NewRiver Retail

Annual Report and Accounts 2011

NEWRIVER RETAIL IS A SPECIALIST REIT FOCUSED ON THE UK RETAIL SECTOR WITH THE AMBITION TO BECOME THE LEADING VALUE-CREATING PROPERTY INVESTMENT PLATFORM IN THE SECTOR

A YEAR OF GROWTH

ACQUISITIONS
£89m

PROFIT BEFORE TAX
£4.9m

MAIDEN DIVIDEND PER SHARE
5.5p

EPRA NAV GROWTH PER SHARE*
+22%

* EXCLUDING PURCHASE AND EXCEPTIONAL COSTS

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DELIVERING ON THE STRATEGY

FINANCIAL HIGHLIGHTS

- Profit before tax of £4.9 million driven by increased recurring profits and upward valuations (2010: £2.1 million)
- Recurring EPRA profits of £0.9 million, the majority earned in the final quarter as key acquisitions completed in the second half (2010: loss of £0.8 million)
- Strong performance at property level resulting in revaluation gains of £4.0 million (2010: £2.9 million) leading to EPRA and basic NAV per share of 273p (2010: 261p)
- EPRA NAV per share growth of 22% (2010: 18%) excluding purchase and exceptional costs, and 5% (2010: 8%) including these costs – one of the best performances in the sector
- Additional capital of £35.0 million raised during the year from equity and convertible loan stock issues all of which was fully invested within one month of being raised
- £55.0 million of new senior debt originated for acquisitions
- Maiden interim dividend paid of 1.0p per share and final proposed dividend of 4.5p. Total dividend for the year of 5.5p (2010: Nil)

OPERATIONAL HIGHLIGHTS

- Strong platform for growth created
- Acquisitions in the year of £89.0 million at an average initial yield of 8.5%
- Asset disposals of £11.0 million at IRRs of 70% and 320%, demonstrating ability to realise value and recycle equity
- Asset management strategy already delivered 53 positive letting events
- Significant risk-controlled development and refurbishment programme extended to approx 500,000 sq ft across eight shopping centres within the existing portfolio
- Appointed development manager by Scottish Widows for a major shopping centre development in Abingdon

HEREFORD
MAYLORD ORCHARD SHOPPING CENTRE

HIGH QUALITY PORTFOLIO

WITH VALUE-CREATING OPPORTUNITIES

TOP TEN RETAILERS

- Wilkinson
- Sainsbury's
- Tesco
- The co-operative
- Superdrug
- TK Maxx
- New Look
- Next
- Peacocks
- Iceland

8.5%

WEIGHTED NET INITIAL YIELD

GEOGRAPHIC DIVERSIFICATION

PORTFOLIO LOCATION

South (Including Gr. London)	48%
Yorkshire & Humberside	16%
North East	13%
Midlands	8%
North West	7%
Wales	7%
Scotland	1%

WALLSEND
THE FORUM SHOPPING CENTRE

IMPRESSIVE EXPANSION

1.2m
SQ FT OF PROPERTY

£13m
PASSING RENT

£14m
ERV

NEWCASTLE NORTHUMBERLAND STREET
Value range £5-10m
Total area 20,000 sq ft
Key tenants Bank Fashion, H Samuel

WALLSEND THE FORUM SHOPPING CENTRE
Value range £10-15m
Total area 91,000 sq ft
Key tenants Iceland, Superdrug, Greggs, The Co-operative, Boots the Chemist

GLASGOW UNION STREET
Value range £0-5m
Total area 6,000 sq ft
Key tenants Ladbrokes, Cash Converters

GRIMSBY UNIT C, FRESHNEY PLACE
Value range £0-5m
Total area 26,563 sq ft
Key tenants Next

DONCASTER FRENCH GATE
Value range £0-5m
Total area 38,400 sq ft
Key tenants Superdrug, part sub-let to Sports Direct

HUDDERSFIELD PACKHORSE SHOPPING CENTRE
Value range £10-15m
Total area 103,000 sq ft
Key tenants Peters Department Store, Carphone Warehouse, Card Factory, Phones 4 U

LEEDS BRAMLEY SHOPPING CENTRE
Value range £15-20m
Total area 131,425 sq ft
Key tenants Tesco, Farmfoods, Poundstretcher, Boots the Chemist

WIDNES ALBERT SQUARE
Value range £10-15m
Total area 84,500 sq ft
Key tenants Iceland, Argos, Bon Marche, Poundworld, WH Smith

WREXHAM HOPE STREET
Value range £5-10m
Total area 34,000 sq ft
Key tenants Peacocks, Laura Ashley, Walmsleys, Bath Store, Vision Express

WREXHAM REGENT STREET
Value range £0-5m
Total area 39,500 sq ft
Key tenants Waterstones, JJB, Bon Marche

HEREFORD MAYLORD ORCHARD SHOPPING CENTRE
Value range £0-5m
Total area 19,303 sq ft
Key tenants TK Maxx

BIRMINGHAM CENTRAL SQUARE SHOPPING CENTRE
Value range £0-5m
Total area 78,000 sq ft
Key tenants Iceland, Card Factory, Greggs, Specsavers, Orange, Holland & Barrett, Timpsons

7.6yrs
WEIGHTED AVERAGE LEASE EXPIRY

332
TENANTS

95.6%
OCCUPANCY

MARKET DEEPING THE DEEPING CENTRE
Value range £5-10m
Total area 37,000 sq ft
Key tenants The Co-operative

NORWICH GUILDHALL HILL
Value range £5-10m
Total area 43,000 sq ft
Key tenants Tesco

HARLOW THE BROADWALK
Value range £0-5m
Total area 26,000 sq ft
Key tenants New Look

ROMFORD MARKET PLACE
Value range £0-5m
Total area 45,000 sq ft
Key tenants TJ Hughes

EAST HAM
Value range £5-10m
Total area 30,017 sq ft
Key tenants Sainsbury's

BASINGSTOKE LODDON MALL, CASTLE SQUARE
Value range £0-5m
Total area 24,500 sq ft
Key tenants Wilkinson

ANDOVER HIGH STREET
Value range £0-5m
Total area 30,381 sq ft
Key tenants Poundland, Superdrug, Caffe Nero

FAREHAM LOCKS HEATH SHOPPING CENTRE
Value range £5-10m
Total area 94,600 sq ft
Key tenants The Co-operative Food Store, Iceland

WORTHING 12/13 MONTAGUE CENTRE
Value range £0-5m
Total area 27,000 sq ft
Key tenants TK Maxx

BURGESS HILL THE MARTLETS SHOPPING CENTRE
Value range £10-15m
Total area 123,000 sq ft
Key tenants Lidl, Argos, New Look, Iceland

CANTERBURY ST GEORGES STREET
Value range £0-5m
Total area 27,000 sq ft
Key tenants Wilkinson

CANTERBURY HIGH STREET
Value range £0-5m
Total area 3,000 sq ft
Key tenants Jones the Bootmaker

CHAIRMAN'S STATEMENT

Paul Roy
Chairman
NewRiver Retail Limited

"NewRiver's growth plan is on target. We have recruited the core team and acquired a high quality portfolio with strong prospects."

I am pleased to report NewRiver Retail's first full year results for the 12 month period to 31 March 2011. The Company has continued to build on the strong start since incorporation 19 months ago and has quickly established both a profitable business platform and become a recognised leader in its specialist sector.

The profit before tax of £4.9 million is a significant achievement in our first full year of trading. The revaluation surplus is particularly pleasing as it evidences the Company's ability both to acquire assets off-market at attractive prices and create value through asset management initiatives.

Following the maiden interim dividend of 1.0p per share paid in January 2011, I am delighted to announce that the Board has approved a final dividend of 4.5p per share, resulting in a total dividend for the year of 5.5p per share. The conversion to UK REIT status reflects the Company's commitment to paying regular dividends as a minimum of 90% of the Company's recurring rental profits are required to be paid out as dividends.

The Company has developed a strong platform to further develop the business and is now almost fully invested. The Company has access to significant funds through its joint venture with Morgan Stanley Real Estate Investing and through its banking relationships, however the Board will continue to monitor the capital markets and will seek to take advantage of conditions to raise further expansion capital at the appropriate time. We continue to build on our group of banking relationships and would like to thank HSBC and Santander for their support in the period under review.

I am pleased to welcome new shareholders from our fundraising and particularly Forum Europe Realty Income III (Forum) and Spearpoint as investors in the Company's Convertible Unsecured Loan Stock (CULS) issue in November 2010. The capital raised was fully deployed within one month of being raised, including acquiring the £53.0 million CPI Retail Asset Management (CReAM) portfolio, which is already generating excellent returns.

The Company now has c1.3 million sq ft of space under management as well as a development pipeline of nearly 500,000 sq ft. We are in active discussions with major retailers to deliver new space in and alongside our shopping centres. We are simultaneously working with local authorities to obtain planning consents.

As a specialist REIT, our strategy is focused on identifying winners and losers in the retail sector and acquiring assets with a focus on food and value retailing, let at affordable rents in solid, defensible locations. Our top 10 tenants include the major food retailers such as Tesco and Sainsbury's and value retailers such as Wilkinson, Superdrug and Peacocks. It is estimated that the food retailers alone are seeking 19 million sq ft of new space in the next five years and NewRiver is well placed to work with them to deliver this supply.

NewRiver's growth plan is on target. We have recruited the core team and acquired a high quality portfolio with strong prospects. With an average purchase yield of 8.5% and our own research suggesting we have been one of the most active quoted retail property investors in 2010, NewRiver is well placed to deliver strong earnings and capital growth. The Board looks forward to the future with confidence.

Paul Roy
Chairman
1 June 2011

WORTHING

12/13 MONTAGUE CENTRE

David Lockhart
Chief Executive
NewRiver Retail Limited

"The Company successfully deployed all of the capital raised from both fund raisings within a month of raising the money and is now effectively fully invested. The ability to invest proceeds so quickly has helped the Company generate excellent returns for shareholders."

Our first full financial year has been a highly active period for the Company during which we completed four major acquisitions totalling £89.0 million, converted to UK-REIT status, restructured our corporate make-up, created a new banking relationship with HSBC and raised £35.0 million of additional capital through issues of equity and CULS. Towards the end of the year, the first disposals were made where we felt the short term upside we had created was best redeployed into new projects with enhanced returns.

We are particularly pleased that this high level of activity is reflected in the strong financial performance of the Company notably, a 133% up-lift in pre tax profits to £4.9 million (2010: £2.1 million), an increase in net asset value from 261p to 273p per share at 31st March 2011 and payment of our maiden interim dividend. Excluding the full conversion charge and exceptional costs net asset value at the year end increased by 22%.

In the 19 month period since our IPO in September 2009 we have achieved our key objective of establishing a profitable platform with a strong management team that is capable of delivering sustainable growth.

Our asset acquisitions are moulding into an exciting portfolio. We now own or manage income producing assets with a value in excess of £166.0 million comprising c1.3 million sq ft of predominantly retail space with c350 tenants providing strength and depth. Our active asset management strategy has already achieved 53 positive leasing events resulting in an impressive weighted average lease length of 7.6 years, a low void rate of 4.4% and strong covenants, all of which compare favourably with the best in the industry, especially given our high yield profile.

As a specialist UK REIT NewRiver focuses entirely on the UK retail property sector which is the largest sector in the UK commercial property market and continues to deliver resilient long term performance. Retailers are fast moving, adaptive businesses that evolve and change format consistently which plays to the skill set of our experienced asset management team.

Notwithstanding challenging conditions in the wider UK retail environment we have continued to identify attractive value creating opportunities through our focus on the in-town food and value sub-sectors of the market which have out-performed during the difficult economic conditions of the past few years.

We believe that the value cycle continues to benefit our strategy of careful stock selection where significant value can be added through our active asset management and development and refurbishment skills. This was supported early in the financial year when the Company successfully raised approximately £10.5 million of expansion capital through the issue of new shares which was quickly deployed in the £19.0 million purchase of a substantial portfolio of six large retail units from a major international investor at a net initial yield of 7.7% and a £4.8 million purchase of a two prime retail units in Newcastle from a receiver at a 9.6% net initial yield. Both acquisitions offered excellent prospects of rental growth and identifiable capital value enhancement opportunities.

In November 2010, following a review and in recognition of increasing investor interest in UK REITs, the Board sought shareholder approval to convert to UK REIT status which I am delighted to say received your full support. In addition, the Company succeeded in raising £25.0 million from the issue of CULS of which £17.0 million was purchased by Forum. At the same time, we acquired another substantial portfolio of five large retail units from a UK institution for £14.0 million at a net initial yield of 9.0%.

In December 2010, the Company completed its largest acquisition since incorporation, acquiring a major portfolio of five UK shopping centres from the CReAM fund and Barclays Bank for £53.0 million at a net initial yield of 8.4%. The acquisition further benefitted NewRiver in creating an important new banking relationship with HSBC which provided the senior debt facility. These acquisitions are a prime example of NewRiver's resilient business strategy and ability to source and acquire attractive, high-yield investments.

The Company successfully deployed all of the capital raised from both fund raisings within a month of raising the money and is now effectively fully invested. The ability to invest proceeds so quickly has helped the Company generate excellent returns for shareholders. Given that the majority of additional funds were raised

GRIMSBY

UNIT C, FRESHNEY PLACE

towards the end of November 2010 and invested in December 2010 the true benefits of the acquisitions will be seen in the current financial year and thereafter.

Following the conversion to UK REIT status, we took the opportunity to streamline the corporate and asset management structure by constituting a single Board of Directors with key members of the London investment and management team, Allan Lockhart, Nick Sewell and Mark Davies being appointed as Executive Directors. They were joined by Andrew Walker as Non Executive Director in his capacity as a representative of Forum and I welcome them all to the Board.

In these challenging market conditions we believe maximising income is the key to outperformance, which is why we seek to acquire properties that generate a high initial yield as well as providing identifiable value creating asset management opportunities. During the year under review, our acquisitions totalling £89.0 million were made at an average initial yield of 8.5%, which makes a significant contribution towards our minimum total returns.

In March of this year, together with our joint venture partner Morgan Stanley Real Estate Investing, NewRiver began the recycling of certain assets, through the sales of Princess House in Shrewsbury for £9.6 million at a net initial yield of 7.2% and a large retail unit in Glasgow for £1.3 million. These two sales achieved an impressive equity return of over 70% and 320% respectively and clearly demonstrated the Company's capability to acquire real estate, enhance its value and realise capital through sale in a relatively short period.

The current financial year has lost none of the momentum with a strong pipeline of new opportunities and a wide ranging programme of development

and refurbishment underway extending to approx 500,000 sq ft across eight shopping centres within the existing portfolio under management. This growing programme reflects our strategy of identifying shopping centres with an under provision of food and large space value retailing.

Whilst investment sentiment remains cautious within the retail sector we believe there continues to be highly attractive opportunities for properly capitalised, specialist and proven investors like NewRiver. Through our wide network of contacts, strong relationships with retailers, market intelligence and focused business strategy we are in a strong position to extend the success of the last year and enhance our position as one of the UK's leading retail real estate investors. We have expanded our property team and established a significant platform for growth and look forward to the future with great conviction and confidence.

I would like to thank our shareholders who continue to support the Company and its development including the conversion to REIT status and the CULS fund raising. It is a privilege to be part of such a dynamic company with a highly intelligent and experienced management team and I would again like to thank them and our professional advisers for their hard work and professionalism.

David AS Lockhart
Chief Executive
1 June 2011

FAREHAM
LOCKS HEATH SHOPPING CENTRE

PROPERTY DIRECTOR'S REVIEW

Allan Lockhart
Property Director
NewRiver Retail Limited

"With total assets under management of approximately £166.0 million, the Company has quickly created a stable income producing portfolio that generates attractive recurring annual income returns and excellent prospects for significant capital growth from our asset management and development programme."

Overview

The last twelve months have been a highly active period for the Company with four major acquisitions totalling £89.0 million, completion of our first disposals delivering excellent IRRs and strong progress made on our asset management initiatives and our development pipeline.

With total assets under management of approximately £166.0 million, the Company has quickly created a stable income producing portfolio that generates attractive recurring annual income returns and excellent prospects for significant capital growth from our asset management and development programme.

We are pleased that the Company's portfolio reflects our stated investment strategy, namely:

- Targeted minimum geared IRRs of 15%+
- Acquisition yields of 7% to 10%
- Annual cash on equity returns of 12% to 15%
- A focus on food and value retailing
- Managing assets with sustainable rental levels
- Identifiable asset management and development opportunities
- Identified and realisable exit strategies, allowing recycling of equity

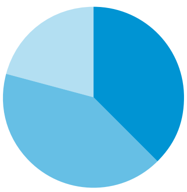
We are firmly of the view that income returns over the next cycle will be the major driver of total returns. Analysis of the IPD data reveals that since 1986 through to 2010, c78% of total returns were derived from income. Given the outlook of modest economic growth the importance of sustainable and recurring income will be even more important. NewRiver's portfolio has been carefully selected to deliver market outperformance.

Retail Market Overview

The retail sector has a high profile and there has been a tendency in the media to focus on the negative aspects of the sector such as retail administrations, rise of internet sales, high street vacancy rates, and the squeeze on disposable incomes. Undoubtedly there will be challenges for the sector over the coming years but we believe that there are numerous growth opportunities for the following reasons:

- According to Verdict Research the value of retail sales in 2010 grew by 1.6% and they forecast modest annual sales value growth from 2011 through to 2015.
- c45% of all UK retail sales are generated by the large food retailers including the discount food retailers who have consistently been growing their space throughout the recession and into 2011.

PORTFOLIO ASSET MANAGEMENT INITIATIVES TO DATE



Lease renewals and rent reviews	20
New lettings	22
Lease variations	11

53
LEASING EVENTS

NEWCASTLE
NORTHUMBERLAND STREET

- Current vacant rates are at their long term average and well below the office and industrial sectors.
- There is a chronic shortage of new high productive retail space given the limited development activity undertaken over the last three years.
- Major retailers are seeking to expand to either increase their sales space or reposition their portfolios into more high productive retail space. Indeed the major food retailers are on record that they have space requirements totalling 15 million to 19 million sq ft over the next five years. Non food retailers such as Debenhams, JLP, Hennes, River Island, Peacocks, Bon Marche, New Look, Primark, Poundland, Home Bargains, Poundworld, Wilkinson, Greggs, Grainger Games, Store 21, WH Smith, Sports Direct, Poundstretcher and Phones 4 U are all acquiring space.

Notwithstanding these positive attributes, NewRiver is focusing its investment acquisitions on assets where the predominant retail tenant profile is less reliant on discretionary spend. With the exception of central London and to some extent the South East we believe that there will be a squeeze on discretionary spend in the regions. Research from Verdict shows that discretionary spend retailers focused on the housing market or those selling large ticket items such as electrical and white goods have significantly underperformed retailers that are less reliant on discretionary spend such as food retailers, health and beauty retailers, value clothing retailers and the single and multiple priced discount retailers. Verdict forecasts that this trend will continue for the next four to five years and we are well positioned to capitalise on this.

Capital Markets Overview

We have seen a steady inflow of new equity into retail property capital markets, particularly for shopping centres. According to Property Data, in the last 12 months there has been c£17 billion of retail transactions at a weighted average yield of 5.7%. NewRiver has been highly successful in deploying its capital and in 2010 the Company was the third most active quoted investor in the retail sector with £150 million of transactions at a purchase yield of 8.5%. Only Land Securities and British Land deployed more capital.

In our Annual Report last year we stated that we expected increased investor demand for higher income producing retail assets. This has happened, with a range of investors targeting higher yielding assets that provide better prospects for higher income returns than the super prime market, especially in a low capital and income growth environment.

Acquisitions

In our financial year we concluded four transactions, all off-market, totalling £89.0 million, at an attractive blended net initial yield of 8.5%. These acquisitions fully accord with our stated investment strategy and offer high annual income returns and excellent prospects for capital growth through asset management and risk controlled development. In summary the individual acquisitions are as follows:

The Redevco portfolio was acquired off-market in May 2010 for a price of £16.6 million and at a net initial yield

CANTERBURY
HIGH STREET

of 7.3%. The portfolio comprises five large retail units let to major national retailers including Wilkinson, New Look and TJ Hughes. The properties are situated in prominent retailing locations in southern England – Canterbury, Poole, Basingstoke, Romford and Harlow. This portfolio, as well as offering the Company income security given the covenant and average lease length profile of 12 years, provides prospects for rental growth as the average unit size is 31,600 sq ft and current rents are off a low base ranging from £6.00 to £13.00 per sq ft.

In July 2010, we acquired from the Receivers to Stylo Barrett Properties a long leasehold interest in 49/53 Northumberland Street central Newcastle, a prime retail property close to Fenwicks Department Store. The total consideration was £4.8 million reflecting a net initial yield of 9.6%. At the time of purchase the property comprised two retail units totalling 20,000 sq ft one of which was vacant and the other let to H Samuel with less than a year to the expiry of their lease. Simultaneously with the purchase we facilitated a new letting of the vacant unit to Bank Fashion, part of the JD Sports Group, for a term of 10 years and shortly after purchase we renewed the lease to H Samuel for 10 years without a break.

In both lettings we rebased the Zone A rents to the current market level of £240 per sq ft, significantly below the market peak of circa £320 per sq ft. In addition to creating a sustainable rental level, we are also investigating the opportunity to re-gear the ground lease, which will have a significant positive impact on yield.

Our penultimate major acquisition in 2010 was the off-market acquisition of a portfolio of large space retail assets from Standard Life. Completed in October 2010, the purchase price was £14.0 million, reflecting a net initial yield of 9.0%. To put this pricing into context, the last time that this portfolio was traded in the market was in 2002 and the purchase price was then £15.5 million. The portfolio comprises four large space retail properties located in attractive retailing locations in Worthing, Hereford, Grimsby and Doncaster. Key tenants include Superdrug, Next and TK Maxx. The portfolio offers value enhancing opportunities through a range of asset management initiatives including lease re-gears, rental growth opportunities given the average low rent per sq ft and development potential.

Finally NewRiver acquired the CPI Retail Active Management ("CReAM") portfolio at the end of November 2010. This transaction has been the Company's largest to date and we believe was one of the few that were concluded off-market and involving distressed debt from a syndicated loan which is a good demonstration of the highly innovative approach to securing transactions that the company adopts.

Total consideration for this portfolio was £53.0 million reflecting a net initial yield of 8.4% which compares favourably to when the portfolio was last traded in the Market in 2004 at a price of £73.0 million and against an independent valuation of £93.0 million carried out in Dec 2006.

The CReAM portfolio comprises five shopping centres: Burgess Hill (East Sussex), Locks Heath Fareham (Hampshire), Erdington (near Birmingham), Bramley (close to Leeds) and Wallsend (near Newcastle). The total combined floor space is 518,000 sq ft and the key tenants include major covenants: Tesco, Iceland, New Look, Poundstretcher and Boots. The weighted average lease expiry profile equates to 6.74 years and the current rental levels are fully sustainable given their low bases, ranging from £25.00 to £47.50 for Zone A.

As well as providing attractive annual income returns this portfolio has significant growth potential through reducing voids and improving the quality of the tenant profile, not only in terms of retail mix but also income profile and development potential.

Disposals

NewRiver is committed to recycling capital opportunistically. It is not the intention of the Company to hold well-let ex growth assets that will not benefit from our active asset management initiatives. The factors that will influence us will include;

1 we have implemented our business plan for the asset;
2 continuing to hold the asset would not meet our minimum IRR of 15%;
3 the risk profile of the asset has increased to an unacceptable level; and
4 a premium price has been secured to justify a sale prior to the business plan exit date.

In the last 12 months we have undertaken two disposals where we had completed the asset management initiatives. Both were in the Morgan Stanley Real Estate Investing ("MSREI") joint venture and were ahead of the planned sale dates and, importantly, at disposal prices that significantly exceeded business plan IRRs. The first disposal was a partial sale of 50-60 Union Street, Glasgow, which we acquired in March 2010 for £1.5 million. Part of the property has now been sold for £1.3 million. The net cost of the remaining property is £200,000 and is fully let yielding an annual income return of 48% pa. The IRR on the disposal was over 300%.

In March 2011, we took advantage of strong institutional investor demand for good quality assets by selling the retail and office property in Shrewsbury to a fund managed by Rockspring for a consideration of £9.6 million which reflected a net initial yield of 7.2%. This

BURGESS HILL
THE MARTLETS SHOPPING CENTRE

asset was acquired for £8.0 million at a net initial yield of 8.4% and the sale has generated a profit excluding costs of £1.6 million in 12 months and an IRR of 70%.

Asset Management

NewRiver is fully committed to actively managing the Company's assets in order to deliver attractive total returns. Since the IPO we have undertaken 53 leasing events including lease renewals, new lettings and extinguishing break clauses. 98% have been concluded at, or better than, our forecast business plans. Some examples from our total portfolio under management include:

Following the completion of a letting to Card Zone, the food anchored Deeping Centre, Market Deeping will be fully occupied. Since acquisition we have added 7% to the rent roll.

In Canterbury, with the completion of the lease renewal to Jones the Bootmaker on a new 10 year term, the retailer has made a long term commitment to the store and location, refitting and branding the store in this prominent location.

The Packhorse Shopping Centre, Huddersfield continues to be actively managed through lease re-structuring, renewals and new lettings. The centre benefits from strong footfall onto prime King Street and we intend to re-position and brand the centre as a value and convenience-orientated destination in conjunction with plans to create a new anchor store at the rear of the centre of up to 50,000 sq ft.

At Guildhall Hill, Norwich the unit occupies a prominent position with 80% of the income being let to Tesco Stores. We have also fully let the office suites on the second floor and successfully completed the letting of 14-16 Dove Street to Sonkai Limited a family run jeweller making bespoke jewellery, which will significantly enhance the pitch as a premium destination.

The Albert Square Shopping Centre, Widnes provides 38 shops in an open precinct in the heart of the town. When we acquired this shopping centre in March 2010, the vacancy rate was 8% and now following 12 months of active asset management we are pleased to report that the shopping centre is 100% fully occupied with new tenants including Grainger Games, Shoe Zone and Stead & Simpson. We have also instigated an active program of removing tenant break options to extend the lease expiry profile of the asset.

Although we have only owned the CReAM Portfolio for a short period of time we have already improved rent collection and reduced the vacancies. So far we have concluded 12 asset management initiatives including new lettings and lease renewals to tenants including Brighthouse and Timpson.

NewRiver is the asset and development manager for Scottish Widows Investment Partnership ("SWIP") and we have been actively managing the Abbey Centre, Abingdon for 2 years. During that time, we have managed to reduce vacancies through new lettings to WH Smith, Toys UK and Poundland. Rents have been stabilised and the retail profile and footfall has been improved through more targeted and focused marketing.

Development Programme

NewRiver is currently engaged in a significant risk-controlled development and refurbishment programme that, including joint-owned and managed shopping centres, extends to approximately 500,000 sq ft across eight separate centres throughout the UK. We believe that these projects will generate significant value over the medium term.

In Wallsend, NewRiver has signed a Memorandum of Understanding with North Tyneside Local Authority for a significant refurbishment and extension of The Forum Shopping Centre in Wallsend, Tyne & Wear.

The proposed redevelopment options include comprehensive refurbishment of the current shopping centre, a new 45,000 sq ft anchor food store and a further 40,000 sq ft of additional retail space that creates new and larger retail units. It is the intention to secure a pre-let for the food store from a major food retailer before commencing redevelopment and we have already initiated discussions with a number of major supermarket groups in this regard. It is expected that a planning application will be submitted in the third quarter of 2011.

In Burgess Hill, we are working on proposals for a significant retail extension and refurbishment of our shopping centre to provide a new 70,000 sq ft food store, a 60,000 sq ft department store, c100,000 sq ft of new and reconfigured large retail space and c700 car parking spaces. We are currently in active dialogue with potential anchor store operators, the Town and District Councils and other major stakeholders.

Additionally, in Bramley, Leeds, the Company has gained planning permission for a 10,000 sq ft extension to our shopping centre by developing on the car park and in Fareham, Hampshire, planning permission has been granted for 25,500 sq ft of additional retail space. Shopping centre assets in East Ham, East London, Erdington, West Midlands, Market Deeping near Peterbrough, and Widnes are currently subject to pre planning consultation for refurbishment and extension, totalling 115,000 sq ft of new space.

In Abingdon, where NewRiver is advising SWIP, the owner of the main Abbey Shopping Centre, The Vale of White Horse District Council, announced on 23 March

2011 that it had reached agreement for a planned £53.0 million redevelopment of the Abingdon Charter area and the Abbey Shopping Centre, in conjunction with SWIP. NewRiver took a leading role securing the transaction between the Council and SWIP and it is anticipated that, subject to planning permission, development will commence in 2013 and NewRiver will manage the entire development on behalf of SWIP.

Portfolio Metrics

The NewRiver portfolio is high quality, diversified and well balanced generating significant, sustainable and recurring rental income with wide ranging opportunities to increase value through identifiable asset management and development initiatives.

The portfolio fully reflects our investment strategy to focus on attractive income-producing assets with a strong retail emphasis on the key winning retail sub sectors: food, value clothing, health & beauty and discount retailing. Approximately 66% of the rental income is generated from these sub sectors and some 85% of the rental income is secured against multiple retailer covenants whilst our current weighted average lease expiry profile is 7.6 years.

The recurring rental income within the portfolio is robust and sustainable given that we have a high occupancy of 95.6%, excellent rent collection statistics and current rental levels that are affordable. As an example of the defensive qualities of our portfolio we have had only one retail tenant that was subject to a Company Voluntary Arrangement (CVA) and the rent represents only 0.8% of our portfolio.

Our high street portfolio mainly comprises large retail units located in prime locations with over 65% of the portfolio comprising units of over 5,000 sq ft and 54% over 10,000 sq ft offering high productive space that allows retailers to drive sales densities.

We have specifically targeted assets that we believe will be resilient. For instance the average travel time to our shopping centres is only 12 minutes, 6 minutes less than the UK average which in a high cost fuel environment we believe is important. In addition the defensive characteristics of our portfolio are further supported by the fact that 30% of our shoppers walk to our centres compared to the UK average of 18%.

Given that our centres are predominantly food anchored it is not surprising that on average a shopper will visit 91 times a year compared to the UK average of 66 visits. Although our research indicates a high conversion of visits into food spend, we believe there are opportunities to increase the conversion rate in non food and catering spend. This is something that we can achieve by providing a better retail mix and an improved shopping environment leading to higher dwell times.

Outlook

We are looking forward to the next 12 months where we will be focused on delivering additional value from our portfolio through asset management and risk controlled development. We will continue to undertake further acquisitions that accord with our disciplined and well thought through investment strategy and if appropriate we will recycle capital through selective disposals.

Fundamentally real estate is all about supply and demand and for this reason we continue to be optimistic for the retail sector given the continuing under supply of dynamic high quality retail space and the overall strong level of retailer demand for increased sales space. Market conditions are appropriate for the smaller, more nimble entrepreneurial asset managers that can create value in a relatively short period with the opportunity of recycling assets into an increasing resilient investment market.

Allan Lockhart
Property Director
1 June 2011

FINANCE DIRECTOR'S REPORT

Mark Davies
Finance Director
NewRiver Retail Limited

"The Board believes that income returns will continue to form the key component of total return. The Company is well placed to deliver on this strategy with the platform that has been put in place."

Perfomance for the year

I am pleased to report that the Company made a profit before taxation of £4.9 million (2010: £2.1 million) in its first full year of trading. The strong performance in the year was driven by recurring profits and revaluation gains.

The Company's EPRA recurring profit for the year was positive at £0.9 million (2010: EPRA loss of £0.8 million). The majority of the recurring profit was earned in the final quarter of the financial year as the Company benefited from the c£70 million of accretive acquisitions at the end of the third quarter. Recurring profits on these acquisitions carry us forward into the 2012 financial year from a position of strength.

Highlights from the Statement of Comprehensive Income

Group Net Revenue for the year was £4.5 million compared to £0.4 million in the prior period. The significant increase is a result of new acquisitions in the year. As the majority of acquisitions completed in the second half further growth is expected.

The joint venture with Morgan Stanley Real Estate Investing contributed £1.3 million of surplus rental income and £0.5 million of surplus property revaluations during the year. The Company also received £0.3 million of asset management fees from the joint venture and a further £0.1 million of asset management fees from the joint venture with Scottish Widows.

A revaluation surplus of £3.5 million is included in the statement of comprehensive income which reflects the increase in the valuation of properties during the year.

Net finance costs totalled £1.8 million for the year. Interest cover is very positive at over 3.5 times at property level compared to banking covenants which range from 1.5-1.75 times. Interest cover is 1.5 times in the statement of comprehensive income which is comfortably ahead of the REIT compliance test of 1.25 times.

Operating costs were managed to £3.1 million in a year where investment was made in the Company to support future growth and the REIT conversion completed. Operating costs include one off Exceptional costs of £0.2 million in relation to the REIT conversion. The current taxation charge includes a one off conversion charge of £1.6 million which has been recognised in full this year. The fair value loss on interest rate swaps was £0.2 million.

Consolidated Statement of Comprehensive Income

(Extract)	**2011 £m**	2010 £m
Net rental income	**4.1**	0.3
Management fees	**0.4**	0.1
JV Net income	**1.3**	0.1
JV Surplus-investment properties	**0.5**	1.6
Operating expenses*	**(3.1)**	(1.1)
Net surplus on investment properties	**3.5**	1.2
Operating profit	**6.7**	2.2
Net finance costs:		
Senior debt	**(1.2)**	(0.1)
Convertible loan stock	**(0.6)**	–
Profit before taxation (PBT)	**4.9**	2.1
Adjustments to arrive at EPRA recurring profit:		
Surplus on revaluations	**4.0**	2.9
EPRA recurring earnings*	**0.9**	(0.8)

*Includes exceptional costs incurred during the year of £0.2m.

Earnings per Share (EPS)

Basic EPS for the year was 23p (2010: 21p) which was an excellent result particularly as the one off REIT conversion costs of £1.8 million adversely reduced EPS during the year by 12p per share. EPRA EPS was 6.3p per share (2010: 8.2p loss per share) reflecting increased recurring earnings. The majority of recurring EPRA EPS was earned in the final quarter and the Company will expect to see further growth next year when assets acquired are owned throughout the financial year.

Balance Sheet Highlights

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 of 1.25 times interest cover is satisfied.

Consolidated Balance Sheet

(Extract)	**2011 £m**	2010 £m
Total Non-Current Assets	**117.7**	25.1
Current Assets	**12.0**	8.2
Non/current Liabilities	**(6.2)**	(0.5)
Borrowings	**(60.3)**	(6.7)
Convertible Unsecured Loan Stock (CULS)	**(24.5)**	–
Net Assets	**38.7**	26.1
Share capital & reserves	**38.7**	26.1
Total Equity	**38.7**	26.1

At property level where loan covenants are tested the Loan to Value (LTV) as at 31 March 2011 was 57%. The Company's targeted LTV range is 50-65%, subject to the Board's view of market conditions at the time, the prospects of and risks within the portfolio and the recurring cash flows of the business.

The majority of the Company's lending is secured with LTV covenants of between 70-75% so there is adequate headroom, especially as the Company expects to drive further valuation through its asset management initiatives and reduce the LTV.

As at 31 March 2011 Balance Sheet gearing was 128%. Including CULS, Balance Sheet gearing was 190%.

The Net Asset Value (NAV) at 31 March 2011 was £38.7 million which amounts to an EPRA NAV per share of 273p (2010: 261p). The Company has absorbed 37p per share of purchase and exceptional costs during the year (2010: 9p per share) and delivered a net increase in NAV per share of 12p (2010: 20p) which is a 22% increase (2010: 18%) when purchase and exceptional costs are stripped out.

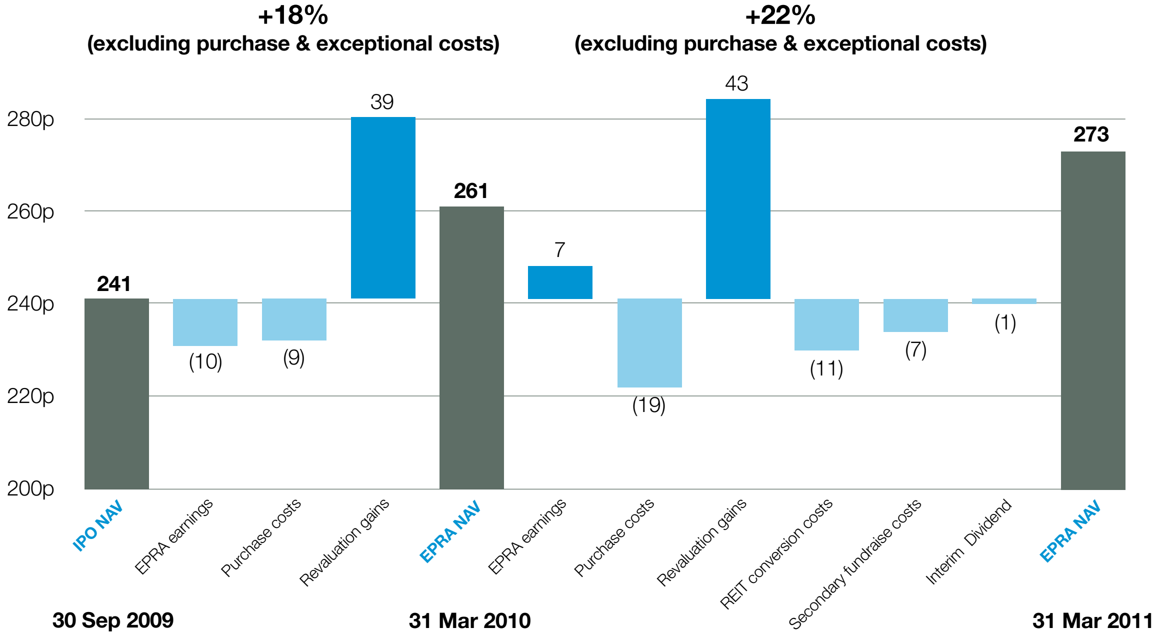
The Company also sold two joint venture assets during the year, both at or above valuation, which delivered IRRs of 70% and 320%. We have benefited from our 50% share of the £1.4 million profit on historic cost at disposal.

The movements in NAV per share in the current and prior period are shown in the below chart

The main factors behind the positive surplus in EPRA net assets per share during the year were:

- The rise of 43p per share (2010: 39p) from revaluations of the property portfolio;
- Purchase costs on acquisitions reduced NAV by 19p per share (2010: 9p per share);
- Non-recurring exceptional costs reduced NAV by 18p per share (2010: nil p per share) – these include the REIT conversion costs;
- Recurring EPRA earnings of 7p per share enhanced NAV (2010: reduced by 10p per share); and
- The payment of the maiden interim dividend reduced NAV by 1p per share.

EPRA NAV PER SHARE MOVEMENT TO 31 MARCH 2011
(pence per share)



Assets under Management

The Company has doubled its assets under management during the year to £166.0 million and this is reconciled as follows:

Assets Under Management

	2011 £m	2010 £m
Investment properties	**105.8**	13.3
Morgan Stanley JV	**46.2**	55.8
Scottish Widows JV	**14.0**	14.0
Total AUM	**166.0**	83.1

Borrowings

During the year the Company originated £55.0 million of new senior debt facilities (2010: £37.0 million) and I'm delighted with the new relationship we have established with HSBC Corporate Banking who supported our acquisition of the Cream portfolio by providing a new £35.0 million five year term bilateral loan facility.

Santander Corporate Banking also increased their lending facilities to the Company and its joint venture during the year to £60.0 million by supporting further acquisitions.

The Company has continued to benefit from these strong banking relationships whilst having no legacy issues to manage with its lenders. This is reflected in our senior debt borrowing cost in the year of 3.6% which is currently one of the lowest in the real estate sector.

The Company continues to apply a hedging strategy which is aligned to the property strategy. Borrowings are currently 75% hedged against interest rate risk. 30% of all borrowings are fixed whilst the balance of 45% are capped. This provides interest rate protection and allows the Company to benefit from a low interest rate environment.

More detail on the Company's borrowings is provided in note 16.

Dividend

The Company paid its maiden interim dividend in the year of 1p per share and a final dividend of 4.5p per share has been agreed by the Board, resulting in a total dividend for the year of 5.5p per share (2010: nil p). The Company's entire dividend is payable as a Property Income Distribution.

Summary

As at the 31 March 2011 a profile of the Company's lease expiry shows that over 64% of net rental income expires after more than 5 years (57% including break options).

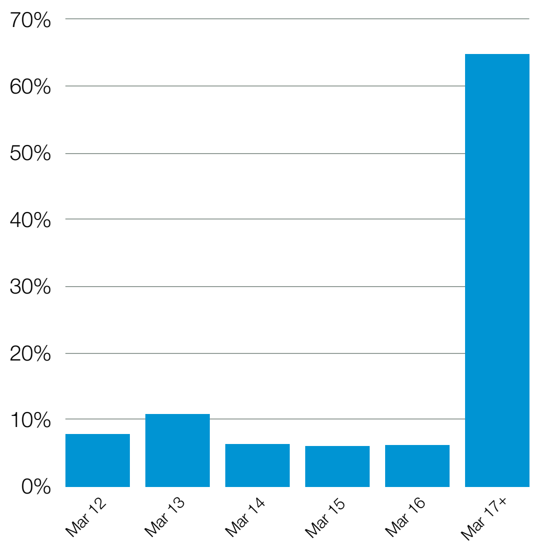
The Company has acquired a high quality portfolio of assets. Net revenue is supported by a sustainable income stream with a weighted average lease expiry of 7.6 years and a low vacancy rate of less than 5%.

The Board believes that income returns will continue to form the key component of total return. The Company is well placed to deliver on this strategy with the platform that has been put in place.

Mark A.P. Davies

Mark Davies
Finance Director
NewRiver Retail Limited
1 June 2011

WEIGHTED AVERAGE LEASE EXPIRY
(to expiry) of entire NewRiver Retail Ltd portfolio



BOARD OF DIRECTORS

PAUL ROY NON EXECUTIVE CHAIRMAN

Paul Roy co-founded NewSmith Capital Partners, an independent investment management firm 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 British Horseracing Authority and is a member of the Horserace Betting Levy Board. Paul chairs the Remuneration Committee.

NICK SEWELL EXECUTIVE DIRECTOR

Nick is a qualified chartered surveyor with over 14 years of retail commercial property experience. Specialising in high street, shopping centre and foodstore investments Nick has provided investment valuation and strategic advice around the acquisition and sale of property assets. Nick spent five years at Dalgleish, and following its acquisition by CB Richard Ellis in 2005 he spent four years as a Director in Retail Capital Markets.

DAVID LOCKHART CHIEF EXECUTIVE

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 Ltd, a business which he ran as CEO. Halladale floated on AIM in 2001 and was sold to Stockland Corporation in 2007. At the time of Halladale's sale to Stockland, it had grown to a business with total assets under management and development of circa £1.5 billion. In 2009 he founded NewRiver Retail Ltd.

PETER TOM CBE NON EXECUTIVE DIRECTOR (INDEPENDENT)

Peter Tom has spent his career in the aggregates industry having originally joined Bardon Hill Quarries Limited in 1956. He is Chairman of Breedon Aggregates and is the former Chairman and Chief Executive of Aggregate Industries Limited h aving stepped down in October 2007. He was previously the Chief Executive of Bardon Group plc. Peter became Chairman of Aggregate Industries Limited on 1 January 2006 and is on the board of Leaf Clean Energy Company. He is a former player for, and now Chairman of, Leicester Football Club plc, the holding company of the Leicester Tigers rugby club. He received an Honorary Degree as a Doctor of Technology from De Montfort University and was also awarded the CBE in the Queen's New Year Honours list in 2006 for Services to Sport and Business. Peter sits on the Audit and Remuneration Committees.

MARK DAVIES FINANCE DIRECTOR

Mark Davies has over 10 years experience in the UK real estate market. He started his property finance career with Grant Thornton before joining Pannell Kerr Foster as a Partner and Head of Real Estate. Prior to joining NewRiver Retail Ltd as Finance Director in 2009, Mark was Chief Financial Officer of Exemplar Properties and Finance Director of Omega Land, a £500m property joint venture 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.

SUSIE FARNON NON EXECUTIVE DIRECTOR (INDEPENDENT)

Susie Farnon was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001. She has served as president of the Guernsey Society of Chartered and Certified Accountants and as a member of The Guernsey Audit Commission and The Guernsey Public Accounts Committee. She is a Commissioner of The Guernsey Financial Services Commission and a director of a number of private property and investment companies. She is a Non Executive Director of Cenkos Channel Islands Limited and other regulated and listed funds. Susie chairs the Audit Committee and sits on the Remuneration Committee.

ALLAN LOCKHART PROPERTY DIRECTOR

Allan has over 20 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 Ltd 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.

ANDREW WALKER NON EXECUTIVE DIRECTOR

Andrew is Managing Director and head of Forum Partners' European team. As a co-founder of Forum Partners, he has enjoyed a 27-year career 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. Andrew sits on the Audit and Remuneration Committees.

CORPORATE GOVERNANCE REPORT

For the year ended 31 March 2011

The Directors present their corporate governance report for the year ended 31 March 2011.

The Directors recognise the importance of strong corporate governance and as an AIM Listed Company and Group (NewRiver Retail Limited, its subsidiaries and interests in joint ventures) are not required to comply with the disclosure requirements of the UK Combined Code of Corporate Governance, as published by the Financial Reporting Council in June 2008 (the 'Combined Code'). The Group has sought to comply as far as it is appropriate in respect of the year ended 31 March 2011 and intend to comply as far as appropriate with the UK Corporate Governance Code as published by the Financial Reporting Council in May 2010 (as amended from time to time) (the 'Corporate Governance Code') in respect of subsequent accounting periods. However given the size and nature, it does not seek to comply with aspects of The Combined Code or The UK Corporate Governance Code which are considered to be more appropriate for a larger public company.

Independent Non Executive Directors

The Combined Code recommends that, in the case of smaller companies below the FTSE 350, at least two non-executive members of the board of Directors (excluding the Chairman) of a public limited company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The Group complies with this recommendation.

The Board is composed of eight Directors. The Board has carefully considered the Directors' independence and has determined that the Directors will discharge their duties in an independent manner.

Susie Farnon and Peter Tom CBE are deemed by the Directors to be independent. David Lockhart, Mark Davies, Nick Sewell, Allan Lockhart, Andrew Walker and Paul Roy are not considered to be independent. In the case of Paul Roy, he is the Chairman and not considered to be independent for the purposes of the Combined Code following his appointment.

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.

The Group complies with the provisions of the Combined Code applicable to smaller companies that at least two members of the Board should be independent Non Executive Directors.

Senior Independent Director

The Combined 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 Directors have appointed Peter Tom CBE as senior independent Director.

Internal control and risk management

The Board is ultimately responsible for the Group's systems of internal control and reviewing its effectiveness. This however is designed to manage rather than eliminate the risk of failure to achieve its objectives and can only provide reasonable and not absolute assurance against material mistatement or loss. The Directors have reviewed the effectiveness of the Group's system of internal control which mitigate the risks identified as significant, including financial, operational and compliance risks.

The Group does not have an internal audit department due to the present size of the Group. This is presently considered appropriate given the size of the Group and the close involvement of the Executive Directors and senior management on a day to day basis. This is however kept under constant review.

The Group has policies for internal control of various key matters. During the year, the Group employed an external expert to assess the effectiveness of the internal controls and processes currently implemented. The report concluded that there are strong systems and internal controls inherent in the current structure.

Board appraisal and evaluation

On 23 May 2011, the Board undertook an evaluation exercise on the effectiveness of the Board. The Group concluded that the Board continues to operate effectively.

Shareholder relations

The Board places high importance on its relationship with its shareholders making themselves available for meetings with key shareholders and sector analysts. The Board will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

The Board welcomes correspondence from shareholders, addressed to the Group's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Board hopes that as many shareholders as possible will be able to attend the meeting. Members of the Board have meetings with institutional shareholders to aid understanding of the Group's strategic objectives and performance.

Board and committee meeting attendance

The below table is a record of the attendance by the Directors at Board and Committee meetings from 1 April 2010 to 31 March 2011.

	David Lockhart	Mark Davies (1)	Allan Lockhart (1)	Nick Sewell (1)	Paul Roy	Peter Tom CBE	Susie Farnon	Andrew Walker (1)	Shelagh Mason (2)	Serena Tremlett (2)
Main Board meetings	6	6	6	6	3	5	6	3	3	3
Audit Committee	n/a	n/a*	n/a	n/a	n/a	–	3	2	1	1
Remuneration Committee	n/a	n/a	n/a	n/a	2	2	3	1	2	n/a

* Mark Davies attended 3 Audit Committee meetings by invitation during the year.
(1) Appointed 19 November 2010
(2) Resigned 19 November 2010

Board committees

The Board has established an Audit Committee and a Remuneration Committee. In each case, with formally delegated duties and responsibilities within written terms of reference.

Audit Committee

The Audit Committee comprises Susie Farnon, Peter Tom CBE and Andrew Walker and is chaired by Susie Farnon. The Audit Committee meets at least twice a year and will, inter alia, review the financial reporting process and system of internal control and management of financial risks (including understanding the current areas of greatest financial risk and how these are managed, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process).

The Audit Committee is responsible for overseeing the Group's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee considers the nature, scope and results of the auditors' work and reviews, and develops and implements policy on the supply of any non-audit services that are to be provided by the external auditors. It receives and reviews reports from the Group's external auditors relating to the Group's annual report and accounts. The Audit Committee focuses primarily on compliance with legal requirements, accounting standards and the AIM Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

Remuneration Committee

The Remuneration Committee is chaired by the Chairman and comprises Paul Roy, Peter Tom CBE, Andrew Walker and Susie Farnon. The committee meets not less than once a year and has responsibility for considering the remuneration of the other Board members. The committee reviews the remuneration of the Chairman and Directors against the fees paid to Directors of other specialist REIT's and property investment companies of a comparable size. The committee also monitors the performance of the Company Secretary and reviews the terms of engagement, the quality of service provided and the remuneration paid.

DIRECTORS' REPORT

For the year ended 31 March 2011

The Directors present their report and financial statements of the Group for the year ended 31 March 2011, the comparative period being 4 June 2009 to 31 March 2010.

Principal activities and status

The Company is a Registered closed-ended Guernsey investment company which is managed and controlled in the United Kingdom. The Company's shares commenced trading on AIM at the admission on 1 September 2009. Since its admission on AIM, the Company carried on business as a property investment company, investing in commercial property in the United Kingdom.

REIT conversion

On 22 November 2010, the shareholders and Board approved the motion for the Group to enter the REIT regime. Upon conversion, the Group became liable for a one off conversion charge of £1.6 million which it has chosen to pay over 4 years.

Business review

A review of the business during the year is contained in the Chairman's statement.

Results and dividend

The results for the year are set out in the financial statements. During the year, the Group paid its maiden interim dividend of 1p per share (£0.1 million) (2010: £nil) and has subsequently declared a final dividend of 4.5p per share (£0.6 million).

The Board approved the reclassification of £33.8 million of Share Premium to Other Reserves in the year.

The Board

The Directors, who served throughout the year or unless stated otherwise, were as follows:

Paul Roy (Non Executive Chairman)
David Lockhart (Chief Executive)
Mark Davies appointed on 19 November 2010 (Finance Director)
Allan Lockhart appointed on 19 November 2010 (Property Director)
Nick Sewell appointed on 19 November 2010 (Executive Director)
Peter Tom CBE (Non Executive Director)
Susie Farnon (Non Executive Director)
Andrew Walker appointed on 19 November 2010 (Non Executive Director)

Serena Tremlett and Shelagh Mason both resigned from the board on 19 November 2010 as part of the Group's restructure to REIT status.

The Company's Articles of Incorporation require 1/3 of the Board to retire and offer themselves for re-election in future years. The Board has determined that a major part of its role is the overall strategy of the Group and to consider and determine the following matters which it considers to be of strategic importance to the Group:

- Strategy;
- Investment and funding;
- To determine the cash management policies of the Group taking appropriate professional advice as required;
- Reviewing the performance of key service providers;
- Review of any significant fees payable to any related party;
- Approval of an annual business plan and the individual business;
- Responsible for the Financial Reporting procedures, safeguarding the Group's assets and approving the annual and interim financial statements; and
- Establishing and maintaining appropriate investment, funding and risk management policies and procedures.

Corporate Social Responsibility

We recognise the impact that our business has on the environment, the communities in which we operate and society in general. We also recognise the link between businesses which operate a strong and well implemented Corporate Social Responsibility (CSR) strategy and an increase in shareholder value.

Over the coming year we will 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.

Substantial shareholdings

Shareholders with holdings of more than 3% of the issued ordinary shares of the Company at the date of this report were as follows:

Shareholder	Number of Ordinary Shares	% of issued (undiluted) share capital
David Lockhart	1,600,000	10.79%
Cenkos Channel Islands	1,452,050	9.79%
Asset Value Investors	1,415,758	9.54%
Cheviot Asset Management	1,389,582	9.36%
Schroder Investment Management	1,107,473	7.46%
Clearance Capital	1,000,000	6.74%
Artemis Fund Managers	675,000	4.55%
UBS Wealth Management	589,000	3.97%
Thesis Asset Management	570,000	3.84%
Hermes Pensions Management	500,000	3.37%
Baring Asset Management	492,527	3.32%

Convertible unsecured loan stock

On 22 November 2010 the Group issued £25.0 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 (adjusted for special dividends). Under the terms of the convertible, 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 the 30 June and 31 December.

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:

	2011 Number of Ordinary Shares	2010 Number of Ordinary Shares
Paul Roy	360,000	360,000
David Lockhart	1,600,000	1,580,000
Mark Davies	6,000	6,000
Allan Lockhart	140,000	140,000
Nick Sewell	100,000	100,000
Peter Tom CBE	40,000	40,000
Susie Farnon	25,000	25,000

All related party transactions are disclosed in note 25.

Annual General Meeting

The Annual General Meeting will be held at 11am on 18 July 2011 at One Wood St, London, EC2V 7WS, United Kingdom. At the meeting, resolutions will be proposed to receive the Annual Report and Financial Statements, approve the Directors remuneration, re-elect Directors and re-appoint and determine the remuneration of Deloitte LLP.

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
• Timing of property transactions
• Capital expenditure and tenant incentive commitments
• Forecast rental income
• Loan covenants

The Group has substantial 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 (IFRS) 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 IFRS 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. Legislation in Guernsey and the United Kingdom 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.

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

Mark A.P. Davies

Signed on behalf of the Board, 1 June 2011
Mark Davies
Finance Director

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. 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.

During the year the Board was restructured as part of the Company's conversion to a REIT and immediate transfer of management and control of the Board to the United Kingdom on 22 November 2010. The following Board changes were made during the year:

Director	Appointment	Effective
Mark Davies	Finance Director	19 November 2010
Allan Lockhart	Property Director	19 November 2010
Nick Sewell	Executive Director	19 November 2010
Andrew Walker	Non Executive Director	19 November 2010
Shelagh Mason	Resigned	19 November 2010
Serena Tremlett	Resigned	19 November 2010

Serena Tremlett and Shelagh Mason both resigned from the Board on 19 November 2010 as part of the Group's restructure to REIT status.

Schedule of Directors remuneration

All executive Directors are on 12 month rolling contracts and all Non Executive Directors are on 3 month rolling contracts.

	2011				2010*			
	Basic salary & fees	**Bonus**	**Benefits**	**Total**	Basic salary & fees	Bonus	Benefits	Total
Executive Directors	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
David Lockhart	**277**	**100**	**–**	**377**	102	–	–	102
Mark Davies	**185**	**100**	**1**	**286**	75	–	–	75
Allan Lockhart	**210**	**100**	**1**	**311**	73	–	–	73
Nick Sewell	**158**	**100**	**1**	**259**	49	–	–	49
	830	**400**	**3**	**1,233**	299	–	–	299
Non Executive Directors								
Paul Roy	**65**	**–**	**–**	**65**	29	–	–	29
Peter Tom CBE	**42**	**–**	**–**	**42**	18	–	–	18
Susie Farnon	**34**	**–**	**–**	**34**	14	–	–	14
Andrew Walker	**15**	**–**	**–**	**15**	–	–	–	–
Shelagh Mason**	**43**	**–**	**–**	**43**	12	–	–	12
Serena Tremlett**	**43**	**–**	**–**	**43**	12	–	–	12
	242	**–**	**–**	**242**	85	–	–	85
Total	**1,072**	**400**	**3**	**1,475**	384	–	–	384

*2010 remuneration figures are for the seven month period ended 31 March 2010.
**2011 remuneration figures includes a £0.03 million resignation payment for each Director.

Share option plan

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

The objective of the share incentive plans 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).

The holdings as at 31 March 2010 and 2011 are detailed below:

CSOP	2011 Number of Options	Vesting Date	Exercise Price £
David 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
Nick Sewell	11,049	15 December 2012/13/14	2.71
	46,098		

CSOP	2010 Number of Options	Vesting Date	Exercise Price £
David 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
Nick Sewell	11,049	15 December 2012/13/14	2.71
	46,098		

USOP	Number of Options	Vesting Date	Exercise Price £
David Lockhart	272,286	1 September 2012/13/14	2.50
Allan Lockhart	192,686	1 September 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	15,000	15 December 2012/13/14	2.44
Nick Sewell	102,647	15 December 2012/13/14	2.71
Nick Sewell	15,000	15 December 2012/13/14	2.44
	836,312		

USOP	Number of Options	Vesting Date	Exercise Price £
David Lockhart	188,000	1 September 2012/13/14	2.50
Allan Lockhart	132,000	1 September 2012/13/14	2.50
Paul Roy	200,000	15 December 2012/13/14	2.50
Mark Davies	23,951	15 December 2012/13/14	2.71
Nick Sewell	68,951	15 December 2012/13/14	2.71
	612,902		

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWRIVER RETAIL LIMITED

For the year ended 31 March 2011

We have audited the accompanying consolidated financial statements of NewRiver Retail Limited for the year ended 31 March 2011, which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated Balance Sheet, consolidated statement of cash flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Company's 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.

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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

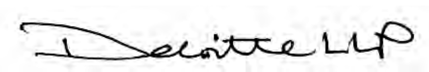
In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands
1 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**Year ended 31 March 2011 £'000**	Period 4 June 2009 to 31 March 2010 £'000
Group net revenue[1]	3	4,425	329
Total operating expenses	4	(3,159)	(1,172)
Income from joint ventures	11	1,817	1,741
Net surplus on revaluation of investment properties	10	3,574	1,269
Operating profit		**6,657**	**2,167**
Net finance expense			
Finance income	5	29	18
Finance costs	5	(1,774)	(28)
Profit for the year/period before taxation		**4,912**	**2,157**
Current taxation	6	(124)	(42)
REIT conversion charge	6	(1,600)	–
Profit for the year/period after taxation		**3,188**	**2,115**
Other comprehensive income			
Fair value loss on interest rate swaps	16	(204)	(46)
Total comprehensive income for the year/period		**2,984**	**2,069**
Earnings per share[2]			
Basic (Pence)	7	23.07	21.15
Diluted (Pence)	7	23.00	21.11

All activities derive from continuing operations of the Group. The notes on pages 38 to 54 form an integral part of these financial statements.

1 Group net revenue excludes the share of joint venture income of £1.3 million (2010: £0.08 million).
2 Includes REIT conversion charge of £1.6 million (2010: £nil).

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Notes	**31 March 2011 £'000**	31 March 2010 £'000
Non-current assets			
Investment properties	10	105,800	13,315
Investments in joint ventures	11	11,926	11,778
Property, plant and equipment	12	7	7
Total non-current assets		**117,733**	**25,100**
Current assets			
Trade and other receivables	14	1,413	67
Cash and cash equivalents	15	10,651	8,168
Total current assets		**12,064**	**8,235**
Total assets		**129,797**	**33,335**
Equity and liabilities			
Current liabilities			
Trade and other payables	17	4,980	471
Derivative financial instruments	16	116	46
Total current liabilities		**5,096**	**517**
Non-current liabilities			
Trade and other payables	17	1,201	–
Borrowings	16	60,252	6,693
Debt instruments	16	24,474	–
Total non-current liabilities		**85,927**	**6,693**
Net assets		**38,774**	**26,125**
Equity			
Share capital and share premium	19	–	24,031
Retained earnings	19	318	846
Other reserves	19	33,801	–
Hedging reserve	16	(250)	(46)
Share option reserve	21	62	25
Revaluation reserve	19	4,843	1,269
Total equity		**38,774**	**26,125**
Net Asset Value (NAV) per share			
Basic (pence)	8	273	261
Diluted (pence)	8	272	261

The notes on pages 38 to 54 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 1 June 2011 and were signed on its behalf by:

David Lockhart
Chief Executive

Mark Davies
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2011

	Notes	31 March 2011 £'000	31 March 2010 £'000
Net cash inflow/(outflow) from operating activities	18	**2,796**	**(496)**
Investing activities:			
Purchase of investment properties	10	(88,911)	(12,046)
Purchase of plant & equipment		–	(8)
Cash acquired on acquisition of subsidiary		–	13
Cash inflow/(outflow) from joint ventures	11	1,535	(10,037)
Net cash from investing activities		**(87,376)**	**(22,078)**
Financing activities:			
Net finance costs		(740)	18
Issue of new shares	19	9,770	24,031
Increase in bank loans	16	53,559	6,693
Net proceeds from issue of Convertible Unsecured Loan Stock	16	24,474	–
Net cash from financing activities		**87,063**	**30,742**
Cash and cash equivalents at the beginning of the year/period	15	8,168	–
Movement during the year/period		2,483	8,168
Cash and cash equivalents at the end of the year/period		**10,651**	**8,168**
Cash and cash equivalents comprise:			
Cash at bank and in hand	15	10,651	8,168
Cash and cash equivalents at the end of the year/period		**10,651**	**8,168**

The notes on pages 38 to 54 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2011

	Notes	Retained earnings £'000	Other reserves £'000	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Share-based payments £'000	Hedging reserve £'000	**Total £'000**
As at 4 June 2009		–	–	–	–	–	–	–	**–**
Net proceeds of issue from new shares	19	–	–	–	24,031	–	–	–	**24,031**
Total comprehensive income for the period	19	2,115	–	–	–	–	–	(46)	**2,069**
Share based payments		–	–	–	–	–	25	–	**25**
Revaluation surplus for the period	10	(1,269)	–	–	–	1,269	–	–	**–**
As at 31 March 2010		**846**	**–**	**–**	**24,031**	**1,269**	**25**	**(46)**	**26,125**
Transfer of share premium	19	–	24,031	–	(24,031)	–	–	–	**–**
Net proceeds of issue from new shares	19	–	9,770	–	–	–	–	–	**9,770**
Total comprehensive income for the year	19	3,188	–	–	–	–	–	(204)	**2,984**
Share based payments		–	–	–	–	–	37	–	**37**
Dividend payments	9	(142)	–	–	–	–	–	–	**(142)**
Revaluation surplus for the year	10	(3,574)	–	–	–	3,574	–	–	**–**
As at 31 March 2011		**318**	**33,801**	**–**	**–**	**4,843**	**62**	**(250)**	**38,774**

The notes on pages 38 to 54 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

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 United Kingdom. NewRiver Retail was incorporated on 4 June 2009 in Guernsey as a registered closed-ended investment company. The Company was incorporated 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 United Kingdom. The Company's registered office is Isabelle Chambers, Route Isabelle, St Peter Port, Guernsey GY1 3TX and the business address is Level 2 Greybrook House, 28 Brook Street, London W1K 5DH. 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 audited financial statements of the Group are for the year from 1 April 2010 to 31 March 2011, the comparative period being 4 June 2009 to 31 March 2010.

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

The Group has substantial 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 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.

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). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, joint venture interests and derivatives which are fair valued.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the SPVs 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.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries. Intra-Group transactions are eliminated in full.

Certain new interpretations and amendments or revisions to existing standards, which may be relevant to the Group, have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

IFRS 9 Financial Instruments effective 1 January 2013
IAS 24 (Amended) Related Party Disclosures (effective for periods on or after 1 January 2011)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
Improvements to IFRSs issued April 2009

These changes are not expected to have a material impact on the Group's financial statements.

1 Accounting policies continued

Use of estimates and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Group's financial statements, and revenue and expenses during the reporting period. Actual results could differ from estimated. Significant estimates in the Group's financial statements include the assumptions relating to the valuation of options and investment properties. By their nature these estimates and assumptions are subject to measurement uncertainty.

Critical judgements in applying the Group's accounting policies

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.

Key sources of estimation uncertainty

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

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. As described below, the Group's investment properties are stated at estimated market value, as accounted for by management based on an independent external appraisal. The estimated market 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 options

Management have relied on the services of external experts to determine the fair value of options at their grant date, in order to expense that value over their estimated vesting period. This requires significant estimates of a number of inputs which are used to model that fair value.

(iii) 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.

(iv) Impairment in investment in subsidiaries and associates

Determining whether investments in subsidiaries and associates 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.

Investment property and property in the course of construction

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.

1 Accounting policies continued

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 and CB Richard Ellis 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 Appraisal and Valuation Standards, 6th Edition (the Red Book). This is an internationally accepted basis of valuation. 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 and transferred to the revaluation reserve.

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.

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.

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.

Revenue recognition

(i) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Rent is billed in advance and then allocated to the appropriate period. Therefore, deferred revenue generally represents the proportion of rentals invoiced in advance as at the reporting date and any advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(ii) Interest income

Interest income and expenses is recognised in the income statement under the effective interest method as they accrue. Interest income is recognised on a gross basis, including withholding tax, if any.

(iii) Asset management fees

Management fees are recognised in the income statement on an accruals basis. Interest income is recognised on a gross basis, including withholding tax, if any.

1 Accounting policies continued

(iv) Promote payments

Under the terms of the Limited Partnership Agreement of NewRiver Retail Investments LP, 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.

Business combinations

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. The acquisition of subsidiaries is accounted for using the purchase method. 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.

Acquisitions

The consideration payable in respect of each acquisition may be dependant 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.

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. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Convertible debt

Convertible debt consists of both a liability and equity element. On issue of convertible debt, 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.

1 Accounting policies continued

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.

Trade and other receivables

Trade and other receivables are initially recognised at fair value. 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.

Share based payments

Share options have been granted to key management as set out in note 21. 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	£2.50
– Exercise price	£2.44 – £2.71
– Expected volatility	23%* – 10%*
– Risk free rate	2.48% – 2.60%
– Expected dividends*	4% – 3%

*Based on similar quoted property sector average.

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 20. 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.

Dividends

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

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.

Cash flow hedge

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.

1 Accounting policies continued

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.

Leasing (as lessors)

Leases where the Group does not transfer substantially all the risks and benefits incidental to the ownership of the assets are classified as operating leases. All of the Group's properties are leased under operating leases and included in investment property in the balance sheet.

2 Segmental reporting

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

3 Revenue

	2011 £'000	2010 £'000
Rental and related income	4,378	257
Asset management fees	342	72
Surrender premiums and commissions	58	–
Direct property costs	(353)	–
Net rental income	**4,425**	**329**

4 Operating expenses

	2011 £'000	2010 £'000
Group staff costs	1,991	405
Depreciation	1	1
Administration and other operating expenditure	1,167	766
	3,159	**1,172**

During the year £0.2m (2010: £nil) of exceptional costs were incurred as part of the Company's REIT conversion.

	2011 £'000	2010 £'000
Auditors' remuneration		
Fees payable to the Company's auditor for the audit	88	48
Fees payable to the Company's auditor relating to the Admission to AIM	–	125
Fees payable to the Company's auditor for the interim review	18	10
	106	**183**

£0.05 million (2010: £0.02 million) of tax compliance fees paid to the Company's auditor are included in other operating expenses.

5 Finance income and expense

	2011 £'000	2010 £'000
a) Finance income		
Income from cash and short-term deposits	29	18
Total finance income	**29**	**18**
b) Finance costs		
Interest on bank loans	1,228	28
Interest on debt instruments	546	–
Total finance costs	**1,774**	**28**
Net finance cost	**1,745**	**10**

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

More details on the Group's borrowings are provided in note 16.

6 Taxation

The tax expense for the period comprises:

	2011 £'000	2010 £'000
Tax (income) charge		
Current tax		
Tax rate in Guernsey at 0%	–	–
UK Corporation Tax	124	42
Tax charge	**124**	**42**
REIT conversion charge	1,600	–
Tax charge	**1,724**	**42**

The Company entered the REIT regime on 22 November 2010 and is not exposed to tax on gains arising from the disposal of exempt property assets; for this reason deferred tax has not been provided for on revaluation surpluses. At the time of the Company's conversion 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 the next four years (which carries as 0.19% charge). The instalments are payable annually between June 2011 and June 2014.

7 Earnings per share

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in October 2010, which gives guidelines 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.

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

	2011 £'000	2010 £'000
Earnings		
Earnings for the purposes of basic and diluted EPS being profit after taxation	**3,188**	**2,115**
Adjustments to arrive at EPRA profit		
Exceptional items:		
REIT conversion charge	1,600	–
Prior year tax provision	36	–
Other exceptional items	165	–
Unrealised surplus on revaluation of investment properties	(3,574)	(1,269)
Unrealised surplus on revaluation of joint venture investment properties	(545)	(1,663)
EPRA profit/(loss)	**870**	**(817)**

7 Earnings per share continued

Number of shares

	No. 000's	No. 000's
Weighted average number of ordinary shares for the purposes of basic EPS and basic EPRA EPS	13,822	10,000
Effect of dilutive potential ordinary shares:		
Options	21	12
Warrants	22	6
CULS	–	–
Weighted average number of ordinary shares for the purposes of basic diluted EPS and basic diluted EPRA EPS	13,865	10,018
EPRA EPS basic (pence)	6.29	(8.17)
EPRA diluted EPS (pence)	**6.27**	**(8.16)**
EPS basic (pence)	23.07	21.15
Diluted EPS (pence)	**23.00**	**21.11**

8 Net asset value per share

	2011 £'000	2010 £'000
Net asset value	38,774	26,125
Number of ordinary shares	14,212	10,000
Number of ordinary shares EPRA*	24,467	–
EPRA net asset value per share (pence)	**273**	**261**
Basic net asset value per share (pence)	273	261
Diluted net asset value per share (pence)	272	261

*The number of shares in issue is adjusted under the EPRA calculation to assume conversion of the warrants, options and the Convertible Unsecured Loan Stock is converted to equity.

Net asset value per share is based on Group net assets at 31 March 2011 of £38.7 million (2010: £26.1 million) and the 14.2 million (2010: 10 million) ordinary shares in issue.

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 an anti-dilutive effect on the Group's EPS calculation.

9 Dividends

On 21 January 2011, the Company paid its maiden dividend of £0.14 million at 1p per share.

On 23 May 2011, the Board of Directors approved a final dividend of 4.5p per share which will result in a distribution of £0.6 million.

The dividend will be 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 shareholder may be able to claim exemption from deduction of withholding tax.

10 Investment properties

	2011 £'000	2010 £'000
Balance at 31 March 2010	13,315	–
Acquisitions in the year/period	88,911	12,046
	102,226	12,046
Fair value surplus on property revaluations	3,574	1,269
Balance at 31 March 2011	**105,800**	**13,315**

The Group's investment properties have been valued at 31 March 2011 by independent valuers on the basis of open market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors Sixth Edition (the Red Book).

It is the Group's policy to carry investment property at fair value in accordance with IAS 40 'Investment Property'. The fair value of the Group's investment property at 31 March 2011 has been determined by the Directors on the basis of open market valuations carried out by Colliers International and CB Richard Ellis who are the external valuers to the Group.

The basis for the valuations included in the report is based on current market rental yields, expected rental income and comparable market transactions.

11 Investments in joint ventures

	2011 £'000	2010 £'000
Balance at 31 March 2010	11,778	–
Additional joint venture interests during the year[1]	1,440	10,037
Income from joint ventures	1,817	1,741
Distributions and dividends[1]	(2,032)	–
Return of capital[1]	(943)	–
Hedging movements	(134)	–
Net book value at 31 March 2011	**11,926**	**11,778**

Name	Country of incorporation	% Holding 2011
NewRiver Retail Investments LP	Guernsey	50%
NewRiver Retail Investments (GP) Ltd*	Guernsey	50%

1 The net cash inflow during the year was £1.5 million (2010: cash outflow £10.0 million).

NewRiver Retail Investments LP (the 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 JV has an acquisition capacity in excess of £250 million including appropriate leverage with future respective equity commitments being decided on a transaction by transaction basis. Interests in further property acquisitions made by the joint venture may vary from the current 50/50 split of existing projects.

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

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 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 an anti-dilutive effect on the Group's EPS calculation.

11 Investments in joint ventures continued

In line with the existing NewRiver investment strategy, the 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.

*NewRiver Retail Investments (GP) Ltd 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 joint venture.

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

	2011 NewRiver Retail Investments (GP) Ltd Total £'000	**2011 Group's share 50% £'000**	2010 NewRiver Retail Investments (GP) Ltd Total £'000	2010 Group's share 50% £'000
Non-current assets	46,365	23,183	55,835	27,918
Current assets	2,105	1,052	644	322
Current liabilities	(1,714)	(857)	(10,223)	(5,112)
Non-current liabilities	(22,904)	(11,452)	(22,700)	(11,350)
Net assets	**23,852**	**11,926**	**23,556**	**11,778**
Income	4,661	2,331	228	114
Administration expenses	(1,062)	(532)	(14)	(7)
Finance costs	(1,055)	(527)	(58)	(29)
Profit after tax	**2,544**	**1,272**	**156**	**78**
Fair value surplus on property revaluations	1,090	545	3,325	1,663
Income from joint ventures	**3,634**	**1,817**	**3,481**	**1,741**

The Group's share of the contingent liabilities to the JV is £nil.

12 Property, plant and equipment

	Fixtures & equipment 2011 £'000	**Total 2011 £'000**
Cost brought forward and carried forward	8	8
Accumulated depreciation brought forward	(1)	(1)
Charge for the year/period	(1)	(1)
Net book value at 31 March 2011	**7**	**7**
Net book value at 31 March 2010	7	7

13 Investment in subsidiary undertakings

Below is a list of the Group's principal subsidiaries:

Name	Country of incorporation	Activity	Proportion of ownership interest 2011
NewRiver Retail (Wrexham No. 1) Limited	Guernsey	Real estate investments	100%
NewRiver Retail (Market Deeping No. 1) Limited	Guernsey	Real estate investments	100%
NewRiver Retail (Newcastle No. 1) Limited	Guernsey	Real estate investments	100%
NewRiver Retail (Portfolio No. 1) Limited	Guernsey	Real estate investments	100%
NewRiver Retail (Portfolio No. 2) Limited	Guernsey	Real estate investments	100%
NewRiver Retail (UK) Limited	United Kingdom	Operating company and asset management	100%
NewRiver Retail (Portfolio No. 3) Limited	United Kingdom	Real estate investments	100%
NewRiver Retail CUL No. 1 Limited	United Kingdom	Finance company	100%

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

14 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	1,213	41
Prepayments and accrued income	200	18
Other receivables	–	8
	1,413	**67**

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

A provision of £0.1 million was made for trade receivables as at 31 March 2011.

15 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank	10,651	503
Short-term deposits	–	7,665
	10,651	**8,168**

16 Borrowings

	2011 £'000	2010 £'000
Secured bank loans	60,252	6,693
Convertible Unsecured Loan Stock	24,474	–
	84,726	**6,693**
Maturity of borrowings:		
Less than one year	–	–
Between one and two years	–	–
Between two and five years	84,726	6,693
Over five years	–	–

16 Borrowings continued

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.

Facility type	Lender	Maturity date	2011 Total facility £'000	2011 Drawn £'000	Hedging fixed rate £'000	%	Hedging capped rate*** £'000	%	Floating capped rate £'000	%	Weighted average borrowing costs %
Balance Sheet											
Bilateral term loan	Santander	19-Feb-15	9,303	9,303	6,783	5.18%	–	–	2,520	3.02%	4.59%
Bilateral term loan	Santander	04-Jun-13	21,460	16,856	14,999	3.74%	–	–	1,857	2.87%	3.65%
Bilateral term loan*	HSBC	30-Nov-15	34,580	34,580	–	–	34,580	3.54%	–	–	3.54%
			65,343	**60,739**	**21,782**		**34,580**		**4,377**		**3.80%**
Joint ventures											
Bilateral term loan – 50% share**	Santander	28-Feb-15	11,539	11,539	–	–	11,539	3.30%	–	–	3.30%
			11,539	**11,539**	**–**		**11,539**		**–**		**3.30%**
Total			**76,882**	**72,278**	**21,782**		**46,119**		**4,377**		**3.60%**
Convertible instruments											
Convertible Unsecured Loan Stock		31-Dec-15	25,000	25,000	25,000	5.85%	–	–	–	–	5.85%
			25,000	**25,000**	**25,000**		**–**		**–**		**5.85%**

*This facility is capped at 6.5% (4% cap, 2.5% bank margin).
**This facility is capped at 6.25% (4% cap, 2.25% bank margin).
***Current floating rate.

Facility and arrangement fees

	2011 Facility £'000	Fees £'000	Amortised £'000	Balance £'000	2010 Facility £'000	Fees £'000	Amortised £'000	Balance £'000
Santander	26,159	219	(55)	25,995	6,783	93	(3)	6,693
HSBC	34,580	346	(23)	34,257	–	–	–	–
	60,739	**565**	**(78)**	**60,252**	**6,783**	**93**	**(3)**	**6,693**
Convertibles	25,000	566	(40)	24,474	–	–	–	–
	85,739	**1,131**	**(118)**	**84,726**	**6,783**	**93**	**(3)**	**6,693**

The weighted average debt maturity of borrowings was 4.10 years (3.86 years excluding the convertible instruments).

The Group recognised a mark to market fair value loss of £0.3 million (2010: £0.05 million) on its interest rate swaps as at 31 March 2011. The fair value loss recognised for on Balance Sheet hedging (excluding joint venture interests) was £0.1 million.

All borrowings are due after more than one year.

16 Borrowings continued

Convertible Unsecured Loan Stock (CULS)

On 22 November 2011 the Group issued £25.0 million of CULS where the stock holder may convert all or any of the stock into ordinary shares at the rate of one ordinary share for every £2.80 nominal value of CULS held (adjusted for special dividends). Under the terms of the convertible, 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.

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 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.

17 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	429	294
Rent received in advance	3,712	135
Taxation – current	839	42
Current trade and other payables	**4,980**	**471**
Taxation – non-current	1,201	–
Non-current trade and other payables	**1,201**	**–**

18 Cash flow note

	2011 £'000	2010 £'000
Profit before tax	4,912	2,167
Adjustments for:		
Income from joint ventures not received	–	(79)
Net gain on revaluation of investment properties	(3,574)	(1,269)
Net gain on revaluation of joint venture investment properties	(545)	(1,663)
Depreciation of property, plant and equipment and goodwill	(1)	12
Share based payments expense	37	25
Operating cash flows before movements in working capital	**829**	**(807)**
Increase in receivables	(1,412)	(88)
Increase in payables	3,379	399
Cash inflows/(outflows) from operations	**2,796**	**(496)**

19 Share capital and reserves

	2011 Retained earnings £'000	**2011 Other reserves £'000**	**2011 Share premium £'000**	**2011 Revaluation reserve £'000**	2010 Retained earnings £'000	2010 Share premium £'000	2010 Revaluation reserve £'000
Brought forward	846	–	24,031	1,269	–	–	–
Surplus on revaluation	(3,574)	–	–	3,574	(1,269)	–	1,269
Total comprehensive income for the period	3,188	–	–	–	2,115	–	–
Dividend paid	(142)	–	–	–	–	–	–
Shares issued in year/period	–	–	10,531	–	–	25,000	–
Warrants exercised in the year/period	–	–	–	–	–	–	–
Issue costs	–	–	(761)	–	–	(969)	–
Treasury shares	–	–	–	–	–	–	–
Transfer to distributable reserve	–	33,801	(33,801)	–	–	–	–
Balance carried forward	**318**	**33,801**	**–**	**4,843**	**846**	**24,031**	**1,269**

19 Share capital and reserves continued

In May 2010, 4.2 million (2010: 10.0 million) nil par value ordinary shares were issued for cash consideration at a price of £2.50 (2010: £2.50) resulting in an increase of the total share capital to £33.8 million (2010: £24.0 million). Costs of £0.8 million (2010: £1.0 million) directly attributable to the issue of these shares have been set against the share premium account.

As at 31 March 2011, the total number of shares outstanding was 14,214,308 (2010: 10,000,000). No treasury shares were issued during the year (2010: 0.6 million) (see note 20).

During the year the Group approved a transfer of the share premium account of £33.8 million to other reserves which may be distributed in the future.

Shareholders who subscribed for Placing Shares in the initial Placing 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 was adjusted to £2.44 following the share issue in May 2010. During the year 2,308 Warrants were exercised.

20 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.

During the year no shares were issued to the EBT (2010: 624,000 nil par value shares for nil consideration).

As the EBT is consolidated, these shares are treated as Treasury Shares.

No shares have been allocated by the EBT to Directors or employees during the year.

	2011 **000s**	2010 000s
Brought forward	624	–
Issued during the year/period	–	624
Carried forward	**624**	**624**

21 Share based payments

The Group provides share based payments to employees in the form of share options, all share based payment arrangements granted since the admission on 1 September 2009 have been recognised in the financial statements. The Group uses the Black Scholes Model 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.

(a) Terms

	2011 **No. of** **options**	2010 No. of options
Awards brought forward at 1 April 2010	660,200	660,200
Awards made during the year/period	226,749	–
Exercisable options at the end of the year/period	**886,949**	**660,200**

The awards granted during the period are based on a percentage of the total number of shares in issue, as a result of the new share issue the number of awards have increased.

21 Share based payments continued

(b) Share based payment charge

	2011 £'000	2010 £'000
Share based payment expense brought forward	25	–
Share based payment expense in the year/period	37	25
Cumulative share based payment	**62**	**25**

22 Financial commitments and operating lease arrangements

	2011 £'000	2010 £'000
Group share of the financial commitments to joint ventures	–	1,400
	–	**1,400**
Operating lease arrangements:		
Where the Group is lessee	55	55

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

The current lease is an annual commitment with one year until expiry.

23 Post balance sheet events

On 23 May 2011, the Board of Directors approved a final dividend of 4.5p per share which will result in a distribution of £0.6 million.

The dividend will be 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 shareholder may be able to claim exemption from deduction of withholding tax.

24 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 currency risk, price risk and 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 16), 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.

24 Financial instruments – risk management continued

The cash flow and fair value risk is approved quarterly by the Board. The Group analyses its interest rate exposure on a dynamic basis. It takes on exposure to 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. Formal reporting to the Board on cash flows is made on a monthly basis. 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. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised loss of £0.25 million at 31 March 2011 (2010: £0.05 million). The Group has interest rate hedges in place to mitigate interest rate risk.

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 Group has VAT payable of £0.4 million (2010: £0.01 million receivable). The timing of payment of these balances is subject to future revenue receipts and application to HMRC. The Group forecasts the payment of these balances based upon the timing of future revenue receipts and its experience of successful application to the HMRC. No balances are considered passed due or impaired at 31 March 2011 based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of payment.

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 counterparty exposures.

(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:

	2011			2010		
	Current £'000	**Year 2 £'000**	**Years 3 to 5 £'000**	Current £'000	Year 2 £'000	Years 3 to 5 £'000
Interest bearing loans and borrowings	–	–	60,252	–	–	6,693
CULS	–	–	24,474	–	–	–
Trade and other payables	4,980	–	–	471	–	–
Derivative financial instruments	–	–	250	–	–	46
	4,980	**–**	**84,976**	**471**	**–**	**6,739**

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.

24 Financial instruments – risk management continued

(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. Where the Group has a net position, the gearing ratio will be zero. The Group is not subject to any external capital requirements.

25 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) was £1.2 million (2010: £0.3 million).

Serena Tremlett is the Managing Director of Morgan Sharpe Administration Limited which receives fees for providing secretarial services in respect of the Company. During the year £0.2 million was paid to Morgan Sharpe Administration in respect of these services. The services were carried out on an arm's-length basis.

Share based payments of £0.04 million (2010: £0.03 million) accrued during the year.

26 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 leasehold properties:

	2011 £'000	2010 £'000
Within one year	2,406	946
In the second year	2,406	946
In the third to fifth year (inclusive)	7,219	2,838
After five years	174,678	7,859
	186,709	**12,589**

GLOSSARY OF TERMS

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

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 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.

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.

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties at acquisition.

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.

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.

Market 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.

GLOSSARY OF TERMS CONTINUED

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 purchasers' 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 earliest lease termination date.

Underlying earnings per share (EPS) consists of underlying profit after tax divided by the diluted weighted average number of shares in issue during the period.

Underlying profit before tax is the profit for the period before taxation after excluding amortisation of intangible assets and impairment charges, net valuation gains/losses (including profits/losses on disposals), other receivables of a capital nature, net refinancing charges, fair value movements on liquid investments and swap close out costs.

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

Weighted average lease term 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.

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