

NewRiver Retail (Napier) Limited

Report and Financial Statements

For the year ended 31 December 2022

Registered No: 11985596

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NewRiver Retail (Napier) Limited

Report and financial statements for the year ended 31 December 2022

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NewRiver Retail (Napier) Limited

Directors' report for the year ended 31 December 2022 Registered No: 11985596

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. Accordingly the Directors have elected to take advantage of the exemption from preparing a Strategic report. The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activities and future developments

The principal activity of NewRiver Retail (Napier) Limited ("the Company") is investment in real estate in the UK. The Company is limited by shares. The Company, a venture between NewRiver Retail (Portfolio No.10) Limited and PAF Lux SCA, SICAV-RAIF, on behalf of PAF BRAVO III – Compartment (Luxembourg), operates three retail parks (2021: four) following the sale of a retail park in March 2022. There are currently no large-scale future development plans for the assets. The Directors expect the Company to trade profitably going forward.

Results and dividends

The Statement of comprehensive income is set out on page 6 and shows the profit after tax of £8,724k for the year (2021: £7,395k). Included in profit after tax are revaluation gains of £3,490k (2021: £3,567k).

On 21 June 2022 the Company entered into a capital reduction over 15,399,999 A ordinary shares and 15,399,999 B ordinary shares with a nominal value of £1 and transferred this amount, £30,799,998, to retained earnings.

Dividends of £7,135k were paid in the year (2021: £5,500k). The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Will Hobman
Charles Spooner
George Graham
Sebastian Ziles (resigned 28 January 2022)
Nicholas Minto (appointed 28 January 2022)

No Director had any interest in the ordinary shares of the Company at any time during the year or to date.

At the balance sheet date Will Hobman and Charles Spooner are also Directors of NewRiver Retail (Portfolio No.10) Limited. Will Hobman is a Director of its ultimate parent company, NewRiver REIT plc, and his interests in the share capital of that Company are shown in its financial statements. George Graham is also a director of Skalica S.à.r.l, the former joint direct shareholder of the Company and holds no interest in the share capital of this company.

Directors' Indemnity

In accordance with the Company's Articles of Association, each Director of the Company shall be indemnified by the Company against all liabilities, costs and expenses incurred in the execution and discharge of their duties. Qualifying third party indemnity provisions are in place for the benefit of the one or more of the Directors. These provisions were made during the year and remain in force at the date of approval of the financial statements.

Principal risks and uncertainties and financial risk management objectives and policies

The risks to which the Company is exposed to are discussed in note 17.

Going concern

The Directors have considered the position of the Company at the reporting date and prepared cash flow forecasts over the next 12 months from the date of this report. Based on this review the Directors have deemed the Company has adequate resources to meet its obligations for at least 12 months from the date of signing this report, and have prepared the financial statements on a going concern basis. See the 'Basis of preparation section' of the accounting policies on page 10 for further details.

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Directors' report (continued) for the year ended 31 December 2022

Subsequent events

A review of all subsequent events has been undertaken and appropriately disclosed in note 20.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Charles Spooner
Director

28 February 2023

Independent auditors' report to the members of NewRiver Retail (Napier) Limited

Report on the audit of the financial statements

Opinion

In our opinion, NewRiver Retail (Napier) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year then ended; and the notes forming part of the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

NewRiver Retail (Napier) Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting, including but not limited to revenue overstatement through posting journal entries to increase revenue, non-disclosure of related party transactions, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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- discussions with management, including considerations of any known or suspected fraud or instances of non-compliance with laws and regulations;
- understanding and evaluating management's controls designed to prevent and detect irregularities;
- designing audit procedures and incorporating unpredictability around the nature, timing or extent of our testing;
- testing unusual journal entries, specifically those with unusual account combinations impacting revenue and unusual words;
- challenging assumptions made by management in determining their judgements and accounting estimates, specifically related to the valuation of investment properties with support from our valuation experts; and
- reviewing relevant Board of Directors' meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Laura Burkhardt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 February 2023

NewRiver Retail (Napier) Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	3	6,005	5,647
Property operating expenses		(319)	(275)
Net property income		5,686	5,372
Administrative expenses		(248)	(281)
Profit / (loss) on disposal of investment property asset		1,073	(98)
Gain from changes in fair value of investment properties	7	3,490	3,567
Operating profit	4	10,001	8,560
Interest receivable and similar income	5	1,024	870
Interest payable and similar expenses	5	(990)	(1,015)
Profit before taxation		10,035	8,415
Tax on profit	6	(1,311)	(1,020)
Profit for the financial year		8,724	7,395

There are no other items of other comprehensive income.

All amounts relate to continuing operations.

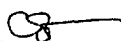
The notes on pages 10 to 21 form part of these financial statements.

NewRiver Retail (Napier) Limited

Statement of financial position at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investment property	7	63,950	66,150
Current assets			
Debtors due after one year	8	1,159	135
Debtors due within one year	8	358	612
Cash at bank and in hand	12	2,811	2,885
		4,328	3,632
Creditors: amounts falling due within one year	9	(1,988)	(2,361)
Net current assets		2,340	1,271
Total assets less current liabilities		66,290	67,421
Creditors: amounts falling due after more than one year	10	(26,938)	(30,421)
Deferred tax liability	11	(1,297)	(534)
Net assets		38,055	36,466
Capital and reserves			
Called up share capital	13	-	30,800
Retained earnings	14	38,055	5,666
Total equity		38,055	36,466

The financial statements on pages 6 to 21, registration number 11985596, were approved by the Board of Directors and authorised for issue on 28 February 2023 and signed on its behalf by:



Charles Spooner
Director

The notes on pages 10 to 21 form part of these financial statements.

NewRiver Retail (Napier) Limited

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2021	30,800	3,771	34,571
Profit and total comprehensive income for the year	-	7,395	7,395
Dividends paid	-	(5,500)	(5,500)
As at 31 December 2021	30,800	5,666	36,466
Profit and total comprehensive income for the year	-	8,724	8,724
Capital reduction	(30,800)	30,800	-
Dividends paid	-	(7,135)	(7,135)
As at 31 December 2022	-	38,055	38,055

The notes on pages 10 to 21 form part of these financial statements.

NewRiver Retail (Napier) Limited

Statement of cash flows for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before tax for the year	10,035	8,415
Adjustments for:		
Amortisation of facility fee	92	92
Finance costs: interest	898	923
Fair value change on derivative	(1,024)	(870)
Net gain from fair value movements on investment properties	(3,490)	(3,567)
Rent free amortisation	(488)	(370)
Bad debt provision movement	1	(13)
Amortisation of legal and letting fees and tenant incentives	54	67
(Gain) / loss on sale of investment property	(1,073)	98
Cash generated from operations before changes in working capital	5,005	4,775
Changes in working capital:		
Decrease in receivables and other financial assets	253	887
Decrease in payables and other financial liabilities	(262)	(643)
Cash generated from operations before interest and tax	4,996	5,019
Interest paid	(945)	(861)
Tax paid	(612)	(598)
Net cash generated from operating activities	3,439	3,560
Cash flows from investing activities		
Sale of investment properties	8,964	4,216
Development and other capital expenditure	(1,767)	(149)
Net cash generated from investing activities	7,197	4,067
Cash flows from financing activities		
Repayment of external loan	(3,575)	(2,568)
Dividends paid	(7,135)	(5,500)
Net cash outflow from financing activities	(10,710)	(8,068)
Net decrease in cash and cash equivalents	(74)	(441)
Cash and cash equivalents at the beginning of the year	2,885	3,326
Cash and cash equivalents at the end of the year	2,811	2,885

The notes on pages 10 to 21 form part of these financial statements.

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Notes forming part of the financial statements for the year ended 31 December 2022

1 Accounting policies

General information

NewRiver Retail (Napier) Limited is a private company limited by shares incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. The registered office is 89 Whitfield Street, London, W1T 4DE. The principal activity of the Company is investment in real estate in the UK.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include certain items at fair value in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The accounting policies have been applied consistently in the periods presented in these financial statements. The financial statements have been prepared in accordance with the Companies Act 2006.

The functional currency of the Company is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

LIBOR transition

The Company entered into external borrowings and derivatives linked to LIBOR (London Inter-Bank Offered Rate) in previous periods. Due to the cessation of LIBOR at the end of 2021, the Company has formally transitioned its external borrowings and derivatives to SONIA (Sterling Overnight Index Average) in December 2021 using a standard deferred switch approach which will keep the loan and derivative aligned. This took effect in January 2022. The change from LIBOR to SONIA has not had a material impact on the Company in the year to 31 December 2022, See notes 10 and 17 for further details.

Going Concern

The Company's going concern assessment considers the Company's principal risks, identified in note 17, and is dependent on a number of factors, including cashflow & liquidity, continued access to borrowing facilities and the ability to continue to operate the Company's secured debt structure within its financial covenants.

The Company's statement of financial position is secured via bank debt which consists of a £24,082k fully drawn facility with the earliest expiry date being 20 June 2024. The Company also has £3,022k of shareholder loans which are unsecured and subordinate to the bank debt.

The bank debt has a number of financial covenants that the Company is required to comply with including an LTV covenant of less than 60% (low point over the forecast period), a 3 month historical and projected interest cover ratio of more than 2.5x and a 12 month forecast debt to rent ratio of 7.5x. The going concern assessment is based on a 13 month outlook from the reporting date, using the Company's business plan.

The directors have considered a base case and a reasonable worst case, the reasonable worst case scenario includes the following key sensitivities:

- Consideration around the reduction in the property value. At the choice of the lender the current valuation used for bank covenant testing purposes has not been updated in the year and is significantly below the independent valuation per the financial statements. As such the bank valuation used in the base case is already considered to be a reasonable worst case valuation and has not been reduced further in the reasonable worst case scenario.
- 15% reduction in net income from tenants, a key sensitivity to model. This represents a significant reduction in contractual rental agreements and is based on previous experience and data from the asset managers portfolio.
- Interest rates have not been sensitised further as the company is 94% hedged over the life of the loan.

Under this scenario, the Company is forecast to maintain sufficient cash & liquidity resources, and remain compliant with its financial covenants throughout the forecast period. In the event of a breach, the bank debt has cure provisions allowing cash to be ring-fenced against the debt to bring the covenants back under the covenant limits.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Based on the considerations above, the Board believes that the Company has the ability to continue in business at least 12 months from the date of approval of the financial statements for the year ended 31 December 2022 and therefore have adopted the going concern basis in the preparation of this financial information.

The following principal accounting policies have been applied:

Rental income

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

Where a rent-free period is included in a lease, this is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Where a lease incentive payment, or surrender premiums are 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 as a reduction of rental income. It is management's policy to recognise all material lease incentives. Upon receipt of a surrender premium for the early termination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is accounted for from the effective date of the modification, being the date at which both parties agree to the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Service charge income is recognised in the period in which it is earned and when performance obligations are met.

Expenses

Expenses are accounted for on an accruals basis.

Profit on disposal of investment properties

Sales of investment properties are recognised when there is a legally binding, unconditional and irrevocable contract.

Investment property

Investment property is carried at fair value determined annually by external valuers. Changes in fair value are recognised in profit or loss. Incremental costs of replacement or redevelopment incurred are capitalised. Acquisition costs are treated as part of the cost of the property and have been taken into account when calculating the gain or loss arising on the revaluation of investment properties through profit or loss.

Finance income and costs

For finance costs relating to loans and borrowings carried at amortised cost, these are charged to profit over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument. Finance income and costs also include the fair value movements on derivative financial instruments linked to external floating rate borrowings.

Tax

On 18 June 2019, NewRiver Retail (Napier) Limited entered into a REIT Joint Venture election under section 586 CTA 2010. Under the mechanics of the REIT Joint Venture election, NewRiver Retail (Portfolio No.10) Limited's 50% share of NewRiver Retail (Napier) Limited's property rental business profits and gains will be exempt from corporation tax. The remaining residual profits and gains will be taxable. A tax charge is recognised in the statement of comprehensive income according to the accounting treatment of the related transaction. The Company's current tax charge is calculated on the basis of UK tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Lessor incentives

Incentive payments to new tenants to occupy the Company's investment properties are initially recorded on the statement of financial position and treated as a reduction in revenue. The payments are charged to profit or loss over the term of the lease. Where such incentives relate to investment properties, the properties are carried at open market value less the amount of unamortised incentive.

Debtors

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

Creditors

Creditors are initially recognised at fair value, and subsequently where necessary remeasured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash is represented by cash at bank and in hand. The Company holds no cash equivalents.

Financial instruments

Sections 11 and 12 of FRS 102 have been applied in these financial statements. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost, with the exception of the interest rate swap, which is subsequently measured at fair value through the profit and loss account.

Financial assets are generally derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates are continually evaluated and are based on historical experience as adjusted or current market conditions and other factors. The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may 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.

Investment property

Investment properties are stated at fair value. Small changes in the key estimates, such as the estimated future rental income, can have a significant impact on the valuation of the investment properties, and therefore a significant impact on the statement of financial position. Certain estimates require an assessment of factors not within management's control, such as overall market conditions.

Rents and ERVs have a direct relationship to valuation, while discount rates have an inverse relationship. There are interrelationships between all these unobservable inputs as they are determined by market conditions.

The estimated fair value may differ from the price at which the Company's assets could be sold. Actual realisation of net assets could differ from the valuation used in these financial statements, and the difference could be significant. The existence of an increase or decrease in more than one unobservable output could significantly impact the valuation.

Critical judgements

The Directors believe there are no critical judgements, apart from those involving estimates, which have a significant effect on the amounts recognised in the financial statements.

3 Revenue

Rental income is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom. Service charge income is recognised in the period in which it is earned and when performance obligations are met.

	2022 £'000	2021 £'000
Property rental and related income	5,767	5,396
Service charge income	238	251
	6,005	5,647

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements
for the year ended 31 December 2022 (*continued*)

4 Operating profit

The Company had no employees (2021: none) during the year and no remuneration (2021: £nil) was paid to Directors. No recharges are made to the Company.

Auditors' remuneration of £40k (2021: £35k) was incurred by the Company.

5 Interest receivable / (payable) and similar income / (expenses)

	2022 £'000	2021 £'000
Fair value gain on derivative	1,024	870
Interest receivable and similar income	1,024	870
	2022 £'000	2021 £'000
Bank loan interest	786	844
Shareholder loan interest	110	70
Amortisation of loan issue costs	92	92
Other finance charges	2	9
Interest payable and similar expenses	990	1,015

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements
for the year ended 31 December 2022 (continued)

6 Tax on profit

	2022 £'000	2021 £'000
Current tax for the year	550	524
Adjustments in respect of prior periods	(2)	(19)
Total current tax for the year	548	505
Deferred tax for the year	763	515
	1,311	1,020

Reconciliation of profit before tax to the tax charge recognised in the statement of comprehensive income

	2022 £'000	2021 £'000
Profit before taxation	10,035	8,415
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	1,907	1,599
Effects of:		
Movement in fair value of investment properties	(219)	(249)
REIT joint venture election	(416)	(477)
Expenses not deductible	41	38
Adjustment in respect of previous periods	(2)	(19)
Change in the movement of deferred tax rates	-	128
Total tax charge for the year	1,311	1,020

On 18 June 2019, NewRiver Retail (Napier) Limited entered into a REIT Joint Venture election under section 586 CTA 2010. Under the mechanics of the REIT Joint Venture election, NewRiver Retail (Portfolio No.10) Limited's 50% share of NewRiver Retail (Napier) Limited property rental business profits and gains will be exempt from corporation tax. The remaining residual profits and gains will be taxable.

The Finance Act 2021, which was substantively enacted on 24 May 2021 and received Royal Assent on 10 June 2021, provided for an increase in the main rate of corporation tax from 19% to 25% for companies with profits in excess of £250,000 with effect from 1 April 2023. These changes have been taken into account in calculating the current year deferred tax charge.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

7 Investment property	2022	2021
	£'000	£'000
Fair value		
At 1 January	66,150	66,445
Disposals	(7,900)	(4,314)
Valuation movement in the statement of comprehensive income	3,490	3,567
Capital expenditure on investment properties	1,597	64
Tenant incentives, legal and letting fees	613	388
At 31 December	63,950	66,150

The property has been revalued as at 31 December 2022 by Duff and Phelps Limited ("the valuer") in accordance with the current RICS Valuation – Global Standards 2020 (the RICS Red Book), incorporating the IVS, on the basis of Fair Value. The Valuer employs a discounted cash flow ("DCF") approach to derive the valuation of the properties. The DCF analysis focuses on the operating cash flows expected from the property and the anticipated proceeds of a hypothetical sale at the end of an assumed holding period. These amounts are then discounted to their present value to calculate a Fair Value, net of purchaser's costs. The Valuer cross checks by reference to the conventional All-Risks yield ("ARY")/Net Initial Yield approach (the investment 'net income capitalisation' method). The valuations are performed on an individual property basis by the valuer, using their expertise to assess individual assumptions including ERVs, tenant void and re-letting assumptions, yields and discount rates. The value of the investment properties is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Company's net asset value can change due to external factors beyond management's control. The historical cost of these investment properties being initial cost plus acquisition costs and capitalised expenditure is £55,648k (2021: £61,643k).

During the year ended 31 December 2022 the Company disposed of the Newport site with a carrying value of £7,900k for proceeds of £9,130k less costs of disposal of £157k, generating a profit on disposal of £1,073k.

The Company capitalises any tenant incentives and then amortises these on a straight-line basis over the period from the date of lease commencement to the earliest termination date. The property receives rental income which is wholly attributable to the principal activity of the Company (as detailed in note 3).

8 Debtors	2022	2021
	£'000	£'000
Amounts due within one year:		
Trade debtors	152	353
Restricted monetary asset	205	259
Other debtors	1	-
	358	612
Amounts due after one year:		
Derivative financial assets	1,159	135
	1,159	135

Trade debtors are stated after a provision for impairment of £89k (2021: £174k).

The restricted monetary asset relates to cash balances which legally belong to the Company but which the Company cannot readily access. They do not meet the definition of cash and cash equivalents and consequently are presented separately from cash in the statement of financial position.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

9 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	-	81
Service charge creditors	177	244
Corporation Tax	220	284
Value Added Taxation	75	212
Other creditors	677	488
Accruals and deferred income	839	1,052
	1,988	2,361

Included in service charge liabilities are other creditors of £103k (2021: £101k), deferred income of £74k (2021: £131k) and VAT of £nil (2021: £11k).

10 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	24,082	27,657
Unamortised arrangement fee	(166)	(258)
Shareholder loan	3,022	3,022
	26,938	30,421

Bank loan

The Company entered into a facility agreement with National Westminster Bank PLC on 20 June 2019 for a total commitment of £30,225k over a period of 5 years. In March 2022, the Company repaid £3,575k of the facility following the sale of an asset.

During the prior periods interest has been charged at a margin of 2.25% per annum plus LIBOR (LIBOR being the applicable screen rate as of the specified time for sterling and for a period equal in length to the Interest period of the Loan). An arrangement fee equivalent of 1% of the secured bank loan plus costs is being amortised over the life of the loan. During the year the Company amended its facility agreement with the lender, from January 2022 the loan will reference SONIA (Sterling Overnight Index Average) which has replaced LIBOR as the reference rate for the loan.

To hedge the interest rate risk on the bank debt the Company separately purchased a GBP LIBOR interest rate swap with a notional amount of £22,669k, which matures in June 2024, which now references SONIA since January 2022. The fair value of the swap is in asset position of £1,159k (2021: £135k asset) at the reporting date and is determined by using market accepted option valuation techniques that use inputs such as SONIA rates, futures, swaps and implied cap volatilities.

Shareholder loan

Amounts owed on the shareholder loan agreement bear interest at SONIA plus 2.25%. The loan was previously charged interest linked to LIBOR up to 31 December 2021. The shareholder loan is between NewRiver Retail (Portfolio No.10) Limited and the Company and is unsecured. The shareholder loan is repayable based on certain contingent future events around the ownership of the Company. As at the year end none of these events had occurred and therefore the loan has been classified as falling due after more than one year.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements
for the year ended 31 December 2022 (continued)

11 Deferred tax liability

	2022 £'000	2021 £'000
Deferred tax liability at 1 January	534	19
Charge to statement of comprehensive income	763	515
Deferred tax liability at 31 December	1,297	534

The deferred tax movement relates to valuation movements on investment properties.

12 Financial instruments

The Company has the following financial instruments:

	Note	2022 £'000	2021 £'000
Financial assets measured at fair value through profit and loss:			
Derivative financial instrument	8	1,159	135
Financial assets at amortised cost:			
Trade and other debtors	8	153	353
Restricted monetary asset	8	205	259
Cash and cash equivalents		2,811	2,885
		3,169	3,497
Financial liabilities measured at amortised cost:			
Trade and other payables		778	670
Accruals		386	441
Bank loans and overdrafts	10	24,082	27,657
Shareholders loan	10	3,022	3,022
		28,268	31,790

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements
for the year ended 31 December 2022 (continued)

Net Debt reconciliation

	- 1 January 2021	Cash flow	Non-cash flows	31 December 2021	Cash flow	Non-cash flows	31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank loan	(29,873)	2,568	(94)	(27,399)	3,575	(92)	(23,916)
Shareholder debt	(3,022)	-	-	(3,022)	-	-	(3,022)
Borrowings	(32,895)	2,568	(94)	(30,421)	3,575	(92)	(26,938)
Cash	3,326	(441)	-	2,885	(74)	-	2,811
Net Debt	(29,569)	2,127	(94)	(27,536)	3,501	(92)	(24,127)

13 Called up share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
1 (2021: 15,400,000) Ordinary A shares of £1 each	-	15,400
1 (2021: 15,400,000) Ordinary B shares of £1 each	-	15,400
	-	30,800

On 21 June 2022 the Company entered into a capital reduction over 15,399,999 A ordinary shares and 15,399,999 B ordinary shares with a nominal value of £1 and transferred this amount, £30,799,998, to retained earnings.

14 Retained earnings

Includes all current retained profits and losses less dividends paid.

During the year the Company paid dividends of £1,135k (4/3/22), £2,600k (9/5/22), £2,500k (24/6/22), £400k (9/8/22) and £500k (28/11/22), totalling £7,135k (2021: 5,500k). The Directors do not recommend payment of a final dividend.

15 Financial commitments and operating lease arrangements

	Land and buildings 2022 £'000	Land and buildings 2021 £'000
Rentals receivable on operating leases:		
Within 1 year	5,048	5,339
Between 2 and 5 years	16,662	17,384
After five years	9,395	10,092

The Company held no commitments under non-cancellable operating leases.

16 Capital commitments and contingent liabilities

The Company did not have any capital commitments as at 31 December 2022 (2021: none). The bank debt is secured by way of a fixed and floating charge over the Company's material assets.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements for the year ended 31 December 2022 (continued)

17 Financial assets and financial liabilities

Financial risk profile

The Company's financial instruments comprise loans, interest rate swaps, cash and various items such as debtors that arise directly from the Company's operations. The main purpose of these instruments is the investment of shareholders' funds.

Market risk

The Company is exposed to changes in property values within the market. Investment in property is subject to varying degrees of risk. The main factors which affect the value of the investment in property include:

- i) changes in the general economic climate;
- ii) local conditions in respective markets, such as an oversupply, or a reduction in demand, for commercial space in a specific area;
- iii) competition from other available properties; and
- iv) government regulations, including planning, environmental and tax laws.

Market risk is managed by detailed financial analysis, assessment of underlying performance of the tenant and market research and analysis of retailer performance.

Interest rate risk

There is an interest rate risk as the bank debt (£24,082k) and shareholder loan (£3,022k) interest rate is based on a floating rate linked to SONIA. The interest rate risk linked to the bank debt has been partly mitigated by the interest rate swap issued with a notional amount of £22,669k which fixes the interest rate payments.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its liabilities as they fall due. The Company's investment property is illiquid in nature, in that it may take some time to sell the property. The Company maintains adequate resources to mitigate the risk through cash and other current assets held. The Company will monitor maturities of long term borrowings to plan for their repayment or refinancing.

Credit risk

The Company's principal financial assets are cash, derivatives, trade receivables and other receivables.

The Company manages its credit risk through policies to ensure that rental contracts are made with tenants meeting appropriate statement of financial position covenants, supplemented by rental deposits or bank guarantees from international banks. The Company may suffer a void period where no rents are received. The quality of the tenant is assessed based on an extensive tenant covenant review scorecard prior to acquisition of the property. The assessment of the tenant credit worthiness is also monitored on an ongoing basis. Credit risk is assisted by the vast majority of occupational leases requiring that tenants pay rentals in advance. The Company monitors rent collection in order to anticipate and minimise the impact of default by tenants. All outstanding rent receivables are regularly monitored.

The Company's derivative is currently in an asset position. The Company considers the credit rating of the counterparty to the derivative and monitors this periodically.

Currency risk

The Company is not exposed to significant currency risks as the Company has no exposure to different currencies.

NewRiver Retail (Napier) Limited

Notes forming part of the financial statements
for the year ended 31 December 2022 (*continued*)

18 Related party transactions

During the period the Company entered into the following related party transactions:

	2022 £'000	2021 £'000
Transactions with companies that has a director in common with a director of the Company		
Asset management fee	198	219
Transactions with a parent entity		
Interest payable on shareholder loan	110	70
Amounts recognised on the statement of financial position		
<i>Balance due to a parent entity</i>		
Shareholder loan and accrued interest	3,133	3,172
Balances due to a company that has a director in common with a director of the Company		
Other amounts due	41	61

19 Ultimate parent Company and controlling party

As at 31 December 2022 the Company is owned equally by NewRiver Retail (Portfolio No.10) Limited and PAF Lux SCA, SICAV-RAIF, on behalf of PAF BRAVO III – Compartment (Luxembourg). NewRiver Retail (Portfolio No.10) Limited is incorporated in England and Wales and PAF Lux SCA, SICAV-RAIF, on behalf of PAF BRAVO III – Compartment (Luxembourg) is incorporated in Luxembourg.

On 16 October 2021 PAF Lux SCA, SICAV-RAIF, on behalf of PAF BRAVO III – Compartment (Luxembourg) became the 50% shareholder in the Company after the shares were transferred from Skalica S.à.r.l.

The Company is not consolidated on a line by line basis in the financial statements of any direct or indirect parent.

20 Subsequent events

There have been no other material subsequent events since the statement of financial position date which affect these financial statements.