Hawthorn Leisure Public Houses Limited

Report and Financial Statements

For the 52 weeks ended 29 March 2020

Registered No: 7401382

Hawthorn Leisure Public Houses Limited
Report and financial statements
for the period ended 29 March 2020

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Directors

Mark Davies
Allan Lockhart
Edith Monfries (appointed 7 October 2019)
Matthew Ward (appointed 7 October 2019)

Registered office

16 New Burlington Place
London
W1S 2HX

Company number

7401382

Independent Auditors

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
1 Embankment Place
London
WC2N 6RH
United Kingdom

Hawthorn Leisure Public Houses Limited
Directors' report
for the period ended 29 March 2020

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Directors present their report together with the audited financial statements for the 52 week period ended 29 March 2020. The prior year comparatives are the year ended 31 March 2019.

Principal activities, trading review and future developments

The principal activities of Hawthorn Leisure Public Houses Limited (the 'Company') are the collection of rents from its estate of leased and tenanted premises. The Company is limited by shares.

The Company operates as a Company that invests in public houses.

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted the valuation of the investment property due to the unprecedented nature of the virus and uncertainty around the investment property market. There has not been a significant impact on rental income, as the pandemic was declared after the majority of rent had been collected. The Directors have taken measures to protect the liquidity of the Company including suspending all non-essential capital expenditure and marketing projects. The Government suspended business rates, which the Company benefited from.

The properties were revalued to £720k at 29 March 2020 (2019: £755k) by Colliers International UK Plc. The valuations undertaken by Colliers International UK Plc were in accordance with the Royal Institute of Chartered Surveyors ("RICS") Appraisal and Valuation manual based on current market conditions.

Results and dividends

The Statement of Comprehensive Income is set out on page 7 and shows a loss of £14k (2019: profit of £151k) for the period. The Statement of Financial Position shows net assets of £117k (2019: £131k). No dividend has been declared or paid in the period (2019: £nil). The Directors expect the Company to trade profitably going forward.

Directors

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

Mark Davies
Allan Lockhart
Edith Monfries (appointed 7 October 2019)
Matthew Ward (appointed 7 October 2019)
Robert Marcus (appointed 12 July 2019, resigned 26 November 2019)
Mark McGinty (resigned 11 May 2020)
Nicholas Sewell (resigned 12 July 2019)

No Director had any interest in the ordinary shares of the Company.

Mark Davies and Allan Lockhart are also Directors of the ultimate parent Company, NewRiver REIT plc, and their interests in the share capital of that Company are shown in its financial statements.

Directors Indemnity

The Company has made qualifying related party indemnity provisions for the benefit of its Directors by way of Directors and officer's liability insurance. This was in place during the financial period and remains in place at the date of this report.

Financial risks and objectives

The risks to which the Company are exposed to are discussed in note 14.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate even though the Company has incurred losses of £14k and has net current liabilities of £603k. It has received confirmation from its ultimate parent Company, NewRiver REIT plc that the ultimate parent will continue to provide financial support where necessary for a period of at least 12 months from the approval of these financial statements. NewRiver REIT plc, which provides support to the Company has undertaken detailed analysis including a detailed covenant review and sensitivity analysis to ensure it has sufficient resource to support the subsidiary if required for a period of 12 months from the signing of these financial statements, see note 1 for further details.

Strategic report

The Directors have taken exemption from preparing the strategic report as the Company is entitled to prepare the Financial Statements in accordance with the small companies' regime.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 (United Kingdom Accounting Standards and applicable law). Under Company law the 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors' are unaware; and
- the Director has taken all steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors' are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Subsequent events

Following the UK-wide closure of pubs on 20 March 2020, the Company's estate of pubs remained closed until the easing of the national lockdown restrictions on 4 July 2020. Since that date, government measures, putting in place local or regional restrictions and national lockdowns, have resulted in additional closures across the estate. The Directors have continued to take all available measures to mitigate the disruption to the business caused by the pandemic, however, they expect Covid-19 to impact the results of the Company for the financial period ended 28 March 2021.

Independent Auditors

PricewaterhouseCoopers LLP have been appointed as auditors within the period. In accordance with section 485(3) of the Companies Act, PricewaterhouseCoopers LLP was re-appointed as the auditor to the Company.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the Board

Director
Matthew Ward

24 February 2021

Report on the audit of the financial statements

Opinion

In our opinion, Hawthorn Leisure Public Houses Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 March 2020 and of its loss for the 52 week period (the "period") then ended;
- have been properly prepared 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); 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 29 March 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the period ended; and the notes to 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.

Emphasis of matter - Significant estimation uncertainty in relation to the valuation of investment property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2 (judgements in applying accounting policies and key sources of estimation uncertainty) and 7 (investment property) to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of £720k included in the Statement of Financial Position as at 29 March 2020. The third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Report on the audit of the financial statements (continued)

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 period ended 29 March 2020 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 Directors' Responsibilities Statement set out on page 2, 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.

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 received 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.

Ian Benham

Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2021

Hawthorn Leisure Public Houses Limited

Statement of Comprehensive Income
for the period ended 29 March 2020

	Note	2020 £'000	2019 £'000 (restated)*
Revenue	3	**82**	19
Property operating expenses		**(16)**	(30)
Net property income / (loss)		**66**	(11)
Administrative expenses		**(27)**	-
(Loss) / Gain from changes in fair value of investment properties	7	**(35)**	178
Operating profit	4	**4**	167
Interest payable and similar expense	5	**(18)**	(16)
(Loss) / Profit before taxation		**(14)**	151
Tax on (loss)/ profit	6	**-**	-
(Loss) / Profit for the financial period/ year		**(14)**	151

All amounts relate to continuing activities.

*See note 1 for further details of the restatement.

The notes on pages 10 to 20 form part of these financial statements.

Hawthorn Leisure Public Houses Limited
Statement of Financial Position
at 29 March 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investment property	7		720		755
Current assets					
Debtors	8	2		9	
Cash at bank and in hand		75		13	
		77		22	
Creditors: amounts falling due within one year	9	(680)		(646)	
Net current liabilities			(603)		(624)
Net assets			117		131
Capital and reserves					
Called up share capital	11		-		-
Retained earnings			117		131
Total equity			117		131

The financial statements of the Company on pages 7 to 20, registration number 7401382, were approved by the Board of Directors on behalf of the Directors and authorised for issue on 24 February 2021 and signed for on its behalf by Matthew Ward.

Director
Matthew Ward

The notes on pages 10 to 20 form part of these financial statements.

Hawthorn Leisure Public Houses Limited
Statement of Changes in Equity
for the period ended 29 March 2020

	Called up share capital £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
As at 1 April 2018	-	(20)	(20)
Profit and total comprehensive income for the year	-	151	151
As at 31 March 2019	-	131	131
Loss and total comprehensive expense for the period	-	(14)	(14)
As at 29 March 2020	-	117	117

The notes on pages 10 to 20 form part of these financial statements.

1 Accounting policies

Hawthorn Leisure Public Houses Limited is incorporated in the United Kingdom and registered in England and Wales. The registered office is 16 New Burlington Place, London, W1S 2HX.

The principal activities of the Company are the collection of rents from its estate of leased and tenanted premises as well as sale of alcoholic beverages to its estate of leased and tenanted premises.

Basis of preparation

The financial statements have been prepared 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, other than where new accounting policies have been adopted.

The financial statements have been prepared in accordance with the Companies Act 2006.

The Company has restated its prior year comparatives to reflect management's conclusion that the amortisation of tenant incentives and letting costs of £58k should be offset against revenue rather than property operating expenses. The net effect of this amendment on the (loss)/ profit after tax is £nil.

Functional currency

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.

Parent company disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, NewRiver REIT plc, which are available on its website www.nrr.co.uk.

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the Company; and
- Disclosures in respect of the Company's related party transactions with wholly owned entities within the group have not been presented.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies, these are summarised in note 2.

The following principal accounting policies have been applied:

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate even though the Company has a loss of £14k (2019: £151k profit) and has net current liabilities of £603k (2019: net current liabilities £624k). It has received confirmation from its ultimate parent Company, NewRiver REIT plc that the ultimate parent will continue to provide financial support where necessary for a period of 12 months from the signing of these financial statements. NewRiver REIT plc, which provides support to the Company has undertaken detailed analysis including a detailed covenant review and sensitivity analysis to ensure it has sufficient resource to support the subsidiary if required. The Group has also sought to preserve cash, as a result of the Covid-19 pandemic, through suspending the fourth quarterly dividend payment for the year ended 31 March 2020 and suspending all non-essential capital expenditure projects. The Directors have reviewed the cash flow, projected income and expenses over the next twelve months from the date of this

1 Accounting policies *(continued)*

***Going concern** (continued)*

report and deemed that the Company has adequate financial resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements.

Revenue

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.

In the Company's pub business, revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rent is accounted for on a straight-line basis.

Turnover related rent

Turnover related rent relates to the margin earnt on the sale of wet products and is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

Profit/ loss 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 and derived from the EBITDA and multiples for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided.

Changes in fair value are recognised in profit or loss.

Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value.

Tax

The Company is part of the NewRiver REIT plc Group REIT regime which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies *(continued)*

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Expenses

Expenses are accounted for on an accruals basis.

Finance costs

Finance costs are charged to profit or loss 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.

Debtors

Debtors 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 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 re-measured 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

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.

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

1 Accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of accumulated impairment loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

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.

Financial liabilities and equity

Financial liabilities and equity are classified according to the legal substance of the financial instruments contractual obligations, rather than the financial instrument's legal form.

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 period 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.

Valuation of Investment property

As noted above, the Company's properties are stated at fair value. The valuation is determined using EBITDA multiples and maintainable earnings. The valuer values the assets on a Profits Method, assessing their opinion of the Fair Maintainable Trade (FMT) that a Reasonable Efficient Operator (REO) could achieve as at the valuation date having regard to actual trading performance of each asset and wider market dynamics. Properties are valued on the highest and best use basis. 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.

Small changes in the key estimates can have a significant impact on the valuation of the properties, and therefore a significant impact on the balance sheet. Certain estimates require an assessment of factors not within management's control, such as overall market conditions. The third party valuers for properties recognised at 29 March 2020 include a material valuation uncertainty clause in their reports. The clause highlights significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. As a result of the impact of Covid-19 the valuations have made allowances for a delinquency period. Valuation reports are based on both information provided by the Group, which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers. These assumptions are based on market observation and the valuers' professional judgement.

EBITDA multiples and maintainable earnings have a direct relationship to valuation. There are interrelationships between these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input could be to magnify the impact on the valuation. Sensitivity analysis has been performed: a 1.0 x change in the fair maintainable trade ("FMT") multiple would change the valuation by £65k; and a 10 % change in FMT would change the valuation by £72k. An increase in FMT or the multiple increase the valuation and a decrease in FMT or the multiple decrease the valuation.

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.

Significant judgements

Leased and tied pub classification as investment property

The Directors have exercised judgement in order to determine the appropriate classification of the leased and tied pubs as Investment Property or Property, Plant and Equipment. Under FRS 102 an entity treats such a property as investment property if services provided to the occupier are insignificant to the arrangement as a whole.

2 Judgements in applying accounting policies and key sources of estimation uncertainty *(continued)*

Significant judgements (continued)

Leased and tied pub classification as investment property (continued)

The Directors consider that whilst the relative proportion of wet income to lease income from a tied pub in quantitative terms is not insignificant other factors should be considered in making the assessment of whether the services provided to the tenants are insignificant. The income received by the Company in respect of the sale of wet products is higher than that which would be received by a third party providing the same services and that these pubs pay a lower fixed rent than they would without the wet product tie. This indicates the margin earned, in substance, predominantly represents turnover related rent. Accordingly, leased and tied pubs with an aggregate fair value of £720k at 29 March 2020 (31 March 2019: £755k) have been classified as Investment Property.

Principal vs Agent

The Company has contracts with breweries and drinks distributors for the provision of wet product to its pub tenants. In assessing whether it is appropriate to recognise revenue as principal or agent, the Directors exercise their judgement in considering the appropriate criteria. The Company is not responsible for the delivery or the quality of the wet drink product and does not take physical control or assume inventory risk in the arrangement; these factors indicate that the Company is acting as agent and the Directors have concluded that this outweighs the fact that the Company sets the pricing with the tenant and bears an element of credit risk. In considering the nature of the relationship with its pub tenants, the Directors are satisfied that the Company is not acting as principal and has therefore recognised revenue of £62k (2019: £65k) in the period representing only the net margin earned on wet product sales, see note 3 for further details.

Impairment of trade receivables

As a result of Covid-19 the Company's assessment of the impairment of trade receivables is inherently subjective due to the assumptions made, most notably around the assessment over the likelihood of tenants having the ability to pay outstanding debtors. The provision which has been recognised is therefore subject to a degree of uncertainty which may not prove to be accurate given the uncertainty caused by Covid-19.

3 Revenue

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

	2020 £'000	2019 £'000
Rental income	20	(46)
Turnover related rent	62	65
	82	19

4 Operating profit

The Company had no employees (2019: none) during the period and no remuneration was paid (2019: £nil) to Directors. Recharges are made to the Company.

All directors are employed by Hawthorn Leisure Management Limited or NewRiver REIT plc, fellow group companies. It is not possible to allocate their remuneration between the services provided to each individual company. The emoluments paid to directors employed by Hawthorn Leisure Management Limited are disclosed in the accounts of that company. The emoluments paid to A Lockhart, M Davies and E Monfries who are also directors of NewRiver REIT plc are disclosed in the accounts of that company.

Auditors' remuneration was incurred by NewRiver REIT plc and is recharged to the Company.

5 Interest payable and similar expenses

	2020 £'000	2019 £'000
Intercompany interest	**18**	16

6 Tax on (loss) / profit

The tax charge for the period can be reconciled to the (loss)/ profit in the Statement of Comprehensive Income as follows:

	2020 £'000	2019 £'000
(Loss)/ Profit before taxation	**(14)**	151
Corporation tax at 19% (2019: 19%)	**(3)**	29
Expenses not deductible for tax purposes	**7**	-
Group relief (claimed)/ surrendered	**(2)**	(29)
Exempt profit adjustment	**(2)**	-
Tax charge	**-**	-

Although the Company is part of the NewRiver REIT plc Group REIT regime which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax, there is an element of rental income which relates to the pub business and therefore does not qualify for an exemption under the REIT regime.

7 Investment property

	2020 £'000	2019 £'000
Fair value		
At 1 April 2019 / 2018	**755**	570
Acquisition costs	**-**	7
Valuation (losses) / gains in profit and loss	**(35)**	178
At 29 March 2020 / 31 March 2019	**720**	755

The property has been revalued as at 29 March 2020 by Colliers International UK Plc in accordance with the Royal Institute of Chartered Surveyors ("RICS") Appraisal and Valuation manual. The historical cost of this investment property including capitalised costs is £695k (2019: £577k).

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 and wet income which is wholly attributable to the principal activity of the Company (as detailed in note 3).

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across all asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. In light of this material valuation uncertainty the Directors have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Company's property portfolio which were not found to have a material impact on the going concern of the Group, and in turn the Group's ability to provide financial support to the Company.

Sensitivities of measurement of significant inputs

As set out within significant accounting estimates and judgments above, the Company's property portfolio valuation is open to judgments and is inherently subjective by nature. As a result, the sensitivity analysis below illustrates the impact of changes in key unobservable inputs on the fair value of the Company's properties.

Sensitivity impact on valuations of a 10% change in fair maintainable trade ('FMT') and a 1.0x change in multiplier of:

Increase / (decrease) in valuation due to:	**a 10 % change in FMT**	**a 1.0x change in FMT multiple**
	£'000	**£'000**
Increase in FMT or multiple	72	65
Decrease in FMT or multiple	(72)	(65)

8 Debtors

	2020	2019
Amounts falling due within one year	**£'000**	**£'000**
Trade debtors	**1**	3
Other debtors	**-**	3
Prepayments and accrued income	**1**	3
	2	9

Trade debtors are stated after provision for impairment of £1k (2019: £nil).

9 Creditors: amounts falling due within one year

	2020	2019
	£'000	**£'000**
Trade creditors	**6**	7
Amounts owed to group undertakings	**665**	627
Value Added Taxation	**4**	4
Accruals and deferred income	**5**	8
	680	646

NewRiver REIT plc provides working capital funding to all subsidiaries as required. Interest on current loans is subject to the intercompany loan agreement at LIBOR plus 2% per annum and is repayable on demand.

10 Financial instruments

The Company has the following financial instruments:

	Note	2020	2019
		£'000	**£'000**
Financial assets at amortised cost:			
Trade and other receivables	8	**1**	9

		2020	2019
		£'000	**£'000**
Financial liabilities measured at amortised cost:			
Trade and other payables	9	**6**	7
Amounts owed to group undertakings	9	**665**	627
		671	634

11 Called up Share capital

Allotted, called up and fully paid	**2020 £'000**	**2019 £'000**
One Ordinary share (2019: 1) of £1 each	-	-

12 Capital commitments and contingent liabilities

The Company did not have any capital commitments or contingent liabilities as at 29 March 2020 (2019: none).

13 Financial commitments and operating lease arrangements

	Land and buildings 2020 £'000	**Land and buildings 2019 £'000**
Rentals receivable on operating leases		
Within 1 year	**15**	15
Between 2 and 5 years	**24**	29

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

14 Financial assets and financial liabilities

Financial risk profile

The Company's financial instruments comprise loans, 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, which has been increased as a result of Covid-19. 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.

14 Financial assets and financial liabilities *(continued)*

Interest rate risk

There is an interest rate risk as the as the intercompany borrowings interest rate is based on a floating rate.

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 uses intercompany loans to finance the acquisition of properties. The Group who provides the intercompany loans is in a net asset position and is therefore in the position to continue to support the Company. As a result of Covid-19, the Company suspended all non-essential capital expenditure projects and marketing projects. The Government suspended the payment of business rates, which the Company benefitted from.

Credit risk

The Company is exposed to the credit risk of tenants defaulting on their rental payments, which has been impacted by Covid-19. The Company manages this risk by ensuring that the property managers obtain credit reports of tenants prior to new leases being entered and monitor on-going rental receipts on a regular basis. Cash balances are held at banks licensed by the appropriate regulatory authority and as a result, the Directors believe that the Company's credit risk exposure arising from its cash balances is minimised.

Currency risk

The Company is not exposed to significant currency risks.

15 Ultimate parent Company and controlling party

At 29 March 2020 the Company's ultimate parent Company and ultimate controlling party was NewRiver REIT plc, a Company incorporated in the UK. The smallest and largest group in which the results of the Company are consolidated is NewRiver REIT plc, the Financial Statements of which are available on the Company's website "www.nrr.co.uk."

16 Subsequent events

Following the UK-wide closure of pubs on 20 March 2020, the Company's estate of pubs remained closed until the easing of the national lockdown restrictions on 4 July 2020. Since that date, government measures, putting in place local or regional restrictions and national lockdowns, have resulted in additional closures across the estate. The Directors have continued to take all available measures to mitigate the disruption to the business caused by the pandemic, however, they expect Covid-19 to impact the results of the Company for the financial period ended 28 March 2021.