b>	<b>684,538</b>	<b>689,867</b>
EPRA adjustments	8,540	–	8,540	7,880
<b>EPRA net assets</b>	<b>693,078</b>	<b>–</b>	<b>693,078</b>	<b>697,747</b>
EPRA NAV per share			292p	295p
LTV			37%	27%

On 16 May 2017 we also announced our ordinary dividend for the first quarter of FY18 of 5.25 pence, an increase of 5.0% from the 5.00 pence paid in the first quarter of FY17. The ordinary dividend will be paid on 4 August 2017 to shareholders on the register at close of business on 16 June 2017. The ex-dividend date will be 15 June 2017. The quarterly dividend will be payable as a REIT Property Income Distribution (PID).

### Balance sheet

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

### Net assets

At 31 March 2017, IFRS net assets decreased by 0.8% to £684.5 million, from £689.9 million at

31 March 2016. This decrease is after absorbing purchase costs on £158.4 million of acquisitions, one off Main Market move costs and a 0.6% reduction in capital values. At 30 September 2016 we reported IFRS net assets of £674.6 million, and so in the second half of the financial year we saw an increase in net assets, driven by a capital return across our portfolio of 0.5%.

EPRA net assets ('EPRA NAV') is calculated by adjusting IFRS 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 per share decreased by 1.0% to 292 pence per share, from 295 pence per share at 31 March 2016.

## Net debt & financing

### Net debt

#### Analysis of movement in net debt (£m)

Net debt at 31 March 2016	261.7
Net cash inflow from operations	(60.0)
Purchase of investment properties	162.2
Disposal of investment properties	(11.3)
Development and other capital expenditure	17.3
Dividends paid	46.0
Other	2.0
Net debt at 31 March 2017	417.9

Net debt increased by £156.2 million in the period predominantly due to £162.2 million of acquisitions (including purchase costs). This included our largest acquisition to date in Bexleyheath where we purchased a retail park and shopping centre for £120.3 million.

Net cash inflow from operations was £60.0 million, £1.8 million in excess of FFO and demonstrating the highly cash generative nature of our business and our efficient working capital management. We paid £46.0 million of dividends to our shareholders, being 19.75 pence on a per share basis.

We completed £11.3 million of disposals in the year on terms 7% above valuation, including £5.2 million of disposals across our pub portfolio and the disposal of two assets from our Ramsay retail warehouse portfolio, totalling £3.4 million.

We invested £17.3 million into our portfolio, either through active asset management initiatives or on our risk-controlled developments. During the year we spent £6.7 million on our pub portfolio, principally on the construction of eight convenience stores for the Co-operative, £1.3 million on asset enhancement works on the Piazza in Paisley, £1.2 million at The Forum in Wallsend (including a drive through unit for Burger King) and £0.8 million at Clough Road Retail Park in Hull where we sub-divided and re-let the former PC World unit and constructed a Costa coffee pod in the car park.

### Financial Policies

	Financial Policies	Proportionally consolidated	
		31 March 2017	31 March 2016
Net debt		£417.9m	£261.7m
Principal value of gross debt		£470.9m	£382.6m
Weighted average interest rate of drawn debt		3.5%	3.7%
Weighted average debt maturity of drawn debt		2.5 yrs	3.5 yrs
Loan to value	<50%	37%	27%
Interest cover	>2.0x	4.5x	4.3x
Dividend cover <sup>1</sup>	>100%	108%	144%
	Financial Policies	Group	
		31 March 2017	31 March 2016
Balance sheet gearing	<100%	52%	29%

1. FY17 Dividend cover includes the special dividend of 3.0 pence per share

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

- Our Loan to Value was 37% at 31 March 2017, increased from 27% at 31 March 2016 due to the £158.4 million of acquisitions made in the period. Our balance sheet gearing increased to 52% from 29% in the year, again due to acquisitions completed. Both of these measures are significantly below our stated upper limits, but we are comfortable at these levels and do not intend to increase our Loan to Value or balance sheet gearing in the near term.
- Our interest cover was 4.5x at 31 March 2017, increased from 4.3x in March 2016 and significantly ahead of our financing policy which requires a minimum cover of 2.0x.
- Our dividend cover, calculated with reference to FFO per share and including both ordinary and special dividends, was 108% at 31 March 2017, in line with our policy of at least 100% dividend cover.

### Financing

We attribute significant value to the strength of the relationships we enjoy with our lenders, and during FY17 we continued to build on our existing strong relationships with Barclays, HSBC, Santander, Lloyds and AIG, as well as establishing a new relationship with DekaBank.

The DekaBank facility formed part of our largest acquisition to date in Bexleyheath where we purchased a retail park and shopping centre for £120.3 million in April 2016. This acquisition was part funded by a new £49 million facility with DekaBank, at an all in cost of 2.2%.

In July 2016 we signed an improved £85.3 million debt facility with AIG on our pub and convenience store portfolio. Under the terms of the new facility, the bank margin was reduced by 30% and the loan maturity was extended from 2018 to 2021. Following this refinancing activity, our weighted average interest rate reduced to 3.5%, from 3.7% at March 2016.

Our weighted average debt maturity is deliberately low at 2.5 years, and in February 2017 we appointed Rothschild & Co as our independent debt advisor to assist Management in completing a balance sheet refinancing exercise. Unhindered by legacy debt issues and with a low debt maturity we are well placed to complete this exercise in a cost-efficient manner, maximising the benefit to our shareholders. Our strategy is to refinance almost all of our existing secured facilities with a range of unsecured facilities, significantly extending our weighted average debt maturity and reducing our cost of debt. Balance sheet scale and a strong interest cover are important factors in our ability to achieve this objective and we believe that our conservative Financial Policies leave us well placed.

### Summary

We have built a highly cash generative and profitable business that has once again delivered a fully covered and growing cash dividend to our shareholders. Looking ahead, with the positive feedback we have already received at this early stage of our refinancing exercise, and with our ongoing active asset management and risk-controlled development initiatives, we feel confident in our ability to continue to deliver a fully covered and growing dividend to our shareholders.




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**Mark Davies**

Chief Financial Officer

15 May 2017

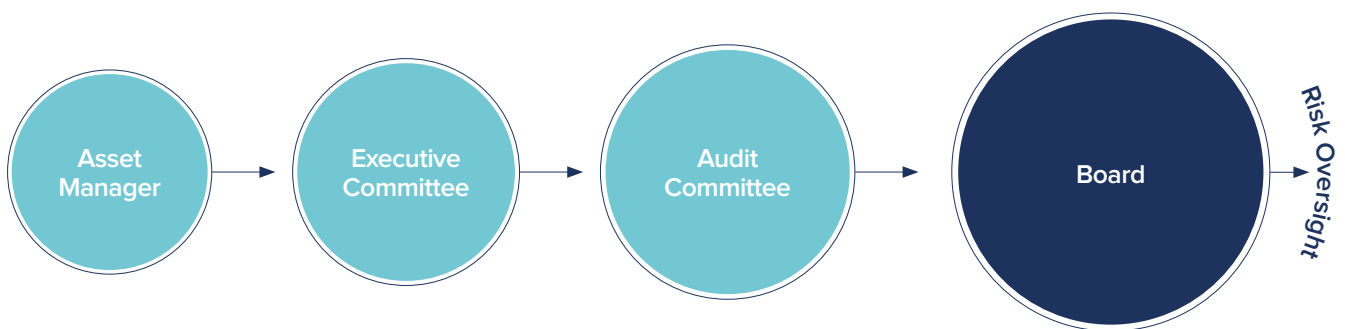


# Risk Management Report

## Risk Appetite

The Group controls its risk and ensures that all developments and investments are undertaken in a risk controlled environment with evaluations being undertaken before, during and after to ensure that the risks are understood, managed and evaluated.

## Risk Reporting Process



The Board oversees the Group's risk management and internal controls. It determines the Group's risk appetite.

The Audit Committee monitors the effectiveness of the Group's risk management and internal controls systems.

The Executive Committee is responsible for risk management on a day-to-day basis and monitors strategic and other risks. It delegates accountability for risk management to the asset managers and monitors their performance.

The Asset Manager is responsible for risk within their portfolio of assets and ensures that they are within the risk appetite set by the Board. Regular reviews are undertaken of the assets which include monitoring risk levels.

A risk and internal controls assessment register has been produced covering the following areas:

- General Commercial
- Financial
- Compliance
- Asset Management, including shopping centres, retail warehouses and pubs
- Development, including health & safety

The register is maintained by the Company Secretary in consultation with the asset managers and development team within the Group and is reviewed at each Audit Committee meeting.

The register is run on a traffic lights system with:

- Red being high risk both in terms of impact and likelihood;
- Amber being medium risk with high impact but low likelihood;
- Yellow being low risk with low impact but high likelihood; and
- Green being low risk in terms of both impact and likelihood.

**Principal Risks**

The current principal risks facing the Company are described in the table below. The risks have the potential to affect the business of the Group should they occur.

Risk	Risk Assessment	Mitigation	How it links to our strategic priorities
<b>General Commercial</b>			
Economic recession due to uncertainty from Brexit and world events	This is a red risk, both in terms of impact and likelihood	Macro-economic and property market reviews are considered at each Board meeting and ongoing updates are evaluated by the Executive Committee with the view to limit the impact such a recession might have on the Group	1 2 3 4 5
Future Government policy which adversely affects the Company's ability to manage its assets effectively	This is a red risk, both in terms of impact and likelihood	The Executive Committee considers regular updates from its external advisers and the Company is a member of various industry bodies, with representatives on advisory panels	1 2 3 4 5
<b>Corporate Strategy and Performance</b>			
Failure to communicate sufficiently and effectively with investors, leading to a depressed share price and demand for equity	This is an amber risk, with high impact but low likelihood	There is a full programme of investor meetings throughout the year as well as specific rounds of meetings post half and full-year results	4
Growth in online retail spend could be perceived as a threat to traditional bricks and mortar retailers	This is an amber risk, with high impact but low likelihood	The management team are embracing the digital age as part of the strategy for the shopping centres, working with online retailers such as Amazon to offer "click and collect" lockers, as well as our traditional retailers to offer click and collect facilities. This helps drive footfall to the centres. Management also commissioned research on the future of the retail sector. It found that the 55+ age bracket is set to account for 57.5% of all store and click and collect sales growth in the next ten years. The same age bracket also shop more frequently and prefer the convenience and accessibility of retail parks and convenience led shopping centres, all of which are included within our portfolio. In addition, 48% of NewRiver's 150m annual footfall are shoppers aged 55+	2
<b>Financial</b>			
Breach of debt covenants could trigger loan defaults and repayment of facilities putting pressure on surplus cash resources	This is an amber risk, with high impact but low likelihood	Management actively engages with its key lenders, ensuring transparency when it comes to monitoring the assets secured by debt. The team actively monitor the debt covenants and a debt analysis is presented at each Board meeting	5

Risk	Risk Assessment	Mitigation	How it links to our strategic priorities
<b>Financial continued</b>			
Ensuring that there is adequate working capital for capital expenditure, development projects and acquisitions	This is an amber risk, with high impact but low likelihood	Management actively engages with its key lenders, ensuring transparency when it comes to the asset management and development of assets and what funding is required for these. A weekly working capital and cash flow analysis is completed by the finance team and circulated to management to assist with this. Start times of development projects are staggered to ensure that there is no over demand on resources at any one time in the year	1 2 3 5
<b>Compliance</b>			
Breach of any of the regulations governing the business of the Group, such as listing rules, UK Corporate Governance Code and The Pubs Code	This is an amber risk, with high impact but low likelihood	The Company and its advisers monitor any changes to the relevant legislations that affect the Group's business and how these changes may affect it. Any breaches would be resolved accordingly and reported to the Board	n/a
<b>Asset Management</b>			
Instability and subdued economic activity could lead to reductions in disposable income, impacting demand for retailer goods and ultimately leading to business failure and administrations	This is a green risk, with both low impact and low likelihood	Management monitor rent arrears on a weekly basis and regularly monitor the credit status of retailers. We apply a strategy to increase weighted average lease length to secure future income stream and to limit exposure to voids. Retailer diversification is high, with no one retailer making up more than 2.6% of total rental income	2 4
Failure in performance by individual assets against their business plans	This is an amber risk, with high impact but low likelihood	Business plans for each asset are regularly reviewed by their asset manager and updated twice yearly. These revised business plans are then reviewed by the Executive Committee	2
<b>Development</b>			
Poor control of development projects could lead to inadequate returns on investment	This is an amber risk with high impact but low likelihood of happening	The Group applies a risk-controlled development strategy through negotiating long-dated pre-lets (typically at least 70% of a development has to be pre-let prior to commitment) and tight cost control help to de-risk our developments	3
Over-exposure to developments could put pressure on cash flow and debt financing	This is an amber risk, with high impact but low likelihood of happening	Each development project is reviewed and approved by the Executive Committee following detailed due diligence modelling and market research	5

## Key

- |                               |   |
|-------------------------------|---|
| 1 Disciplined stock selection | 4 Profitable capital recycling                          |
| 2 Active asset management     | 5 Maximise benefits of scale/Conservative balance sheet |
| 3 Risk-controlled development |   |

# Our people

## Corporate Culture

With total assets under management of £1.3 billion, the Company has a relatively lean yet highly effective number of employees with a total headcount of 52.

Led by the Board, since the Company’s inception in 2009, NewRiver has prided itself on its strong entrepreneurial and inclusive culture that fosters collaboration, transparency and diligence.

The team includes a range of skill-sets and expertise across management, property, development, finance, corporate, FP&A, marketing and support teams all working towards creating maximum value, achieving our KPIs and delivering results.

Core to the success of this is the unique collegiate culture of the business. Ahead of the Company’s move to the Main Market, we undertook a light-touch brand refresh, evolving to become NewRiver REIT plc from NewRiver Retail Limited.

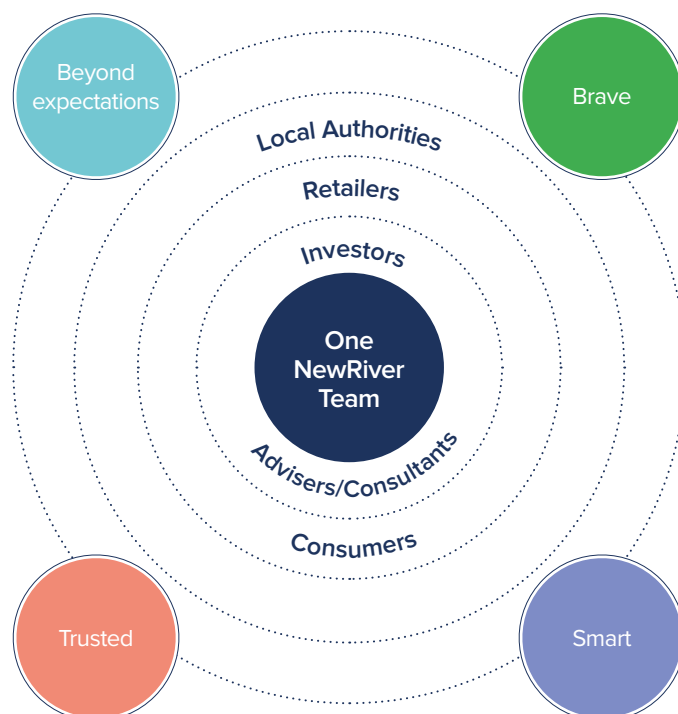
## Our Stakeholders

During the brand refresh process we defined who the Company’s core stakeholders are, the six identified stakeholders are: the NewRiver team;

our investors, our advisers/consultants who help us achieve our KPIs; our retailers; our customers; and the local authorities of the towns we are invested in. At the heart of this group are the people within the NewRiver team. At NewRiver, we have a high satisfaction and retention rate, allowing us to attract and retain talent.

## Defining our Core Values

This re-branding process included internal and external interviews to understand how the Company is perceived by some of these stakeholders and the outcomes clearly identified the strength of the Company’s team culture, ethos and focused expertise. From this exercise we were able to define the core values of the business – operating as one team, deploying the various skill-sets from across the business in a collaborative, supportive and dynamic way alongside our valued partners and stakeholders. In this way, we are reputed for our high standards and our detail-focused, high quality outputs underpinning our drive to deliver beyond expectations. We are brave and ambitious in our pursuits to achieve our clear objectives; and we are smart and trusted in our execution of driving the business forward.



## Gender split in the business

	Employees	Senior management	Executive directors	Total
Male	16	11	3	30
Female	20	3	0	23
<b>Total</b>	<b>36</b>	<b>14</b>	<b>3</b>	<b>53</b>

# NewRiver ESG Story

## Creating Vibrant Environments

NewRiver is invested in over 400 local towns and communities up and down the UK. As a significant stakeholder in these localities, we have an important role and responsibility to our convenience-led and community-focused portfolio to help make them thriving retail and leisure locations.

As part of our commitment to creating vibrant and sustainable environments, NewRiver appointed Cushman & Wakefield to help develop a comprehensive Environmental & Social Governance (ESG) programme to ensure the business is conducting activities that enhance NewRiver's reputation, provides social benefit, drive cost efficiency and increase the long-term value of NewRiver's business.

Since appointing Cushman & Wakefield in 2015, NewRiver has developed a comprehensive Environmental & Social Governance (ESG) strategy for the business and is undertaking a number of initiatives and measures within this.

## NewRiver's ESG Strategy:

### Creating Vibrant Environments

The NewRiver portfolio is convenience-led and community-focused and the vision for our ESG strategy reflects NewRiver's customer-first approach, managing our assets as though we ourselves are retailers and customers. We focus on building partnerships with all our key stakeholders, including our investors, retailers, consumers and local authorities to ensure our goals and aspirations are aligned to deliver mutual objectives.

We have identified five key priorities that strengthen the core offering of our business that link directly to our key stakeholders:

Within this strategy are a number of targets to measure progress and include the following key areas:

1. **Employee empowerment**
2. **Performance and risk control**
3. **Effective asset management responding to occupier needs**
4. **Community engagement**
5. **Customer satisfaction**

We have made excellent progress on these targets in Year 1, with almost all criteria met.

Given NewRiver's strong performance on our ESG strategy during our first year as a Main-Market listed company following our move up from the AIM market, the business is committed to setting longer term targets that can be tracked over the coming years and this is one of NewRiver's key objectives with Cushman & Wakefield for FY18.

**Key achievements that NewRiver has accomplished in the last year include:**

### Shopping Centre Energy Audits Generating Savings Totalling Half a Million Pounds

Cushman & Wakefield have carried out 19 detailed asset energy audits for NewRiver's largest shopping centres (by area), highlighting a range of energy efficiency and cost reduction opportunities in the areas within NewRiver's ownership.

Implementation is already underway and planned to be carried out throughout FY18.



### Annual energy cost savings

**£500,000**

The audit programme has highlighted over £500,000 in terms of potential annual energy cost savings thus far. Key efficiency measures include:

1. Data collection/management/monitoring; using this to minimise wastage and generate quick savings
2. LED/Lighting & controls upgrades (lighting represents the single biggest energy cost across the portfolio)
3. Replacing HVAC (heating, ventilation and air conditioning) fan motors with a) new Electronically Commutated Motors that sit within the HVAC systems, and/or b) variable speed drives with the aim of providing thermal comfort and high indoor air quality
4. Replacing ageing electric water heaters with new, more efficient models
5. Thermal de-stratification fans in malls with treated air, a method to ensure temperature equalisation throughout the building
6. Energy sub-metering
7. Solar PV opportunities

In order to deliver economies of scale, additional value measures will be procured and/or implemented across multiple assets where appropriate.

### Global Real Estate Sustainability Benchmark (GRESB)

NewRiver submitted its maiden entry to the GRESB Benchmark in FY17, demonstrating our portfolio level commitment to assessing ESG performance against real estate competitors both in the UK and globally. GRESB offers a consistent framework to collect and compare key ESG indicators and related performance metrics across global real estate and infrastructure portfolios. NewRiver have taken the results and incorporated these into their ESG action plan for FY18.

### Appointment of Co-operative Power as new Energy Broker

The Company carried out a substantive tender for an energy broker and appointed the Co-operative Power as the Company's new energy broker in January 2016.

The mobilisation of Co-operative Power has progressed well. Additionally, Co-operative Power have led on an Automatic Meter Reading roll-out across all sites/supplies which fall under the P272 legislation. NewRiver have extended this roll-out to over 50 additional supplies to better track, monitor and report consumption data within their portfolio.

Co-operative Power are currently mobilising a new data platform which will allow all energy data and documentation to be stored in one place with multiple access rights including the managing agent, all centre managers and NewRiver themselves. The benefits of this platform feed into the audit process, day-to-day management, regulatory reporting and wider ESG performance.

### Health & Wellbeing: UK Green Building Council Retail

NewRiver is looking to further develop its already comprehensive Health & Wellbeing metrics framework in line with UK Green Building Council Retail framework. At present, NewRiver collect and report on a number of Health & Wellbeing metrics for all of their shopping centres. This includes perceptual metrics such as cleanliness and security, the quality of key facilities, cosmetics of the shopping centre and parking facilities.

### Shopper Economic Metrics

The Company has also advanced data sets relating to economic metrics via their consumer surveys, conducted by CACI to determine and monitor average spend per person, dwell time and frequency of visits. A workshop was carried out with the UKGBC to collate and organise this data into a clear health & wellbeing framework with a plan of action for improvement.

### Legislation & Risk Mitigation

Cushman & Wakefield have been working with NewRiver on a number of legislative risks including the Minimum Energy Efficiency Standards which comes into force in 2018 and requires Energy Performance Certificates to be carried out for a number of NewRiver's portfolio units. Co-operative Power and Cushman's have collated data for Mandatory Greenhouse Gas Reporting, which is reported on the next page.

### Greenhouse Gas Emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Company is required to report annual greenhouse gas emissions. The details for the financial year ending 31 March 2017 appear in the table below.

Sources of greenhouse gas emissions 2016/17	tCO <sub>2</sub> e
<b>Scope 1</b>	
Gas, refrigerants and car fuel	1,432.03
<b>Scope 2</b>	
Landlord controlled electricity	11,799.08
<b>Total footprint</b>	<b>13,231.11</b>
<b>Intensity measure</b>	
<b>Emissions per sq ft</b>	<b>0.119</b>

We have used the operational control method to outline our carbon footprint boundary. Occupiers' usage or emissions are not included as we do not have control over those items. Emissions from vacant space has been included.

We have measured emissions based on the GHG Protocol Corporate Accounting Standard (revised edition) and guidance provided by the UK's Department for Environment, Food and Rural Affairs (DEFRA) on mandatory carbon reporting. The emissions factors and conversions used were from the DEFRA greenhouse gas reporting tool.

### Giving Back

Since NewRiver's inception, we have always been very charitable and supportive to good causes both local to our assets and on a national level. We recognise that with the Company's rapid growth we have a big opportunity to leverage our scale and raise funds and increase the profile of charities in a more concerted and strategic manner and this financial year we developed a dedicated Charities Strategy. The annual strategy is two-fold:

1. Raise funds for a single charitable cause at a corporate and portfolio level with an agreed fundraising target set at the beginning of the year
2. Each NewRiver shopping centre will support a single charity important to the local community they belong to, with a fundraising target set at the beginning of the year.

### Activation

We will raise funds and the charity's profile through a combination of sporting, educational, family, retailer and community events appropriate to our sector and shopping centre communities as well as activating our PR, design and communications expertise to deliver this. As well as raising funds and profile, charitable programmes can have an important role in driving teamwork and ensuring social responsibility is on the agenda locally.

Our FY17 charity of the year was Pancreatic Cancer Research UK, in memory of our greatly respected and successful Development Director François Nairac. François played a huge role in driving forward our 1.9 million sq ft development pipeline which includes the major regeneration of key UK communities creating better social environments, improved amenities, enhanced retail and leisure, more homes and importantly, creating new jobs.

We are delighted to say that through various events we have raised £27,000 for Pancreatic Cancer.

### FY17 Fundraising

# £27,000

raised for Pancreatic Cancer Research UK



## Snapshot of the charities we have supported

### Way of the Roses

Our flagship fundraiser saw 24 riders cycle coast to coast on the Way of Roses, beginning at our shopping centre in Morecambe and finishing at our shopping centre in Bridlington. The team, affectionately named Nairac's Rogue Riders, cycled 170 miles, scaled 3,225 metres and endured torrential rain, multiple flocks of sheep on the move and very tight quads to raise £26,938 for Pancreatic Cancer Research UK. The "home team" which involved many of NewRiver's partners as well as staff covered the same mileage on static bikes located at NewRiver's offices.



### Age Concern: The Ridings Shopping Centre, Wakefield



**Why it matters:** Most people will feel lonely at some point in their lives. Age UK cites this as a deeply personal experience that in many cases will thankfully pass, but for a growing number of people, particularly those in later life, loneliness can define their lives and have a significant impact on their wellbeing. With 30% of the NewRiver shopper base being aged 65+ or over and The Ridings Shopping Centre in Wakefield's percentage being even higher at 34%, the centre wanted to tackle loneliness amongst older people in Wakefield.

**What we did:** In collaboration with Age UK Wakefield District, the centre hosted a "Find Friends" Afternoon Tea Event for Valentine's Day providing complementary hot drinks and cakes and hosting bingo and table top games. Age UK Wakefield District had an information stand highlighting their local services and had 63 interactions, with the hope that these people can enjoy some longer-term benefits from the event. The Wakefield Friendship Centre also distributed flyers about their fortnightly events.

**The impact it made:** Over 120 people aged 55+ attended, one of whom had not been out socially for three years. Age UK connected with 64 new clients.

The event secured 3 minutes of coverage on BBC Look North News that evening and received excellent feedback from attendees, retailers and wider shoppers. The centre received several letters from local people praising the event and enquiring about similar events.

The event has spurred the centre to work more closely with Age UK Wakefield, planning a series of similar regular events, under the event brand 'Cuppa Club', to help older people avoid loneliness.



## Children's Rights: The Avenue Shopping Centre, Newton Mearns

**Why it matters:** Mearns Primary School has been recognised as a Right's Respecting School by UNICEF since 2009—an initiative encouraging schools to place the UN Convention of the Rights of the Child at the heart of its ethos and curriculum. One of the assessment criteria for Mearns Primary this year was measuring how the school promotes children's rights within the local community so The Avenue partnered with the school to help achieve this, forming the Mearns Global Citizens Committee, led by the pupils and centre management.

**What we did:** Pupils at Mearns Primary School were invited to participate in a competition to create a poster illustrating one children's right, such as the right to an education or

the right to have friends. One winner was selected from each class including the nursery, to create eight posters which were then displayed in the windows or our retailers. Shoppers were then invited to partake in the Children's Rights Treasure Hunt to find all eight Children's Rights in the centre.

**The impact it made:** The Principle Teacher was over-whelmed by the support and profile the campaign achieved, meeting the objective of demonstrating the pupils' ability to be a Responsible Citizen. With eight retailers partaking as well as 187 children in the treasure hunt, the campaign brought together the various community stakeholders.



### One Great Day

For the past two years NewRiver have taken part in a growing charity campaign called One Great Day – a nationwide shopping centre event that takes place in the summer to raise money for Great Ormond Street Hospital (GOSH). In FY17 NewRiver contributed to the total fundraising sum, with NewRiver Shopping Centres hosting their own “One Great Day” community events as well as the Corporate team not only partaking in but winning the inaugural London One Great Day Race, to be the fastest property team!

### FY18 Charity of the Year

We are delighted to announce that our FY18 NewRiver Charity of the Year is Great Ormond Street Hospital (GOSH), an important medical institute that touches the lives of hundreds of families up and down the UK, including many of the towns we are invested in.

The strategic report on pages 1 to 63 has been approved by the Board of directors and signed on its behalf by:

**David Lockhart**

Chief Executive Officer

15 May 2017

# Leading with integrity



**Paul Roy**  
Non-Executive Chairman

### Experience

Paul Roy has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an independent investment management company which was acquired by Man Group in 2015. Prior to founding NewSmith, he was Co-President of the Global Markets and Investment Banking division at Merrill Lynch & Co and had responsibility for worldwide Investment Banking, Debt and Equity Markets. Paul joined Merrill Lynch in 1995 when it acquired Smith New Court Plc a leading market making and brokerage firm on the London Stock Exchange where he was Chief Executive Officer. He joined Smith New Court in 1988, having previously been a Senior Partner in the leading stock broking firm Citicorp Scrimgeour Vickers.

Between 2007 and 2013, Paul served as Chairman of the British Horseracing Authority responsible for governance and regulation of the sport and is now Chairman of Retraining of Racehorses, racing's main equine charity. In 2015, he became Chairman of Sky Bet after CVC acquired a majority stake in the company from SKY PLC.

He has a Bachelor of Arts degree in Economics (honours) and a Doctor of Laws from the University of Liverpool.

### Committees

- Chairman of the Nomination Committee
- Member of the Remuneration Committee



**David Lockhart**  
Chief Executive Officer

### Experience

David Lockhart is a qualified Solicitor and Chartered Accountant and has over 35 years' operating experience in the UK real estate market. David is an experienced and successful entrepreneur, having founded several property businesses across the United Kingdom. He practised law in his family law firm until 1981 when he resigned to found Caltrust Limited, a property development company based in Scotland. David served as Executive Chairman of Caltrust Limited until 1987 when the company was acquired by Sheraton Securities International plc, following which he served as managing director of newly formed Sheraton Caltrust plc until 1990. In 1991, David founded Halladale, a business which he ran as CEO. Halladale floated on AIM in 2001 and was acquired by Stockland Corporation in 2007. In 2009, he co-founded NewRiver and has served as its Chief Executive since its IPO that year.



**Kay Chaldecott**  
Non-Executive Director  
(Independent)

### Experience

Kay Chaldecott has over 25 years' experience of developing and managing regional shopping centres throughout the UK from having worked with Capital Shopping Centres Group plc (now Intu Properties plc). Kay was appointed Managing Director of the Shopping Centre business and served as a main Board Director from 2005 to 2011.

Since then, Kay has pursued her Non-Executive Director's career and is a member of the boards of St. Modwen Properties PLC and Lichfields planning and development consultancy, and is a member of the Advisory Board of Next Leadership.

Kay is a member of the Royal Institution of Chartered Surveyors and has a breadth of industry knowledge covering the retail development process, retail mix and leasing and shopping centre operations.

### Committees

- Chairman of the Remuneration Committee
- Member of the Audit and Nomination Committees



**Mark Davies**  
Chief Financial Officer

#### *Experience*

Mark Davies is a Chartered Accountant who joined the Company at its inception in 2009. Mark has over 20 years' experience in Finance, including over 10 years in the UK real estate sector. He started his property finance career with Grant Thornton before joining BDO LLP as an Audit and Corporate Finance Partner and Head of Real Estate. Prior to joining NewRiver, Mark was Chief Financial Officer of Exemplar Properties and Omega Land, a property investment and development company which was owned by Morgan Stanley Real Estate Funds.

Mark has experience in many areas of property and Corporate Finance including debt and equity capital markets.



**Allan Lockhart**  
Property Director

#### *Experience*

Allan Lockhart has over 25 years' experience in the UK real estate market specialising in the retail sector. He started his career with Strutt & Parker in 1988 advising major property companies and institutions on retail investment and development. Allan was appointed as retail director to the principal trading subsidiary of Halladale (now Stockland) in January 2002 and was responsible for co-ordinating the acquisition of, and implementation of the asset management strategies in respect of, over 20 shopping centres as well as acquiring and completing several profitable retail developments. In 2009, he co-founded NewRiver and has served as Property Director since its IPO that year.



**Alastair Miller**  
Non-Executive Director  
(Independent)

#### *Experience*

Alastair Miller was Chief Financial Officer of New Look Group plc from 2000 until 2014 and during that period had a range of other responsibilities in addition to finance including property, systems, company secretariat and investor relations. He was one of the MBO team who helped take the company private in 2004 and led a number of subsequent refinancings.

Previously, he was the Group Finance Director at RAC for 11 years, having joined from Price Waterhouse in 1988 where he was a management consultant. Prior to that, he was Finance Director of a company within the BTR Group. Alastair qualified as a Chartered Accountant with Deloitte Haskins and Sells (now part of PricewaterhouseCoopers LLP) and holds a BSc in Economics.

#### *Committees*

- Chairman of the Audit Committee
- Member of the Remuneration and Nomination Committees



**Chris Taylor**  
Senior Independent  
Non-Executive Director

#### *Experience*

Chris Taylor was a Non-Executive Director during the financial year and also acted as the Senior Independent Director.

Chris stepped down from the Board on 9 April 2017 and a search to replace him is ongoing.

#### *Committees*

- Former Chairman of the Audit Committee
- Former Member of the Remuneration and Nomination Committees

**Matthew Jones**  
Company Secretary

Matthew Jones is a chartered secretary with over 25 years' experience in the profession and has been company secretary to both Main Market and AIM listed companies, as well as private group companies. He has worked across a number of sectors, including finance, private equity, consumer goods and real estate.

Matthew is a Fellow of the ICSA: The Governance Institute.

# Corporate Governance Report



*“NewRiver is an early adopter of the UK Corporate Governance Code published in April 2016. The Board is committed to high standards of corporate governance.”*

Welcome to NewRiver’s Governance Report for the year ending 31 March 2017. This describes how the Board and its Committees worked on behalf of shareholders and other stakeholders, driving the culture and discipline necessary for the Company to achieve its goals.

NewRiver’s good financial results for the year in part reflect successful strategic leadership from the Board in the period to date and I would like to thank the Directors for their dedication and hard work, which was essential to this achievement.

Since NewRiver’s inception, the Board has regarded high standards of governance as a fundamental pre-condition for the Company’s success. I am pleased to report that the Company is an early adopter of the UK Corporate Governance Code published in April 2016 and that most of the requirements placed upon FTSE 350 companies under the Code had already been met by NewRiver before it decided to apply for a main listing, and that all Code requirements were met by the time of its joining the Main Market last August.

The Company tested the effectiveness of the Board with an independent evaluation in February 2017, the results of which are described on page 70. The evaluation report was encouraging and provided positive feedback with regard to the strategy process, Board relationships, quality of external inputs and other key items. Areas for improvement, as shown on page 70, have been noted and will be addressed in the coming year.

As part of its commitment to high standards of governance, NewRiver maintains a regular, open dialogue with shareholders. This dialogue was instrumental in the refinement of the Company’s remuneration policy, which is included in this Annual Report for the first time. The Board consulted with investors representing almost two-thirds of the Company’s issued share capital before recommending the policy to shareholders.

The Board looks forward to building on its progress in creating a governance framework that recognises and respects the interests of NewRiver’s stakeholders in a fair and balanced manner. The Board is grateful to those stakeholders for their contributions to this process to date and looks forward to continuing engagement in the future.

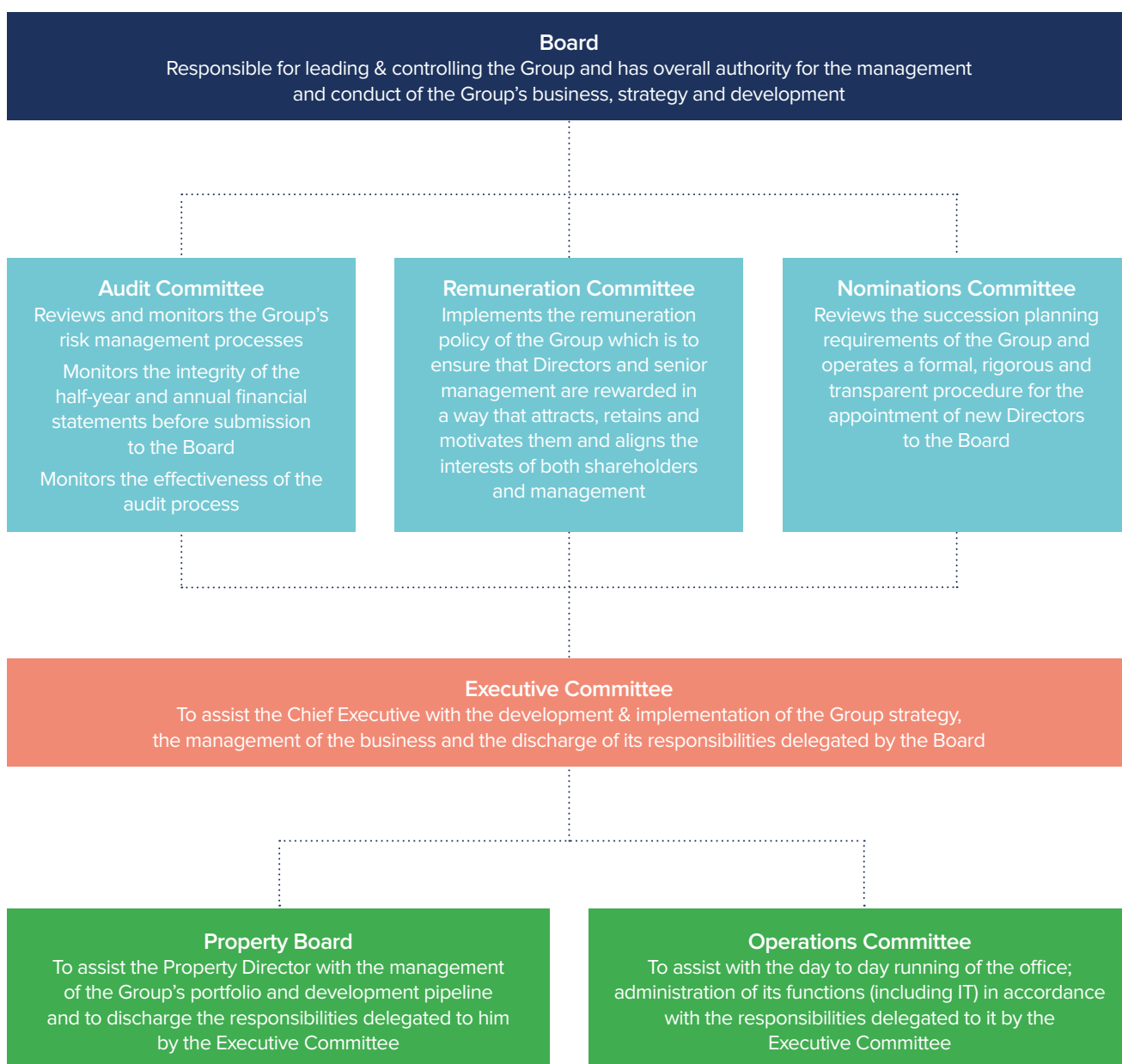
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Paul Roy

Chairman

15 May 2017

## Board and Committee Structure:



## Board Membership

Details of the Directors, including the skills and experience that they bring to the Board, are on pages 64 to 65. During the year, the Board was comprised of a Non-Executive Chairman, three Executive Directors and three Non-Executive Directors. In accordance with the UK Corporate Governance Code, each of the Non-Executive Directors was considered independent during the year. The Chairman was independent on appointment and the Board still consider him to be independent.

## Responsibilities of the Board

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

There is a clear division of responsibility between the Chairman, who is responsible for the leadership of the Board, and the Chief Executive, who is responsible for managing and leading the business. A summary of the Directors' responsibilities is shown below:

Chairman:	Paul Roy's role is to lead the Board and ensure that it operates effectively. His responsibilities include: <ul style="list-style-type: none"> <li>• setting the agenda, style and tone of the Board meetings to ensure that all matters are given due consideration;</li> <li>• maintaining a culture of openness, debate and constructive challenge in the Board room;</li> <li>• ensuring the Board's effectiveness and ensuring it receives timely information;</li> <li>• ensuring effective communication with shareholders;</li> <li>• ensuring a new Director receives a full, formal and tailored induction on joining the Board; and</li> <li>• reviewing and agreeing training and development for the Board.</li> </ul>
Chief Executive:	David Lockhart's responsibilities include: <ul style="list-style-type: none"> <li>• managing the business of the Group;</li> <li>• recommending the Group's strategy to the Board; and</li> <li>• implementing the strategy agreed by the Board.</li> </ul>
Property Director:	Allan Lockhart's responsibilities include: <ul style="list-style-type: none"> <li>• the management of the Group's portfolio &amp; development pipeline; and</li> <li>• chairing the Property Board.</li> </ul>
Chief Financial Officer:	Mark Davies' responsibilities include: <ul style="list-style-type: none"> <li>• implementing the financial strategy, including balance sheet capitalisation;</li> <li>• overseeing the financial reporting and internal controls; and</li> <li>• overseeing investor relations.</li> </ul>
Senior Independent Non-Executive Director:	Chris Taylor's responsibilities included: <ul style="list-style-type: none"> <li>• acting as a sounding board for the Chairman;</li> <li>• evaluating the Chairman's performance as part of the Board's evaluation process;</li> <li>• serving as an intermediary for the other Directors when necessary; and</li> <li>• being available to shareholders should the occasion occur when there was a need to convey concern to the Board other than through the Chairman or the Chief Executive.</li> </ul>
Non-Executive Directors:	Kay Chaldecott and Alastair Miller bring independent judgement, knowledge and varied commercial experience to the meetings and in their oversight of the Group's strategy. Kay and Alastair are Chairman of the Remuneration and Audit Committees respectively.
Company Secretary:	Matthew Jones' responsibilities involve: <ul style="list-style-type: none"> <li>• being Secretary to the Board and its Committees;</li> <li>• under the direction of the Chairman, being responsible for maintaining good information flows within the Board and its Committees;</li> <li>• under the direction of the Chairman and CEO, developing Board and Committee agendas, and collating and distributing papers;</li> <li>• advising the Board on all governance matters;</li> <li>• ensuring compliance with all relevant statutory and regulatory requirements; and</li> <li>• supporting the Executive Committee.</li> </ul>

## Attendance

All Directors are expected to attend Board and Committee meetings of which they are a member. During the year, there were five scheduled Board meetings, including the strategy meeting, and four additional Board meetings relating specifically to the Company's move from AIM to the Main Market of the London Stock Exchange and the change in the Group's domicile from Guernsey to the UK.

Each of the Directors has committed to attend all scheduled Board and Committee meetings and would not do so only in exceptional circumstances. Similarly, they would make every effort to attend ad hoc meetings either in person or by telephone when convened. If a Director cannot attend a meeting, they are provided with the papers in advance of the Meeting as usual, and they have the opportunity to discuss them with the Chairman or Chief Executive and provide their comments.

Attendance at the Committee meetings is shown in the respective Committee reports and attendance at the Board meetings is shown below:

	Scheduled (7)	Additional (4)
Paul Roy	7	4
David Lockhart <sup>1</sup>	6	4
Allan Lockhart	7	4
Mark Davies	7	4
Kay Chaldecott <sup>2</sup>	7	2
Chris Taylor <sup>3</sup>	5	2
Alastair Miller	7	4

1. Unable to attend one Board meeting due to illness

2. Unable to attend two of the additional meetings due to conflict with other scheduled business meetings

3. Unable to attend one scheduled board meeting and two additional board meetings due to conflicts with other scheduled business meetings. In addition, Chris Taylor did not attend the Board strategy meeting as this was held just before he stood down as a Non-Executive Director of the Company.

## Business of the Board during 2017

### Routine Business

Q1	<ul style="list-style-type: none"> <li>approval of the 2016 Annual Report</li> <li>approval of the 2017 budget</li> <li>quarterly review of the Group's portfolio</li> </ul>
Q2	Quarterly meeting moved to the beginning of third quarter due to the move to the Main Market
Q3	2 meetings held in this quarter <ul style="list-style-type: none"> <li>quarterly finance update</li> <li>quarterly review of the Group's portfolio</li> <li>investor roadshow review</li> <li>approval to offer a SCRIP dividend scheme to shareholders at the 2017 AGM</li> </ul>
Q4	2 meetings held in this quarter plus 1 strategy meeting <ul style="list-style-type: none"> <li>quarterly finance update</li> <li>quarterly review of the Group's portfolio</li> <li>presentation from GlobalData on the future prospects for the retail market</li> <li>presentation from Prism Boardroom on the external Board evaluation</li> <li>refresher training on the Market Abuse Regulations and update on corporate governance regulations</li> <li>strategy meeting held</li> </ul>

### Additional Business

Q1	<ul style="list-style-type: none"> <li>approval to move listing from AIM to the Main Market and to change the Group's domicile from Guernsey to the UK</li> </ul>
Q2	<ul style="list-style-type: none"> <li>training given on Market Abuse Regulations and Directors' Responsibilities as a Main Market company</li> <li>four additional meetings held to review the process of moving from AIM to the Main Market and for moving domicile from Guernsey to the UK</li> <li>Court and General Meetings to obtain shareholder approval for the proposals</li> <li>approval to acquire Sheffield Retail Park</li> </ul>

### Board Evaluation Process

In light of the move to the Main Market, the Nomination Committee also reviewed the Board evaluation process. As an AIM-listed company, NewRiver Retail's Board did not have to undergo regular evaluations. It nonetheless undertook such evaluations annually by means of an internal questionnaire. For NewRiver REIT, as a Main Market company and constituent of the FTSE250 index, such evaluations are required under the UK Corporate Governance Code, with externally led reviews required every three years. The Nomination Committee decided to appoint an external evaluator to undertake its first Board evaluation. This decision was designed to establish firm foundations for future evaluations and thus to ensure continuing high standards of governance for the Company.

The Nomination Committee delegated authority to the Chairman and the Company Secretary to review external evaluators and to recommend one for approval. They selected Prism Boardroom which had not undertaken any work for the Company before and was therefore deemed independent.

### Scope, key findings and recommendations

The scope of the evaluation was discussed and agreed between the evaluator, the Chairman and the Company Secretary in the context of a three-year evaluation plan. One-to-one discussions with each member of the Board and the Company Secretary were conducted in February with Prism Boardroom reporting its findings to the Board at its March meeting.

Scope	Findings	Recommendations
Key Board relationships Director commitment Board balance Leadership	Participants were unanimous that the Board was well balanced, committed and cohesive team, with respected leadership	Continue as is
Process used to develop and deliver the Company's strategy	The process for delivering the strategy could be enhanced by focusing on what resource might be necessary to deliver it over the long-term	Executive management to consider the resource within the business required over a five year + period
Effectiveness of Board and Committee meetings and what could be done to improve their effectiveness	<ul style="list-style-type: none"> <li>All meetings were run efficiently, with good quality discussion in which everyone felt able to give their views and opinions</li> <li>The right mix of skills and experience from the members was available on each Committee</li> </ul>	<ul style="list-style-type: none"> <li>There were a number of house-keeping points identified which could enhance the effective management of the meetings</li> <li>The Nomination Committee could benefit from a greater degree of formality around its operation</li> </ul>

The Board is reviewing the report and its recommendations. Actions taken by the Board as a result of this review will be reported in next year's report.

### Induction of New Directors

No new Director was appointed to the Board during the year. However, when a new Director does join, the Chairman and Company Secretary will implement an induction process which will ensure that the new Director is fully briefed about the Company and its operations; meets with its senior management; visits various assets and be briefed on their legal and regulatory obligations as a Director of a public limited company.

### Directors' Training

During the year, the Directors' were trained by the Company's advisers on their obligations as Directors' of a Main Market listed company and also on the requirements of the Market Abuse Regulations which came into force during the period.

### Corporate Culture

Details of the Company's Corporate Culture can be found on page 58



## Shareholder Engagement

The Chief Executive, Chief Financial Officer and the Head of Investor Relations are the Company's principle spokesmen with investors, fund managers, analysts and the press. The Property Director attends investor meetings and talks to the press as and when required. The Board is committed to providing investors with regular announcements of significant events affecting the Group.

The Company organises a twice yearly investor roadshow after the half-year and full-year results whereby it meets its major institutional investors. In addition, one-on-one and group meetings are held throughout the year as required. During the year, the Company met with 204 investors during 168 meetings – as per the chart below:

April 2016	May	June	July	August	September
Investor roadshow in London	2016 full-year results Equity sales presentations Investor roadshow in London & Brussels	Equity sales presentation Investor roadshows in Amsterdam, Edinburgh, Zurich & Paris	Q1 2017 Company update Investor roadshow in London	Investor asset tour	JP Morgan Small/Mid Cap Conference, London Investor roadshow in London
October	November	December	January 2017	February	March
Investor asset tour Investor roadshow in London Peel Hunt Investor Conference, Liverpool	2017 half-year results Equity sales presentations Investor asset tour Investor roadshows in London, Edinburgh & Frankfurt UBS Global Real Estate Conference, London	Berenberg European Corporate Conference, Surrey	Q3 2017 Company update Equity sales presentation Investor roadshows in Munich & Amsterdam	Investor asset tour	Equity sales presentation Investor asset tour

The Chairman and Senior Independent Non-Executive Director are available to meet with shareholders to discuss governance or any other concerns that they may have and which is not appropriate to discuss through normal channels of communication or where normal channels of communication have failed to resolve the concern. No shareholder has requested such a meeting to date.

The Chairman attends the financial results presentations to hear shareholder and analysts queries. In addition, the Board is kept regularly updated of the meetings that the Executive Directors have with shareholders and analysts. The Head of Investor Relations provides the Board with a weekly report updating them of the market for the Company's shares, what its peers are doing and any reports issued about the sector generally and the Company specifically.

## Annual General Meeting ("AGM")

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

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

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

# Audit Committee Report

For the year ended 31 March 2017



*“Robust risk management is an essential element of the rigorous management processes followed by NewRiver. The Audit Committee is committed to monitoring the effectiveness and integrity of these processes which include the accurate preparation of financial statements.”*

Alastair Miller

Committee Chairman

## Key activities in 2016/17:

- Reviewing and monitoring the Group’s risk management processes
- Monitoring the integrity of the preparation of half-year and annual financial statements before submission to the Board
- Reviewing the FPPP process as part of the move to the Main Market
- Meeting with the Property valuers to review their valuation processes

## Areas of focus for 2017/18:

- Consider the best timing to commence an audit tendering process
- Review the risk management and internal control processes

## Audit Committee composition and attendance at Meetings

Chris Taylor <sup>1</sup> : Committee Chairman	3/3
Kay Chaldecott	3/3
Alastair Miller <sup>1</sup>	3/3

## The following were invited to attend the Meetings:

Mark Davies – Chief Financial Officer

The Group Financial Controller

The Head of Finance

Representatives of Deloitte, the Company’s auditor

Matthew Jones, the Company Secretary, acts as secretary to the Committee.

1. Chris Taylor served as Committee Chairman at all meetings held in the financial year and then stood down as Committee Chairman after its March 2017 meeting, prior to his resignation as a director on 9 April 2017. Alastair Miller was appointed as Committee Chairman in his place.

## Dear Shareholders,

I am pleased to present my first report on behalf of the Audit Committee having succeeded Chris Taylor who stood down in March of this year. I would like to thank Chris for his invaluable contribution to this committee since becoming Audit Committee Chairman in 2012.

The principle role for the Committee is to provide independent review and monitoring of the risk management and control procedures within the Company. The risk management process reviews both external risks as well as internal control risks and ensures that risks are being properly identified, their potential impact on the company measured and then adequately managed and mitigated. Each identified risk is assigned to a specific Director or Directors who are then responsible for monitoring that risk and taking mitigating actions.

The Audit Committee is also responsible for reviewing the half year and annual financial statements and the process that is used to produce them. As part of this process the Committee meets with the Company's auditors, Deloitte, who produce a detailed report covering their audit plans, materiality criteria and any issues identified during the course of their audit together with recommendations for improving accounting processes. There have been no material issues raised.

In common with other property companies, asset valuations are a key focus in preparing the financial statements. During the year, independently of the Company's management, the Committee met in April with the Company's valuer, Colliers International, to ensure that it was comfortable with the process followed and to ensure their independence. I can confirm that a robust valuation process has been followed.

### Committee Members & Discharge of Responsibility

Each Committee member is independent and has broad commercial experience as a director. Chris Taylor and Kay Chaldecott have provided strong and relevant property experience which has complimented my relevant financial experience thereby ensuring that the Committee has the right balance of skills and experience to properly discharge its responsibilities. As a Chartered Accountant and, until recently, being the Chief Financial Officer of New Look Group, the Board considers that I have significant, recent and relevant financial experience as required by the UK Corporate Governance Code.

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

**Alastair Miller**

Committee Chairman

15 May 2017

## How the Committee operates

The Committee meets at least three times a year but also holds ad-hoc meetings when required. It met three times during the year to discuss the half-year and annual financial statements, risk management reviews and internal control processes.

Only members of the Committee are entitled to attend the meetings, however a standing invitation is extended to Mark Davies, CFO; the Head of Finance and representatives of Deloitte LLP ("Deloitte"), the Company's external auditor. Matthew Jones, as Company Secretary, attends each meeting and acts as secretary to the Committee.

## Responsibilities of the Committee during the year

During the year, the Committee was responsible for:

- overseeing the Group's relationship with Deloitte, including its remuneration;
- monitoring the integrity of the half-year and annual financial statements before submission to the Board;
- discussing any issues arising from the half-year review and year-end audit of the Group;
- reviewing significant financial reporting matters and judgments, with a particular focus on matters of material financial impact on the Group;
- reviewing the effectiveness of the Group's system of internal controls;
- reviewing and monitoring the Group's risk management processes;
- conducting an annual review of the need to establish an internal audit function;
- monitoring and annually reviewing the auditor's independence, objectivity and effectiveness of the audit process; and
- evaluating the Committee's own performance, which was undertaken as part of the Board evaluation process referred to on page 70.

The Company has not had any interaction with the Financial Reporting Council's corporate reporting team.

The principal matters discussed during the year were as follows:

- Valuation of assets. The 2017 year-end balance sheet shows assets under management of £1.3bn. The Committee, independently of management, met with Colliers International at the end of April 2017 to discuss with them the valuation of the assets, to understand the process that was followed and to ensure that a robust and independent valuation had taken place.
- Risk management. The Committee reviews the risk register at each meeting and, as part of the process of moving the Company's listing from AIM to the Main Market, the register's format was revised to make it easier to highlight the key risks within the business.
- Accounting treatment and revenue recognition for the acquisitions of Bexleyheath and Sheffield.

- **Taxation and REIT compliance:** The Committee was aware that, should the Group not comply with the REIT regulations, it could incur tax penalties or ultimately be expelled from the REIT regime which would have a significant effect on the financial statements. The Committee noted the frequency with which compliance with the regulations was reported to the Board and considered the margin by which the Group complied. Based on this and the level of headroom shown in the latest Group forecasts the Committee agreed that no further action was required for the current year.
- **Audit process.** The Committee and the auditor, Deloitte, discussed the resourcing required to audit a FTSE250 company. Deloitte provided additional resource and the audit process commenced earlier.

### Risk Management

The Board oversees the Group's risk management and internal controls and determines the Group's risk appetite. The Audit Committee at each of its meetings monitors the effectiveness of the Group's risk management and internal controls systems at each Committee meeting.

Further details of the Company's risk management process, together with the principal risks, can be found in the Risk Management report on pages 55 to 57. Details of the Company's internal controls are below.

### Internal Control Structure

The Group does not have an internal audit team. The need for this is reviewed annually by the Committee, however due to the Group's size and relative lack of complexity, it is felt that there is no requirement for such a team just yet.

However, while there may not be an internal audit team in place, BDO UK LLP, as an independent third party, are engaged to undertake an annual review of the Group's internal control system to ensure that the Company has sufficient controls in place and they did this during February 2017. The results of the review were encouraging and stated that there was an appropriate system in place to achieve the current financial and operational controls required and to ensure that the Company's compliance obligations were met. While all of the necessary checks and balances were being done, the documentation confirming this was not always completed in a timely manner and this will be addressed during the current year.

In addition, as part of the Company's move from AIM to the Main Market in August 2016, Deloitte were engaged to undertake a Financial Position and Prospects Procedures review ("the FPPP review"). The FPPP review documented the nature of the Group's financial position and prospects procedures and the steps taken by the Directors to enable them to make their confirmation, in the prospectus for the move to the Main Market, that they had established procedures which provided a reasonable basis for them to make proper judgements on an ongoing basis as to the financial position and prospects of the Group.

The FPPP review was very thorough and took about three months to complete. It covered all functions and processes within the Group, including internal controls, governance

surrounding Board and Committee meetings, IT, forecasting & budgeting and management reporting.

Even though the Company was listed on AIM, it had been conducting itself as a Main Market company and the FPPP review concluded that all of the necessary internal controls and procedures were in place and were being followed.

### External auditor

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

### Audit Plan

In respect of the audit for the financial year ended 31 March 2017, Deloitte presented their audit plan (prepared in consultation with management) to the Committee. The audit plan took into account key changes in the business, materiality levels, valuation of the portfolio, especially focusing on how the pub element was valued, and the development pipeline.

Following discussions with both Deloitte and management, the Committee approved the implementation of the plan.

### Audit & Non-audit Fees

The Company paid £287,000 in audit and audited related fees for the financial year ended 31 March 2017.

The Company has a non-audit services policy in place which limits Deloitte to working on the audit or such other matters where their expertise as the Company's auditor makes them the logical choice for the work. This is to preserve their independence and objectivity. The Company paid £220,000 in non-audit fees to Deloitte for the financial year ended 31 March 2017. The amount paid in non-audit fees is high this year because Deloitte were engaged in undertaking the FPPP review and other reporting accountant work required as part of the process of moving the Company from its AIM listing to its Main Market listing.

BDO UK LLP has been engaged to provide tax advice to the Company and to undertake the annual internal control review.

### Effectiveness and Independence

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

The Committee reviewed the effectiveness of the 2016 external audit process by considering the extent to which the audit plan was met, the degree of challenge involved in the process, the depth of understanding, the review of key accounting policies and audit judgements, and the content of the auditor's reports to the Committee. It was noted that the audit had been completed to a high standard, however additional resource allocated to the audit would be beneficial to the process.

Having considered the effectiveness and independence of the auditors in both the audit and non-audit services it provides, the Committee has recommended to the Board that a resolution is proposed at the forthcoming Annual General Meeting to reappoint Deloitte as the Group's external auditor.

#### Tenure

Deloitte LLP has been the Group's auditor since 2010. David Becker is the audit partner from Deloitte and he was appointed in 2015. Under the regulations, the last audit that he could sign off would be the 2019 audit and he would have to rotate off in 2020. Under The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the audit should be tendered every ten years. No tender has been undertaken since Deloitte's appointment as auditor. As such, the Committee will give consideration in due course to such a tender, taking into account the complexity and time that such tenders take.

#### Statement of Compliance

The Company confirms that it has complied with terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory User of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("the Order") throughout the year.

In addition to requiring mandatory audit re-tendering at least every ten years for FTSE 350 companies, the Order provides that only the Audit Committee, acting collectively or through its Chair, and for and on behalf of the Board is permitted:

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

#### Fair, Balanced and Understandable

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

The Committee has satisfied itself that the controls over the accuracy and consistency of information presented in the Annual Report are robust and has confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate allowing the Board to make the "fair, balanced and understandable statement" which is on page 105.

#### Viability Statement

The Committee provides advice to the Board on the Viability Statement which can be found on page 104.

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

# Nomination Committee Report

For the year ended 31 March 2017



*“Succession planning, both at the Board and senior management levels, will continue to be a key area of focus for the Committee”*

**Paul Roy**  
Committee Chairman

## Principle Roles:

- to review the succession planning requirements for the Group;
- to ensure that it operates a formal, rigorous and transparent procedure for the appointment of new Directors to the Board;
- to regularly review the composition of the Board and its various committees (including their chairmanships); and
- to evaluate the performance of these committees and that of the Board as a whole.

## Key activities in 2016/17:

- review of the Board Evaluation process, in light of joining the Main Market of the London Stock Exchange, and appointment of an external evaluator to lead that process;
- implementation of the process to appoint a new independent Non-Executive Director; and
- review of the Board’s succession plan.

## Areas of focus for 2017/18:

- appointment of an independent Non-Executive Director;
- support the implementation of the recommendations resulting from the Board evaluation process;
- continue the focus on succession planning; and
- consider the Group’s diversity policy.

## Nomination Committee composition and attendance at Meetings

Paul Roy: Committee chairman	3/3
Kay Chaldecott	3/3
Alastair Miller	3/3
Chris Taylor*	2/3

\* Chris Taylor was not able to make the February 2017 meeting due to another business commitment.

David Lockhart, Chief Executive Officer, is invited to attend Meetings. Matthew Jones, Company Secretary, acts as secretary to the Committee.

## Dear Shareholders,

In August 2016, the Company successfully moved its listing from the AIM market of the London Stock Exchange to the Main Market. In preparation for that move, the Committee reviewed the Board composition to ensure that it was fully compliant with the UK Corporate Governance Code and had a majority of independent Non-Executive Directors.

In light of the move to the Main Market, the Committee also reviewed its Board evaluation process. As an AIM-listed company, NewRiver Retail’s Board did not have to undergo regular evaluations. It nonetheless undertook such evaluations annually by means of an internal questionnaire. For NewRiver REIT, as a Main Market company and constituent of the FTSE250 index, such evaluations are required under the UK Corporate Governance Code, with externally led reviews required every three years. The Committee decided to appoint an external evaluator to undertake its first Board evaluation. This decision was designed to establish firm foundations for future evaluations and thus to ensure continuing high standards of governance for the Company. Further details of the process and its results are to be found in the Corporate Governance report on page 70.

In January 2017, the Company announced that Chris Taylor would stand down as a Non-Executive Director in April 2017. The Company is currently in the process of searching for a suitable candidate to succeed Mr Taylor. The details of this process are to be found on the following page.

During the current year, the Committee will continue to focus on succession planning and on implementing the recommendations of the Board evaluation.

**Paul Roy**  
Committee Chairman  
15 May 2017

### How the Committee operates

The Committee meets at least twice a year and holds ad-hoc meetings when required. It met three times during the year to discuss succession planning, Board evaluation and the process to be followed in the search for a new Non-Executive Director following the resignation of Chris Taylor.

Only members of the Committee are entitled to attend the meetings, with the Company's Chief Executive Officer, David Lockhart, having a standing invitation to attend. This is so that the Committee can understand the views of executive management when making its deliberations, especially on succession planning. Matthew Jones, Company Secretary, attends each meeting and acts as secretary to the Committee.

### Activities of the Committee during the year

#### Succession planning

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

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

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

As part of the current year's review of the plans, short, medium and long-term horizons will be considered to ensure that the plans allow for sudden and unforeseen departures, for the orderly replacement of Board members and senior members of staff, and to ensure that sufficient skills and experience remain in the business to ensure that the Company's strategy and objectives are met going forward.

### Recruitment of a new Non-Executive Director

In January 2017, Chris Taylor advised the Company that he would be resigning as a director and standing down from the Board with effect from April 2017, triggering the process to identify and appoint a suitable successor.

The Chairman, CEO and Company Secretary were delegated to meet two executive search firms, both of whom were signatories to the Revised UK Voluntary Code of Conduct for Executive Search Firms. The appointment of Spencer Stuart, which had not undertaken any work for the Company before and was therefore deemed independent, was recommended.

The Board approved a detailed brief to be used to compile a short list of candidates. The brief specified that candidates needed a good range of experience that did not necessarily have to come from the property or retail sectors.

Spencer Stuart is currently in discussions with proposed candidates with a view to putting five forward for the Board's consideration. Each member of the Board will have the opportunity to meet with the proposed candidates prior to a final appointment being made. This is designed to ensure the

future cohesiveness of the Board following the new appointment. The Company will inform the market as and when an appointment is made.

### Diversity Policy

The Company has developed a culture which recognises the benefits of diversity and has been successful at recruiting key members of its team from a range of different backgrounds. Before the Company became a REIT in 2010, 50% of its Board directors were female and the culture and discrimination policies the Company has adopted since this time have always embraced all aspects of diversity.

The Board currently comprises one female non-executive director, Kay Chaldecott. Recognising the benefits of diversity the Company would like to see the female Board representation increase further.

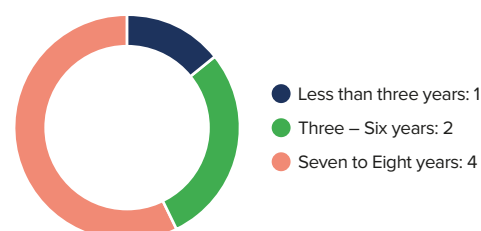
When recruiting, the Company has always considered all aspects of diversity during the process. The Company ensures there is a selection of candidates who have a good balance of skills, knowledge and experience. The Company aims to recruit the best candidates on the basis of their merit and ability.

Recognising the current ongoing debate around diversity the Company is intending to draft a policy in the future that will give regard to updates to best practice and the recommendations of the Hampton Alexander and McGregor Smith reviews when doing so.

### Composition of the Board during the year



### Length of Directors' tenure



### Directors' core area of expertise



# Remuneration Committee Report

For the year ended 31 March 2017



This report consists of three sections:

a) Annual statement;	p.79
b) The Remuneration Policy which, subject to approval at the AGM to be held on 14 July 2017, would be in force for a period of three years from 1 April 2017; and	p.81
c) The implementation report which is based on the informal remuneration policy that the Company followed in the past and details the remuneration for 2017, including the single figure remuneration tables.	p.92

*“It has been a busy year for the Committee, introducing new PSP performance conditions; overseeing revised Executive Director service contracts; and introducing a formal Remuneration Policy including the development of a new annual bonus plan.”*

**Kay Chaldecott**

Committee Chairman

**Areas of focus for 2017/18:**

- Monitoring the bonus plan objectives
- Monitoring the performance conditions for the performance share plan

**Remuneration Committee operation, composition and attendance at Meetings**

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

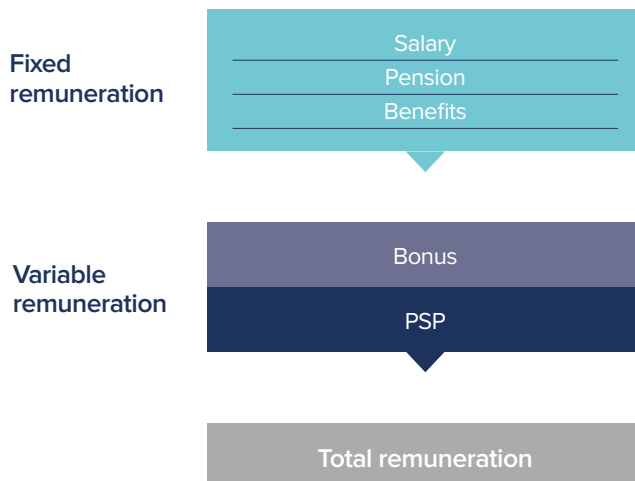
Kay Chaldecott: Committee Chairman	5/5
Paul Roy	5/5
Alastair Miller	5/5
Chris Taylor	3/5

\* Chris Taylor was not able to make two meetings due to other work commitments

The following were invited to attend the Meetings:

- David Lockhart – Chief Executive Officer
- Representative of h2glenfern Remuneration Advisory, the Company’s remuneration adviser
- Representatives of Eversheds Sutherland, the Company’s corporate legal adviser
- Matthew Jones, the Company Secretary, acts as secretary to the Committee

**NewRiver’s remuneration structure**



The Committee’s responsibilities during the year were:

- to consider the objectives, annual pay and targets for the Executive Directors;
- review and agree changes to the allocations basis for the staff bonus pool;
- review and determine the implementation of the Group’s share incentive schemes and the granting and vesting of options;
- to agree the changes in service contracts for the Executive Directors;
- to agree the new PSP performance conditions; and
- to agree and implement the remuneration policy



# a) Annual Statement

Dear Shareholders,

## Introduction

On behalf of the Board, I am pleased to introduce the Remuneration Committee report for the financial year ended 31 March 2017. In the past, as an AIM listed company, we produced a Remuneration Committee report which provided information over and above the requirements of our listing. However, this is the first formal remuneration report that the Company has had to produce following its listing on the Main Market of the London Stock Exchange.

It has been a busy year for the Committee. In addition to the normal business of the Committee, we introduced new performance conditions for the Company's Performance Share Plan, oversaw new Executive Director service contracts as part of the Group's move to the Main Market, made an additional long term incentive award to the Chief Financial Officer and introduced a formal Remuneration Policy in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013 and consulted with shareholders on its implementation. Alongside the development of the Remuneration Policy, the Company developed a new annual bonus plan to operate from the 2017/18 financial year.

## Link between remuneration and strategy

The principal role for the Committee is to operate the Group's remuneration policy which is to ensure that the Directors and senior managers are paid in a way that attracts, retains, motivates and rewards management of the highest quality, aligns Shareholders' and executives' interests and promotes a direct relationship between results and reward, reflecting best practice appropriate to the size and stature of the Group.

The strategy of the Company is to deliver superior returns to shareholders, both in dividends and capital growth, over the long term and within a prudent risk management framework. The remuneration policy of the Company supports this in its choice and pitching of performance targets for both annual bonus and performance share awards which include strong comparative performance elements. The policies on bonus deferral into shares, the new additional two year holding period following vesting for performance share awards and the shareholding guideline aligns executives with shareholders to support the Company's long term objectives. The principles behind these policies are disseminated in the remuneration arrangements of all employees as appropriate in the light of seniority.

## Performance and decisions on remuneration taken in 2016/17

The Company produced excellent financial results for the year with cash profits from operations growing by 24% to £58 million, and the Company increasing its fully covered ordinary dividend by over 8% to 20.0 pence per share. In addition, a special dividend of 3.0 pence per share has also been declared. Assets under management increased by 14% to £1.3 billion.

The normal maximum bonus for 2016/17 was 100% of basic salary, however this could be increased to 150% on the basis of exceptional performance. The Executive Directors delivered successfully against a range of financial, operational and strategic objectives including, but not exclusively, paying a progressive, fully covered dividend, increasing the value of assets under management and transitioning the business from AIM to the Main Market. Bonuses paid in respect of the year to 31 March 2017 to each of the Executive Directors was 100% of base salary received for the year and are set out in the table on page 94. The amount of this bonus which will be deferred into shares is 30%.

No performance share awards were made to Executive Directors during the 2014 financial year and so none vested during the financial year 2017.

In July 2016, the Committee granted awards under the Performance Share Plan which introduced new performance conditions. 50% of the award is subject to a Total Shareholder Return performance condition measured against the FTSE All Share Index. 50% is subject to a Total Accounting Return performance condition measured against UK REITs that report their NAV on an EPRA basis. The Committee believes that these performance conditions better reflect the strategy and objectives of the Company and provide improved alignment with shareholders. Further details on these performance conditions can be found on pages 94 to 95.

As part of the move to the Main Market, the Group changed its domicile from Guernsey to the UK and a new UK holding company was incorporated. This necessitated new service contracts having to be drafted for the Executive Directors which complied with UK laws and listing regulations. Some legacy terms of the old service contracts were retained and further details of these can be found on page 90.

Our executive team is rated highly in the sector and our aim is to ensure that their remuneration is competitive, motivating and sufficient to retain them. In the latter quarter of 2016, we held discussions with the Chief Financial Officer with the aim of securing his long term future with the Company. The remainder of the Board as a whole, took the view that the CFO played a key part in the Group's success, was highly rated by its investors and therefore it was important to secure his long term future with the business. Accordingly, with effect from 1 January 2017, his salary was increased from £350,000 to £400,000 and later in January he was granted an additional award over 119,850 shares under the Performance Share Plan, being one times' his new base salary. The performance conditions for which are described on pages 94 to 95.

At this time, the Committee determined to increase the salary of the CEO from £425,000 to £450,000 and the salary of the Property Director from £400,000 to £425,000 from also effective 1 January 2017. These salary levels remain effective 1 April 2017.

### New Remuneration Policy

The Remuneration Policy to be put to the 2017 AGM is intended to comply with the Investment Association Principles of Remuneration and to reflect current best practice. The Company has consulted on it with ten of its largest investors, holding 63% of the total voting rights in issue.

Key features of the policy which I would like to draw your attention are set out below:

- the bulk of the policy remains in line with previous disclosures. The approaches to salary, benefits and pension are largely unchanged to what has been done in the past. The normal performance share plan award will remain 100% of salary with the exceptional maximum remaining at 200% of salary;
- the Company intends in the future normally to apply a two-year holding period following the vesting of PSP awards, lengthening the total period from award to release to five years;
- the Company will introduce a shareholding guideline for Executive Directors. Over five years from appointment, the Chief Executive Officer will be required to build up a holding of 200% of his base salary and other executives 100% of base salary. Currently each of the Executive Directors' shareholding meets this guideline;
- Malus and clawback will apply to both annual bonus and PSP awards;
- It is proposed under the policy that the maximum bonus will be 125% of salary. The Company intends to continue to defer 30% of bonus into an award over shares with a two year vesting period; and
- at the point of the move to the Main Market, some special terms in relation to termination were agreed between the Company and David Lockhart, Allan Lockhart and Mark Davies, the Founding Executive Directors. These special terms were agreed to reflect the rights under these Directors' 2009 contract which the Directors gave up on entering into new contracts in August 2016 to bring their employment terms more closely into line with best practice. They are laid out on page 90 and principally relate to protections on termination, including rights in the event of a change of control and rights to annual bonus, deferred bonus shares and performance share awards granted before August 2016. These provisions will not form part of arrangements entered into with new Executive Directors.

### Implementation of policy for 2017/18

As the focus on executive pay continues, the Committee remains mindful of the developing remuneration landscape.

Subject to approval at the AGM, the Committee will manage remuneration in line with the policy during 2017/2018. Detail on the proposed annual bonus structure and objectives is set out later in this report. The Committee anticipates making 2017 PSP awards to Executive Directors with a value of 100% of salary following the AGM.

I would like to thank my fellow Committee members for their hard work and support during this busy year. I hope that you find the report helpful and informative and I look forward to receiving further feedback from our investors on the information presented.

---

Kay Chaldecott

Committee Chairman

15 May 2017

## (b) Proposed Directors' Remuneration Policy

The remuneration policy is intended to apply, subject to shareholder approval at the Annual General Meeting to be held on 14 July 2017, from 1 April 2017 for a period of three years.

When setting the remuneration policy, the Remuneration Committee ("the Committee") has compared the levels being offered with those of its peers in the listed real estate investment trust sector. The policy is reviewed regularly to ensure that it continues to align the interests of Executive Directors with those of the Company's Shareholders and to remain competitive.

### Discretions

The Committee retains the absolute discretion to make any payments, even though they are not in line with the policy set out below, where the terms of the payment were agreed (a) before the policy came into effect; or (b) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

Payments may include the Committee satisfying awards of variable remuneration and, in relation to any awards over shares, the terms of the payment will be determined by the Committee at the time the award is granted. Details of any such payments will be disclosed in the annual report on remuneration for the relevant year.

Details of the relevant terms of the service agreements for the Founding Executive Directors ("FED"), being David Lockhart, Allan Lockhart and Mark Davies, under which payments were agreed prior to the policy coming into effect are described later in the policy on page 90.

Subject to the discretion of the Committee, the Remuneration Policy may be amended to accommodate minor changes for administrative or legislative purposes without obtaining shareholder approval.

Executive Directors hold awards granted under the NewRiver Retail Limited Deferred Bonus Plan 2015 (2015 DBP), the NewRiver Retail Limited Performance Share Plan 2009 (2009 PSP), the NewRiver Retail Limited Unapproved Share Option Plan 2009 (2009 USOP) and the NewRiver REIT plc Performance Share Plan 2016 (2016 PSP).

The Committee will operate the NewRiver REIT plc Annual Bonus Plan 2016 (ABP), the 2015 DBP, the NewRiver REIT plc Deferred Bonus Plan 2016 (2016 DBP), the 2009 PSP, the 2016 PSP, the 2009 USOP, the NewRiver REIT plc Unapproved Share Option Plan 2016 (2016 USOP) and the NewRiver REIT plc Company Share Option Plan 2016 (2016 CSOP) according to their respective rules and in accordance with the Listing Rules where relevant. Consistent with market practice, the Committee retains certain discretions in respect of the operation and administration of these plans which include, but are not limited to:

1. in respect of the ABP and the 2016 PSP, the annual review of performance measures, weighting and targets from year to year;
2. the determination of the extent to which performance measures have been met and the corresponding vesting or payment levels;
3. discretion required when dealing with a change of control or restructuring of the Group, special dividends and rights issues;
4. determination of the treatment of leavers based on the rules of the respective arrangement and the appropriate treatment chosen, including the pro-rating of awards; and
5. the manner in which share awards can be satisfied (i.e. from the Employee Benefit Trust, newly issued shares, treasury shares, or market purchased shares).

In relation to awards granted under the 2009 PSP and/or the 2016 PSP, the Committee has discretion to waive or amend performance targets on the occurrence of any event or events which causes the Committee reasonably to consider that such target should be waived or that a different or amended target would be a fairer measure of performance provided that any amendment may not cause the achievement of a target to be materially more difficult to perform or harder to achieve than the original task or target prior to such amendment. The Committee will not use this discretion to waive performance targets other than in exceptional circumstances or, in relation to the FEDs, as set out in this remuneration policy. It will consult with major shareholders in advance of using this discretion.

The performance targets which apply to subsisting awards granted under the 2009 PSP and the 2016 PSP include a provision which provides that notwithstanding the extent to which performance targets have been met, the awards will only vest to the extent that the Committee (in its absolute discretion) is satisfied that the performance against the performance targets is a fair reflection of the underlying performance of the Company during the applicable performance period.

Any use of the above discretions will be explained in the Annual Report for the financial year in which they were exercised and may, as appropriate, be the subject of consultation with the Company's major shareholders.

### **Dividend equivalents**

Dividend equivalent shares will be added on to unvested awards under the 2015 DBP and the 2016 DBP and to unvested awards (including during any holding period) under the 2009 PSP and the 2016 PSP on a reinvested basis although this can be calculated in an alternative manner at the discretion of the Committee.

### **Clawback and Malus**

In the event of gross misconduct, the material misstatement of financial information or an error is discovered in the calculation of award levels, the Committee has discretion to exercise malus and clawback provisions in respect of all share awards (other than the 2009 USOP and 2016 CSOP). The Committee may reduce the vesting of awards prior to vesting and/or require the repayment or reimbursement of awards which have already vested and been exercised across all incentive plans.

The Committee may operate clawback on the terms stated above during the 24 months following the vesting date (after any holding period) of an award granted on the terms of the 2009 PSP and the 2016 PSP and at any time prior to the vesting date of an award granted on the terms of the 2015 DBP and the 2016 DBP.

The Committee may also operate clawback in relation to cash bonuses paid under the ABP if the circumstances set out above apply during the 24 months following the payment of the cash bonus.

### **Shareholder consultation**

The Committee's policy is to consult with major Shareholders in respect of significant decisions on executive remuneration and has done so regularly. The Company has consulted with shareholders representing 63% of its register in respect of the formulation of this policy.

### **Statement of consideration of employment conditions elsewhere in the Company**

The Committee does not consult directly with employees regarding Executive Director remuneration. However, pay and conditions throughout the Group are taken into consideration when setting remuneration policy. For senior employees who are not directors, remuneration is similar in structure to the executive pay structure but levels of remuneration and the weighting of variable pay available is lower.

## Remuneration Policy Summary Table

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
<b>Executive Directors</b>				
<b>Fixed</b>				
Salary	Market competitive remuneration base reflecting role, responsibilities, skills and experience	<p>Normally reviewed annually, effective 1 April although salaries may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate</p> <p>Paid in cash monthly</p> <p>Reviewed in context of the salary increases across the Group</p> <p>Reviewed periodically against peer companies</p>	<p>There is no prescribed maximum</p> <p>Increases will typically be dependent on the results of an annual review in the context of the average increase for the wider work force, inflation and market data</p> <p>Increases will not normally be above the level implemented across the wider workforce. Increases may be above this level, for example if there is an increase in the scale, scope or responsibility of the role</p> <p>Salaries with effect from 1 April 2017 are:</p> <p>David Lockhart: £450,000</p> <p>Allan Lockhart: £425,000</p> <p>Mark Davies: £400,000</p>	Not Applicable
Pension	<p>To provide competitive post-retirement benefits</p> <p>To assist with recruitment and retention</p>	<p>There is no Group pension scheme</p> <p>The Group has set up a Group personal pension plan</p> <p>The Company currently contributes 15% of base salary for all Executive Directors</p> <p>The Company contributes to employees' individual personal pensions monthly.</p> <p>The Company reserves the right to pay a non-pensionable cash supplement in lieu of pension contributions</p>	The maximum Company contribution is 15% of base salary	Not Applicable
Benefits	<p>To provide a competitive and cost-effective benefits package</p> <p>To assist with recruitment and retention</p>	<p>The Company provides a range of non-pensionable benefits to Executive Directors which may include medical insurance, life assurance, permanent health insurance, holiday and sick pay</p> <p>Other benefits such as relocation allowances may be offered if considered appropriate and reasonable by the Committee</p>	<p>Benefits are set at a level which the Committee considers appropriate when compared to the Company's listed real estate investment trust peers</p> <p>There is no prescribed maximum</p> <p>For David Lockhart, the Company will reimburse him on a tax grossed-up basis for the cost of his personal private medical insurance policy not exceeding £12,000 per annum, subject to upward adjustments to reflect only any future increases in premium which are in line with general increases in market rates</p>	Not Applicable

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
<b>Variable:</b>				
Bonus	<p>To incentivise performance in the reporting year through the setting of targets at the beginning of the year. These annual targets are intended to be consistent with the Group's long term strategy.</p> <p>The deferral of a proportion of the bonus in shares seeks to align directors' interests with those of shareholders and to discourage short term decision making.</p>	<p>Awards of annual bonus are made pursuant to the ABP.</p> <p>All measures and targets will be reviewed and set annually by the Committee at the beginning of the financial year and levels of award determined by the Committee after the year end are determined based on achievement of performance against the stipulated measures and targets.</p> <p>The Committee retains an overriding discretion to reduce pay-outs from formulaic outcomes to ensure that overall bonus payments reflect its view of corporate performance during the year and are fair to both shareholders and participants. Paid in cash and in shares. The cash element is paid shortly following the completion of the audit for the year. Currently 30% of bonus is deferred into shares but this percentage is at the discretion of the Committee.</p> <p>The share element is deferred for a period which is currently two years (but this may be increased at the discretion of the Committee). Deferral of bonuses is achieved by means of awards of nil-cost options over shares pursuant to the 2016 DBP.</p> <p>Vesting of the deferred shares will normally be subject to continued employment.</p> <p>Non-pensionable.</p> <p>Clawback and malus provisions apply as stated on page 82.</p>	<p>The maximum bonus is 125% of salary.</p> <p>On target performance would result in bonus payment of 60% of maximum bonus. Threshold performance would result in bonus payment of 20% of maximum bonus.</p> <p>There is no maximum or minimum percentage of the bonus which is deferred into shares. The Committee has discretion to vary this percentage from year to year based on its assessment of circumstances at the time.</p>	<p>All measures and targets relate to a financial year of the Company and are reviewed on an annual basis.</p> <p>For 2017/18, 80% of bonus will be paid on the basis of corporate targets and 20% of salary on the basis of personal performance targets. Corporate targets include relative TAR performance, relative earnings yield and meeting the Group's financing policies in respect of loan to value, balance sheet gearing, interest cover and dividend cover.</p>

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
<b>Variable</b>				
Share Option plans	Aligns the Executive Directors' interests with those of shareholders.	<p>The Executive Directors may participate in all-employee share incentive plans established by the Company from time to time such as a tax-advantaged Sharesave Plan or Share Incentive Plan.</p> <p>The Executive Directors may also be granted options under the CSOP 2016 and the USOP 2016. However, it is the Company's current intention not to make any further awards under this type of plan.</p>	Participation in a tax-advantaged Sharesave Plan or Share Incentive Plan and/or in the 2016 CSOP will be limited by reference to limits imposed by the applicable legislation from time to time.	Not Applicable
Performance Share Plan	<p>To incentivise and reward the delivery of returns to shareholders and sustained long-term performance.</p> <p>Aligns the Executive Directors' interests with those of shareholders.</p> <p>Rewards and helps retain/recruit executives.</p>	<p>Discretionary grant of nil-cost options under the 2016 PSP and historically the 2009 PSP.</p> <p>Currently awards normally vest three years from the date of award. The vesting period may be increased at the discretion of the Committee.</p> <p>Vesting of awards is subject to satisfaction of performance targets. Targets are currently measured over a three-year period but this may be increased at the discretion of the Committee.</p> <p>In relation to each grant of awards, the Committee has discretion to determine the applicable performance targets and their weightings to ensure they are appropriate.</p> <p>Unless the Committee determines otherwise, following the conclusion of the vesting period, a holding period of two years will apply before participants are entitled to receive their shares (normally subject to continued employment).</p> <p>Clawback and malus provisions apply as stated on page 82.</p>	<p>The maximum award level permitted under the 2016 PSP plan rules is 200% of salary. The normal annual award is 100% of salary for all Executive Directors.</p> <p>Awards currently vest on the following basis:</p> <ul style="list-style-type: none"> <li>• threshold performance delivers 25% of the shares awarded; and</li> <li>• maximum performance delivers 100% of the shares awarded</li> </ul>	<p>Performance targets will apply in respect of a performance period which will not be less than three years.</p> <p>Currently, awards are subject to the following targets:</p> <ul style="list-style-type: none"> <li>• the target applicable to 50% of the shares which are subject to an award is based on Total Accounting Return relative to certain UK-REITs that report on an EPRA accounting basis; and</li> <li>• the target applicable to 50% of the shares which are subject to an award is based on Total Shareholder Return relative to the FTSE All Share</li> </ul> <p>Notwithstanding the extent to which the performance targets are met, awards shall only vest if the Committee (in its absolute discretion) is satisfied that performance against the conditions is a fair reflection of underlying performance.</p> <p>Details of awards made under the 2016 PSP and 2009 PSP are shown on pages 96 to 98.</p>

Element	Purpose & Link to Strategy	Operation	Maximum	Performance Target
Shareholding Requirement	To encourage long term share ownership and support alignment of interests with shareholders.	The Company operates a shareholding requirement which is subject to periodic review.	Executive Directors are expected to build up a shareholding within five years of appointment worth 200% of base salary for the CEO and 100% of base salary for other Executive Directors.  Unvested share options and shares which are subject to awards do not count for the purposes of the shareholding requirement.	Not Applicable

#### Chairman and Non-Executive Directors

Fees	To provide market-competitive director fees.	<p>Annual fee for the Chairman.</p> <p>Annual base fee for the Non-Executive Directors. Additional fees are paid to Non-Executive Directors for additional responsibilities such as being the Senior Independent Non-Executive Director or chairing a Board Committee.</p> <p>Fees are reviewed from time to time taking into account time commitment, responsibilities and fees paid by companies of a similar size and complexity.</p> <p>Payable in cash.</p> <p>Expenses incurred by Non-Executive Directors fulfilling their roles are charged to the Company and then reimbursed.</p>	<p>Fee increases are applied in line with outcome of the review.</p> <p>Current fees are as follows:</p> <p>Chairman: £100,000</p> <p>NED Base fee: £50,000</p> <p>Senior Independent Non-Executive Director: £5,000</p> <p>Chairman of the Audit Committee: £5,000</p> <p>Chairman of the Remuneration Committee: £5,000</p>	Not Applicable
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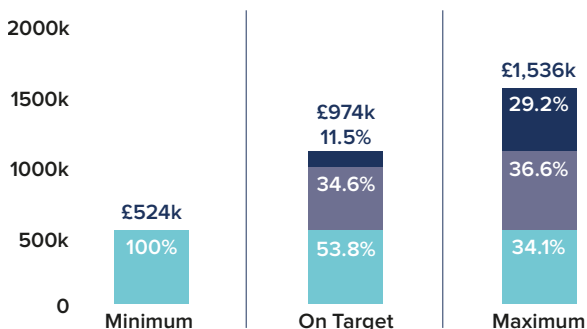
### Illustration of Remuneration Policy

The table below illustrates the remuneration opportunity provided to each Executive Director in line with the policy set out on pages 81 to 91 at different levels of performance for the 2017/18 financial year.

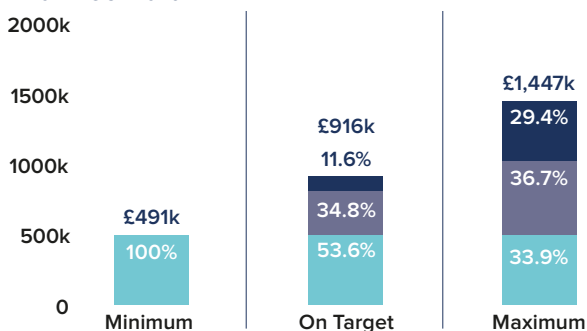
Three scenarios have been illustrated for each Executive Director:

The illustrations do not take into account share price appreciation or dividends.

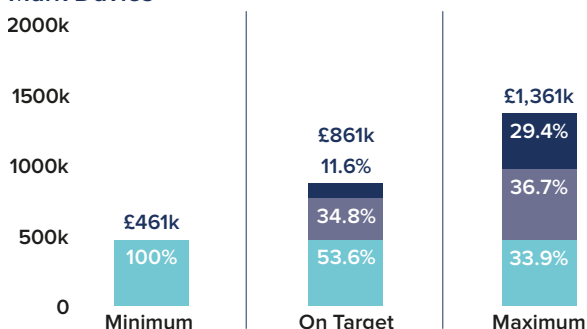
#### David Lockhart



#### Allan Lockhart



#### Mark Davies



● Fixed ● Bonus ● PSP

<b>1. Minimum performance:</b>	comprising the minimum remuneration receivable (being base salary and pension allowances for the 2017/18 financial year and benefits calculated using the 2016/17 figures as set out in the table on page 92;
<b>2. On target performance:</b>	comprising fixed pay, an annual bonus payment at 60% of the maximum opportunity (75% of salary) and long-term incentive awards vesting at 25% of maximum opportunity (25% of salary); and
<b>3. Maximum performance:</b>	comprising fixed pay, 100% of annual bonus (125% of salary) and 100% vesting of long-term incentive awards (100% of salary).

### Service Contracts

All of the FEDs have a service contract terminable by either party giving the other 12 months' written notice.

The notice period for new Executive Directors will not exceed 12 months on either side. For new Executive Directors, if notice is served by either party, the Executive Director may continue to receive base salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to fulfil their current role or may place the individual on garden leave. The Company may elect to make a payment of base salary, plus an amount in lieu of benefits/pension contribution/equivalent or just base salary, in lieu of notice.

At the time of the Company's admission to trading on the Main Market in August 2016, each of the FEDs entered into new service contracts. These contracts contain special provisions relating to termination of employment (as described further in this policy on page 90) reflecting these individuals' status as founder directors and certain terms of their previous service contracts.

These special terms will not be included in the contracts of new Executive Directors who are recruited externally or who are promoted from within the Group.

The service agreements are available to shareholders to view at the Company's Registered Office on request from the Company Secretary and at the Annual General Meeting.

### Non-Executive Directors' Letters of appointment

Non-Executive Directors each have a Letter of Appointment and their remuneration is determined by the Board. The initial appointment of a Non-Executive Director is for three years and their appointment is terminable on three months' notice on either side. Non-Executive Directors do not participate in any of the Company's bonus or share schemes.

The letters of appointment are available to shareholders to view at the Company's Registered Office on request from the Company Secretary and at the Annual General Meeting.

### External Directorships and Memberships

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

Executive Directors and employees are also encouraged to join, when invited, advisory committees of industries and professional bodies directly related to the Company's business. This helps to keep the Company informed of any future regulations or trends which may affect it in the future, as well as providing the opportunity to influence future decision making. Currently, the Company has representatives on various committees of the British Property Federation, the Property Finance Forum and on the Revo Marketing Committee and Purple Apple Marketing Awards Task Force.

### Recruitment Arrangements

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

Ongoing benefits, pension provisions, annual bonus participation and awards under both the 2016 DBP and the 2016 PSP will be in line with those stated in the policy.

Different performance measures may be set for any initial awards under the ABP and 2016 PSP taking into account the responsibilities of the individual and the point in the year that they joined and the rules of the applicable plan. The rationale will be clearly explained in the Annual Report following such recruitment. The level of bonus which may be paid will be pro-rated to reflect the time in the year when the Executive Director joins.

In addition, the Committee will have discretion to make payments or awards to buy out incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above and may exercise the discretion available under Listing Rule 9.4.2R if necessary to do so. In doing so, the Committee will seek, to the best possible extent, to do no more than match the fair value of the awards forfeited, taking account of the applicable performance conditions, the likelihood of those conditions being met and the proportion of the applicable vesting period remaining.

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

The Committee retains the discretion to offer appropriate remuneration outside the standard policy where an interim appointment is made to fill an executive role on a short term basis or where exceptional circumstances require that the

Chairman or a Non-Executive Director takes on an executive function.

### Termination of employment and change of control Ongoing policy

Excepting the service contracts for the FEDs, payments in lieu of notice will be limited to the Director's basic salary for the unexpired portion of the notice period. The Committee will aim to minimise the level of payments to that Director, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for departure, and the Company's policy on mitigation.

Where a Director may be entitled to pursue a claim against the Company in respect of his/her statutory employment rights or any other claim arising from the employment or its termination, the Committee will be entitled to negotiate settlement terms with the Director that the Committee considers to be reasonable in the circumstances and is in the best interests of the Company, and to enter into a settlement agreement with the Director. The Committee has discretion to pay a Director's legal fees in relation to a settlement agreement.

In addition to the contractual provisions regarding payment on termination set out above, the Group's incentive plans and share plans contain provisions relating to termination of employment and change of control. The policy in respect of the different circumstances is laid out in the table below. Certain awards granted to FEDs have different terms, and these are set out in the table opposite.

Component	Good leaver	Other leaver	Change of control
Annual bonus	Bonus may be paid at the Committee's discretion for the period worked, taking into consideration performance during that period.	No bonus amounts will be paid if the employee ceases employment or gives or is given notice to terminate employment prior to the date of payment.	Bonuses become payable in an amount determined by the Committee, and no proportion will be deferred.
Deferred Bonus Plan (awards under the 2015 DBP and 2016 DBP)	Awards will normally vest on the date of leaving and will be exercisable in the 6 month period following such date (12 months in the case of death). The number of shares can, at the discretion of the Committee, be reduced on a pro-rata basis to reflect the time between grant and the leave date compared with the vesting period. Other than in the case of death, the Committee can determine that the awards will become exercisable within the 6 months following the vesting date.	Outstanding awards will immediately lapse in full, unless the Committee, in its absolute discretion, permits them to be exercisable within a period determined by the Committee but expiring no later than 12 months after cessation of employment or 12 months after the date of vesting on such terms as the Committee may determine.	All awards vest in full and may be exercised within 6 months of the transaction.
Long-term Incentive Plan (awards made under the 2009 PSP and 2016 PSP)	The vesting of awards will be subject to the satisfaction of applicable performance conditions (which may be modified to reflect early exercise). If the employee ceases employment before the normal vesting date, awards may be pro-rated downwards for time at the discretion of the Committee. If an employee dies, his awards will be exercisable within the 12 month period following the date of death. In other circumstances, awards will normally be exercisable during the 12 month period following the vesting date of the award, save that the Committee may allow the awards to be exercised within 12 months of the cessation of employment. Pro-rating will not apply to any awards if the employee ceases employment during a holding period that applies after the normal vesting date.	Outstanding awards will immediately lapse in full, unless the Committee, in its absolute discretion, permits them to be exercisable within a period determined by the Committee but expiring no later than 12 months after cessation of employment or 12 months after the date of vesting on such terms as the Committee may determine.	Awards may be exercised immediately, subject to the applicable performance condition (which may be modified to reflect early exercise) being met. In the event of vesting before the normal vesting date, the number of shares will be pro-rated downwards for time, unless the Committee determines otherwise. Pro-rating will not apply to any awards that vest during a holding period that applies after the normal vesting date.
2009 USOP, 2016 USOP and 2016 CSOP	If an employee dies, his options will be exercisable within the 12 month period following the date of death. In other circumstances, unvested options will normally be exercisable during the 6 month period following the vesting date of the option, save that the Committee may allow the options to be exercised within 6 months of the cessation of employment. Vested options will normally be exercisable during the 6 month period following the date of cessation. The option may, at the discretion of the Committee, be pro-rated downwards for time.	Outstanding awards will immediately lapse in full, unless the Committee, in its absolute discretion, permits them to be exercisable within a period determined by the Committee expiring no later than 6 months after cessation of employment on such terms as the Committee may determine.	Options may be exercised immediately.

Good leaver provisions relate to termination of office or employment by reason of death, ill-health, injury, incapacity or disability of the award holder or (other than in the case of the ABP and 2015 DBP) the award holder's spouse or registered civil partner, or redundancy of the award holder or sale or transfer out of the Group or the Company or undertaking employing that employee, or (in the case of the 2009 PSP and 2016 PSP) any other circumstances stipulated by the Committee at the date of award. For awards granted prior to 1 June 2015 under the 2009 PSP and awards granted under the 2009 USOP, retirement also constitutes a Good leaver reason. For awards granted under the ABP, the Committee also has discretion to determine that any leaver is a Good leaver.

Other leaver relates to individuals who leave for any other reason.

Any discretion exercised by the Committee shall be on a case by case basis.

No payment for compensation for loss of office will be made to the Chairman or any Non-Executive Director other than where the Company determines that fees for the notice period should be paid.

### Arrangements for the FEDs

The Founding Executive Directors founded NewRiver Retail Limited in 2009. This company was registered in Guernsey and listed on AIM. Each FED had a service contract with that company which was considered appropriate for an AIM listed company. When NewRiver moved its listing from AIM to the main market, NewRiver REIT plc was incorporated in the UK and new service contracts which were considered appropriate for a main market listed company were entered into.

When moving to their new service contracts, the FEDs gave up certain contractual rights in their original contracts to ensure that their new contracts were in keeping with best practice and the UK Corporate Governance Code. For example, each FED gave up the right to: (1) have 12 months' average bonus included in any payment in lieu of notice on termination; (2) the right to an immediate payment in lieu of notice, instead accepting that the payment should be paid in six monthly instalments and subject to reduction in the event of a breach discovered after termination; (3) the right to a liquidated damages payment in the event that the Company sought to terminate the contract in breach other than in limited circumstances. In addition, David Lockhart and Allan Lockhart gave up rights regarding their notice periods & working and payment in lieu of notice.

Accordingly, the Company has included clauses in the FED's contracts which are unique to them and recognise what they have sacrificed so that their new service contracts comply more closely with best practice and the UK Corporate Governance Code. These clauses will not form part of a contract for a new Executive Director.

### Clauses Unique to the FEDs

The Company has discretion to make a payment in lieu of all or part of any unexpired notice period at the rate of 125% base salary for that period. The Company may choose to pay in instalments over a 6 month period.

Where a FED is constructively dismissed, the Company is required to pay 125% of base salary. If within 12 months of any change of control any FED's employment is terminated (other than for cause) or he is constructively dismissed, the Company is required to pay 125% of base salary. The Company may put a FED on garden leave for up to six months' at any time after notice is given or received, during which period he continues to receive salary and all other benefits. Where a FED's employment ceases part-way through a bonus year other than (1) for cause; or (2) due to voluntary resignation (which, in the case of David Lockhart, shall not include retirement), he will be entitled to any unpaid bonus earned for the prior year and remains eligible for a bonus for any part of his notice period worked or while on garden leave. Where a FED's employment is terminated within 12 months of a change of control (other than for cause) or he is constructively dismissed, in addition to an immediate payment in lieu of notice of 125% base salary he will also be entitled to pro-rata bonus up to the termination date and compensation for loss of bonus for the notice period calculated by reference to his three year average bonus.

Where a FED resigns within 12 months of a change of control, the Company may require him to work the first 6 months of his notice period or place him on garden leave for that period and shall on the expiry of the applicable period pay an immediate lump sum of 125% base salary in lieu of remaining notice. The FED shall remain eligible for bonus for any period of worked notice and/or garden leave served.

For awards granted under the 2009 PSP prior to 1 June 2015, if David Lockhart or Allan Lockhart is a Good leaver, he may normally exercise these awards within the 12 month period after cessation of employment. These awards are not pro-rated on cessation of employment.

For awards granted under the 2009 USOP, David Lockhart and Allan Lockhart will additionally be a good leaver if they terminate office or employment following receipt of notice from his employer in accordance with the terms of his service agreement (other than where such notice is given in circumstances where he may be summarily dismissed in accordance with the terms of his service agreement with his employer), or in circumstances constituting constructive dismissal. If David Lockhart or Allan Lockhart is a Good leaver, he may normally exercise his awards granted under the 2009 USOP within the 12 month period after cessation of employment. Awards granted under the 2009 USOP held by David Lockhart or Allan Lockhart are not pro-rated on cessation of employment.

For awards granted under the 2015 DBP and/or the 2016 DBP, the Committee is contractually obliged to exercise discretion to treat FEDs as good leavers if their employment terminates other than for (1) cause or (2) voluntary resignation so that their awards are exercisable at a time determined by the Committee no later than the earlier of 12 months from the termination date and the 1st anniversary of vesting of the award.

The Committee is contractually bound to exercise discretion to treat the FEDs as good leavers and preserve subsisting 2009/2016 PSP awards in all circumstances where a FED's employment terminates other than for (1) cause or (2) voluntary resignation. The awards remain in force until the usual vesting date and vesting is subject to performance targets and time pro-rating (subject to the Committee's discretion to disapply). Where the FED is not required to work full notice, pro rating (if any) will be applied assuming the full 12 month notice period was worked. In respect of all PSP awards, when considering the exercise of its discretion in connection with the extent of vesting in connection with cessation of employment and/or a change of control event, the Committee will act fairly and reasonably and in good faith taking into account the following: (1) where relevant, shareholder value derived by shareholders during the performance period applicable to the relevant award/in connection with the change of control; and/or (2) the FED's actual contribution and the contribution he would have likely made during the performance period for the award (but for early termination or the change of control occurring); and (3) any other factors it considers relevant.

The Committee is contractually bound to treat David Lockhart as a good leaver and to preserve his 2009 PSP/2016 PSP awards (1) on cessation of employment but remaining / moving to be a Non-Executive Director (in which case pro-rating is disapplied up to the point the NED role ceases), and (2) in event of ill-health of his wife or long-term partner (in which case time pro-rating applies subject to the Committee's discretion).

## (c) Annual Report on Remuneration

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

### Single figure total remuneration for the Executive Directors (audited)

The following table shows a single figure total of remuneration for the 2017 financial year for each of the Executive Directors and compares this figure to the prior year.

	Year	Salary £	Benefits <sup>1</sup> £	Pension £	Subtotal for fixed pay £	Cash bonus £	Value of bonus deferred into shares £	Value of additional deferred share award <sup>2</sup> £	Long-term incentive plans <sup>3</sup> £	Subtotal for variable pay £	Total £
David	2017	431,250	–	64,688	495,938	301,875	129,375	–	250,734	681,984	1,177,922
Lockhart	2016	400,000	–	50,000	450,000	420,000	180,000	497,200	245,307	1,342,507	1,792,507
Allan	2017	406,250	2,342	60,938	469,530	284,375	121,875	–	220,107	626,357	1,095,887
Lockhart	2016	350,000	1,964	43,750	395,714	367,500	157,500	423,200	245,307	1,193,507	1,589,221
Mark	2017	362,500	1,760	54,375	408,635	253,750	108,750	–	187,571	550,071	958,706
Davies	2016	300,000	1,603	37,500	339,103	315,000	135,000	266,900	191,615	908,515	1,247,618
Nick	2017	–	–	–	–	–	–	–	–	–	–
Sewell <sup>4</sup>	2016	200,000	1,283	25,000	226,283	–	–	–	–	–	226,283

1. Benefits are the Director's private medical cover

2. This additional award over deferred shares was made on 30 March 2016 and vests after two years on 30 March 2018

3. For 2017, this is the value of the 1 July 2014 long-term incentive plan awards. For details of the awards and their performance conditions, see page 99

4. Nick Sewell resigned as a Director on 12 January 2016. However, he is still an employee of the Group and the details above show his remuneration to the date he resigned as a Director

5. No payments were made to past directors, or for loss of office, during the year

### Single figure total remuneration for the Non-Executive Directors (audited)

The following table shows a single figure total of remuneration for the 2017 financial year for each of the Non-Executive Directors and compares this figure to the prior year.

	Year	Base Fee £	Audit Committee Chairman £	Remuneration Committee Chairman £	Senior Independent Non-Executive Director £	Total £
Paul Roy	2017	100,000	–	–	–	100,000
	2016	75,000	–	–	–	75,000
Chris Taylor	2017	50,000	5,000	–	5,000	60,000
	2016	50,000	–	–	–	50,000
Kay Chaldecott	2017	50,000	–	5,000	–	55,000
	2016	40,000	–	–	–	40,000
Alastair Miller <sup>1</sup>	2017	50,000	–	–	–	50,000
	2016	11,000	–	–	–	11,000
Andrew Walker <sup>1</sup>	2017	–	–	–	–	–
	2016	31,000	–	–	–	31,000

1. Alastair Miller was appointed a Director on 12 January 2016 and Andrew Walker resigned as a Director. The fees for 2016 are shown from/to 12 January 2016 respectively

2. No payments were made to past directors, or for loss of office, during the year

## Salaries

When the Committee implemented changes to the remuneration package of the CFO it also reviewed the base salary for the other Executive Directors as outlined in the annual statement from the Chairman of the Remuneration Committee. With effect from 1 January 2017, the Executive Directors base salaries were increased as follows:

David Lockhart:	£450,000	(5.88% increase from £425,000)
Allan Lockhart:	£425,000	(6.25% increase from £400,000)
Mark Davies:	£400,000	(14.29% increase from £350,000)

## Fees

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

Chairman	£100,000
Basic fee for a Non-Executive Director	£50,000
Additional fee for serving as Chairman of the Audit and Remuneration Committees	£5,000
Additional fee for serving as the Senior Independent Non-Executive Director	£5,000

The fees were last increased on 1 April 2016.

## Annual bonus for the year to 31 March 2017

The Company commenced the year as an AIM company and operated a discretionary annual bonus scheme under which bonuses were paid to executives for achieving Group corporate and personal objectives. Based on the Company's performance, as described in the Chief Executive's strategic review on page 14, bonuses paid in respect of the year to 31 March 2017 are set out below and in the table on page 92. 70% was paid in cash and 30% into nil-cost share options deferred for two years in line with the Company's proposed policy.

David Lockhart:	Total bonus paid:	£431,250	(100% of salary received)
Allan Lockhart:	Total bonus paid:	£406,250	(100% of salary received)
Mark Davies:	Total bonus paid:	£362,500	(100% of salary received)

The normal maximum bonus paid is 100% of base salary, however that could have been increased to 150% of base salary on the basis of exceptional performance.

As described in the Remuneration Policy on page 84, a new bonus plan for FY18 onwards has been introduced which sets more detailed objectives and targets to be met by the Executive Directors which is in compliance with market norms. Retrospective disclosure of the targets and performance against them will be set out in the Remuneration Report for the year ending 31 March 2018, provided that they do not remain commercially sensitive at that time.

## Long-term Incentive Plans

On 6 July 2016, the following Performance Share Plan awards were granted to Executive Directors as nil cost options:

Executive	Face/maximum value of awards at grant date* (% salary)	Number of shares comprising award	% of award vesting at threshold	Vesting Period End Date
David Lockhart	£425,000 (100%)	142,665	25	6 July 2019
Allan Lockhart	£400,000 (100%)	134,273	25	6 July 2019
Mark Davies	£350,000 (100%)	117,489	25	6 July 2019

\* The closing price on the day before the grant date has been used to determine the maximum face value of the awards. This was £2.9790.

On 17 January 2017, the following Performance Share Plan award was granted to the CFO as nil cost options:

Executive	Face/maximum value of awards at grant date* (% salary)	Number of shares comprising award <sup>1</sup>	% of award vesting at threshold	Vesting Period End Date
Mark Davies	£400,000 (100%)	119,850	25	16 January 2020

- The price used to set the number of shares awarded was the mid-market closing price on the day before the award was made and was £3.3375.
- The award has a three year vesting period and, once vested, the award must be held for a further two years before it can be exercised.



Each award is subject to clawback and malus provisions in line with the Company's proposed policy.

Each award is subject to two performance conditions which will be tested over a three year period. The performance conditions are outlined in further detail below:

50% of each award will be based on the Company's total shareholder return (TSR) compared to that of the FTSE All Share index (the TSR Benchmark). 50% of each award will be based on the Company's Total Accounting Return (TAR) compared to those UK REITs that report their NAV on an EPRA basis as at the date of award (the TAR Benchmark). TAR is defined as the annualised return over the performance period based on the change in EPRA NAV per share and the level of dividends paid per share.

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

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

The TAR Comparator Group was composed of the companies set out in the list below.

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

**Summary of Directors Interests (audited)**

The beneficial interests of the Executive Directors in share awards and share options as at 31 March 2017 are shown in the following tables.

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 1 April 2016	Granted	Dividend equivalent shares added	Lapsed	Vested	Exercised	At 31 March 2017
David Lockhart	1 September 2009	Unapproved Share Option Plan	Vested	2.50	272,286	–	–	–	–	–	272,286
	26 September 2011	Unapproved Share Option Plan	Vested	2.35	348,000	–	–	–	–	–	348,000
	14 January 2013	Performance Share Plan	Vested	2.04	71,937	–	–	–	–	–	71,937
	1 July 2014	Performance Share Plan	1 July 2017	3.06	144,428	–	9,109	–	–	–	153,537
	31 July 2015	Deferred Bonus Plan	12 May 2017	3.00	41,125	–	2,593	–	–	–	43,718
	28 September 2015	Performance Share Plan – 3yr vesting period	28 September 2018	3.40	120,887	–	7,625	–	–	–	128,512
	28 September 2015	Performance Share Plan – 4yr vesting period	28 September 2019	3.40	120,887	–	7,625	–	–	–	128,512
	30 March 2016	Deferred Bonus Plan	30 March 2018	3.26	152,515	–	9,620	–	–	–	162,135
	6 July 2016	Performance Share Plan	6 July 2019	2.9790	–	142,665	6,764	–	–	–	149,429
	14 June 2016	Deferred Bonus Plan	14 June 2018	3.158	–	56,998	2,701	–	–	–	59,699
	<b>Total</b>				<b>1,272,063</b>	<b>199,663</b>	<b>46,037</b>				<b>1,517,765</b>

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 1 April 2016	Granted	Dividend Equivalent Shares Added	Lapsed	Vested	Exercised	At 31 March 2017
Allan Lockhart	1 September 2009	Unapproved Share Option Plan	Vested	2.50	192,686	–	–	–	–	–	192,686
	26 September 2011	Unapproved Share Option Plan	Vested	2.35	338,000	–	–	–	–	–	338,000
	14 January 2013	Performance Share Plan	Vested	2.04	71,937	–	–	–	–	–	71,937
	1 July 2014	Performance Share Plan	1 July 2017	3.06	126,787	–	7,996	–	–	–	134,783
	31 July 2015	Deferred Bonus Plan	12 May 2017	3.00	50,379	–	3,176	–	–	–	53,555
	28 September 2015	Performance Share Plan – 3yr vesting period	28 September 2018	3.40	105,776	–	6,671	–	–	–	112,447
	28 September 2015	Performance Share Plan – 4yr vesting period	28 September 2019	3.40	105,776	–	6,671	–	–	–	112,447
	30 March 2016	Deferred Bonus Plan	30 March 2018	3.26	129,815	–	8,188	–	–	–	138,003
	6 July 2016	Performance Share Plan	6 July 2019	2.9790	–	134,273	6,365	–	–	–	140,638
	14 June 2016	Deferred Bonus Plan	14 June 2018	3.158	–	49,873	2,363	–	–	–	52,236
	<b>Total</b>				<b>1,121,156</b>	<b>184,146</b>	<b>41,430</b>				<b>1,346,732</b>

## REMUNERATION COMMITTEE REPORT CONTINUED

	Grant Date	Plan	Vesting by	Exercise / share price at date of award £	At 1 April 2016	Granted	Dividend Equivalent Shares Added	Lapsed	Vested	Exercised	At 31 March 2017
Mark Davies	15 December 2009	Unapproved Share Option Plan	Vested	2.71	38,693	–	–	–	–	(38,693)	0
	17 March 2011	Unapproved Share Option Plan	Vested	2.44	15,000	–	–	–	–	(15,000)	0
	26 September 2011	Unapproved Share Option Plan	Vested	2.35	286,000	–	–	–	–	(286,000)	0
	1 July 2014	Performance Share Plan	1 July 2017	3.06	108,045	–	6,815	–	–	–	114,860
	31 July 2015	Deferred Bonus Plan	12 May 2017	3.00	41,125	–	2,593	–	–	–	43,718
	28 September 2015	Performance Share Plan – 3yr vesting period	28 September 2018	3.40	90,664	–	5,717	–	–	–	96,381
	28 September 2015	Performance Share Plan – 4yr vesting period	28 September 2019	3.40	90,664	–	5,717	–	–	–	96,381
	30 March 2016	Deferred Bonus Plan	30 March 2018	3.26	81,871	–	5,163	–	–	–	87,034
	6 July 2016	Performance Share Plan	6 July 2019	2.9790	–	117,489	5,569	–	–	–	123,058
	14 June 2016	Deferred Bonus Plan	14 June 2018	3.158	–	42,748	2,025	–	–	–	44,773
	16 January 2017	Performance Share Plan	16 January 2022	3.3375	–	119,850	–	–	–	–	119,850
<b>Total</b>					<b>808,254</b>	<b>280,087</b>	<b>33,599</b>			<b>(395,885)</b>	<b>726,055</b>

In December 2016, Mark Davies exercised his Unapproved Share Option Plan options that had been granted in 2009 and 2011, totalling 339,693 shares. He sold sufficient to cover his costs and tax liabilities and retained the balance as shares.

### Unapproved Share Option Plan

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

### Performance Share Plan

The performance conditions for the 2014 award are based on a three year performance period in terms of absolute Total Shareholder Return ("TSR") and growth in adjusted EPRA earnings per share ("EPS"). The measures are weighted 50:50 so that half of the award depends on the performance of TSR and half on the growth in EPS. TSR will be measured from grant and EPS growth will be measured from the latest completed financial year. The performance period ended at 31 March 2017 and only the EPS performance condition had been met. Accordingly, only 50% of the 2014 award vested and is available to exercise.

The 2015 PSP award was an enhanced award over 200% of salaries and was split into two awards, with the first award being measured against a three year performance period and the second award being measured against a four year performance period. The performance conditions are the same for both awards and are as follows:

#### TSR performance condition

- 33.4% of the award is subject to a TSR performance condition. 25% of the award vests if TSR is 9% on a compound annual basis over the three year and four year vesting periods with full vesting at 16% (with straight-line vesting in between).

#### EPRA EPS performance condition

- 33.3% of the award is subject to an EPRA EPS performance condition. 25% of the award vests if the compound annual percentage growth in the Adjusted EPRA EPS over the three year and four year vesting periods is 5% per annum with full vesting at 12% (with straight-line vesting in between).

#### Net Asset Value per share plus dividends ('NAV') performance condition

- the remainder of the award is subject to a NAV performance condition. 25% of the award vests if the compound annual percentage growth in the Adjusted EPRA NAV on a compound annual basis over the three year and four year vesting periods is 9% per annum with full vesting at 16% (with straight-line vesting in between).

### Details of the Directors' Shareholdings and Rights to Shares (audited)

	Shares held at 31 March 2017	Value of holding as % of salary*	Unvested DSBP awards held at 31 March 2017**	Unvested PSP awards held at 31 March 2017**	Vested but unexercised PSP awards held at 31 March 2017	Vested but unexercised USOP awards held at 31 March 2017	Unconverted warrants held at 31 March 2017	Total held as at 31 March 2017
David Lockhart	1,554,600	1,167	265,552	559,990	71,937	620,286	121,149	3,193,514
Allan Lockhart	277,944	221	243,794	500,315	71,937	530,686	12,221	1,636,897
Mark Davies	124,838	105	175,525	550,530	n/a	n/a	n/a	850,893
Paul Roy	240,000	n/a	n/a	n/a	n/a	n/a	n/a	240,000
Chris Taylor	10,000	n/a	n/a	n/a	n/a	n/a	n/a	10,000
Kay Chaldecott	3,774	n/a	n/a	n/a	n/a	n/a	n/a	3,774
Alastair Miller	30,000	n/a	n/a	n/a	n/a	n/a	n/a	30,000

\* based on the closing share price of £3.3780 as at 31 March 2017. Shareholding guidelines are for the CEO to hold a minimum number of shares with a value in excess of 200% of his base salary and for the other Executive Directors to hold a minimum number of shares with a value in excess of 100% of their base salary

\*\* includes dividend equivalent shares added to that date

DSBP = Deferred Share Bonus Plan

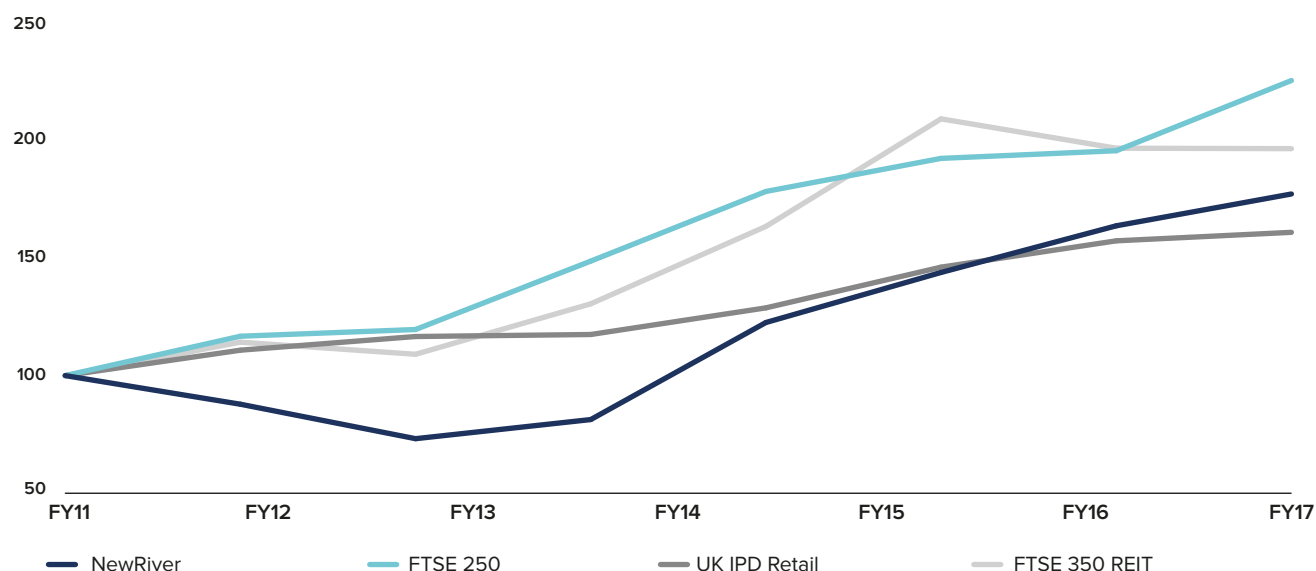
PSP = Performance Share Plan

USOP = Unapproved Share Option Plan

There have been no changes in the number of shares held from 31 March 2017 to 15 May 2017, being the latest practicable date before the publication of this Annual Report.

### Historic performance and chief executive remuneration

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



The chart shows the Company's TSR and that of the FTSE250, the UK IPD Retail Index, and the FTSE350 REIT Indices based on an initial investment of £100 on 1 April 2010 and values at intervening financial year ends over a seven year period to 31 March 2017. Since the Company was a constituent of all of the indices during the majority of the year, these are considered to be appropriate benchmarks for the graph.

### Chief Executive Officer remuneration for year ended 31 March

	2011	2012	2013	2014	2015	2016	2017
Total Remuneration (£)	337,500	467,500	504,000	642,000	1,095,307	1,547,200	1,177,922
Annual Bonus (% of max)	42	36.5	32.63	68.95	66.67	100	66.67
Total LTIP vesting (% of max)	–	–	–	–	–	50	–

### Chief Executive Pay Compared to NewRiver Employees

(remuneration received % change 2016 to 2017)

The table below shows the percentage change in salary benefits and bonus between the years ended 31 March 2016 and 31 March 2017 for both the Chief Executive Officer and the average for all permanent employees of the Group.

	Salary	Benefits	Annual Bonus
Chief Executive	7.81%	0%	-28.12
All Employees	15.57%	2%	-16%

### Relative importance of spend on pay

The table below shows the all-employee pay spend and returns to shareholders by way of dividends for 2017. Figures from 2016 are provided for comparison.

	£'000 2017	£'000 2016	% difference from prior year
Total spend on Employee Pay <sup>1</sup>	8,707	8,796	-1.0
Total Distributions to Shareholders <sup>2</sup>	46,132	28,220	+63.5

Notes:

- Includes salaries, bonuses, social security costs and pension costs as shown in the notes to the Financial Statements on page 127.
- Includes the figures shown in the notes to the Financial Statements on page 130.

## What the Executive Directors can earn in 2017/18

### Salaries and fees

Following the increase in salaries effective 1 January 2017, there were no changes to salaries for the Executive Directors effective 1 April 2017. The fees for the Non-Executive Directors did not change either.

Pensions and benefits remain as described in the policy table above.

### Annual Bonus

Subject to the approval of the proposed policy, the annual bonus arrangements for the financial year ending 31 March 2018 will operate on the basis and within the parameters laid out in the policy section of this report. Executive Directors will have the opportunity to earn a bonus up to a maximum of 125% of salary on the basis of the achievement on achievement of the following measures.

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

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are commercially sensitive. However, retrospective disclosure of the targets and performance against them will be set out in the Remuneration Report for the year ending 31 March 2018 provided that they do not remain commercially sensitive at that time.

### Long-term Incentives – Performance Share Plan

Performance Share Plan awards granted to Executive Directors in the financial year ended 31 March 2018 will be over shares worth 100% of salary and will be consistent with the long-term incentives policy detailed on page 85.

The targets and weightings will be the same as those described on page 95.

Awards will be subject to two year holding period after the vesting date, i.e. for a period of five years from the grant date.

### External Advice to the Committee

During the year the Committee received advice on executive remuneration from h2glenfern Remuneration Advisory, which has previously provided advice to the Committee. Fees are charged on a cost incurred basis and totalled £61,400 in the year to 31 March 2017.

Another division within h2glenfern provides corporate advice to the Company. h2glenfern Remuneration Advisory has confirmed that it has operated in accordance with the Code of Conduct of the Remuneration Consultants' Group in relation to executive remuneration consulting in the United Kingdom. The Committee has therefore satisfied itself that all advice provided by h2glenfern was objective and independent.

### 2016 Annual General Meeting Shareholder Vote

NewRiver Retail Limited was an AIM listed company at the time of the AGM in 2016 and was not required to produce a remuneration report or have a vote on it. However as a company registered in Guernsey, it was a Guernsey legal requirement for NewRiver Retail to put the directors' remuneration to a vote at its AGM in 2016.

Accordingly, shareholders holding:

182,270,065 shares voted in favour (99.58%); and 762,308 shares voted against (0.42%)

Shareholders holding 6,133 shares withheld their votes.

Signed on behalf of the Board

Kay Chaldecott,

Committee Chairman

15 May 2017

# Directors' report

For the year ended 31 March 2017

The Directors present their report and Group financial statements for the year ended 31 March 2017.

## Principal activities and status

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

On 16 August 2016, the Group completed its move from AIM to the premium listing segment of the official list, trading on the Main Market of the London Stock Exchange.

NewRiver REIT plc became the ultimate parent company, with the former parent company, NewRiver Retail Limited, becoming a direct subsidiary of NewRiver REIT plc, via a Scheme of Arrangement. For further details about the Scheme of Arrangement, see page 119.

## Strategic Report

The Strategic Report for the year ended 31 March 2017 is set out on pages 14 to 63 and contains a fair review of the business of the Group during the year including a description of the principal risks and uncertainties, an indication of likely future developments in the business on pages 20 to 21 and disclosures concerning Greenhouse Gas Emissions on page 61.

## Results and dividend

The results for the year are set out in the Financial Statements. During the year the Group paid quarterly interim dividends totalling £46.1 million (2016: £28.2 million). Further details on the dividend payments are set out in Note 11 to the Financial Statements.

## The Board

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

Paul Roy	Non-Executive Chairman
David Lockhart	Chief Executive Officer
Mark Davies	Chief Financial Officer
Allan Lockhart	Property Director
Chris Taylor	Senior Independent Non-Executive Director – resigned 9 April 2017
Kay Chaldecott	Non-Executive Director
Alastair Miller	Non-Executive Director

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

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

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

## Articles of Association

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

## Substantial shareholdings

As at 31 March 2017, the Company has been advised under DTR5 by shareholders with holdings of more than 3% of the total voting rights of the Company as follows:

Shareholder	Number of ordinary shares	% of Issued Share Capital
Woodford Investment Management LLP <sup>1</sup>	58,840,369	25.19
Invesco Limited	35,050,682	14.98
Blackrock Inc. <sup>2</sup>	15,461,238	6.60
Standard Life Investments	7,643,831	3.27
AXA Framlington	7,131,840	3.05

1. On 18 April 2017, the Company was advised that Woodford Investment Management LLP had increased its holding to 27.27% of the total voting rights.
2. On 21 April 2017, the Company was advised that Blackrock Inc. had increased its holding to 6.75% of the total voting rights.



## Directors' interests

Directors in the shares of the Company as at 31 March 2017 were:

	31 March 2017 Number of Ordinary Shares	31 March 2016 Number of Ordinary Shares
Paul Roy	240,000	240,000
David Lockhart	1,554,600	1,497,000
Mark Davies	124,838	69,545
Allan Lockhart	277,944	277,944
Chris Taylor <sup>1</sup>	10,000	10,000
Kay Chaldecott	3,774	3,774
Alastair Miller	30,000	30,000

1. As at the date of his resignation, 9 April 2017

There were no changes in their holdings between 31 March 2017 and the date of this report.

All related party transactions are disclosed in Note 25 on page 144.

## Financial instruments

The Group's exposure to and management of capital risk, market risk and liquidity risk is set out in Note 24 to the Group's financial statements.

## Directors' indemnification and insurance

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

## Share Capital

The Company only has one class of share capital, being ordinary shares with a nominal value of one pence each. Details of the share capital, including the rights and obligations attached to the ordinary shares issued during the year ended 31 March 2017, are summarised in Note 21 of the financial statements.

At the Annual General Meeting held in 2016, shareholders authorised market purchases of the Company's ordinary shares, limited to 14.99% of the issued share capital at that time, as well as the allotment of new shares within certain limits approved by shareholders. These authorities expire at the AGM in 2017 and appropriate renewals will be sought.

The Company also has 376,849 warrants to subscribe for ordinary shares in issue. These warrants were issued when NewRiver Retail Limited listed in 2009 and were converted across on the same terms and conditions to warrants in NewRiver REIT plc when the Company listed on the Main Market in August 2016. Each warrant can be surrendered for one ordinary share at a current subscription price of 142p per share. The warrants in issue have to be exercised by 1 September 2019 otherwise they will lapse.

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

## Disclosure of information to Auditors

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

## Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

## Political Donations

No political donations were made by the Company or its subsidiaries during the year (2016: Nil).

## Post Balance Sheet Events

For details of post balance sheet events, see Note 26 on page 144.

## Annual General Meeting

The Annual General Meeting will be held at 12.00 noon on 14 July 2017 at the offices of Eversheds Sutherland (International) LLP, One Wood Street, London EC2V 7WS. At the meeting, resolutions will be proposed to receive the Annual Report and financial statements, approve the Directors' remuneration and remuneration policy, re-elect Directors and reappoint and determine the remuneration of Deloitte LLP. In addition, it will be proposed that expiring authorities to allot shares and to repurchase shares are extended.

## Internal controls review

Taking into account the principal risks provided on pages 56 to 57 and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board as described on pages 72 to 75, the Directors:

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

# Viability Statement

For the year ended 31 March 2017

In accordance with provision C2.2 of the 2016 revision of the UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than the 12 months that has in practice been the focus of the 'Going Concern' provision.

The Board, as part of its strategy process, has assessed the viability of the Group over a three year period to March 2020 as this timeframe gives greater certainty over the forecasting used. When assessing the Group's long-term viability, the Board considered the Group's existing investment commitments, available financial resources and long-term financing arrangements. They also considered profits; the three year cash flow forecast for the portfolio, the Group's funding requirements, REIT compliance and other key financial ratios over the period, as well as the headroom in the financial covenants contained in our various loan agreements.

In making their assessment, the Directors assessed the potential impacts, in severe but plausible scenarios, of the principal risks as set out on pages 56 and 57 together with the likely degree of effectiveness of mitigating actions reasonably expected to be available to the Group.

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

- market/economic changes such as higher interest rates, reduced availability of credit and increasing investment yields restricting development and causing valuation falls;
- a decline in property valuations as a result of investment decisions could result in lower income and capital returns to shareholders than forecast and expose them to unforeseen risks and liabilities; and
- poor control of development projects could lead to inadequate returns on investment and over exposure to developments could put pressure on cash flow and debt financing.
- the Group has a significant portion of borrowings that fall due within one year of the balance sheet date. The Directors are currently in advanced negotiations with the existing lenders and with some new lenders to agree facilities to refinance the existing borrowings. The Directors are confident that these bank facilities can be refinanced, or in the absence of available bank finance that the properties could be sold at a value significantly above the associate borrowing.

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

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

## Going concern

The Directors of NewRiver REIT plc have reviewed the current and projected financial position of the Group making reasonable assumptions about future trading and performance. Further details of the process followed are on page 120.

The Directors' Report was approved by the Board of Directors and is signed on its behalf by:

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**Matthew Jones**

Company Secretary

15 May 2017

# Directors' Responsibilities Statement

The Group's annual report for the year ended 31 March 2017 contains the following statement of Directors' responsibilities. Certain parts of the annual report are not included within this announcement.

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

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

In preparing these financial statements, the Directors are required by International Accounting Standard 1 to:

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

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

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

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 15 May 2017 and is signed on its behalf by:

**David Lockhart**  
Chief Executive Officer

**Mark Davies**  
Chief Financial Officer

15 May 2017

# Opinion on financial statements of NewRiver REIT plc

## In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 26 and A to D.

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

## Summary of our audit approach

Key risks	<p>The key risks that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Valuation of shopping centre, high street and retail warehouse portfolio;</li> <li>• Valuation of pub portfolio; and</li> <li>• Accounting for investment property acquisitions and disposals</li> </ul> <p>Within this report, any new risks are identified with  and any risks which are the same as the prior year identified with .</p>
Materiality	The materiality that we used in the current year was £13,691,000 which was determined on the basis of approximately 2% of shareholders equity.
Scoping	<p>We performed a full scope audit to respond to the risks of material misstatement for the Group and performed an audit of specified account balances for the joint venture entities.</p> <p>Together these elements account for 100% of the Group's net assets and 100% of profit before tax.</p>
Significant changes in our approach	There have been no significant changes to our audit approach in 2017, other than focussing our accounting for investment property acquisitions and disposals risk to the acquisition of the Bexleyheath properties.

## Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the group contained within the Directors' Report on page 104.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 74 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Disclosures on pages 55 to 57 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 120 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

**We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.**

## Independence


We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.


**We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.**


## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.




## Valuation of shopping centre, high street and retail warehouse portfolio

<p><b>Risk description</b></p> 	<p>NewRiver REIT plc owns and manages a portfolio of commercial property assets. The valuation of shopping centre, high street and retail warehouse portfolio (including a number of development properties) is a significant judgement area and is underpinned by a number of assumptions.</p> <p>The Group uses professionally qualified external valuers to fair value its portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued using the 'investment method' of valuation, in which the principal assumptions include estimated include rental values and capitalisation yields. Development properties are valued by applying the same methodology, but with a deduction for all future costs necessary to complete the development together with an allowance for remaining risk, developers' profit and purchasers' costs ('the residual method').</p> <p>The Group's share of property assets are valued at £952.8 million (2016: £797.3 million) of which £818.2 million are held by subsidiaries (2016: £663.2 million) and £134.6 million by joint ventures (2016: £134.1 million).</p> <p>Please see note 1 and 12 to the financial statements and discussion in the report of the Audit Committee on page 74.</p>
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<p><b>How the scope of our audit responded to the risk</b></p> 	<p>We assessed, in consultation with our property valuation specialists, management's process for reviewing and challenging the work of the external valuer and development appraisals. We also assessed the competence, independence and integrity of the external valuer.</p> <p>In consultation with our property valuation specialists, we performed detailed analysis of the valuations for a sample of properties in the portfolio. We performed audit procedures to assess the integrity of information provided to the independent valuer including agreement on a sample basis back to underlying lease agreements.</p> <p>Alongside our property valuation specialists, we held discussions with the external valuers of the portfolio to understand the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including estimated rental values and yields. We benchmarked these assumptions to relevant external industry data and comparable property transactions, in particular the yield.</p> <p>For development properties we assessed future costs to complete based on development appraisals. We assessed the classification of development properties and whether the methodology applied (i.e. investment or residual method) was appropriate. We also challenged the allowances in the valuation for developers' profit.</p>
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<p><b>Key observations</b></p> 	<p>We have concluded that the assumptions applied in arriving at the fair value of the Group's shopping centre, high street and retail warehouse portfolio by the external valuers were appropriate and that resulting valuations were within an acceptable range.</p>
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## Valuation of pub portfolio

<p>Risk description </p>	<p>NewRiver REIT plc owns a pub portfolio with fair value of £177.8 million (2016: £176.0 million) comprising 350 pubs (195 in the Trent portfolio and 155 in the Mantle portfolio).</p> <p>The extent and variety of judgements involved in the valuation of the pub portfolio is different to the rest of the investment property portfolio due to the specific operational nature of the properties, as well as the contractual arrangements in place with Marston's, the Co-op and LT Pub Management.</p> <p>The Group uses professionally qualified external valuers to fair value its portfolio at six-monthly intervals. Within the portfolio, 285 pubs (fair value of £122.6m) are valued as income producing pubs using the 'investment method' of valuation, whereby the principal assumptions include income from fair maintainable trade ("FMT") and capitalisation multiples.</p> <p>The 34 development properties (fair value of £24.7m) are valued using a gross development value calculated as initial rent due upon completion of the development with an applied capitalisation yield; less a deduction for future costs to complete and an allowance for planning risk, developers' profit and purchasers' costs ('the residual method').</p> <p>In addition to the above there are 22 properties where a new rental agreement has been signed with Marston's (fair value of £14.9m) and 9 completed development properties delivered to the Co-op (fair value of £14.3m). These are valued using the 'investment method' of valuation, where the principal inputs include rental values and capitalisation yields.</p> <p>Please see note 1 and 12 to the financial statements and discussion in the report of the Audit Committee on page 74.</p>
<p>How the scope of our audit responded to the risk </p>	<p>We assessed, in consultation with our property valuation specialists, management's process for reviewing and challenging the work of the external valuer and development appraisals. We also assessed the competence, independence and integrity of the external valuer.</p> <p>Alongside our property valuation specialists, we held discussions with the external valuers of the portfolio to understand the valuation process, performance of the portfolio and significant assumptions and critical judgement areas. This included the following specific procedures for each part of the pub portfolio:</p> <p>In respect of the income producing pubs:</p> <ul style="list-style-type: none"> <li>• We engaged with our internal valuation specialists in order to benchmark the capitalisation multiples applied by the external valuers against relevant industry data and market transactions.</li> <li>• For a sample of pubs we benchmarked FMT adopted by the external valuer against actual historic performance (including contracted fixed rent, beer volumes and beer margin), corroborating explanations for any differences.</li> </ul> <p>In respect of the development properties:</p> <ul style="list-style-type: none"> <li>• For a sample of development properties and alongside our internal valuation specialists, we challenged and corroborated movements in valuations.</li> <li>• This included verification of underlying costs and stage of completion to reports from the Group's external quantity surveyors and agreeing planning risk assumptions to reports provided by the Group's external planning consultants.</li> <li>• Through consultation with our internal valuation specialist, we also considered whether the allowances in the valuation for developers' profit were consistent with industry adopted allowances.</li> </ul> <p>In respect of the remaining properties:</p> <ul style="list-style-type: none"> <li>• We engaged with our internal valuation specialists in order to benchmark the capitalisation yields applied by the external valuers for the Marston's and Co-op leases against relevant industry data and comparable property transactions.</li> <li>• We agreed contracted rent back to underlying lease agreements with Marston's and the Co-op.</li> </ul>
<p>Key observations </p>	<p>We have concluded that the assumptions applied in arriving at the fair value of the Group's pub portfolio by the external valuers were appropriate and that resulting valuations were within an acceptable range.</p>

**Accounting for investment property acquisitions and disposals** 

**Risk description** 


The structure of acquisition and disposal agreements can be complex and the accounting treatment needs to accurately reflect the nature of the transaction, which can be dependent on the specific terms within the legal documentation.

The acquisition of Bexleyheath, with a gross property value of £120 million, represents the Group's largest acquisition to date. The transaction was completed through the purchase of two corporate vehicles.

This transaction was considered to be an area of significant risk as the transaction involved the acquisition of two corporate vehicles rather than a direct asset acquisition. Judgement is required to determine whether the transaction was the acquisition a group of assets, or a business combination in the scope of IFRS 3. This was determined to represent an asset acquisition and therefore accounted for in accordance with the requirements of IAS 40 Investment property.

The Group continued to recycle capital through a number of other acquisitions and disposals, none of which were considered to be material or complex by nature.

Please see note 1 to the financial statements and discussion in the report of the Audit Committee on page 74.


**How the scope of our audit responded to the risk** 

In respect of Bexleyheath, we considered management's analysis of the transaction and assessed their rationale for concluding that it represented an asset acquisition. In particular, we challenged management to demonstrate that the two corporate vehicles acquired did not constitute a business.

We have examined relevant documents including the sale and purchase agreement to confirm the consideration paid and other particulars of acquisition, including agreement of a sample of related costs to supporting documentation. We reviewed the accuracy of the accounting entries made.

In determining whether other acquisitions and disposals were considered to be material or complex by nature, we made inquiries of management, examined the sale and purchase agreements for a sample of transactions and recalculated the relevant accounting entries made.

We also reviewed the completeness and accuracy of disclosures presented in the financial statements in relation to transactions in the year.

**Key observations** 

We have concluded that the accounting for investment property acquisitions and disposals, including the acquisition of the Bexleyheath property, have been appropriately accounted for and disclosed within the financial statements.

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



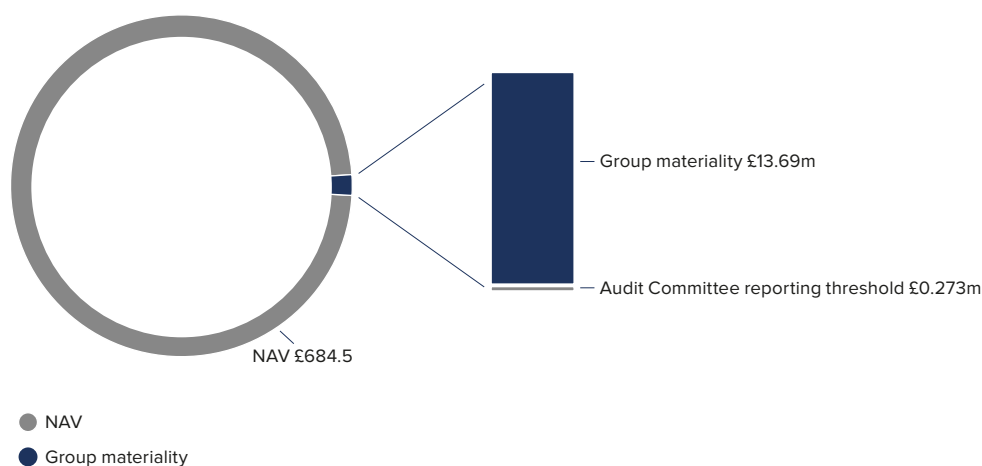
### Our application of materiality

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

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

Group materiality	£13,691,000 (2016: £13,620,000)
Basis for determining materiality	We determined materiality for the Group based on approximately 2% (2016: 2%) of shareholders' equity.
Rationale for the benchmark applied	In determining materiality, we considered the balances on which the users of the financial statements would judge the performance of the Group. As net asset value takes into consideration the valuation of the Group's property portfolio, we determined the shareholders equity of to be a key performance indicator for shareholders.

In addition to net assets, we consider EPRA earnings to be a critical performance measure for the Group and a measure used within the Real Estate industry. For account balances and classes of transactions that affect EPRA earnings we applied a lower level materiality threshold of £2,260,000 (2016: £1,349,000), being approximately 5% (2016: 5%) of EPRA earnings. We agreed with the Audit Committee that this was appropriate as EPRA earnings is a key performance measure for the Group but is a relatively low amount compared to our overall Group materiality set out above.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £273,000 (2016: £272,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

**An overview of the scope of our audit**

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

We performed a full scope audit to respond to the risks of material misstatement for the Group and performed an audit of specified account balances for the joint venture entities. Together these elements account for 100% (2016: 100%) of the Group's net assets and 100% (2016: 100%) of Group's profit before tax. Our audit work was executed at levels of Group or EPRA earnings materiality applicable to each account balance.

The audit of the Group's joint venture with Morgan Stanley Real Estate Fund ("MSREF"), which has a 31 December 2016 year end, is carried out by BDO LLP. Other joint ventures of the Group are audited by PriceWaterhouseCoopers LLP and also have 31 December 2016 year ends. We have obtained and reviewed audited financial statements and held detailed discussions with the joint venture auditors to understand the scope of their audit, findings and overall conclusions.

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

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

**Matters on which we are required to report by exception**

<p><b>Adequacy of explanations received and accounting records</b> Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• we have not received all the information and explanations we require for our audit; or</li> <li>• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the parent company financial statements are not in agreement with the accounting records and returns.</li> </ul>	<p>We have nothing to report in respect of these matters.</p>
<p><b>Directors' remuneration</b> Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.</p>	<p>We have nothing to report arising from these matters.</p>
<p><b>Corporate Governance Statement</b> Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.</p>	<p>We have nothing to report arising from our review.</p>
<p><b>Our duty to read other information in the Annual Report</b> Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:</p> <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or</li> <li>• otherwise misleading.</li> </ul>	<p>We confirm that we have not identified any such inconsistencies or misleading statements.</p>
<p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.</p>	

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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#### David Becker (Senior statutory auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Guernsey, Channel Islands  
15 May 2017

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Operating and financing 2017 £'000	Fair value adjustments 2017 £'000	Total 2017 £'000	Operating and financing 2016 £'000	Fair value adjustments 2016 £'000	Total 2016 £'000
Gross income	4	96,100	–	96,100	60,840	–	60,840
Property operating expenses	5	(15,705)	–	(15,705)	(6,253)	–	(6,253)
Net property income		80,395	–	80,395	54,587	–	54,587
Administrative expenses	6	(15,375)	–	(15,375)	(13,747)	–	(13,747)
Share of income from joint ventures	13	6,033	(769)	5,264	8,559	4,489	13,048
Net valuation movement	12	–	(15,030)	(15,030)	–	19,513	19,513
Profit on disposal of investment properties	7	894	–	894	8,299	–	8,299
Operating profit		71,947	(15,799)	56,148	57,698	24,002	81,700
Finance income	8	61	–	61	82	–	82
Finance costs	8	(15,200)	–	(15,200)	(12,237)	–	(12,237)
Revaluation of derivatives	8	–	(3,607)	(3,607)	–	–	–
Profit for the year before taxation		56,808	(19,406)	37,402	45,543	24,002	69,545
Taxation	9	(1,201)	–	(1,201)	(136)	–	(136)
Profit for the year after taxation		55,607	(19,406)	36,201	45,407	24,002	69,409
IFRS earnings per share (pence)							
Basic	10			15.5			39.2
Diluted	10			15.4			38.9

All activities derive from continuing operations of the Group. The notes form an integral part of these financial statements.

During the year, the Group completed its move to the Main Market and reorganised via a scheme of arrangement. See paragraph 2 of note 1 for details of how the reorganisation has impacted the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017 £'000	2016 £'000
Profit for the year after taxation		36,201	69,409
<i>Other comprehensive income</i>			
Revaluation of derivatives reclassified to profit or loss	16	1,959	–
Revaluation of derivatives recognised in equity	16	–	(1,278)
<i>Group's share of joint ventures' other comprehensive income</i>			
Revaluation of derivatives reclassified to profit or loss		(117)	–
Revaluation of derivatives recognised in equity		–	126
<b>Total comprehensive income for the year</b>		<b>38,043</b>	<b>68,257</b>

All items in the consolidated statement of comprehensive income will be recycled to the income statement. The notes form an integral part of these financial statements.

During the year, the Group completed its move to the Main Market and reorganised via a scheme of arrangement. See paragraph 2 of note 1 for details of how the reorganisation has impacted the financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Investment properties	12	995,928	839,107
Investments in joint ventures	13	71,763	70,125
Property, plant and equipment	14	351	551
Derivative financial instruments	16	626	–
<b>Total non-current assets</b>		<b>1,068,668</b>	<b>909,783</b>
<b>Current assets</b>			
Trade and other receivables	15	5,373	8,462
Derivative financial instruments	16	–	384
Cash and cash equivalents	17	45,956	114,071
<b>Total current assets</b>		<b>51,329</b>	<b>122,917</b>
<b>Total assets</b>		<b>1,119,997</b>	<b>1,032,700</b>
<b>Current liabilities</b>			
Borrowings	19	100,084	–
Trade and other payables	18	28,729	25,632
Current taxation		1,200	136
Derivative financial instruments	16	160	–
<b>Total current liabilities</b>		<b>130,173</b>	<b>25,768</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	16	2,291	2,960
Borrowings	19	302,995	314,105
<b>Total non-current liabilities</b>		<b>305,286</b>	<b>317,065</b>
<b>Net assets</b>		<b>684,538</b>	<b>689,867</b>
<b>Equity</b>			
Share capital	21	2,340	2,334
Share premium	21	1,691	–
Merger reserve	21	(2,335)	(2,334)
Hedging reserve	21	–	(1,842)
Retained earnings	21	682,842	691,709
<b>Total equity</b>		<b>684,538</b>	<b>689,867</b>
<b>Net asset value (NAV) per share</b>			
Basic	10	292p	295p
Diluted	10	290p	294p

The notes form an integral part of these financial statements.

During the year, the Group completed its move to the Main Market and reorganised via a scheme of arrangement. See paragraph 2 of note 1 for details of how the reorganisation has impacted the financial statements.

The financial statements were approved by the Board of Directors on 15 May 2017 and were signed on its behalf by:

**David Lockhart**

Chief Executive

NewRiver REIT plc

Registered number: 10221027

**Mark Davies**

Chief Financial Officer

# CONSOLIDATED CASH FLOW STATEMENT

AS AT 31 MARCH 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the year before taxation	37,402	69,545
Adjustments for:		
Profit on disposal of investment property	(894)	(8,299)
Net valuation movement	15,030	(19,513)
Net valuation movement in joint ventures	419	(4,489)
Share of income from joint ventures	(5,683)	(8,559)
Net interest expense	15,139	12,155
Revaluation of derivatives	3,607	–
Rent free lease incentives	(1,949)	(103)
Movement in provision for bad debts	(98)	75
Amortisation of legal and letting fees	345	259
Depreciation on property plant and equipment	106	125
Share based-payment expense	1,434	898
Cash generated from operations before changes in working capital	64,858	42,094
Changes in working capital		
Decrease/(increase) in receivables and other financial assets	873	(2,050)
Increase in payables and other financial liabilities	1,132	18,454
Cash generated from operations	66,863	58,498
Interest paid	(13,273)	(12,237)
Corporation tax paid	(137)	–
Dividends received from joint ventures	6,050	4,325
<b>Net cash inflow from operating activities</b>	<b>59,503</b>	<b>50,586</b>
Cash flows from investing activities		
Interest income	61	82
Purchase of investment properties	(162,208)	(192,583)
Properties acquired in business combinations	–	(105,447)
Disposal of investment properties	10,012	51,109
Development and other capital expenditure	(15,511)	(12,955)
Investment in joint venture	(2,541)	–
Purchase of plant and equipment	(138)	(163)
<b>Net cash used in investing activities</b>	<b>(170,325)</b>	<b>(259,957)</b>
Cash flows from financing activities		
Proceeds from issuance of new shares	1,839	292,300
Repayment of bank loans	(65,943)	(21,873)
New borrowings	153,630	65,311
Purchase of derivatives	(819)	–
Dividends paid	(46,000)	(27,708)
<b>Net cash generated from financing activities</b>	<b>42,707</b>	<b>308,030</b>
Cash and cash equivalents at beginning of the year	114,071	15,412
Net (decrease)/increase in cash and cash equivalents	(68,115)	98,659
<b>Cash and cash equivalents at 31 March</b>	<b>45,956</b>	<b>114,071</b>

During the year, the Group completed its move to the Main Market and reorganised via a scheme of arrangement. See paragraph 2 of note 1 for details of how the reorganisation has impacted the financial statements.

The notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2017

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
As at 31 March 2015		1,271	–	(1,271)	(690)	340,385	339,695
Profit for the year after taxation		–	–	–	–	69,409	69,409
Fair value loss on financial derivatives	16	–	–	–	(1,152)	–	(1,152)
Total comprehensive income for the year		–	–	–	(1,152)	69,409	68,257
<i>Transactions with equity holders</i>							
Net proceeds of issue from shares	21	1,063	–	(1,063)	–	309,237	309,237
Share-based payments	22	–	–	–	–	898	898
Dividend paid	11	–	–	–	–	(28,220)	(28,220)
As at 31 March 2016		2,334	–	(2,334)	(1,842)	691,709	689,867
Profit for the year after taxation		–	–	–	–	36,201	36,201
Fair value on financial derivatives	16	–	–	–	1,842	–	1,842
Total comprehensive income for the year		–	–	–	1,842	36,201	38,043
<i>Transactions with equity holders</i>							
Net proceeds of issue from shares	21	6	1,691	(1)	–	143	1,839
Share-based payments	22	–	–	–	–	1,434	1,434
Dividends paid	11	–	–	–	–	(46,645)	(46,645)
As at 31 March 2017		2,340	1,691	(2,335)	–	682,842	684,538

During the year, the Group completed its move to the Main Market and reorganised via a scheme of arrangement. See paragraph 2 of note 1 for details of how the reorganisation has impacted the financial statements.

The notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies

### General information

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

### Scheme of arrangement

During the year, the Group completed its move from AIM to the premium listing segment of the official list, trading on the Main Market of the London Stock Exchange. NewRiver REIT plc became the ultimate parent company, with the former parent company, NewRiver Retail Limited, becoming a direct subsidiary of NewRiver REIT plc, in a scheme of arrangement on 18 August 2016. The principal steps of the group reorganisation were as follows:

NewRiver REIT plc was incorporated in the United Kingdom on 8 June 2016 under the Companies Act 2006 as a public company. On incorporation, the share capital of NewRiver REIT plc was £50,000.02 divided into 2 ordinary shares of 1 pence and 50,000 redeemable preference shares of £1. The preference shares were redeemed on 12 October 2016.

As part of a scheme of arrangement under Guernsey law, all issued ordinary shares in the capital of NewRiver Retail Limited, the former holding company of the Group, were cancelled by way of a reduction of capital on 18 August 2016. Following the cancellation of the shares, NewRiver Retail Limited issued a corresponding number of ordinary shares to the Company, such that the Company held all of the issued shares in the capital of NewRiver Retail Limited. The Company has, in turn, issued ordinary shares to the former shareholders of NewRiver Retail Limited on a one-for-one basis. The result of the share cancellation and share issue is that the Company is now the ultimate parent company of the Group.

Throughout the period from incorporation to 18 August 2016, NewRiver REIT plc was a dormant company with no revenues and no assets and did not constitute a business as defined by IFRS 3 Business Combinations. The transaction therefore falls outside the scope of that standard. Following the guidance regarding the selection of an appropriate accounting policy provided by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the transaction has been accounted for using the principles of merger accounting, allowed for group reconstructions, as set out in FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This policy, which does not conflict with IFRS, reflects the economic substance of the transaction as a continuation of the previous Group. The comparatives presented in these consolidated financial statements are therefore the consolidated results and financial position of NewRiver Retail Ltd for the year then ended. In order to present equity as a continuation of the previous Group, share capital and reserves have been restated at the preceding reporting dates as follows:

	Share capital £'000	Merger reserve £'000	Other reserves £'000	Hedging reserve £'000	Share option reserve £'000	Revaluation reserves £'000	Retained earnings £'000	Total £'000
1 April 2015 (as previously reported)	–	–	273,582	(690)	1,063	7,486	58,254	339,695
Presentation of reserves	–	–	(273,582)	–	(1,063)	(7,486)	282,131	–
Cancellation of shares in former parent company (no par value)	–	–	–	–	–	–	–	–
Issue of new shares in new parent company (127,077,895 x 1p per share)	1,271	(1,271)	–	–	–	–	–	–
1 April 2015 (as currently reported)	1,271	(1,271)	–	(690)	–	–	340,385	339,695
1 April 2016 (as previously reported)	–	–	554,599	(1,842)	1,961	16,901	118,248	689,867
Presentation of reserves	–	–	(554,599)	–	(1,961)	(16,901)	573,461	–
Cancellation of shares in former parent company (no par value)	–	–	–	–	–	–	–	–
Issue of new shares in new parent company (233,393,712 x 1p per share)	2,334	(2,334)	–	–	–	–	–	–
1 April 2016 (as currently reported)	2,334	(2,334)	–	(1,842)	–	–	691,709	689,867

## 1 Accounting policies *continued*

### Going concern

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

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

The Group has cash and short-term deposits, as well as profitable rental income streams and as a consequence the Directors believe the Group is well placed to manage its business risks. Whilst the Group has borrowing facilities in place, as detailed in note 19, the Group is currently within all financial covenants. The Group has bank facilities to fund any future risk-controlled developments. The Group has a significant portion of borrowings that fall due within one year of the balance sheet date. The Directors are currently in advanced negotiations with the existing lenders and with some new lenders to agree facilities to refinance the existing borrowings. The Directors are confident that these bank facilities can be refinanced, or in the absence of available bank finance that the properties could be sold at a value significantly above the associate borrowing.

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 financial statements.

### Summary of significant accounting policies

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

### Basis of preparation

#### *Statement of compliance*

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

#### *Cash flow statement*

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

### Preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company, made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intra group transactions are eliminated in full.

### Changes in accounting policy and disclosure

In the current year, the following new and amended IFRSs and amendments have been adopted but have not had a material effect on the financial performance or position of the Group:

- IAS 1 (Amendments) Disclosure Initiative
- IAS 16 and IAS 38 (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 27 (Amendments) Equity Method in Separate Financial Statements
- IFRS 11 (Amendments) Accounting for Acquisitions of Interests in Joint Operations
- IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities: Applying the Consolidation Exception
- Annual Improvements to IFRSs: 2012-2014 Cycle

- At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:
- IAS 7 (Amendments) Disclosure Initiative
- IAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 40 (Amendments) Transfers of Investment Property
- IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 may impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may impact the recognition and measurement of leases on the Group's balance sheet.

#### Business combinations

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

Each acquisition is considered by management in light of the substance of the acquisition to determine whether the acquisition is a business combination or acquisition of investment property.

#### Joint ventures

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

#### Investment property

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

Investment property is recognised as an asset when:

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

Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is carried at fair value.

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

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

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

## 1 Accounting policies *continued*

### Property, plant and equipment

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

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

### Operating leases

#### *As lessor*

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

#### *As lessee*

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

### Cash and cash equivalents

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

### Financial instruments

#### *Financial assets*

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

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

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

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

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

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

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

Trade receivables are carried at amortised cost less a provision for impairment where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms. Impaired debts are derecognised when they are assessed as uncollectible.

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

### Financial liabilities

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

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

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

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

### Hedge accounting

Hedges of interest rate risk on firm commitments are designated as cash flow hedges where the hedge is expected to be highly effective.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instruments and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### Share capital

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

### Taxation

#### *Income tax*

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

#### *Deferred tax*

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

#### *Value added tax*

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

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

### Share-based payments

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

## 1 Accounting policies *continued*

### Employee Benefit Trust

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

### Revenue recognition

#### *Rental income*

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

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

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

### Asset management fees

Management fees are recognised in the income statement as the services are delivered.

### Promote payments

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

### Dividends

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

### Finance income and costs

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

### Service charge income and expense

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

### Exceptional items

Performance measures are adjusted to exclude exceptional items. Exceptional items are items that are significant in size or nature, or are non-recurring and are adjusted to explain the performance of the Group. In the current and comparative year exceptional items consist of the Group's expenses in relation to the move from AIM to the Main Market.

## 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

#### *Investment properties*

The Group's investment properties are stated at fair value, based on an independent external appraisal. The valuation of the Group's development property portfolio and its joint ventures is inherently subjective due to, amongst other factors, the individual nature of each property, forecast trading EBITDA, the status of planning consent, the assumption that vacant possession will be obtained, development cost projections, tenant credit risk and the expected future rental income. As a result, the valuation of the Group's development property portfolio is subject to a degree of uncertainty and is based on information available at the date of valuation.

#### Taxation

The Company has elected for REIT status. To continue to qualify from the regime, the Group is required to comply with certain conditions as defined in the REIT legislation. Management are required to exercise judgement to determine whether each property acquisition should be included within the REIT rental property income business and whether, on disposal of that property, any gain arising is capital or trading in nature and therefore whether it has triggered a tax charge to be payable to HMRC.

The Group has unrecognised tax losses carried forward at 31 March 2017 as detailed in note 9. Judgement is required in assessing the likelihood that taxable income will be available to utilise the losses.

#### Accounting for acquisitions

Management must assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Management exercise judgement to determine whether the acquired business or property contains processes and inputs in addition to property. When management conclude that processes and inputs are being acquired in addition to the property then the transaction is accounted for as a business combination. Where there are no such items, the transaction is treated as an asset purchase.

Business combinations are accounted for using the acquisition method any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill and reviewed annually for impairment. Any discount received or acquisition related costs are recognised in the income statement.

#### Sources of estimation uncertainty

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

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

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 chief operating decision maker is the Board of Directors. The Board of Directors are of the opinion that the principal activity of the Group is to invest in commercial real estate in the UK.

IFRS requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker i.e. the Board of Directors. The internal financial reports received by the Board contain financial information at a Group level and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements.

The property portfolio includes investment properties located throughout the UK, predominantly regional investments outside London and comprises a diverse portfolio of commercial buildings including shopping centres, retail warehouses, high street assets and pubs. The Directors consider that these properties all contribute to delivering on a strategy of targeting higher-yielding property that offer attractive returns through rental income. Therefore, these individual properties have been aggregated into a single operating segment.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Board and, therefore, no geographical segmental analysis is disclosed.

### 4 Gross income

	2017 £'000	2016 £'000
Property rental and related income	83,276	54,109
Asset management fees	815	870
Realised gain received from joint venture	–	3,373
Surrender premiums and commissions	12,009	2,488
Gross income	96,100	60,840

In March 2017, the Group received a surrender premium of £10,788,000 in relation to a rental agreement from a retail warehouse in Sheffield.

### 5 Property operating expenses

	2017 £'000	2016 £'000
Service charge expense	4,888	1,392
Amortisation of tenant incentives and letting costs	1,456	844
Ground rent	3,187	1,029
Rates on vacant units	2,013	1,235
Other property operating expenses	4,161	1,753
Property operating expenses	15,705	6,253

Property operating expenses have increased year on year by 151% whilst property rental and related income has increased by 54%. The principal reasons for the increase is presentation of costs in relation to the pub portfolio and the acquisition of a property in London with a significant ground rent. An element of the pub portfolio is transitioning from receiving a net rent to a leased model whereby the Group receives gross income and pays operating expenses.



## 6 Administrative expenses

	2017 £'000	2016 £'000
Wages and salaries	6,767	7,431
Social security costs	1,815	1,263
Other pension costs	125	102
Staff costs	8,707	8,796
Depreciation	106	125
Share-based payments	1,434	898
Operating lease payments	213	213
Other administrative expenses	3,724	2,815
Exceptional cost in respect of move from AIM to the main market	1,191	900
Administrative expenses	15,375	13,747

Net administrative expenses ratio is calculated as follows:

	2017 £'000	2016 £'000
Administrative expenses	15,375	13,747
<i>Adjust for:</i>		
Asset management fees	(815)	(870)
Exceptional cost in respect of move to the main market	(1,191)	(900)
Share of joint ventures' administrative expenses	831	660
Group's share of net administrative expenses	14,200	12,637
Property rental and related income	83,276	54,109
Share of joint ventures' property rental income	10,518	14,178
	93,794	68,287
Net administrative expenses as a % of property income (including share of joint ventures)	15.1%	18.5%
Average staff numbers including Directors		
Directors	7	7
Asset managers	21	15
Support functions	25	19
	53	41

### Auditor's remuneration

	2017 £'000	2016 £'000
Audit of the Company's financial statements	110	60
Audit of subsidiaries, pursuant to legislation	130	100
Non-statutory audit fee	8	40
Audit related assurance services	39	28
	287	228
Non-audit fees	220	30
Total fees	507	258

Non-audit fees payable to the Company's auditor are for reporting accountant services provided in respect of the move from AIM to the Main Market.

**7 Profit on disposal of investment properties**

	2017 £'000	2016 £'000
Gross disposal proceeds	10,012	51,109
Costs of disposal	(480)	(461)
Carrying value	(8,638)	(42,349)
Profit on disposal of investment properties	894	8,299

**8 Finance income and expense**

	2017 £'000	2016 £'000
<i>Finance income</i>		
Income from cash and short-term deposits	61	82
<i>Finance expense</i>		
Interest on bank loans	(15,200)	(11,500)
Interest on debt instruments	–	(737)
	(15,200)	(12,237)
<i>Revaluation of derivatives</i>		
Revaluation of derivatives previously recognised in other comprehensive income	(1,959)	–
Revaluation of derivatives in the year	(1,648)	–
Net finance expense	(18,746)	(12,155)

During the year, all revaluation of derivatives previously recognised in other comprehensive income and accumulated in the hedge reserve have been recycled to the income statement.

Interest on debt instruments related to a convertible debt instrument, which was converted during the year ended 31 March 2016. More details on the Group's borrowings are provided in note 19.

**9 Taxation**

	2017 £'000	2016 £'000
UK Corporation Tax at 20% (2016: 20%)		
Current year	923	136
Prior year	278	–
Taxation	1,201	136

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

	2017 £'000	2016 £'000
Profit before tax	37,402	69,545
Tax at the current rate of 20% (2016: 20%)	7,480	13,909
Revaluation of property	3,090	(4,800)
Non-deductible expenses	1,408	180
Other timing differences	221	955
Non-taxable profit due to REIT regime	(11,276)	(10,108)
Prior year adjustment	278	–
Taxation	1,201	136

As at 31 March 2017, the Group has unrecognised tax losses of £1.0 million (March 2016: £1.0 million). The losses have not been recognised as an asset due to uncertainty over the availability of taxable income to utilise the losses. The losses do not expire but are reliant on continuity of ownership and source of trade.

### Real Estate Investment Trust regime (REIT regime)

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

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

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

### 10 Performance measures

The Group's key performance measure is 'Funds from Operations' or 'FFO'. This performance measure is intended to measure the underlying profitability of the Group and as such includes realised gains on disposals and adds back expense recognised for non-cash share-based payment, unrealised gains and the one-off cost in respect of the costs of the move to the main market. The measure is not intended to replace the cash measures disclosed in the cash flow statement. The Group has previously referred to this measure as EPRA Adjusted earnings. The Group no longer discloses NAREIT FFO as a performance measure.

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:

	2017 £'000	2016 £'000
Profit for the year after taxation	36,201	69,409
<i>Adjustments</i>		
Revaluation of investment properties	15,030	(19,513)
Profit on disposal of investment properties	(894)	(8,282)
Revaluation of derivatives	3,607	–
Gain on bargain purchase	–	(968)
<i>Group's share of joint ventures' adjustments</i>		
Revaluation of investment properties	419	(4,489)
Loss/(profit) on disposal of investment properties	551	(17)
Revaluation of derivatives	350	–
EPRA earnings	55,264	36,140
Profit on disposal of investment properties	894	8,282
(Loss)/profit on disposal of joint ventures' investment properties	(551)	17
Share-based payment charge	1,434	808
Gain on bargain purchase	–	968
Exceptional cost in respect of move to the main market	1,191	900
Funds From Operations (FFO)	58,232	47,115

**10 Performance measures continued**
**Number of shares**

	2017 No. 000s	2016 No. 000s
Number of shares		
Weighted average number of ordinary shares for the purposes of Basic EPS, FFO and EPRA	233,826	176,903
Effect of dilutive potential ordinary shares:		
Share options	400	1,327
Deferred bonus shares	526	–
Performance share plan	815	–
Warrants	211	229
Weighted average number of ordinary shares for the purposes of diluted EPS	235,778	178,459
<i>Performance measures (pence)</i>		
Basic EPS	15.5	39.2
Diluted EPS	15.4	38.9
FFO per share	24.9	26.6
Diluted FFO per share	24.7	26.4
EPRA EPS	23.6	20.4
Diluted EPRA EPS	23.4	20.3

The number of shares used in the performance measures for earnings includes the weighted average of NewRiver Retail Limited's shares up to 18 August 2016 and NewRiver REIT Plc's shares from that date. NewRiver REIT Plc issued the same number of shares as NewRiver Retail Limited had in issue in 18 August 2016. See note 21 for further details.

EPRA NAV per share and Basic NAV per share:

	2017 Shares			2016 Shares		
	£'000s	No'000s	Pence per share	£'000s	No'000s	Pence per share
Net assets	684,538	234,119	292p	689,867	233,494	295p
Warrants in issue	535	377		629	420	
Unexercised employee awards	3,861	2,938		4,674	2,740	
Diluted net assets	688,934	237,434	290p	695,170	236,654	294p
Fair value derivatives	4,144			2,577		
EPRA net assets	693,078	237,434	292p	697,747	236,654	295p

**11 Dividends**

Payment date	PID	Non-PID	Pence per share	£'000
<b>2017</b>				
13 May 2016	2.75	2.00	4.75	11,086
17 August 2016	5.00	–	5.00	11,673
28 October 2016	5.00	–	5.00	11,677
1 January 2017	5.00	–	5.00	11,696
	17.75	2.00	19.75	46,132
<b>2016</b>				
18 May 2015	4.25	–	4.25	5,401
31 July 2015	4.50	–	4.50	5,839
13 November 2015	4.50	–	4.50	8,094
10 February 2016	4.75	–	4.75	8,886
	18.00	–	18.00	28,220

The Company has a financial policy to deliver a fully covered dividend. The dividend paid during the year of £46,132,000 (March 2016: £28,220,000) is more than covered by Fund From Operations of £58,232,000 (March 2016: £47,098,000). This is further backed up by net cash flow from operations in the Group's cash flow statement.

## 12 Investment properties

	2017 £'000	2016 £'000
Fair value brought forward	839,107	404,098
Acquisitions	162,146	192,490
Capital expenditure	15,572	12,712
Properties acquired in business combinations	–	252,400
Lease incentives, letting and legal costs	2,771	243
Disposals	(8,638)	(42,349)
Net valuation movement	(15,030)	19,513
Fair value carried forward	995,928	839,107

The Group's investment properties have been valued at fair value on 31 March 2017 by independent valuer, Colliers International Valuation UK LLP, on the basis of fair value in accordance with the Current Practice Statements contained in The Royal Institution of Chartered Surveyors Valuation – Professional Standards, (the 'Red Book'). The valuations are performed by appropriately qualified valuers who have relevant and recent experience in the sector.

The fair value at 2017 represents the highest and best use.

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

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

	Property ERV			Property rent			Property equivalent yield Average %	EPRA topped up net initial yield Average %	
	Fair value (£'000)	Min £ per sq ft	Max £ per sq ft	Average £ per sq ft	Min £ per sq ft	Max £ per sq ft			Average £ per sq ft
Shopping centres	566,804	7.2	40.1	14.8	2.00	33.60	12.43	7.5%	6.8%
High street	39,011	4.7	21.7	10.8	1.46	19.10	9.52	6.9%	7.0%
Retail warehouse	153,556	8.0	22.8	13.0	2.66	21.88	11.91	7.3%	6.4%
Development sites	58,782	10.2	20.6	13.8	5.05	8.13	6.24	6.9%	3.4%
	818,183								

	Fair value (£'000)	Property Rent (£ per sq ft)			EBITDA multiples / Net Initial Yield (%)			EBITDA (£ per sq ft)		
		Min	Max	Average	Min	Max	Average	Min	Max	Average
Pub portfolio	167,335	–	–	–	6.5x	10.0x	7.8x	0.26	74.67	16.57
Convenience store development portfolio	10,440	15.0	17.5	16.2	5.1%	5.3%	5.2%	–	–	–
	177,775									
Total	995,928									

The investments are several retail and leisure assets in the UK with a total carrying amount of £996 million. The valuation was determined using an income capitalisation method, which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV.

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

**12 Investment properties *continued***

These inputs include:

- Rental value – total rental value per annum
- Equivalent yield – the discount rate of the perpetual cash flow to produce a net present value of zero assuming a purchase at the valuation
- EBITDA multiples and maintainable earnings from each pub

There were no changes to valuation techniques during the year.

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

Revenues are derived from a large number of tenants with no single tenant or group under common control contributing more than 4% 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.

**13 Investments in joint ventures**

	2017 £'000	2016 £'000
Opening balance	70,125	113,027
Effective disposal of investments	–	(54,017)
Group's share of profit after taxation excluding valuation movement	5,683	8,559
Net valuation movement	(419)	4,489
Distributions and dividends	(6,050)	(4,325)
Investment in joint ventures	2,541	2,266
(Losses)/gains on cash flow hedges	(117)	126
Investments in joint ventures	71,763	70,125

There are currently five joint ventures which are equity accounted for:

Name	Country of incorporation	2017 % Holding	2016 % Holding
NewRiver Retail Investments LP and NewRiver Retail Investments (GP) Ltd*	Guernsey	50	50
NewRiver Retail Property Unit Trust No.2	Jersey	50	50
NewRiver Retail Property Unit Trust No.5	Jersey	50	50
NewRiver Retail Property Unit Trust No.6	Jersey	50	50
NewRiver Retail Property Unit Trust No.7	Jersey	50	50

\* NewRiver Retail Investments (GP) Limited and its Limited partner (NewRiver Retail Investments LP) has a number of 100% owned subsidiaries which are NewRiver Retail (Finco No 1) Limited and NewRiver Retail (GP1) Limited, acting in its capacity as General Partner for NewRiver Retail (Holding No 1) LP and NewRiver Retail (Portfolio No 1) LP. The registered office of each of these entities is Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, Channel Islands, GY4 6RT.

NewRiver Retail Property Unit Trusts No.2, No.5, No.6 and No.7 are jointly controlled Jersey property unit trusts set up by the Group and PIMCO BRAVO II Fund LP ('BRAVO II'). The registered office of each of these entities is 13 Castle Street, Jersey JE4 5UT.

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

All joint ventures have a 31 December year end. The aggregate amounts recognised in the consolidated balance sheet and income statement are as follows:

	2017 Total £'000	2017 Group's share £'000	2016 Total £'000	2016 Group's share £'000
Balance sheet				
Non-current assets	269,280	134,640	268,324	134,163
Current assets	7,617	3,809	7,724	3,862
Current liabilities	(4,814)	(2,408)	(4,671)	(2,335)
Borrowings	(128,556)	(64,278)	(130,149)	(65,068)
Other non-current liabilities	–	–	(979)	(497)
Net assets	143,527	71,763	140,249	70,125

	2017 Total £'000	2017 Group's share £'000	2016 Total £'000	2016 Group's share £'000
Income statement				
Net property income	18,690	9,345	20,925	12,566
Administration expenses	(1,662)	(831)	(1,173)	(660)
Net finance costs	(3,860)	(1,930)	(5,298)	(3,364)
	13,168	6,584	14,454	8,542
Net valuation movement	(838)	(419)	8,978	4,489
Derivative fair value movement	(700)	(350)	–	–
Profit on disposal	(1,102)	(551)	33	17
Profit after taxation	10,528	5,264	23,465	13,048
Add back net valuation movement	838	419	(8,978)	(4,489)
Add back derivative fair value movement	700	350	–	–
Group's share of joint ventures' Funds From Operations	12,066	6,033	14,487	8,559

On 18 June 2015, the Group acquired 50% of the units of two joint ventures, resulting in ownership of 100% of the property unit trusts. The prior year income statement of the joint ventures includes the Group's share of NewRiver Retail Property Unit Trust No.3 and No.4 from the period 1 April 2015 to 18 June 2015.

The Group's share of contingent liabilities in the joint ventures is £nil (March 2016: £nil).

	2017 Total £'000	2017 Group's share £'000	2016 Total £'000	2016 Group's share £'000
Maturity of borrowings in joint ventures				
Group's share of joint venture borrowings				
Less than one year	–	–	12,800	6,400
Between one and two years	35,170	17,585	27,170	13,585
Between two and three years	94,000	47,000	91,000	45,500
	129,170	64,585	130,970	65,485
Less unamortised facility fees	(614)	(307)	(821)	(417)
	128,556	64,278	130,149	65,068

		Drawn £'000	Fee £'000	Total £'000
Group's share of joint ventures' secured borrowing				
Barclays	August 2018	13,585	(47)	13,538
Santander	February 2019	4,000	(19)	3,981
HSBC	November 2019	47,000	(241)	46,759
		64,585	(307)	64,278

**14 Property, plant and equipment**

	£'000
<i>Cost</i>	
At 1 April 2015	713
Additions	163
At 31 March 2016	876
Additions	138
Disposals	(286)
At 31 March 2017	728
<i>Depreciation</i>	
At 1 April 2015	(200)
Depreciation charge for the year	(125)
At 31 March 2016	(325)
Disposals	54
Depreciation charge for the year	(106)
At 31 March 2017	(377)
Book value at 31 March 2017	351
Book value at 31 March 2016	551

**15 Trade and other receivables**

	2017 £'000	2016 £'000
Trade receivables	3,481	4,908
Prepayments	1,483	3,390
Accrued income	409	164
	5,373	8,462

The provision for doubtful debts was £695,000 at 31 March 2017 (31 March 2016: £566,000).

**16 Derivatives**

The Group enters into derivative financial instruments to provide an economic hedge to its interest rate exchange risks. Further details on interest rate risks are included in note 23. 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 note 8.

	2017 £'000	2016 £'000
<i>Interest rate caps</i>		
Non-current assets	626	–
Current assets	–	354
<i>Interest rate swaps</i>		
Current assets	–	30
Non-current liabilities	(2,291)	(2,960)
Current liabilities	(160)	–
	(1,825)	(2,576)



	Average contract fixed interest rate		Notional principal amount		Fair value	
	2017 %	2016 %	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest rate swaps – receive floating pay fixed						
In less than one year	1.9%	1.9%	100,584	33,069	(351)	(153)
In more than one year but less than two	0.8%	1.0%	7,999	51,584	(40)	(356)
In more than two years but less than five	1.3%	1.3%	98,701	108,638	(2,060)	(2,421)
Interest rate caps – receive floating pay fixed						
In less than one year	–	–	–	–	–	–
In more than one year but less than two	2.1%	–	131,247	–	81	–
In more than two years but less than five	1.9%	2.8%	140,252	141,499	545	354
			478,783	334,790	(1,825)	(2,576)

### 17 Cash and cash equivalents

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted. The cash deposited under such arrangement totalled £21.2 million (March 2016: £7.1 million).

### 18 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	2,140	2,182
Other payables	3,970	3,841
Accruals	12,501	10,026
Rent received in advance	10,118	9,583
	28,729	25,632

### 19 Borrowings

	2017 £'000	2016 £'000
Maturity of secured bank loans:		
Less than one year	100,584	–
Between one and two years	61,996	–
Between two and three years	141,271	94,658
Between three and four years	34,029	188,433
Between four and five years	68,461	34,029
	406,341	317,120
Unamortised loan fees	(3,262)	(3,015)
	403,079	314,105
Due in less than one year	100,084	–
Due after one year	302,995	314,105

The Group has a significant portion of borrowings that fall due within one year of the balance sheet date. The Directors are currently in advanced negotiations with the existing lenders and with some new lenders to agree facilities to refinance the existing borrowings. The Directors are confident that these bank facilities can be refinanced, or in the absence of available bank finance that the properties could be sold at a value significantly above the associate borrowing.

**19 Borrowings continued**

Secured borrowings	Maturity date	Facility £'000	Facility drawn £'000	Unamortised facility fees £'000	Balance £'000
Deka	March 2018	49,000	49,000	(100)	48,900
Santander/HSBC	March 2018	51,584	51,584	(400)	51,184
Lloyds	October 2018	28,650	–	–	–
Barclays	December 2018	32,100	31,996	(127)	31,869
Santander	March 2019	60,000	30,000	(275)	29,725
HSBC	May 2019	24,736	24,736	(203)	24,533
Lloyds	October 2019	63,570	63,570	(585)	62,985
Barclays	March 2020	52,965	52,965	(324)	52,641
Santander	February 2021	34,029	34,029	(176)	33,853
AIG	July 2021	83,760	68,461	(1,072)	67,389
		480,394	406,341	(3,262)	403,079

**Secured bank loans**

Bank loans are secured by way of legal charges on properties held by the Group and a hedging policy is adopted which is aligned with the property strategy on each of its assets.

**Convertible Unsecured Loan Stock ("CULS") (prior year)**

On 22 November 2010 the Group issued £25 million of CULS, £17 million of A CULS and £8 million of B CULS. On issue, the stockholder was able to convert all or any of the stock into Ordinary Shares at the rate of one Ordinary Share for every £2.80. The conversion rate was subsequently adjusted on the A CULS and on the B CULS as a result of new shares being issued and dividends paid in accordance with the terms of the agreement. Under the terms of the convertible, interest accrued at 5.85% on the outstanding loan stock until 31 December 2015 when it would be either converted or repaid. The interest payable on the CULS was due biannually on the 30 June and 31 December.

On 18 February 2014, £1.5 million B CULS were converted at a conversion price of £2.59 representing 579,151 Ordinary shares. On 2 July 2015, £6.5 million B CULS were converted at a conversion price of £2.46 representing 2,653,061 Ordinary shares.

On 25 November 2015, £17 million A CULS were converted at a conversion price of £2.43 representing 6,995,884 Ordinary shares. As at 31 March 2016, all of the CULS had been converted and no CULS are currently outstanding.

## 20 Operating lease arrangements

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

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

	2017 £'000	2016 £'000
Within one year	65,717	74,261
Between one and two years	55,740	64,836
In the second to fifth year inclusive	136,033	114,451
After five years	240,894	157,127
	<b>498,384</b>	<b>410,675</b>

The Group's weighted average lease length of operating leases at 31 March 2017 was 6.0 years (March 2016: 6.0 years).

Operating lease payments payable by the Group were as follows:

	2017 £'000	2016 £'000
Within one year	2,677	1,004
One to two years	2,678	1,068
Two to five years	7,933	3,206
After five years	229,856	102,197
	<b>243,144</b>	<b>107,475</b>

Operating lease obligations exist over the Group's offices and for head leases on the Group's retail portfolio. The increase during the year was a result of purchasing a property in London with 89 years remaining on the head lease. The expense for the year was £3.4 million (March 2016: £1.2 million).

## 21 Share capital and reserves

### Share capital

During the year the Group completed its move from AIM to the premium listing segment of the official list, trading on the Main Market of the London Stock Exchange. NewRiver REIT plc became the ultimate parent company, with the former parent company, NewRiver Retail Limited, becoming a direct subsidiary of NewRiver REIT plc, in a scheme of arrangement on 18 August 2016. The principal steps of the group reorganisation were as follows:

NewRiver REIT plc was incorporated in the United Kingdom on 8 June 2016 under the Companies Act 2006 as a public company. On incorporation, the share capital of NewRiver REIT plc was £50,000.02 divided into 2 ordinary shares of one pence each and 50,000 redeemable preference shares of £1 each. The preference shares were redeemed on 12 October 2016. All ordinary shares have one vote per share. There are no voting rights attached to the preference shares. All shares are fully paid.

As part of a scheme of arrangement under Guernsey law, all issued ordinary shares in the capital of NewRiver Retail Limited, the former holding company of the Group, were cancelled by way of a reduction of capital on 18 August 2016. Following the cancellation of the shares, NewRiver Retail Limited issued a corresponding number of ordinary shares to the Company, such that the Company held all the issued shares in the capital of NewRiver Retail Limited. The Company has, in turn, issued ordinary shares to the former shareholders of NewRiver Retail Limited on a one-for-one basis. The result of the share cancellation and share issue is that the Company is now the ultimate parent company of the Group.

On 18 August 2016, the Company issued 238,588,536 ordinary shares with a nominal value of one pence each to the former shareholders. The Company formed a new Employee Benefit Trust (EBT) and the shares previously held by the EBT of NewRiver Retail Limited were transferred to the new EBT of the Company.

	Number issued 000's	Price per share pence	Total 000's	Held by EBT 000's	Shares in issue 000's
NewRiver Retail Limited:					
As at 1 April 2015			127,575	497	127,078
Shares issued under employee share schemes	345	–	127,575	152	127,423
Conversion of convertible debt	9,648	243	137,223	152	137,071
Issuance of equity	96,154	313	233,377	152	233,225
Warrant conversion	168	154	233,545	152	233,393
Granted to Employee Benefit Trust	5,000	–	238,545	5,152	233,393
As at 31 March 2016			238,545	5,152	233,393
Warrant exercise	44	148	238,589	5,152	233,437
Exercise of share options	12	250	238,589	5,140	233,449
Shares issued under employee share schemes	65	–	238,589	5,075	233,514
Number of shares in issue at time of scheme of arrangement			238,589	5,075	233,514
NewRiver REIT plc:					
Issued upon incorporation	–	1	–	–	–
Issued pursuant to scheme of arrangement	238,588	1	238,589	5,075	233,514
Exercise of share options	328	240	238,589	4,747	233,842
Shares issued under employee share schemes	133	–	238,589	4,614	233,975
			238,589	4,614	233,975
			Share capital £'000	Share premium £'000	Total £'000
NewRiver REIT plc:					
Issued upon incorporation			–	–	–
Issued pursuant to scheme of arrangement			2,335	–	2,335
Exercise of share options			5	1,691	1,696
			2,340	1,691	4,031

### Warrants

Shareholders who subscribed for placing shares in the original share listing of NewRiver Retail Limited's shares received warrants, in aggregate, to subscribe for 3% of the fully diluted share capital. The subscription price is adjusted following the payment of dividends or share issuance and was 142p as at 31 March 2017. 377,000 remain outstanding (31 March 2016: 420,000).

### Other reserves

Other reserves consisted of distributable reserves created upon the issue of share capital by NewRiver Retail Limited. Upon the scheme of arrangement becoming effective the distributable reserves have been presented within retained earnings.

### Share option reserve

Share option reserve consisted of the cumulative charge in relation to NewRiver Retail Limited's employee share schemes. Upon the scheme of arrangement becoming effective and new share schemes being issued under the Company, the cumulative charge has been reclassified to retained earnings along with the related charge from the income statement.

### Revaluation reserves

Revaluation reserves represented the unrealised retained earnings recognised based on the new movement in fair value of the Group's investment properties. During the year the charge has been reclassified to retained earnings to be consistent with other investment property companies.

### Merger reserve

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

### Hedging reserve

The hedging reserve consists of the fair value movement of interest rate derivatives that are in an effective cash flow hedging relationship.

### 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 £88 million at 31 March 2017.

### Shares held in Employee Benefit Trust (EBT)

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

There are currently 4,613,717 ordinary shares held by the EBT:

	Number 000's	Value £'000
Transferred under scheme of arrangement	5,152	16,955
Shares issued under employee share schemes	(538)	(1,771)
As at 31 March 2017	4,614	15,184

## 22 Share-based payments

The Group has three share schemes for employees.

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

### Share option scheme

Options were granted between 2009 and 2011. The options were priced at the share price at date of issue. No options were granted in 2017 or 2016. The charge for the year recognised in the income statement was nil (March 2016: nil).

Year issued	Average exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2010	2.54	606,312	–	(38,693)	–	567,619	567,619	5.4
2011	2.44	30,000	–	(15,000)	–	15,000	15,000	5.7
2012	2.35	1,300,000	–	(286,000)	–	1,014,000	1,014,000	7.5
		1,936,312	–	(339,693)	–	1,596,619	1,596,619	

### Performance Share Scheme

Zero priced share options have been issued to senior management and executive directors under the Performance Share Scheme since 2013. The options vest rules to the extent that performance conditions are met over a three or four-year period. At the end of the period there may be a further vesting condition that the employee or director remains an employee of the Group. Further details on the scheme and the performance conditions is provided in the Remuneration Report. The charge for the year recognised in the income statement was £807,000 (March 2016: £898,000).

Year issued	Average exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2013	–	200,067	–	(56,192)	–	143,875	143,875	5.8
2014	–	122,457	1,655	(124,112)	–	–	–	–
2015	–	652,637	39,404	(11,238)	(16,321)	664,482	–	7.3
2016	–	1,123,816	66,814	(10,212)	(81,927)	1,098,491	–	8.5
2017	–	–	1,152,758	–	(26,184)	1,126,574	–	9.3
		2,098,977	1,260,631	(201,754)	(124,432)	3,033,422	143,875	

### Deferred Bonus Scheme

Zero priced share options have been issued to senior management and executive directors under the Deferred Bonus Scheme since 2016. The options vest based on the employee or director remaining in the employment of the Group for a defined period (usually two years). The charge for the year recognised in the income statement for this scheme was £627,000 (March 2016: nil).

Year issued	Average exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2016	–	626,640	39,520	–	–	666,160	–	1.8
2017	–	–	191,178	–	–	191,178	–	2.2
		626,640	230,698	–	–	857,338	–	

### Fair value

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

	2017	2016
Share price	2.6875 – 3.34	3.3275
Exercise price	Nil	Nil
Expected volatility	17.0%	16.0%
Risk free rate	0.2255% – 0.5301%	0.9307%
Expected dividends*	6.00% – 7.00%	5.10%

\* based on quoted property sector average.

## 23 Financial instruments and risk management

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

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

### Financial instruments

	Valuation level	2017 £'000	2016 £'000
<b>Financial assets</b>			
Designated as held for trading			
Interest rate caps	2	626	–
Designated in a hedging relationship			
Interest rate caps	2	–	354
Loans and receivables			
Trade and other receivables		3,481	4,908
Cash and cash deposits		45,956	114,071
		<b>50,063</b>	<b>119,333</b>
<b>Financial liabilities</b>			
Designated as held for trading			
Interest rate swaps	2	(2,451)	–
Designated in a hedging relationship			
Interest rate swaps	2	–	(2,930)
At amortised cost			
Borrowings		(403,079)	(314,105)
Payables and accruals		(18,611)	(16,049)
		<b>(424,141)</b>	<b>(333,084)</b>
		<b>(374,078)</b>	<b>(213,751)</b>

### Market risk

#### Currency risk

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

#### Interest rate risk

The Group's interest rate risk arises from borrowings issued at floating interest rates (see note 19). The Group's interest rate risk is reviewed quarterly by the Board. The Group manages its exposure to interest rate risk on borrowings through the use of interest rate derivatives (see note 16). Interest rate caps and interest rate swaps are used to both mitigate the risk of an increase in interest rates but also to allow the Group to benefit from a fall in interest rates. 51% of the Group's interest rate exposure is fixed and the remainder is capped. The Group has employed an external adviser when contracting hedging to advise on the structure of the hedging.

Sensitivity analysis is carried out to assess the impact of an increase in interest rates on finance costs to the Group. Management consider that a significant movement in interest rates would be 200 bps and have therefore carried out sensitivity analysis of the impact of such a movement. The impact of a 200 bps increase in interest rates for the year would increase the net interest payable in the income statement and reduce net assets by £6.2 million (March 2016: £0.6 million). The impact of a 200 bps decrease in interest rates for the year would reduce the net interest payable in the income statement and increase net assets by £7.7 million (March 2016: £0.7 million). The directors consider this to be a reasonable sensitivity given historic interest rates and the possibility for short term swings in rates.

**23 Financial instruments and risk management *continued*****Market risk *continued*****Credit risk**

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

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

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

The Group's maximum exposure to credit risk as at 31 March 2017 was £49 million (31 March 2016: £119 million).

**Liquidity risk**

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

	Less than one year	One to two years	Two to five years	More than five years	Total
2017					
Borrowings	(100,584)	(61,996)	(243,761)	–	(406,341)
Interest on borrowings	(11,215)	(8,901)	(10,717)	–	(30,833)
Interest rate swaps	(1,372)	(1,056)	(960)	–	(3,388)
Payables and accruals	(18,611)	–	–	–	(18,611)
	(131,782)	(71,953)	(255,438)	–	(459,173)
2016					
Borrowings	–	–	(283,091)	(34,029)	(317,120)
Interest on borrowings	(10,539)	(9,807)	(13,746)	–	(34,092)
Interest rate swaps	(1,372)	(1,056)	(960)	–	(3,388)
Payables and accruals	(16,049)	–	–	–	(16,049)
	(27,960)	(10,863)	(297,797)	(34,029)	(370,649)

The Group has a significant portion of borrowings that fall due within one year of the balance sheet date. The Directors are currently in advanced negotiations with the existing lenders and with some new lenders to agree facilities to refinance the existing borrowings. The Directors are confident that these bank facilities can be refinanced, or in the absence of available bank finance that the properties could be sold at a value significantly above the associate borrowing.



## Reconciliation of movement in the Group's share of net debt in the year

	2017 £'000	2016 £'000
Group's share of net debt at beginning of year	261,673	248,815
<i>Cash flow</i>		
Net (increase)/decrease in cash and cash equivalents	68,115	(98,659)
New bank loans raised (net of expenses)	153,630	65,311
Borrowings acquired in business combinations	–	94,811
Bank loans repaid	(65,943)	–
<i>Group's share of joint ventures' cash flow</i>		
Net (increase)/decrease in cash and cash equivalents	(95)	(2,267)
New bank loans raised (net of expenses)	1,500	–
Bank loans repaid	(2,400)	–
Borrowings disposed of	–	(47,406)
<i>Other</i>		
Amortisation of bank loan fees	1,184	881
Group's share of joint ventures' amortisation of bank loan fees	213	187
Group's share of net debt	417,877	261,673

**Capital risk management**

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

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

**Net debt to equity ratio**

	2017 £'000	2016 £'000
Borrowings	403,079	314,105
Cash and cash equivalents	(45,956)	(114,071)
Net debt	357,123	200,034
Equity attributable to equity holders of the parent	684,538	689,867
Net debt to equity ratio ('Balance sheet gearing')	52%	29%
Share of joint ventures' borrowings	64,278	65,068
Share of joint ventures' cash and cash equivalents	(3,524)	(3,429)
Group's share of net debt	417,877	261,673
Carrying value of investment properties	995,928	839,107
Share of joint ventures' carrying value of investment properties	134,640	134,163
Group's share of carrying value of investment properties	1,130,568	973,270
Net debt to property value ratio ('Loan to value')	37%	27%

**24 Contingencies and commitments**

The Group has no material contingent liabilities (2016: None). The Group was contractually committed to £1.9 million of capital expenditure to construct or develop investment property as at 31 March 2017 (31 March 2016: £6.4million).

**25 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:

	2017 £'000	2016 £'000
NewRiver Retail Investments LP	111	108
NewRiver Retail Property Unit Trust	–	(96)
NewRiver Retail Property Unit Trust No.2	207	168
NewRiver Retail Property Unit Trust No.3	–	42
NewRiver Retail Property Unit Trust No.4	–	(24)
NewRiver Retail Property Unit Trust No.5	199	155
NewRiver Retail Property Unit Trust No.6	202	210
NewRiver Retail Property Unit Trust No.7	97	86

The amounts outstanding at each year end were:

	2017 £'000	2016 £'000
NewRiver Retail Investments LP	27	38
NewRiver Retail Property Unit Trust No.2	62	43
NewRiver Retail Property Unit Trust No.5	59	36
NewRiver Retail Property Unit Trust No.6	55	55
NewRiver Retail Property Unit Trust No.7	29	29

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

**26 Post balance sheet events**

On 11 May 2017, the Company paid dividends of £11.6 million. The total dividend of 5.0 pence per share was paid as a PID.

The first quarter dividend in relation to the year ended 31 March 2018 will be increased to 5.25 pence per share (March 2017: 5.00 pence per share), will be paid on 4 August 2017 to shareholders on the register on 16 June 2017. The ex-dividend date will be 15 June 2017. The Board has approved a special dividend of 3.00 pence per share to be paid on 4 August 2017 to shareholders on the register on 16 June 2017. The ex-dividend date will also be 15 June 2017.

# COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £'000
Non-current assets		
Investment in subsidiaries	B	415,465
<b>Total assets</b>		<b>415,465</b>
Current assets		
Amounts owed from subsidiary undertakings		88,473
Other receivables		50
Cash and cash equivalents		1,716
<b>Total current assets</b>		<b>90,239</b>
<b>Total assets</b>		<b>505,704</b>
Equity and liabilities		
Current liabilities		
Accruals		(645)
<b>Total current liabilities</b>		<b>(645)</b>
<b>Net assets</b>		<b>505,059</b>
Equity		
Share capital		2,340
Share premium		1,691
Merger reserve		413,180
Retained earnings		87,848
<b>Total equity</b>		<b>505,059</b>

The notes form an integral part of the Company financial statements. The Company has applied the exemption in s408 of the Companies Act for omitting the income statement of the parent company. The profit for the period after taxation was £221,000.

The financial statements were approved by the Board of Directors on 15 May 2017 and were signed on its behalf by:

**David Lockhart**  
Chief Executive

**Mark Davies**  
Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
As at incorporation on 8 June 2016	–	–	–	–	–
Profit after taxation	–	–	–	221	221
Group reorganisation	2,335	–	524,180	–	526,515
Exercise of share options	5	1,691	–	–	1,696
Transfer between reserves	–	–	(111,000)	111,000	–
Dividends paid	–	–	–	(23,373)	(23,373)
As at 31 March 2017	2,340	1,691	413,180	87,848	505,059

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

Retained earnings reflects the Company's distributable reserves.

# NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

## A. Accounting policies

### Basis of accounting

The Company's separate financial statements for the period ended 31 March 2017 are prepared in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council. The financial statements are presented in pounds Sterling. These financial statements have been prepared under the historical cost convention.

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

### Disclosure exemptions

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

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

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

### Dividends

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

### Investment in subsidiaries

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

### Financial instruments

#### *Financial assets*

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

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

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

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

#### *Financial liabilities*

Financial liabilities are classified as other liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

**A. Accounting policies *continued***

**Share-based payments**

The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. Where vesting performance conditions are non-market based, the fair value excludes the effect these vesting conditions and an estimate is made at each balance sheet date of the number of instruments expected to vest. The fair value is recognised over the vesting period in the income statement of the company that employs the recipient of the share-based payment, with a corresponding increase in equity. The Company increases the carrying value of the subsidiary by the value of the share-based payment.

**Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets.

**Dividends**

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

**Merger reserve**

The merger reserve resulted from the acquisition of NewRiver Retail Limited and represents the difference between the value of the net assets acquired of £526 million and the nominal value of the shares issued of 239 million, less the impairment in NewRiver Retail Limited following the payment of a dividend to the Company of £111 million.

## B. Investment in subsidiaries

All subsidiaries were acquired by way of the group reorganisation, as detailed in note 1. All subsidiaries are held indirectly except NewRiver Retail Limited, the former ultimate parent of the Group.

Name	Country of incorporation	Activity	Proportion of ownership interest	Class of share
C Store REIT Limited	UK	Dormant company	100%	Ordinary Shares
Convenience Store REIT Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail (Burgess Hill) Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver (Darnall) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Group Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver REIT (UK) Limited	UK	Asset management	100%	Ordinary Shares
NewRiver Leisure Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Bexleyheath) Holdings Limited	UK	Group holding company	100%	Ordinary Shares
NewRiver Retail (Bexleyheath) Limited	Jersey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Boscombe No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Broadway Square) Limited	Jersey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Broadway Square) Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail (Cardiff) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Carmarthen) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Colchester) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Darlington) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (GP3) Limited	UK	General partner	100%	Ordinary Shares
NewRiver Retail (Leylands Road) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Mantle) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Market Deeping No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Morecambe) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Newcastle No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Nominee No.3) Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail (Paisley) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Penge) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 2) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 3) Limited	UK	Holding company	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 3) Limited Partnership	UK	Real estate investments	100%	Partnership
NewRiver Retail (Portfolio No. 4) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 5) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 6) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 8) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Development) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Investment) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness Developments) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wakefield) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Warminster) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wisbech) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Witham No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wrexham No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Academy Limited	UK	Dormant company	100%	Ordinary Shares

**B. Investment in subsidiaries *continued***

Name	Country of incorporation	Activity	Proportion of ownership interest	Class of share
NewRiver Retail CUL No. 1 Limited	UK	Dormant company	100%	Ordinary Shares
NewRiver Retail Holdings Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 1 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 2 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 3 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 4 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 5 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 6 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Holdings No. 7 Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Limited	Guernsey	Group holding company	100%	Ordinary Shares
NewRiver Retail Property Unit Trust	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 3	Jersey	Real estate investments	100%	Ordinary units
NewRiver Retail Property Unit Trust No. 4	Jersey	Real estate investments	100%	Ordinary units
Pub REIT Limited	UK	Dormant company	100%	Ordinary Shares
Shopping Centre REIT Limited	UK	Dormant company	100%	Ordinary Shares

The Company's investment in joint venture entities is detailed in note 13. The registered offices of the companies are:

UK – 37 Maddox Street, London, W1S 2PP

Jersey – 13 Castle Street, Jersey JE4 5UT

Guernsey – Old Bank Chambers, La Grande Rue, St Martin's, Guernsey, Channel Islands, GY4 6RT

Reconciliation of the movement in investment in subsidiaries:

	2017 £'000
Opening balance	–
Subsidiary acquired in scheme of arrangement	526,465
Impairment of subsidiary due to dividend received	(111,000)
Investment in subsidiaries	415,465

**C. Auditors remuneration**

The auditors' remuneration in respect of the Company is disclosed in note 6.

**D. Average staff numbers**

The average number of staff employed by the Company's subsidiaries was:

	2017	2016
Directors	7	7
Asset managers	21	15
Support functions	25	19
	53	41

The staff costs of the staff employed by the Company's subsidiaries were:

	2017 £'000	2016 £'000
Wages and salaries	6,767	7,431
Social security costs	1,815	1,263
Other pension costs	125	102
Staff costs	8,707	8,796

The Company itself has no direct employees. The Directors emoluments are disclosed in the remuneration report.



# 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).

**Assets under Management (AUM):** Is a measure of the total market value of all properties managed by the Group.

**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.

**BREEAM:** (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of social and environmental criteria.

**Capital return:** Is calculated as the change in capital value less any capital expenditure expressed as a percentage of capital employed over the period.

**Capped rents:** Are rents subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting.

**Collared rents:** Are rents subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting.

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

**EPRA:** Is the European Public Real Estate Association.

**EPRA earnings:** Is the IFRS profit after taxation excluding investment property revaluations 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 period end.

**Equivalent yield:** 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.

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

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

**Exceptional item:** Is an item of income or expense that is deemed to be sufficiently material, either by its size or nature, to require separate disclosure and is one off in nature.

**Fair value in relation to property assets:** Is the estimated amount for which a property should exchange on the date

of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty land tax, agent and legal fees.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Like-for-like footfall growth:** 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 rental income:** Is the change in net rental 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 asset value (NAV) per share:** Is the equity attributable to owners of the Group divided by the number of Ordinary Shares in issue at the period end.

**Net equivalent yield:** Is the weighted average income return (after adding notional purchaser's costs) 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 is received annually in arrears.

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

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

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

**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.

**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.

**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](http://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.

**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.

**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, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

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

**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.

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

**Weighted average interest rate:** Is the Group loan interest and derivative costs pa at the period end, divided by total Group debt in issue at the period end.

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

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

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

# Company information

## Directors

*Paul Roy*  
(Non-Executive Chairman)

*David Lockhart*  
(Chief Executive)

*Mark Davies*  
(Chief Financial Officer)

*Allan Lockhart*  
(Property Director)

*Kay Chaldecott*  
(Non-Executive Director)

*Alastair Miller*  
(Non-Executive Director)

## Company Secretary

*Matthew Jones*

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