NEWRIVER RETAIL

Annual Report and Accounts 2014

The true value of retail

Who we are

NewRiver Retail is a specialist REIT focused on the UK retail market and has rapidly become the leading value-creating retail property investment platform in the sector.

With a customer-first commitment, NewRiver Retail is the UK's third largest shopping centre owner/manager by number with assets under management of £600 million comprising 24 UK-wide shopping centres, 18 high street units, one supermarket and a portfolio of 202 pubs for retail conversion. The portfolio has 1,118 tenancies, a total of 4.6 million sq ft, an occupancy rate of 95% and total annual footfall of over 100 million.

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Chairman's statement

"The key objective of NewRiver Retail is to become the leading value-creating property company in the UK whilst continuing to deliver strong returns for our shareholders."

Overview

NewRiver Retail made further excellent progress in the year ended 31 March 2014. EPRA adjusted profit increased by over 80% to £9.5 million (2013: £5.2 million) – the Company's fourth consecutive year of profit growth. Assets under management grew by 50% to £600 million (2013: £400 million), mainly through acquisitions. The full dividend for the year was maintained at 16 pence per share (2013: 16 pence) on a share capital base that was enlarged as a result of the Company's successful issue of new equity in July 2013 and February 2014.

The key objective of NewRiver Retail is to become the leading value-creating property company in the UK whilst continuing to deliver strong returns for our shareholders. Management delivered the first element of this strategic objective over the year through its active asset management and risk-controlled development programme. The second element was achieved and demonstrated with the Company showing a Total Shareholder Return for the year of 55% (2013: 12%), compared to 27% for the FTSE 350 Real Estate Index.

Growth in assets under management was in small part driven by a £13.7 million revaluation surplus, reflecting both improved performance and more favourable property market sentiment in our sectors. However the bulk of AUM growth was a result of acquisitions, made both individually and in conjunction with BRAVO, our joint venture partner a fund managed or advised by Pacific Investment Management Company LLC.

In total, and including the joint ventures, we completed acquisitions worth £200 million over the course of the year, with an average initial yield of 11%. The Company also recycled capital via disposal of two properties for £9 million. Most of last year's acquisitions occurred in the second half, so their annualised earnings will only be fully recognised in our 2014/15 accounts.

A distinctive highlight of the year was the purchase of 202 public houses from Marston's in November 2013, through which the team saw an opportunity to offer well-located convenience store space to major food store operators. Subsequently, the Company announced that The Co-operative Group had signed a conditional agreement for lease on 54 of these properties. The Board is confident that further similar agreements will be completed in due course, and that this portfolio acquisition will achieve its highly profitable potential.

During the year, the Company raised £152 million of fresh equity capital through the issue of 65 million new ordinary shares. This strengthened our financial position, enabling us to move quickly on acquisition opportunities. Our financing strategy was further enhanced during the year by re-negotiating terms on bank debt facilities. These now carry an average maturity of 4.5 years (2013: 3.1 years). Our average borrowing cost was unchanged at below 4%.

In March 2014, the Company paid a special interim dividend of 10 pence per share in addition to the interim dividend of 6 pence per share paid in January 2014. The Board is confident that the future earnings of NewRiver Retail will be sufficient to justify quarterly dividend payments to shareholders going forward. The first such payment will be in October 2014. Excluding the special interim dividend of 10 pence the EPRA NAV per share would have been 250 pence.

There was one Board change, Charles Miller left the Board at the end of the year. On behalf of the Company, to which he will remain an independent adviser, I would like to thank him for his contribution. I would also like to thank our management, employees, advisers and shareholders for their hard work, support and enthusiasm for the Company.

The recent improvement in the UK economy favours the NewRiver Retail investment proposition. The Board believes that there are still many good buying opportunities with purchase yields likely to continue outstripping the cost of debt by a healthy margin for the foreseeable future. The Company is therefore in an excellent position to capitalise on opportunities and to continue its impressive expansion. The Board is delighted with the significant progress to date and looks forward to the future with confidence.

Paul Roy
Chairman

NewRiver Retail Limited

14 May 2014

A continued story of success

Financial highlights

Delivering strong returns to shareholders

- Total Shareholder Return of 55% for the financial year (2013: 12%)
- EPRA adjusted profit of £9.5 million (2013: £5.2 million) increased by 80%
- EPRA adjusted earnings per share of 15.7 pence (2013: 16.3 pence) during a year where 65 million new shares were issued
- Dividend per share at 16 pence (2013: 16 pence), 98% covered on the significantly enlarged shareholder base
- Quarterly dividend to commence in 2014
- EPRA NAV of 240 pence (2013: 240 pence) which would have been 261 pence excluding payment of the special interim dividend of 10 pence on 28 March 2014 and exceptional costs of 11 pence
- Strong balance sheet with net LTV of 25% (2013: 51%) and low cost of debt retained at 3.9% (2013: 3.9%)
- Improved debt maturity to 4.5 years (2013: 3.1 years)
- Profit before tax of £23.1 million (2013: £1.4 million) leading to a basic EPS of 38.0 pence (2013: 4.7 pence)

Operations highlights

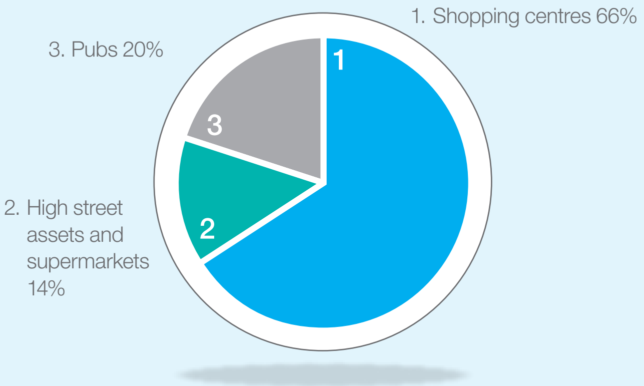
Portfolio growth is driving value

- Two major placings of new shares raising a total of £152 million with the first raising deployed successfully within 5 months
- £200 million of acquisitions at an average purchase yield of 11%
- 50% increase in AUM to £600 million
- Successful recycling of equity through two disposals totalling £9 million
- 99 new lettings and lease renewals at 1.7% above Valuation ERV
- Growing development programme including the completion of three projects in Wallsend, Warrington and Paisley
- Growth of BRAVO joint venture to £350 million of assets
- Conditional agreement to lease signed with The Co-operative Group for 54 convenience stores
- Enhanced occupancy of 95% (2013: 94%)
- Improved WALE of 8.3 years (2013: 7.8 years)

NewRiver at a glance

Continuing to build our portfolio for the future

Portfolio income composition (NewRiver share)



3rd
largest shopping centre owner/manager in the UK

Retailer income distribution

No.	Retailer	No. of stores	Gross Income	% Rent secured
1	Poundland	13	£1,109,200	4.4%
2	New Look	12	£935,220	3.7%
3	Superdrug	11	£918,358	3.7%
4	Primark	2	£875,000	3.5%
5	Wilko	7	£867,975	3.5%
6	Tesco	2	£674,946	2.7%
7	Asda	3	£651,368	2.6%
8	The co-operative	9	£603,498	2.4%
9	TK Maxx	3	£567,500	2.3%
10	Argos	8	£498,365	2.0%
11	Boots	14	£485,693	1.9%
12	Card Factory	15	£443,300	1.8%
13	Peacocks	9	£407,500	1.6%
14	Iceland	8	£402,000	1.6%
15	Home Bargains	5	£304,150	1.2%

High street locations

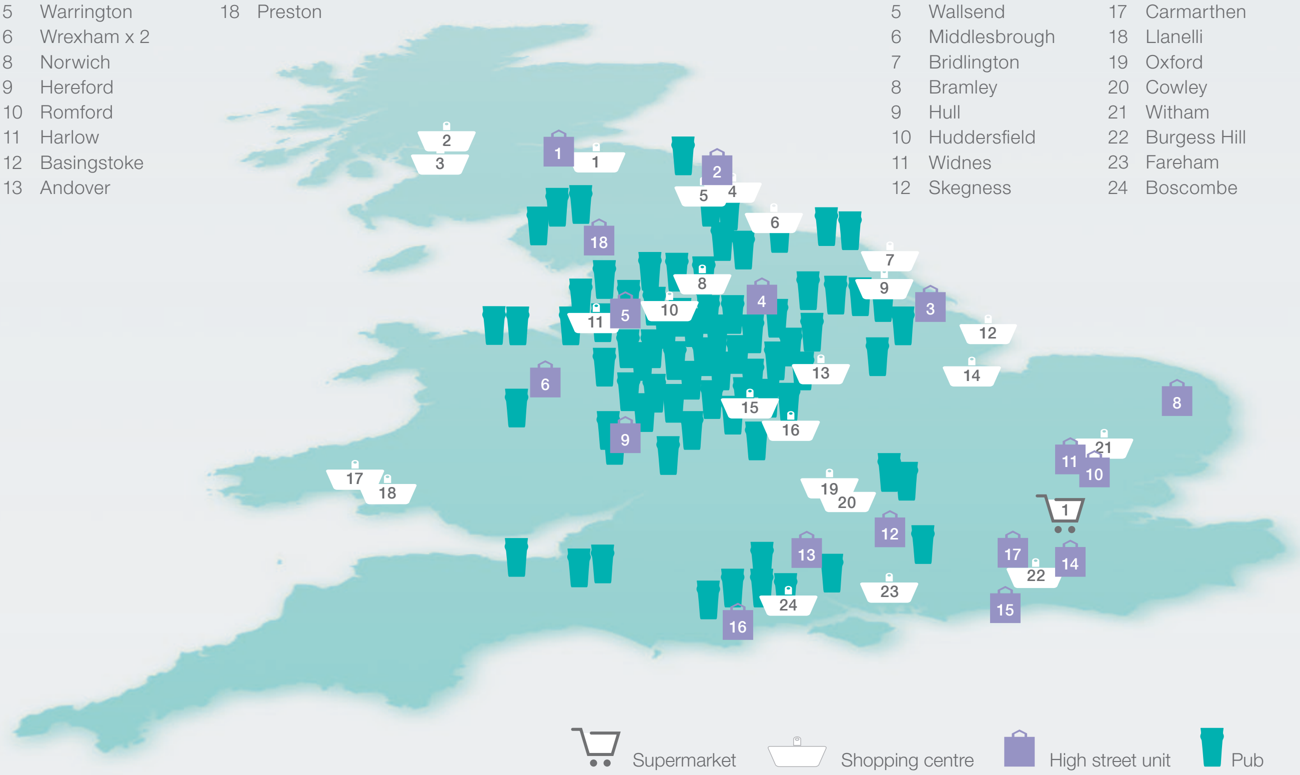
1 Grangemouth
2 Newcastle
3 Grimsby
4 Doncaster
5 Warrington
6 Wrexham x 2
8 Norwich
9 Hereford
10 Romford
11 Harlow
12 Basingstoke
13 Andover
14 Burgess Hill
15 Worthing
16 Poole
17 Crawley
18 Preston

Supermarket

1 East Ham

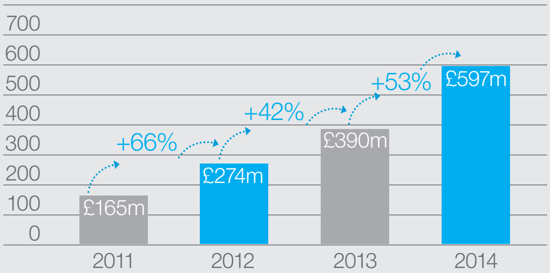
Shopping centres

1 Edinburgh
2 Paisley
3 Kilmarnock
4 North Shields
5 Wallsend
6 Middlesbrough
7 Bridlington
8 Bramley
9 Hull
10 Huddersfield
11 Widnes
12 Skegness
13 Market Deeping
14 Wisbech
15 Erdington
16 Leamington Spa
17 Carmarthen
18 Llanelli
19 Oxford
20 Cowley
21 Witham
22 Burgess Hill
23 Fareham
24 Boscombe



Our key portfolio metrics

Assets under management (£million)



Assets under management increased by 53% during the period as a result of new acquisitions. New acquisitions increased the weighted average purchase initial net yield from 8.8% to 9.8%.

Occupancy rates

March 2013
94.1%

March 2014
95.2%

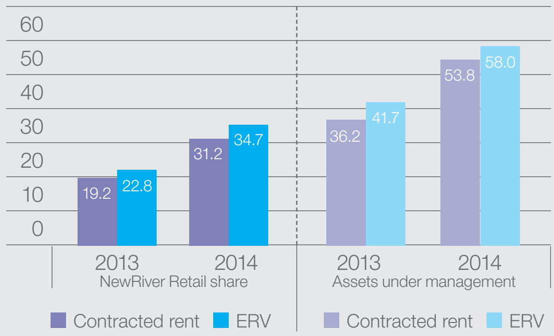
Tenancies (number)

March 2013
851

March 2014
1118

+31%

Contracted rent and ERV (£m)



The Company's contracted rent under management increased by 49% (NRR Share: 63%). The Company's ERV increased by 39% (NRR Share: 52%).

Leasing events (number)

total leasing events
141

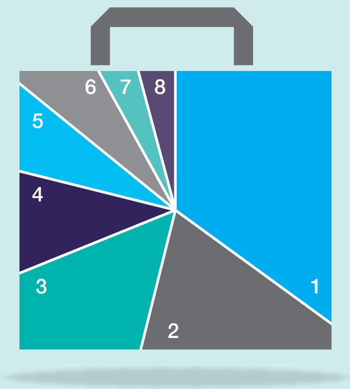
new lettings and lease renewals
99

All new leasing events were on average 1.7% above ERV.

Retailer by profile

54%
of retail income is secured against food and value retailers

1 Value 35%
2 Food 19%
3 Other 15%
4 Health & Beauty 10%
5 Services 7%
6 Home & Electrical 6%
7 Premium 4%
8 Books & Stationery 4%



Shopping centre footfall (pa)

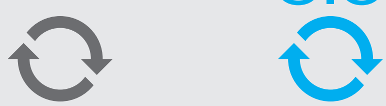
March 2013
80m

March 2014
100m

WALE (Retailers)[1]

March 2013
7.8yrs

March 2014
8.3yrs



[1] WALE excludes Marston's pub portfolio for which the average lease terms are 4 years.

Our business model and strategy

Robust and proven business model

At NewRiver Retail we have a clear business model focused on driving income returns.

Our focus on the winning non-discretionary food and value retail sectors allows us to apply our expertise to unlock additional value through a three-fold strategy of careful stock selection, active asset management and risk-controlled development.

01. Targeting non-discretionary food and value retail

We focus on the outperforming food and value sub-sectors. Our portfolio is driven by the non-discretionary expenditure, where the UK family spends its budget week in and week out. Retail is a highly dynamic and evolving industry and hugely important to the British economy, representing 20% of GDP. We have a clear specialisation and are confident that with our skill set we will continue to adapt to the changing market and deliver attractive returns to our shareholders.

02. Careful stock selection

Stock selection is integral to our business model. We consider three key aspects in this process:

I. Entry price: We acquire properties with an attractive entry price, buying assets with yields of 7-10%.

II. Sustainable income streams: Buying into sustainable long-term cash flows with strong underlying retail performance.

III. Opportunity to create value: We seek assets that offer a range of asset management and development initiatives with the potential to create further value, thereby generating a minimum target IRR of 15%.

NewRiver Retail

The UK's leading value-creating retail property investment specialists.

Actively engaging with retailers, stakeholders and consumers to deliver the true value of retail.

03. Active asset management

Active asset management has never been more important in protecting value and enhancing income. We take a customer-first approach, managing our shopping centres as though they are operating platforms and working closely with our retail partners to drive footfall, dwell time and basket spend.

04. Risk-controlled development

Our risk-controlled development programme unlocks opportunities to drive additional value and includes long-dated pre-lets, tight cost-control, experienced partners and ranges from small unit amalgamations to turn-key town centre redevelopments.

Financial statistics

Performance	Note	2014	2013	Movement/ Growth
Total Shareholder Return		**+55%**	+12%	+43%
EPRA adjusted profit	(1)	**£9.5m**	£5.2m	+80%
Dividends per share		**16 pence**	16 pence	–
Dividend cover	(1)	**98%**	102%	(4%)
Profit before tax		**£23.1m**	£1.4m	+£21.7m
Like-for-like rental growth		**0%**	0%	–
Capital return		**5.4%**	(0.8%)	+6.2%
Property valuation movement and disposals		**£15.7m**	£(2.8)m	+£18.5m

Balance Sheet (proportionally consolidated)	Note	2014	2013	Movement/ Growth
Net Asset Value		**£239.6m**	£79.8m	+£159.8m
EPRA NAV per share		**240 pence**	240 pence	–
Secured debt facilities	(2)	**£185.5m**	£128.8m	+£56.7m
Cash		**£92.6m**	£8.4m	+£84.2m
Net debt		**£92.9m**	£120.4m	(£27.5m)
Cost of debt		**3.9%**	3.9%	–
Average debt maturity		**4.5 years**	3.1 years	+1.4 years
Loan to value	(3)	**25%**	51%	(26%)
Interest cover	(4)	**3.9**	3.3	+0.6
% of debt at fixed/capped rates		**74%**	77%	(3%)

Explanatory Notes:

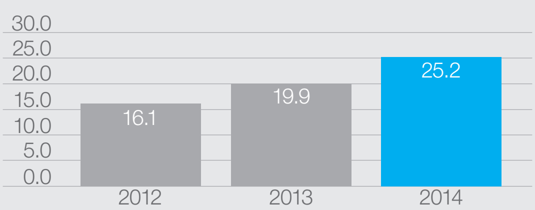
(1) EPRA is the benchmark profit ratio for the property sector and includes realised recurring profits plus realised profits on the sale of properties above valuation. This is a true cash profit earned by the company during the year and the basis for dividend payments and cover.

(2) Secured debt facilities are secured directly against properties and are shown in the table on a look-through basis to include the Company's share of joint venture debt and exclude convertible unsecured loan stock.

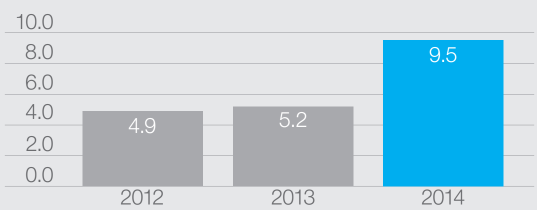
(3) Loan to value measures the value of properties compared to the secured debt facilities net of cash balances.

(4) Interest cover is tested at property level and is the basis for banking covenants. It is calculated by comparing actual net rental income received versus interest payable.

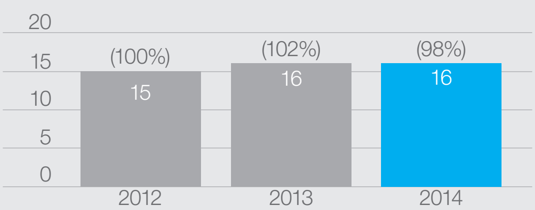
Gross rental income (proportionally consolidated) £m



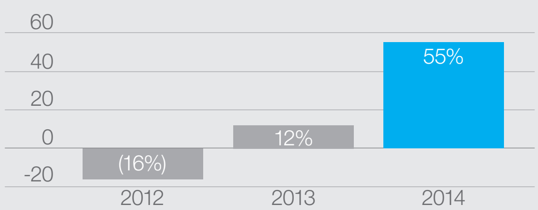
EPRA adjusted profit £m



Dividend per share pence (Dividend cover %)



Total Shareholder Return %



Source: Bloomberg

Driving our strategy

01. Targeting non-discretionary food and value retail

Our specialisation in food and value retail delivers uplift in valuations

Food and value retail continues to be an outperforming and robust sub-sector and driving force for the retail industry. This year we have welcomed a variety of new value, food and restaurant operators into the portfolio including ASDA, Turtle Bay, GBK, Nando's and Waitrose as well as creating the strEAT food court in Hull and introducing our second Primark to the portfolio.

Turn to pages 14-15 to read more about how we have enhanced our food and leisure offer within the portfolio.

Income secured against all food and value retail
54%
4% increase year-on-year

Income secured against food retail
19%
3% increase year-on-year

03. Active asset management

Managing our assets as operating platforms

Alongside our very acquisitive year we remained highly committed to improving the operating performance of our assets. Our customer-first approach, excellent retailer relations and focused, pro-active asset management during the last 12 months has delivered another very successful year.

Read our ten point plan of asset management operating objectives in full on pages 25-28.

Total leasing events
141

New lettings and lease renewals
99

Above ERV
1.7%

Annual rent (100% share)	£53.8 million
Tenancies	1,118
Assets under management	£600 million
Occupancy	95%
On-site staff	200+
Combined service charge	£10.4
Disposals	£8.8 million

02. Careful stock selection

£200 million acquisitions

With £200 million of acquisitions, NewRiver has been one of the most successful buyers in the market in the last 12 months. Our in-depth knowledge of the market place and excellent network of market connections resulted in the majority of our acquisitions being transacted off-market.

Acquisitions during the period met our investment criteria: securing assets at an attractive entry price underpinned by affordable and sustainable rents; focused on non-discretionary spend; and offering a range of asset management initiatives to deliver a minimum 15% levered IRR.

Acquisitions
£200m

Average yield
11%

Middlesbrough	£50m	Page 10
Llanelli and Oxford	£34m	Page 11
North Shields, Grangemouth and Edinburgh	£24m	Page 12
202 pub portfolio	£90m	Page 13

04. Risk-controlled development

NewRiver is committed to driving forward its portfolio-wide risk controlled development programme underpinned by occupational pre-letting agreements.

During the year three significant projects were completed on time and within budget – two risk-controlled retail unit developments and one turn-key town regenerative development. Good progress is being made on the re-development of existing assets and new acquisitions.

Total development area
142,500 sq ft

Delivering on our risk-controlled development. Find out more on page 28.

Occupier	Locations	Total area
Customer First Centre and Library Iceland, Home Bargains and 99p Stores	Wallsend	50,000 sq ft 27,000 sq ft
Primark	Warrington	56,000 sq ft
Iceland	Paisley	9,500 sq ft

Driving our strategy

Acquisitions

£50 million

Hill Street shopping centre, Middlesbrough's principal retail destination

Following our successful fund raise in June 2013, NewRiver completed the acquisition of the Hill Street shopping centre in Middlesbrough (www.hillstreetshopping.co.uk) for a total consideration of £50 million reflecting a net initial yield of 9.6%.

With an annual footfall of 13 million this high performing 240,000 sq ft shopping centre is anchored by Primark, Debenhams and Marks & Spencer and supported by other major retailers such as Sports Direct, Argos, Home Bargains, New Look and Poundworld.

How we are driving value
As well as providing exceptional cash on cash returns of 19.8%, reflecting the very attractive entry price, the centre offers a range of asset management initiatives to improve value, including increasing the food and beverage offer, improving consumer entrances, signage, internal lighting and driving commercialisation income.

PRIMARK
Argos
MARKS & SPENCER
SPORTS DIRECT.com
DEBENHAMS
BRITAIN'S FAVOURITE DEPARTMENT STORE
home bargains
NEW LOOK
poundworld

9.6%
initial yield

240,000 sq ft
total area

13 million
footfall pa

7.8% initial yield

180,000 sq ft combined total area

12 million footfall pa

Acquisitions

£34 million

Asda and prime Oxford City Centre retail space join the portfolio

St Elli Shopping Centre, Llanelli
Located in South Wales, the St Elli shopping centre (www.stelli.co.uk), was acquired for £29.2 million reflecting a net initial yield of 7.6%.

This 162,000 sq ft enclosed shopping centre with a 450 space car park benefits from high occupancy at 99%, reflective of the main anchor, a high performing 70,000 sq ft Asda store. Other major retailers trading within the centre include Wilkinson, Sports Direct, Poundland and Argos.

At the last review date (2012) the Asda income for the centre had delivered a 3.9% compound growth. In addition to benefitting from secure and potential growth in the rents, St Elli offers further value enhancing opportunities including improving the retail mix, marketing and commercialisation.

Gloucester Green, Oxford
Gloucester Green, located in the heart of Oxford City, was acquired for £5.1 million reflecting a net initial yield of 9.6%. Comprising 16 retail units clustered around a large open pedestrian market square, this property offers very significant asset management and development opportunities to reposition the asset as a principal food, beverage and leisure destination in the centre of Oxford.

Driving our strategy

10.4%
initial yield

308,000 sq ft
combined total area

10 million
footfall pa

Acquisitions

£24 million

Acquisition of a high-performing portfolio following the asset management appointment one year prior

The Beacon, North Shields
Comprising 183,000 sq ft and a 460 space car park, key retailers include Wilkinson, Home Bargains, Poundland, B&M, Boots and Greggs. Enhancement of retail mix is planned through the reconfiguration of existing units to meet specific retailer demand, modernising the physical appearance both internally and externally and improving the connections between the centre and the local library which has just undergone a £3 million refurbishment by the Council.

Newkirkgate, Edinburgh
Located in Leith, Edinburgh, this popular everyday shopping centre comprises 90,000 sq ft of retail, anchored by Lidl with other key retailers including Poundland, Superdrug, Boots and Farmfoods.

Our strategy is already underway to improve the centre cosmetically, reduce two long-term voids, pursue an extension opportunity with Lidl and explore potential residential opportunities within the ownership.

La Porte Precinct, Grangemouth
With a purchase price of just £1.6 million this asset represented less than 10% of the Zolfo Cooper portfolio and comprises a retail parade located in a prime position within Grangemouth's town centre. The fully let retail parade has sustained 100% retail occupancy for over ten years, let to Poundstretcher, WH Smith, Boots and Thomson Travel.

Acquisitions

£90 million

Great progress on 202 pub portfolio with Conditional Agreement to Lease with The Co-operative Group

Our most innovative transaction to date was the acquisition of 202 pubs from Marston's Plc for £90 million and, in less than four months, we secured the conditional lease agreement of 54 new c-stores with The Co-operative Group.

Our appreciation of the rapidly growing demand from major food retailers to expand their convenience store estate allowed us to identify an intuitive opportunity to facilitate this growth. Pubs can be ideal properties to accommodate convenience stores and it was with this opportunity in mind that we hand-selected the 202 pubs that formed the portfolio acquired from Marston's.

As part of the transaction, Marston's agreed to manage the portfolio on a four-year leaseback at a fixed annual rental which, based on the acquisition price of £90 million, equates to an attractive net initial yield of 12.9%. This arrangement frees our time to pursue our strategy of alternative uses whilst benefitting from an attractive income stream. When we are ready to implement an alternative use we can call for vacant possession from Marston's.

The majority of the portfolio will be new-build projects constructed on surplus land adjacent to the existing public houses. The remaining will be conventional conversions from public house use to c-stores or redeveloped as standalone c-stores or other uses.

54 convenience stores with The Co-operative Group

In less than four months our strategy has been validated with the announcement of our portfolio leasing transaction with The Co-operative Group who has agreed, subject to specific conditions, to lease up to 54 properties for fixed terms of 15 years at rents ranging from £15-17 per sq ft. Rents have RPI-linked increases capped at 4% and collared at 1%. Furthermore we will receive performance fees of up to £2.7 million payable on the delivery of a minimum of 40 properties to the Co-operative Group.

In total, NewRiver is developing almost 200,000 sq ft of new c-store space for The Co-operative Group. Finished unit sizes, each with appropriate car parking, will range from 3,000 sq ft to 4,500 sq ft and will trade seven days a week.

NewRiver will undertake all planning, development and contract requirements to deliver the end product to The Co-operative Group. It is expected that the majority of the completed assets will be delivered within two years.

Following the significant interest from other national food operators, NewRiver is working up proposals to pre-let further significant tranches of the pub portfolio. Additional uses such as branded restaurants, drive-through food outlets, residential and medical centres have also been identified.

12.9%
initial yield

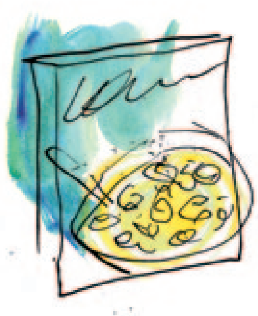
202
number of pubs

£445,000
average unit value

26
average car parking

3,300 sq ft
average pub area

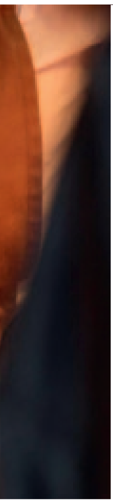
32,000 sq ft
average total site area



Driving our strategy

"We've now got a vision – locals can identify much more with what the centre is about, it's much more vibrant and successful."

Maria Hughes
Regent Court Centre Manager



A focus on food and leisure

Value tastes good. A focus on food and leisure creates a richer customer experience and drives value.

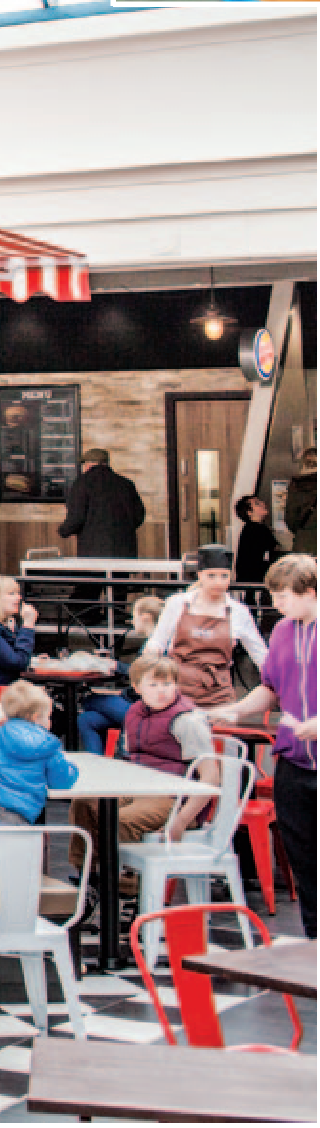
During the financial year we have unlocked value driving footfall and dwell time with the introduction of new food and leisure operators across the portfolio.

Regent Court, Leamington Spa
Delivering on our strategy to re-position this previously under-performing centre, EAT street has quickly become Leamington's principal food and restaurant destination. Since purchasing the centre in December 2012, NewRiver has completed two new restaurant lettings at a total rent of £177,250 pa against the ERV rent at purchase of £118,600 pa with a further three new restaurant lettings under offer. A rapid pre-let for a 3,200 sq ft unit amalgamation introduced Nando's to the centre at an annual rent of £70,000 on a 15-year lease. Following the completion of landlord works, restaurant operator Turtle Bay opened a 4,200 sq ft double unit on a 15-year lease paying £107,650 pa. A weekly artisan food market including a BBC Good Food accredited vendor and a Masterchef finalist also drive interest and attract increased footfall.

Prospect Centre, Hull
strEAT, a multi-branded food court offer anchored by Burger King, opened on 30 November 2013 re-activating disused space and increasing footfall and turnover. Additional restaurants within the strEAT food court include Pizza Neo, Real Café.co, El Taco Loco and Wuji. The operator, CPL Foods, has signed a 15-year lease at a rent of £60,000 pa plus a turnover top-up provision. The transaction reflects a rent 140% above Valuation ERV.

Packhorse Shopping Centre, Huddersfield
Planning consent has been granted for the redevelopment, refurbishment works and part change of use at the centre, for the creation of a 180-seat food court offer. The Packhorse Kitchen will feature six local and regional food and beverage brands, and a new 15,000 sq ft anchor store. These initiatives will increase the Centre's WALE, activate disused space and generate increased footfall as well as reduce overheads for existing and prospective retailers.

Waitrose – Locks Heath, Fareham
Waitrose completed the acquisition of the 29,000 sq ft Co-operative anchor supermarket within Locks Heath Shopping Village and opened in March 2014.



"It's drawn a lot more people into this area. As a student I've really enjoyed that – we didn't have many, or any, restaurants like Nando's before."

Student
University of Warwick

"It used to be more of a thoroughfare really, now there are stalls and a bit of interest – just look around, it's got peoples' attention."

Chris
Local shopper

Driving our strategy

Customer First Centre and Library opening ceremony, March 2014

Unlocking value through risk-controlled development

NewRiver is committed to successfully delivering on driving forward its portfolio-wide risk-controlled development programme

During the financial year three significant projects were completed on time and within budget.

Wallsend – 77,000 sq ft Town Regenerative Redevelopment
After successfully securing planning permission in December 2012, this town-regenerative redevelopment has now been completed on time and in budget. Pre-lets were agreed with North Tyneside Council for a 50,000 sq ft Customer First Centre and Library as well as to Iceland, Home Bargains and 99p Stores for a total of 27,000 sq ft new retail space. The total contractual rent was £723,000 pa and the weighted average lease is 20 years.

Warrington – 56,000 sq ft retail unit pre-let to Primark
Europe's leading value fashion retailer opened its doors in early December 2013 following NewRiver's successful completion of the development on time and within budget. In 2012 we successfully acquired the long-leasehold interest from Standard Life to gain vacant possession before relocating the existing New Look, releasing space to begin a complicated restructuring of two units to create a single 56,000 sq ft unit for Primark who signed an agreement for lease in November 2012 for a term of 25 years at an annual rent of £475,000. This asset let on a long-term lease to Primark is generating an attractive cash on cash return of 12%.

Paisley – 9,500 sq ft retail unit pre-let to Iceland
Amalgamation of two shop units and office accommodation to create a new 9,500 sq ft unit for Iceland let at £135,000 pa on a 15-year lease.

Primark's modern staff facilities

“We worked very closely with NewRiver at an early stage and gave a commitment that if they did acquire the centre, we would do whatever we could to help them make it a success.”

Kate Lovelock
Regeneration Project Manager
North Tyneside Council

142,500 sq ft
of newly developed retail and community space

Wallsend, April 2013

Iceland
The Piazza, Paisley

“NewRiver Retail have their finger on the pulse keeping the retail heart beating in Wallsend.”

Mary Glindon
MP for North Tyneside

Wallsend, April 2014

Chief Executive's review

The year to 31 March 2014 has been a transformational period for NewRiver and one of the most active to date in the Company's short history as a public company. NewRiver significantly increased EPRA adjusted profit and more than tripled the Company's market capitalisation. A number of major acquisitions were made at attractive yields and the Company grew its high yielding portfolio significantly, particularly as a result of strong investor support for the business and its management which achieved two successful equity fundraisings totalling £152 million.

Overview

For the fourth consecutive financial year NewRiver has delivered a strong set of financial results and this year has also delivered a Total Shareholder Return of 55% (2013: 12%).

Gross revenues increased by 26% to £25.2 million (2013: £19.9 million) resulting in 80% growth in EPRA adjusted profits to £9.5 million (2013: £5.2 million). We are particularly pleased to maintain the dividend at 16 pence, almost fully covered, on the enlarged issued share capital following payment of the special interim dividend of 10 pence on 28 March 2014. This, together with our recent announcement to commence quarterly dividends in October 2014, demonstrates the Company's focus on driving and delivering income returns. We are also pleased to announce EPRA NAV of 240 pence (2013: 240 pence) at the year-end, which excluding the special interim dividend of 10 pence, would have been 250 pence after absorbing exceptional costs of 11 pence during the year. This includes the positive revaluation movement during the year of £13.7 million.

Two major share placings

A key highlight of the year has been the strong support from new and existing shareholders for management and the Company's growth strategy. NewRiver completed two major placings of new shares to raise a total £152 million which more than trebled its market capitalisation to stand at approximately £271 million at the year-end. Pleasingly, both fundraisings were significantly over-subscribed. Management view these developments as a strong vote of confidence in the Company's sector-focused business model.

Active asset management driving income

Active asset management activities progressed significantly throughout the year across the entire portfolio with NewRiver registering a total of 141 leasing events including 99 new lettings and lease renewals and generating an income of £2.5 million, 1.7% above Valuation ERV. Occupancy at the year-end stood at 95%.

The Company continued to recycle capital through two disposals totalling £9.0 million, the largest of which was the sale of the Library in Wallsend to an annuity fund for £7.9 million equating to a net yield of 4.3%. Shortly before year-end the Company completed the acquisition of a 43,000 sq ft retail unit in Crawley for £4.25 million and, following a re-gear of the lease to Poundland, has sold the investment for just under £6.0 million post year-end.

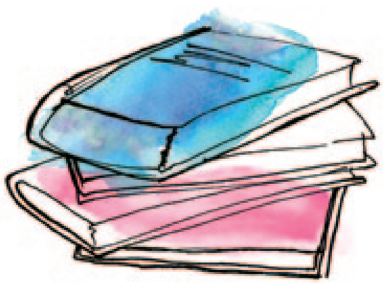
£200 million of acquisitions

During the financial year the Company, through its joint ventures, completed four major acquisitions totalling £200 million at an average yield of 11%. The first, in July 2013, was the Hill Street Shopping Centre in Middlesbrough for £50 million, reflecting a highly attractive 9.6% initial yield. The 240,000 sq ft centre is anchored by leading national retailers Primark, M&S and Debenhams. The second acquisition, in November 2013, was perhaps NewRiver's most innovative to date. The Group acquired 202 public houses from Marston's totalling 6.5 million sq ft with associated freehold land including car parking and gardens for £90 million, with the intention to convert the majority of the portfolio to alternative retail and leisure use. Acquired primarily to satisfy the identified growing demand from major food retailers for convenience store expansion in high density population areas, the acquisition was underpinned through a leaseback agreement with the vendor, which will continue to operate the estate as an ongoing public house portfolio, for a minimum term of four years paying rental income equating to an initial yield of just under 13%.

Shortly after the year-end, NewRiver announced a conditional agreement with The Co-operative Group to lease 54 new convenience stores from the public house portfolio at agreed rents on 15-year leases which upon completion will create an institutional grade retail property portfolio. This innovative off-market transaction again reflects the Company's strong risk-controlled development skills and ability to drive value through active asset management.

The two remaining acquisitions were a portfolio of two shopping centres, in Llanelli and Oxford for £34.3 million reflecting an initial yield of 7.8% and secondly, a portfolio comprising two shopping centres in Edinburgh and North Shields and a retail parade in Grangemouth for £24.0 million reflecting an initial yield of 10.4%. The second purchase resulted from a bank driven administration for which the Company had been appointed as asset manager one year earlier.

Shortly after the year-end, we completed the acquisition of a former HSBC branch in Preston from HSBC for £650,000 simultaneously agreeing a pre-let to Sainsbury's to create a 10,000 sq ft store at an annual rent of £90,000 pa on a 15-year lease.




Poundland
ASDA

Chief Executive's review continued

BRAVO joint venture grows to £350 million

All four major acquisitions were acquired through the 50:50 joint venture with BRAVO, a fund managed or advised by Pacific Investment Management Company LLC. NewRiver has identified extensive asset management opportunities which with the high running yield of 11% and significant asset management fees will drive income and generate attractive returns over the medium to long term for shareholders. Since its formation in 2012 the joint venture with BRAVO has acquired assets now valued at circa £350 million.

Risk-controlled development unlocking value

NewRiver is committed to driving forward its portfolio-wide risk-controlled development programme and good progress has been made during the year under review. Three projects were completed on time and within budget – in Warrington, a 56,000 sq ft retail unit pre-let to Primark; in Paisley, a 9,500 sq ft retail unit pre-let to Iceland; and most significantly, in Wallsend, a 50,000 sq ft Customer First Centre and Library pre-let to North Tyneside Council and 27,000 sq ft of new retail space pre-let to Iceland, Home Bargains and 99p Stores.

Marketing in the digital age

NewRiver continues to drive its marketing strategies across the portfolio to enhance the consumer experience to increase footfall, dwell time and basket spend for the benefit of our retailers. The digital age presents exciting opportunities for the retail sector and we are activating ecommerce and digital initiatives across the portfolio in order to improve customer connectivity, gather valuable customer data and generate further income.

Retail dynamism

Retail remains a dynamic and vibrant sector which is pivotal to the UK economy. The sector's performance has improved throughout the period as the economic recovery has gathered strength. NewRiver's focus on the outperforming food and value sub-sectors with an emphasis on convenience and non-discretionary spend has proven a successful model that will continue to perform well in the improving economic environment.

Business model

The Company is focused on driving income returns by targeting higher yielding assets with a lower risk profile through affordable and sustainable income streams and where we can create additional value through our active asset management and development skills. Within the food and value sub-sectors there are a number of retailers seeking additional space – as evidenced by our portfolio transaction with The Co-operative Group and with a limited retail development pipeline this provides attractive opportunities to unlock value by meeting that demand. The Company continues to seek new acquisition opportunities where it believes its core active asset management and risk-controlled development skills can be deployed for the long-term benefits of shareholders.

Strong portfolio metrics

During the financial year the Company's portfolio grew by 50% to £600 million (2013: £400 million). NewRiver's occupational base now totals 1,118 occupiers which generates an annual footfall of over 100 million across a total of 4.6 million sq ft. Demand from retailers to take occupancy within our portfolio remains strong and is reflected by a 95% occupancy level and a weighted average lease length of 8.3 years (excluding the pub portfolio). NewRiver's top 20 retail occupiers comprise a high quality covenant of national retailers including the major supermarkets Tesco, Sainsbury's, Asda and The Co-operative Group together with strong high street operators including Boots, Poundland, Primark, TK Maxx, Home Bargains, Wilkinson and Argos. No single occupier accounts for more than 5% of aggregate rental income. The Company also extended its food and leisure offer with the introduction of a range of new strong performing restaurant operators including Nando's, Turtle Bay and Burger King.

Outlook

The Company views its future with great optimism. With attractive initial yields in our core market and low borrowing costs, there is significant opportunity to grow the portfolio through the acquisition of good quality assets with sustainable income streams, both directly and through our joint venture partners.

We have grown a strong group of highly focused, experienced and talented individuals who are passionate about retail, understand the property market intimately and are committed to identifying and delivering the true value of retail. This includes our entire dedicated and award-winning centre management teams as well as our skilled and professional local and national advisers.

The Company has made significant strides towards its stated objective to grow the portfolio to at least £1 billion of gross assets in the medium term and with the current valuation at £600 million, there is scope to reach our goal sooner than anticipated. We strongly believe our active asset management risk-controlled development skills are well placed to unlock and generate enhanced value and deliver long-term capital and income returns to shareholders as a result.

The strong performance of the portfolio to date and the combined support of our shareholders and our strong retailer relationships are an endorsement of NewRiver's success in its active approach to value generation. The current improving market and economic opportunities provide a significant platform for further sustainable long-term growth for NewRiver and we look forward to the further success of the Company.


Mauretania
Room


WOODS
GREGGS
WOODS


Poundland
...EVERYTHING'S

Property review

As one of only three pure retail REITs operating in the UK real estate market, NewRiver is now firmly established as one of the market leaders operating in the retail sector.

Building upon the successes of previous years, the last 12 months have been an intensively active period for the Company, resulting in highly accretive acquisitions, the delivery of a range of value enhancing asset management initiatives and the completion of three profitable development projects.

This intensive activity was set against a backdrop of an improving investment market with significant inflows of capital targeting regional retail assets, consumer spending growing year-on-year by 4.6% (Q4 2013, ONS) and a modestly improving occupational market.

A growing portfolio delivering sustainable income

The Company successfully deployed all of the capital raised in July 2013 in less than six months, completing circa £200 million of highly accretive acquisitions at a blended net initial yield of 11%.

The acquisitions were predominantly conducted off market, and comprised five shopping centres, 202 pubs (Marston's portfolio) and three high street units. Following the Company's most recent acquisitions, NewRiver Retail is now the third largest owner/manager of shopping centres by number in the UK. The portfolio now comprises 24 shopping centres, 18 high street assets, 1 supermarket and 202 pubs for conversion to retail use – when combined together means our rental income is secured across 1,118 tenancies.

As a result of this active investment programme, our assets under management have increased to just under £600 million (2013: £400 million) reflecting a 50% portfolio growth.

This year our active asset management programme delivered 99 new lettings and lease renewals generating and maintaining £2.5 million (NewRiver share: £1.8 million) of income at 1.7% above Valuation ERV. The average weighted lease length on new lettings and lease renewals was 10.5 years.

Our risk-controlled development programme is increasing, significantly enhanced with the acquisition of the portfolio of 202 pubs of which we intend to redevelop a substantial number into convenience food stores. Many of our shopping centres offer development opportunities ranging from unit extensions through to comprehensive redevelopment.

During the period, three development projects totalling 142,500 sq ft have been successfully completed, all within budget and handed over to Primark, North Tyneside Council, Home Bargains, Iceland and 99p Stores.

We intend to increase our investment into opportunistic purchases where we can generate capital profits. This strategy is ideally illustrated with our acquisitions in Crawley and Preston concluded in March 2014.

The Company's portfolio continues to generate significant surplus cash as a result of low borrowing costs, low vacancies, high rent collection rates, limited impact from retailer administrations and increased revenues from new lettings, commercialisation, wifi and advertising.

Our strategy is to supplement the attractive recurring income returns that our core portfolio generates with increasing capital profits from our development activities and our investment into opportunistic purchases.

Acquisitions

With £200 million of acquisitions at an average net yield of 11% completed in the period, NewRiver has been one of the most successful buyers in the market in the last 12 months. Our in-depth knowledge of the market place and excellent network of market place connections results in the majority of our acquisitions being transacted off market.

Excluding the 202 pubs portfolio, our retail acquisitions totalled £113 million. These acquisitions fit with our investment criteria in that we have secured these assets at an attractive entry price underpinned by affordable and sustainable rents. They provide a focus on non-discretionary spend and offer a range of asset management initiatives to deliver a minimum 15% levered IRR.

In total, the retail acquisitions were acquired at an average net initial yield of 9.5%, an average capital value per sq ft of £133, circa 28% below replacement cost and an average of 49% below the price that these assets last traded in the market despite occupancy levels being largely unchanged.

These retail assets are predominately focused on non-discretionary spend, with 47% of the retailers trading in the food and value sectors.

Shortly after the successful capital raise in June 2013, we completed the acquisition of the Hill Street shopping centre in Middlesbrough (www.hillstreetshopping.co.uk) for a total consideration of £49.4 million reflecting a net initial yield of 9.6%.

With an annual footfall of 13 million this high performing 240,000 sq ft shopping centre is anchored by Primark, Debenhams and Marks & Spencer and supported by other major retailers such as Sports Direct, Argos, Home Bargains, New Look and Poundworld.

As well as providing very high cash on cash returns of 19.8% pa, reflecting the very attractive entry price, the centre offers a range of asset management initiatives to improve value including increasing the food and beverage offer, improving consumer entrances, signage, internal lighting and driving commercialisation income.

December 2013 was a particularly active month with the completion of three transactions, the first of which was the acquisition of two shopping centres from a UK institution.

The St Elli shopping centre (www.stelli.co.uk) located in Llanelli South Wales was acquired for £29.2 million reflecting a net initial yield of 7.6%.

This 162,000 sq ft enclosed shopping centre with 450 space car park, benefits from high occupancy at 99% reflective of the main anchor, a high performing 70,000 sq ft Asda store. Other major retailers trading within the centre include: Wilkinson, Sports Direct, Poundland and Argos.

With Asda paying an annual rent of £1.3m, they account for 53% of the income and circa 70% of the value, given that their lease has an unexpired term of 19 years. The Asda income, from 1997 to 2012 (the last rent review date), has delivered a 3.9% compound growth.

Property review continued

In addition to benefitting from secure and potential growth in the rents, St Elli offers further value enhancing opportunities including improving the retail mix, marketing and commercialisation.

Gloucester Green, a small retail centre located in the heart of Oxford city, was acquired for £5.1 million reflecting a net initial yield of 9.6%. Comprising 16 retail units clustered around a large open pedestrian market square, this property offers very significant asset management and development opportunities to reposition the asset as a principal food, beverage and leisure destination.

Following NewRiver's appointment as asset manager by Zolfo Cooper in December 2012, we subsequently completed the acquisition of two shopping centres and a small retail parade for a total consideration of £24 million reflecting a net initial yield of 10.4%. As well as providing projected cash on cash return of 20% pa, underpinned by an affordable and sustainable income stream, the assets offer a range of realistic asset management initiatives to add additional value.

Newkirkgate shopping centre located in Leith, Edinburgh, comprises 90,000 sq ft of retail, anchored by Lidl with other key retailers including Poundland, Peacocks, Boots and Farmfoods.

Our strategy, already underway, is to improve the physical appearance of the centre, reduce two of the long-term voids, pursue an extension opportunity with Lidl and explore potential residential opportunities within the ownership.

The Beacon shopping centre, North Shields, (www.thebeaconcentre.co.uk) comprises 181,000 sq ft and a 460 space car park. Key retailers include: Wilkinson, Home Bargains, Poundland, B&M, Boots and Greggs. We intend to improve the retail mix through the reconfiguration of existing units to meet specific retailer demand, modernise the physical appearance of the centre both internally and externally, and capitalise on the new interlink between the centre and the local library which has just undergone a £3 million refurbishment by the Council.

La Porte Precinct in Grangemouth was the final asset acquired from Zolfo Cooper. With a purchase price of just £1.6 million this asset represented less than 10% of the Zolfo Cooper portfolio. The property comprises a retail parade located in a prime position within Grangemouth's town centre.

The fully let retail parade has sustained 100% occupancy for over ten years, let to Poundstretcher, WH Smith, Boots and Thomson Travel.

202 Marston's Plc pub portfolio

Arguably our most innovative transaction in 2013 was the acquisition of 202 pubs from Marston's Plc for £90 million.

With our appreciation of the rapidly growing demand from major food retailers to expand their convenience store estate, we identified an intuitive opportunity to facilitate this growth. Pubs can be ideal properties to accommodate convenience stores and it was with this in mind that we hand-selected the pubs that formed the portfolio acquired from Marston's.

On average our portfolio of pubs comprises 24 car parking spaces (convenience store operators generally seek 10 to 15 car parking spaces), and pub size of 3,100 sq ft (convenience store requirements range from 2,500 to 4,000 sq ft). The majority of the pubs have good roadside visibility and are located in residential areas, which is exactly the profile that convenience store operators are seeking. Finally, the average pub site area is 24,000 sq ft offering great optionality to build new convenience stores in the car park whilst protecting the value of the pub.

Marston's, as part of the transaction, agreed to manage the portfolio on a four-year leaseback basis at a fixed annual rent which, based on the acquisition price of £90 million, equates to an attractive net initial yield of 12.9%. This arrangement frees our time to pursue our strategy of alternative uses whilst benefitting from an attractive income stream and when we are ready to implement an alternative use we can call for vacant possession from Marston's.

Our strategy has now been validated with the post year-end announcement of our portfolio leasing transaction with The Co-operative Group who has agreed, subject to specific conditions, to lease up to 54 properties for fixed terms of 15 years and at rents ranging from £15 per sq ft to £17 per sq ft. Furthermore we will receive performance fees of up to £2.7 million payable on the delivery of a minimum of 40 properties to The Co-operative Group.

Our final two acquisitions during the reporting period ending 31 March 2014, represent a good example of our opportunistic approach where we can leverage off our retailer relationships and transact with speed utilising our strong balance sheet.

14-19 Queens Square, Crawley was a retail building comprising approximately 45,000 sq ft let entirely to Poundland Limited for a term expiring in June 2019 at a rent of £350,000 pa. The property was acquired for £4.25 million equating to a net initial yield of 7.7%. We believed that this price represented excellent value given the very strong sales performance that Poundland were generating from the property and this location.

Within a week of the acquisition, and given Poundland's objective to secure their long-term position in this property, the lease was re-geared to a fixed term of 15 years and the rent increased to £450,000 pa. Following an unsolicited offer, we successfully sold the Poundland unit for just under £6 million, after the balance sheet date, demonstrating the Company's ability to efficiently enhance value and recycle equity.

Finally, we exchanged contracts to acquire the freehold interest with vacant possession from HSBC of 40 Fishergate, Preston for £625,000. Simultaneous with the acquisition, contracts have been exchanged with Sainsbury's to lease the entire property as a convenience food store for a term of 15 years with a tenant-only break at year ten and rent of £90,000 pa. Following the completion of certain works, Sainsbury's are due to take occupation and commence their fit-out in the summer of 2014.

Disposals

Two disposals were completed during the reporting period. The first and largest was the sale of the Customer First Centre and Library in Wallsend which was sold to an annuity fund managed by Legal & General for £7.9 million equating to a net initial yield of 4.3%.

This disposal coincided with the completion of NewRiver's first major development and the price achieved reflected both the quality of the development and the leasing of the library to North Tyneside Council for a term of 30 years at a rent of £363,000 pa subject to annual increases linked to RPI.

This disposal and the development in Wallsend have proved to be highly successful and profitable.

The final disposal was the sale of units 1&2 Union Street, Glasgow to a private investor for £900,000 which represents 5.9% above valuation. Having sold unit 3 in March 2011 the IRR from this asset has been 76.1%.

Asset management

Alongside our very acquisitive year we remained highly committed to improving the operating performance of our assets through focused and smart asset management with the last 12 months having proved to be another successful year.

With an annual rent roll of £53.8 million, 43 retail assets and 1,118 tenancies, the portfolio generates considerable annual leasing activity through lease renewals, new lettings, rent reviews and lease re-gears.

Furthermore we manage an annual service charge of £10.4 million and indirectly employ almost 200 people in the day-to-day management of our multi-let shopping centres.

10 key operating objectives

Our asset management strategy is focused on delivering ten key operating objectives which are:

1. Achieving high rent collection rates
2. Aiming to deliver sustainable rental growth
3. Reducing void rates
4. Reducing property costs such as service charge, business rates and utilities
5. Improving the quality and efficiency of our property management
6. Reducing the cost and time of our leasing transactions
7. Increasing footfall, dwell times and basket spend for our retailers
8. Improving retail mix
9. Enhancing our retailer relationships
10. Improving our digital, marketing and commercialisation capability

We have made significant progress with the following highlights:

1. Achieving high rent collection rates

Rent roll under management now stands at £53.8 million underpinned by intensive weekly scrutiny of our rent collection. We conduct weekly status calls with our managing agents to establish arrears and determine appropriate action to ensure full recovery.

2. Aiming to deliver sustainable rental growth

During the 12 months to March 2014, NewRiver Retail completed 141 leasing events including 99 new lettings and lease renewals at 1.7% above Valuation ERV, generating and maintaining £2.5 million of income (£1.8 million NewRiver share). 69 new lettings were completed, securing an additional £1.8 million (£1.3 million NewRiver share) of annual rent. 30 lease renewals were completed, defending £0.7 million (£0.5 million NewRiver share) of annual rent.

£53.8 million
rent roll

141
total leasing events

1,118
tenancies

95%
occupancy

Property review continued

3. Reducing void rates

The retail occupancy rate was maintained during the period at 95%; with like-for-like occupancy rates, excluding acquisitions, also maintained at 94%.

4. Reducing property costs

Maintaining low operational costs for our retailers is an important aspect of the NewRiver business model. On the acquisition of any new centres, we instruct our rating advisers to review the rateable values seeking to reduce liability on both vacant and occupied units. This year we have successfully appealed over £1.9 million in revaluation savings against the 2010 Rating List and generated £1 million in refunds and reduced liabilities through rates mitigation.

An example of further success is at Burns Mall, Kilmarnock, where we have reduced the annual service charge budget by over £76,000 since March 2013, representing a 12% reduction through a series of initiatives ranging from the re-tendering of cleaning and security contracts to improving the efficiency of our resource, by decreasing man hours and empowering staff with dual role responsibilities.

Cost saving initiatives also benefit the local community as we have provided space for Arts Council backed charities, such as East Street Arts and Castlefield Galleries who procure space on behalf of community projects and local arts groups which in turn enhances the environment and, importantly, secures over 50% savings on empty rates for the Company.

Running concurrently and complementing our rates reduction strategy, we actively review operational costs at a property level with the intention of decreasing the cost whilst maintaining an attractive shopping environment. Initiatives such as the installation of LED lighting across our portfolio reduces both long-term running costs by way of decreasing electricity consumption and reduces ongoing maintenance costs.

Overall we have delivered a reduction in service charge budgets across our retail portfolio of nearly £500,000, representing a 5% year-on-year reduction.

5. Improving the quality and efficiency of our property management

We work in close partnership with our managing agents to deliver value for money for our retailers with the provision of services within the centre through regular tendering exercises and by adopting innovative approaches and new technologies to drive down operational costs. We take a stringent approach to our procurement services to drive further savings and reduce the costs for our retailers whilst maintaining scalability and a high degree of quality.

Our on-site centre management teams are key players in the NewRiver team. During the course of the year we have upgraded the calibre and efficiency of our operational teams, many of whom come from a strong retail background. We are proud to report that our management teams have won a total of 12 awards between them and have been shortlisted for a further four demonstrating the high ability, commitment and results-focused quality of our teams. We are dedicated to ongoing improvement, conducting regular training for their work, hosting our annual NewRiver Centre Manager's Strategy Conference with the entire NewRiver team and conducting regular on-site full-team management meetings. We host a weekly call with our managing agents to discuss issues, identify opportunities and scrutinise costs; the regularity of these meetings enables all parties to remain highly focused.

6. Reducing the cost and time of our leasing transactions

We have a dedicated Leasing Strategy at NewRiver which capitalises on our increasingly growing scale to reduce time and costs for the Company. During the year we developed a NewRiver Short Form Lease Agreement to diminish time and costs spent on new lettings and lease renewals allowing our asset management team greater time to concentrate on reducing operational costs and improving retail mix and environment.

7. Increasing footfall, dwell time and basket spend

Improving the retail environment and shopper experience is integral to our business model, with the core focus of driving footfall, dwell time and basket spend. Footfall increased over the past 12 months from 80 million pa in 2013 to 100 million in 2014. This significant growth is in part a result of our highly acquisitive year however we are pleased to report like-for-like footfall growth across pre-acquisition centres of 4.9 million shoppers pa representing an uplift of 8%-testimony to our pro-active asset management strategy delivering and outperforming market trend of only 1.8% year-on-year national footfall growth (BRC).

8. Improving the retail mix

With focus on food and leisure playing a driving force for the retail industry, we have successfully welcomed a variety of food and restaurant operators into the portfolio.

Delivering on our strategy to re-position Regent Court in Leamington Spa into the town's principal food and restaurant destination, this year we completed two new restaurant lettings at a total rent of £177,750 pa against the ERV rent at purchase of £118,600 and introduced EAT Street, a popular weekly food market with BBC Good Food accredited and Masterchef finalist vendors. Popular national chain Nando's opened at the centre in July 2013 at an annual rent of £70,000 on a 15-year lease, Turtle Bay opened in March 2014 on an annual rent of £107,750 on a 20-year lease and three further restaurant lettings and two retail deals are in advanced legals.

In November 2013 we delivered strEAT, a brand new multi-branded food court to The Prospect Centre in Hull, anchored by Burger King. The food court activated formerly disused space with other new restaurants including Pizza Neo, Real Café.co, El Taco Loco and Wuji. The operator, CPL Foods, signed a 15 year lease at a rent of £60,000 pa plus a turnover top-up provision with the transaction reflecting a rent of 140% above Valuation ERV.

Quality food-on-the-go and coffee provisions are essential for the shopping centre mix and increase footfall. Following successful change of use permission, we agreed a letting to Costa Coffee at The Horsefair, Wisbech, at an annual rent of £32,000 on a 10-year lease. In Middlesbrough, we introduced Muffin Break in the central mall atrium increasing rent from the former Greggs Moments store by more than £25,000 pa. At The Hildreds, Skegness, we introduced a brand new Burger King on a 15-year lease at £75,000 pa enhancing the centre's food offer.

9. Enhancing our retailer relationships

At NewRiver we operate our shopping centres as though we ourselves were retailers. We work with our retailers as partners in the knowledge that what is good for our retailers is good for our shareholders. Just as retail is dependent on the consumer, retailer success is dependent on relationships. We continue to maintain excellent relationships with our retail partners both at the head offices of our nationals and at a local regional level with our store managers and their teams and our independents.

We work hard to understand our retailers' business plans, reduce overheads for them and create attractive shopping environments to trade in. It is our goal, and we are pleased to be successfully delivering on this, to be the shopping centre owner of choice for retailers.

NewRiver's top 20 retailers now secure 45% of the Company's total rent roll and include a wide range of well-established and reputed national operators such as Poundland, Wilkinson, Argos, Primark, Superdrug, Boots, The Co-operative Group, Tesco and Asda.

10. Improving our digital, marketing and commercialisation capability

We take a customer-first approach to marketing strategies. Ultimately our marketing objectives are to drive footfall, dwell time and basket spend for our retailers. To deliver this, shopping centre owners must adapt to the changing needs of the consumer to achieve retail success. Our portfolio of 24 UK-wide non-discretionary shopping centres sit within the heart of their respective local communities and we focus on the creation of real-time human experiences. Our marketing strategies continue at pace with great success activating the digital world into real-time opportunities and experiences for our consumers.

Across the shopping centre portfolio, family-centric events and digitally-activated initiatives continue to enhance the NewRiver customer experience. We have once again hosted X-factor auditions at our centres, discovering local talent and enabling our retailers to outperform their monthly sales targets during a single trading day. We have activated empty spaces into thriving social hubs and business incubations hosting local artists, business start-ups and artisan market-traders.

Community matters

Our shopping centres are defined by the community that they are located within and we know that if our towns are thriving then our shopping centres benefit. Our teams are active leaders within the BIDs and Town Teams for all our shopping centres helping steer economic and retail growth in the locality. Investing in the local community remains pivotal to the success of our marketing strategies and we take a very pro-active and hands-on approach by partnering with schools, colleges, councils and local community groups to create educational, cultural and economic opportunities and drive local regeneration within our towns.

Customer service excellence

We take a customer-first approach in the management and improvement of our shopping centres understanding that the shopping centre environment is very much about delivering a positive customer experience. We are pleased to report that since completing our 2011 and 2013 biennial consumer surveys we have seen an uplift in consumer satisfaction across key verticals: "Customer service" up 2% to 89% satisfaction; "Somewhere nice for coffee" up 7% to 64%; "Choice of shops" up 3% to 58%; and both "Clean and pleasant" and "Somewhere safe and secure" up 3% to both score 85% in satisfaction ratings.

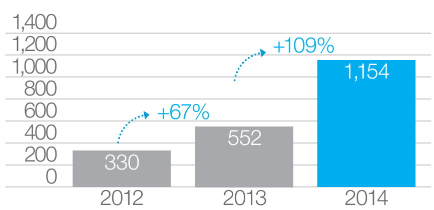
Industry-leaders in commercialisation

Historically regional shopping centres boast little or no commercialisation compared to discretionary centres where it is commonplace. The implementation of a commercialisation strategy across our portfolio has proven innovative and lucrative creating complimentary high quality services, products and non-conflicting interest to our core retailers.

Capitalising on our scale, we have secured partners and portfolio deals with nationally-acclaimed operators to drive efficiencies; upgraded mall retail merchandising units to attract better quality traders, and activated disused and created new advertising spaces. We have grown the income-generating Cloud wifi partnership, attracted local markets and grown our exclusive multi-channel Brand Partnership.

All of this has delivered enhanced customer experience and delivered an exceptional year of income growth, 42% ahead of forecast to total £1.15 million pa representing a 109% uplift year-on-year driven by organic growth and new acquisitions with like-for-like total income from commercialisation growing by 21.5%.

Commercialisation income (£000s)



Property review continued

Connected consumers

The installation of wifi across the majority of our shopping centres has been well received by our consumers. 13.2 million minutes were spent on our wifi infrastructure by our NewRiver shoppers across an average of 19,130 unique mobile/tablet devices per month.

These staggering figures testify the need to provide wifi and digital platforms in order to retain the loyalty and interest of the modern shopper.

The benefits of installing free wifi are four-fold: firstly, actively future-proofing our centres for the digital age because we accept the power of the internet and perceive it as an opportunity not a threat for our retailers; secondly, to provide an enhanced service and customer connectivity for our shoppers driving footfall and dwell time; thirdly, we collect powerful consumer data to assist us on improving our asset management; and fourthly, we receive a modest income.

Bricks and clicks

The digital age presents a wealth of opportunities for NewRiver and our retailers and we are excited to be in the final phases of our ecommerce strategy. Worldwide, the number of mobile devices outnumbers people. Responding to the evolving retail landscape we are creating a highly sophisticated and powerful community-led click n collect platform for our shoppers and retailers, leading the field in digital innovation for regional community shopping centres.

Risk-controlled development creates value

With the improvement in the capital, consumer and occupational markets retail development viability has also improved. Our intention is to increase our development activities to provide increasing capital profits or valuation growth. The Company is committed to undertaking developments in a risk-controlled manner underpinned by occupational pre-letting agreements.

During the period we have completed three fully risk-controlled developments, one of which was a turn-key town development and are progressing well on the development of existing assets and new acquisitions.

Completion and disposal of town-regenerative Customer First Centre and Library at the Forum Shopping Centre, Wallsend

After successfully securing planning permission in December 2012, this town-regenerative development has now been completed on time and within budget. Prior to commencing construction, the development was fully pre-let to North Tyneside Council, Home Bargains, Iceland and 99p Stores.

In total the development comprised 77,000 sq ft including three retail units and a new Customer First Centre and Library. The total contractual rent agreed is £723,000 pa and the weighted average lease length is 20 years.

Construction completed on 28 February 2014 and all of the retailers are now trading following their fit-outs. Our total development costs were £6.7 million providing an attractive yield on cost of 10.8%. The completed Customer First Centre and Library, let to North Tyneside Council, has been sold for £7.9 million.

This development has already had a positive impact on the rest of the shopping centre with the introduction of three new high profile retailers and a new Customer First Centre and Library providing greater choice for our consumers. There has been an immediate uplift in footfall in excess of 10% resulting from the development and the external refurbishment of the shopping centre.

Phase II, Wallsend

We are now progressing a second development through the extension of the shopping centre on land acquired by NewRiver from the Council. This development is intended to be anchored by a discount food retailer supported with additional retail. Discussions are also underway with the Council for a potential health centre facility.

Finally, we will be undertaking a comprehensive internal refurbishment of the shopping centre that will result in significant improvements to the mall flooring, lighting, entrances and signage.

Primark, Warrington

Europe's leading value fashion retailer opened its doors in early December 2013 following NewRiver's successful completion of the development on time and within budget.

In 2012 we successfully acquired the long leasehold interest of a unit from Standard Life to gain vacant possession of two adjacent units by relocating the existing New Look, thus releasing space to begin a complicated restructuring to create a single 56,000 sq ft unit for Primark who signed an agreement for lease in November 2012 for a term of 25 years at an annual rent of £475,000.

This asset let on a long-term lease to Primark is generating an attractive cash on cash return of 12%.

Iceland, The Piazza, Paisley

Following the successful amalgamation of two shop units and office accommodation, we created 9,500 sq ft of new retail space pre-let to Iceland at an annual rent of £135,000 on a 15-year lease. Iceland opened for trade in August 2013 and exceeded initial turnover targets by 58% during their first week of trading.

142,500 sq ft
development projects completed during year

Driving progress on existing developments

Updated master plan for Locks Heath Shopping Village, Fareham, Hampshire

We have revised our development proposals for Locks Heath, Fareham during the last 12 months following the acquisition of the Co-op food store by Waitrose.

The impact of Waitrose has been significant with increased footfall and car park numbers up substantially. The quality of the Waitrose offer will assist our ability to attract a wider range of retailers to the centre and we expect to benefit from future rental growth given the current low base.

To facilitate this demand we are still seeking to provide new floor space by developing on part of the car park. Strong interest has been received from a major food discount retailer and this is being progressed by the Company.

Planning application awarded for Albert Square Shopping Centre, Widnes, Cheshire

NewRiver Retail was awarded planning consent in late 2013 to redevelop the Prince of Wales, a vacant public house located adjacent to Albert Square Shopping Centre in Widnes which was acquired in 2010 as part of NewRiver Retail's Joint Venture with Morgan Stanley.

As part of the Company's risk-controlled development programme, an agreement for lease was exchanged with 99p Stores for a 10-year term at a rent of £135,000 pa. Following the demolition of the public house, the development of a new 10,000 sq ft retail store is well underway with completion expected as per the planned programme, in July 2014.

Master planning of Templars Square, Cowley commences

Following the recent acquisition of Templars Square in December 2012, in our Joint Venture with BRAVO, NewRiver have entered into a detailed master planning exercise to reposition the asset working with Oxford City Council on a phased development plan. The master planning exercise identifies how all aspects of the centre can be enhanced and improved by repositioning and adding to the existing retail mix to include leisure to establish the scheme as the principal shopping destination for the area.

Oxford City Centre master planning for Gloucester Green

Purchased at the end of 2013 as part of the acquisition of two centres, Gloucester Green presents an exciting retail and leisure development opportunity for NewRiver in the heart of Oxford. Plans are progressing to form a joint venture with Oxford City Council to improve the centre and surrounding area which is set around a large open pedestrian market square area. Proposals include a refurbishment of the market square and improved retail mix together with a greater restaurant and leisure offering repositioning the asset as a principle food, beverage and leisure destination.

The Martlets, Burgess Hill, West Sussex

Progress with the Burgess Hill masterplan has been slower than we had hoped due to the importance that we place on pre-let commitments and the shifting focus of the food retailers to smaller convenience stores which has had an impact on our ability to advance this project. However through further discussions with the local authority and design changes, terms have been agreed with a major cinema operator and, assuming that we can secure an anchor store letting, we are confident with current retailer demand to support the development that the local authority will be supportive through the planning process.

Rapid progress on Marston's 202 pub portfolio conversion

Following the acquisition of the 202 pubs from Marston's in December 2013, NewRiver has, in less than four months, agreed to lease a portfolio of 54 new c-stores across the UK to The Co-operative Group.

The majority will be new-build projects constructed on surplus land adjacent to the existing public houses. The remaining part of the portfolio will be conventional conversions from public house use to c-stores, or redeveloped as standalone convenience stores. Additional uses such as branded restaurants, drive-through food outlets, residential and medical centres have also been identified.

NewRiver will undertake all planning, development and contract requirements to deliver the end product to The Co-operative Group. It is expected that the majority of the completed assets will be delivered within two years.

In total, NewRiver is developing almost 200,000 sq ft of new c-store space for The Co-operative Group. Finished unit sizes, each with appropriate car parking, will range from 3,000 sq ft to 4,500 sq ft and stores will trade seven days a week.

This unique portfolio leasing arrangement reflects the significant demand from national food store operators and consumers for accessible, community-based multi-range food stores.

The lease terms are 15 years with no break clause and an annual RPI-linked rental increase formula capped at 4% and collared at 1%. The rental income agreed varies between £15.00 per sq ft and £17.50 per sq ft.

As a result of NewRiver's position to be able to rapidly provide The Co-operative Group with a large portfolio of c-stores, the Agreement is performance incentivised whereby NewRiver will receive additional payments upon delivery of various tranches of the portfolio. The total fee payable is up to £2.7 million.

Financial review

It has been an active year at NewRiver, raising £152 million of equity, £154 million of new debt facilities and investing in £200 million of income, producing acquisitions with our joint venture partner BRAVO II (a fund advised or managed by Pacific Investment Management Company LLC). EPRA adjusted profit is up 80% to £9.5 million (2013: £5.2 million) and this is expected to increase further in 2014/2015 when the current year acquisitions will have a full year's annualised impact.

Our equity placing in July 2013 raised £67 million enabling us to pursue four separate transactions that have helped increase our EPRA adjusted profit to £9.5 million an increase of 80% on last year leading to an EPRA adjusted EPS of 15.7 pence.

Following the full deployment of the capital raised in July, a further placing of £85 million completed in February 2014.

The Group continues to develop its close relationships with existing lenders HSBC and Santander and was pleased to establish new relationships with Barclays and Venn Capital who combined, provided debt finance of £154 million during the year on competitive terms maintaining a low cost of debt across the portfolio of less than 4%.

Our LTV at the balance sheet date net of cash is 25%, currently below our targeted range of 45-60% as a result of the recent equity raise and this is expected to return to the normal range on the back of acquisitions in the next financial year.

The EPRA net asset value has increased since the last reported balance sheet from 222 pence to 240 pence. During the year we have absorbed £4.5 million of fundraising costs, £6.5 million of purchase costs and a special interim dividend paid in March 2014 of 10 pence per share of £6.7 million. These costs have been offset by our active asset management, risk-controlled development and improving market sentiment for regional shopping centres adding £13.7 million of value to net assets during the year.

The dividend for the year was 16 pence, in-line with 2013 and 98% covered by EPRA adjusted profit. As a mark of confidence, the Board has agreed to a quarterly dividend policy starting in October 2014.

Key highlights

+55%

TSR

Total Shareholder Return of +55% (2013:+12%) for the 12 months to 31 March 2014

+80%

Increase in recurring profit

EPRA adjusted profit before tax up 80% to £9.5 million (2013: £5.2 million) driven by a strong performance in joint ventures

16p

Total Dividend per Share and 98% covered

EPRA adjusted EPS of 15.7 pence (2013: 16.3 pence) achieved in spite of 65 million new shares issued in the year resulting in a well-covered dividend of 98%

£152m

Successfully oversubscribed equity issuance

Equity raised totalled £152 million, made up of £67 million in July 2013 fully deployed in five months and £85 million in February 2014 to enhance future profits and exploit opportunities in our chosen sectors

3.9%

Low cost of debt

£154 million of new debt facilities completed on behalf of the Group and joint ventures, enabling us to maintain our low cost of debt of 3.9% (2013: 3.9%), improve debt maturity and broaden the debt funding base with two new debt relationships

240p

EPRA NAV following 11p of non recurring costs absorbed and special interim dividend of 10p paid in March 2014

EPRA net asset value per share of 240 pence (2013: 240 pence), in a year when we have absorbed £4.5 million of fundraising costs, £6.5 million of purchase costs (Stamp Duty and Fees) on new acquisitions and paid a special interim dividend of £6.7 million paid in March 2014

£2.0m

Development profit delivers an 82% return on cost

Our first significant development was completed in the year at Wallsend and the Customer First Centre and Library was sold for a profit of £2.0 million over the latest book valuation and a profit on cost of 82%

Highlights from the Statement of Comprehensive Income

Income

The Group financial statements are prepared under IFRS which includes profits from joint ventures on one line. The Board considers the performance of the Group on a proportionally consolidated basis and the report below therefore reflects this basis.

	Year ended 31 March 2014			Year ended 31 March 2013		
	Group £'000	**Joint ventures £'000**	**Proportionally consolidated £'000**	Group £'000	Joint ventures £'000	Proportionally consolidated £'000
Gross rental income and fees	**18,197**	**6,956**	**25,153**	17,978	1,931	19,909
Property outgoings	**(3,383)**	**(721)**	**(4,104)**	(3,591)	(403)	(3,994)
Net property income	**14,814**	**6,235**	**21,049**	14,387	1,528	15,915
Operating expenses	**(6,420)**	**(406)**	**(6,826)**	(4,797)	(169)	(4,966)
Net financing costs	**(5,403)**	**(1,533)**	**(6,936)**	(6,210)	(500)	(6,710)
Profit on disposal of investment properties	**2,032**	**–**	**2,032**	811	–	811
Joint ventures net income	**4,296**	**(4,296)**	**–**	859	(859)	–
Tax and EPRA adjustments	**182**	**–**	**182**	161	–	161
EPRA adjusted profit	**9,501**	**–**	**9,501**	5,211	–	5,211
Revaluation surplus/(deficit)	**(763)**	**14,503**	**13,740**	(2,157)	(1,483)	(3,640)
Tax & EPRA adjustments	**(182)**	**–**	**(182)**	(161)	–	(161)
Profit for the year before tax	**8,556**	**14,503**	**23,059**	2,893	(1,483)	1,410
EPRA adjusted EPS	**15.7**		**15.7**	16.3		16.3
Dividend per share	**16.0**		**16.0**	16.0		16.0

Property net income for the year including our share of joint ventures was £21.1 million – a 33% increase compared to £15.9 million in the prior year generated by the stable portfolio of assets on balance sheet and three new portfolios acquired as joint ventures with the BRAVO Joint Venture during the year. On a like-for-like basis, net rental income was stable with no increase on the prior year.

Operating expenses totalled £6.8 million in 2014 compared to £5.0 million in 2013. This reflects the 66% increased headcount following the growth of the business platform which has seen an increase in assets under management of 50% from £400 million to £600 million. Management assesses operating efficiency by calculating operating costs net of asset management fees as a proportion of gross rental income. In 2014 this ratio fell to 22% from 24% in 2013.

Net finance costs totalled £6.9 million (2013: £6.7 million) for the year, £1.5 million of which was payable on convertible loan stock and £5.4 million for debt secured over property. Our hedging strategy remains prudent with 74% of Group debt hedged either on a fixed or capped basis. Interest cover is very positive at over 3 times at property level compared to banking covenants which range from 1.5 to 2.0 times.

In March 2014 we completed the sale of Wallsend Customer First Centre and Library, which added £2.0 million to the EPRA adjusted profit for 2014 and ensures we continue to grow our bottom line year-on-year through both rental profit growth and actual realised profit on sale of assets. In the year NewRiver achieved a respectable EPRA adjusted EPS of 15.7 pence per share, which means that dividends for the year are 98% covered.

The other success story of the year is the uplift in capital values, due to a combination of a number of factors, including our active asset management, risk-controlled development and movement in shopping centre yields – the economic environment reflecting a growing economy and rising demand for retail assets such as NewRiver's which are regionally based. A fair value gain of £13.7 million was reflected in the 2014 results which included a capital return of 5.4% over the year, including as well as the revaluation surplus on all new acquisitions.

Profit before tax was £23.1 million (2013: £1.4 million) a combination of recurring rental profit and fair value capital gains; including £9.5 million EPRA adjusted profit and £13.7 million capital profit.

Financial review continued

Balance sheet

Management assesses the business on a proportionally consolidated basis, particularly in light of the rapid development of the joint venture with Pacific Investment Management Company in the past year. The IFRS net assets for the Group include investment in joint ventures on one line and this is split out on a line by line basis in the table below.

Proportionally consolidated balance sheet

	As at 31 March 2014			As at 31 March 2013		
	Group £'000	**Joint ventures £'000**	**Proportionally consolidated £'000**	Group £'000	Joint ventures £'000	Proportionally consolidated £'000
Properties at valuation	**214,124**	**149,222**	**363,346**	206,278	29,890	236,168
Investment in joint ventures	**74,851**	**(74,851)**	**–**	14,688	(14,688)	–
Other non-current assets	**384**	**–**	**384**	404	–	404
Cash	**89,555**	**3,010**	**92,565**	7,545	897	8,442
Other current assets	**3,595**	**2,567**	**6,162**	1,981	704	2,685
	382,509	**79,948**	**462,457**	230,896	16,803	247,699
Other current liabilities	**(10,421)**	**(3,817)**	**(14,238)**	(11,418)	(928)	(12,346)
Debt	**(108,256)**	**(76,566)**	**(184,822)**	(112,698)	(15,682)	(128,380)
Convertible loan stock	**(23,306)**	**–**	**(23,306)**	(24,693)	–	(24,693)
Other non-current liabilities	**(899)**	**435**	**(464)**	(2,299)	(193)	(2,492)
IFRS net assets	**239,627**	**–**	**239,627**	79,788	–	79,788
EPRA adjustments	**4,879**	**–**	**4,879**	3,945	–	3,945
EPRA net assets	**244,506**	**–**	**244,506**	83,733	–	83,733
EPRA NAV pence per share			**240**			240

Investment properties

Investment properties total £363 million on a proportionally consolidated basis compared to £236 million, a 54% increase which illustrates a significant investment made on the back of the equity raises during the year. £200 million of assets, primarily through joint ventures, were acquired during the year at an average net initial yield of 11%. There were also two disposals during the year. Of particular note was the sale of the Wallsend library which had been developed and completed during the year and sold at a yield of 4.3% and resulting in a profit on sale of £2.0 million. The fair value gains of £13.7 million are also reflected in the increased carrying value of investment properties.

Cash

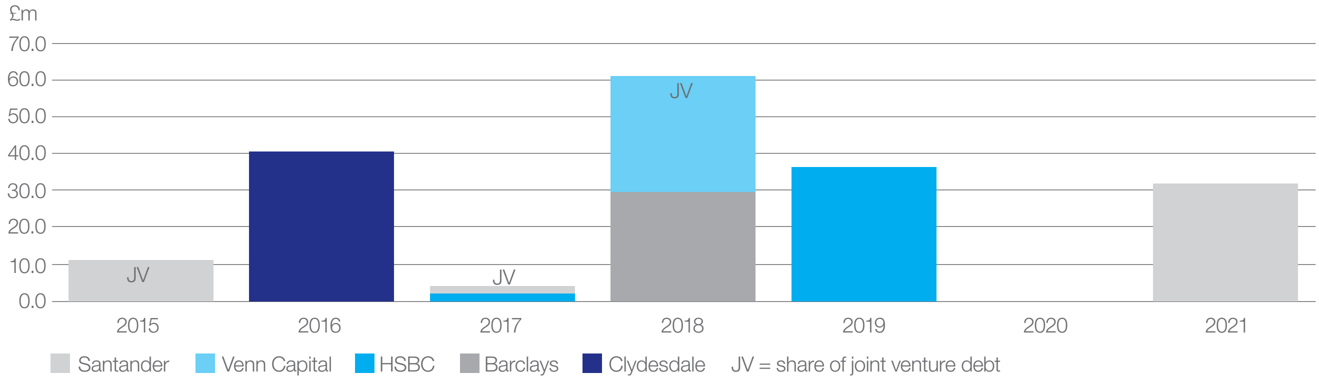
The Group held cash reserves of £92.6 million compared to £8.4 million in 2013 and this gives the Management Team significant liquidity from which to negotiate on future property investments. Through a strong network of contacts the management team has a good track record of delivering off-market transactions and not relying on bank debt to close transactions. The majority of these funds are expected to be deployed in the coming financial year but in the meantime this positively skews the current financial ratios of the Group net loan to value and gearing levels. They would be expected to return to our preferred range highlighted below during the coming financial year.

Borrowings

The Group's capital strategy is to maintain a conservative level of gearing whilst ensuring that projects generate an effective return for shareholders and the REIT gearing test is always satisfied.

During the year the Group, including joint ventures, originated £154 million of new senior debt facilities (2013: £45 million) to part fund the £200 million property acquisitions. LTVs on new acquisitions ranged from 50% to 70% and excluding the surplus cash this year, loan covenants tested at the property level averaged 50% (2013: 51%). The company welcomed Barclays Bank and Venn Capital as new lenders during the year which added to our existing relationships with Santander, HSBC and Clydesdale Bank. We are pleased to maintain a low cost of borrowing across the Group on a proportionally consolidated basis of 3.9% (2013: 3.9%) which continues to compare favourably against our peer group and we have been able to do this at the same time as improving maturity on our debt book to 4.5 years (2013: 3.1 years).

Debt maturity profile as at 31 March 2014



Debt maturity was improved via a combination of new facilities entered into on 5-year terms during the year and the refinance of an existing Santander facility for 7 years. This provides a stable funding basis to manage existing investments in the medium term across a strengthening range of debt providers and the intention for 2015 is to arrange new facilities to replace those expiring in 2015 and 2016 and consider further long-term debt and corporate facilities.

The Group continues to apply a hedging strategy which is aligned to the property strategy. Borrowings are currently 74% hedged against interest rate risk (2013: 77%), 43% of all borrowings are fixed whilst 31% are capped. This provides interest rate protection whilst the element exposed to variable rates allows the Company to benefit from a current low interest rate environment.

As at 31 March 2014 balance sheet gearing was 18% (2013: 163%). This is low at the year-end due to £92.6 million of cash balances held. More detail on the Group's borrowings is provided in Note 19.

Financial review continued

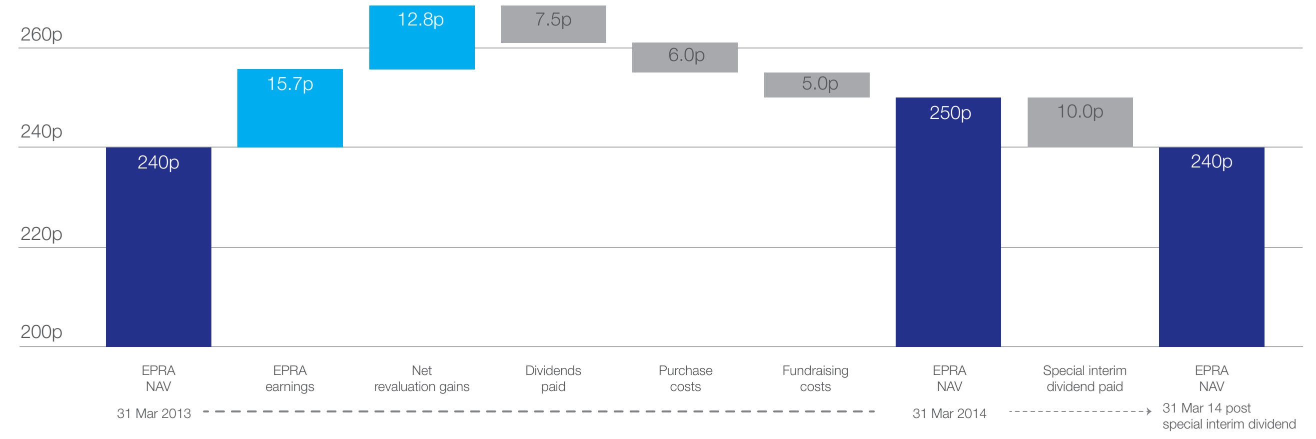
Financial metrics

Earnings per share ('EPS')

EPRA EPS is an important performance indicator for the Company as it relates to recurring profits only. We have included an EPRA adjusted EPS measure which also incorporates realised profit on sale of investment properties and adds back unrealised share option expense which provides the basis for our dividend policy. EPRA adjusted EPS of 15.7 pence per share is a good result during a year in which 65 million new shares were issued.

Basic EPS was 38 pence (2013: 4.7 pence) which includes the upward fair value property valuations at the year-end. In addition we disclose Funds from Operations ('FFO') as this is an important metric often used by the investment community when comparing the performance of international REITs. Reported FFO this year was £7.1 million (2013: £4.2 million) which amounted to 11.7 pence per share (2013: 13.0 pence per share).

EPRA NAV: Movement for the year ended 31 March 2014 (pence per share)



Net Asset Value

The Net Asset Value ('NAV') at 31 March 2014 was £239.6 million (2013: £79.8 million) which amounts to an EPRA NAV per share of 240 pence (2013: 240 pence). NAV per share was maintained during the year despite the absorption of £4.5 million of fundraising costs, £6.5 million of purchase costs and a special dividend of £6.7 million due to increased profitability during the year, active asset management strategies on existing assets and the subsequent fair market upward valuations of assets in an improving economic outlook for food and value-centred assets.

Dividend

The Company paid its interim dividend in the year of 6 pence per share and a special interim dividend of 10 pence per share, resulting in a total dividend for the year of 16 pence per share consistent with last year's pay-out (2013: 16 pence). The Company's entire dividend was payable as a Property Income Distribution and was 98% covered by realised profits earned in the year.

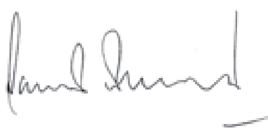
The Company has proposed that going forward it will pay out quarterly dividends, starting October 2014.

Summary

This year has been the most profitable to date, earning shareholders a profit before tax of £23.1 million (2013: £1.4m), of which £9.5 million is EPRA adjusted profit and £13.7 million from fair value movements in property valuations. This has been a successful year for the company and a good set of results.

Approval of Strategic Report

The Strategic Report set out on pages 02 to 37 of this Annual Report has been approved by the Board.



Signed on behalf of the Board 14 May 2014

David Lockhart
Chief Executive

Key Performance Indicators

What we said we would do KPI	What we have achieved 2013	2014
1 Delivering returns to our shareholders	• TSR +12% • Dividend cover +102% • Dividend per share of 16 pence	• TSR +55% • Dividend cover +98% • Dividend per share of 16 pence
2 Creating value	• More than 223 leasing events since IPO, maintaining and generating £4.6 million of income • Strong development pipeline in excess of 600k sq ft	• 141 new leasing events in the year generating and maintaining £1.8 million of income • Three development projects across 115,500 sq ft completed on time and within budget • Property valuation gains of £13.7 million
3 Acquisition yields of 7% to 10%	• £100 million of acquisitions at average 9.7% yield	• £200 million of acquisitions at average 11% yield
4 Geared IRRs of 15% +	• Two assets sold in the year ranging between geared IRRs of 16% to 244%	• Asset in Glasgow sold in the year at a geared IRR of 76%
5 Sensible financing strategy	• Interest cover of over three times • Net LTV of 51% at 31 March 2013 • Significant covenant headroom • 77% of borrowings are hedged • Average borrowing costs of 3.9% in year	• Interest cover of over three times • Net LTV of 25% at 31 March 2014 • Significant covenant headroom • 74% of borrowings are hedged • Average borrowing costs of 3.9% in the year

Risk management

Risk	Mitigation – Risk management	Progress in 2013 – 2014
RISK 1 **Valuation of property investments** Investment decisions result in lower income and capital returns to shareholders than forecast and expose them to unforeseen risks and liabilities.	Acquisitions targeting retail assets are based on: • Focus on food and value • Affordable rents for retailers (<10% of turnover) • Low competition within the local proximity • Balanced demographics • Initial yield of 7-10% to take advantage of the gap between yield and cost of borrowing circa 4% Value is both protected and created by maintaining the income generated through our active asset management and risk-controlled development as well as our strong retailer relationships. Due diligence is carried out on acquisitions, including detailed retailer audits and 5-year business plans are prepared based on deliverable assumptions to demonstrate IRR targets are achievable. Disposals are considered once business plan objectives have been accomplished.	Economic conditions have improved over the past 12 months in the UK with increasing appetite for regional retail assets. This has resulted in an uplift in values across our portfolio. However, greater demand will also likely result in yield shift for secondary assets creating more competition for good buying opportunities.
RISK 2 **Exposure to retailer administrations** Instability and subdued economic activity can lead to reductions in disposable income impacting demand for retailer goods and ultimately leading to business failure and administrations.	Our focus on food and value and convenience led retail has limited our exposure to retailer administrations as the majority of expenditure is on non-discretionary purchases. We maintain close relationships with our retailers and work with them on payment plans if they require. Management monitor 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 limit exposure to voids. Retailer diversification is high with no retailer making up more than 5% of total retail income.	Retailer administration has fallen over the past 12 months as signs of economic recovery have strengthened. As a result of our rapid growth the number of retailers' tenancies has grown from 723 to 916 and the total number of administrations last year was <0.5% of rental income.
RISK 3 **Business strategy** The growth in online retail spend could be perceived as a threat to traditional bricks and mortar retailers that occupy NewRiver shopping centres.	The management team have over 100 years combined experience within the UK retail property market and perceive the digital age as an opportunity for our shopping centres. We have adopted a 'bricks n clicks' strategy focused on creating a multi-channel retail experience through the installation of free wifi across our portfolio. We have also installed Amazon collection lockers generating both revenue and footfall. We have a varied programme of events across the portfolio which drive footfall, dwell time and basket spend. All these measures create a valuable physical customer experience and prove our retail assets to be resilient in the face of any online competition.	Footfall in the year across our assets has increased from 80 million to 100 million. Commercialisation income has also burgeoned by 109% to £1 million pa. Consultants OC&C have commented in recent press that the volume of click 'n' collect is expected to overtake home delivery in 2015 highlighting the importance of multi-channel retailing and in particular bricks and mortar retail destinations.

Risk	Mitigation – Risk management	Progress in 2013 – 2014
RISK 4 **Development project management** Poor control of development projects could lead to inadequate returns on investment. Over-exposure to developments could put pressure on cash flow and debt financing. 	The Group applies a risk-controlled development strategy through negotiating pre-lets in advance of committing to construction. We have close relations with our preferred architects, quantity surveyors and project managers enabling us to monitor projects closely. A development project is reviewed and approved by the Executive Committee following detailed due diligence modelling and market research.	✓ Three developments completed in the year on time and ahead of budget.
Risk 5 **Financing and cash flow risk** Breach of debt covenants could trigger loan defaults and repayment of facilities putting pressure on surplus cash resources. Economic recovery and change in the Bank of England monetary policy may result in interest rate rises and increased cost of borrowing.	The Group actively engages in close relationships with its key lenders, ensuring transparency when it comes to monitoring the properties secured by debt. Assets are purchased that generate surplus cash which results in significant headroom on loan covenants. Gearing is maintained at a conservative level and hedging applied within an agreed range to limit exposure to rising interest rates or declining rental income.	✓ New debt secured in the year has improved the Group's average maturity from 3.1 years to 4.4 years and 74% debt is hedged reducing the Group's exposure to financing. The Group has consistently maintained a low borrowing cost (FY14: 3.9%, FY13: 3.9%) and is considered to be a strong sponsor for borrowing purposes which supports its rating in obtaining a lower cost of debt.
Risk 6 **Fast growth of business** Businesses can grow rapidly, leaving them exposed to a lack of resources, under-developed systems and controls, and insufficient processes to manage the business.	The Group complies with the UK Corporate Governance Code. The Company has an independent review of its systems and controls carried out annually by BDO LLP to ensure they are appropriate for the size of the Company. Management have good relationships with advisers, including auditors, tax advisers, investor relations and property professionals in order to seek expert advice where required.	✓ The Group has expanded its skill set and members of the team in line with the growth of the business, growing by 66% in the last 12 months from 18 to 28 staff. The Group has commenced the implementation of a new integrated accounting and property management information system.

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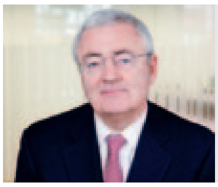
Board of Directors

For the year ended 31 March 2014



Paul Roy

Non-Executive Chairman

Committees:
Paul is a member of the Remuneration Committee and the Nomination Committee.

Experience:
Paul Roy co-founded New Smith, an independent investment management company in 2003. Prior to this, he was Co-President of the Global Markets and Investment Banking division at Merrill Lynch, an Executive Vice President of Merrill Lynch & Co., Inc. and a member of the Executive Management Committee. Paul is Chairman of the charity, Retraining of Racehorses.

Chris Taylor

Non-Executive Director (Senior Independent)

Committees:
Chris chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

Experience:
Chris has a wealth of property knowledge with over 25 years' experience. He is currently CEO of Hermes Real Estate. Chris was the former head of European Property for QIC Australia and previously Director & Head of European Property at HSBC.

Chris is Chairman of MEPC, Director of the Kings Cross Central Board and Junior Vice President of the British Property Federation. Other industry related roles have included Founder Board Member of INREV, member of BCSC, member of IPF International sub-committee and a member of London First Retail Commission. He is a fellow of the Royal Institution of Chartered Surveyors.

Kay Chaldecott

Non-Executive Director (Independent)

Committees:
Kay chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

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 renamed intu Properties PLC). Kay was appointed Managing Director of the Shopping Centre business and served as a main Board Director from 2005 to 2011.

Kay is a member of the Board of St. Modwen Properties PLC and Futures Theatre Company and the Advisory Board of Next Leadership. She 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.

Andrew Walker

Non-Executive Director

Committees:
Andrew is a member of the Audit, Remuneration and Nomination Committees.

Experience:
Andrew is Managing Director and head of Forum Partners' European team. As a co-founder of Forum Partners, he has enjoyed over 30 years in real estate securities analysis and investment. Previously, he was a Vice President with Security Capital Group, a senior officer of SC European Realty, a $1.5 billion European real estate partnership and a Director of London and Henley S.A. Andrew was a leading property analyst in the UK and Continental Europe, working for Paribas Capital Markets and S.G. Warburg Securities (Japan) Ltd. He is a member of the Royal Institution of Chartered Surveyors.

David Lockhart

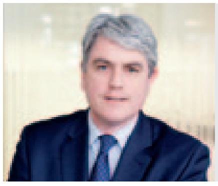
Chief Executive

Experience:
David Lockhart is a qualified Solicitor and Chartered Accountant and has over 30 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. In 1991, David founded Halladale, a business which he ran as CEO. Halladale floated on AIM in 2001 and was bought by Stockland Corporation in 2007. In 2009 he co-founded NewRiver Retail.

Mark Davies

Finance Director

Experience:
Mark Davies has nearly 20 years' experience in finance and ten years in the UK real estate market. He started his property finance career with Grant Thornton before joining PKF (now BDO LLP) as a Partner and Head of Real Estate. Prior to joining NewRiver as Finance Director in 2009, Mark was CFO of Exemplar Properties and Finance Director of Omega Land, a £500 million property JV with Morgan Stanley. Mark has experience in many areas of property finance including debt restructuring, hedging, REIT's, convertible loans and originating senior debt on investment and development property.



Allan Lockhart

Property Director

Experience:
Allan 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. In 2002, Allan was appointed as Retail Director to Halladale and was responsible for coordinating the acquisition and implementation of the asset management strategies of over 20 shopping centres as well as acquiring and completing several profitable retail developments. In 2009, he co-founded NewRiver Retail.

Nick Sewell

Director

Experience:
Nick is a member of the Royal Institution of Chartered Surveyors with over 20 years of retail property experience. Specialising in high street, shopping centre and food store investments Nick has provided investment valuation and strategic advice around property acquisitions and sales. Prior to joining NewRiver in 2009, Nick spent five years at Dalgleish and then following its acquisition in 2005, he spent four years as a Director in Retail Capital Markets at CB Richard Ellis.

Corporate Governance report

For the year ended 31 March 2014

The Directors present their Corporate Governance report for the year ended 31 March 2014.

As an AIM Listed Company there is no requirement for NewRiver Retail Limited with its subsidiaries (the 'Group'), to comply with the UK Corporate Governance Code (as published by the Financial Reporting Council in September 2012) (the 'UK Code'). However, the Directors recognise the importance of strong corporate governance and for the year ended 31 March 2014, the Company has voluntarily complied with the UK Code and considers that it has adopted a best practice approach to corporate governance given the size and nature of the Group.

A Code of Corporate Governance was issued by the Guernsey Financial Services Commission on 30 September 2011 and came into effect on 1 January 2012 ('Guernsey Code'). As the Company is adopting the UK Code it is deemed to meet the principles of the Guernsey Code.

Independent Non-Executive Directors

The UK Code recommends that, in the case of smaller companies below the FTSE 350 such as the Company, at least two non-executive members of the Board of Directors (excluding the Chairman) should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Group complies with this recommendation.

The Non-Executives on the Board as at the date of this report are Paul Roy, Andrew Walker, Chris Taylor and Kay Chaldecott. The Board considers Chris Taylor and Kay Chaldecott to be independent and hence the Board continues to comply with the recommendation of the UK Code.

The Board considers that each of the Non-Executive Directors brings a senior level of judgement and experience to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct.

Senior Independent Director

The UK Code also recommends that the Board should appoint one of the independent Non-Executive Directors as Senior Independent Director. The Senior Independent Director is available to shareholders if they have concerns, which contact through the normal channel of Chairman has failed to resolve, or for which such contact is inappropriate. The Senior Independent Director should also provide a sounding board for the Chairman, review the performance of the Chairman and serve as an intermediary for the other Directors when necessary.

Chris Taylor fulfils this role and the Group complies with this recommendation.

Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and reviewing its effectiveness. This, however, is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of this report. The detailed review of the system is delegated to the Audit Committee which reviewed the effectiveness of the Group's system of internal control during the year and concluded that it mitigates the risks identified as significant, including financial, operational and compliance risks. Further information can be found in the Audit Committee Report on pages 42 to 43.

Board appraisal and evaluation

The Board undertook an evaluation exercise during the year. The evaluation was internal and consisted of a questionnaire which covered processes and communication and the performance of the Board and its standing committees. The results were presented to and analysed by the Board. The requirement and frequency of an evaluation is considered at least annually by the Nomination Committee.

In line with the UK Code recommendation, during the year under review, meetings were held between the Chairman and the Non-Executive Directors without the Executives present.

A meeting was also arranged without the Chairman present, so that the Senior Independent Director and Non-Executive Directors could appraise the Chairman's performance. The performance evaluation of the Chairman took into account the views of the Executive Directors gathered as part of the Board evaluation process.

As part of the annual appraisal process a review of the training and development needs of Directors was undertaken by the Chairman or Chief Executive.

Board induction

New Directors are provided with a full briefing of the Company and its Board and the responsibilities of being a Director of a listed company, appropriate to their personal experience. There were no new Directors during the year.

Corporate Governance report continued

For the year ended 31 March 2014

Re-election of Directors

In accordance with the recommendations of the UK Code, all Directors, are subject to election by shareholders at the first Annual General Meeting following their appointment and to re-election thereafter at intervals of no more than three years. In line with best practice all Directors will be put forward for re-election at the forthcoming Annual General Meeting. Biographical detail in respect of each Director is included in the Board of Directors section on page 38.

At the Company's Annual General Meeting in July 2013, a resolution was passed to amend the Articles of Incorporation of the Company ('Articles') to remove the Chief Executive's exemption from re-election by the shareholders.

As recommended by the UK Code, the Chairman can confirm that following evaluation, the performance of all Directors of the Company continues to be effective and as a whole they offer an appropriate balance of skills, experience, independence and knowledge. All Directors have demonstrated the commitment to their role with the Company to discharge their responsibilities effectively.

Shareholder relations

The Board places high importance on its relationship with its shareholders, making itself available for meetings with key shareholders and sector analysts. Meetings are also held with institutional shareholders to aid understanding of the Group's strategic objectives and performance.

The Board welcomes correspondence from shareholders, sent to the Group's business address. All shareholders have the opportunity to put questions to Members of the Board at the Annual General Meeting and the Board hopes that as many shareholders as possible will be able to attend. This year's Annual General Meeting is on Wednesday 2 July 2014.

Board and Committee meeting attendance

The table below is a record of the attendance by the Directors at Board and Committee meetings from 1 April 2013 to 31 March 2014.

	David Lockhart	Mark Davies	Allan Lockhart	Nick Sewell	Paul Roy	Andrew Walker	Chris Taylor	Kay Chaldecott	Charles Miller(1)
Scheduled Board meetings	4	4	4	4	4	4	4	4	4
Ad Hoc meetings#	4	4	4	4	4	4	4	4	4
Audit Committee	n/a*	n/a**	n/a	n/a	n/a	3	3	3	n/a
Remuneration Committee	n/a*	n/a	n/a	n/a	4	4	4	4	n/a
Nomination Committee	n/a*	n/a	n/a	n/a	1	1***	1	1	n/a

As a result of significant corporate transactions during the year, there were four unscheduled Board meetings which Directors attended in person or by telephone.

* David Lockhart attended one Audit Committee, one Nomination Committee and four Remuneration Committee meetings by invitation during the year.

** Mark Davies attended three Audit Committee meetings by invitation during the year.

*** Andrew Walker attended one Nomination Committee meeting by invitation during the year.

(1) Resigned 31 March 2014

Board and Committees

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. It also sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. The Board has a schedule of matters formally reserved to it for its decision such as strategic, major financial and key operational issues.

The Board has three standing committees: Audit Committee, Remuneration Committee and Nomination Committee. Each Committee has formally delegated duties and responsibilities within written terms of reference which are available from the Company Secretary and can be found on the Company website www.nrr.co.uk.

In addition, there is an Executive Committee, composed of the Executive Directors and Francois Nairac, Development Director, and chaired by David Lockhart, which has written terms of reference and specific delegated authority from the Board. This Committee meets at least monthly and has day-to-day responsibility for the management of the business. Its key functions include:

- To ensure a high standard of internal corporate governance
- To ensure effective and transparent decision making
- To improve information sharing and communication between Executive Directors and between the Executive Committee and the Board
- To ensure adequate time for key discussions and an ability to make decisions quickly

Audit Committee

The Audit Committee, during the year and as at 31 March 2014, comprised Kay Chaldecott, Chris Taylor and Andrew Walker and was chaired by Chris Taylor. It reviews the financial reporting process, system of internal financial and non-financial controls and risk management and ensures compliance with the principles of good governance, law, accounting standards and the AIM Rules. It also reviews the independence of the Auditors and payment of any non-audit fees and the effectiveness of the audit process. A full Audit Committee Report can be found on pages 42 to 43.

Remuneration Committee

The Remuneration Committee, during the year and as at 31 March 2014, comprised Kay Chaldecott, Paul Roy, Chris Taylor and Andrew Walker and was chaired by Kay Chaldecott. The purpose of the Committee is to establish a formal and transparent procedure for developing policy on remuneration and to review the remuneration and incentivisation of the individual Directors and compare it to that of persons holding similar positions in comparable organisations and make recommendations in respect thereof. The Committee monitors the performance of the Directors and Company Secretary. The Committee meets not less than once a year. The full terms of reference for the Remuneration Committee can be found on the Company's website www.nrr.co.uk.

Nomination Committee

The Nomination Committee was established to ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The duties of the Nomination Committee include the regular review of the structure, size and composition of the Board and the identification and nomination for the approval of the Board of candidates to fill Board vacancies as and when they arise.

The Nomination Committee meets at least once a year and at such other times as the Chairman of the Committee deems necessary. No Board appointment was made or recommended during the year. There was one meeting during the year to review the Board membership and composition, the management structure and resources and to endorse the process used to evaluate the performance of the Board and its Directors.

No search for Board candidates was carried out during the year. The Committee would consider any appointment on merit against pre-agreed selection criteria. Diversity in terms skills, knowledge, experience and gender is considered when evaluating the Board and would be considered when making a recommendation for a Board appointment. No measurable targets on diversity have been set.

During the year and as at 31 March 2014, the Nomination Committee was chaired by Paul Roy and comprised Paul Roy, Kay Chaldecott and Chris Taylor. The majority of the Committee members are independent Non-Executive Directors. The full terms of reference for the Nomination Committee can be found on the Company's website www.nrr.co.uk.

Audit Committee report

For the year ended 31 March 2014

Role of the Audit Committee

The purpose of the Audit Committee is to provide formal and transparent arrangements for considering all matters relating to the financial performance and reporting process of the Company, its system of internal controls and risk management and its compliance with the relevant principles set out in the UK Code of Corporate Governance (the 'UK Code') and to maintain an appropriate relationship with the Company's auditors. The full terms of reference for the Audit Committee can be found on the Company's website www.nrr.co.uk.

Membership

The Audit Committee, during the year and as at 31 March 2014, comprised Kay Chaldecott, Chris Taylor and Andrew Walker and was chaired by Chris Taylor. Biographies can be found under Board of Directors details on page 38 which set out the professional qualifications and commercial knowledge and experience of each Committee member. The Board is satisfied that Chris Taylor has the recent and relevant financial experience to be a member of and chair the Audit Committee.

Members' attendance at meetings is set out in the table on page 40. Prior to the approval of the final and the interim financial statements Chris Taylor had a private conversation with the Senior Auditor Partner and members of his audit team.

Activities of the Committee

The Audit Committee meets at least three times a year and makes whatever recommendations to the Board that it deems appropriate in the context of the scope of its responsibilities. The Chairman of the Committee reports to the Board on how the Committee has discharged its responsibilities, the matters considered and the conclusions reached after each Committee meeting.

During the year, the Committee reviewed and considered the integrity of the financial statements of the Company, including its annual and interim reports and financial statements and disclosures, and the announcements relating to the Company's results and financial performance. In particular, it reviewed the significant financial risks and accounting judgements considered during the audit process. It considered the arrangements in place to ensure that an effective system of internal financial and non-financial controls is maintained, the need for an internal audit function and that an effective Company policy on whistleblowing was in place.

The Audit Committee also carried out its responsibility to oversee the Group's relationship with its external auditors, including making recommendations to the Board on the appointment of the auditors and their remuneration and monitoring their independence. The Audit Committee considered the nature, scope, results and effectiveness of the auditors' work and reviewed the supply of non-audit services that could be provided by the auditors. It received and reviewed reports from the Group's auditors relating to the Group's Annual Report and Accounts, interim statements and the external audit process. More specific activities are set out under separate headings within this report.

As part of its role, the Committee also considered the annual report and accounts as a whole on behalf of the Board and made a recommendation to the Board that it resolve that they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. In making the recommendation the Committee considered its monitoring of the financial reporting process throughout the year as well as its review of the half-year financial statements and annual report and accounts and the audit reports relating to each produced by Deloitte LLP. It concluded that the accounting policies adopted and the use of judgement as noted in the financial statements were reasonable and had been applied appropriately.

Significant issues considered in relation to the financial statements

During the year the Committee, management and external auditor considered the matters deemed by their impact on the Group's results or the level of their complexity or estimation involved in their application to the financial statements to be significant risks or issues. The key areas of focus and how they were addressed are set out below.

Valuation of property portfolio

The external valuation of the portfolio is a key determinant of the Company's results being the largest item on the balance sheet and the movement in values having a significant impact. The Committee therefore ensures that it has a good understanding of the valuation and reviews the underlying assumptions. Management reviews and confirms all data prior to it being submitted to the valuers then it reviews and challenges the valuers' key assumptions underlying their valuations prior to their issuing their final report to the Company. The topic is the main issue discussed at a separate meeting between the Chairman and the external auditor prior to the Committee meeting that reviews the annual and interim statements.

Accounting for acquisitions and disposals

In view of the individual nature of acquisitions and disposals the Committee reviewed each of these in relation to the specific disclosure requirements required and the treatment of the cash flows, profits and expenditures for each in relation to the REIT status of the business and their tax treatment. In addition, it considered the policy adopted on the timing of recognition of acquisitions and disposals and confirmed that, when all risks and awards had been transferred, they would be recognised at unconditional exchange of contracts rather than on completion.

Accounting for joint ventures

With new accounting standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities having been adopted, the Committee considered the Auditors' Report and comments of management in reviewing the accounting treatment for the three new 50:50 joint ventures entered into during the year and the one set up the prior year in which the Company held a 10% investment, all of which are set up as Jersey Unit Trusts. In addition, it reviewed the limited partnership set up previously as a 50:50 joint venture. It considered the degree of control and influence the Company had over decision making in each joint venture and deemed that the Company did not have overall control. Therefore, the investments should be accounted for as joint ventures under IFRS 11, with the relevant disclosures confirming their treatment made under IFRS 12.

Going concern

The Committee ensures sufficient review is undertaken of the adequacy of financing arrangements, cash flow forecasts and lender covenant compliance. The Finance Director presents a quarterly report to the Board which includes details of debt facilities, an 18-month cash flow forecast and management accounts. As part of the review of the year-end financial statements the Committee specifically considered the statement on going concern and concluded that, in particular in the light of the considerable cash balance, the Group will remain a going concern and that covenants would not be breached, therefore, it was appropriate for the financial statements to be prepared on a going concern basis. The statement of the Directors relating to going concern can be found on page 50.

Independence and appointment of the external auditor

The Committee has assessed and is satisfied with the independence of the external auditor. There were no non-audit services provided during the year and the Company's general policy is not to instruct Deloitte LLP on non-audit services. The external auditors and senior audit partner were appointed in 2009 following a formal process on the set up of the Company and, therefore, have been in place for approximately five years. With the auditor having been in place less than ten years, the Committee will continue to give consideration as to the timing of the next formal tender in the light of the regulatory requirements to tender the external audit contract at least every ten years. The senior audit partner is being rotated in 2015. The Committee has also received confirmation from Deloitte LLP as to their independence and objectivity in relation to the services they provide as external auditor.

Effectiveness of external audit process

The Committee reviewed Deloitte LLP's performance and the effectiveness of the external audit process by considering the extent to which the audit plan was met, the degree of challenge and depth of understanding and review of key accounting and audit judgments and the content of the auditors' reports to the Committee.

Having considered the effectiveness and independence of the auditors in the services they provide, the Committee has recommended to the Board that a resolution is proposed at the forthcoming Annual General Meeting to re-appoint Deloitte LLP as the Company's external auditors.

Internal control and audit

The Group does not have an internal audit department. The requirement for a dedicated internal audit function was reviewed by the Audit Committee during the year and this was considered inappropriate given the size of the Group and the close involvement of the Executive Directors and senior management on a day-to-day basis.

The Group has policies for internal control of various key matters. During the year, the Group employed BDO LLP as an external expert to assess the internal controls and processes currently implemented within its finance and accounting procedures. The Committee reviewed the resulting report which concluded that the system of internal control was appropriate and that which would be expected in an organisation of a similar size.

Remuneration report

For the year ended 31 March 2014

As an AIM Listed Company there is no requirement for NewRiver Retail Limited to comply with the Directors' remuneration disclosure requirements contained in the Larger and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended) which came into force on 1 October 2013 and the Company has opted not to do so. However, this report provides the information on Directors' remuneration considered of importance to shareholders.

Directors' remuneration

The objective of the remuneration policy of the Group is to ensure that Directors and senior managers are rewarded in a way that attracts, retains, motivates and rewards management of the highest quality, aligns shareholder and executives interests and promotes a direct relationship between results and reward, reflecting best practice appropriate to the size and stature of the Company. The remuneration and share schemes are designed to encourage Executive Directors and senior managers to align their long-term career aspirations with long-term interests of the Group, promoting the attainment of both individual and corporate achievements measured against specific criteria. The Executive Directors are encouraged to build up and maintain a shareholding equivalent to one-year's salary.

During the year and in respect of the development of policy for the year to March 2015, the Committee was advised by h2glenfern Remuneration Advisory on executive remuneration. Another division within h2glenfern provides corporate advice to the Company. h2glenfern Remuneration Advisory has confirmed to the Company that it has operated in accordance with the Code of Conduct of the Remuneration Consultants' Group in relation to executive remuneration consulting in the UK. The Remuneration Committee has, therefore, satisfied itself that all advice provided by h2glenfern Remuneration Advisory was objective and independent.

Basic salary and benefits

Basic salaries and the level and type of benefits offered to Executive Directors are reviewed annually by the Remuneration Committee, taking into account the executives' responsibilities, experience and performance, pay across the Group and market competitiveness. During the year, the Committee reviewed salary levels and benefits, in the context of total remuneration, against comparable roles in other property organisations, primarily FTSE Small Cap and FTSE AIM 100 companies. It should be noted that during the year, the Company did not provide a pension scheme nor any contribution or allowance towards a pension nor did it provide a car allowance. When benchmarking remuneration an allowance is made for the provision of these benefits by individual Directors from their salaries. The benefits that are provided include life insurance, private medical insurance and professional membership subscriptions.

During the year, Directors' salaries were not increased. The last increase in Directors' salaries was on 1 September 2011. In April 2014, the Remuneration Committee carried out a review in order to determine salary levels and benefits for the year to March 2015. In carrying out this review, the Committee took account of the Company's performance during the year and of the substantial increase in its size and the scale of its operations. The annual salary levels of the Executive Directors, effective 1 April 2014, are as follows: David Lockhart – £400,000; Allan Lockhart – £350,000; Mark Davies – £300,000; Nick Sewell – £265,000. The Committee also determined to introduce a pension scheme for Executive Directors with contributions by the Company at 12.5% of annual base salary.

Annual bonus

The Committee operates a discretionary annual bonus scheme under which bonuses may be paid to Executive Directors in cash for achieving Company financial and personal objectives during a financial year. Company financial performance objectives include earnings and dividend growth. In addition, the Committee may pay a special bonus on the basis of outstanding performance, for example in relation to the identification and execution of transactions.

In May 2013, when reviewing the level of bonuses relating to the financial year ending 31 March 2013, the Remuneration Committee approved the payment of a deferred bonus of £31,000 each to David Lockhart and Allan Lockhart and £24,000 to Mark Davies, subject to the condition that a minimum of £20 million of new capital was raised. The condition was met as a result of the Company's fundraise in July 2013 and therefore the deferred bonuses were paid in full.

Bonuses paid in respect of the year to 31 March 2014, are set out in the table below and reflect the major progress the Company made during the year. Annual bonus payments are subject to a clawback provision.

The Remuneration Committee Chairman attended individual appraisal meetings covering the year to 31 March 2014. The Remuneration Committee has approved corporate and individual objectives for each Director for the year to 31 March 2015.

Directors' contracts and payments for loss of office

All current Executive Directors have contracts which can be terminated by either party on 12-months' notice. All Non-Executive Directors, appointments can be terminated by either party on three months' notice.

Following his resignation the appointment of Charles Miller as a Director terminated on 31 March 2014. He was on a contract which could be terminated on six months' notice by either party. He received a contractual payment of £56,250 equivalent to three-months' salary in lieu of notice, together with an ex gratia payment of £30,000. For the purposes of his award, under the NewRiver Retail Performance Share Plan 2009, he was treated as a 'good leaver', therefore his award of 85,000 shares granted in January 2013 has been pro-rated to 34,310 shares with the period over which the performance criteria is measured being 14 January 2013 to 31 March 2014. He was appointed a consultant of the Company under an agreement with a service company for a period of one year with effect from 1 May 2014.

Schedule of Directors' remuneration

					2014				2013
Executive Directors	**Basic salary and fees £'000**	**Deferred bonus £'000**	**Annual bonus £'000**	**Benefits £'000**	**Total £'000**	Basic salary and fees £'000	Bonus £'000	Benefits £'000	Total £'000
David Lockhart	**380**	**31**	**262**	**–**	**673**	380	93	–	473
Mark Davies	**240**	**24**	**240**	**1**	**505**	240	72	1	313
Allan Lockhart	**310**	**31**	**310**	**1**	**652**	310	93	1	404
Nick Sewell	**240**	**–**	**188**	**1**	**429**	240	72	1	313
Charles Miller*	**311**	**–**	**–**	**1**	**312**	225	68	1	294
	1,481	**86**	**1,000**	**4**	**2,571**	1,395	398	4	1,797

*2014 basic salary and fees includes £30,000 termination payment and £56,250 payment in lieu of notice.

Non-Executive Directors	**2014 £'000**	2013 £'000
Paul Roy	**75**	75
Andrew Walker	**40**	40
Kay Chaldecott	**40**	40
Chris Taylor	**50**	50
	205	205

Remuneration report continued

For the year ended 31 March 2014

Share option plan

The Company has a share incentive plan for the Chairman, Executive Directors and senior management of the Group.

The objective of the share incentive plan is to align the financial interests of the participants with those of the shareholders and to motivate and retain them.

Currently in place is an approved Company Share Option Plan ('CSOP') and an Unapproved Share Option Plan ('USOP'). With the introduction of awards under the NewRiver Retail Performance Share Plan in 2013, no options were granted under either plan during the year nor the previous year and none are envisaged in the foreseeable future.

All option awards were granted three years prior to their first vesting date, except as noted below, and lapse after ten years from that date. The holdings as at 31 March 2014 and 31 March 2013, are detailed below:

	2014				2013		
CSOP	**Number of options**	**Vesting date**	**Exercise price £**	CSOP	Number of options	Vesting date	Exercise price £
David Lockhart	12,000	1 September 2012/13/14	**2.50**	David Lockhart	12,000	1 September 2012/13/14	2.50
Allan Lockhart	12,000	1 September 2012/13/14	**2.50**	Allan Lockhart	12,000	1 September 2012/13/14	2.50
Mark Davies	11,049	15 December 2012/13/14	**2.71**	Mark Davies	11,049	15 December 2012/13/14	2.71
Nick Sewell	11,049	15 December 2012/13/14	**2.71**	Nick Sewell	11,049	15 December 2012/13/14	2.71
	46,098				**46,098**		

			2014				2013
USOP	**Number of options**	**Vesting date**	**Exercise price £**	USOP	Number of options	Vesting date	Exercise price £
David Lockhart	272,286	1 September 2012/13/14	**2.50**	David Lockhart	272,286	1 September 2012/13/14	2.50
David Lockhart	348,000	26 September 2014	**2.35**	David Lockhart	348,000	26 September 2014	2.35
Allan Lockhart	192,686	1 September 2012/13/14	**2.50**	Allan Lockhart	192,686	1 September 2012/13/14	2.50
Allan Lockhart	338,000	26 September 2014	**2.35**	Allan Lockhart	338,000	26 September 2014	2.35
Paul Roy	200,000	15 December 2012/13/14	**2.50**	Paul Roy	200,000	15 December 2012/13/14	2.50
Mark Davies	38,693	15 December 2012/13/14	**2.71**	Mark Davies	38,693	15 December 2012/13/14	2.71
Mark Davies	15,000*	15 December 2012/13/14	**2.44**	Mark Davies	15,000	15 December 2012/13/14	2.44
Mark Davies	286,000	26 September 2014	**2.35**	Mark Davies	286,000	26 September 2014	2.35
Nick Sewell	102,647	15 December 2012/13/14	**2.71**	Nick Sewell	102,647	15 December 2012/13/14	2.71
Nick Sewell	15,000*	15 December 2012/13/14	**2.44**	Nick Sewell	15,000	15 December 2012/13/14	2.44
Nick Sewell	328,000	26 September 2014	**2.35**	Nick Sewell	328,000	26 September 2014	2.35
	2,136,312				**2,136,312**		

* These options were granted in March 2011, less than three years prior to the first vesting date.

Long-term performance share plan

On 14 January 2013, awards were granted for the first time under the NewRiver Retail Performance Share Plan 2009 ('PSP') following extensive consultation with shareholders.

The objective of the performance plan is to strengthen the alignment of Executive Directors interests with those of the shareholders and to motivate and retain high quality Executives. The vesting of the performance shares awarded in 2013 is based on three-year performance in terms of absolute Total Shareholder Return (TSR) and growth in adjusted EPRA earnings per share (EPS). These 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.

For shares allocated against the TSR performance, 25% vests if TSR is 10% on a compound annual basis with full vesting at 13%. For shares allocated against EPS performance, 25% may vest if the compound annual percentage growth in the adjusted EPRA earnings per share over the three-year performance period is 4% per annum with full vesting at 8%.

Additionally, for any shares to vest, the Committee must satisfy itself that the recorded TSR and EPS outcomes are a fair reflection of the underlying performance of the Company over the three-year performance period. Provisions for leavers and on change of control are aligned with best practice. Unvested awards will be subject to clawback in the event of material misstatements or gross misconduct at the Committee's discretion.

The appointment of Charles Miller as a Director terminated on 31 March 2014. For the purposes of his award, under the PSP he was treated as a 'good leaver', therefore his award of 85,000 shares granted in January 2013 was pro-rated to 34,310 shares with the period over which the performance criteria measured being 14 January 2013 to 31 March 2014. This award will now vest and be exercisable on 30 March 2015.

The shares under awards as at 31 March 2014 and 31 March 2013, are detailed below:

	2014			2013	
PSP award holder	**Number of shares under award**	**Vesting date**	PSP award holder	Number of shares under award	Vesting date
Mark Davies	91,000	14 January 2016	Mark Davies	91,000	14 January 2016
David Lockhart	116,500	14 January 2016	David Lockhart	116,500	14 January 2016
Allan Lockhart	116,500	14 January 2016	Allan Lockhart	116,500	14 January 2016
Charles Miller	34,310	30 March 2015	Charles Miller	85,000	14 January 2016
Nick Sewell	91,000	14 January 2016	Nick Sewell	91,000	14 January 2016
	449,310			500,000	

The Committee is currently considering the level and structure of performance share awards to be made in 2014.

Directors' report

For the year ended 31 March 2014

The Directors present their report and financial statements of the Group for the year ended 31 March 2014.

Principal activities and status

The Company is a Guernsey incorporated company which is managed and controlled in the UK. Since its admission and commencement of trading on AIM and the CISX on 1 September 2009, the Company has carried on business as a property investment, development and asset management company, specialising in retail commercial property in the UK. The listing of the Company's Ordinary Shares on the Daily Official List of the CISX was cancelled on 1 October 2013.

At Admission the Company was registered with the Guernsey Financial Services Commission ('GFSC') as a closed-ended investment company. Upon an application by the Company, the GFSC agreed to revoke the declaration of the Company as a registered closed-ended collective investment scheme pursuant to The Registered Collective Investment Scheme Rules 2008 on the basis that it is a general commercial trading company and hence no longer has the attributes of a collective investment scheme. To that effect, the Company is no longer subject to the supervision of the GFSC, save in respect of any new offer documents which will need to comply with the Guernsey Prospectus Rules 2008.

The Board has taken external advice on and considered the question of whether the Company is an 'alternative investment fund' for the purposes of the European Union's Directive on Alternative Investment Fund Managers (AIFMD). Whilst some features of the Company, particularly when the Company was first launched in 2009 and during the early years of its existence, could have led to a conclusion that the Company would fall within scope of the AIFMD, the Company has evolved since launch and now undertakes a significant amount of development of its property portfolio and other commercial activities. On that basis, the Board believes that the Company has a general commercial purpose and does not fall within the scope of the AIFMD.

Strategic Report

The Strategic Report for the year ended 31 March 2014 is set out on pages 1 to 37 and contains a fair review of the business of the Company during the year, including a description of the principal risks and uncertainties.

Results and dividend

The results for the year are set out in the financial statements. During the year, the Company paid an interim dividend of £4.0 million at 6 pence per share (2013: £2.0 million at 6 pence per share) and a special dividend of £6.7 million at 10 pence per share (2013 final dividend: £3.4 million at 10 pence per share).

The Board approved the reclassification of £148.5 million (2013: £4.6 million) of Share Premium to Other Reserves in the year.

The Board

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

Paul Roy	Non-Executive Chairman
David Lockhart	Chief Executive
Mark Davies	Finance Director
Allan Lockhart	Property Director
Nick Sewell	Director
Charlie Miller	Development Director (Resigned on 31 March 2014)
Andrew Walker	Non-Executive Director
Chris Taylor	Non-Executive Director
Kay Chaldecott	Non-Executive Director

The Board recognises the requirement of 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 Company and to consider the following matters which are key to the performance of the Company:

- Implementation of the agreed business strategy to focus on value creating retail property opportunities;
- Adequate funding is in place to implement the Company's business model;
- Monitoring of cash management policies and cash flow forecasts;
- The methodology and results of five-year business plans for each asset held;
- Responsibility for the financial reporting procedures and safeguarding the Company'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 budgets and 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.

Corporate Social Responsibility

The Directors recognise the impact that the business has on the environment, the communities in which it operates and society in general. The Board also recognises the link between businesses which operate a strong and well implemented Corporate Social Responsibility ('CSR') strategy and an increase in shareholder value.

The Company is continuing to develop and implement an appropriate CSR policy and strategy to strengthen the core offering of our business, and support the delivery of both our current and future business objectives. To this end, initiatives are focused in the areas where our shopping centres are located and are undertaken in partnership with local councils, educational establishments and community groups.

Substantial shareholdings

Shareholders with holdings of more than 3% of the issued Ordinary Shares of the Company at 4 May 2014 were:

Shareholder	Number of Ordinary Shares	% of Issued (undiluted) Share Capital
Invesco Perpetual	24,131,236	24.12%
JO Hambro Capital Management	8,384,496	8.38%
Forum European Realty Income III L.P.	7,598,418	7.60%
AXA Framlington Investment Managers	5,656,840	5.66%
Hargreave Hale, Stockbrokers	4,777,314	4.78%
Premier Asset Management	3,467,559	3.47%
Standard Life Investments	3,410,895	3.41%
Rathbones	3,062,454	3.06%

Convertible unsecured loan stock

On 22 November 2010, the Group issued £25 million of convertible unsecured loan stock ('CULS') where the stock holder may convert all or any of the stock into Ordinary Shares at the rate of 1 Ordinary Share for every £2.80 nominal value of convertible unsecured loan stock held, subject to the rate being adjusted to prevent dilution. The current conversion rate for A CULS holders is £2.51 and the rate for B CULS holders is £2.49. Under the terms of the CULS, interest will accrue at 5.85% on the outstanding loan stock until 31 December 2015 when it will either be converted or repaid. The interest payable on the CULS is due biannually on 30 June and 31 December. During the year, £1.5 million of CULS were converted at a conversion price of 259 pence per share which resulted in the issue of 579,151 Ordinary Shares.

Directors' report continued

For the year ended 31 March 2014

Directors' interests

Directors who held office at the year end and their interests in the shares of the Company as at the date of this report were:

	2014 Number of Ordinary Shares	2013 Number of Ordinary Shares
Paul Roy	**360,000**	360,000
David Lockhart	**1,660,000**	1,622,000
Mark Davies	**18,000**	14,000
Allan Lockhart	**211,684**	149,294
Charles Miller	**15,416**	0
Nick Sewell	**111,500**	107,500

All related party transactions are disclosed in Note 27.

Directors' insurance

The Company maintains liability insurance cover for the Directors and officers of the Group, which is reviewed annually.

Annual General Meeting

The Annual General Meeting will be held at 10.00 am on 2 July 2014 at 6th Floor, Holborn Gate, 330 High Holborn, London WC1V 7QD. At the meeting, resolutions will be proposed to receive the Annual Report and financial statements approve the Directors' remuneration, 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.

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.

Going concern

The Directors of NewRiver Retail Limited 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 properties;
- Cash flow forecasts, including capital expenditure relating to development and asset management and tenant incentive commitments, and forecast rental income;
- Financing arrangements and loan covenant compliance; and
- Timing of property acquisitions and sales.

The Group has considerable 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, it is currently well within prescribed financial covenants.

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 its 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 (see Note 1).

Directors' responsibility statement

The Directors are responsible for preparing the Annual 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 are required to prepare the Group 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, International Accounting Standard 1 requires that Directors:

- 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 Group's financial position and financial performance; and
- make an assessment of the Group'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 comply with the Companies (Guernsey) Law, 2008. 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 www.nrr.co.uk. Legislation in Guernsey and the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors confirm that to the best of our knowledge the financial statements, prepared in accordance with International Financial Reporting Standards, 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 Directors consider that as at the date of this report the Annual Report and Accounts 2014 taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

This information is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

Signed on behalf of the Board 14 May 2014

Mark Davies
Finance Director

Independent Auditor's report to the members of NewRiver Retail Limited

Opinion on financial statements of NewRiver Retail Limited	**In our opinion the financial statements:** • **give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of its profit for the year then ended;** • **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and** • **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.** The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related Notes 1 to 28. 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.
Going concern	We have reviewed the Directors' statement contained on page 50 that the Group is a going concern. We confirm that: • we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and • we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. 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.
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:

Risk	How the scope of our audit responded to the risk
NewRiver Retail Limited owns and manages a portfolio of commercial property assets. The valuation of the portfolio (including a number of development properties) is a significant judgement area and is underpinned by a number of assumptions. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the residual method with a deduction from gross development value for all costs necessary to complete the development together with an allowance for remaining risk. Specific to the Trent portfolio properties there are additional valuation considerations such as the agreement signed with Co-op to develop 54 sites for use as convenience stores and the status of planning permission.	• We assessed management's process for reviewing and challenging the work of the external valuer and development appraisals. • We met with the external valuers of the portfolio to discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including occupancy rates, yields and development proposals including planning advice and estimated costs to completion. • We benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the yield. • We assessed the competence, independence and integrity of the external valuer. • We performed audit procedures to assess the integrity of information provided to the independent valuer, including agreement on sample basis back to actual leases. • We performed testing over significant contracts which underpin the development property valuations, in particular the agreement signed with Co-op and the rental guarantee agreement with Marston's, including the operation of the public houses at the end of the four year Marston's rental guarantee period. Please see Note 12 of the financial statements.
Accounting for the creation of the new BRAVO joint ventures, including the assessment of the nature of the jointly controlled entity.	• We have reviewed the ownership and asset management agreements for the new joint ventures to verify accounting treatment as a joint venture, including decision making agreements and deadlock. Please see Note 13 of the financial statements.

Risk	How the scope of our audit responded to the risk
Going concern, focusing on adequacy of financing, cash flow forecasts and covenant compliance was considered to be an area of audit focus due to the Group's recent financing activities.	• We considered the adequacy of the Group's financing structure, including debt maturity profile and available liquidity. • We assessed management's cash flow forecasts and covenant calculations, including evaluating the key judgements within the forecast and assessing the sensitivity of the calculations to changes in key inputs, including rental income and property valuations. Please see Note 19 of the financial statements.
Revenue recognition, focusing on the accounting treatment for unusual or more complex items, including lease incentives and surrender premia.	• As part of our audit of revenue, we focused on any unusual and complex adjustments to revenue, agreeing all items to the underlying leases and recalculating the revenue recognised in relation to lease incentives. Please see Note 3 of the financial statements.

The Audit Committee's consideration of these risks is set out on page 42.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual 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.

We determined materiality for the Group to be £3 million which is below 2% of shareholders equity adjusted to exclude the cash raised from the February 2014 equity raise, on the basis this cash has not yet been invested.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £60,000, 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 audit scope was based on our assessment of the risks identified above, which were determined as a result of obtaining an understanding of the Group and its operating environment, including internal control. We carried out audit work on each of the underlying subsidiaries executed at levels of materiality applicable to each subsidiary, which in all instances was lower than Group materiality.

The audit of the Group's joint venture with Morgan Stanley Real Estate Fund ('MSREF'), which had at 31 December 2013 year end, is carried out by BDO LLP. The Group's interest in the Camel II joint venture and 50% interest in the Middlesbrough joint venture are audited by PriceWaterhouseCoopers LLP. We met with BDO and PriceWaterhouseCoopers and reviewed their audit working papers. This together with additional audit procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group's share of the results and net assets of these joint ventures. The Group's Camel III and Trent joint ventures also have 31 December year ends, but were not subject to an external audit at 31 December 2013. We have performed focused audit procedures on the significant transactions and balances within these two joint ventures.

The majority of the work on the key audit risks was performed centrally, including in respect of all valuations and material transactions. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.

Opinion on other matters expressly agreed in our engagement letter

In our opinion 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.

Other matters

Although not required to do so, the Directors have voluntarily chosen to make a Corporate Governance Statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent Auditor's report to the members of NewRiver Retail Limited continued

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • proper accounting records have not been kept by the parent company; or • the financial statements are not in agreement with the accounting records. We have nothing to report in respect of these matters.
Our duty to read other information in the Annual Report	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: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. 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. We confirm that we have not identified any such inconsistencies or misleading statements.
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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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 Section 262 of the Companies (Guernsey) Law, 2008. 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 those further matters we have expressly agreed to report to them on in our engagement letter 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 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.

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands

14 May 2014

Consolidated Income Statement

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 Income £'000	Year ended 31 March 2014 Capital £'000	Year ended 31 March 2014 Total £'000	Year ended 31 March 2013 Income £'000	Year ended 31 March 2013 Capital £'000	Year ended 31 March 2013 Total £'000
Gross property income	3	**18,197**	**–**	**18,197**	17,978	–	17,978
Property operating expenses	4	**(3,383)**	**–**	**(3,383)**	(3,591)	–	(3,591)
Net property income		**14,814**	**–**	**14,814**	14,387	–	14,387
Administrative expenses	5	**(6,420)**	**–**	**(6,420)**	(4,797)	–	(4,797)
Share of income from joint ventures	13	**4,296**	**14,503**	**18,799**	859	(1,483)	(624)
Net valuation movement	12	**–**	**(763)**	**(763)**	–	(2,157)	(2,157)
Profit on disposal of investment properties	6	**–**	**2,032**	**2,032**	–	811	811
Operating profit		**12,690**	**15,772**	**28,462**	10,449	(2,829)	7,620
Net finance expense							
Finance income	7	**105**	**–**	**105**	10	–	10
Finance costs	7	**(5,508)**	**–**	**(5,508)**	(6,220)	–	(6,220)
Profit for the year before taxation		**7,287**	**15,772**	**23,059**	4,239	(2,829)	1,410
Current taxation (charge)/credit	8	**(11)**	**–**	**(11)**	88	–	88
Profit for the year after taxation		**7,276**	**15,772**	**23,048**	4,327	(2,829)	1,498

	Notes	2014	2013
Earnings per share			
EPRA Adjusted (pence)	9	**15.7**	16.3
EPRA basic (pence)	9	**12.0**	13.6
Basic (pence)	9	**38.0**	4.7
Basic diluted (pence)	9	**33.2**	2.4

All activities derive from continuing operations of the Group. The Notes on pages 60 to 85 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	**Year ended 31 March 2014 £'000**	Year ended 31 March 2013 £'000
Profit for the year after taxation		**23,048**	1,498
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value gain/(loss) on interest rate swaps	19	**2,254**	(572)
Items that may be reclassified subsequently to profit or loss		**–**	–
Total comprehensive income for the year		**25,302**	926

The Notes on pages 60 to 85 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2014

	Notes	**31 March 2014 £'000**	31 March 2013 £'000
Non-current assets			
Investment properties	12	**214,124**	206,278
Investments in joint ventures	13	**74,851**	14,688
Property, plant and equipment	14	**384**	404
Total non-current assets		**289,359**	221,370
Current assets			
Trade and other receivables	16	**3,595**	1,981
Cash and cash equivalents	17	**89,555**	7,545
Total current assets		**93,150**	9,526
Total assets		**382,509**	230,896
Equity and liabilities			
Current liabilities			
Trade and other payables	18	**10,202**	10,994
Current taxation liabilities	18	**219**	424
Total current liabilities		**10,421**	11,418
Non-current liabilities			
Non-current taxation liabilities	18	**–**	220
Derivative financial instruments	19	**899**	2,080
Borrowings	19	**108,256**	112,697
Debt instruments	19	**23,306**	24,693
Total non-current liabilities		**132,461**	139,690
Net assets		**239,627**	79,788
Equity			
Share capital	22	**–**	–
Retained earnings	22	**26,107**	854
Other reserves	22	**212,981**	78,637
Hedging reserve	22	**(19)**	(2,273)
Share Option reserve	22	**453**	260
Revaluation reserve	22	**105**	2,310
Total equity		**239,627**	79,788
Net Asset Value (NAV) per share			
EPRA NAV (pence)	10	**240**	240
Basic (pence)	10	**241**	235
Basic diluted (pence)	10	**240**	235

The Notes on pages 60 to 85 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 May 2014 and were signed on its behalf by:

David Lockhart
Chief Executive

Mark Davies
Finance Director

Consolidated Cash Flow Statement

As at 31 March 2014

	Note	**31 March 2014 £'000**	31 March 2013 £'000
Cash flows from operating activities			
Profit before tax on ordinary activities for the year attributable to Shareholders		**23,059**	1,410
Adjustments for:			
Profit on disposal of investment property	6	**(2,032)**	(811)
Net movement from fair value adjustments on Investment Properties		**763**	2,157
Net movement from fair value adjustments in joint ventures		**(14,503)**	1,483
Profits in joint ventures		**(4,296)**	(859)
Net finance costs		**5,403**	6,210
Rent free lease incentive adjustment		**(645)**	(573)
Provision for bad debts		**26**	242
Amortisation of legal and letting fees		**199**	752
Depreciation on property plant and equipment		**60**	53
Share Options	24	**193**	73
Operating profit before changes in working capital		**8,227**	10,137
Changes in working capital:			
Decrease/(increase) in receivables and other financial assets		**218**	(4,367)
(Decrease)/increase in payables and other financial liabilities		**(2,725)**	5,786
Cash generated from operations before interest		**5,720**	11,556
Net finance costs		**(5,438)**	(5,829)
Corporation tax paid		**(424)**	(508)
Net cash generated from operating activities		**(142)**	5,219
Cash flows from investing activities			
Investment in joint ventures	13	**(42,400)**	(4,830)
Purchase of investment properties		**(5,096)**	(4,497)
Disposal of investment properties	6	**7,990**	811
Development and other capital expenditure		**(9,351)**	(3,208)
Purchase of plant and equipment	14	**(40)**	(53)
Dividends received		**1,668**	925
Net cash used in investing activities		**(47,229)**	(10,852)
Cash flows from financing activities			
Proceeds from issuance of new shares		**148,481**	4,552
Repayment of bank loans and other costs		**(6,105)**	–
New borrowings		**–**	4,607
Dividends paid	11	**(12,995)**	(4,543)
Net cash generated from financing activities		**129,381**	4,616
Cash and cash equivalents at the beginning of the year		**7,545**	8,562
Net increase/(decrease) in cash and cash equivalents		**82,010**	(1,017)
Cash and cash equivalents at the end of the year		**89,555**	7,545

The Notes on pages 60 to 85 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

As at 31 March 2014

	Notes	Retained earnings £'000	Share capital and Share premium £'000	Other reserves £'000	Hedging reserves £'000	Share Option reserves £'000	Revaluation reserves £'000	Total £'000
As at 1 April 2012		1,936	–	74,085	(1,701)	187	4,569	79,076
Net proceeds of issue from new shares	22	–	4,552	–	–	–	–	4,552
Transfer of share premium	22	–	(4,552)	4,552	–	–	–	–
Total comprehensive income for the year	22	1,498	–	–	(572)	–	–	926
Realisation of fair value movements	22	102	–	–	–	–	(102)	–
Share-based payments	22	–	–	–	–	73	–	73
Dividend payments	11	(4,839)	–	–	–	–	–	(4,839)
Revaluation movement	22	2,157	–	–	–	–	(2,157)	–
As at 31 March 2013		**854**	**–**	**78,637**	**(2,273)**	**260**	**2,310**	**79,788**
Net proceeds of issue from new shares	22	–	148,481	–	–	–	–	148,481
Transfer of share premium	22	–	(148,481)	148,481	–	–	–	–
Total comprehensive income for the year	22	23,048	–	–	2,254	–	–	25,302
Realisation of fair value movements	22	1,442	–	–	–	–	(1,442)	–
Share-based payments	22	–	–	–	–	193	–	193
Dividend payments	11	–	–	(14,137)	–	–	–	(14,137)
Revaluation movement	22	763	–	–	–	–	(763)	–
As at 31 March 2014		**26,107**	**–**	**212,981**	**(19)**	**453**	**105**	**239,627**

The Notes on pages 60 to 85 form an integral part of these financial statements

Notes to the financial statements

1 Accounting policies

General information

NewRiver Retail Limited (the 'Company') and its subsidiaries (together the 'Group') is a property investment group specialising in commercial real estate in the UK. NewRiver Retail Limited was incorporated on 4 June 2009 in Guernsey under the provisions of The Companies (Guernsey) Law, 2008. On 22 November 2010, the Company converted to a REIT and repatriated effective management and control to the UK. The Company's registered office is Old Bank Chambers, La Grande Rue, St Martin's, Guernsey GY4 6RT and the business address is 37 Maddox Street, London W1S 2PP. The Company is publicly traded on the AIM market under the symbol NRR. On 1 October 2013 NewRiver Retail Limited delisted from CISX.

The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 14 May 2014.

Going concern

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

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

The Group has cash and short-term deposits, 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, it is currently well within prescribed financial covenants. Together with its cash resources the Group will arrange bank facilities to fund any future risk-controlled developments.

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, unless otherwise stated.

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'). The financial statements are presented in GBP. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment and development properties, joint venture interests and derivatives which are stated of fair value.

Income and cash flow statement

NewRiver Retail Limited has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group has reported the cash flows from operating activities using the indirect method which has been changed from prior year. 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, its subsidiaries and the Special Purpose Vehicles ('SPV's') 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. Intra group transactions are eliminated in full.

Changes in accounting policy and disclosure

New and amended standards adopted early by the Group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items present in 'other comprehensive income' ('OCI') on the basis of whether they are potentially re-classifiable to profit or loss subsequently ('reclassification adjustments'). This has affected presentation only.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard had no material impact on the Group's financial statements.
- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its shares of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures

1 Accounting policies continued

are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard had no material impact on the Group's financial statements.

- IFRS 12, 'Disclosures of interest in other entities' includes the disclosure requirements for all forms of interest in other entities and has resulted in additional disclosures.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Whilst this has not had any material impact on the carrying value of assets and liabilities, this standard has led to additional disclosures being included in these accounts.

New standards and interpretations issued but not effective:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosures of interest in other entities', IAS 27, 'Separate financial statements' – Investment entities: The amendments define an investment entity and introduce an exception to consolidation particular for subsidiaries for investment entities.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units which has been included in IAS 36 by the issue of IFRS 13. (Mandatory from 1 Jan 2014)

The Directors do not expect the adoption of the standards listed above to have a significant impact on the financial statements of the Group in future periods.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation

Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

i. 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 3 are recognised at their fair value at the acquisition.

Whilst a corporate acquisition would normally be accounted for under IFRS 3, there are situations where these transfers may not qualify as business combinations. This is considered on a case by case basis by management in light of the substance of the acquisition.

The consideration payable in respect of each acquisition may be dependent upon certain future events. In calculating the cost of each acquisition the Group has assessed the most probable outcome as at the balance sheet date. These amounts are reconsidered annually at each year end and changes to consideration are taken to the income statement.

ii Joint ventures
The Group's investment properties are typically held in property specific special purpose vehicles ('SPVs'), which may be legally structured as a joint venture.

In assessing whether a particular SPV is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the venture are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the SPV, so as to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the SPV as a joint venture or subsidiary undertaking. The Group considers this position with the evidence available at the time.

The consolidated financial statements account for interests in joint ventures using the equity method of accounting per IFRS 11. Any premium paid for an interest in a jointly controlled entity above fair value of identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the goodwill accounting policy.

Investment property

Property held to earn rentals and for capital appreciation 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 related transaction costs. After initial recognition, investment property is carried at fair value. The Group has appointed Colliers International as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with the appropriate Sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation – Professional Standards, (the 'Red Book'). This is an internationally accepted basis of valuation.

Notes to the financial statements continued

1 Accounting policies continued

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 existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

In completing these valuations the valuer considers the following:

i. current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii. discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to the term loans. A property ceases to be treated as a development property on practical completion.

Development property

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the income statement. All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and equipment 10% – 25%

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 and is recognised in income.

Leasing (as lessors)

Properties leased out under operating leases are included in investment property in the balance sheet. The Group makes payments to agents for services in connection with lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Leasing (as lessees)

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.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Goodwill is reviewed for impairments annually.

Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets consist of loans and receivables.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand.

The financial instruments classified as financial assets at fair value through profit or loss include interest rate swap arrangements. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value, transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in the Statement of Comprehensive Income in net change in fair value of financial instruments at fair value through Other Comprehensive Income.

These financial instruments would be classified as Level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices. There were no transfers between levels in the current period.

1 Accounting policies continued

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

- Interest rate swap contracts are measured using the Midpoint of the yield curve prevailing on the reporting date. The valuations have been made on a clean basis in that they do not include accrued interest from the previous settlement date to the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

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

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

In relation to trade receivables, a provision for impairment is made when 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 of the invoice. 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. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities as appropriate.

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 accounted for as cash flow hedges.

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, and is included in the 'other gains and losses' line item.

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 recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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. Any gain or loss recognised in Other Comprehensive Income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Convertible Unsecured Loan Stock

Convertible Unsecured Loan Stock consists of both a liability and equity element. On issue of convertible loan stock, management assess the fair value of the liability by reference to the cash flow to redemption associated with the instrument, discounted at a market rate of interest. The difference between the issue proceeds and the fair value of the liability is allocated to the equity element of the instrument.

Notes to the financial statements continued

1 Accounting policies continued

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as non-current liabilities as the Group has a right to defer settlement of the liability for at least 12 months after the date of the Balance Sheet.

Tax

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.

Value added tax

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

i. 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

ii. 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.

REIT Status

The Company entered the REIT regime on 22 November 2010 and is not exposed to tax on qualifying UK property rental income and gains arising from disposal of exempt property assets, for this reason deferred tax has not been provided for on revaluations.

To continue to benefit from UK REIT tax regime, the Group is required to comply with certain conditions in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. NewRiver Retail Limited is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. The Group continues to meet these conditions and Management intends that the Group should continue as a UK REIT for the foreseeable future.

Employee benefits

Share-based payments

i. Share Options
Share Options have been granted to key management as set out in Note 24. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Group accounts for the fair value of these options at grant date over the vesting period in the Income Statement, with a corresponding increase to the share-based payment reserve. The fair value was calculated based on the Black Scholes Model using the following inputs:

Share price	£2.35 – £2.50
Exercise price	£2.35 – £2.71
Expected volatility	25%* – 10%*
Risk free rate	1.39% – 2.60%
Expected dividends*	6% – 3%

* based on quoted property sector average (not NewRiver Retail Limited's expected dividend).

ii Performance Shares
Performance shares have been granted to Executive staff and Directors as set out in Note 24. These may only vest and be capable of exercise in accordance with the Performance Share Plan ('PSP') rules to the extent that the two performance conditions are met.

(1) The compound annual total shareholder return ('Compound TSR') for the Company must equal or exceed 10% over the period of three years commencing on the grant date; and

(2) the compound annual percentage growth in the adjusted EPRA earnings per share ('EPS') of the Company must equal or exceed 4% over the period of three years commencing on the first day of the relevant financial year in which the grant date falls.

The Compound TSR condition has been valued using a Monte Carlo valuation model. The Monte Carlo Option Pricing Model is a stochastic model that uses probability analysis to calculate the value of options subject to market vesting conditions.

1 Accounting policies continued

The EPS condition has been valued using a Black-Scholes Model. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Group accounts for the fair value of these options at grant date over the vesting period in the Income Statement, with a corresponding increase to the share-based payment reserve. The fair value was calculated based on the Black-Scholes Model using the following inputs:

Share price	£2.01 – £2.13
Exercise price	£N/A
Expected volatility	8% – 9.5%
Risk free rate	0.45% – 0.61%
Expected dividends	7.0% – 7.5%

iii. Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the Income Statement on the purchased, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in the reserves.

The Group has issued a number of shares to an Employee Benefit Trust (EBT) as detailed in Note 23. As this EBT is controlled by the Group, it is consolidated in these financial statements and unallocated shares held by the EBT are shown as treasury shares.

Provisions

Provisions for legal claims are recognised when:

- The amount can be reliably estimated;
- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

Revenue recognition

i Rental income
Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. 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.

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 lease incentive payment, including 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. 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.

ii. Asset management fees
Management fees are recognised in the income statement on an accruals basis.

iii. Promote payments
The Group is contractually entitled to receive a promote payment should the returns from the 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. 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 the Board.

Finance income and costs

Finance income and costs are recognised within the finance income and finance costs in the Statement of Comprehensive Income 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 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.

Other expenses

Expenses include legal, auditing and other fees. They are recognised in the Statement of Comprehensive Income in the period in which they are incurred (on an accruals basis).

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

In the process of applying the Group's accounting policies, management is of the opinion that any instances of application of judgements did not have a significant effect on the amounts recognised in the financial statements.

Notes to the financial statements continued

1 Accounting policies continued

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.

i. Investment properties
As described above, the Group's investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.

ii. Valuation of joint venture properties
The valuation of the Group's development property portfolio contained within joint ventures is inherently subjective due to, amongst other factors, the individual nature of each property, forecast trading EBITDA, the status of planning consent, obtaining vacant possession, development cost projections and the expected future rental income, incorporating tenant credit risk. As a result, the valuations the Group places on its development property portfolio are subject to a degree of uncertainty and are made on the basis of current relevant information available at the date of valuation.

iii. Valuation of share-based payments
Management has relied on the services of external experts to determine the fair value of share-based payments. This requires significant estimates of a number of inputs which are used to model that fair value.

iv. Valuation of Convertible Unsecured Loan Stock
Management was required to make estimates with the assistance of external experts to conclude on the valuation of the Convertible Unsecured Loan Stock at the date of issue. The issuance of the compound instrument was between two knowledgeable parties at arm's length and at a market rate of 5.85% pa for five years. Management have concluded that the value of the convertible option was negligible and the value resided in the debt portion of the instrument at the date of issue.

v. Impairment in investments and joint ventures
Determining whether investments are impaired requires an estimation of the fair values less cost to sell and value in use of those investments. The process requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of those investments based on such estimates.

vi. Property disposals
The Company has elected for REIT status. To continue to benefit from this regime, the Group is required to comply with certain conditions as defined in the REIT legislation. In particular, Management are required 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. If HMRC were to challenge the tax treatment on the disposal of a property, particularly for properties for which redevelopment works have occurred and disposal is within a three year period since acquisition, and consider this to be trading in nature, this may give rise to a tax charge. The Group has determined that all property acquisitions during the year, including those within joint ventures should be included within the REIT ring-fence and therefore has not recognised any deferred tax on the revaluation movements since acquisition, and that all property disposals during the year generated a taxable loss. The Group has unrecognised tax losses carried forwards of £1 million at 31 March 2014 as detailed in Note 8.

2 Segmental reporting

During the year the Group operated in one business segment, being property investment in the UK and as such no further information is provided.

3 Gross property income

	2014 £'000	2013 £'000
Rental and related income	16,046	16,308
Asset management fees	1,699	653
Surrender premiums and commissions	452	1,017
Gross property income	**18,197**	17,978

4 Property operating expenses

	2014 £'000	2013 £'000
Amortisation of tenant incentives and letting costs	465	402
Ground rent payments	717	733
Rates on vacant units	402	482
Other property operating expenses	703	700
Property operating expenses	**2,287**	2,317
Service charge income	2,830	2,602
Service charge expense	(3,926)	(3,876)
Net service charge expense	1,096	1,274
Total property operating expenses	**3,383**	3,591

5 Administrative expenses

	2014 £'000	2013 £'000
Group staff costs	4,270	2,943
Depreciation	60	53
Share Option expense	193	73
Administration and other operating expenditure	1,897	1,728
Administrative expenses	**6,420**	4,797
Asset management fees	(1,699)	(653)
Net administrative expenses	**4,721**	4,144
Net administrative expenses as a % of gross rental income (including share of joint ventures)	**22%**	24%

	2014 £'000	2013 £'000
Auditor's remuneration		
Fees payable to the Company's auditor for the year-end audit	147	118
Fees payable to the Company's auditor for the interim review	25	25
Total audit fees	**172**	143
Fees payable to the Company's auditor for reporting accountant services	–	23
Total non-audit fees	**–**	23
Total	**172**	166

Notes to the financial statements continued

5 Administrative expenses continued

	2014 Number	2013 Number
Average staff numbers including Directors	**23**	19

6 Profit on disposal of investment properties

	2014 £'000	2013 £'000
Gross disposal proceeds	**7,990**	850
Costs of disposal	**(120)**	(39)
Net disposal proceeds	**7,870**	811
Carrying value	**(5,838)**	–*
Profit on disposal	**2,032**	811

* There was no carrying value associated with the sale of Gilmour House in the prior year as it was vacant and of nil value when acquired as part of the investment property at Paisley.

7 Finance income and expense

	2014 £'000	2013 £'000
(a) Finance income		
Income from cash and short-term deposits	**105**	10
Total finance income	**105**	10
(b) Finance costs		
Interest on bank loans	**4,057**	4,645
Interest on debt instruments	**1,451**	1,575
Total finance costs	**5,508**	6,220
Net finance cost	**5,403**	6,210

Interest on debt instruments relates to the Convertible Unsecured Loan Stock.

More details on the Group's borrowings are provided in Note 19.

8 Taxation

The tax expense for the year comprises:

	2014 £'000	2013 £'000
Current taxation		
UK Corporation Tax at 22% (2013: 24%)	**11**	(88)
Tax charge/(credit) for the year	**11**	(88)

8 Taxation continued

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

	2014 £'000	2013 £'000
Profit before tax	**23,059**	1,410
Tax at the current rate of 22% (2013: 24%)	**5,073**	338
Reversal of prior year tax over provision	**–**	(120)
Tax effect of profit under REIT regime	**(5,062)**	(306)
Tax charge/(credit)	**11**	(88)

At the time of the Company's REIT conversion on 22 November 2010, a provision of £1.6 million (representing a 2% charge on the assets taken into the regime) was made for the REIT conversion charge which the Company has chosen to pay over four years (which carries as 0.19% charge). The instalments are payable annually between June 2011 and July 2014.

As at 31 March 2014, the Group had surplus UK revenue tax losses carried forward of £0.9 million (2013: £0.5 million) and surplus UK capital losses of £0.1 million (2013: £0.1 million).

9 Earnings per share

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in September 2011 and additional guidance in January 2012, 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 and the REIT conversion charge. We have also disclosed an EPRA adjusted profit measure which includes realised gains on disposals and adds back Share Option expense as it is unrealised.

The National Association of Real Estate Investment Trusts (NAREIT) Funds From Operations (FFO) measure is similar to EPRA earnings and is a performance measure used by many property analysts. The main difference to EPRA earnings with respect to the Group is that it adds back the amortisation of leasing costs and tenant incentives and is based on US GAAP.

The calculation of basic and diluted earnings per share is based on the following data:

	2014 £'000	2013 £'000
Earnings		
Earnings for the purposes of basic and diluted EPS being profit after taxation	**23,048**	1,498
Adjustments to arrive at EPRA profit		
Unrealised deficit on revaluation of investment properties	**763**	2,157
Unrealised (surplus)/deficit on revaluation of joint venture investment properties	**(14,503)**	1,483
Profit on disposal of investment properties	**(2,032)**	(811)
EPRA profit	**7,276**	4,327
Profit on disposal of investment properties	**2,032**	811
Share Option expense	**193**	73
EPRA adjusted profit	**9,501**	5,211
Adjustments to EPRA profit to arrive at NAREIT FFO		
EPRA profit	**7,276**	4,327
Amortisation of tenant incentives and letting costs	**465**	402
Amortisation of rent-free periods	**(645)**	(573)
NAREIT FFO	**7,096**	4,156

Notes to the financial statements continued

9 Earnings per share continued

Number of shares	2014 No. 000s	2013 No. 000s
Weighted average number of Ordinary Shares for the purposes of basic EPS and basic EPRA EPS	**60,632**	31,904
Effect of dilutive potential Ordinary Shares:		
Options	**228**	–
Warrants	**267**	–
CULS	**–**	–
MSREI joint venture conversion	**3,093**	–
Weighted average number of Ordinary Shares for the purposes of basic diluted EPS and basic diluted EPRA EPS	**64,220**	31,904
EPRA Adjusted EPS (pence)	**15.7**	16.3
EPRA EPS basic (pence)	**12.0**	13.6
EPRA diluted EPS (pence)	**11.4**	13.6
FFO EPS basic (pence)	**11.7**	13.0
EPS basic (pence)	**38.0**	4.7
Diluted EPS basic (pence)	**33.2**	2.4

Under the terms of the Limited Partnership Agreement relating to NewRiver Retail Investments LP dated 28 February 2010, MSREI has been granted the right to convert its interest in the JV or part thereof on a NAV for NAV basis into shares of NewRiver Retail Limited, up to 10% of the share capital of NewRiver Retail Limited during the joint venture period. This conversion would currently have a dilutive effect on the Group's EPS calculation of 4.6 pence (accretive effect in the prior year) and an accretive effect on the Group's EPRA EPS calculation of 0.5 pence (accretive effect in prior year).

10 Net asset value per share

	2014			2013		
	Total equity £000's	**Shares No'000's**	**Pence per share**	Total equity £000's	Shares No'000's	Pence per share
Basic	**239,627**	**99,379**	**241**	79,788	34,030	235
Warrants in issue	**1,488**	**865**	**172**	1,673	811	206
Unexercised Share Options	**3,372**	**1,730**	**195**	–	–	–
Diluted	**244,487**	**101,974**	**240**	81,461	34,841	235
Fair value derivatives	**19**	**–**	**–**	2,273	–	–
EPRA	**244,506**	**101,974***	**240**	83,734	34,841	240

* The number of shares in issue is adjusted under the EPRA calculation to assume conversion of the warrants, options, shares from the long-term incentive plan and the Convertible Unsecured Loan Stock converted to equity providing they have a dilutive effect.

11 Dividends

The following dividends are associated with the current and prior years:

Payment date	Dividend	PID	Non-PID	Pence per share	2014 £'000	
Current year dividends						
31 January 2014	2014 Interim dividend	6.0	0.0	6.0	**4,003**	
28 March 2014	2014 Special interim dividend	10.0	0.0	10.0	**6,730**	
				16.0	**10,733**	
Prior year dividends					2013 £'000	2012 £'000
25 July 2013	2013 Final dividend	10.0	0.0	10.0	3,404	–
30 January 2013	2013 Interim dividend	6.0	0.0	6.0	–	2,042
				16.0	–	–
13 July 2012	2012 Final dividend	9.0	0.0	9.0	–	2,797
					3,404	4,839
Dividends in consolidated statement of changes in equity					14,137	4,839
Dividends settled in cash during the year				26.0	14,137	4,839
Timing difference related to payment of withholding tax on dividends					(1,142)	(296)
Dividends in cash flow statement					12,995	4,543

The Company paid an interim dividend on 31 January 2014 of 6 pence per share (2013: 6 pence) and brought forward the payment of the final dividend by making a special interim dividend of 10 pence per share (2013: Nil) on 28 March 2014. The total dividend payable for the year ended 31 March 2014 is therefore 16 pence per share (2013:16 pence) and is 98% (2013: 102%) covered by the EPRA adjusted profit per share of 15.7 pence. The Company also announced recently that it is moving to a quarterly dividend policy in the year ended 31 March 2015.

The dividends have been paid entirely as a PID (Property Income Distribution). PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax (currently 20%). However, certain classes of shareholders may be able to claim exemption from deduction of withholding tax.

Notes to the financial statements continued

12 Investment properties

	2014 £'000	2013 £'000
Fair value brought forward	**206,278**	197,736
Acquisitions and improvements in the year	**14,447**	10,699
Disposals in the year	**(5,838)**	–
	214,887	208,435
Valuation movement gains/(losses) in profit and loss	**(763)**	(2,157)
Fair value at 31 March 2014	**214,124**	206,278

It is the Group's policy to carry investment properties at fair value in accordance with IAS 40 "Investment Property". The fair value of the Group's investment property at 31 March 2014 has been determined on the basis of open market valuations carried out by Colliers International who are the external independent valuers to the Group.

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.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation processes

The Group's investment properties have been valued at fair value on 31 March 2014 by independent valuers, Colliers International Valuation UK LLP, on the basis of fair value in accordance with the Current Practice Statements contained in The Royal Institution of Chartered Surveyors Valuation – Professional Standards, (the "Red Book").

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

		Property ERV per sq ft (£)			Property Rent per sq ft (£)			Property Equivalent Yield (%)		
Segment	Fair value (£'000)	Min	Max	Average	Min	Max	Average	Min	Max	Average
Shopping centres	253,241	7.89	34.29	12.25	5.11	29.16	11.08	6.4	12.0	8.0
High street	51,487	4.74	24.44	9.46	0.00	22.47	8.24	5.3	11.5	7.1
Supermarkets/ Convenience stores	6,700	10.94	15.82	12.91	10.31	13.33	11.53	6.5	6.8	6.7
	311,428	**4.74**	**34.29**	**11.99**	**0.00**	**29.16**	**10.34**	**5.3**	**12.0**	**7.7**

		Property Rent per sq ft (£)			Net Initial Yield (%)		
Segment	Fair value (£'000)	Min	Max	Average	Min	Max	Average
Pub portfolio	47,885	5.22	70.95	19.56	8.6	18.9	12.1
Convenience store development portfolio	4,033	10.79	20.00	15.14	6.3	7.5	7.1
	51,918						
Group Total	**363,346**						
By Ownership							
Wholly owned	214,124						
Joint ventures	149,222						
Group Total	**363,346**						

The fair value at 2014 represents the highest and best use.

Revenues are derived from a large number of tenants with no single tenant or group under common control contributing more than 5% of the Group's revenue.

12 Investment properties (continued)

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 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.

Valuation techniques underlying the Group's estimation of fair value including joint ventures

The investments are several retail assets in the UK with a total carrying amount of £363.4 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.

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

There were no changes in valuation techniques during the period, however, this was the first period that properties within the Trent portfolio were valued using the residual method for development valuations.

The portfolio has been valued by external valuers biannually, on a fair value basis in accordance with the RICS Red Book. Valuation reports are based on both information provided by the Group, e.g. current rents and lease terms which is derived from the Company's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers, e.g. ERVs and yields. These assumptions are based on market observation and the valuer's professional judgement.

The fee payable to the valuers is on a fixed basis.

13 Investments in joint ventures

	2014 £'000	2013 £'000
Opening balance	**14,688**	11,275
Additional joint venture interests acquired during the year(1)	**42,400**	4,830
Income from joint ventures	**4,296**	859
Net valuation movement	**14,503**	(1,483)
Distributions and dividends(1)	**(1,668)**	(925)
Loan repayment	**(282)**	–
Hedging movements	**914**	132
Net book value	**74,851**	14,688

Name	Country of incorporation	**% Holding 2014**	**% Holding 2013**
NewRiver Retail Investments LP and NewRiver Retail Investments (GP) Ltd*	Guernsey	**50**	**50**
NewRiver Retail Property Unit Trust	Jersey	**10**	**10**
NewRiver Retail Property Unit Trust No.2	Jersey	**50**	**–**
NewRiver Retail Property Unit Trust No.3	Jersey	**50**	**–**
NewRiver Retail Property Unit Trust No.4	Jersey	**50**	**–**

(1) The net cash outflow during the year was £40.73 million (2013: cash outflow £3.91 million).

* 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. These entities have been set up to facilitate the investment in retail properties in the UK by the Barley JV.

Notes to the financial statements continued

13 Investments in joint ventures (continued)

There are currently five joint ventures which are equity accounted for as set out below:

NewRiver Retail Property Unit Trust, NewRiver Retail Property Unit Trusts No 2, 3 and 4.

NewRiver Retail Property Unit Trust (the 'CAMEL II JV') is an established jointly controlled Jersey Property Unit Trust set up by NewRiver Retail Limited and PIMCO BRAVO Fund LP ('BRAVO') to invest in UK retail property. NewRiver Retail Property Unit Trusts No 2, 3 and 4 (the 'Middlesbrough, 'Camel III' and 'Trent' JVs) are established jointly controlled Jersey Property Unit Trusts set up by NewRiver Retail Limited and PIMCO BRAVO II Fund LP ('BRAVO II') to invest in UK retail property.

The CAMEL II JV is owned 10% by NewRiver Retail Limited and 90% BRAVO. The Middlesbrough, Camel III and Trent JVs are owned 50% by NewRiver Retail Limited and 50% BRAVO II. NewRiver Retail (UK) Limited is the appointed asset manager on behalf of these JVs and receives asset management fees, development management fees and performance-related return promote payments.

No promote payment has been recognised during the period and the Group is entitled to receive promote payments only after achieving the agreed hurdles. Management have taken the decision to account for the equity interest in JVs as an associate as the Group has significant influence over decisions made by each joint venture but is not able to exert complete control over these joint ventures.

The JVs have an acquisition mandate to invest in UK retail property with an appropriate leverage with future respective equity commitments being decided on a transaction-by-transaction basis. In line with the existing NewRiver investment strategy, the JVs will target UK retail property assets with the objective of delivering added value and above average returns through NewRiver's proven skills in active and entrepreneurial asset management and risk-controlled development.

All JVs have a 31 December year end and the Group has applied equity accounting for its interest in each JV. The aggregate amounts recognised in the consolidated balance sheet and income statement eliminate intercompany transactions and are as follows:

	2014 NewRiver Retail Property Unit Trust, 2, 3, 4 Total £'000	**31 March 2014 Group's share £000**	2013 NewRiver Retail Property Unit Trust £'000	31 March 2013 Group's Share £'000
Balance sheet				
Non-current assets	**346,560**	**131,060**	90,401	9,040
Current assets	**12,475**	**4,429**	4,668	467
Current liabilities	**(9,152)**	**(3,207)**	(4,663)	(466)
Senior debt	**(164,666)**	**(65,333)**	(42,500)	(4,250)
Non-current assets/(liabilities)	**1,711**	**484**	(46)	(5)
Net assets	**186,928**	**67,433**	47,860	4,786
Income statement				
Net income	**17,046**	**5,078**	2,325	232
Administration expenses	**(936)**	**(271)**	(128)	(13)
Finance costs	**(4,071)**	**(1,230)**	(590)	(59)
Recurring income	**12,039**	**3,577**	1,607	160
Fair value surplus on property revaluations	**45,443**	**16,963**	–	–
Income from joint ventures	**57,482**	**20,540**	1,607	160

The Group's share of any contingent liabilities to the JPUTs is £nil (2013: £nil).

NewRiver Retail Investments LP

NewRiver Retail Investments LP (the 'Barley JV') is an established jointly controlled limited partnership set up by NewRiver Retail Limited and Morgan Stanley Real Estate Investing ('MSREI') to invest in UK retail property.

The Barley JV is owned equally by NewRiver Retail Limited and MSREI. NewRiver Retail (UK) Limited is the appointed asset manager on behalf of the Barley JV and receives asset management fees as well as performance-related return promote payments.

13 Investments in joint ventures (continued)

No promote payment has been recognised during the period and the Group is entitled to receive promote payments only after achieving the agreed hurdles. Under the terms of the Limited Partnership agreement relating to NewRiver Retail Investments LP dated 28 February 2010, MSREI has been granted the right to convert its interest in the Barley JV or part thereof on a NAV for NAV basis into shares of NewRiver Retail Limited, up to 10% of the share capital of NewRiver Retail Limited up until its fifth anniversary of 17 May 2015. This conversion would currently have a dilutive effect on the Group's EPS calculation of 4.5 pence and an accretive effect on the Group's EPRA EPS calculation of £0.5 pence (accretive in the prior period). See Note 9.

In line with the existing NewRiver investment strategy, the Barley JV will target UK retail property assets with the objective of delivering added value and above average returns through NewRiver's proven skills in active and entrepreneurial asset management and risk-controlled development and refurbishment.

The Barley JV has a 31 December year end and the Group has applied equity accounting for its interest in the Barley JV. The aggregate amounts recognised in the consolidated balance sheet and income statement eliminate intercompany transactions and are as follows:

	2014 NewRiver Retail Investments (GP) Ltd Total £'000	**2014 Group's Share 50% £'000**	2013 NewRiver Retail Investments (GP) Ltd Total £'000	2013 Group's Share 50% £'000
Balance sheet				
Non-current assets	**36,325**	**18,162**	41,700	20,850
Current assets	**2,294**	**1,147**	1,880	940
Current liabilities	**(1,221)**	**(610)**	(1,118)	(559)
Senior debt	**(22,466)**	**(11,233)**	(22,466)	(11,233)
Non-current liabilities	**(97)**	**(48)**	(192)	(96)
Net assets	**14,835**	**7,418**	19,804	9,902
Income statement				
Net income	**2,314**	**1,157**	2,592	1,296
Administration expenses	**(269)**	**(134)**	(312)	(156)
Finance costs	**(606)**	**(303)**	(882)	(441)
Recurring income	**1,439**	**720**	1,398	699
Fair value (deficit) on property revaluations	**(4,921)**	**(2,460)**	(2,967)	(1,483)
Deficit from joint ventures	**(3,482)**	**(1,740)**	(1,569)	(784)

The Group's share of any contingent liabilities to the Barley JV is £nil (2013: £nil).

Notes to the financial statements continued

14 Property, plant and equipment

	Fixtures and equipment £'000	Total £'000
Cost		
At 1 April 2012	415	415
Additions	53	53
At 31 March 2013/1April 2013	468	468
Additions	40	40
At 31 March 2014	**508**	**508**
Depreciation		
At 1 April 2012	(11)	(11)
Depreciation charge for the year	(53)	(53)
At 31 March 2013/1April 2013	(64)	(64)
Depreciation charge for the year	(60)	(60)
At 31 March 2014	**(124)**	**(124)**
Book value at 31 March 2014	**384**	**384**
Book value at 31 March 2013	404	404

15 Investment in subsidiary undertakings

Below is a list of the Group's principal subsidiaries

Name	Country of incorporation	Activity	Proportion of ownership interest 2014	Class of share
NewRiver Retail (Boscombe No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Carmarthen) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail CUL No. 1 Limited	UK	Finance Company	100%	Ordinary Shares
NewRiver Retail Holdings Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 2 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 3 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 4 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Market Deeping No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Newcastle No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Paisley) 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	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 5) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (UK) Limited	UK	Company operation and asset management	100%	Ordinary Shares
NewRiver Retail (Wisbech) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Witham) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wrexham No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Leisure Limited	UK	Real estate investments	100%	Ordinary Shares

The Group's investment properties are held by its subsidiary undertakings.

In addition, the EBT is consolidated as disclosed in Note 23.

16 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**2,495**	1,192
Prepayments and accrued income	**1,100**	789
Other receivables	**–**	–
	3,595	1,981

All amounts fall due for payment in less than one year.

A provision of £0.4 million (2013: £0.4 million) was made against trade receivables as at 31 March 2014.

Notes to the financial statements continued

17 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank	**89,555**	7,545
	89,555	7,545

18 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**1,468**	1,609
Other payables	**617**	888
Accruals	**4,993**	5,394
Rent received in advance	**3,124**	3,103
	10,202	10,994
Taxation – current	**219**	424
Current trade and other payables	**10,421**	11,418
Taxation – non-current	**–**	220
Non-current trade and other payables	**–**	220

19 Borrowings

	2014 £'000	2013 £'000
Secured bank loans	**108,256**	112,697
Convertible Unsecured Loan Stock	**23,306**	24,693
	131,562	137,390
Maturity of borrowings:		
Less than one year	**–**	–
Between one and two years	**23,306**	–
Between two and five years	**40,373**	137,390
Over five years	**67,883**	–
	131,562	137,390

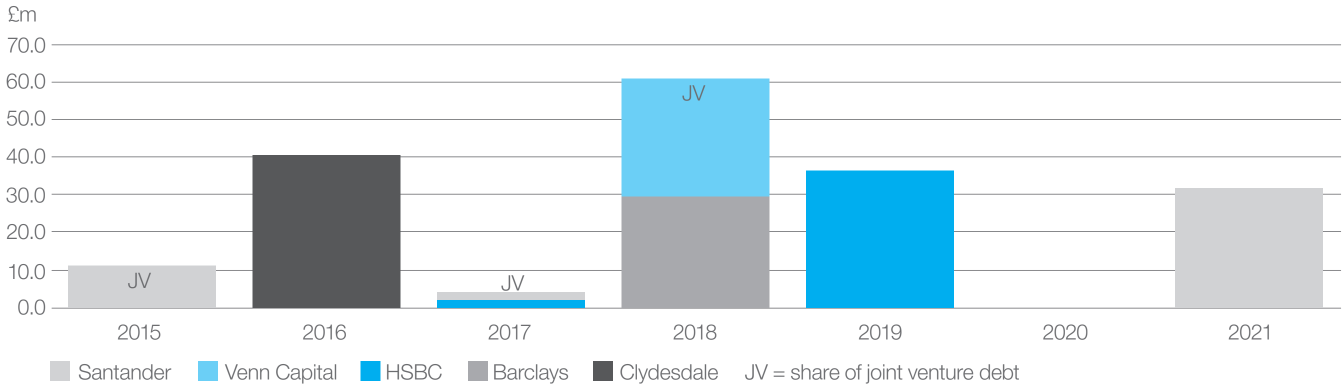
Secured bank loans

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.

Weighted average debt maturity including extension options is 4.5 years (2013: 3.1 years).

Effective interest rate during the year to 31 March 2014 was 3.9% (2013: 3.9%)

Debt maturity profile as at 31 March 2014



19 Borrowings continued

Facility and arrangement fees

Current year	Maturity date	Credit approved extension(1)	Facility drawn £'000	Fees £'000	Amortised £'000	2014 Balance £'000
HSBC*	**November 2015**	**May 2019**	**36,475**	**(346)**	**231**	**36,360**
Clydesdale**	**August 2016**		**40,645**	**(539)**	**267**	**40,373**
Santander***	**February 2021**		**31,891**	**(368)**	**–**	**31,523**
			109,011	**(1,253)**	**498**	**108,256**
Convertible Unsecured Loan Stock	**December 2015**		**23,500**	**(574)**	**380**	**23,306**
			132,511	**(1,827)**	**878**	**131,562**

Prior year	Facility drawn £'000	Fees £'000	Amortised £'000	2013 Balance £'000
HSBC	36,475	(346)	162	36,290
Clydesdale	40,815	(539)	167	40,443
Santander	36,083	(327)	208	35,964
	113,373	(1,212)	537	112,697
Convertible Unsecured Loan Stock	25,000	(574)	267	24,693
	138,373	(1,786)	804	137,390

(1) The bank has approved the extension of credit facilities up to the date outlined above.

* This facility has a current all in cost of 3.6% and is subject to an interest rate cap agreement that is 57% capped.

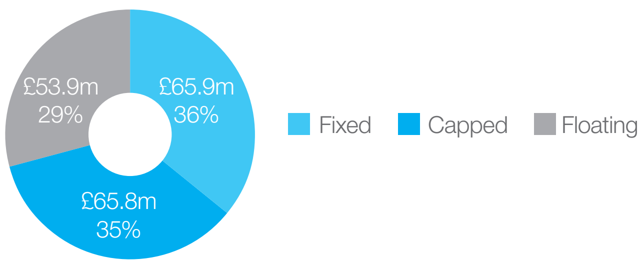
** This facility is 81% fixed by way of an interest rate swap at an all in cost of 4.1%.

*** This facility had hedging in place post year end, across 80% of the facility (60% swap, 20% cap at 2.5%) at an all in cost of 4.5%.

Total Group secured bank loans

Total Group secured bank loans (including share of Joint Ventures and excluding CULS) are hedged as follows and are made up of the following balances:

	Note	2014 £'000	2013 £'000
Balance sheet debt facilities	19	109,011	113,373
BRAVO Joint Venture	13	65,333	4,250
MSREF Joint Venture	13	11,233	11,233
		185,577	128,856



Effective interest rate during the year to 31 March 2014: 3.9% (2013: 3.9%)

Fair value on interest rate swaps

The Group recognised a mark to market fair value profit of £2.3 million (2013: Loss £0.6 million) on its interest rate swaps as at 31 March 2014. The fair value of interest rate swap liabilities in the balance sheet as at 31 March 2014 was £0.9 million (2013: £2.1 million).
All borrowings are due after more than one year and the derivative financial instruments are held as non-current liabilities.

Notes to the financial statements continued

19 Borrowings continued

Convertible Unsecured Loan Stock ("CULS")

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 has subsequently been adjusted on the A CULS to £2.51(2013: £2.72) and on the B CULS to £2.49 (2013: £2.70) as at 31 March 2014 as a result of equity raised and dividends paid in accordance with the terms of the agreement. Under the terms of the convertible, interest will accrue at 5.85% on the outstanding loan stock until 31 December 2015 when it will be either converted or repaid. The interest payable on the CULS is 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.

Management was required to make estimates with the assistance of external experts to conclude on the valuation of the CULS at the date of issue. The issuance of the compound instrument was between two knowledgeable parties at arms length and at a market rate of 5.85% pa for five years. Management have concluded that the value of the convertible option was negligible and the value resided in the debt portion of the instrument at the date of issue.

20 Operating lease arrangements

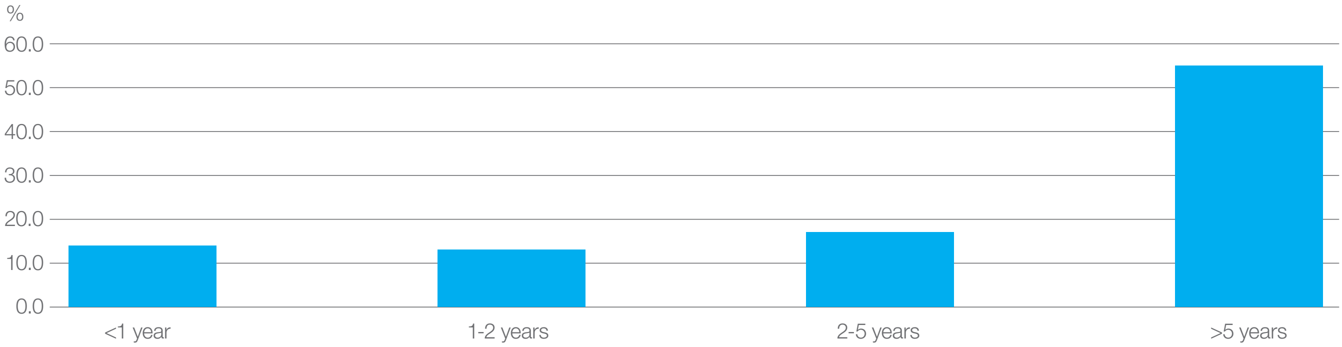
The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

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

	2014 £'000	2013 £'000
Within one year	**28,586**	14,338
Between one and two years	**26,617**	13,520
In the second to fifth year inclusive	**33,482**	35,225
After five years	**109,443**	66,349
	198,128	129,432

Weighted Average Lease Expiry

Operating leases in NewRiver Retail Limited portfolio



The Group's weighted average lease length of operating leases at 31 March 2014 was 8.3 years (2012: 7.8 years).

21 Financial commitments and operating lease arrangements

	2014 £'000	2013 £'000
Rents payable on operating leases:		
Within one year	**195**	141
One to two years	**387**	191
Two to five years	**487**	514
After five years	**496**	687
	1,565	1,533

Operating lease payments represent rents payable by the Group for occupation of its office properties.

The current lease expires in November 2021 with a tenant break option in 2016.

22 Share capital and reserves

	2013 Retained earnings £'000	2013 Share capital and share premium £'000	2013 Other reserves £'000	2013 Hedging reserve £'000	2013 Share Option reserve £'000	2013 Revaluation reserve £'000	2013 Total £'000
Brought forward as at 1 April 2012	1,936	–	74,085	(1,701)	187	4,569	79,076
Net proceeds of issue from new shares	–	4,552	–	–	–	–	4,552
Transfer to distributable reserve	–	(4,552)	4,552	–	–	–	–
Total comprehensive income for the year	1,498	–	–	(572)	–	–	926
Share-based payments	–	–	–	–	73	–	73
Realisation of fair value movements	102	–	–	–	–	(102)	–
Dividend paid	(4,839)	–	–	–	–	–	(4,839)
Revaluation movement	2,157	–	–	–	–	(2,157)	–
Balance carried forward as at 31 March 2013	854	–	78,637	(2,273)	260	2,310	79,788

	2014 Retained earnings £'000	2014 Share premium £'000	2014 Other reserves £'000	2014 Hedging reserve £'000	2014 Share Option reserve £'000	2014 Revaluation reserve £'000	2014 Total £'000
Brought forward as at 1 April 2013	**854**	**–**	**78,637**	**(2,273)**	**260**	**2,310**	**79,788**
Net proceeds of issue from new shares	**–**	**148,481**	**–**	**–**	**–**	**–**	**148,481**
Transfer to distributable reserve	**–**	**(148,481)**	**148,481**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**23,048**	**–**	**–**	**2,254**	**–**	**–**	**25,302**
Share-based payments	**–**	**–**	**–**	**–**	**193**	**–**	**193**
Realisation of fair value movements	**1,442**	**–**	**–**	**–**	**–**	**(1,442)**	**–**
Dividend paid	**–**	**–**	**(14,137)**	**–**	**–**	**–**	**(14,137)**
Revaluation movement	**763**	**–**	**–**	**–**	**–**	**(763)**	**–**
Balance carried forward as at 31 March 2014	**26,107**	**–**	**212,981**	**(19)**	**453**	**105**	**239,627**

Notes to the financial statements continued

22 Share capital and reserves continued

The authorised share capital is unlimited and there are 99,378,507 shares in issue (2013: 34,029,508). The table below outlines the movement of shares in the year:

		Number of Ordinary Shares issued 000's	Price per pence	Total number of shares 000's
Brought forward at 1 April 2013				**34,030**
July 2013	Additional placing	32,683	205	66,713
September 2013	Warrant conversion	11	187	66,724
February 2014	CULS conversion	579	259	67,303
February 2014	Fundraise	32,076	265	99,379
Carried forward at 31 March 2014				**99,379**

During the year, the Group approved a transfer from the share premium account of £148.5 million (2013: £4.6 million) to other reserves which may be distributed in the future.

Shareholders who subscribed for Placing Shares in the IPO received warrants, in aggregate, to subscribe for 3% of the Fully Diluted Share Capital exercisable at the subscription price per Ordinary Share of £2.50 and all such warrants shall be fully vested and exercisable upon issuance. The subscription price has subsequently been adjusted to £1.72 following subsequent dividend payments and share issues.

23 Treasury shares

The Company has established an Employee Benefit Trust (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 Trustee of the EBT may not exceed 10% of the Company's issued share capital at that time. It is intended that the Trustee of the EBT will not hold more Ordinary Shares than are required in order to satisfy awards/options granted under share incentive plans.

There are currently 624,000 treasury shares held in the Employee Benefit Trust. As the EBT is consolidated, these shares are treated as treasury shares.

During the year, no shares were issued to Directors or employees to the EBT (2013: nil).

	2014 000s	2013 000s
Brought forward	**624**	624
Issued during the year	**–**	–
Carried forward	**624**	624

24 Share-based payments

The Group provides share-based payments to employees in the form of Share Options and also in the form of performance shares. All share-based payment arrangements granted since the admission on 1 September 2009 have been recognised in the financial statements. Further details can be found in accounting policies Note 1.

(a) Terms

Share Options

The Group uses the Black-Scholes Model to value Share Options and the resulting value is amortised through the income statement over the vesting period of the share-based payments with a corresponding credit to the share-based payments reserve.

	Exercise price £	**2014 Number of options**	2013 Number of options
Awards brought forward		**2,317,410**	2,471,949
Awards made during the current year:	–	**–**	–
Awards lapsed during the prior year:	–	**–**	(154,539)
Exercisable options at the end of the year		**2,317,410**	2,317,410

The awards granted during the year are based on a percentage of the total number of shares in issue. There have been no new Share Options issued in the current year.

24 Share-based payments continued

Performance Shares

The Group uses the Black-Scholes Model and the Monte Carlo Pricing Model to value performance shares and the resulting value is amortised through the income statement over the vesting period of the share-based payments with a corresponding credit to the share-based payments reserve.

	Exercise price £	**2014 Number of shares**	2013 Number of shares
Awards brought forward		**500,000**	–
Awards made during the current year	nil	**150,000**	500,000
Issued shares at the end of the year		**650,000**	500,000

(b) Share-based payment charge

	2014 £'000	2013 £'000
Share-based payment expense brought forward	**260**	187
Share-based payment expense in the year	**193**	73
Cumulative share-based payment	**453**	260

25 Financial instruments – 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 formally on a quarterly basis and also when authorised changes are required.

(a) Market risk

Currency risk

As all material transactions are in GBP, the Group is not subject to any foreign currency risk.

Cash flow and fair value interest rate risk

The Group has significant interest-bearing cash resources, the majority of which are held in business accounts with its principal bankers. The Group's interest rate risk arises from long-term borrowings (Note 19), borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk.

The Group's cash flow and fair value risk is reviewed quarterly by the Board. The Group analyses its interest rate exposure on a dynamic basis. It takes on exposure to mitigate the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios the Group calculates the impact on profit and loss of a defined interest rate shift. The simulation is run on an ongoing basis to verify that the maximum potential impact is within the parameters expected by management. To date the Group has sought to fix its exposure to interest rate risk on borrowings through the use of a variety of interest rate derivatives. At 31 March 2014, the Group (including joint ventures) had £220.1 million (2013: £141.7 million) of interest rate swaps and caps in place. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised gain of £1.5 million at 31 March 2014 (2013: Loss £0.57 million). Sensitivity analysis is carried out to assess the impact of an increase in interest rates on finance costs to the Group. The impact of a 200bps increase in interest rates for the year would increase the net interest payable in the Income Statement and reduce net assets by £1.4 million (2013: £0.7 million).

(b) Credit risk

The Group's principal financial assets are cash and short-term deposits, trade and other receivables.

The credit risk on the Group's trade and other receivables is considered low due to the Group having policies in place 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 credit risk on the Group's cash and short-term deposits and derivative financial instruments is limited to the Group's policy of monitoring own and counterparty exposures.

Notes to the financial statements continued

25 Financial instruments – risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Board and its advisers seek to have appropriate credit facilities in place on a project-by-project basis, either from available cash resources or from bank facilities.

Management monitor the Group's liquidity position on a weekly basis. Formal liquidity reports are issued on a weekly basis and are reviewed quarterly by the Board, along with cash flow forecasts. A summary table with maturity of financial liabilities is presented below:

			2014
	Current £'000	**Year 2 £'000**	**Years 3 to 5 £'000**
Interest bearing loans and borrowings	**–**	**–**	**109,011***
CULS	**–**	**23,500**	**–**
Trade and other payables	**10,420**	**–**	**–**
Derivative financial instruments	**–**	**–**	**19**
	10,420	**23,500**	**109,030**

			2013
	Current £'000	Year 2 £'000	Years 3 to 5 £'000
Interest bearing loans and borrowings	–	–	113,373
CULS	–	–	25,000
Trade and other payables	11,418	220	–
Derivative financial instruments	–	509	1,571
	11,418	729	139,944

* Assumes all options to extend at the Group's option are exercised.

The Group monitors its risk to a shortage of funds by forecasting cash flow requirements for future years, including consideration of existing facilities and covenant requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and other short-term borrowing facilities, bank loans and equity fundraisings.

(d) 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables as shown in the balance sheet) but excluding preference shares, which for capital risk management is considered to be capital rather than debt, less cash and short-term deposits.

Total capital is calculated as equity, as shown in the balance sheet, plus preference shares and net debt. The Group is not subject to any external capital requirements.

26 Contingencies and commitments

The Group has no significant contingent liabilities or commitments (2013: None).

27 Related party transactions

Group

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

Directors' shareholdings can be found in the Directors' report.

Total emoluments of Executive Directors during the period (excluding share-based payments) were £2.6 million (2013: £1.8 million).

Share-based payments of £0.1 million (2013: £0.1 million) accrued during the year.

During the year, 137,580 shares (2013: 544) were acquired on the open market by Directors. See Directors' Interests on page 50.

28 Post balance sheet events

The Group extended its debt facility with HSBC to May 2019 with a current all in cost of below 4%.

On 4 April 2014, the Group announced that The Co-Operative Group Limited signed an Overarching Agreement to determine the basis on which The Co-Operative Group Limited would lease 54 new convenience stores from the public housing portfolio acquired by NewRiver Property Unit Trust No. 4 in December 2013. The parties are committed to enter into lease agreements for the individual properties once planning permissions have been granted and specifications and underlying costs of either converting the properties to convenience stores or building new stores on existing land are agreed.

On 10 April 2014, the Group announced the exercise of warrants over 26,485 ordinary shares of no par value ('Ordinary Shares') by Market Access Europe Limited, at an exercise price of 172 pence for Ordinary Share.

On 29 April 2014, the Group announced the exercise of warrants over 25,455 Ordinary Shares of no par value by Pershing Nominees Limited, at an exercise price of 172 pence per Ordinary Share.

On 8 May 2014, the Group completed the sale of 14-19 Queens Square, Crawley.

Glossary of terms

Assets under Management (AUM) measures the total market value of all properties managed by the Group.

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

Capital Return Calculated as the change in capital value less any capital expenditure expressed as a percentage of capital employed over the period.

EPRA is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, REIT conversion charge, intangible asset movements and their related taxation.

EPRA Adjusted Profit Comprises recurring profits and realised profits on sale of properties during the year.

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.

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.

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.

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.

Group is NewRiver Retail Limited, the Company and its subsidiaries and its share of joint ventures (accounted for on an equity basis).

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

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

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.

Investment portfolio comprises the Group's wholly-owned investment properties.

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 venturers 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 rental income growth is the growth in gross 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.

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

NAREIT is the National Association of Real Estate Investment Trusts. A trade association that represents US Real Estate Investment Trusts and publicly traded real estate companies.

NAREIT FFO is a calculation to adjust a REIT's net income under US GAAP to exclude gains or losses from sales of property, adding back real estate depreciation and other relevant items.

Net asset value (NAV) per share is the equity attributable to owners of the Parent divided by the number of Ordinary Shares in issue at the period end.

Net initial yield is a calculation by the Group's external valuers of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchaser's costs at the reporting date.

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.

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.

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

Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

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

Company information

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(Non-Executive Chairman)

David Lockhart
(Chief Executive)

Mark Davies
(Finance Director)

Allan Lockhart
(Property Director)

Nick Sewell
(Director)

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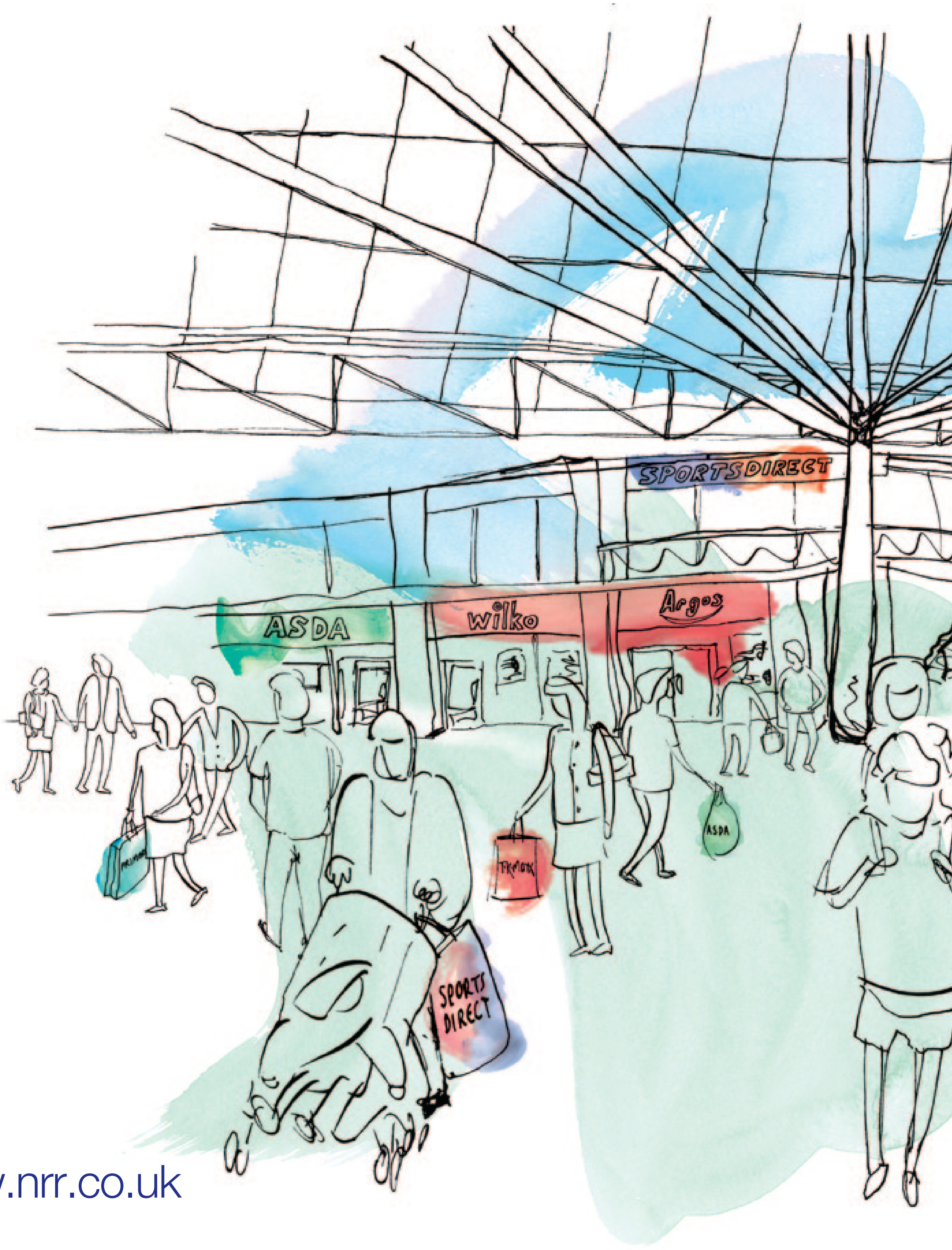

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