



**NEWRIVER RETAIL LIMITED**  
**(“NEWRIVER” OR THE “COMPANY”)**

**Audited Final Results for the 12 months ended 31 March 2016**

NewRiver Retail Limited (AIM: NRR), the UK REIT specialising in value-creating retail property investment and active asset management, is pleased to announce annual results for the 12-month period to 31 March 2016.

**NewRiver delivers sixth consecutive year of revenue, profit and dividend growth**

**Record Financial Results**

- Gross income increased 115% to £60.8 million (2015: £28.1 million)
- EPRA adjusted profit increased 125% to £47.1 million (2015: £20.9 million)
- EPRA adjusted earnings per share increased 34% to 26.6 pence (2015: 19.8 pence)
- Profit before tax increased 76% to £69.5 million (2015: £39.5 million)
- Basic EPS of 39.2 pence (2015: 37.5 pence)
- EPRA NAV of 295 pence increased 11% (2015: 265 pence)

**Strong Balance Sheet Delivering Profitable Performance**

- Shareholder funds increased 103% to £690 million (2015: £340 million)
- LTV of 27% (2015: 39%)
- Low cost of debt at 3.7% (2015: 3.8%)
- Balance sheet gearing of 29% (2015: 49%)

**Sector Leading Dividend and Strong TSR**

- Total Shareholder Return of 16% (2015: 16%); Total Accounting Return <sup>(1)</sup> of 18% (2015: 16%)
- Fully covered dividend increased by 9% to 18.5 pence (2015: 17 pence), paid quarterly
- Dividend cover <sup>(2)</sup> increased to 144% (2015: 116%)
- FY17 first quarter dividend increased 11% to 5 pence (FY16 Q1: 4.5p)

**Scalable Business Model Delivering Growth**

- Two over-subscribed equity placings totalling £300 million, issuing 97 million new shares
- Assets under management increased 30% to £1.1 billion (2015: £848m), NewRiver share: £970m
- Administrative costs reduced to 18% of revenue (2015: 23%) demonstrating economies of scale
- Move to Main Market on track for Q2 FY17

**Strategic Acquisitions through Swift Deployment of Capital**

- Acquisitions totalling £342 million, average yield 9.2%
- Post year end £120 million acquisition of Broadway Shopping Centre and Retail Park in Bexleyheath, equivalent yield of 7%
- Ongoing capital recycling with profitable £48.2 million disposals at an average exit yield of 5.7%

**Focused Asset Management Generating Sustainable Income Streams**

- 235 total leasing events; new long-term leasing events at an average 5.1% above ERV
- High occupancy of 96% (2015: 96%)

- Like-for-like NOI increased 2.4%
- Like-for-like ERV growth of 4.6%
- Like-for-like valuation gain of 3.9%
- Retailer retention of 79% at lease expiry

### Risk-Controlled Development Unlocking Value

- Growing 1.5 million sq ft risk-controlled development programme on track
- Planning consent secured for major £65 million town centre regeneration in Burgess Hill
- 24 planning approvals granted
- Convenience store programme advancing with three stores handed over to the Co-Operative to date
- Significant residential value identified within pub portfolio creating over 150 units

### In April 2016 NewRiver was awarded Property Week's Property Company of the Year 2016

#### Explanatory Notes:

- (1) Total Accounting Return equals NAV per share growth plus dividends paid.
- (2) Dividend cover based on EPRA Adjusted EPS

### David Lockhart, Chief Executive at NewRiver Retail commented:

"The year under review has been truly transformational, delivering record financial results and significantly increasing all operations across the business. The scale of the business has grown exponentially and is now of a size befitting a FTSE250 Main Market company where we intend to be later this year as we move from AIM. Importantly, NewRiver has again demonstrated its ability to swiftly deploy new equity and debt capital to acquire strategic income producing assets, supporting our progressive quarterly dividend policy. The Company has significant further growth potential and we look forward to the future with great excitement and confidence."

### Results Video

A short video overview of the financial results from David Lockhart, CEO; Mark Davies, Finance Director; and Allan Lockhart, Property Director can be found here:

<http://www.nrr.co.uk/investor-center>

### Financial Statistics

**Strong financial performance more than doubling realised cash profits and delivering double-digit EPS and further DPS growth**

Performance	Note	2016	2015	Movement/ Growth
Total Shareholder Return		+16%	+16%	-
Total Accounting Return		+18%	+16%	+2.0%
EPRA adjusted profit	(1)	£47.1m	£20.9m	+125%
Profit before tax		£69.5m	£39.5m	+76%
EPRA Adjusted (Pence Per Share)	(1)	26.6	19.8	+34%
EPRA Basic (Pence Per Share)	(1)	20.4	17.6	+17%
Basic EPS (Pence Per Share)		39.2	37.5	+4.5%
Dividends (Pence Per Share)		18.5	17	+8.8%
Dividend cover	(1)	144%	116%	+28%
Like-for-like net income growth		2.4%	1.6%	+0.8%
Like-for-like Capital return		4.1%	5.6%	1.5%
Property valuation movement and disposals		£32.3m	£21.0m	+53%

Interest Cover	(2)	4.3x	3.9x	+0.4x
Balance Sheet (proportionally consolidated) *	Note	2016	2015	Movement/ Growth
Net Asset Value		£689.9m	£339.7m	+103%
EPRA NAV per share		295p	265p	+11.3%
Secured debt facilities	(3)	£382.6m	£272.5m	+£110.1m
Cash		£117.5m	£21.1m	£96.4m
Net debt		£261.7m	£251.4m	+£10.3m
Cost of debt		3.7%	3.8%	+0.1%
Average debt maturity		3.5 years	4.6 years	1.1 years
Loan to value	(4)	27%	39%	12%
Balance Sheet Gearing		29%	49%	20%
% of debt at fixed/capped rates		93%	83%	+10%

Explanatory Notes:

\* Unless otherwise stated all figures are proportionally consolidated.

Total Accounting Return equals NAV per share growth plus dividends paid.

(1) EPRA adjusted profit is the benchmark profit ratio for the property sector and includes realised recurring profits plus realised profits on the sale of properties above Valuation and other adjustments as set out in Note 9. This is a true cash profit earned by the Company during the year and the basis for dividend payments and cover.

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

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

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

## Chairman's statement

The financial year to 31 March 2016 delivered yet another record set of results in what was markedly NewRiver's most active year since incorporation. During the year, the Company grew significantly through major acquisitions funded by two equity fund raisings and competitively placed debt finance.

EPRA Adjusted Profit increased by 125% to £47.1 million from £20.9 million in the previous year. EPRA Adjusted Earnings per share, a key metric for the Company, increased to 26.6 pence per share from 19.8 pence per share.

In the 12 month period, the Company raised a total of £300 million of equity capital through two placings of £150 million each. Both fund raisings were over-subscribed and well supported by new and existing shareholders.

The Board view this as testament to the strength of NewRiver's investment case and its strong credentials as an asset backed, income generating REIT which has consistently increased its dividend since admission to the AIM market.

For the year ended 31 March 2016, fully covered total dividends of 18.5 pence per share were paid, distributed on a quarterly basis, reflecting the strong and sustainable income generating capability of the business.

The Company is delighted to announce an 11% increase in the first quarter dividend for the new financial year to 5 pence per share (Q1 FY16: 4.5 pence) payable on 19 August 2016 to shareholders on the register on 22 July 2016. The ex-dividend date will be 21 July 2016.

NewRiver prides itself in its ability to swiftly deploy shareholder capital and the year under review was no exception. A total of £342 million was strategically invested at attractive entry yields averaging 9.2%.

At the year end, assets under management had increased by 30% to stand at £1.1 billion and the market capitalisation of the Group grew 97%, from £393 million at the start of the financial year to £774 million at the year end on 31 March 2016.

In July 2015, the Board announced its intention to move the Company's listing from the AIM market to the premium segment of the Main Market of the London Stock Exchange. The move is progressing well and on track for Q2 FY17. At its current market capitalisation NewRiver shares would be included in the FTSE250 and EPRA indices a significant achievement for a company less than seven years old.

The Board continues to believe that there are still many value-enhancing real estate buying opportunities with purchase yields outstripping NewRiver's cost of funding by a healthy margin for the foreseeable future.

The Company's strategy remains focused on targeting higher yielding retail sub-sectors with a focus on assets catering for daily convenience shopping as well as extending its programme of town centre and mixed-use developments from within a growing portfolio.

The Board has considered the forthcoming EU referendum and the potential impact of Brexit. Whilst a Brexit vote is unlikely to have a significant impact on the operational side of the business as consumers still need to eat, clothe themselves and buy day to day necessities, a Brexit vote could have an impact on investor sentiment in both the Equity Capital Markets and direct property investment market. The Board is monitoring this closely.

The tremendous success achieved this year is a product of the people who make NewRiver possible, an expert and highly focused management, a committed NewRiver team and the continued support from our advisers and shareholders. The Board extends its gratitude for all their hard work and enthusiasm for the Company.

NewRiver has enjoyed its most progressive year to date and remains in a strong position to continue this growth. The commitment and track record of NewRiver in delivering attractive income returns places the Company in a good position for the year ahead. The Board is delighted with the progress to date and looks forward to the future with confidence.

**Paul Roy**  
**Chairman**  
**25 May 2016**

## Chief Executive's Review

For the sixth consecutive year, NewRiver has achieved outstanding financial results, once again delivering exceptional growth in revenue, profit and dividends. It has been a remarkable year for NewRiver and we are poised to enter an exciting new phase with our move to the Main Market.

NewRiver was founded in September 2009, with a team of two, zero assets and £25 million of cash following our IPO. At 31 March 2016, six and half years later, with a team of 31, we have grown our EPRA Adjusted Profit from just under £1 million in our first full financial year to almost £50 million today and have over £1 billion of assets under management.

The Company experienced its most active and successful year to date. By every measure NewRiver has grown in stature to become one of the UK's leading specialist REITs delivering growing and sustainable income returns.

NewRiver is firmly established as one of the UK's largest and most active shopping centre owner-managers with a well-balanced geographical spread of assets across the UK. The Company is invested in more than 60 towns and cities, owns over 7 million sq ft of income producing assets and is well placed to benefit from the ever evolving dynamics of the retail and leisure market, mixed use and town centre developments.

The business was highly profitable in the year under review. EPRA adjusted profit grew 125% to £47.1 million, while profit before tax reached £69.5 million compared to £39.5 million last year. EPRA Adjusted EPS increased 34% to 26.6 pence per share from 19.8 pence per share.

We are very proud to have delivered a total dividend increase of 9% to 18.5 pence per share, fully covered. A great result in a year in which we issued 97 million new shares following two successful equity raises. The Company delivered an excellent total shareholder return of 16% and a total accounting return of 18%.

Our net asset value increased by a commendable 11% to 295 pence per share at the year end. As an income focused REIT, our ability to deliver sustainable and growing income returns will always be our key performance metric.

In that respect, the increase in the Q1 FY17 dividend to 5 pence per share, an increase of 11% on Q1 FY16, demonstrates our commitment to growing income for shareholders and our confidence in the business model.

A key highlight this year was the continuing strong support from both our equity and debt stakeholders. In the Equity Capital Markets, we undertook two successful and over-subscribed fundraisings, raising a total of £300 million from new and existing shareholders including some of the UK's most respected fund managers.

The new equity was rapidly deployed through strategic acquisitions which increased both assets under management and the market capitalisation of the Company, which at its current value qualifies the Company for the FTSE250 and EPRA indices.

The scale of acquisitions undertaken was another key highlight of the year, with £342 million of investment in high quality shopping centres, retail warehouses and leisure assets. The acquisitions were made at an average yield of 9.2%,

demonstrating that NewRiver maintains its competitive edge in acquiring high quality, higher yielding assets with a low risk profile in sought after locations.

During the financial year, the Company took the opportunity to buy out its joint venture partner from the Camel III shopping centre portfolio and Marston's public house portfolio. This enabled the Company to take full control of assets we know intimately and to directly enjoy income and capital growth as the assets improved through NewRiver's trademark active asset management and risk controlled development programmes.

After the year end we completed our largest single asset acquisition to date and first significant shopping centre in Greater London with the £120 million purchase of The Broadway Shopping Centre and Broadway Square Retail Park in Bexleyheath, South East London at an equivalent yield of 7%.

We successfully completed £48.2 million of asset sales, at an average exit yield of 5.7%. The most significant was the £28.4 million sale of Regent Court in Leamington Spa, acquired in 2012 for £10.5 million at a yield of 8.9% reflecting an occupancy of 86%. We identified an opportunity to reposition the shopping centre as a predominately restaurant-led destination and following the completion of our asset management initiatives, Regent Court was 100% occupied and sold at a yield of 5.0%. This is another classic example of NewRiver's strategic stock selection and value creating asset management in practice.

Our debt providers continued to be supportive and the Company was successful in raising £145 million of competitively priced facilities to support our investment strategies. The Company prides itself on the highly efficient use of its balance sheet to maximise income for our shareholders through rapid deployment of capital and this year was no different. Nevertheless, we retain a prudent approach as evidenced by our low Balance Sheet gearing of just 29% at the year end.

While our portfolio grew significantly through acquisitions, our core strategy of active asset management to drive income returns continued apace. We invest significantly in our portfolio which both attracts new and retains existing high quality occupiers, evidenced through our sustained high occupancy of 96%. During the year, we completed 235 separate leasing events, with average new long term leases or renewals being achieved at 5.1% above estimated rental value.

NewRiver operates at the heart of the UK retail and leisure market. We are far more than a property company that simply collects rent and owns assets. Our occupiers are valued partners and we strive to work with them and understand them. Our interests are aligned and we share a mutual goal. We collaborate to drive footfall, increase dwell time, grow basket size and spend and ultimately to enhance and innovate the entire consumer experience.

Retail and leisure is one of the most resilient sectors of the UK economy. Our scale, national platform and range of stakeholders provides sustainability to our income flows. Our 32 shopping centres attract 140 million shoppers per year with like-for-like footfall increasing 4% year on year as a result of our focused asset management. Visitors to our shopping centres, retail and leisure assets do so because of the quality of the occupiers, the ambience of the environment and the convenience of the location. It is at our destinations that the UK family budget is spent day in and day out.

Our risk-controlled development programme, totalling over 1.5 million sq ft, continued to advance and should provide long term income streams and enhanced asset values. During the year, 24 planning applications were approved including consent for our £65 million mixed-use redevelopment of Burgess Hill town centre in the Gatwick triangle.

Our convenience store programme within the pub portfolio is well advanced. We have handed over three new stores to the Co-Operative and are on site for the construction of a further five stores.

With our commitment to town centres and local communities NewRiver is increasingly viewed as the property company partner of choice for local authorities seeking to rejuvenate their town centres.

Shortly after the year end NewRiver won the prestigious Property Company of the Year Award at the Property Week Awards and we are delighted to have been recognised by our peers in this way.

This year's success was achieved as a result of the drive, expertise and passion of the NewRiver team and our key advisers, together with the support of our shareholders and lenders. I thank them all.

We have created a strong platform for future growth and demonstrated the scalability of our business model. We look forward to the next stage of our journey as a Main Market listed company with excitement and confidence.

**David Lockhart**  
**Chief Executive**  
**25 May 2016**

## Property Review

### Introduction

In a transformational year, assets under management increased 30% following £342 million of acquisitions, completed at an average weighted net initial yield of 9.2%, increasing assets under management to £1.1 billion and, as a consequence, we are now one of the largest listed retail and leisure property specialists in the UK. This is against a backdrop of an improving retail market, sustained sales growth and improving demand from occupiers and valuation growth.

### Well positioned portfolio

Our portfolio is well positioned for the changing retail landscape with the continued convergence of convenience and experiential space. Our assets are necessity-based, catering for daily shopping activities. Many of our shopping centres form part of the dominant retail destination in their catchment area and create natural, attractive venues that cater to all daily needs. We aim to create vibrant hubs, providing a meeting place at the heart of the community.

### Creating vibrant and dynamic spaces

We recognise that it is all about the consumer, who is well informed and is shopping and spending smarter across multiple channels. We want them to visit more often, stay longer, spend more and undertake a variety of activities, in a local, attractive and convenient environment.

### Responsible asset management

We are invested in over 60 UK towns and work closely with the respective Councils and believe a healthy town, leads to a healthy asset. Responsible asset management is at the heart of our operations and we are active leaders within the local Business Improvement Districts (BIDs) and Town Teams helping us to influence and steer investment. We take a hands-on approach partnering with local schools, colleges, councils and community groups to create educational, cultural and economic opportunities that help to drive local regeneration. Our national platform allows us significant leverage at each stage of the value and management chain in order to deliver on our shareholder, retailer and customer targets and expectations.

### Customer first

Our retailer relationships are integral to our business, adopting a customer-first and managing our shopping centres as operating platforms, as though we ourselves were retailers. We continue to drive our shared objectives of increasing footfall, dwell time and basket spend.

### Innovative Investment

We continue to invest heavily into our portfolio. A physical change drives a clear perception change in our assets which helps to facilitate corresponding investment from our retailers and fellow stakeholders, as well as helping to attract new retailers to the asset. From store configuration and soft furnishings, including modern lighting, landscaping and entrances, the physical retail environment remains an essential part of the customer experience.

### Driving retail regeneration

Our strategic development pipeline has been significantly advanced and will offer long term capital growth. We have submitted 62 planning applications for the year and received 24 consents including one for a major £65 million town centre regeneration project in Burgess Hill. We have agreed important lettings and pre-lets to create stores, restaurants and hotels for major operators including Next, Aldi, Burger King and Travelodge.

### Retail warehouses

Our retail warehouse portfolio has grown to 21 assets and reflects our strategic decision to build a sizeable presence in the sector. We are acquiring incrementally and facilitating our key retailers' growth into a sector where we can add significant value. We continue to follow the Company's strategy of investing in low, affordable rents, and alongside our key retail partners.

### Generating a high, sustainable income

We believe the outlook is positive with limited supply of new retail space and favourable demand conditions that play into NewRiver's business model. Our national platform now provides significant leverage and efficiencies across the portfolio together with low affordable portfolio rents offering growth prospects and imbedded asset management opportunities.

## ACQUISITIONS: STRATEGIC STOCK SELECTION

Our assets are located where people live, work and play; with natural footfall, integrated with public transport, car parking and shared access to education, healthcare, municipal services and the work place. We aim to offer the best retail environments and everyday shopping experiences in these locations.

To assist our decision making, we conduct detailed research on demographic profiles of the consumer base. We take great care to analyse spend patterns and the provision of retail space in the catchment and constantly monitor potential threats from competing developments or extensions and changing demographics.

We have been through an intensive period of activity for the business, swiftly and effectively deploying proceeds from two equity raises into strategic acquisitions and growing the portfolio by 30% to total £1.1 billion. We have acquired eight shopping centres (including JV acquisitions), 13 retail warehouse parks / parades and two high street parades. We now own and manage 32 shopping centres (excluding Bexleyheath, acquired post year end), making us one of the UK's largest shopping centre owners by number in the UK. Our acquisitions have been predominantly from impaired vendors, institutions and a major retailer selling part of its non-core estate.

A strong start to the year was halted as the election approached in May and subsequently dampened activity. We saw a high degree of re-trade stock and over-ambitious pricing. Demand remains resilient for high quality prime assets but investors are increasingly stock selective. Retail warehousing is benefiting from more meaningful occupier demand and we are seeing good rental growth prospects. The sector under performed IPD but is forecast to deliver improved relative returns.

## SHOPPING CENTRES

### Camel III

Early in the first quarter we completed the strategic acquisition of the remaining 50% in the Camel III Portfolio, which comprises four shopping centres and a retail parade from our Joint Venture partners LVS, a subsidiary of Bravo II (a fund advised or managed by Pacific Investment Management Company LLC). The portfolio comprised properties in Grangemouth, Leith in Edinburgh, North Shields, Llanelli and Oxford at an implied 100% price of £77.9 million for the portfolio, reflecting a net initial yield of 7.2%. The assets were well known to us, offering immediate deliverable opportunities at nominal execution cost. There is a huge benefit in taking full control of assets that we know and understand and we are confident around future underlying performance.

### The Neptune Portfolio

In January 2016 NewRiver completed contracts to acquire the Neptune portfolio for a total consideration of £92.3 million, equating to a net initial yield of 8.0%, an equivalent yield of 9.6% and a reversionary yield of 10.5%. The Portfolio was previously acquired in the market at an aggregate value of £312 million having been assembled between 2005 and 2006.

This geographically diverse portfolio comprises three shopping centres: The Ridings Shopping Centre, Wakefield in West Yorkshire; the Cornmill Shopping Centre, Darlington in the North East of England; and the Capitol Shopping Centre, Cardiff in South Wales.

The portfolio offers an excellent balance of core and opportunistic assets, underpinned by high quality anchor retailers including Next, Primark, Tesco, Morrisons, TK Maxx and at entry price that was significantly below replacement cost. Initiatives include the reconfiguration of units to create more attractive retail space appropriate to retailer demand, improvements to the existing retail mix, and specifically, the repositioning of the Capitol Shopping Centre as a leading food and leisure destination, with hotel, student and residential accommodation above.

### Penge

The acquisition of the Blenheim Shopping Centre in Penge, in the London Borough of Bromley, represents our first acquisition in London since 2011. The covered shopping centre was acquired for £6.85 million reflecting a net initial yield of 6.2% and an equivalent yield of 7.9%. The asset presents an exciting opportunity to enhance the retail mix to ultimately deliver rental growth and unlock further value through residential development in a location with excellent connectivity into Central London and strong retailer demand.

## RETAIL WAREHOUSES

The Company has identified opportunities in the retail warehouse sector to acquire parks and parades that are aligned to our core investment criteria of value and sustainability, with opportunities to extend and enhance. The retail warehouses are predominantly occupied by our key retailers where we are able to leverage our relationship and trading credentials of low cost to rent ratios. The Company's portfolio now includes 21 retail warehouse assets at a combined value of £132 million at a yield of 7.16%

### Gateshead, Allison Court Retail Park

The retail park in Tyne and Wear, was successfully acquired from joint owners Cheshire West and Chester Borough Council for a total consideration of £4.4 million, reflecting a net initial yield of 8.5%. Allison Court is well located,

situated adjacent to The Metro Centre, the largest covered shopping and leisure centre in Europe, with over 23 million visitors per year. Allison Court is a 4.24 acres, multi-let retail park let to a variety of retailers including Evans Cycles, Maplin, American Golf and Halfords. The park has a WALE of 5.8 years and benefits from low rental levels of between £7.50-£12.00 per sq ft affording scope for potential rental growth. We have identified a range of significant asset management opportunities to enhance capital values through the letting of vacant units, increasing the rental tone, whilst remaining affordable and improving signage and wayfinding to the asset.

## **The Ramsay Portfolio**

The Ramsay Portfolio was acquired in July 2015 for a total consideration of £69.1 million reflecting a net initial yield of 8.0%. The portfolio comprised 13 geographically diverse assets including nine value-led retail parks and four development sites each with approved planning consents and strong pre-let interest from retailers.

The portfolio comprises 463,000 sq ft of lettable space let to 35 occupiers and is located in successful retail destinations adjacent to upper-quartile performing Morrisons foodstores. The portfolio has a high occupancy of 97% and generates a strong, sustainable income stream underpinned by a WALE of 6.5 years. The portfolio's high quality retail covenants, reflective of the Company's existing portfolio, include leading retailers such as TK Maxx, Argos, Poundstretcher, B&M, Matalan and Boots. Existing total net income for the portfolio is £4.9 million per annum with average rents of £12 per sq ft offering excellent opportunities for future income growth.

The Portfolio presents significant asset management, extension and development opportunities given the existing planning consents totalling some 300,000 sq ft of retail space. NewRiver has already made good progress agreeing terms with leading retailers including B&M, Wickes, Pets at Home and Sports Direct and has subsequently sold a vacant site in Auchinlea, Glasgow to an owner occupier, realising significant profit and return.

## **Daventry Retail Park, Northamptonshire and Daventry Retail Park, York**

Daventry Retail Park in Northamptonshire was acquired in December 2015 for a consideration of £4.1 million reflecting an attractive net initial yield of 8.5% and an equivalent yield of 10.5%. The acquisition presents an opportunity to generate value through an extension of the retail space and the introduction of a new drive-thru offer. Daventry Retail Park in York was acquired for £4.65 million at a net initial yield of 7.9% and is currently let to discount retailer B&M for an unexpired term of 2.4 years. The location is highly regarded and offers excellent growth credentials. The two retail assets each offer excellent value-enhancing asset management and development opportunities.

## **HIGH STREET**

### **Market Harborough**

In June 2015, the Company acquired two high street units in the affluent town of Market Harborough, Leicestershire for £2.83 million reflecting a net initial yield of 9.0%. The acquisition comprises 19/21 The Square, let to Tesco with five residential flats above and 10 The Commons, a stand-alone retail unit let to discount retailer B&M. The property adjoins one of the main car parks in the town and is situated in an attractive location adjacent to the River Welland. NewRiver has identified A1 and A3 development opportunities which it is now pursuing.

### **Hull, Jameson Street and King Edward Street**

This unbroken high street parade adjoins our existing major shopping centre asset, The Prospect Shopping Centre and represents a strategic purchase with immediate marriage value. The parade was acquired from a UK institution for £4.7 million reflecting a net initial yield of 9.0%. The property will benefit from a major investment by the council in the neighbouring public realm which will help facilitate our strategy of improving the tenant profile and mix of restaurants.

## **PUBLIC HOUSES**

### **Mantle Portfolio**

The Mantle Portfolio comprised an estate of 158 pubs located across England and Wales which was acquired from Punch Taverns for a total consideration of £53.5 million which equates to a net initial yield of 13.61%. Once leveraged the cash-on-cash equity return will be in excess of 20%. The portfolio comprises 340,000 sq ft of total internal gross area, 1.8 million sq ft of total site area, 1,730 car parking spaces and has an estimated reinstatement value of £146 million.

The quality and stability of the portfolio was reflected in it being 99.4% let and effectively 100% let for the last four years. The revenue arrears are negligible and beer volumes have increased by 2.24% per annum, compound, over the last four years. Significant asset management and development opportunities present themselves including unlocking and creating capital growth through the introduction of new and complementary uses, as well as offering existing occupiers longer, more sustainable leases. NewRiver has appointed a third party specialist pub management company to run the



day to day management of the portfolio and deliver pre-identified efficiencies, allowing NewRiver to focus on the asset management and development programme.

NewRiver's pub portfolio accounts for 15% of total assets under management.

## DISPOSALS

We have actively recycled mature assets into a buoyant investment market and during the year NewRiver completed £48.2 million of disposals, reflecting a weighted average exit yield of 5.7%.

Early in the financial year we completed the sale of a portfolio of five non-core high street assets totalling 33,800 sq ft in five separate UK locations: Rugby, Nuneaton, Spalding, Blackpool and Perth. The portfolio was sold to a private investor for £6.0 million resulting in an IRR on exit of 43.9%. In the relatively short period of ownership we were able to complete the letting to JoJo Maman Bébé in Perth and lease renewals in Nuneaton to Clinton Cards and Waterstones.

In late November 2015 the Company completed its largest sale to date realising a price of £28.4 million for Regent Court in Leamington Spa. The price achieved a yield of 5.0%, generating an IRR of 129%. The asset was acquired in 2012 for £10.5 million as part of the Camel II portfolio, reflecting a net initial yield of 8.9%. The sale to an institutional buyer follows the Company's successful repositioning of the asset from a low occupancy, lacklustre thoroughfare to Leamington Spa's leading food and restaurant destination. The asset benefited from significant income growth, new restaurants including Yo! Sushi, Nandos, Las Iguanas, Cote, GBK and Turtle Bay and increased income longevity, which was considered highly desirable by the investment market and ultimately delivered the attractive sales price.

Ferensway, Hull was sold for £3.0 million reflecting a net initial yield of 4.0% and equating to an IRR of 112%. We had intended to facilitate a reposition of the former TJ Hughes department store into a leisure and restaurant destination but ultimately we were able to realise our profit upfront through the sale to an owner occupier.

The disposal of a retail warehouse and site in Auchinlea, Glasgow, following a relatively short period of ownership was opportunistic and acquired by a special purchaser realising a price of £9.0 million, 50% above acquisition price and generating an attractive IRR of 177%. The property was acquired as part of the Ramsay Portfolio.

Finally, during the year we have completed two pub sales to a tenant and a special purchaser, these include The Railway Hotel in Chorley and the Bridge Inn in Wasdale at an aggregate price of £1.4 million. We have also concluded non-core sales of ancillary properties and land which we do not consider to be integral to the ongoing operational and strategic management of the assets.

We will continue to recycle assets that have matured or where we feel the forward looking returns are below acceptable levels or where the risk profile has changed.

## VALUATIONS

The portfolio is valued at £1.1 billion which reflects an EPRA topped up net initial yield of 7.8%. On a like-for-like-basis the portfolio valuation has increased by 3.9%.

The Company benefited from progressive H1 performance with an overall like-for-like valuation gain of 2.6% in the period which moderated in H2 to 1.3% due to slowing yield compression and the impact of the increase in Stamp Duty Land Tax announced at the March Budget which reduced the value of assets located in England, Wales and Northern Ireland by approximately 1%. The Company equivalent yield as at 31 March 2016 was an attractive 8.2% reflective in part of a like-for-like, year-on-year contraction of just 21 basis points, demonstrating that performance has been predominantly generated through income growth, asset management and development activity.

**Shopping Centre Valuations:** Our core shopping centre and high street portfolio represents approximately 70% of our total asset value and provided progressive income and valuation performance with a like-for-like aggregate gain of £17.0 million reflecting an improvement of 3.5%.

**Retail Warehouse Valuations:** We have continued our investment into retail warehousing where we see excellent value creating opportunities. The sector continues to trade above its long term average yield and we are seeing increasing demand as high street brands, including many of our core retailers, move into the sector. The NewRiver retail warehouse portfolio benefitted from a like-for-like valuation gain of £5.0 million, equating to 10.2% during the year.

**Public House Portfolio Valuations:** The public house portfolio benefitted from considerable gain in the preceding year and is now producing steady valuation and income growth. The like-for-like valuation growth was £2.0 million, equating to 1.7%, driven by like-for-like income growth of 0.7%.

**Development Valuations:** Across the development portfolio, a like-for-like valuation gain of £1.9 million or 14% was achieved driven by progress in pre-lets and the grant of planning permissions. In total, across the portfolio, over 60 planning applications have been submitted resulting in 24 permissions being granted.

We have a dynamic portfolio with the enhancement programmes, relocation of retailers and major planned development but have continued to benefit from progressive net operational income growth across the core portfolio which increased by 2.4% on a like-for-like basis. Our active asset management and prudent capital allocation strategy have also translated into a like for like ERV growth of 4.6%.

As at 31st March 2016	Total Assets	Valuation	NEY	LFL Valuation	LFL NOI	LFL ERV
	%	£M	%	%	%	%
Shopping Centres	66	726	7.9	3.9	1.6	3.9
Retail Warehouses	12	132	7.4	10.2	0.2	0.8
High Street	4	48	6.4	(1.0)	(0.1)	(0.9)
Development	3	35	n/a	13.7	0.0	0.0
Public House	15	161	11.7	1.7	0.7	0.7
<b>TOTAL</b>	<b>100%</b>	<b>1,103</b>	<b>8.2</b>	<b>3.9</b>	<b>2.4</b>	<b>4.6</b>

## ASSET MANAGEMENT: OUR APPROACH

We believe our business model and team set us apart through our ability to unlock and generate enhanced value to deliver long-term capital and income returns to shareholders.

We have grown a team of highly focused, experienced and talented individuals, who are passionate retail property experts, understand their market intimately and are committed to delivering the true value of retail.

We adopt a hands on approach in the operational and asset management of our properties, continually focused on our 10 key operational objectives:

- I. **Understand Your Asset:** First and foremost, we understand our assets and the towns we are invested in. We immerse ourselves in the community and engage with our key stakeholders to influence and support investment.
- II. **Know Your Customer:** We conduct consumer surveys to ensure that we are constantly listening to our customers to gain detailed insight into what they like and dislike and how we can improve. Our assets must offer choice, convenience and value.
- III. **Choice:** Our shoppers have choices, loyalty is earned. We strive to earn and retain a loyal customer base through engagement and investment.
- IV. **Leasing:** The Company successfully completed 235 leasing events during the year. Long-term leasing events achieved a rental income of 5.1% above our estimated rental value at an average lease length of 9.7 years securing annual rent of £4.16 million. We employ a rounded approach, focused on research, local knowledge and intelligent marketing.
- V. **Retail Mix:** The retail mix in our shopping centres is being developed to cater to the daily needs of our customers, taking into account the characteristics of the catchment and demand. It helps to make the retail mix richer with fresh brands and approaches.
- VI. **Retailer Relations:** Our portfolio is underpinned by successful, dynamic and best in class national retailers. We work with our retailers as partners and we are in constant dialogue, visiting their head offices and portfolios to develop our knowledge of their business. We leverage these close relationships to deliver efficiencies across the portfolio and we seek to enter into turnover based deals to share risk.
- VII. **Good Practice:** We are committed to good practice and set ourselves high standards. We are rigorous in our approach to offering value for money, overseen by our highly regarded property management and in-house project management teams that provide an efficient, effective and innovative management function which helps drive the physical and financial asset performance adding to the overall business success.

- VIII. **Asset Enhancement:** A physical improvement drives a clear change in perception. We have a rolling program of refurbishment and improvements, which must be balanced with an efficient and well run operational budget to maintain low occupational cost for our retailers. We aim to ensure that our assets are relevant to their customers and community and that our investment is adaptable to constantly changing retail trends.
- IX. **Robust Reporting:** Information is the life blood of the Company. We have adopted a consistent and transparent reporting regime which monitors and assesses performance against forecast. We are able to identify assets that are delivering and demonstrating value to help us understand why. The system also acts as an early warning system for assets that may underperform and allows us to deploy capital to improve performance or consider an exit strategy
- X. **Targets:** We provided detailed tenant by tenant analysis and forecasts and set demanding financial targets. It is testament to the hard work of our team that key targets have been exceeded across the business including revenue forecast, cost control, occupancy and capital return targets.

## HIGH STREET ASSET MANAGEMENT HIGHLIGHTS AND CASE STUDIES

**Customer Insight and Increased Engagement:** The Company is pleased to report uplifts in customer dwell time, footfall, customer satisfaction and visit frequency across the portfolio reflecting the success of the customer engagement strategy and the delivery of more attractive environments, with greater choice, convenience and affordability. We undertake consumer surveys with CACI to tailor business plans and investment to deliver upon our key customer findings.

**Food & Leisure:** Responding to evolving consumer demand, NewRiver has made good progress advancing its strategy to create attractive food and leisure offers undertaking a number of restaurant lettings including new food courts at Promenades, Bridlington; Hill Street Shopping Centre, Middlesbrough and the Packhorse Kitchen, Huddersfield and the transformation of Regents Court, Leamington Spa into a thriving retail and leisure destination. The introduction of greater food and beverage content is an important and complementary use which seeks to cater for increased dining in our assets be it grab and go or sit down that extends dwell time and spend.

**Asset Enhancement Programme:** A rolling program of asset enhancement has delivered significant improvements, both internally and externally, to our shopping centres in Leith, Paisley, North Shields, Warminster, Wallsend, Leamington Spa and Huddersfield. This has re-positioned the centres and enhanced their offer to the specific profile of its catchment and community. Works include modernisation of malls, shop fronts and public realm, new lighting, car park resurfacing, branding, signage, wayfinding and public toilets.

**Portfolio Lettings:** We have completed and or extended portfolio transactions with fashion retailer Pep & Co, Card Factory, Poundland and MCL, a major Burger King franchisee. The portfolio transactions illustrate the scale and buying power of the estate and the investment we have undertaken in the relationships with our retailers.

**Operational Management:** We were the first landlord to secure portfolio wide World-Host Accreditation for customer-service. Our on-site staff have been given the skills and knowledge to deliver excellent customer service.

### Asset Management Highlights

**Hastings:** Our shopping centre Priory Meadow has performed well since its acquisition in August 2014 with an improving rental tone, rental base and increasing occupancy. Planning consent was successfully secured for new signage, a centre refurbishment and an upgrade to the car park where on 1 April 2015 parking tariffs were increased in line with competing council-owned sites.

**Belfast, Newtownabbey:** In conjunction with the development of a new 43,000 sq ft Next anchor store and a proposed extension to the existing Dunnes store, we have commenced the full re-brand and re-modernisation of The Abbey Centre. As part of the wider refurbishment strategy, works include improved car parking, entrances and wayfinding. Driving the growth strategy for the centre, NewRiver successfully completed five new lettings and one lease renewal at a total rent of £205,700 firmly establishing the rental tone of £70 per sq ft.

**Hull:** Clough Road Retail Park is undergoing a major transformation following its acquisition in June 2014 with a succession of lettings and re-structured leases. To enhance the retail footprint, an enlarged 29,000 sq ft store has been delivered to accommodate Go Outdoors, providing a stronger retail line up as well as increasing the net operating income on the Park. Following this successful letting, planning was obtained and an Agreement for Lease signed with Costa for a new drive-thru at the entrance of the site, followed by the surrender and restructure of the Currys and PC World units, to provide a dual fascia for the Currys / PC World store and the creation of two units, let to Halfords and Staples. Over the 21-month period of ownership the NOI has increased by 7.1%. Alongside these strategic new lettings, planning has also been obtained for improvement works to the facades and signage, to provide a modernised offer.

**Retail Warehouses:** The Company has made great progress on the value-enhancing asset management of its retail warehouse strategy successfully securing three planning consents during the year. The planning application consents include open A1 consent including a 20% allowance for food sales in Felixstowe, a 12,000 sq ft site extension at ground with mezzanines in Kirkstall and a new 1,800 sq ft drive-thru pod in Hull. A further five planning applications are due for submission in Q3 to unlock additional value within the retail warehouse portfolio.

## **DEVELOPMENT HIGHLIGHTS: Long Term Value Creation**

Improving occupier confidence and decreasing availability is triggering demand for supply of new high quality retail and leisure space and with our low risk program of pre-let, cost controlled development we are confident of delivering on our current pipeline of projects of 1.5 million sq ft. We are also benefitting from the evolution of town centres with the increase in demand for a mixture of activities including retail, leisure, hotels, student and residential accommodation. Residential development will increasingly be seen as an efficient way of driving air-space opportunities within the portfolio, with the market underpinned by improving economic growth and fundamental imbalances between supply and demand, particularly in the South East.

**Burgess Hill - Major planning application submission:** Our major town regenerative development in Burgess Hill took a significant step forward having gained full detailed planning consent in March 2016 from Mid Sussex District Council unanimously by a 11-0 vote. The 465,000 sq ft project will provide a 10-screen multiplex Cineworld cinema, a 63 bed Travelodge, a higher quality retail offer and new restaurant and leisure provisions, 163 additional car park spaces and an improved public realm, together with 142 new residential flats and a new purpose built library. The proposals will deliver an estimated 500 new jobs to the town. Phase one is due to commence in September 2016 which will also involve the commencement of works to provide for the relocation of Lidl to a new purpose built 27,500 sq ft edge-of-centre store. Phase two will be commencing in September 2017 with completion in April 2019.

**Cowley, Oxford:** Ahead of planning submission, the Company is making excellent progress in its £64 million mixed-use regeneration in Cowley, Oxford with the successful exchange of contracts with Travelodge for a 71-bed hotel in Cowley. By the end of 2015, NewRiver had completed two public consultations and is expected to submit the planning application by July 2016 to create 225,000 sq ft of retail and leisure space together with 230 new residential flats, an improved retail offer, two new restaurants, a modernised car park and public realm as well as the Travelodge hotel.

**Newtownabbey, Belfast:** We are making excellent progress on the construction of a new 43,000 sq ft store for Next, to create one of Northern Ireland's largest stores. Completion and handover is expected in September 2016. Next are upsizing from their existing 15,000 sq ft to create a new three-storey anchor store, scheduled to open in time for Christmas 2016. In addition, NewRiver are progressing plans with Dunnes Stores to significantly extend and upgrade their existing store to create a new flagship Dunnes store for Northern Ireland with planning secured this year. A centre refurbishment and re-brand is also underway as part of the wider development.

**Wallsend:** Onsite for the delivery of Phase two in Wallsend to create an 18,500 sq ft Aldi and a 1,500 sq ft Burger King. Wider centre refurbishments, roof works and improved signage have been completed alongside a new 25 year lease at £175,000 pa across 20,000 sq ft, to leading market operator Groupe Gerraud to provide 52 individual traders, with 48 already pre-let. A new letting to Costa Coffee was also agreed on a new 10-year lease at £37,500 pa.

**East Ham:** In Q4 we submitted a detailed planning application for the creation of 34 residential apartments above our existing Sainsbury's store on Myrtle Road in East Ham. The proposed development will provide two residential blocks above the existing retained ground floor retail with a new gym on the first floor.

**Pub Portfolio:** NewRiver has successfully completed and handed over its first three convenience stores to the Co-Operative, the first of which opened for trade in February 2016. The stores were delivered on time and within budget utilising surplus land adjacent to the existing pubs. The annual rent for the first Co-Operative store is £73,000 pa on a 15-year lease across 4,173 sq ft NewRiver is on site for the construction of a further five. As at 31 March 2016, we had secured planning approval for 26 convenience store sites.

Value-creating residential development continues to progress well within the pub portfolio with the submission of a total of 30 residential planning applications for the creation of up to 150 units. Of these, 8 consents have been granted to provide up to 28 residential units, a combination of one and two bedroom apartments, as well as detached and semi-detached houses.

## **MARKETING, TECHNOLOGY & COMMERCIALISATION MARKETING**

Effective marketing is a key part of the NewRiver Strategy. Our ultimate marketing objective is to drive footfall, dwell time and basket spend for our retailers and provide a first-class customer experience for our shoppers.

With 32 community-led shopping centres (as at 31 March 2016) across the UK and 140 million consumers shopping in our centres each year, our retail environments play an important role in the local community, providing more than simply a place to shop but often a local hub for communities and a place to meet, eat, play and learn.

We take a customer-first approach to the management and marketing of our retail assets to ensure that we are able to provide the best possible customer experience. The digital revolution has transformed the retail landscape for ever. It is disruptive, innovative and exciting and as such, the physical customer experience at our shopping centres matters even more.

With the growing size of our assets we are creating significant economies of scale as we drive innovation, improve sophistication, consistency and co-ordination in our marketing at a corporate and asset level. This means ensuring that we secure genuine value for money, maximising our return on investment and creating truly special customer experiences through creative events and campaigns.

This year we curated a series of events and campaigns across our portfolio including a number of portfolio firsts and the activation of our centre rooftops into dynamic event spaces. At the Prospect Centre in Hull, we launched our first shopping centre rooftop community garden, the first such garden of its kind in Hull, part of our commitment to responsible property management, with schools and local community groups helping with the maintenance of the garden. Importantly, the produce grown in the garden is given to Hull City foodbank – a campaign that is truly growing roots in the community.

In Boscombe, we launched our first Rooftop Cinema in partnership with Bournemouth Coastal BID with space for 50 cars to watch a variety of movie classics. The event formed part of a wider community engagement project hosted in the centre with our shoppers being entertained by hip hop break dance performances, live DJ's graffiti artists and a host of family events and activities.

The better we understand our shoppers, the more we can deliver. We run focus groups at the shopping centre level and consumer surveys with CACI. This gives us a really strong understanding of our shoppers and the opportunity to improve the retail mix, enhance Food & Beverage and strengthen our click and collect facilities.

## **COMMERCIALISATION**

Commercialisation is an important component for our retail portfolio and we are beginning to expand into our retail warehouses and pub portfolio as well as our shopping centres. Commercialisation generates a significant income stream for NewRiver and creates an enhanced shopper experience, customer service and convenience that contributes to increased dwell time and basket spend. During the period we have delivered impressive year-on-year growth in commercialisation income achieving £2.29 million for the year, representing an uplift of almost 30% (FY15: £1.75 million) with like-for-like increasing 17%.

We believe commercialisation carefully managed can offer both significant growth of low base levels and enhancement of the offer within our malls and retail parks. We work with a variety of strategic partners across our portfolio offering significant scale across the country and ensuring improved operator presentation.

Commercialisation highlights for the year included portfolio deals for new bespoke mall kiosks in almost all covered centres for mobile phone accessories and electronic cigarette operators, significantly improving aesthetics and uplifting rental levels. Pleasingly, the former operator also took a number of shop units.

During the year, a number of new beauty operators were introduced and several independent operators formerly using NewRiver owned Retail Mall Units (RMU's) have demonstrated long-term commitment by investing in their own purpose-built kiosks on the malls.

A number of car valet operations and automated laundrettes have been introduced providing improved services, enhancing the customer experience and helping to improve dwell times. Portfolio wide deals were rolled out for a number of vending operations, including photo booths, kiddie rides and massage chairs as well as more click and collect lockers.

Commercialisation initiatives have contributed to increased rental levels as well as improving the overall shopping proposition at NewRiver centres through a broader retail mix, better customer experience and enhanced mall aesthetic.

## **STAKEHOLDER ENGAGEMENT: "We Are Smarter Than Me"**

As one of the UK's leading retail specialists we are invested in over 60 towns nationally and recognise our vital role and responsibility within these local towns. Healthy towns translate to healthy assets.

Local engagement is unique to its locality, there is no one size fits all so we have developed a trusted approach of engaging, listening, acting, leading and delivering. Town centres have historically suffered from fragmented ownership and limited funding and a holistic co-ordinated approach can make a fundamental difference.

NewRiver is determined to make a difference and deliver change and value.

**Allan Lockhart**  
**Property Director**  
**25 May 2016**

# FINANCIAL STATISTICS

Delivering sustainable income growth and enhancing value across the portfolio.

<b>Performance</b>	Note	<b>2016</b>	2015	Movement/ Growth
Total Shareholder Return		<b>+16%</b>	+16%	–
EPRA adjusted profit	1	<b>£47.1m</b>	£20.9m	+125%
Profit before tax		<b>£69.5m</b>	£39.5m	+76%
EPRA Adjusted EPS (Pence Per Share)	1	<b>26.6</b>	19.8	+34%
EPRA Basic EPS (Pence Per Share)	1	<b>20.4</b>	17.6	+17%
Basic EPS (Pence Per Share)		<b>39.2</b>	37.5	+4.5%
Dividends (Pence Per Share)		<b>18.5</b>	17	+8.8%
Dividend cover	1	<b>144%</b>	116%	+28%
Like-for-like net income growth		<b>2.4%</b>	1.6%	+0.8%
Like-for-like Capital return		<b>4.1%</b>	5.6%	1.5%
Property valuation movement and disposal profits		<b>£32.3m</b>	£21.0m	+£11.3m
Interest Cover	2	<b>4.3x</b>	3.9x	+0.4x

<b>Balance Sheet (proportionally consolidated) *</b>	Note	<b>2016</b>	2015	Movement/ Growth
Net Asset Value		<b>£689.9m</b>	£339.7m	+103%
EPRA NAV per share		<b>295 pence</b>	265 pence	+11.3%
Secured debt	3	<b>£382.6m</b>	£272.5m	+£110.1m
Cash		<b>£117.5m</b>	£21.1m	+£96.4m
Net debt		<b>£261.7m</b>	£251.4m	+£10.3m
Cost of debt		<b>3.7%</b>	3.8%	+0.1%
Average debt maturity		<b>3.5 years</b>	4.6 years	1.1 years
Loan to value	4	<b>27%</b>	39%	12%
Balance Sheet Gearing		<b>29%</b>	49%	20%
% of debt at fixed/capped rates		<b>95%</b>	83%	+12%

#### Explanatory Notes:

\* Unless otherwise stated all figures are proportionally consolidated

Total Accounting Return equals NAV per share growth plus dividends paid.

(1) EPRA adjusted profit is the benchmark profit ratio for the property sector and includes realised recurring profits plus realised profits on the sale of properties above Valuation and other adjustments as set out in Note 9. This is a true cash profit earned by the Company during the year and the basis for dividend payments and cover.

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

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

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

## Financial Review

“The Company has grown its dividend per share again this year by 9% to 18.5 pence per share which is 144% covered by EPRA adjusted profits.”

Mark Davies, Finance Director

It has been another active year at NewRiver paying quarterly dividends, raising £300 million of equity, £145 million of new debt facilities and investing £342 million in income producing acquisitions.

### Increased profitability delivering a strong dividend

EPRA Adjusted Profit more than doubled to £47.1 million (2015: £20.9 million). EPRA adjusted EPS increased by 34% to 26.6p (2015: 19.8p).

The Company considers EPRA Adjusted Profits to be a key performance metric as it includes EPRA earnings (recurring profit) plus any realised gains on the disposal of properties during the year. Revaluation gains/losses are excluded from the calculation and are included in Profit before tax which totalled £69.5 million (2015: £39.5m).

Our strong financial performance flows through to the dividend and the Company has delivered a fully covered dividend of 18.5p per share this year which is 144% covered by EPRA adjusted profits during a year in which the Company issued 97 million new shares (excluding CULS).

Our equity placing in July 2015 and January 2016 raised £300 million enabling us to acquire the remaining 50% of the Trent and Camel III portfolio from our joint venture partner Bravo II (a fund advised or managed by Pacific Investment Management Company LLC) increasing further our investment in assets on our balance sheet by £100 million. Further acquisitions totalling £242 million include the Mantle, Ramsay and Neptune portfolios.

At the end of the financial year, the Group held £117.5 million of surplus cash, the majority of which was deployed to finance the post balance sheet acquisition of Bexleyheath for £120.25 million which, net of debt, totalled £71 million.

The Group continues to develop its close relationships with the core UK lenders including Barclays, HSBC, Santander, Lloyds and also AIG and Venn Capital. £145 million of new debt finance was made available during the year on competitive terms maintaining a low cost of debt across the portfolio of below 4%.

Our gearing measured by Loan to Value at the Balance Sheet date net of cash is 27% (2015: 39%). We are confident that overall returns to investors will continue to be enhanced without exposing the Group to undue leverage.

### Dividend Growth

The Company continued its quarterly dividend payment policy and is committed to a growing, progressive, fully covered dividend. The Company achieved an 8.8% increase in the dividend per share this year to 18.5 pence per share (2015:17 pence). It is particularly pleasing that the dividend is more than fully covered by profits realised throughout the year with coverage increasing to 144% (2015: 116%).

Dividend cover may be calculated on a per share basis or amount paid in sterling. The below table shows the dividend is fully covered in 2016 on both bases. The total dividend declared for this year was 18.5 pence (2015:17p) which totalled £33.9 million (2015: £18.1m) as set out in note 11 to the Financial statements. This compares to an EPRA adjusted profit of £47.1m (2015: £20.9m).

The Board has approved a dividend of 5 pence per share (2015: 4.5 pence) for the first quarterly payment in 2016/2017. This is a further +11.1% increase in the quarterly dividend payment and starts the new financial year with confidence.

### NAV per share Growth

The EPRA net asset value per share (EPRA NAV) has increased 11.3% since the last financial year end from 265 pence to 295 pence. During the year we have absorbed £7.7 million of fundraising costs and £12.7 million of purchase costs. These costs have been more than offset by our active asset management, risk-controlled development and improving market sentiment for regional shopping centres adding £24.0 million of revaluation surpluses during the year.

<b>Dividend cover table</b>	<b>(£'000)</b>	Earnings	<b>Cumulative</b>		<b>Cumulative</b>
	<b>31 Mar 16</b>	Per Share	<b>Dividend</b>	<b>(£'000)</b>	<b>Dividend</b>
			<b>Cover</b>	31 Mar 15	31 Mar 15
EPRA Profit	<b>36,140</b>	20.4p	<b>110%</b>	18,522	103%
Profit on disposal of investment Properties	<b>8,299</b>	5.1p	<b>25%</b>	1,740	112%
Exceptional cost in respect to move to Main Market	<b>900</b>	–	<b>–</b>	–	–
Other Adjustments	<b>1,776</b>	1.1p	<b>9%</b>	610	–
EPRA Adjusted Profit	<b>47,115</b>	26.6p	<b>144%</b>	20,872	116%
Revaluation Surplus during the year	<b>24,002</b>	13.5p	<b>73%</b>	19,266	224%
Other Adjustments	<b>(1,572)</b>	(0.9)p	<b>(5%)</b>	(610)	–
<b>Profit before tax</b>	<b>69,545</b>	39.2p	<b>212%</b>	39,528	220%

### Highlights from the Income Statement

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

	Year ended 31 March 2016			Year ended 31 March 2015		
	Group £'000	Joint ventures £'000	Proportionally consolidated £'000	Group £'000	Joint ventures £'000	Proportionally consolidated £'000
Gross rental income and fees	<b>60,840</b>	<b>14,034</b>	<b>74,874</b>	28,195	18,486	46,681
Property operating expenses	<b>(6,253)</b>	<b>(1,468)</b>	<b>(7,721)</b>	(3,863)	(1,823)	(5,686)
Net property income	<b>54,587</b>	<b>12,566</b>	<b>67,153</b>	24,332	16,663	40,995
Administrative expenses	<b>(13,747)</b>	<b>(660)</b>	<b>(14,407)</b>	(10,089)	(936)	(11,024)
Net financing costs	<b>(12,155)</b>	<b>(3,364)</b>	<b>(15,519)</b>	(7,132)	(4,317)	(11,449)
Profit on disposal of investment properties	<b>8,299</b>	<b>17</b>	<b>8,316</b>	1,740	–	1,740
Joint ventures net income	<b>8,559</b>	<b>(8,559)</b>	<b>–</b>	11,411	(11,411)	–
Revaluation surplus	<b>24,002</b>	<b>–</b>	<b>24,002</b>	19,266	–	19,266
Taxation	<b>(136)</b>	<b>–</b>	<b>(136)</b>	–	–	–
IFRS profit for the year	<b>69,409</b>	<b>–</b>	<b>69,409</b>	39,528	–	39,528
Revaluation surplus	<b>(24,002)</b>	<b>–</b>	<b>(24,002)</b>	(18,656)	–	(18,656)
EPRA adjustments	<b>1,708</b>	<b>–</b>	<b>1,708</b>	–	–	–
EPRA adjusted profit	<b>47,115</b>	<b>–</b>	<b>47,115</b>	20,872	–	20,872
EPRA adjusted EPS	<b>26.6</b>	<b>–</b>	<b>26.6</b>	19.8	–	19.8
Basic EPS	<b>39.2</b>	<b>–</b>	<b>39.2</b>	37.5	–	37.5
Dividend per share	<b>18.5</b>	<b>–</b>	<b>18.5</b>	17.0	–	17.0
Dividend Cover			<b>144%</b>			116%

Basic EPS was 39.2 pence (2015: 37.5 pence) which includes the upward fair value property valuations during the year. In addition we disclose Funds from Operations ('FFO') as this is an important metric often used by the international investment community when comparing the performance of international REITs. Reported FFO this year was £36.9 million (2015: £18.8 million) which amounted to 20.8 pence per share (2015: 17.8 pence per share).



## Proportionally consolidated balance sheet

	Year ended 31 March 2016			Year ended 31 March 2015		
	Group £'000	Joint ventures £'000	Proportionally consolidated £'000	Group £'000	Joint ventures £'000	Proportionally consolidated £'000
Properties at valuation	839,107	134,162	973,269	404,098	222,205	626,303
Investment in joint ventures	70,125	(70,125)	–	113,027	(113,027)	–
Other non-current assets	551	–	551	513	–	513
Cash	114,071	3,429	117,500	15,412	5,696	21,108
Other current assets	8,846	433	9,279	6,166	2,698	8,864
<b>Total assets</b>	<b>1,032,700</b>	<b>67,899</b>	<b>1,100,599</b>	<b>539,216</b>	<b>117,572</b>	<b>656,788</b>
Other current liabilities	(25,768)	(2,335)	(28,103)	(16,197)	(4,596)	(20,793)
Debt	(314,105)	(65,074)	(379,179)	(157,921)	(112,012)	(269,923)
Convertible loan stock	–	–	–	(23,420)	–	(23,420)
Other non-current liabilities	(2,960)	(490)	(3,450)	(1,983)	(964)	(2,957)
IFRS net assets	689,867	–	689,867	339,695	–	339,695
EPRA adjustments	7,880	–	7,880	29,973	–	29,973
EPRA net assets	697,747	–	697,747	369,668	–	369,668
EPRA NAV pence per share			295p			265p

## Group's Financing Policies

	Financing Policy	31-Mar-16
Loan to Value	<50%	27%
Balance Sheet Gearing	<100%	29%
Interest Cover	>2.0x	4.3x
Dividend Cover	>100%	144%

## Strong Balance Sheet delivering profitable performance

Shareholder funds increased 103% during the year to £690 million (2015: £340 million).

Together with our conservative financing policies, the Balance Sheet metrics remain strong.

As at the Balance Sheet Date the Group has cash resources of £117.5 million, plus undrawn debt facilities available of up to £102 million.

## Borrowings

The Company has a straight forward debt strategy focused around conservative gearing at a low cost whilst maintaining close relationships with its corporate banks. The Company wants to generate strong sustainable returns for shareholders and to do that believes its Loan to Value ("LTV") ratio should be at or below 50%. The Company may take on specific projects, acquisitions or joint ventures that justify a slightly higher LTV but on a proportionally consolidated basis (including joint ventures) the LTV target is below 50%.

## New Facilities

The Company continued to build its existing relationships with HSBC, Barclays Santander, Lloyds and AIG. During the year the Group, including joint ventures, originated £145 million of new senior debt facilities (2015: £278 million). This included taking on the existing loan facilities with Barclays, AIG and Venn from the 50% acquired joint ventures from BRAVO II. The total interest cost (including fees) on the new senior debt facilities was 3.25% (excluding those from joint ventures) which in due course will help reduce the cost of debt for the Group.

## Hedging

The Group continues to apply a hedging strategy which is aligned to the property strategy. Borrowings are currently 93% hedged against interest rate risk (2015: 83%), 50% of all borrowings are fixed whilst 43% are capped. This provides interest rate protection whilst the hedging strategy allows the company to benefit from the current low interest rate environment.

## Gearing and Loan to Value

As at 31 March 2016 Balance Sheet gearing was 29% (2015: 49%) giving us firepower to draw existing undrawn facilities or securing alternative sources of debt. More detail on the Group's borrowings is provided in Note 20. The Group's LTV was 27% as at the year end compared to 39% in the prior year.

## Move to the Main Market

The Company is making good progress in moving up to the Main Market and obtaining a Premium Listing. A draft prospectus has been submitted to the UKLA and the Company is on track to complete this project by the end Q2 FY17.

As part of the process the Group is introducing a new parent company, NewRiver REIT PLC which is a UK Company. At 31 March 2016 the Company was approximately 60% of the way through the work required to complete the exercise and has accounted for £0.9 million of the total £1.5 million of expected costs. The Company expects to qualify for the FTSE250 and EPRA indices and achieve the advantages of access to a wide investor pool and better liquidity.

**Summary**

This year has been by far the most profitable to date, delivering a profit before tax of £69.5 million (2015: £39.5 million), of which £47.1 million is EPRA Adjusted Profit and £24.0 million from fair value movements in property valuations. The Company has a sector leading dividend yield of over 6% and has delivered a consistent track record of Total Shareholder Return.

**Mark Davies****Finance Director****25 May 2016**

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Year ended 31 March 2016				Year ended 31 March 2015		
	Notes	Operating and Financing £'000	Fair value adjustments £'000	Total £'000	Operating and Financing £'000	Fair value adjustments £'000	Total £'000
Gross income	3	<b>60,840</b>	–	60,840	28,195	–	28,195
Property operating expenses	4	<b>(6,253)</b>	–	(6,253)	(3,863)	–	(3,863)
Net property income		<b>54,587</b>	–	54,587	24,332	–	24,332
Administrative expenses	5	<b>(13,747)</b>	–	(13,747)	(10,089)	–	(10,089)
Share of income from joint ventures	14	<b>8,559</b>	<b>4,489</b>	13,048	11,411	12,405	23,816
Net valuation movement	12	–	<b>19,513</b>	19,513	–	6,861	6,861
Profit on disposal of investment properties	6	<b>8,299</b>	–	8,299	1,740	–	1,740
Operating profit		<b>57,698</b>	<b>24,002</b>	81,700	27,394	19,266	46,660
Net finance expense							
Finance income	7	<b>82</b>	–	82	191	–	191
Finance costs	7	<b>(12,237)</b>	–	(12,237)	(7,323)	–	(7,323)
Profit for the year before taxation		<b>45,543</b>	<b>24,002</b>	69,545	20,262	19,266	39,528
Current taxation charge	8	<b>(136)</b>	–	(136)	–	–	–
Profit for the year after taxation		<b>45,407</b>	<b>24,002</b>	69,409	20,262	19,266	39,528
Earnings per share							
EPRA Adjusted (pence)	9			26.6			19.8
EPRA basic (pence)	9			20.4			17.6
Basic EPS (pence)	9			39.2			37.5
EPS diluted (pence)	9			38.9			36.2

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit for the year after taxation		<b>69,409</b>	39,528
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Fair value loss on interest rate derivatives designated in cash flow hedges	20	<b>(1,152)</b>	(671)
Total comprehensive income for the year		<b>68,257</b>	38,857

The Notes form an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
<b>Non-current assets</b>			
Investment properties	12	839,107	404,098
Investments in joint ventures	14	70,125	113,027
Property, plant and equipment	15	551	513
<b>Total non-current assets</b>		<b>909,783</b>	517,638
<b>Current assets</b>			
Trade and other receivables	17	8,462	5,853
Derivative financial instruments	20	384	313
Cash and cash equivalents	18	114,071	15,412
<b>Total current assets</b>		<b>122,917</b>	21,578
<b>Total assets</b>		<b>1,032,700</b>	539,216
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	25,632	16,197
Current taxation liabilities	19	136	–
<b>Total current liabilities</b>		<b>25,768</b>	16,197
<b>Non-current liabilities</b>			
Derivative financial instruments	20	2,960	1,983
Borrowings	20	314,105	157,921
Debt instruments	20	–	23,420
<b>Total non-current liabilities</b>		<b>317,065</b>	183,324
<b>Net assets</b>		<b>689,867</b>	339,695
<b>Equity</b>			
Share capital	23	–	–
Retained earnings		118,248	58,254
Other reserves		554,599	273,582
Hedging reserve		(1,842)	(690)
Share Option reserve		1,961	1,063
Revaluation reserve		16,901	7,486
<b>Total equity</b>		<b>689,867</b>	339,695
<b>Net Asset Value (NAV) per share</b>			
EPRA NAV (pence)	10	295	265
Basic (pence)	10	295	267
Basic diluted (pence)	10	294	264

The Notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 May 2016 and were signed on its behalf by:

**David Lockhart**  
Chief Executive

**Mark Davies**  
Finance Director

# CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
<b>Cash flows from operating activities</b>			
<b>Profit before tax on ordinary activities for the year attributable to Shareholders</b>		<b>69,409</b>	39,528
Adjustments for:			
Profit on disposal of investment property	6	(8,299)	(1,740)
Net movement from fair value adjustments on Investment Properties		(19,513)	(6,861)
Net movement from fair value adjustments in joint ventures		(4,489)	(12,405)
Profits in joint ventures		(8,559)	(11,411)
Net finance costs		12,155	7,132
Rent free lease incentive adjustment		(103)	(352)
Provision for bad debts		75	114
Amortisation of legal and letting fees		259	151
Depreciation on property plant and equipment	15	125	76
Share Options	25	898	610
<b>Operating profit before changes in working capital</b>		<b>41,958</b>	14,842
Changes in working capital:			
Increase in receivables and other financial assets		(2,050)	(1,242)
Increase in payables and other financial liabilities		18,725	2,387
<b>Cash generated from operations before interest</b>		<b>58,633</b>	15,987
Net finance costs		(12,155)	(7,603)
Corporation tax paid		(135)	(219)
<b>Net cash generated from operating activities</b>		<b>46,343</b>	8,165
<b>Cash flows from investing activities</b>			
Investment in joint ventures	14	–	(28,752)
Purchase of investment properties		(192,583)	(84,786)
Properties acquired on business combinations	13	(105,447)	(68,460)
Disposal of investment properties	6	51,109	30,575
Development and other capital expenditure		(12,955)	(5,586)
Purchase of plant and equipment	15	(163)	(205)
Dividends received from joint ventures	14	4,325	6,450
<b>Net cash used in investing activities</b>		<b>(255,714)</b>	(150,764)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new shares		292,300	73,320
Repayment of bank loans and other costs		(21,873)	(125,680)
New borrowings		65,311	133,032
Dividends paid	11	(27,708)	(12,216)
<b>Net cash generated from financing activities</b>		<b>308,030</b>	68,456
<b>Cash and cash equivalents at the beginning of the year</b>		<b>15,412</b>	89,555
Net (decrease)/increase in cash and cash equivalents		98,659	(74,143)
<b>Cash and cash equivalents at the end of the year</b>		<b>114,071</b>	15,412

The Notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2016

	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
<b>As at 1 April 2014</b>		<b>26,107</b>	<b>-</b>	<b>212,981</b>	<b>(19)</b>	<b>453</b>	<b>105</b>	<b>239,627</b>
Net proceeds of issue from new shares	23	-	73,320	-	-	-	-	73,320
Transfer of share premium		-	(73,320)	73,320	-	-	-	-
Total comprehensive income for the year		39,528	-	-	(671)	-	-	38,857
Realisation of fair value movements		(520)	-	-	-	-	520	-
Share-based payments		-	-	-	-	610	-	610
Dividend payments <sup>1</sup>	11	-	-	(12,719)	-	-	-	(12,719)
Revaluation movement		(6,861)	-	-	-	-	6,861	-
<b>As at 31 March 2015</b>		<b>58,254</b>	<b>-</b>	<b>273,582</b>	<b>(690)</b>	<b>1,063</b>	<b>7,486</b>	<b>339,695</b>
Net proceeds of issue from new shares		-	313,204	-	-	-	-	313,204
Transfer of share premium	23	-	(313,204)	313,204	-	-	-	-
Total comprehensive income for the year		69,409	-	-	(1,152)	-	-	68,257
Realisation of fair value movements		10,098	-	(3,967)	-	-	(10,098)	(3,967)
Share-based payments		-	-	-	-	898	-	898
Dividend payments <sup>(1)</sup>	11	-	-	(28,220)	-	-	-	(28,220)
Revaluation movement		(19,513)	-	-	-	-	19,513	-
<b>As at 31 March 2016</b>		<b>118,248</b>	<b>-</b>	<b>554,599</b>	<b>(1,842)</b>	<b>1,961</b>	<b>16,901</b>	<b>689,867</b>

1 Dividends paid in the current year include two quarterly dividends of 4.50 pence per share and the third quarterly dividend of 4.75 pence per share. The final quarterly dividend of 4.75 pence was paid after the year end.

The Notes form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies

### General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 24 May 2016.

### Going concern

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

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

The Group has cash and short-term deposits, as well as profitable rental income streams and as a consequence the Directors believe the Group is well placed to manage its business risks. Whilst the Group has borrowing facilities in place, see note 20, it is currently well within prescribed financial covenants. Together with its cash resources the Group will arrange bank facilities to fund any future risk-controlled developments.

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

### Summary of significant accounting policies

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

### Basis of preparation

#### *Statement of compliance*

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS'). The financial statements are presented in GBP. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment and development properties, joint venture interests and derivatives which are stated of fair value.

#### *Income and cash flow statement*

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

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

#### *Preparation of the consolidated financial statements*

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the Special Purpose Vehicles ('SPV's') controlled by the Company, made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Intra group transactions are eliminated in full.

### Changes in accounting policy and disclosure

The Group has adopted all the Standards and Interpretations issued by the International Accounting Standards Board (the IASB) (as adopted in the EU) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning from April 1, 2014.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 9 - Financial Instruments (effective January 1, 2018)
- IFRS 15 - Revenue Recognition (effective January 1, 2018)



- IFRS 16 - Leases (effective January 1, 2019)

The adoption of IFRS 9, which the Group plans to adopt for the year beginning April 1, 2018, may impact both the measurements and disclosures of financial instruments. The Group is considering the impact of the other standards.

## Consolidation

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

### i. Business combinations

The Group applies the acquisition method to account for business combinations. The cost of the acquisition is measured at the aggregate of the fair values, at the date of completion, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition.

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

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

### ii. Joint ventures

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

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

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

## Investment property

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

Investment property is recognised as an asset when:

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

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

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

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties, accounted for under IAS 2 Inventories. The Group does not currently classify any developments as trading property.

In completing these valuations the valuer considers the following:

- 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;
- 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
- 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.

## **Development property**

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.

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

## **Property, plant and equipment**

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

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

Fixtures and equipment 10% – 25%

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

## **Leasing (as lessors)**

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

## **Leasing (as lessees)**

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

## **Goodwill**

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

## **Financial instruments**

### *Financial assets*

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

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

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

A number of the Group's borrowing arrangements place certain restrictions on the rent received each quarter. These do not prevent access to or use of this funding within the borrowing entities, however they do place certain restrictions on moving those funds around the wider group, typically requiring debt servicing costs to be paid before restrictions are lifted. The cash deposited under such arrangement totalled £7.1m (March 2015: £7.0m).

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

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

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

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

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised costs at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

#### *Financial liabilities*

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

#### **Hedge accounting**

Hedges of interest rate risk on firm commitments are accounted for as cash flow hedges where the hedge is expected to be highly effective.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instruments and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other Comprehensive Income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **Prepayments**

Prepayments are carried at cost less any accumulated impairment losses.

#### **Share capital**

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

#### **Trade and other receivables**

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

#### **Trade and other payables**

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

#### **Borrowings**

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

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

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

## Tax

### Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Balance Sheet. Tax is recognised in the income statement.

### Value added tax

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

- i. Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii. Receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### REIT Status

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

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

### Employee benefits

#### Share-based payments

##### i. Share Options

Share Options have been granted to key management as set out in Note 25. 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	£1.77 – £3.50
Exercise price	£3.33 – £3.40
Expected volatility	12.5%* – 16.0%*
Risk free rate	0.77% – 0.93%
Expected dividends*	5.06% – 5.26%

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

##### ii. Performance Shares

Performance shares have been granted to Executive staff and Directors as set out in Note 25. These may only vest and be capable of exercise in accordance with the Performance Share Plan ('PSP') rules to the extent that the two performance conditions are met.

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

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

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

The EPS condition has been valued using a Black-Scholes Model. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Group accounts for the fair value of these awards 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	£2.13 – £3.40
Exercise price	£N/A
Expected volatility	9.5% – 16.0%
Risk free rate	0.61% – 0.93%
Expected dividends	5.25% – 5.10%

##### iii. Treasury Shares

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

The Group has issued a number of shares to an Employee Benefit Trust (EBT) as detailed in Note 24. As this EBT is controlled by the Group, it is consolidated in these financial statements and unallocated shares held by the EBT are shown as treasury shares.

## Provisions

Provisions for legal claims are recognised when:

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

## Revenue recognition

### i. Rental income

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

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

Where a lease incentive payment, or surrender premiums is paid to enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease. It is Management's policy to recognise all material lease incentives and lease incentives greater than six months. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

### ii. Asset management fees

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

### iii. Promote payments

The Group is contractually entitled to receive a promote payment should the returns from a joint venture to the joint venture partner exceed a certain internal rate of return. This payment is only receivable by the Group on disposal of underlying properties held by the joint venture or other termination event. Any entitlements under these arrangements are only accrued for in the financial statements once the Group believes that crystallisation of the fee is virtually certain.

## Dividends

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

## Finance income and costs

Finance income and costs are recognised within the finance income and finance costs in the Statement of Comprehensive Income using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

## Service charge income and expense

Service income is recognised in the accounting period in which the services are rendered and the related property expenses are recognised in the period in which they are incurred.

## Other expenses

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

## Critical accounting estimates and judgements

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

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

The preparation of financial statements requires management to make estimates affecting the reported amounts of assets and liabilities, of revenues and expenses, and of gains and losses. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### i. Investment properties

As described above, the Group's investment properties are stated at fair value, as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an

assessment of factors not within management's control, such as overall market conditions. As a result, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.

The valuation of the Group's development property portfolio and its joint ventures is inherently subjective due to, amongst other factors, the individual nature of each property, forecast trading EBITDA, the status of planning consent, obtaining vacant possession, development cost projections and the expected future rental income, incorporating tenant credit risk. As a result, the valuations the Group places on its development property portfolio are subject to a degree of uncertainty and are made on the basis of current relevant information available at the date of valuation. Following the announcement of the date for the United Kingdom's referendum on its continued membership of the EU which will take place on 23 June 2016, there will be an element of uncertainty in the financial and property markets and this has been communicated to the Group by Colliers International following their valuations.

#### ii. Valuation of share-based payments

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

#### iii. Property disposals

The Company has elected for REIT status. To continue to benefit from this regime, the Group is required to comply with certain conditions as defined in the REIT legislation. In particular, Management are required to determine whether each property acquisition should be included within the REIT rental property income business and whether on disposal of that property, any gain arising is capital or trading in nature, and therefore whether it has triggered a tax charge to be payable to HMRC. If HMRC were to challenge the tax treatment on the disposal of a property, particularly for properties for which redevelopment works have occurred and disposal is within a three year period since acquisition, and consider this to be trading in nature, this may give rise to a tax charge. The Group has determined that all property acquisitions during the year, including those within joint ventures should be included within the REIT ring-fence and therefore has not recognised any deferred tax on the revaluation movements since acquisition. The Group has no unrecognised tax losses carried forward at 31 March 2016 as detailed in Note 8.

#### iv. Accounting for acquisitions

Management must assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired corporate vehicle contains processes and inputs in addition to property, the transaction is accounted for as a business combination. Where there are no such items, the transaction is treated as an asset purchase.

Business combinations are accounted for using the acquisition method any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill and reviewed annually for impairment. Any discount received or acquisition related costs are recognised in the income statement.

## 2 Segmental reporting

During the year the Group operated in one business segment, being property investment in the UK and as such no further information is provided. The Board receives internal performance reporting on the investment property portfolio as a whole and does not manage nor assesses this on a segmented basis

## 3 Gross income

	2016 £'000	2015 £'000
Rental and related income	54,109	20,697
Asset management fees	870	1,881
Realised gain received from Joint Venture partnership during the year	3,373	4,779
Surrender premiums and commissions	1,242	838
Other sundry income	1,246	–
<b>Gross income</b>	<b>60,840</b>	<b>28,195</b>

## 4 Property operating expenses

	2016 £'000	2015 £'000
Amortisation of tenant incentives and letting costs	844	627
Ground rent payments	1,029	761
Rates on vacant units	1,235	627
Other property operating expenses	1,753	727
<b>Property operating expenses</b>	<b>4,861</b>	<b>2,742</b>
Service charge income	14,886	4,133
Service charge expense	(13,494)	(5,254)
Net service charge expense	1,392	1,121
<b>Total property operating expenses</b>	<b>6,253</b>	<b>3,863</b>

## 5 Administrative expenses

	2016 £'000	2015 £'000
Group staff costs	8,796	6,871
Depreciation	1825	76
Share Option and LTIP expense	898	610
Administration and other operating expenditure	3,928	2,532
<b>Administrative expenses</b>	<b>13,747</b>	<b>10,089</b>
Asset management fees	(870)	(1,881)
Exceptional cost	(900)	–
<b>Net administrative expenses<sup>1</sup></b>	<b>11,977</b>	<b>8,208</b>
<b>Net administrative expenses as a % of gross rental income (including share of joint ventures)</b>	<b>18.5%</b>	<b>23.0%</b>

1 Exceptional one off item in respect of move to the Main Market of £0.9m.

	2016 £'000	2015 £'000
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for the year-end audit	200	172
<b>Total audit fees</b>	<b>200</b>	<b>172</b>
Fees payable to the Company's auditor for reporting accountant services	30	–
Fees payable to the Company's auditor for the interim review	28	28
<b>Total non-audit fees</b>	<b>58</b>	<b>28</b>
<b>Total</b>	<b>258</b>	<b>200</b>

	2016 Number	2015 Number
<b>Average staff numbers including Directors</b>	<b>41</b>	<b>32</b>

## 6 Profit on disposal of investment properties

	Note	2016 £'000	2015 £'000
Gross disposal proceeds		51,109	30,575
Costs of disposal		(461)	(633)
Net disposal proceeds		50,648	29,942
Carrying value	12	(42,349)	(28,202)
<b>Profit on disposal of investment properties</b>		<b>8,299</b>	<b>1,740</b>

Profit based on historical cost was £21 million.

Profits on the disposal of investment properties are realised profits in the year of disposal of assets at a consideration above the carrying value of the asset.

## 7 Finance income and expense

	2016 £'000	2015 £'000
<b>(a) Finance income</b>		
Income from cash and short-term deposits	82	191
<b>Total finance income</b>	<b>82</b>	<b>191</b>
<b>(b) Finance costs</b>		
Interest on bank loans	11,500	5,923
Interest on debt instruments	737	1,400
<b>Total finance costs</b>	<b>12,237</b>	<b>7,323</b>
<b>Net finance cost</b>	<b>12,155</b>	<b>7,132</b>

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

More details on the Group's borrowings are provided in Note 20.

## 8 Taxation

The tax expense for the year comprises:

	2016 £'000	2015 £'000
<b>Current taxation</b>		
UK Corporation Tax at 20% (2015: 21%)	–	–
<b>Tax charge for the year</b>	<b>136</b>	–

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

	2016 £'000	2015 £'000
Profit before tax	<b>70,909</b>	39,528
Tax at the current rate of 20% (2015: 21%)	<b>14,182</b>	8,300
Tax effect of profit under REIT regime	<b>(14,182)</b>	(8,300)
Tax charge	–	–

As at 31 March 2016, the Group had no surplus UK revenue tax losses carried forward (2015: £1.0 million) and surplus UK capital losses of £nil million (2015: £nil million).

## 9 Earnings per share

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in 2014 and additional guidance in January 2015, which gives recommendations for performance measures. The EPRA earnings measure excludes investment property revaluations and gains on disposals, intangible asset movements and their related taxation. We have also disclosed an EPRA adjusted profit measure which includes realised gains on disposals and adds back Share Option expense, Gain on bargain purchase and an exceptional cost in respect of move to the main market.

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:

	2016 £'000	2015 £'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted EPS being Profit after Taxation	<b>69,409</b>	39,528
<b>Adjustments to arrive at EPRA profit</b>		
Unrealised gains on revaluation of investment properties	<b>(19,513)</b>	(6,861)
Unrealised surplus on revaluation of joint venture investment properties	<b>(4,489)</b>	(12,405)
Profit on disposal of investment properties	<b>(8,299)</b>	(1,740)
Gain on bargain purchase in respect of acquisition of joint venture entities	<b>(968)</b>	–
<b>EPRA profit</b>	<b>36,140</b>	18,522
Profit on disposal of investment properties	<b>8,299</b>	1,740
Share Option expense	<b>808</b>	610
Gain on bargain purchase in respect of acquisition of joint venture entities	<b>968</b>	–
Exceptional cost in respect of move to the main market	<b>900</b>	–
<b>EPRA adjusted profit</b>	<b>47,115</b>	20,872
<b>Adjustments to EPRA profit to arrive at NAREIT FFO</b>		
<b>EPRA profit</b>	<b>36,140</b>	18,522
Amortisation of tenant incentives and letting costs	<b>203</b>	153
Amortisation of rent-free periods	<b>(103)</b>	(352)
Amortisation of capitalised leasing costs	<b>641</b>	474
<b>NAREIT FFO</b>	<b>36,881</b>	18,797

	2016 No. 000s	2015 No. 000s
<b>Number of shares</b>		
Weighted average number of Ordinary Shares for the purposes of basic EPS and EPRA EPS calculations	<b>176,903</b>	105,496
Effect of dilutive potential Ordinary Shares:		
Share awards	<b>1,327</b>	984
Warrants	<b>229</b>	255
MSREI joint venture conversion (expired)	–	2,870
Weighted average number of Ordinary Shares for the purposes of basic diluted EPS and basic diluted EPRA EPS	<b>178,459</b>	109,605
1. EPRA Adjusted EPS (pence)	<b>26.6</b>	19.8
2. EPRA EPS basic (pence)	<b>20.4</b>	17.6
3. FFO EPS basic (pence)	<b>20.8</b>	17.8



4. EPS basic (pence)	<b>39.2</b>	37.5
EPRA diluted EPS (pence)	<b>20.3</b>	17.4
Diluted EPS basic (pence)	<b>38.9</b>	36.2

1. This is a company calculation based on cash profits including only realised profits in the year and is the basis the Board uses to determine Dividend Payments and Dividend cover.
2. EPRA EPS is calculated in accordance with EPRA guidelines.
3. FFO EPS is calculated in accordance with Market Guidelines
4. Basic EPS includes unrealised gain such as property revaluations and is based on profit before taxation.
5. Dilutive calculations includes the impact of share awards and warrants

## 10 Net asset value per share

	2016			2015		
	Total equity £'000s	Shares No'000s	Pence per share	Total equity £'000s	Shares No'000s	Pence per share
<b>Basic</b>	<b>689,867</b>	<b>233,494</b>	<b>295</b>	339,695	127,078	267
Warrants in issue	629	420	150	933	569	164
Unexercised employee awards	4,674	2,740	171	4,850	2,617	185
Convertible loan stock (A CULS) <sup>1</sup>	–	–	–	17,000	6,855	248
Convertible loan stock (B CULS) <sup>1</sup>	–	–	–	6,500	2,642	246
<b>Diluted</b>	<b>695,170</b>	<b>236,654</b>	<b>294</b>	368,978	139,761	264
Fair value derivatives	2,577	–	–	690	–	–
<b>EPRA</b>	<b>697,747</b>	<b>236,654*</b>	<b>295</b>	369,668	139,761	265

<sup>1</sup> All A CULS and B CULS were converted in the year

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

## 11 Dividends

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

Payment date	Dividend	PID	Non-PID	Pence per share	2016 £'000
<b>Current year dividends</b>					
31 July 2015	First interim dividend	4.50	–	4.50	<b>5,839</b>
13 November 2015	Second interim dividend	4.50	–	4.50	<b>8,094</b>
10 February 2016	Third quarterly dividend	4.75	–	4.75	<b>8,887</b>
13 May 2016 <sup>1</sup>	Fourth quarterly dividend	2.75	2.00	4.75	<b>11,086</b>
		16.5	2.00	18.5	<b>33,906</b>

<sup>1</sup> Post balance sheet event.

The £33.9m of dividends paid in the year is 136% covered by EPRA cash profits of £46.2m as set out in Note 9.

Prior year dividends					2015 £'000
31 October 2014	First interim dividend	1.00	3.25	4.25	4,235
30 January 2015	Second interim dividend	1.00	3.25	4.25	4,242
30 January 2015	Third quarterly dividend	4.25	–	4.25	4,242
18 May 2015	Fourth quarterly dividend	4.25	–	4.25	5,401
		10.5	6.50	17.0	18,120

	2016 £'000	2015 £'000
Dividends in consolidated statement of changes in equity	<b>28,220</b>	12,719
Dividends settled in cash during the year	<b>28,220</b>	12,719
Timing difference related to payment of withholding tax on dividends	<b>(512)</b>	(503)
<b>Dividends in cash flow statement</b>	<b>27,708</b>	12,216

The Company has a quarterly dividend policy.

During the year ended 31 March 2016 the Company declared total dividends of 18.5 pence per share of which 4.75 pence was paid after the year end. This is an 8.8% increase on the prior year dividend of 17.0 pence per share. The total dividend is fully covered by profits in the year.

Of the total dividend in respect to the year ended 31 March 2016, 16.5 pence was paid as a PID and 2.00 pence paid as a Non-PID (2015: 10.5 as a PID and 6.5 as a Non-PID).



Revenues are derived from a large number of tenants with no single tenant or group under common control contributing more than 10% of the Group's revenue.

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

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

The investments are several retail assets in the UK with a total carrying amount of £973 million. The valuation was determined using an income capitalisation method, which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV.

Development properties are valued using a residual method, which involves valuing the completed investment property using an investment method and deducting estimated costs to complete, then applying an appropriate discount rate. The relationship of unobservable inputs to fair value are the higher the rental values and the lower the yield, the higher the fair value. In respect of the pub portfolio the Valuer makes judgements on whether to use residual value or a higher value to include development potential where appropriate. Where no conversion opportunity has been identified at present, the Valuer has not specifically considered an alternative use valuation.

These inputs include:

- Rental value – total rental value per annum
- Equivalent yield – the discount rate of the perpetual cash flow to produce a net present value of zero assuming a purchase at the valuation

There were no changes in valuation techniques during the year.

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

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

### **13 Acquisition of subsidiaries (Business combination)**

On 18 June 2015, the Group acquired 50% of the units of NewRiver Retail Property Unit Trust 3 and 4, Unit Trusts registered in Jersey which are engaged in property investment, resulting in ownership of 100% and control of the underlying entities from its Joint Venture Partner Bravo II. Management determined that the acquisition of control should be accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. The fair value of the Group's 50% equity interest in the NewRiver Retail Property Unit Trusts held before business combination amounted to £54m. The total consideration amounted to £159m. The acquired subsidiaries have contributed net revenues of £13.4m and profit of £8.4m to the Group for the period from the date of acquisition to 31 March 2016. If the acquisition had occurred on 1 April 2015, with all other variables held constant, Group net revenue would have increased by £12.8m and underlying profit would have increased by £11.0m.

On 13 July 2015 the Group acquired 158 pubs purchased under a Business Sale Agreement from Punch Tavern. The purchase consideration of this business combination was £53.5m equivalent to the fair value investment property acquired of £53.5m. No fair value was attributed to any other assets or liabilities. Since the acquisition date this pub portfolio has contributed £3.4m net revenues and profit of £3.2m to the Group. If the acquisition had occurred on 1 April 2015, with all other variables held constant, Group net revenue for the year would have increased by £4.7m and underlying profit would have increased by £4.5m.

Details of the assets and bargain purchase arising are as follows:

	31 March 2016
	Attributed fair value £'000
Investment property	252,400
Current assets	1,839
Other net current liabilities	(5,899)
Cash and cash equivalents	6,903
Debenture and loans	(94,811)
<b>Fair value of acquired interest in net assets of subsidiaries</b>	<b>160,432</b>
Bargain purchase (negative goodwill)	(968)
Total purchase consideration	159,464
Less: fair value previously held interest	(54,017)
<b>Total acquisitions</b>	<b>105,447</b>

The purchase consideration disclosed above comprises cash and cash equivalents paid to the acquiree's 50% owner of £51.95m. The bargain purchase is a result of the fair value exceeding the purchase price and includes a capital payment by Bravo II of £3.3m as part of the transaction which accrued to NewRiver Retail Limited as a result of strong performance of the Property Unit Trust. The gain on bargain purchase is recognised in the income statement. The fair value of cash and cash equivalents was considered equal to the carrying value representing the entity's bank deposits; fair value of borrowings and trade and other payables was calculated based on discounted cash flow models. The acquired bank loans and overdrafts have no recourse to other companies or asset in the Group.

## 14 Investments in joint ventures

	Note	2016 £'000	2015 £'000
Opening balance		113,027	74,851
Additional joint venture interests acquired during the year <sup>1</sup>		–	72,470
Effective disposal of 50%/10% investment	13	(54,017)	(7,942)
Income from joint ventures		8,559	11,411
Net valuation movement		4,489	11,843
Distributions and dividends <sup>1</sup>		(4,325)	(6,450)
Loan repayment		–	(45,567)
Capital call		2,266	2,275
Hedging movements		126	136
<b>Closing balance</b>		<b>70,125</b>	<b>113,027</b>

Name	Country of incorporation	% Holding 2016	% Holding 2015
NewRiver Retail Investments LP and NewRiver Retail Investments (GP) Ltd*	Guernsey	50	50
NewRiver Retail Property Unit Trust	Jersey	100	100
NewRiver Retail Property Unit Trust No.2	Jersey	50	50
NewRiver Retail Property Unit Trust No.3	Jersey	100	50
NewRiver Retail Property Unit Trust No.4	Jersey	100	50
NewRiver Retail Property Unit Trust No.5, No.6, No.7	Jersey	50	50

<sup>1</sup> The net cash outflow during the year was £4.3 million (2015: cash outflow £66.02 million).

\* NewRiver Retail Investments (GP) Limited and its Limited partner (NewRiver Retail Investments LP) has a number of 100% owned subsidiaries which are NewRiver Retail (Finco No 1) Limited and NewRiver Retail (GP1) Limited, acting in its capacity as General Partner for NewRiver Retail (Holding No 1) LP and NewRiver Retail (Portfolio No 1) LP. These entities have been set up to facilitate the investment in retail properties in the UK by the Barley JV.

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

### NewRiver Retail Property Unit Trust, NewRiver Retail Property Unit Trusts No 2, 5, 6 and 7.

NewRiver Retail Property Unit Trusts No 2, 5, 6 and 7 (the 'Middlesbrough and 'Swallowtail' JVs) are established jointly controlled Jersey Property Unit Trusts set up by NewRiver Retail Limited and PIMCO BRAVO II Fund LP ('BRAVO II') to invest in UK retail property.

On 18 June 2015, the Group acquired 50% of the units of Trent and Camel III, resulting in ownership of 100% and control of the underlying entity from its Joint Venture Partner Bravo II. See note 13. The Middlesbrough and Swallowtail JVs are owned 50% by NewRiver Retail Limited and 50% BRAVO II. NewRiver Retail (UK) Limited is the appointed asset manager on behalf of these JVs and receives asset management fees, development management fees and performance-related return promote payments.

Management have taken the decision to account for the equity interest in JVs as joint ventures as the Group has significant influence over decisions made by each joint venture but is not able to exert complete control over these joint ventures.

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

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

	2016 NewRiver Retail Property Unit Trust, 2, 3, 4, 5, 6, 7 Total £'000	31 March 2016 Group's share £'000	2015 NewRiver Retail Property Unit Trust, 2, 3, 4 £'000	31 March 2015 Group's Share £'000
<b>Balance sheet</b>				
Non-current assets	240,641	120,321	417,560	208,780
Current assets	6,664	3,332	14,799	7,400
Current liabilities	(3,888)	(1,944)	(8,372)	(4,186)
Senior debt	(117,365)	(58,675)	(211,252)	(105,619)
Non-current (liabilities)/assets	(979)	(497)	(1,865)	(939)
<b>Net assets</b>	<b>125,073</b>	<b>62,537</b>	<b>210,870</b>	<b>105,436</b>
<b>Income statement*</b>				
Net income	19,706	11,957	34,702	15,705
Administration expenses	(964)	(556)	(1,800)	(804)
Finance costs	(5,056)	(3,243)	(8,867)	(4,021)
<b>Recurring income</b>	<b>13,686</b>	<b>8,158</b>	<b>24,035</b>	<b>10,880</b>
Fair value surplus on property revaluations	11,604	5,802	25,616	12,807
Profit on disposal	33	17	–	–

<b>Income from joint ventures</b>	<b>25,323</b>	<b>13,977</b>	49,651	23,687
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\* Includes NewRiver Retail Ltd's share of NewRiver Retail Property Unit Trust IV and III from the period 1 April 2015 to 18 June 2015 prior to acquisition of the remaining 50%.

The Group's share of any contingent liabilities to the JPUTs is £nil (2015: £nil).

### **NewRiver Retail Investments LP**

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

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

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

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

	2016 NewRiver Retail Investments (GP) Ltd Total £'000	2016 Group's Share 50% £'000	2015 NewRiver Retail Investments (GP) Ltd Total £'000	2015 Group's Share 50% £'000
<b>Balance sheet</b>				
Non-current assets	27,683	13,842	26,850	13,425
Current assets	1,060	530	1,990	995
Current liabilities	(783)	(391)	(815)	(408)
Senior debt	(12,784)	(6,393)	(12,771)	(6,387)
Non-current liabilities	-	-	(70)	(34)
<b>Net assets</b>	<b>15,176</b>	<b>7,588</b>	15,184	7,591
<b>Income statement</b>				
Net income	1,219	609	1,916	957
Administration expenses	(209)	(104)	(262)	(131)
Finance costs	(242)	(121)	(591)	(295)
<b>Recurring income</b>	<b>768</b>	<b>384</b>	1,063	531
Fair value (deficit) on property revaluations	(2,626)	(1,313)	(804)	(402)
<b>(Deficit)/Income from joint ventures</b>	<b>(1,858)</b>	<b>(929)</b>	259	129

The Group's share of any contingent liabilities to the Barley JV is £nil (2015: £nil).

## **15 Property, plant and equipment**

	Fixtures and equipment £'000
<b>Cost</b>	
At 1 April 2014	508
Additions	205
At 31 March 2015/1 April 2015	<b>713</b>
Additions	163
<b>At 31 March 2016</b>	<b>876</b>
<b>Depreciation</b>	
At 1 April 2014	(124)
Depreciation charge for the year	(76)
At 31 March 2015/1 April 2015	<b>(200)</b>
Depreciation charge for the year	(125)
<b>At 31 March 2016</b>	<b>(325)</b>
<b>Book value at 31 March 2016</b>	<b>551</b>
Book value at 31 March 2015	513

## **16 Investment in subsidiary undertakings**

Below is a list of the Group's principal subsidiaries

Name	Country of incorporation	Activity	Proportion of ownership interest 2016	Class of share
NewRiver Retail (Boscombe No. 1) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Carmarthen) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail CUL No. 1 Limited	UK	Finance Company	100%	Ordinary Shares
NewRiver Retail Holdings Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 2 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 3 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings No. 4 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Market Deeping No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Morecambe) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Newcastle No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Paisley) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 2) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 3) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 5) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No. 6) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (UK) Limited	UK	Company operation and asset management	100%	Ordinary Shares
NewRiver Retail (Warminster) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wisbech) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Witham) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wrexham No. 1) Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Leisure Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Bexley Heath) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Broadway Square) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Cardiff) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Colchester) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Darlington) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Leylands Road) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Mantle) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Penge) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No.4) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Portfolio No.8) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Development) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Ramsay Investment) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Skegness Developments) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail (Wakefield) Limited	UK	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings 1 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings 5 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings 6 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
NewRiver Retail Holdings 7 Limited	Guernsey	Real estate investments	100%	Ordinary Shares
C Store REIT Limited	UK	Real estate investments	100%	Ordinary Shares
Convenience Store REIT Limited	UK	Real estate investments	100%	Ordinary Shares
Pub REIT Limited	UK	Real estate investments	100%	Ordinary Shares
Shopping Centre REIT Limited	UK	Real estate investments	100%	Ordinary Shares

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

In addition, the EBT is consolidated as disclosed in Note 24.

## 17 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	4,908	2,920
Prepayments and accrued income	3,554	2,933
	<b>8,462</b>	<b>5,853</b>

All amounts fall due for payment in less than one year. No amounts are past due.

A provision of £0.6 million (2015: £0.7 million) was made against trade receivables as at 31 March 2016.

## 18 Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank	114,071	15,412

## 19 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	2,182	3,770
Other payables	3,841	1,409
Accruals	10,026	5,569
Rent received in advance	9,583	5,449
	25,632	16,197
Taxation – current	136	–
<b>Current trade and other payables</b>	<b>25,768</b>	<b>16,197</b>

## 20 Borrowings

	2016 £'000	2015 £'000
Secured bank loans	314,105	157,921
Convertible Unsecured Loan Stock	–	23,420
	314,105	181,341
Maturity of borrowings:		
Balance sheet borrowings		
Less than one year – Convertible Unsecured Loan Stock	–	23,420
Between one and two years	–	–
Between two and three years	94,029	–
Between three and four years	186,269	–
Between two and five years	33,807	85,556
Over five years	–	72,365
	314,105	181,341

### Maturity of borrowings:

Group's share of joint venture borrowings		
Less than one year	6,396	–
Between one and two years	–	6,386
Between two and three years	13,505	–
Between three and four years	45,178	60,538
Between four and five years	–	45,088
Over five years	–	–
	65,079	112,012

### Maturity of borrowings:

Total Group share of borrowings (Proportionally consolidated)		
Less than one year	6,396	23,420
Between one and two years	–	6,386
<i>Between two and three years</i>	107,534	–
Between three and four years	231,447	60,538
Between four and five years	33,807	130,645
Over five years	–	72,364
Total	379,184	293,353

### 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.

	2016	2015
<b>Weighted average debt maturity including extension options</b>		
Balance sheet secured borrowings	3.6 yrs	5.0 yrs
Joint Venture secured borrowings	3.1 yrs	3.9 yrs
Total Group share of borrowings	3.5 yrs	4.6 yrs

	2016	2015
<b>Effective interest rate during the year</b>		
Balance sheet secured borrowings	4.2%	3.8%
Joint Venture secured borrowings	2.9%	3.9%
Total Group share of borrowings	4.0%	3.8%
LTV (proportionally consolidated)	27%	39%
Interest cover x (proportionally consolidated)	4.3x	3.9x

#### Facility and arrangement fees

	2016			
Current year	Maturity date	Facility drawn £'000	Unamortised facility fees £'000	Balance £'000
<b>Secured balance sheet borrowings</b>				
AIG	Dec 2018	62,662	427	62,235
Barclays	Dec 2018	31,996	200	31,796
HSBC	May 2019	24,736	280	24,456
Lloyds	Sep 2019	65,311	818	64,493
Santander/HSBC	Mar 2020	51,584	644	50,940
Barclays	Mar 2020	46,802	424	46,378
Santander	Feb 2021	34,029	222	33,807
Subtotal		317,120	3,015	314,105
<b>Group's share of secured joint venture borrowings</b>				
Santander	Feb 2017	6,400	4	6,396
Barclays	Aug 2018	13,585	81	13,504
HSBC	Nov 2019	45,500	321	45,179
Subtotal		65,485	406	65,079
<b>Total Group's share of borrowings</b>		<b>382,605</b>	<b>3,421</b>	<b>379,184</b>

	2015			
Prior year	Maturity date	Facility drawn £'000	Unamortised facility fees £'000	Balance £'000
<b>Secured balance sheet borrowings</b>				
HSBC	May 2019	24,736	406	24,330
Lloyds	Sep 2019	19,165	149	19,016
Barclays	Mar 2020	39,174	530	38,644
Santander/HSBC	Mar 2020	42,500	290	42,210
Santander	Feb 2021	33,990	269	33,721
Subtotal		159,565	1,644	157,921
<b>Group's share of secured joint venture borrowings</b>				
Santander	Feb 2017	6,400	14	6,386
Barclays	Dec 2018	15,998	138	15,860
Barclays	Aug 2018	13,585	114	13,471
HSBC	Nov 2019	45,500	412	45,088
AIG	Dec 2018	31,500	293	31,207
Subtotal		112,983	971	112,012
Convertible Unsecured Loan Stock	Dec 2015	23,500	80	23,420
<b>Total Group's share of borrowings</b>		<b>296,048</b>	<b>2,695</b>	<b>293,353</b>

#### Fair value on interest rate swaps

The Group recognised a mark to market fair value loss of £1.2 million (2015: loss £0.7 million) on its interest rate swaps for the year ended 31 March 2016. The fair value of interest rate swap liabilities in the balance sheet as at 31 March 2016 was £3.0 million (2015: £1.9 million). The fair value of interest rate swap assets in the balance sheet as at 31 March 2016 was £0.4 million (2015: 0.3 million). All borrowings are due after more than one year and the derivative financial instruments are held as non-current liabilities.

#### Convertible Unsecured Loan Stock ('CULS')

On 22 November 2010 the Group issued £25 million of CULS, £17 million of A CULS and £8 million of B CULS. On issue, the stockholder was able to convert all or any of the stock into Ordinary Shares at the rate of one Ordinary Share for every £2.80. The conversion rate was subsequently adjusted on the A CULS and on the B CULS as a result of new shares being issued and dividends paid in accordance with the terms of the agreement. Under the terms of the convertible, interest accrued at 5.85% on the outstanding loan stock until 31 December 2015 when it would be either converted or repaid. The interest payable on the CULS was due biannually on the 30 June and 31 December.



On 18 February 2014, £1.5 million B CULS were converted at a conversion price of £2.59 representing 579,151 Ordinary shares.

On 2 July 2015, £6.5 million B CULS were converted at a conversion price of £2.46 representing 2,653,061 Ordinary shares.

On 25 November 2015, £17 million A CULS were converted at a conversion price of £2.43 representing 6,995,884 Ordinary shares.

As at 31 March 2016, all of the CULS had been converted and are no longer in existence.

## 21 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:

	2016 £'000	2015 £'000
Within one year	74,261	30,030
Between one and two years	64,836	27,823
In the second to fifth year inclusive	114,451	66,803
After five years	157,127	95,311
	<b>410,675</b>	<b>219,967</b>

### Weighted average lease expiry

Operating leases in NewRiver Retail Limited portfolio (TBC)

The Group's weighted average lease length of operating leases at 31 March 2016 was 6.0 years (2015: 7.4 years).

## 22 Financial commitments and operating lease arrangements

	2016 £'000	2015 £'000
Rents payable on operating leases:		
Within one year	127	387
One to two years	191	203
Two to five years	574	617
After five years	114	304
	<b>1,006</b>	<b>1,511</b>

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

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

## 23 Share capital and reserves

The authorised share capital is unlimited and there are 233,393,712 shares in issue which excludes treasury shares (2015: 127,077,895). The table below outlines the movement of shares in the year:

		Number of Ordinary Shares issued 000s	Price per pence	Total number of shares 000s
Brought forward at 1 April 2015				127,078
May 2015	Option exercise (EBT)	17	–	127,095
July 2015	CULS conversion	2,653	245	129,748
July 2015	Equity issuance	50,000	300	179,748
September 2015	Warrant conversion	90	156	179,838
September 2015	Option exercise (EBT)	25	–	179,863
December 2015	CULS conversion	6,995	243	186,858
January 2016	Option exercise (EBT)	234	–	187,092
February 2016	Equity issuance	46,154	325	233,246
March 2016	Warrant conversion	78	152	233,324
March 2016	Option exercise (EBT)	69	–	233,393
<b>Carried forward at 31 March 2016</b>				<b>233,393</b>

During the year, the Group approved a transfer from the share premium account of £309.2 million (2015: £73.3 million) to other reserves which may be distributed in the future. Other reserves being distributable reserves. The share premium arose from previous successful equity raises. The gross proceeds of £300 million were received from the issue of 50,000,000 shares at 300 pence and 46,153,846 at 325 pence. Costs of £7.7 million associated with the issue have been netted off against these proceeds.

Shareholders who subscribed for Placing Shares in the IPO received warrants, in aggregate, to subscribe for 3% of the Fully Diluted Share Capital exercisable at the subscription price per Ordinary Share of £2.50 and all such warrants shall be fully vested and exercisable upon issuance. The subscription price has subsequently been adjusted to £1.50 following subsequent dividend payments and share issues.

## 24 Treasury shares

The Company has established an Employee Benefit Trust (EBT) which is registered in Jersey.

The EBT, at its discretion, may transfer shares held by it to Directors and employees of the Company and its subsidiaries. The maximum number of Ordinary Shares that may be held by the Trustee of the EBT may not exceed 10% of the Company's issued share capital at that time. It is intended that the Trustee of the EBT will not hold more Ordinary Shares than are required in order to satisfy awards/options granted under share incentive plans.

There are currently 152,055 treasury shares held in the Employee Benefit Trust. As the EBT is consolidated, these shares are treated as treasury shares. On 31 March 2016 5 million shares were gifted to the EBT.

During the year, 344,445 were issued from the EBT to satisfy the exercise of options for employees from the EBT (2015: 127,500)

	2016 000s	2015 000s
Brought forward	497	624
Exercised during the year	(345)	(127)
Gifted to EBT during the year	5,000	–
Carried forward	5,152	497

## 25 Share-based payments

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

### (a) Terms

#### Share Options

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

	Exercise price £	2016 Number of options	2015 Number of options
Awards brought forward		2,182,410	2,317,410
Awards made during the current year:	–	–	–
Awards exercised during the current year:	2.35	–	(127,500)
Awards exercised during the current year:	2.50	(224,000)	–
Awards exercised during the current year:	2.72	(22,098)	–
Awards lapsed during the prior year:	–	–	(7,500)
<b>Exercisable options at the end of the year</b>		<b>1,936,312</b>	<b>2,182,410</b>

The awards granted during the year are based on a percentage of the total number of shares in issue. There have been no new Share Options issued in the current year. The weighted average exercise price during the year was £2.61.

#### Performance Shares

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

	Exercise price £	2016 Number of shares	2015 Number of shares
Awards brought forward		1,196,310	650,000
Awards made during the current year	nil	1,093,072	607,000
New awards made during the current year in respect of accrued dividends		206,354	–
Awards exercised during the current year		(81,192)	–
Awards lapsed during the current year		(315,569)	(60,690)
<b>Issued shares at the end of the year</b>		<b>2,098,975</b>	<b>1,196,310</b>

### (b) Share-based payment charge

	2016 £'000	2015 £'000
Share-based payment expense brought forward	1,063	453
Share-based payment expense in the year	898	610
<b>Cumulative share-based payment</b>	<b>1,961</b>	<b>1,063</b>

## 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 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 20), borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk.

The Group's cash flow and fair value risk is reviewed quarterly by the Board. The Group analyses its interest rate exposure on a dynamic basis. It takes on exposure to mitigate the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios the Group calculates the impact on profit and loss of a defined interest rate shift. The simulation is run on an ongoing basis to verify that the maximum potential impact is within the parameters expected by management. To date the Group has sought to fix its exposure to interest rate risk on borrowings through the use of a variety of interest rate derivatives. At 31 March 2016, the Group (including joint ventures) had £413 million (2015: £342.3 million) of interest rate swaps and caps in place. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised loss of £1.1 million at 31 March 2016 (2015: Loss £0.67 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 200 bps increase in interest rates for the year would increase the net interest payable in the Income Statement and reduce net assets by £0.6 million (2015: £1.3 million).

##### (b) Credit risk

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

The credit risk on the Group's trade and other receivables is considered low due to the Group having policies in place to ensure that rental contracts are made with tenants meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from international banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned.

The credit risk on the Group's cash and short-term deposits and derivative financial instruments is limited to the Group's policy of monitoring own and counterparty exposures.

##### (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:

	2016		
	Current £'000	Year 2 £'000	Years 3 to 5 £'000
Interest bearing loans and borrowings	–	–	317,122*
Trade and other payables	25,767	–	–
Derivative financial instruments	–	–	1,842
	25,767	–	318,964

	2015		
	Current £'000	Year 2 £'000	Years 3 to 5 £'000
Interest bearing loans and borrowings	–	–	159,565
CULS	–	23,500	–
Trade and other payables	16,197	–	–
Derivative financial instruments	–	–	690
	16,197	23,500	160,255

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

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

#### **(d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables as shown in the balance sheet) but excluding preference shares, which for capital risk management is considered to be capital rather than debt, less cash and short-term deposits.

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

### **27 Contingencies and commitments**

The Group has no material contingent liabilities (2015: None). The Group is contractually committed to £6.4million of capital expenditure as at 31 March 2016 (2015: Nil).

### **28 Related party transactions**

#### **Group**

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

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

Total emoluments of Executive Directors during the period (excluding share-based payments) were £3.1 million (2015: £1.7 million).

Share-based payments of £0.9 million (2015: £0.6 million) accrued during the year.

During the year, 30,000 shares (2015: nil) were acquired on the open market by Directors.

### **29 Post balance sheet events**

On 25 May 2016, NewRiver Retail Limited announced the first quarter dividend for the new financial year of 5p per share payable on 19 August 2016 to Shareholders. The ex-dividend date will be 21 July 2016.

On 13 May 2016, NewRiver Retail Limited paid dividends of £10.7 million to its shareholders. The total dividend was 4.75 pence of which 2.75 pence per share was paid as a PID and 2.0 pence was paid as a Non-PID. The total dividend for the year was 18.5 pence which was 136% fully covered.

On 18 April 2016, NewRiver Retail Limited acquired 100% of the shares through the acquisition of a legal entity of Broadway Shopping Centre and Broadway Square Retail Park in Bexleyheath, accounted for as a Business Combination per IFRS 3 for a total purchase consideration of £120.25 million equivalent to the fair value investment property acquired of £120.25m. No fair value was attributed to any other assets or liabilities. It is not expected that Goodwill will be recognised following this business combination. Further information disclosure on this acquisition is not deemed practical at this point in time.

As part of the business combination, the Group acquired a £49 million secured loan from Deka bank.