NewRiver Retail

Annual Report and Accounts 2012

Who we are

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.

In this report

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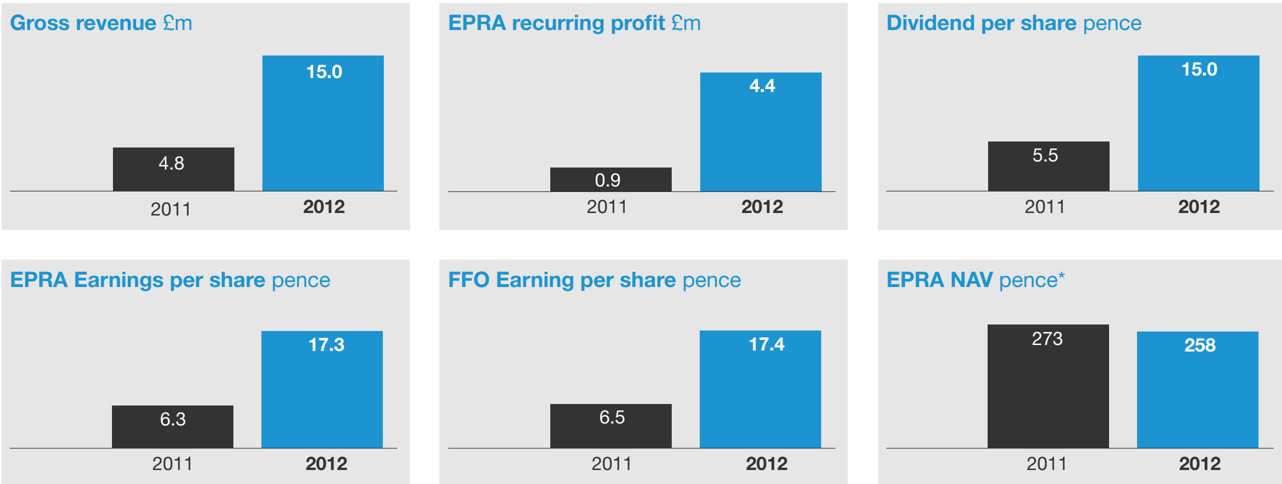
A year of sustained growth

Financial and operational highlights



*After accounting for one-off costs relating to equity fund raising and purchase costs EPRA NAV per share increased by 7.5%

- Group revenue trebled to £15.0 million
- Increasing focus on income leading to strong EPRA earnings per share growth to 17.3 pence
- Total dividend increased to 15 pence per share which was fully covered by Profits earned in the year
- Successful equity fundraising of £42.5 million gross
- 70 positive leasing events 1% above ERV
- Assets under management increased to £275 million
- Two disposals delivering an average IRR of 27%
- High occupancy rate of 96%

Chairman's statement

I am pleased to report NewRiver's second full year results for the 12 month period to 31 March 2012.

The Company is a recognised leader in its specialist sector and had a successful year, demonstrating the strength of both its business model and management team in a challenging environment for retailers, property investment and the economy as a whole.

NewRiver's model of active asset management and risk controlled development continues to be a robust engine for growth generating tangible cash returns to shareholders. The average purchase yield of the portfolio is 8.5% and it is the Board's view that dividends will form an increasingly important component of total shareholder returns.

The Board has approved a final dividend of 9.0 pence per share making 15.0 pence per share for the year, nearly triple our 2011 dividend. This reflects our commitment to generating strong income returns to shareholders, whilst meeting the Company's future investment needs and maintaining a cautious approach to gearing.

Our issue of new equity during the year was over-subscribed and I am delighted to welcome the new shareholders who invested in the Company. We raised a total of £42.5 million of new capital, which was immediately deployed in the acquisition of 4 major shopping centres and I am pleased to report that these are already generating strong returns.

NewRiver continues to pursue active and opportunistic asset management activities. Whilst we have acquired a number of new shopping centres, rental income has been further supplemented by the profitable disposal of two properties during the year at prices which considerably exceeded our IRR hurdle rates.

Our core team has expanded alongside the size and scale of the Company and I am also pleased to welcome 3 new members of the Board. Christopher Taylor and Kay Chaldecott, both highly respected figures in the UK commercial property arena, joined as Non-Executive Directors during the financial year. On 1 April 2012, Charles Miller joined the Board as Executive Development Director. An acknowledged expert in UK retail development, Charles brings significant skills and experience to the management team. Peter Tom CBE and Susie Farnon have stood down as Non-Executive Directors and I take this opportunity to thank them for their service to the Company.

Although the macroeconomic and financial outlook remains uncertain, the Board is confident that NewRiver will continue to deliver strong, long-term returns for shareholders and looks forward to the future with confidence.

Paul Roy
Chairman

28 May 2012

"NewRiver's model of active asset management and risk controlled development continues to be a robust engine for growth generating tangible cash returns to shareholders."

Strategy

Clear investment strategy focused on driving income returns

Focus on UK food and value retail sub sectors

Careful stock selection

Proactive asset management

Risk controlled development

Average acquisition yield 8.50%

Double-digit annual cash on cash returns

Minimum geared IRRs of 15% +

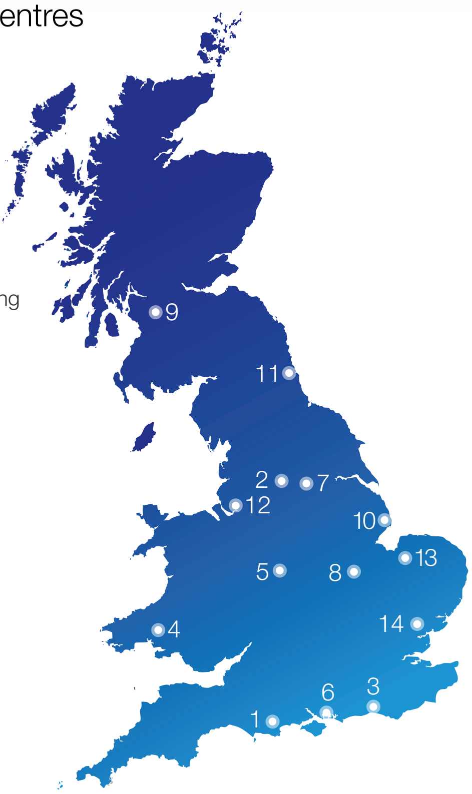
Sustainable high income distribution to equity holders

Overview

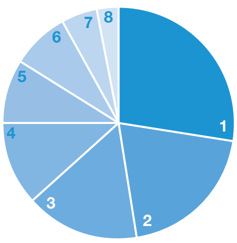
Growing a high quality portfolio

Shopping centres

1 Boscombe
2 Bramley
3 Burgess Hill
4 Carmarthen
5 Erdington
6 Fareham
7 Huddersfield
8 Market Deeping
9 Paisley
10 Skegness
11 Wallsend
12 Widnes
13 Wisbech
14 Witham

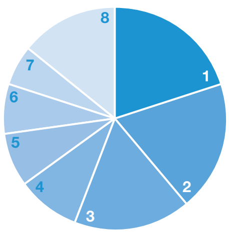


Portfolio location



1	South	28%
2	East of England	20%
3	Yorkshire	16%
4	Scotland	12%
5	Wales	9%
6	North East	8%
7	North West	5%
8	Midlands	3%

Retailer profile



1	Food	20%
2	Discount stores	19%
3	Value fashion	17%
4	Health and beauty	9%
5	Service related	8%
6	Independent	7%
7	Home and electrical	6%
8	Other	14%

Key retailers and demand

Retailer	Number of stores	% income	Total rent £pa
Sainsbury's	1	2.0%	400,000
TESCO	2	3.9%	790,000
The co-operative	8	4.9%	1,013,000
Poundland	5	2.8%	583,000
wilkinson	3	2.9%	588,000

1.9m
Sq ft of property

£21m
Passing rent

£22.5m
ERV

Acquisitions and disposals

Key retailers

1 Camel portfolio

The acquisition of 4 freehold sub-regional shopping centres for £68 million comprises 500,000 sq ft of accommodation. The centres located in Carmarthen, Paisley, Skegness and Wisbech offer low occupational costs resulting in sustainable rents and a low vacancy rate of 3.3%.

- The Co-operative
- Poundland
- TK Maxx
- Boots
- Wilkinson
- Sports Direct

2 The Sovereign Centre, Boscombe

The shopping centre is located in the heart of the community providing 86,000 sq ft and includes a 600 space car park and adjoins the town's principal bus station. The centre benefits from consistent footfall of 6 million people per year.

- Sports Direct
- Poundland
- New Look
- 99p Stores
- Costa Coffee
- Wilkinson

3 Great Yarmouth, 23–24 Market Place

The acquisition and subsequent sale of Market Place Great Yarmouth was completed during the year. The Company was able to simultaneously negotiate the purchase, surrender the incumbent lease let to Life & Style and subsequently re-let to Poundland at £295,000 pa. The property was sold delivering significant value and an unlevered return of 43%.

- Poundland

4 Witham, Newlands Shopping Centre

The centre provides a 66,000 sq ft open shopping precinct adjoining a large surface car park in an attractive market town in north Essex offering low sustainable rent characteristics. More than 60% of the income is secured to non-discretionary retailers.

- Iceland
- New Look
- Greggs
- Dorothy Perkins

5 Burgess Hill, 60–64 Church Walk

The acquisition of the property let to Store 21 allows the Company to leverage on its experience and understanding of Burgess Hill to control a large MSU store comprising 30,000 sq ft at an attractive yield of over 10%.

- Store 21

6 Canterbury, 41 George Street

The sale of 41 George Street, Canterbury was completed for a total consideration of £5.0 million reflecting an exit yield of 6.3% and a geared IRR of 16%. NewRiver successfully increased the rent at review following a full store refit and branding.

- Wilkinson

7.1yrs
Weighted average lease expiry

530
Tenants

96%
Occupancy

Chief Executive's review

"Our investment strategy is focused on driving income returns and we believe that as a REIT our key performance benchmark is our ability to deliver a growing and sustainable dividend to our shareholders."

Our second full financial year was once again a highly active period for the Company and builds on the momentum created last year. We completed 6 acquisitions totalling a net £93 million, raised a further £42.5 million of equity capital which was immediately deployed to expand the portfolio, created a new banking relationship, completed 2 disposals and strengthened our Board and management team.

We are particularly pleased that this high level of activity is reflected in another strong financial performance with gross revenues increasing threefold to £15.0 million, (2011: £4.8 million), recurring EPRA profits up fivefold to £4.4 million (2011: £0.9 million), EPRA earnings per share increasing almost threefold to 17.3 pence (2011: 6.3 pence) and the total dividend for the year increasing almost threefold from 5.5 pence last year to 15 pence this year. EPRA NAV decreased by 5.5% to 258 pence (2011: 273 pence) but after accounting for exceptional costs relating to the equity fundraising and one-off purchase costs EPRA NAV per share actually grew over 7% (2011: +22%).

The key event of the year was the acquisition of a portfolio of 4 shopping centres for £68 million. As well as increasing the asset base, the acquisition allowed the Company to raise further equity capital, attracting new shareholders and enlarging the market capitalisation as well as entering into a new banking relationship with Clydesdale Bank which provided the debt for the acquisition. It was pleasing to report that the equity fundraise was oversubscribed and included a number of new shareholders joining the register and I welcome them as investors in NewRiver.

Assets under management increased from £166 million to £275 million, the majority of which are owned by the Company. We made two small disposals where the short-term upside created was better redeployed into new projects with enhanced returns. These disposals generated returns significantly above the target business plan. We were also appointed by Scottish Widows as development manager for a second major shopping centre and we value this growing relationship.

Whilst the UK retail sector is facing challenging headwinds it also presents opportunities and we capitalise on these opportunities by focusing on the food and value retail sub-sectors which continue to outperform and where demand from retailers exceeds supply due to the development pipeline being close to a record low. We know from our close relationship with major retailers such as Sainsbury's, Morrisons, Tesco, Poundland and Wilkinson, there is continuing strong demand for new retail space the majority of which is focused on town centre opportunities where changes in the political and planning environment favour the NewRiver model.

Our investment strategy is focused on driving income returns and we believe that as a REIT our key performance benchmark is our ability to deliver a growing and sustainable dividend to our shareholders. This is evidenced by the significant increase in the total dividend for this period and income generation is the continuing priority for management. We specifically target high yielding assets with affordable and sustainable rents which generate immediate cash on cash returns. We then apply our asset management and development skills to maintain and grow the income.

Active asset management is embedded in our culture and is what enables us to consistently create value in difficult market conditions. Since our IPO we have completed over 120 leasing events generating and maintaining c£3.7 million of income of which more than 90% have been at or above the target business plan. We have been broadly unaffected this year by the high profile closure of a small number of retail chains and our focus on affordable and sustainable rents has resulted in almost all the affected units being retained by the new owners of the businesses. The void rate stood at a very conservative 4%, reinforcing the low risk characteristics of our portfolio.

We now own and manage 16 shopping centres and have been rolling out multi-channel marketing campaigns across our portfolio. The rise of social media is an exciting opportunity for our centres to integrate digital media capabilities from Twitter and Facebook to mobile Apps into a programme of dynamic community events and initiatives. Locally we have been working hard with the retailers, consumers and stakeholders to deliver not just a shopping experience but also a sociable, entertaining and desirable retail destination at the heart of town.

The lack of new retail development provides NewRiver with a real market opportunity as our portfolio is positioned in town and focused on the food and value sub-sectors who are actively seeking new space. By combining our knowledge of managing assets coupled with our expertise in identifying development opportunities, we are confident our growing development programme of in excess of 500,000 sq ft can deliver significant future value. We manage risk by controlling the majority of the development sites within our shopping centre portfolio and the Company will not embark on any development without agreed pre-lettings and local authority support to deliver on both estate and planning issues.

Considering the difficult conditions in the wider UK retail environment we have continued to transact on attractive value-creating opportunities. Whilst market conditions remain challenging we are confident we will continue to identify attractive opportunities through our strong relationships with retailers, wide network of contacts, market intelligence and focused business strategy. We have established a strong platform for growth and are in a good position to build on our success and enhance our position as one of the UK's leading retail real estate investors. The current financial year has lost none of the momentum with a strong pipeline of opportunities and a wide ranging programme of development and refurbishment underway. We look forward to the future with confidence.

I would like to thank our shareholders who continue to support the Company and its development. It remains a privilege to be part of such a dynamic company with a dedicated and experienced management team and I would again like to thank them and our key advisers for their hard work and professionalism.

David AS Lockhart
Chief Executive

28 May 2012

£275m

Assets under management

Go online for more detail:
www.nrr.co.uk

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Property Director's report

The last 12 months have been a successful period for the Company. Our business model and real estate portfolio are defensive and cash generative, the precise qualities required of a real estate company in the current flat economic growth environment.

Our portfolio increased to £275 million of assets under management through carefully selected acquisitions. We have recycled cash through 2 disposals that exceeded our minimum IRR target of 15%. We have also successfully implemented our asset management strategy for this financial reporting period and continued the excellent progress on our development programme.

The UK retail sector is traditionally stable, consistent and resilient. It is a sector that is important to the UK economy representing 8% of GDP and employs c9% of the UK's workforce.

Despite wider economic challenges, the value of retail sales remained positive in 2011 with UK retail sales growing by 3.3%*. The sub-sectors that outperformed and in our view will continue to do so are: food, value, health and beauty, and clothing. The retailing sub-sectors that underperformed were those more reliant on discretionary spend and the home related market; electrical and white goods, furniture, carpets, home ware and DIY.

This retailing pattern reflects the economic environment and resultant consumer behaviour. Consumer behaviour is determined by 2 components; time and money, and within each component there is core time and core money and discretionary time and discretionary money. In tough economic times it is inevitable that consumers will have less discretionary time and money.

Our strategy has been to create a real estate portfolio that caters to the consumer's core time and money by focusing on value, convenience and experience. In the last 12 months the portfolio has maintained high occupancy, consistent rent collection in excess of 90% within 10 days of the quarter date, modest impact of retail administrations at 1.6% of rental income and 90% of leases renewed at passing rental levels. The key retailers in the portfolio are trading well with the majority generating annual sales where the ratio of rent to sales ranges from 1.5% to 9%.

£93m

Acquisitions

Acquisitions

In the last reporting period we concluded 6 acquisitions totalling c£93 million. The majority of the acquisitions were conducted off market at an attractive blended net initial yield of 8.5%. All of the acquisitions fully comply with our strict investment criteria providing high annual cash on cash returns with realisable prospects for capital growth from pre-identified asset and development management initiatives. In summary the individual acquisitions were as follows:

Shopping centre portfolio

In August, we completed the acquisition of a portfolio of 4 shopping centres from Zurich Insurance for a total of £68 million. The transaction was sourced off market and subject to NewRiver raising the required funding from shareholders to complete the transaction.

Approximately 94% of the passing rent was derived from multiple retailers and 60% of the income was from key sectors: food, health and beauty, clothing and discount. Given the low vacancy rate, income diversity through retailer and sector spread and the secure weighted average lease expiry, these shopping centres will provide attractive annual double-digit cash on cash returns as well as capital growth through pre-identified asset and development management initiatives.

The portfolio included the following shopping centres:

Merlin's Walk, Carmarthen

Merlin's Walk opened in 1998 and comprises 103,300 sq ft of sales and ancillary accommodation in 24 retail units. The centre is arranged in an open street format with ground floor retail and first floor ancillary accommodation. It is located in the heart of the town adjacent to a 350 space car park and a large Wilkinson's store. The anchor tenants for the centre are TK Maxx, Poundland, Argos and Store 21.

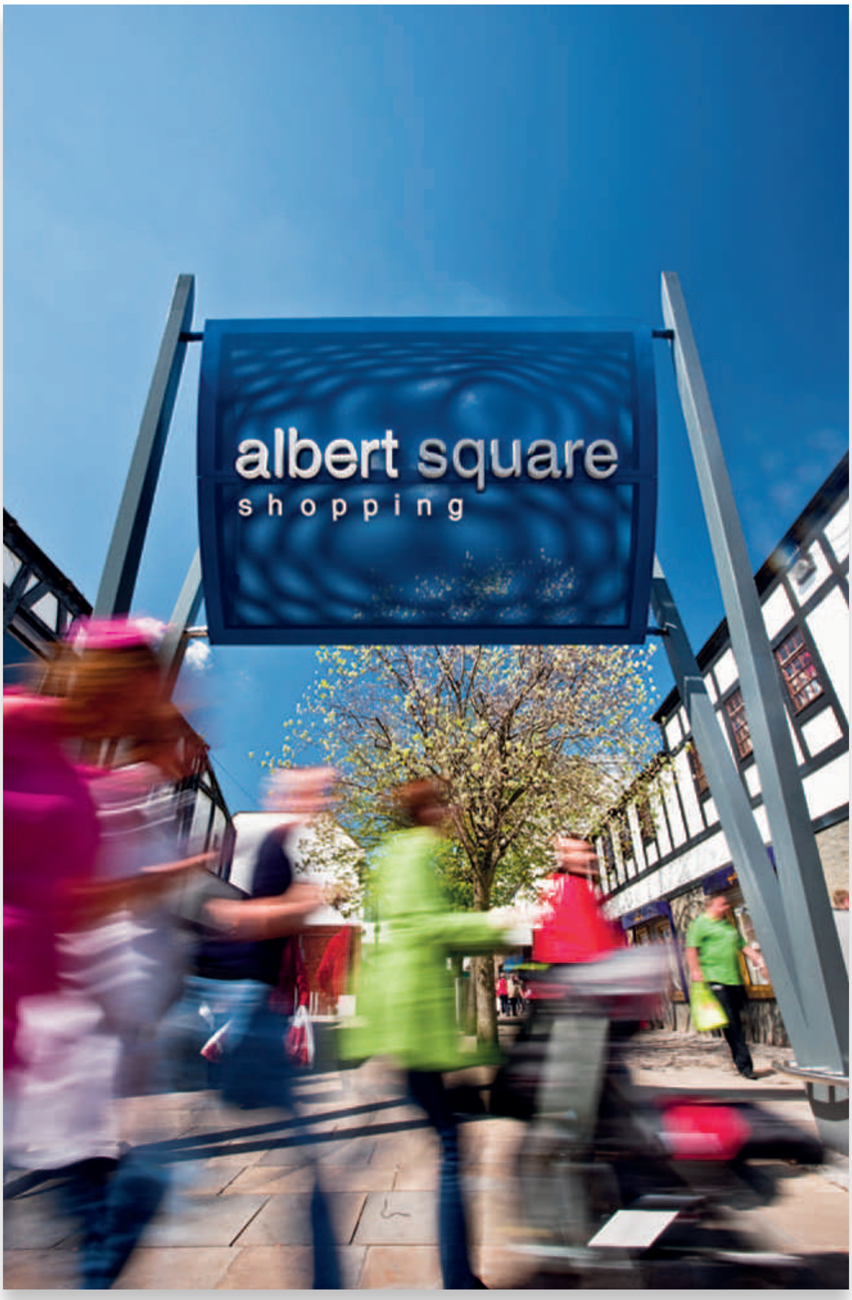
*Source: ONS – sales by value excluding fuel costs.

"Our strategy has been to create a real estate portfolio that caters to the consumer's core time and money by focusing on value, convenience and experience."


COSTA


BOOTS


£1.00
£1.00


albert square
shopping


wilkinson
wilkinson

Property Director's report continued

The Piazza Shopping Centre, Paisley

The Piazza Shopping Centre in Paisley was developed in 1968 with an extension in 1975. The centre underwent a major refurbishment in the 1990s. It provides a clean and attractive covered single level shopping centre extending to 252,000 sq ft of retail and offices in 40 units together with a 366 space multi-storey car park.

The centre is well located next to the train station and the town's principal bus station. The Piazza dominates the Paisley retail offer and is anchored by The Co-operative, New Look, and Poundland.

The Hildreds Shopping Centre, Skegness

The Hildreds Shopping Centre is a fully covered 55,000 sq ft centre that opened in 1988. The centre comprises 30 stores including Evans, Burtons, H.Samuel, WH Smith, JD Sports and Wilkinson. The centre, which is the town's only managed centre, is anchored by the Co-operative and Home Bargains and benefits from an adjacent 320 space car park.

The Horsefair, Wisbech

The Horsefair Shopping Centre has 26 retail units comprising 92,000 sq ft of sales and ancillary accommodation. The centre was opened in 1989 and built in a single storey open street format, with car parking for nearly 400 cars and the bus station immediately adjacent. The centre is Wisbech's only managed centre and is anchored by The Co-operative with key tenants including Boots, Poundland, Superdrug, New Look and Argos.

Other acquisitions

23–24 Market Place, Great Yarmouth

Our second acquisition was the purchase of 23–24 Market Place, Great Yarmouth for a total consideration of £2.5 million. The property, which is located in a prime retailing position, has a total gross internal area of 41,280 sq ft. Based on our purchase price, the capital value per sq ft is £60.56 which is significantly below replacement cost.

The property was let to Life & Style Retail Ltd at £200,000 per annum, although at the time of purchase, was in administration and no longer trading from the premises. Simultaneously with the purchase, NewRiver benefited from a day 1 uplift in value through a negotiated agreement with Poundland for a new 10-year lease at £295,000 pa. The agreement reflects a net initial yield on purchase costs of 11.2%.

The Sovereign Shopping Centre, Boscombe

In August 2011, we acquired The Sovereign Shopping Centre in Boscombe, Bournemouth from UBS Global Asset Management (UK) Ltd. for £12 million reflecting a net initial yield of 9.6%.

The shopping centre provides approximately 86,000 sq ft of retailing space anchored by Sports Direct, Poundland, 99p Stores, Costa Coffee and New Look together with direct links into adjoining anchor tenants Wilkinson, Lidl and Boots. Approximately 64% of the income, including the car park is secured to non-discretionary retail traders offering defensive characteristics.

In total there are 48 tenancies and at the time of purchase the current gross rent roll was £1.6 million pa. with an average weighted unexpired lease length of 10.7 years.

The Newlands Shopping Centre, Witham

In November 2011 we completed the acquisition of The Newlands Shopping Centre in Witham, Essex for £5 million reflecting a net initial yield of 9.7%. The transaction emanated from a distressed debt position. The acquisition price reflects a reduction of 60% of the previously traded value in February 2007 at a price of £12.92 million.

The Newlands Shopping Centre provides approximately 66,000 sq ft of retailing and ancillary space anchored by Iceland, New Look, Card Factory, and Greggs and benefits from direct links into adjoining Newlands Street and a 200 space car park.

At the time of purchase there were 24 tenancies and the current gross rent roll was £0.58 million pa. with an average weighted unexpired lease length of 4.6 years. More than 60% of the income is secured to non-discretionary retail traders such as food, value fashion, discount, health and beauty offering defensive characteristics.

1


2


1 The Sovereign Shopping Centre, Boscombe

2 The Hildreds Shopping Centre, Skegness

70

New leasing events

Co-operative, Skegness

The Company also acquired The Co-operative in Skegness and this is discussed further in the key asset management highlights.

60/64 Church Walk, Burgess Hill

Finally, NewRiver acquired a large space retail unit in Burgess Hill from The Co-operative for £1.32 million reflecting a net initial yield of 10%. The property, 60/64 Church Walk, which comprises c17,000 sq ft arranged over 2 levels and located on the pedestrianised Church Walk, is let to Store 21 with a 10-year unexpired term at a current rent of £140,000 pa. Store 21 trades successfully from this store. Strong retailer demand for large space retail units exists in Burgess Hill.

Disposals

In line with our commitment to recycle capital, we completed 2 disposals generating significant IRRs ahead of our minimum corporate target of 15%.

The first disposal, completed in August 2011, was the sale of a large space retail unit in Canterbury let to Wilkinson with an unexpired term of 14 years. The property was sold to a UK institution for £5 million reflecting a net initial yield of 6.3%, generating a levered IRR of 16% and at a level that exceeded our 31 March 2011 valuation.

The property, which was originally acquired as part of the Redevco portfolio in May 2010, had an outstanding rent review at the time of purchase. NewRiver secured an uplift in rent and then took advantage of strong institutional demand for retail investments such as this.

3

3 Church Walk, Burgess Hill

Finally we concluded the sale of our retail investment in Great Yarmouth in October 2011, following our opportunistic purchase at £2.5 million earlier in the year and the new letting to Poundland. The property was sold for £3.38 million to a cash buyer, reflecting a net initial yield of approximately 8.25% and providing NewRiver with an unlevered IRR of 43% exceeding the Company's minimum geared target IRR of 15%.

NewRiver's objective is to initiate a sale upon the successful completion of a business plan at the asset level, although when the opportunity arises to secure a premium price at an earlier stage, or when an asset's risk profile increases to an unacceptable level, the Company will sell.

Asset management

The retail property sector faces a challenging economic environment where consumers benefit from a range of retail channels from out of town shopping centres to online. NewRiver is therefore fully committed to pro-active asset management with the objective of improving footfall, increasing dwell time which should lead to improved retailer sales at our centres.

Beyond the core asset management focused on leasing and retail mix, NewRiver is committed to developing active asset management initiatives. Each initiative may have a modest impact on financial performance but combined makes a significant difference which we define as the accumulation of marginal gain. Examples include: increased operating efficiency in the service charge, rating appeals, rating mitigation, introduction of solar energy panels, upgrading the quality of our centre managers, free wi fi in our centres at no capital cost to NewRiver but receipt of an annual income, outdoor advertising, indoor digital advertising, events, promotions, drink machines, children's rides, car valeting and automatic number plate recognition. We engage in these initiatives because every £1 of revenue we generate out of an asset, we estimate, will translate into c£12 to £15 of capital value.

As one of the leading UK owners of shopping centres we invest significant time in developing relationships with major stakeholders in the locality of our assets and, more importantly, with the consumers using our shopping centres.

NewRiver has taken a leading role in local town centre regeneration with the submission of 8 of our towns to the Portas review. We are in the process of being elected to the Board of the Business Improvement District ('BID') companies in Boscombe and Erdington and have already been elected to both the Board of the Skegness Town Centre Partnership ('TCP') and the Burgess Hill Town Centre Partnership. It is our intention to promote BIDs and TCPs for all of our shopping centres. We strongly believe that a coordinated approach between private and public stakeholders makes a significant and positive difference to town centres.

Property Director's report continued

We undertake regular customer surveys to help guide the asset and development strategies. We are also at an early stage in developing our digital media capability to provide each shopping centre with an active website, Facebook page and Twitter account. Twitter provides an instant medium to communicate directly with our consumers, allowing us to play our part in driving sales for our retailers. With the growth of smart phones and the development of price comparison apps, it is vital for real estate owners of shopping centres to engage with technology and this is why we will be one of the first shopping centre owners to install free wi fi in all of our shopping centres.

Our key asset management highlights for this reporting period include:

Lease renewal at Northumberland Street, Newcastle upon Tyne

We completed a new ground lease for a term of 125 years on our Northumberland Street property in Newcastle upon Tyne. The property was acquired by NewRiver in June 2010, for a total consideration of £4.2 million reflecting a net initial yield of c9.6%. The original ground lease was for a period of 42 years and through the successful conclusion of the new ground lease with the freeholders we have now institutionalised this asset.

Skegness – The Hildreds Shopping Centre – The Co-operative store

In February 2012, we completed 1 of our key short-term asset management initiatives acquiring the long leasehold interest of our existing 39,500 sq ft freehold asset attached to the Hildreds Shopping Centre in Skegness. The long leasehold interest was acquired from The Co-operative Group for a total consideration of £2.9 million reflecting a net initial yield of 9.5%. The weighted average lease expiry profile is 7 years as the property is let to Home Bargains, and CWS has entered into a short-term lease.

This acquisition will release an immediate uplift in value through the merger of the CWS long leasehold interest with our freehold interest. Furthermore this acquisition creates a number of asset management and redevelopment opportunities.

Unit 13 The Montague Centre, Worthing

The property was acquired as part of the Standard Life portfolio and let to TK Maxx paying a rent of £210,000 pa. with a lease expiry in December 2011. At the time we purchased this asset TK Maxx traded successfully and given the size of the unit and the lack of potential relocation opportunities we were confident we would secure TK Maxx for the long term.

At the end of last year we completed the lease renewal with TK Maxx for a term of 15 years with a tenant break option in year 10 at a rent of £240,000 pa. As part of the asset management initiative, we made a capital contribution to TK Maxx linked to their intended store refurbishment.

Locks Heath, Fareham

Feedback from our annual consumer survey at Locks Heath indicated a strong desire for a branded coffee operator. As a consequence, in the last 12 months we have entered into a lease agreement with Costa Coffee for a 10-year term at a commencing rent of £26,000 pa. We secured planning consent for a new coffee shop which has now been constructed and delivered to Costa Coffee for fitting.

The introduction of Costa Coffee will assist in increasing dwell time in this centre which will benefit other retailers.

Summary

It has been a highly active year, and we have concluded 70 leasing events ranging from new lettings, through to lease renewals and re-gears. The total annual rent that was subject to leasing events was £1.6 million. Furthermore, 90% of our retailers have renewed their lease at expiry or did not exercise a tenant break.

It is pleasing to note that 92% of our leasing events were concluded in excess of our business plan targets at rents 1% above ERV and our portfolio is on track to outperform the minimum geared IRR of 15%.

Risk controlled development

Significant progress has been made in advancing our development programme.

Currently NewRiver is engaged in 11 development projects in excess of 500,000 sq ft. The projects are at different stages in the development cycle but the majority are food anchored led and that the required land to implement these developments are either in the direct control of NewRiver or with local authority.

Key development highlights include:

The Forum Shopping Centre, Wallsend

Following the acquisition of the former vacant Co-operative department store adjoining the Wallsend Shopping Centre, and the entering into an Option agreement with the local authority, we will be submitting a planning application in the next few months for a sub-division of the former vacant Co-operative department store, a refurbishment of the shopping centre and an extension to provide for a 45,000 sq ft food store plus 300 space car park. Construction will only commence following planning and pre-letting of the new retail space.

The Martlets, Burgess Hill

Upon completion of an extensive master planning exercise and consultation, our proposals are evolving to incorporate a new 80,000 sq ft food store, 100,000 sq ft of additional comparison retailing and c700 car parking spaces. The development will be phased with the food store plus some additional comparison retailing being in the first phase.

Extensive discussions have taken place with two of the UK's leading food retailers and we are close to finalising the layout and technical requirements of these retailers. Once leasing terms are agreed with one of these retailers we will move into the pre planning stage and aim to have secured a detailed planning consent by the first quarter of 2013.

Central Square, Erdington

We secured strong support from Asda to redevelop the 1960s shopping centre into a 55,000 sq ft food store with c300 car parking spaces. Following consultation with the City Council earlier this year we are seeking to submit a planning application within the next 3 months.

Locks Heath, Fareham

We have considered a number of development options that utilise both our land holdings and adjacent local authority land holdings. We have received strong food store demand and recently entered into an exclusivity agreement with one of the major food retailers to pursue pre-letting legal negotiations to provide a 70,000 sq ft food store. Further consultation will be required with major stakeholders including the local authority prior to a planning application being submitted which we would expect in 2013.

Portfolio metrics

NewRiver has maintained a high occupancy rate in line with IPD and some of the major REITs. We have significantly increased income diversification through an increase in the number of retailers in the portfolio and increased our exposure to the key winning retail sub-sectors.

The impact of retailer administrations has been very modest. Only 13 retail units within our entire portfolio have been subject to multiple retailer administrations including Peacocks, Bonmarché, Game and TJ Hughes. Of the 13 stores, 11 have remained open, continue to trade and are being taken out of administration. The impact to us in 2012 was just £0.25 million representing 1.6% of gross revenue. It has been widely reported that other retailers are intending a major restructuring, in administration or have announced profit warnings such as Clintons, Mothercare, HMV, JJB, Thomas Cook, Carpetright, Thorntons and Jessops. Our current rental exposure to all of the above is 2 retail units totalling an annual rent of £0.1 million pa. We do not have any rental exposure to Clintons.

We strongly believe the defensive qualities of our portfolio fully endorses our decision to focus on retailing that is predominantly based on non-discretionary spend. We are confident that our portfolio will remain broadly immune from retailer administrations.

NewRiver, as the owner of 14 shopping centres, is one of the UK's leading shopping centre owners. This growth in our portfolio will allow us to drive through operational efficiencies within our centres but perhaps more importantly allows us to deepen even more our working relationships with our key retailers who have multiple representations within the portfolio.

It is from these strong working relationships that our key retailers are prepared to share their confidential sales data. From this we can monitor our performance as an asset manager, establish that our rental levels within our portfolio are sustainable and receive a trading insight for future acquisitions.

From the information that we have been provided by 5 of our top 10 retailers we know that the rent to sales ratio ranges from 1.5% to 9% with the average being 4.5%. For us this is the most important metric and part of our stock selection criteria is to target assets where the rent to turnover ratio ranges from 3% to 10%.

Outlook

The next 12 months will be challenging for the UK consumer and the real estate market is expected to be suppressed from flat UK economic growth and a restricted credit market. Notwithstanding the tough economic circumstances, NewRiver looks forward to the next 12 months with confidence and enthusiasm. We have a strong and robust operating platform from which to continue growing our business by taking advantage of an excellent buying market against minimal competition.

Allan Lockhart
Property Director

28 May 2012

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Finance Director's report

"The dividend is fully covered by profits earned and has increased significantly to 15 pence per share from 5.5 pence in 2011."

Performance for the year

I am pleased to present NewRiver Retail's Finance report for the year ended 31 March 2012.

This is our second full accounting year and our business model of focusing on delivering income returns to shareholders is captured by the growth in recurring EPRA profits to £4.4 million (2011: £0.9 million). This is a near fivefold increase and achieved in a year where the economic backdrop has been challenging.

Our profit after taxation is £3.9 million (2011: £3.2 million), however our key performance indicator is EPRA profits which include recurring items only and flow straight through to the total dividend. The dividend is fully covered by profits earned and has increased significantly to 15 pence per share from 5.5 pence in 2011.

Highlights from the Statement of Comprehensive Income

Income

Gross property income for the year was £15.0 million compared to £4.8 million in 2011. The growth is a result of new acquisitions made in the year and supported by our active asset management. The Company will receive the full benefit of acquisitions completed in 2012 on a fully annualised basis in the year to 31 March 2013.

The joint venture with Morgan Stanley Real Estate contributed £0.9 million of surplus rental income during the year. The Company also received £0.2 million of asset management fees from the joint venture and a further £0.3 million of asset management fees from our joint ventures with Scottish Widows.

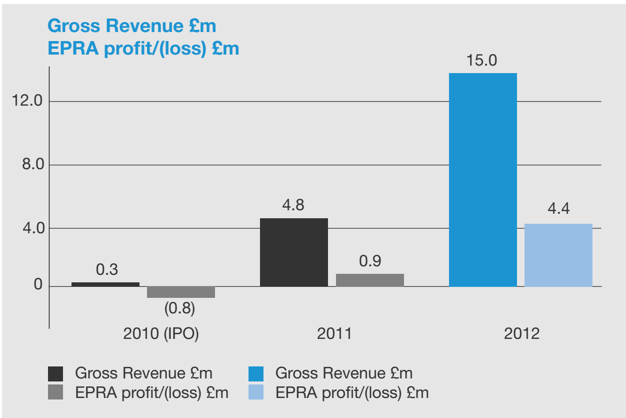
There were a number of retailer administrations during the year and the financial impact on the Company's rental income for 2012 was a modest £0.25 million, which amounts to 1.6% of rental income. 11 of the 13 units affected by administration remained open and continued to trade. We are in advanced discussions to secure a new tenancy at the same passing rent in one of the remaining units.

Finance costs totalled £5.3 million (2011: £1.8 million) for the year. Borrowings were increased in line with acquisitions completed and interest cover remained very positive at over 3 times at the property level compared to banking covenants which range from 1.5–1.75 times.

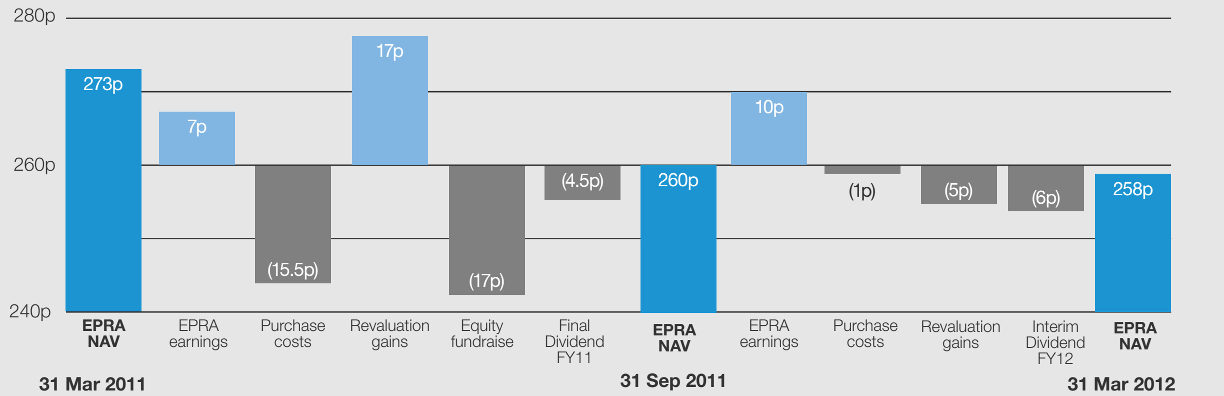
Administrative expenses were managed to £4.0 million (2011: £3.1 million), in a year where investment was made in the Company to support future growth. This included an increase in the staff headcount to eighteen to support the significant increase in assets under management and new office space to accommodate the growth.

Capital

According to data from IPD, capital values were under pressure in this financial year, particularly in the second half. However, the Company has been active in its asset management activities completing 70 leasing events which supports and enhances value. The Company was also able to make 2 disposals resulting in a realised profit of £0.4 million at an average IRR of 27% which was 6% above carrying value. The profit on sale is partially offset against the £0.8 million valuation movement resulting in a capital loss for the year of £0.4 million (2011: profit £4.0 million).



EPRA NAV movement – FY12 +7.5% Year-on-year (excluding purchase and exceptional costs)



Consolidated Statement of Comprehensive Income

(Extract)	**2012 £m**	2011 £m
Gross property income	**15.0**	4.8
Property operating expenses	**(2.2)**	(0.3)
Net property income	**12.8**	4.5
Joint Venture net income	**0.9**	1.3
Operating expenses	**(4.0)**	(3.1)
Operating profit	**9.7**	2.7
Net finance costs:		
Senior debt	**(3.7)**	(1.2)
Convertible loan stock	**(1.6)**	(0.6)
EPRA recurring profit	**4.4**	0.9
Net valuation movement on properties	**(0.8)**	4.0
Profit on sale of investment properties	**0.4**	–
Profit before taxation ('PBT')	**4.0**	4.9

Key ratios		
FFO EPS (pence)	**17.4**	6.5
EPRA EPS (pence)	**17.3**	6.3
Dividend per share (pence)	**15.0**	5.5
Dividend cover	**103%**	115%

Earnings per Share ('EPS')

EPRA EPS is an important performance indicator for the Company as it relates to recurring earnings only. EPRA EPS was 17.3 pence per share (2011: 6.3 pence per share) which is a good result helped by the immediate deployment of capital raised in August 2011 into property acquisitions which have subsequently generated revenues at strong yields.

Basic EPS was 15.3 pence (2011: 23 pence) down slightly on EPRA EPS due to downward revaluation movements, and still represents strong positive returns due to this increased recurring earnings.

In addition we have taken the decision to disclose Funds From Operations ('FFO') as this is an important metric often used by the investment community when comparing the performance of International REITs. Reported FFO this year was £4.4 million (2011: £0.9 million) which amounted to 17.4 pence per share (2011: 6.5 pence).

Balance Sheet Highlights

The Company has established a financial platform that is able to support further growth and the key items in the Company's Balance Sheet are listed below:

Consolidated Balance Sheet (Extract)

(Extract)	**2012 £m**	2011 £m
Investment properties	**197.7**	105.8
Investment in joint ventures	**11.3**	11.9
Other assets	**12.0**	12.0
Borrowings	**(107.8)**	(60.3)
Convertible Unsecured Loan Stock	**(24.6)**	(24.5)
Other liabilities	**(9.5)**	(6.2)
Net Assets	**79.1**	38.7
Total Equity	**79.1**	38.7
Net debt (borrowings less cash)	**99.3**	49.6
Net loan to value	**50%**	47%
EPRA NAV pence/share	**258**	273
Exceptional and one-off costs absorbed in EPRA NAV (pence/share)	**33**	37

Investment properties

The Company was active in acquiring new investment properties of £93 million (net) during the year and this is reflected in the increase to £197.7 million (2011: £105.8 million).

Finance Director's report continued

Joint ventures

Our 50% interest in the Morgan Stanley joint venture did not acquire or sell any assets this year and the carrying value reflects a slight reduction in the value of properties held.

Other assets and liabilities

The Company had £8.6 million of cash on its Balance Sheet at 31 March 2012 (2011: £10.6 million). Other assets include rental debtors of £2.0 million and prepayments of £0.5 million. Other liabilities include £3.3 million of rent received in advance, £2.4 million of accruals and a mark to mark valuation deficit of £1.4 million on interest rate hedging.

Borrowings

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

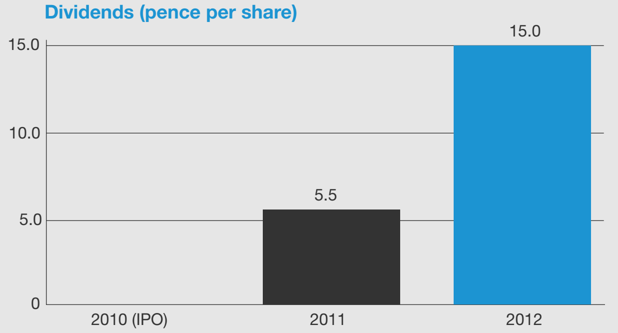
During the year the Company originated £47.3 million of new senior debt facilities (2011: £55.0 million) and we continue to have good relationships with Santander, HSBC and Clydesdale Bank. The Company has continued to benefit from these banking relationships whilst having no legacy issues to manage with its borrowings. This is reflected in our senior debt borrowing cost in the year of 4% 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 80% hedged against interest rate risk. 53% of all borrowings are fixed whilst the hedged balance of 27% is capped and 20% of borrowings are floating. This strategy provides interest rate protection and allows the Company to benefit from a low interest rate environment.

At the property level where loan covenants are tested, the net Loan to Value ('LTV') as at 31 March 2012 was 50%. The Company's targeted LTV range is 40%–55%, 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 at or above 70% so there is adequate headroom.

As at 31 March 2012 Balance Sheet gearing was 125% (2011: 128%) and more detail on the Company's borrowings is provided in note 19 to the financial statements.

Dividends (pence per share)



Net Asset Value

The Net Asset Value ('NAV') at 31 March 2012 was £79.1 million which amounts to an EPRA NAV per share of 258 pence (2011: 273 pence). The Company has absorbed 33.5 pence per share of purchase and exceptional costs during the year (2011: 37 pence per share) and delivered a net increase in NAV per share of 7.5% year-on-year (2011: +22%) when these costs are stripped out.

Assets Under Management ('AUM')

The Company has increased its assets under management during the year to £275 million and this is reconciled as follows:

	2012 £m	2011 £m
Investment properties	**197.7**	105.8
Morgan Stanley JV [1]	**45.5**	46.2
Asset Management [2]	**31.8**	14.0
Total AUM	**275.0**	166.0

(1) NewRiver has a 50% equity interest in the Morgan Stanley JV.

(2) Approximate estimate of asset value. NewRiver has no equity interest in these assets.

Dividend

The Company paid its interim dividend in the year of 6 pence per share (2011: 1 pence) and a final dividend of 9 pence per share (2011: 4.5 pence) has been approved by the Board, resulting in a total dividend for the year of 15 pence per share (2011: 5.5 pence). The Company's entire dividend is payable as a Property Income Distribution and is fully covered by profits earned in the year.

The final dividend will be paid on 13 July 2012 to ordinary shareholders on the register on 22 June 2012. The ex-dividend date will therefore be 20 June 2012.

Summary

The Company has produced a profitable result this year which is underpinned by revenue growth, a sensible financing strategy and recurring EPRA profits. This has enabled a high growing dividend payment to shareholders and the Board continues to believe that income returns will 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

28 May 2012

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Key Performance Indicators

KPI		How we are doing
1	Acquisition yields of 7% to 10%	• £250 million of acquisitions since IPO at average 8.5% yield
2	Geared IRRs of 15% +	• 4 assets sold to date at average geared IRRs of 68%
3	Creating value	• More than 120 leasing events since IPO maintaining and generating £3.7 million of income • Strong development pipeline in excess of 500k sq ft
4	Focus on food and value retailing	• 20% of income from foodstores • 71% of income from winning sectors of food, value fashion, multi-discount and health & beauty
5	Sensible Financing Strategy	• Interest cover of over 3 times • Net LTV of 50% at 31 March 2012 • Significant covenant headroom • 80% of borrowings are hedged
6	Delivering returns to our shareholders	• Total dividend of 15 pence in FY12 (FY11: 5.5 pence) reflecting close to a threefold increase.

Key Risk Management

Key risk	Risk Management
Tenant default	1. Diversification (over 500 tenants) 2. No tenant >5% of total rents 3. Focus on value and food retailers 4. Close relationship with key retailers
Valuation of assets	1. Careful stock selection • Low zone A rents • Affordability: 3–10% of turnover • Low competition and balanced demographics • Detailed retailer audit 2. Creating Value • Maintaining the income • Active asset management • Risk control development
Borrowings	1. Average debt maturity of c4 years 2. 80% of borrowings are hedged 3. Close relationship with principal bankers 4. Significant headroom on loan covenants

1 The Sovereign Shopping Centre, Boscombe
2 The Horsefair Shopping Centre, Wisbech

Board of Directors

Paul Roy
Non-Executive Chairman

Committees:
Paul chairs the Remuneration Committee and the Nomination Committee.

Experience:
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.

David Lockhart
Chief Executive

Committees:
David is a member of the Nomination Committee.

Experience:
David Lockhart is a qualified Solicitor and Chartered Accountant and has over 30 years' operating experience in the UK real estate market. David is an experienced and successful entrepreneur, having founded several property businesses across the United Kingdom. In 1991, David founded Halladale, a business which he ran as CEO. Halladale floated on AIM in 2001 and was 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 c£1.5 billion. In 2009 he founded NewRiver Retail.

Mark Davies
Finance Director

Committees:
Mark is a member of the Nomination Committee.

Experience:
Mark Davies has over 10 years' experience in the UK real estate market. He started his property finance career with Grant Thornton before joining PKF as a Partner and Head of Real Estate. Prior to joining NewRiver as Finance Director in 2009, Mark was CFO of Exemplar Properties and Finance Director of Omega Land, a £500 million property JV with Morgan Stanley. Mark has experience in many areas of property finance including debt restructuring, hedging, REIT's, convertible loans and originating senior debt on investment and development property.

Allan Lockhart
Property Director

Committees:
Allan is a member of the Nomination Committee.

Experience:
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 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.

Nick Sewell
Director

Committees:
Nick is a member of the Nomination Committee.

Experience:
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 5 years at Dalgleish, and following its acquisition by CB Richard Ellis in 2005 he spent 4 years as a Director in Retail Capital Markets.

Charles Miller
Development Director

Committees:
Charles is a member of the Nomination Committee.

Experience:
Charles Miller joined the NewRiver Board as Development Director in April 2012 with over 25 years of retail property experience. As former head of development of the retail property team at Jones Lang LaSalle, Charles specialises in retail regeneration and development having spent 17 years at property consultant King Sturge where he became head of retail and an equity partner. Charles currently sits on the advisory board of the British Council of Shopping Centres and chairs the Urban Regeneration Committee.

Chris Taylor
Non-Executive Director (Senior Independent)

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

Experience:
Chris has a wealth of property knowledge with over 24 years' experience. He is currently CEO of Hermes Real Estate. Chris was the former head of European Property for QIC Australia and previously Director & Head of European Property at HSBC. Chris is Chairman of MEPC, Director of the Kings Cross Central Board and member of the Policy Committee of BPF. Other industry related roles include Founder Board Member of INREV, member of BCSC, member of IPF International sub-committee and a member of London First Retail Commission. He is Chartered Surveyor and a fellow of RICS.

Kay Chaldecott
Non-Executive Director (Independent)

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

Experience:
Kay Chadelcott has over 27 years' experience of developing and managing regional shopping centres throughout the UK having worked with Capital Shopping Centres Group Plc her whole career. Kay was appointed Managing Director of the Shopping Centre business and served as a main Board Director 2005 – 2011. Kay has a degree in Estate Management and is a member of the Royal Institution of Chartered Surveyors. Kay has a breath of industry knowledge including the retail development process, retail mix and leasing and centre operations.

Andrew Walker
Non-Executive Director

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

Experience:
Andrew is Managing Director and head of Forum Partners' European team. As a co-founder of Forum Partners, he has enjoyed 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.

Corporate Governance report

For the year ended 31 March 2012

The Directors present their Corporate Governance report for the year ended 31 March 2012.

As an AIM Listed Company and Group (NewRiver Retail Limited, its subsidiaries and interest in joint ventures) there is no requirement to comply with the disclosure requirements of the UK Corporate Governance Code (as published by the Financial Reporting Council in May 2010) (the 'UK Code').

The Directors recognise the importance of strong corporate governance and for the year ended 31 March 2012, the Company has complied with the provisions of the UK Code, except as explained below. Given the size and nature of the Group, it does not seek to comply with certain aspects of the UK Code which are considered to be more appropriate for a larger public company.

A Code of Corporate Governance was issued by the Guernsey Financial Services Commission on 30 September 2011 and came into effect on 1 January 2012 ('Guernsey Code'). As the Company reports under the UK Code it is deemed to meet the requirements of the Guernsey Code, except as explained below.

Independent Non-Executive Directors

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

The Non-Executives on the Board as at the date of this report are Paul Roy, Andrew Walker, Chris Taylor and Kay Chaldecott. Susie Farnon and Peter Tom CBE resigned effective 31 March 2012 however they served on the Board for the year under review and have fulfilled the roles of the independent Non-Executive Directors. Going forward the Board considers Chris Taylor and Kay Chaldecott to be independent and hence the Board will continue to comply with the recommendation of the UK Code.

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

Senior independent Director

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

During the year, Peter Tom CBE fulfilled the role of the senior independent Director. However from 31 March 2012, Chris Taylor has taken over this role and the Group complies with this recommendation.

Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and reviewing its effectiveness. This however is designed to manage rather than eliminate the risk of failure to achieve its objectives and can only provide reasonable and not absolute assurance against material misstatement 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. The requirement for a dedicated internal audit function was reviewed by the Audit Committee during the year and this was considered inappropriate given the size of the Group and the close involvement of the Executive Directors and senior management on a day-to-day basis.

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

Board appraisal and evaluation

The Board undertook an evaluation exercise in November 2011 which is to be repeated on an annual basis. The evaluation was internal and consisted of a questionnaire which covered processes and communication and the performance of the Board and its standing committees. The results were presented to and analysed by the Board.

Though the Board did not comply during the year under review, it is aware of the UK Code recommendation with regards to meetings being held between the Chairman and the Non-Executive Directors without the Executives present and will arrange such meetings during the forthcoming year.

During the forthcoming year, a meeting will also be arranged without the Chairman present, so that the senior independent Director and Non-Executive Directors can appraise the Chairman's performance. A performance evaluation of the Chairman will be undertaken, taking into account the views of the Executive Directors.

A review of the training and development needs of all Directors will be undertaken by the Chairman during the forthcoming year and regularly thereafter.

Board induction

New Directors are provided with a full briefing of the Company and its Board and the responsibilities of being a Director of a listed company, appropriate to their personal experience.

Re-election of Directors

In accordance with the recommendations of the UK Code, all Directors, other than the Chief Executive, are subject to election by shareholders at the first annual general meeting following their appointment and to re-election thereafter at intervals of no more than 3 years. Biographical detail in respect of each Director is included in the Directors section.

The Chief Executive, at present, is not subject to election by the shareholders under the Articles of Incorporation of the Company ('Articles') as his role is considered to be fundamental to the long-term success of the Company.

As recommended by the UK Code, the Chairman can confirm that following evaluation, the performance of all Directors of the Company continues to be effective and that all Directors have demonstrated commitment to their role with the Company.

Shareholder relations

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

The Board welcomes correspondence from shareholders, addressed to the Group's registered office. All shareholders have the opportunity to put questions to Members of the Board at the Annual General Meeting and the Board hopes that as many shareholders as possible will be able to attend. This year's Annual General Meeting is on 12 July 2012.

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 2011 to 31 March 2012.

	David Lockhart	Mark Davies	Allan Lockhart	Nick Sewell	Paul Roy	Peter Tom CBE (2)	Susie Farnon (2)	Andrew Walker	Chris Taylor (1)	Kay Chaldecott (1)	Charles Miller (3)
Main Board meetings	4	4	4	4	4	1	3	4	n/a	n/a	n/a
Audit Committee	n/a*	n/a**	n/a	n/a	n/a	0	3	3	n/a	n/a	n/a
Remuneration Committee	n/a	n/a	n/a	n/a	2	0	1	2	n/a	n/a	n/a
Nomination Committee	1	n/a	n/a	n/a	1	0	0	n/a	n/a	n/a	n/a

* David Lockhart attended 1 Audit Committee meeting by invitation during the year.

** Mark Davies attended 3 Audit Committee meetings by invitation during the year.

(1) Appointed 31 March 2012

(2) Resigned 31 March 2012

(3) Appointed 1 April 2012

Corporate Governance report continued

For the year ended 31 March 2012

Board Committees

The Board has three standing committees: Audit Committee, Remuneration Committee and Nomination Committee.

Each committee has formally delegated duties and responsibilities within written terms of reference which are available from the Company Secretary.

Audit Committee

The Audit Committee during the year comprised Susie Farnon, Peter Tom CBE and Andrew Walker and was 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 fairness of preliminary and interim statements and disclosures and reviewing the external audit process).

As of the 31 March 2012 the Audit Committee comprises Chris Taylor, Kay Chaldecott and Andrew Walker and is chaired by Chris Taylor.

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.

The Board is satisfied that Chris Taylor has the recent and relevant financial experience to be a member of and chair the Audit Committee.

Remuneration Committee

The Remuneration Committee during the year was chaired by the Chairman and also included Andrew Walker, Peter Tom CBE 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. As of the 31 March 2012 the Remuneration Committee is chaired by the Chairman and also includes Andrew Walker, Chris Taylor and Kay Chaldecott.

Nomination Committee

The Nomination Committee during the year comprised David Lockhart, Peter Tom CBE and Susie Farnon and was chaired by Paul Roy. The Nomination Committee was established to ensure a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The duties of the Nomination Committee include the regular review of the structure, size and composition of the Board and the identification and nomination for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Nomination Committee meets at least once a year and at such other times as the Chairman of the Committee deems necessary. There was 1 meeting during the year under review, to consider the changes to the Board that took place with effect from 31 March 2012. All Board Directors as of 1 April 2012 are members of the Nomination Committee.

Three Board appointments were made during the year under review. On these occasions, it was not considered appropriate to use an external consultant because appropriate candidates had been identified although this method may be used in future. For each appointment, either the full Board or the Chairman and a member of the Committee met the potential director/(s) and reported back to the Committee, as appropriate.

Remuneration report

For the year ended 31 March 2012

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.

The Company maintains liability insurance for the Directors and officers of the Group.

The following Board changes were made during the year:

Director	Appointment	Effective
Peter Tom CBE	Retired	31 March 2012
Susie Farnon	Retired	31 March 2012
Chris Taylor	Non-Executive Director	31 March 2012
Kay Chaldecott	Non-Executive Director	31 March 2012

Schedule of Directors' remuneration

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

	2012				2011			
Executive Directors	**Basic salary and fees £'000**	**Bonus £'000**	**Benefits £'000**	**Total £'000**	Basic salary and fees £'000	Bonus £'000	Benefits £'000	Total £'000
David Lockhart	**343**	**125**	**0**	**468**	277	100	0	377
Mark Davies	**223**	**125**	**1**	**349**	185	100	1	286
Allan Lockhart	**293**	**125**	**1**	**419**	210	100	1	311
Nick Sewell	**223**	**125**	**1**	**349**	158	100	1	259
	1,082	**500**	**3**	**1,585**	830	400	3	1,233

Non-Executive Directors	**2012 £'000**	2011 £'000
Paul Roy	**75**	65
Peter Tom CBE	**50**	42
Susie Farnon**	**60**	34
Andrew Walker	**40**	15
Shelagh Mason*	**–**	43
Serena Tremlett*	**–**	43
	225	242

*2011 remuneration figures includes £0.03 million termination payments for each Director.

**2012 remuneration figures includes £0.02 million termination payments for each Director.

Remuneration report continued

For the year ended 31 March 2012

Share option plan

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

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

Currently in place is an approved Company Share Option Plan ('CSOP') and an Unapproved Share Option Plan ('USOP').

The holdings as at 31 March 2012 and 31 March 2011 are detailed below:

2012

CSOP	**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**
David Lockhart	348,000	26 September 2014	**2.35**
Allan Lockhart	192,686	1 September 2012/13/14	**2.50**
Allan Lockhart	338,000	26 September 2014	**2.35**
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**
Mark Davies	286,000	26 September 2014	**2.35**
Nick Sewell	102,647	15 December 2012/13/14	**2.71**
Nick Sewell	15,000	15 December 2012/13/14	**2.44**
Nick Sewell	328,000	26 September 2014	**2.35**
	2,136,312		

2011

CSOP	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		

Directors' report

For the year ended 31 March 2012

The Directors present their report and financial statements of the Group for the year ended 31 March 2012.

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 and the CISX at admission on 1 September 2009. Since its admission on AIM and the CISX, the Company has carried on business as a property investment company, investing in commercial property in the United Kingdom.

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 Company paid an interim dividend of £1.86 million at 6 pence per share. A final dividend has been approved by the Board of £2.80 million at 9 pence per share.

The Board approved the reclassification of £40.3 million of Share Premium to Other Reserves in the year.

The Board

The Directors, who served throughout the year or unless stated otherwise, and their dates of appointment (if new) are detailed below:

Paul Roy	Non-Executive Chairman
David Lockhart	Chief Executive
Mark Davies	Finance Director
Allan Lockhart	Property Director
Nick Sewell	Executive Director
Andrew Walker	Non-Executive Director
Peter Tom CBE retired on 31 March 2012	Non-Executive Director
Susie Farnon retired on 31 March 2012	Non-Executive Director
Chris Taylor appointed on 31 March 2012	Non-Executive Director
Kay Chaldecott appointed on 31 March 2012	Non-Executive Director

Charlie Miller was appointed as a Director of the Company with effect from 1 April 2012.

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

The Board has determined that a major part of its role is the overall strategy of the Company and to consider and determine the following matters which it considers to be of strategic importance to the Company including:

- Strategy;
- Risk Management;
- Investment and funding;
- To determine the cash management policies of the Company 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;
- Responsible for the Financial Reporting procedures, safeguarding the Company's assets and approving the annual and interim financial statements; and
- Establishing and maintaining appropriate investment, funding and risk management policies and procedures.

Directors' report continued

For the year ended 31 March 2012

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 4 May 2012.

Shareholder	Number of Ordinary Shares	% of Issued (undiluted) Share Capital
Asset Value Investors	2,877,810	9.08%
Forum European Realty Income III L.P.	2,785,000	8.78%
Director and Related Holdings	2,252,250	7.10%
Spearpoint	2,165,000	6.83%
AXA Framlington	1,862,500	5.87%
Cenkos Channel Islands	1,790,350	5.65%
Cheviot Asset Management	1,725,513	5.44%
Artemis Fund Managers	1,650,000	5.20%
Schroder Investment Management	1,502,473	4.74%
Moore Capital Management	1,281,000	4.04%
BlackRock Investment Management (UK)	1,088,415	3.43%

Convertible unsecured loan stock

On 22 November 2010 the Group issued £25 million of convertible unsecured loan stock ('CULS') where the stock holder may convert all or any of the stock into Ordinary Shares at the rate of 1 Ordinary Share for every £2.76 nominal value of convertible unsecured loan stock held (adjusted for special dividends). Under the terms of the CULS, interest will accrue at 5.85% on the outstanding loan stock until 31 December 2015 when it will either be converted or repaid. The interest payable on the CULS is due biannually on 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:

	2012 Number of Ordinary Shares	2011 Number of Ordinary Shares
Paul Roy	**360,000**	360,000
David Lockhart	**1,622,000**	1,600,000
Mark Davies	**14,000**	6,000
Allan Lockhart	**148,750**	140,000
Nick Sewell	**107,500**	100,000
Peter Tom CBE	**–**	40,000
Susie Farnon	**–**	25,000

All related party transactions are disclosed in Note 27.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 12 July 2012 at One Wood Street, 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 reappoint 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 cash and short-term deposits, as well as profitable rental income streams and as a consequence the Directors believe the Group is well placed to manage its business risks. Whilst the Group has borrowing facilities in place, it is currently well within prescribed financial covenants.

After making enquiries and examining major areas which could give rise to significant financial exposure, the Board has a reasonable expectation that the Company and its Group have adequate resources to continue its operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements (see Note 1).

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

Directors' report continued

For the year ended 31 March 2012

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 28 May 2012

Mark Davies
Finance Director

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

We have audited the accompanying consolidated financial statements of NewRiver Retail Limited for the year ended 31 March 2012, 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 28. 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; 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

Deloitte LLP
Chartered Accountants
Guernsey, Channel Islands

28 May 2012

Consolidated Income Statement

For the year ended 31 March 2012

	Notes	Year ended 31 March 2012 Income £'000	Year ended 31 March 2012 Capital £'000	Year ended 31 March 2012 Total £'000	Year ended 31 March 2011 Income £'000	Year ended 31 March 2011 Capital £'000	Year ended 31 March 2011 Total £'000
Gross property income	3	**15,011**	**–**	**15,011**	4,778	–	4,778
Property operating expenses	4	**(2,222)**	**–**	**(2,222)**	(353)	–	(353)
Net property income		**12,789**	**–**	**12,789**	4,425	–	4,425
Administrative expenses	5	**(4,009)**	**–**	**(4,009)**	(3,159)	–	(3,159)
Income from joint ventures	13	**945**	**(560)**	**385**	1,272	545	1,817
Net valuation movement	12	**–**	**(274)**	**(274)**	–	3,574	3,574
Profit on disposal of investment properties	6	**–**	**413**	**413**	–	–	–
Operating profit/(loss)		**9,725**	**(421)**	**9,304**	2,538	4,119	6,657
Net finance expense							
Finance income	7	**5**	**–**	**5**	29	–	29
Finance costs	7	**(5,339)**	**–**	**(5,339)**	(1,774)	–	(1,774)
Profit/(loss) for the year before taxation		**4,391**	**(421)**	**3,970**	793	4,119	4,912
Current taxation	8	**(120)**	**–**	**(120)**	(124)	–	(124)
REIT conversion charge	8	**–**	**–**	**–**	–	(1,600)	(1,600)
Profit/(loss) for the year after taxation		**4,271**	**(421)**	**3,850**	669	2,519	3,188

All activities derive from continuing operations of the Group. The Notes on pages 35 to 55 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit for the year after taxation		**3,850**	3,188
Other comprehensive income			
Fair value loss on interest rate swaps	19	**(1,451)**	(204)
Total comprehensive income for the year		**2,399**	2,984
Earnings per share			
FFO basic (pence)	9	**17.4**	6.5
EPRA basic (pence)	9	**17.3**	6.3
Basic (pence)	9	**15.3**	23.1
Diluted (pence)	9	**15.2**	23.0

All activities derive from continuing operations of the Group. The Notes on pages 35 to 55 form an integral part of these financial statements

Consolidated Balance Sheet

As at 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Non-current assets			
Investment properties	12	**197,736**	105,800
Investments in joint ventures	13	**11,275**	11,926
Property, plant and equipment	14	**404**	7
Total non-current assets		**209,415**	117,733
Current assets			
Trade and other receivables	16	**3,045**	1,413
Cash and cash equivalents	17	**8,562**	10,651
Total current assets		**11,607**	12,064
Total assets		**221,022**	129,797
Equity and liabilities			
Current liabilities			
Trade and other payables	18	**6,908**	4,140
Current taxation liabilities	18	**495**	840
Total current liabilities		**7,403**	4,980
Non-current liabilities			
Non-current taxation liabilities	18	**744**	1,201
Derivative financial instruments	19	**1,376**	116
Borrowings	19	**107,842**	60,252
Debt instruments	19	**24,581**	24,474
Total non-current liabilities		**134,543**	86,043
Net assets		**79,076**	38,774
Equity			
Retained earnings	21	**1,936**	318
Share capital and share premium	21	**–**	–
Other reserves	21	**74,085**	33,801
Hedging reserve	21	**(1,701)**	(250)
Share option reserve	23	**187**	62
Revaluation reserve	21	**4,569**	4,843
Total equity		**79,076**	38,774
Net Asset Value (NAV) per share			
EPRA NAV (pence)	10	**258**	273
Basic (pence)	10	**254**	273
Diluted (pence)	10	**253**	272

The Notes on pages 35 to 55 form an integral part of these financial statements
The financial statements were approved by the Board of Directors on 28 May 2012 and were signed on its behalf by:

David Lockhart
Chief Executive

Mark Davies
Finance Director

Consolidated Cash Flow Statement

As at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000
Net cash inflow from operating activities	20	**4,130**	2,196
Investing activities:			
Purchase and improvement of investment properties	12	**(99,855)**	(88,911)
Net proceeds from disposal of investment properties	6	**8,058**	–
Purchase of plant and equipment	14	**(415)**	–
Cash inflow from joint ventures	13	**845**	1,535
Net cash from investing activities		**(91,367)**	(87,376)
Financing activities:			
Issue of new shares	21	**40,284**	9,770
Increase in bank loans		**47,370**	53,561
Net proceeds from issue of Convertible Unsecured Loan Stock	19	**–**	24,474
Dividends paid	11	**(2,506)**	(142)
Net cash from financing activities		**85,148**	87,663
Cash and cash equivalents at the beginning of the year	17	**10,651**	8,168
Movement during the year		**(2,089)**	2,483
Cash and cash equivalents at the end of the year		**8,562**	10,651
Cash and cash equivalents comprise:			
Cash at bank and in hand	17	**8,562**	10,651
Cash and cash equivalents at the end of the year		**8,562**	10,651

The Notes on pages 35 to 55 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

As at 31 March 2012

	Notes	Retained earnings £'000	Share capital and share premium £'000	Other reserves £'000	Hedging reserves £'000	Share option reserves £'000	Revaluation reserves £'000	Total £'000
As at 31 March 2010		**846**	**24,031**	**–**	**(46)**	**25**	**1,269**	**26,125**
Net proceeds of issue from new shares	21	–	9,770	–	–	–	–	9,770
Transfer of share premium	21	–	(33,801)	33,801	–	–	–	–
Total comprehensive income for the year	21	3,188	–	–	(204)	–	–	2,984
Share-based payments	23	–	–	–	–	37	–	37
Dividend payments	11	(142)	–	–	–	–	–	(142)
Revaluation movement for the year	12	(3,574)	–	–	–	–	3,574	–
As at 31 March 2011		**318**	**–**	**33,801**	**(250)**	**62**	**4,843**	**38,774**
Net proceeds of issue from new shares	21	–	40,284	–	–	–	–	40,284
Transfer of share premium	21	–	(40,284)	40,284	–	–	–	–
Total comprehensive income for the year	21	3,850	–	–	(1,451)	–	–	2,399
Share-based payments	23	–	–	–	–	125	–	125
Dividend payments	11	(2,506)	–	–	–	–	–	(2,506)
Revaluation movement for the year	12	274	–	–	–	–	(274)	–
As at 31 March 2012		**1,936**	**–**	**74,085**	**(1,701)**	**187**	**4,569**	**79,076**

The Notes on pages 35 to 55 form an integral part of these financial statements.

Notes to the accounts

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 1 Prince Frederick House, 37 Maddox Street, London W1S 2PP. The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements.

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 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 SPV's controlled by the Company, made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

IFRS 10 Consolidated Financial Statement

IFRS 13 Fair Value Measurement

IAS 19 (revised) Employee Benefits

The Directors are considering whether these will have a material impact on the Group's financial statements. Whilst they believe these will not have any material impact on the carrying value of assets and liabilities, these standards may lead to additional disclosures.

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 estimates. 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.

Notes to the accounts continued

1 Accounting policies continued

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

(ii) Valuation of 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 2 knowledgeable parties at arm's length and at a market rate of 5.85% per annum for 5 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 associates
Determining whether investments are impaired requires an estimation of the fair values less cost to sell and value in use of those investments. The process requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of those investments based on such estimates.

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.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Group has appointed Colliers International as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors 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.

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

1 Accounting policies continued

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.

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 is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the expiry date of the lease.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the entire lease term. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease.

Where a lease incentive payment, including surrender premiums is paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

(ii) 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.

(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.

Notes to the accounts continued

1 Accounting policies continued

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

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.

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

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

Fixtures and equipment 10% – 20%

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

1 Accounting policies continued

Share-based payments
Share options have been granted to key management as set out in Note 23. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Group accounts for the fair value of these options at grant date over the vesting period in the income statement, with a corresponding increase to the share-based payment reserve. The fair value was calculated based on the Black-Scholes Model using the following inputs:

Share price	£2.35 – £2.50
Exercise price	£2.35 – £2.71
Expected volatility	25%* – 10%*
Risk free rate	1.39% – 2.60%
Expected dividends*	4% – 3%

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

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 purchase, 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 22. 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 paid. 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.

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 properties in the balance sheet.

Notes to the accounts continued

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 Gross property income

	2012 £'000	2011 £'000
Rental and related income	**14,290**	4,378
Asset management fees	**470**	342
Surrender premiums and commissions	**251**	58
Gross property income	**15,011**	4,778

4 Property operating expenses

	2012 £'000	2011 £'000
Amortisation of tenant incentives and letting costs	**204**	23
Ground rent payments	**553**	214
Other property operating expenses	**1,465**	116
Property operating expenses	**2,222**	353

5 Administrative expenses

	2012 £'000	2011 £'000
Group staff costs	**2,537**	1,991
Office costs	**279**	177
Depreciation	**11**	1
Other administration costs	**1,182**	990
Administrative expenses	**4,009**	3,159

During the year a fee of £0.05 million was paid to Colliers International for valuation services

	2012 £'000	2011 £'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit	**115**	88
Fees payable to the Company's auditor for the interim review	**24**	18
Total audit fees	**139**	106
Fees payable to Company's auditor for tax compliance services	**–**	50
Fees payable to Company's auditor for corporate finance services	**100**	–
Total non-audit fees	**100**	50

6 Profit on disposal of investment properties

	2012 £'000	2011 £'000
Gross disposal proceeds	**8,380**	–
Costs of disposal	**(322)**	–
Net disposal proceeds	**8,058**	–
Carrying value	**(7,645)**	–
Profit on disposal	**413**	–

7 Finance income and expense

	2012 £'000	2011 £'000
a) Finance income		
Income from cash and short-term deposits	**5**	29
Total finance income	**5**	29
b) Finance costs		
Interest on bank loans	**3,756**	1,228
Interest on debt instruments	**1,583**	546
Total finance costs	**5,339**	1,774
Net finance cost	**5,334**	1,745

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

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

8 Taxation

The tax expense for the year comprises:

	2012 £'000	2011 £'000
Current taxation		
UK Corporation Tax at 26% (2011: 28%)	**120**	124
Current taxation	**120**	124
REIT conversion charge	**–**	1,600
Tax charge for the year	**120**	1,724

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

	2012 £'000	2011 £'000
Profit before tax	**3,970**	4,912
Tax at the current rate of 26% (2011: 28%)	**1,032**	1,375
Tax effect of profit under REIT regime	**(912)**	(1,251)
REIT conversion charge	**–**	1,600
Tax expense for the year	**120**	1,724

The Company entered the REIT regime on 22 November 2010 and is not exposed to tax on qualifying UK property rental income and gains arising from 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 4 years (which carries as 0.19% charge). The instalments are payable annually between June 2011 and July 2014.

Notes to the accounts continued

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

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

	2012 £'000	2011 £'000
Earnings		
Earnings for the purposes of basic and diluted EPS being profit after taxation	**3,850**	3,188
Adjustments to arrive at EPRA profit		
Exceptional items:		
REIT conversion charge	–	1,600
Prior year tax provision	–	36
Other exceptional items	**83**	165
Unrealised movement on revaluation of investment properties	**274**	(3,574)
Unrealised movement on revaluation of joint venture investment properties	**560**	(545)
Profit on disposal of investment properties	**(413)**	–
EPRA profit	**4,354**	870
Additional adjustments to arrive at NAREIT FFO		
Amortisation of tenant incentives	**70**	23
Amortisation of rent free periods	**(171)**	–
Amortisation of capitalised leasing costs	**134**	–
NAREIT FFO	**4,387**	893

Number of shares	2012 No. 000's	2011 No. 000's
Weighted average number of Ordinary Shares for the purposes of basic EPS, basic EPRA EPS and FFO EPS	**25,242**	13,822
Effect of dilutive potential Ordinary Shares:		
Options	–	21
Warrants	**28**	22
CULS	–	–
Weighted average number of Ordinary Shares for the purposes of basic diluted EPS and basic diluted EPRA EPS	**25,270**	13,865
EPRA EPS basic (pence)	**17.3**	6.3
EPRA diluted EPS (pence)	**17.2**	6.3
FFO EPS basic (pence)	**17.4**	6.5
EPS basic (pence)	**15.3**	23.1
Diluted EPS (pence)	**15.2**	23.0

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 an 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 have an dilutive effect on the Group's EPS calculation, for the current year of 0.3 pence which is not reflected in the above calculation (accretive effect for the prior year).

10 Net asset value per share

	2012	2011
Net asset value (£'000)	**79,076**	38,774
Number of Ordinary Shares EPRA*	**34,333**	24,467
Number of Ordinary Shares	**31,080**	14,212
Number of diluted shares	**34,333**	24,467
EPRA Net asset value per share (pence)	**258**	273
Basic Net asset value per share (pence)	**254**	273
Diluted Net asset value per share (pence)	**253**	272

*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 converted to equity.

However, in the current year the conversion of the Convertible Unsecured Loan Stock would have an accretive effect on the EPRA calculation and is therefore excluded from the calculation.

11 Dividends

The following dividends were paid during the current and prior years:

	2012 Pence per share	2011 Pence per share	**2012 £'000**	2011 £'000
Ordinary dividends paid				
2011 Interim dividend	**–**	1p	**–**	142
2011 Final dividend	**–**	4.5p	**641**	–
2012 Interim dividend	**6p**	–	**1,865**	–
	6p	5.5p	**2,506**	142
2012 Final dividend proposed	**9p**	–	**2,797**	–
	15p			

The proposed final dividend was approved by the Board on 23 May 2012. It has not been included as a liability or deducted from retained profits in these accounts. The final dividend is payable on 13 July 2012 to ordinary shareholders on the register at the close of business on 22 June 2012 and will be recognised as an appropriation of retained earnings in 2013.

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.

12 Investment properties

	2012 £'000	2011 £'000
Opening balance	**105,800**	13,315
Acquisitions and improvements in the year	**99,855**	88,911
Disposals in the year	**(7,645)**	–
	198,010	102,226
Fair value (deficit)/surplus on property revaluations	**(274)**	3,574
Closing balance	**197,736**	105,800

The Group's investment properties have been valued at 31 March 2012 by independent valuers on the basis of fair value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors Sixth Edition (the 'Red Book').

Notes to the accounts continued

12 Investment properties continued

It is the Group's policy to carry investment properties at fair value in accordance with IAS 40 'Investment Property'. The fair value of the Group's investment properties at 31 March 2012 has been determined by the Directors on the basis of open market valuations carried out by Colliers International 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.

13 Investments in joint ventures

	2012 £'000	2011 £'000
Opening balance	**11,926**	11,778
Additional joint venture interests during the year(1)	**–**	1,440
Income from joint ventures	**945**	1,272
Net valuation movement	**(560)**	545
Distributions and dividends(1)	**(695)**	(2,032)
Return of capital(1)	**(150)**	(943)
Hedging movements	**(191)**	(134)
Net book value	**11,275**	11,926

(1) The net cash inflow during the year was £0.84 million (2011: cash inflow £1.50 million).

Name	Country of incorporation	**% Holding 2012**
NewRiver Retail Investments LP	Guernsey	**50%**
NewRiver Retail Investments (GP) Ltd*	Guernsey	**50%**

*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.

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 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 payments. No promote payment has been recognised during the year (2011: nil) as 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 an 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, which is from 5 March 2010 and expires 5 March 2015. This conversion would have an dilutive effect on the Group's EPS calculation for the current year (accretive in the prior year).

In line with the existing NewRiver investment strategy, the JV targets 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.

13 Investments in joint ventures continued

The JV has a 31 December year end and the Group has 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:

	2012 NewRiver Retail Investments (GP) Ltd Total £'000	**2012 Group's Share 50% £'000**	2011 NewRiver Retail Investments (GP) Ltd Total £'000	2011 Group's Share 50% £'000
Balance sheet				
Non-current assets	**45,465**	**22,733**	46,365	23,183
Current assets	**2,035**	**1,018**	2,105	1,052
Current liabilities	**(2,002)**	**(1,001)**	(1,714)	(857)
Non-current liabilities	**(22,949)**	**(11,475)**	(22,904)	(11,452)
Net assets	**22,549**	**11,275**	23,852	11,926
Income statement				
Income	**3,593**	**1,796**	4,661	2,331
Administration expenses	**(784)**	**(392)**	(1,062)	(531)
Finance costs	**(919)**	**(459)**	(1,055)	(528)
Recurring income	**1,890**	**945**	2,544	1,272
Fair value (deficit)/surplus on property revaluations	**(1,121)**	**(560)**	1,090	545
Income from joint ventures	**769**	**385**	3,634	1,817

Recurring income in the joint venture has reduced due to property sales in 2011.

The Group's share of any contingent liabilities to the JV is £nil. (2011: £nil).

14 Property, plant and equipment

	Fixtures and equipment £'000	Total £'000
Cost		
At 1 April 2010	8	8
At 31 March 2011	8	8
Additions	415	415
Disposals	(8)	(8)
At 31 March 2012	**415**	**415**
Accumulated depreciation		
At 1 April 2010	–	–
Charge for the year	1	1
At 31 March 2011	1	1
Charge for the year	11	11
Eliminated on disposals	(1)	(1)
At 31 March 2012	**11**	**11**
Carrying amount		
At 31 March 2012	**404**	**404**
At 31 March 2011	7	7
At 31 March 2010	8	8

Notes to the accounts continued

15 Investment in subsidiary undertakings

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

Name	Country of incorporation	Activity	Proportion of ownership interest 2012
NewRiver Retail (Boscombe) Limited	United Kingdom	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 (Portfolio No. 3) Limited	United Kingdom	Real estate investments	**100%**
NewRiver Retail (Portfolio No. 4) Limited	United Kingdom	Real estate investments	**100%**
NewRiver Retail (Portfolio No. 5) Limited	United Kingdom	Real estate investments	**100%**
NewRiver Retail (Portfolio No. 6) Limited*	United Kingdom	Real estate investments	**100%**
NewRiver Retail (UK) Limited	United Kingdom	Company operation and asset management	**100%**
NewRiver Retail (Witham) Limited	United Kingdom	Real estate investments	**100%**
NewRiver Retail (Wrexham No. 1) Limited	Guernsey	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.

*Incorporated after 31 March 2012.

16 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**2,089**	1,213
Prepayments and accrued income	**505**	200
Other receivables	**451**	–
	3,045	1,413

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

A provision of £0.2 million (2011: £0.1 million) was made for trade receivables as at 31 March 2012.

17 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank	**8,562**	10,651
	8,562	10,651

18 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	**495**	428
Other payables	**675**	–
Accruals	**2,409**	1,732
Rent received in advance	**3,329**	1,980
	6,908	4,140
Taxation – current	**495**	840
Current trade and other payables	**7,403**	4,980
Taxation – non-current	**744**	1,201
Non-current trade and other payables	**744**	1,201

Notes to the accounts continued

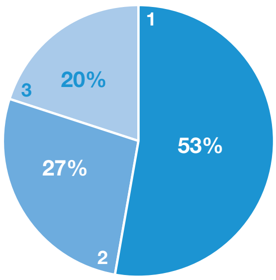
19 Borrowings

	2012 £'000	2011 £'000
Secured bank loans	**107,842**	60,252
Convertible Unsecured Loan Stock	**24,581**	24,474
Total borrowings	**132,423**	84,726
Maturity of borrowings:		
Less than 1 year	**–**	–
Between 1 and 2 years*	**13,268**	–
Between 2 and 5 years	**119,155**	84,726
Over 5 years	**–**	–
Total borrowings	**132,423**	84,726

* The Company has an option to extend this loan to 4 June 2015.

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.

Total Group secured bank loans
– Hedging and Group borrowing costs



Effective interest rate of

4.02%*

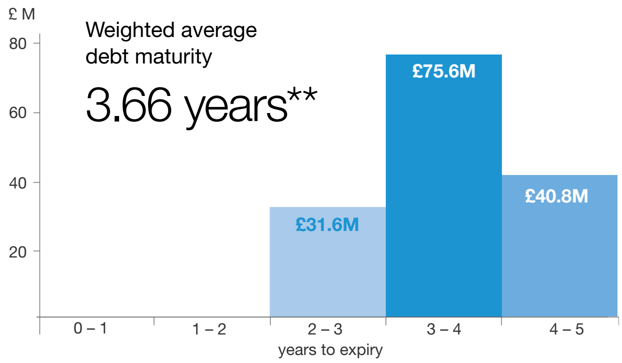
1 £63.9 million fixed
2 £32.2 million capped
3 £24.1 million floating

* Effective interest rate during the year to 31 March 2012.

Total Group borrowings facilities
– Including share of joint ventures

Weighted average debt maturity

3.66 years**



**Weighted average debt maturity including extension options.

19 Borrowings continued

Facility and arrangement fees

	2012				2011			
	Facility £'000	**Fees £'000**	**Amortised £'000**	**Balance £'000**	Facility £'000	Fees £'000	Amortised £'000	Balance £'000
Santander*	**33,371**	**(327)**	**132**	**33,176**	26,159	(219)	55	25,995
Clydesdale**	**40,815**	**(539)**	**64**	**40,340**	–	–	–	–
HSBC***	**34,580**	**(346)**	**92**	**34,326**	34,580	(346)	23	34,257
	108,766	**(1,212)**	**288**	**107,842**	60,739	(565)	78	60,252
Convertibles	**25,000**	**(574)**	**155**	**24,581**	25,000	(566)	40	24,474
	133,766	**(1,786)**	**443**	**132,423**	85,739	(1,131)	118	84,726

*This facility is 93% fixed by way of an interest rate swap at an average rate of 4.0%.
**This facility is 81% by way of an interest rate swap at an average rate of 4.5%.
***This facility is subject to an interest cap agreement and is 60% capped at 6.5% (4% cap, 2.5% bank margin).

Fair value on interest rate swaps

The Group recognised a mark to market fair value loss of £1.5 million (2011: £0.2 million) on its interest rate swaps as at 31 March 2012. The fair value loss recognised for on balance sheet hedging was £nil (2011: £0.1 million).

The carrying value of interest rate swaps in the balance sheet at 31 March 2012 was £1.376 million (2011: £0.116 million).

All borrowings are due after more than 1 year.

Convertible Unsecured Loan Stock ('CULS')

On 22 November 2011 the Group issued £25 million of 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 CULS held. The conversion price has subsequently been revised to £2.76 to reflect subsequent equity raised and dividends paid. 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.

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 2 knowledgeable parties at arm's length and at a market rate of 5.85% per annum for 5 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.

Notes to the accounts continued

20 Cash flow note

	2012 £'000	2011 £'000
Operating profit	**9,304**	6,657
Adjustments for:		
Income from joint venture not received	**(945)**	(1,272)
Net valuation movement	**274**	(3,574)
Net valuation movement of joint venture investment properties	**560**	(545)
Profit on sale of investment properties	**(413)**	–
Depreciation of property, plant and equipment and goodwill	**11**	(1)
Amortisation of tenant incentives	**70**	23
Amortisation of rent-free periods	**(171)**	–
Amortisation of capitalised leasing costs	**134**	–
Share-based payments expense	**125**	37
Interest paid	**(5,036)**	(770)
Interest received	**5**	29
Taxation paid	**(483)**	(355)
Operating cash flows before movements in working capital	**3,435**	229
Increase in receivables	**(1,633)**	(1,412)
Increase in payables	**2,328**	3,379
Cash inflows from operations	**4,130**	2,196

21 Share capital and reserves

	2011 Retained earnings £'000	2011 Other reserves £'000	2011 Share premium £'000	2011 Revaluation reserve £'000	2011 Share option reserve £'000	2011 Hedging reserve £'000	2011 Total £'000
Brought forward	846	–	24,031	1,269	25	(46)	26,125
Shares issued in year	–	–	10,531	–	–	–	10,531
Issue costs	–	–	(761)	–	–	–	(761)
Transfer to distributable reserve	–	33,801	(33,801)	–	–	–	–
Movement on revaluation	(3,574)	–	–	3,574	–	–	–
Total comprehensive income for the year	3,188	–	–	–	–	(204)	2,984
Dividends paid	(142)	–	–	–	–	–	(142)
Share-based payments	–	–	–	–	37	–	37
Balance carried forward	318	33,801	–	4,843	62	(250)	38,774

	2012 Retained earnings £'000	**2012 Other reserves £'000**	**2012 Share premium £'000**	**2012 Revaluation reserve £'000**	**2012 Share option reserve £'000**	**2012 Hedging reserve(i) £'000**	**2012 Total £'000**
Brought forward	**318**	**33,801**	**–**	**4,843**	**62**	**(250)**	**38,774**
Shares issued in year	**–**	**–**	**42,500**	**–**	**–**	**–**	**42,500**
Issue costs	**–**	**–**	**(2,216)**	**–**	**–**	**–**	**(2,216)**
Transfer to distributable reserve	**–**	**40,284**	**(40,284)**	**–**	**–**	**–**	**–**
Movement on revaluation	**274**	**–**	**–**	**(274)**	**–**	**–**	**–**
Total comprehensive income for the year	**3,850**	**–**	**–**	**–**	**–**	**(1,451)**	**2,399**
Dividends paid	**(2,506)**	**–**	**–**	**–**	**–**	**–**	**(2,506)**
Share-based payments	**–**	**–**	**–**	**–**	**125**	**–**	**125**
Balance carried forward	**1,936**	**74,085**	**–**	**4,569**	**187**	**(1,701)**	**79,076**

(i) Includes share of joint venture hedging reserve.

The authorised share capital is unlimited and there are currently 31,079,068 shares in issue (31 March 2011: 14,214,308). In addition there are 624,440 shares held in the Employee Benefit Trust (Note 22).

In the year ending 31 March 2012, 16.87 million (2011: 4.2 million) nil par value Ordinary Shares were issued for cash consideration at a price of £2.52 (2011: £2.50) resulting in an increase of the total share capital and other reserves to £74.1 million (2011: £33.8 million). Costs of £2.2 million (2011: £0.8 million) directly attributable to the issue of these shares have been set against the share premium account.

During the year the Group approved a transfer from the share premium account of £40.3 million (2011: £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 and subsequently to £2.27 following the dividend payment in July and December 2011. During the year no (2011: 2,308) warrants were exercised.

Notes to the accounts continued

22 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 (2011: nil).

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.

	2012 000s	2011 000s
Brought forward	**624**	624
Issued during the year	**–**	–
Carried forward	**624**	624

23 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

	Exercise Price £	**2012 Number of Options**	2011 Number of Options
Awards brought forward		**886,949**	660,200
Awards made during the year:	2.71	**–**	48,943
	2.50	**–**	144,973
	2.44	**–**	32,833
	2.35	**1,585,000**	–
Exercisable options at the end of the year		**2,471,949**	886,949

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.

(b) Share-based payment charge

	2012 £'000	2011 £'000
Share-based payment expense brought forward	**62**	25
Share-based payment expense in the year/period	**125**	37
Cumulative share-based payment	**187**	62

24 Financial commitments and operating lease arrangements

	2012 £'000	2011 £'000
Operating leases which expire:		
Within 1 year	**173**	55
1 to 2 years	**141**	–
2 to 5 years	**514**	–
Over 5 years	**879**	–
	1,707	55

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

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

25 Post balance sheet events

On 23 May 2012, the Board of Directors approved a final dividend of 9 pence per share which will result in a final total dividend for the year of 15 pence per share.

26 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 19), borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value risk is reviewed quarterly by the Board.

The 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 mitigate the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios the Group calculates the impact on profit and loss of a defined interest rate shift. The simulation is run on an ongoing basis to verify that the maximum potential impact is within the parameters expected by management. 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. At 31 March 2012, the Group (including joint ventures) had £107.7 million (2011: £71.9 million) of interest rate swaps in place, and its net debt was 86% fixed (2011: 94%). This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised loss of £1.45 million at 31 March 2012 (2011: £0.2 million). Sensitivity analysis is carried out to assess the impact of an increase in interest rates on finance costs to the Group. The impact of a 2% increase in interest rates would increase the net interest payable in the income statement by £1.1 million (2011: £0.1 million).

Notes to the accounts continued

26 Financial instruments – risk management continued

(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 receivable of £0.1 million (2011: £0.4 million payable). 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 2012 based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of the outstanding refund. The maximum credit risk exposure is limited to the carrying value on the balance sheet.

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:

			2012
	Current £'000	**Year 2 £'000**	**Years 3 to 5 £'000**
Interest-bearing loans and borrowings	**–**	**13,268***	**95,498**
CULS	**–**	**–**	**25,000**
Trade and other payables	**7,403**	**744**	**–**
Derivative financial instruments	**–**	**–**	**1,701**
	7,403	**14,012**	**122,199**

			2011
	Current £'000	Year 2 £'000	Years 3 to 5 £'000
Interest-bearing loans and borrowings	–	–	60,739
CULS	–	–	25,000
Trade and other payables	4,980	–	–
Derivative financial instruments	–	–	250
	4,980	–	85,989

*Option to extend by 2 years.

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 fund raisings.

(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 through Property Income Distributions ('PIDs') in accordance with the REIT regime 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, 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.

27 Related party transactions

Group

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

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

Total emoluments of Executive Directors during the year (excluding share-based payments) was £1.5 million (2011: £1.2 million). Share-based payments of £0.13 million (2011: £0.04 million) accrued during the year.

During the year 24,250 shares (2011: nil) were acquired on the open market by Directors at market value.

28 Operating lease arrangements

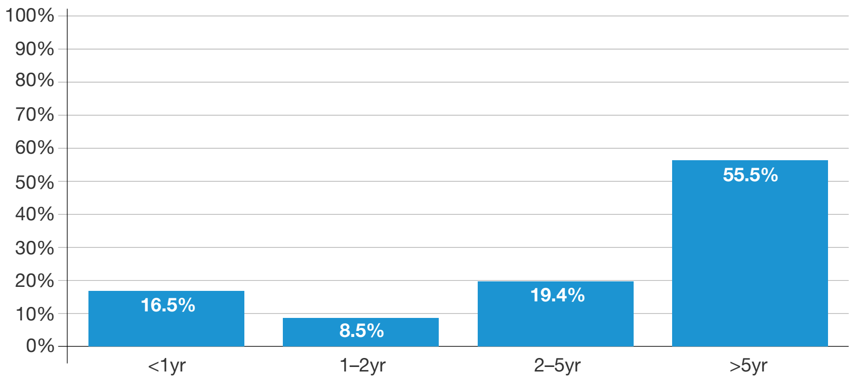
The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

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

	2012 £'000	2011 £'000
Within 1 year	**17,267**	6,947
In the 2nd year	**14,325**	6,291
In the 3rd to 5th year (inclusive)	**33,922**	15,890
After 5 years	**45,669**	29,489
	111,183	58,617

Weighted Average Lease Expiry

(to expiry) of operating leases in NewRiver Retail Ltd portfolio



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 and is one off in nature.

Fair value in relation to property assets is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (as determined by the Group's external Valuers). In accordance with usual practice, the Group's external Valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty land tax, agent and legal fees.

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

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

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

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 2 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 1 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 1 bank to another for lending money.

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

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

Loan to Value (LTV) is the ratio of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments.

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

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

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

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

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

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 measured in years 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.

Company Information

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David Lockhart
(Chief Executive)
Mark Davies
(Finance Director)
Allan Lockhart
(Property Director)
Nick Sewell
(Executive Director)
Charlie Miller
(Executive Director)
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Shareholder notes

Shareholder notes

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FSC – Forest Stewardship Council. This ensures there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

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