

Company Registration No. 09718143 (England and Wales)

**QUIDNET REIT LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

# QUIDNET REIT LTD

## COMPANY INFORMATION

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<b>Directors</b>	Mr R J S Tice Mr N J G Tribe Mr J P Purcell
<b>Company number</b>	09718143
<b>Registered office</b>	24 Berkeley Square London W1J 6HE
<b>Auditor</b>	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

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# QUIDNET REIT LTD

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# QUIDNET REIT LTD

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### Principal activities

The principal activity of the company is that of real estate investment and management.

#### Asset Manager commentary

Given the extraordinary circumstances, the company had a relatively successful year amid the ongoing global pandemic. This is due to a growing demand for light industrial space. Turnover was up by 4.3% to £1.34 million (2019: £1.28 million) and operating profit fell slightly by 3.6% to £1.0 million (2019: £1.04 million) due to exceptional costs relating to vacant unit costs and associated letting fees. Profit after tax was £0.92 million (2019: £1.22 million). The shareholders funds have grown to £10.48 million (2019: £8.68 million), equating to a net asset value per share of £1.60 (2019: £1.62), a decrease of 0.96%. Earnings per share were 12.83 p (2019: 14.73 p) and the Property Income Distribution was 10.43 p (2019: 12.75 p).

On 24 September 2020, the company acquired a 22,226 sq ft industrial property in Crawley for £2.1 million, with 6 tenants yielding £146,647. Within the 3 months of ownership to the end of the reporting period, the company successfully secured a 43% rental uplift through a renewal and the property continues to show strong reversionary potential across the remaining units.

At the year end, the total annual rent roll was £1.5 million (2019: £1.25 million), with occupancy of 97.4% (2019: 85.2%) having secured a 5 year lease term at Edgemoor Close, Northampton. The company continues to focus on delivering the development of additional units at Hawkley Brook, Wigan with planning consent now secured for 17,000 sq ft across 4 new units.

The company is currently raising new equity as part of its ongoing expansion plans and will be looking to deploy the new equity in the ongoing development and new acquisitions.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R J S Tice  
Mr N J G Tribe  
Mr J P Purcell

#### COVID-19

The directors are very aware of the ongoing crisis surrounding the worldwide COVID-19 outbreak and are closely following developments. All companies have had to respond and we are no exception. Most importantly we are very focused on how our occupiers may be impacted and their ability to pay their rent and require more space. The extent of the impact will be dependent on the duration and geographic extent of future outbreaks. However, at present, the directors consider that they will be able to manage the company through the outbreak and beyond.

#### Auditor

Haysmacintyre LLP were appointed as auditor to the company.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# QUIDNET REIT LTD

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Small companies note**

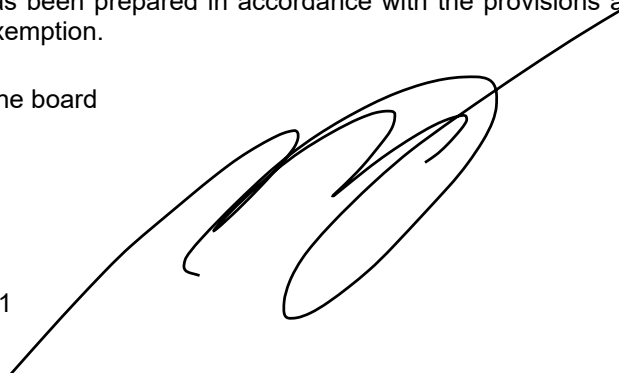
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

On behalf of the board

Mr R J S Tice

**Director**

16 March 2021

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.

# **QUIDNET REIT LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2020***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (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 judgements and accounting estimates that are reasonable and prudent;
- 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.

# QUIDNET REIT LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUIDNET REIT LTD

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### Opinion

We have audited the financial statements of Quidnet REIT Ltd (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

#### 1. Valuation of investment properties

The Company's investment properties were valued at £19,532,281 as at 31 December 2020, as set out in note 4, and a revaluation gain of £180,193 was accounted for under fair value gains and losses on investment properties in the statement of comprehensive income.

Valuations are carried out by third party valuers in accordance with the RICS Valuation – Professional Standards and Financial Reporting Standard 102 and by the directors. There are significant judgements and estimates to be made in relation to the valuation of the Company's investment properties. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the Company. The existence of estimation uncertainty is why we have given specific audit focus and attention to this area.

The valuers used by the Company are Avison Young, a firm with sufficient experience of the Company's market. We assessed the competence and capabilities of the firm and the valuers who undertook the specific valuations, including verifying the firm's regulatory body, the qualification of the individual valuers and discussed the scope of their work with them. Based on this work, we are satisfied that the firm remains independent and competent and that the scope of their work was appropriate.

We tested the data inputs underlying the investment property valuation for all of the properties, including rental income by agreeing them to the underlying property records. We had a conference call with the valuers independently of management and discussed the valuation reports to understand and challenge their methodology and assumptions.

We also discussed with management the market conditions surrounding the property acquired in September 2020 and considered whether there was evidence that the valuation was materially misstated at 31 December 2020 and verified the appropriateness of the costs that had been capitalised in respect of the acquisition.

# QUIDNET REIT LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF QUIDNET REIT LTD

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### 2. Compliance with REIT guidelines

The UK REIT regime grants companies tax exempt status provided they meet the rules within the regime. The rules are complex and the tax exempt status has a significant impact on the financial statements. The complexity of the rules creates a risk of inadvertently breaching and the Company's profits becoming subject to tax. The Company became a REIT in the year ended 31 December 2018 and, whilst the REIT regime does allow for a three year grace period on transition for compliance with all of the rules, the Company still has one rule with which it does not comply. The risk therefore is that the Company does not comply with this rule by the end of the transition period and its profits are subject to tax.

We confirmed our understanding of management's approach to ensuring compliance with the REIT regime rules. We obtained management's calculations and supporting documentation, checking their accuracy by verifying the inputs and calculation. We found that the assessment prepared was free from material error and consistent with the UK REIT guidelines.

### **Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at £412,000 by reference to total assets, representing approximately 2% of total assets. We agreed to report to the board of directors all errors exceeding £17,000. Specific materiality of £27,000 was applied to all other items, apart from the fair value of the investment properties; this represented approximately 2% of rent receivable. We agreed to report to the board of directors all errors exceeding £1,000 in circumstances where the specific materiality had been applied.

Our audit was scoped by obtaining an understanding of the company and its environment, including the company's system of internal control, and assessing the risks of material misstatement at the company level. Audit work was performed to respond to the assessed risks and was performed directly by the audit engagement team and executed at levels of materiality applicable to the cycle being audited, which in each instance was lower than company materiality. All activities of the Company are based in the UK and our audit work was performed remotely, due to the impact of COVID, but with a file sharing platform being established between ourselves and the Company's management. We were also provided with direct access to the Company's accounting records.

### **Conclusions relating to going concern**

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.

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.

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.



# QUIDNET REIT LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF QUIDNET REIT LTD

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

### **Auditor's 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 auditor's 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulatory requirement for being a REIT 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 preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

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 posting inappropriate journal entries to revenue, management bias in accounting estimates and incomplete and/or inaccurate information being provided to the valuers of the investment properties. Audit procedures performed by the engagement team included:

# QUIDNET REIT LTD

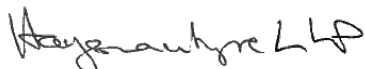
## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF QUIDNET REIT LTD

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- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of possible instances of non-compliance with laws and regulation and fraud;
- Discussions with the valuers and testing the inputs used by the valuers for consistency with other areas of the financial statements;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Daniels**

**for and on behalf of Haysmacintyre LLP**

**Senior Statutory Auditor**

10 Queen Street Place

London

EC4R 1AG

16 March 2021

# QUIDNET REIT LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
<b>Rent receivable</b>		1,337,534	1,282,531
Property expenses		(200,388)	(92,588)
<b>Gross profit</b>		1,137,146	1,189,943
Administrative expenses		(133,676)	(149,606)
Other operating income		-	764
<b>Operating profit</b>		1,003,470	1,041,101
Interest receivable and similar income		15	121
Interest payable and similar expenses		(262,113)	(281,160)
Fair value gains and losses on investment properties		180,193	466,395
<b>Profit before taxation</b>		921,565	1,226,457
Taxation	3	-	-
<b>Profit for the financial year</b>		921,565	1,226,457
Earnings per share		12.83p	14.73p
Property income distribution		10.43p	12.75p

# QUIDNET REIT LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020	2019
	£	£
Profit for the year	921,565	1,226,457
Other comprehensive income	-	-
Total comprehensive income for the year	<u>921,565</u>	<u>1,226,457</u>

# QUIDNET REIT LTD

## STATEMENT OF FINANCIAL POSITION

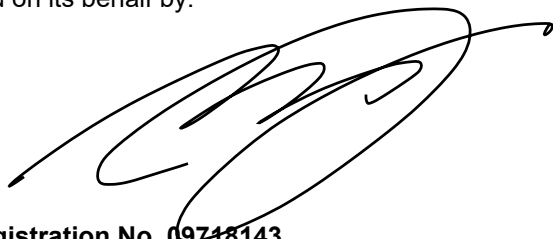
AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Investment properties	4	19,532,281		16,950,000	
<b>Current assets</b>					
Debtors	6	873,784		900,246	
Cash at bank and in hand		168,974		70,224	
		<u>1,042,758</u>		<u>970,470</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(1,541,460)</u>		<u>(1,562,075)</u>	
<b>Net current liabilities</b>			(498,702)		(591,605)
<b>Total assets less current liabilities</b>		19,033,579		16,358,395	
<b>Creditors: amounts falling due after more than one year</b>	8		(8,553,880)		(7,679,758)
<b>Net assets</b>		<u>10,479,699</u>		<u>8,678,637</u>	
<b>Capital and reserves</b>					
Called up share capital	9	6,542,911		5,366,193	
Share premium account		1,156,413		480,119	
Deferred shares		149,891		149,891	
Profit and loss reserves		2,630,484		2,682,434	
<b>Total equity</b>		<u>10,479,699</u>		<u>8,678,637</u>	

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 16 March 2021 and are signed on its behalf by:

Mr R J S Tice  
Director



Company Registration No. 09718143

# QUIDNET REIT LTD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium account £	Deferred shares £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2019</b>		4,406,199	219,011	-	1,667,398	6,292,608
<b>Year ended 31 December 2019:</b>						
Profit and total comprehensive income for the year		-	-	-	1,226,457	1,226,457
Issue of share capital	9	873,946	374,160	-	-	1,248,106
Dividends		86,048	36,839	-	(211,421)	(88,534)
Own shares acquired		-	(149,891)	149,891	-	-
<b>Balance at 31 December 2019</b>		5,366,193	480,119	149,891	2,682,434	8,678,637
<b>Year ended 31 December 2020:</b>						
Profit and total comprehensive income for the year		-	-	-	921,566	921,566
Issue of share capital	9	567,051	312,445	-	-	879,496
Dividends		609,667	363,849	-	(973,516)	-
<b>Balance at 31 December 2020</b>		6,542,911	1,156,413	149,891	2,630,484	10,479,699

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

Quidnet REIT Ltd is a private company limited by shares incorporated and registered in England and Wales. The registered office and principal place of business is 24 Berkeley Square, London, W1J 6HE.

##### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

##### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements. Going concern viability is assessed through ongoing cashflow review and monitoring.

##### 1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue principally comprises income recognised by the company in respect of rent charged and other ancillary services supplied during the year, exclusive of Value Added Tax and trade discounts. Rental income is recognised on a straight line basis over the term of the lease. Amounts invoiced in advance of a tenancy period are deferred accordingly and recognised as income in the period to which they relate.

##### 1.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

##### 1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

(Continued)

##### 1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

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.



# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.7 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

### 2 Employees

The average number of persons (including directors) employed by the company during the year was 3 (2019 - 2).

### 3 Taxation

Following obtaining REIT status on the 10th September 2018, the company is no longer liable for tax on its property rental business profits and gains.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 Investment properties

	2020 £	2019 £
<b>Fair value</b>		
At 1 January 2020	16,950,000	12,960,000
Additions	2,402,088	3,523,605
Revaluations	180,193	466,395
At 31 December 2020	19,532,281	16,950,000

The Company's investment properties, except an investment property purchased in September 2020 for £2,216,281, were valued on the basis of Fair Value by Avison Young, external valuers, as at 31 December 2020. The valuations, totalling £17,316,000, have been prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms. Given the timeframe between the acquisition of the investment property in September 2020 and the reporting year end, the directors assess that the valuation of the investment property is measured at acquisition and related costs. This will be revalued independently in the next financial year.

### 5 Financial instruments

	2020 £	2019 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	681,798	758,876
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	9,927,837	9,107,985

Debt instruments measured at amortised cost include trade debtors and other debtors being amounts held with managing agents.

Financial liabilities measured at amortised cost includes the following:

- trade creditors
- accruals
- bank loans and
- other creditors being tenant deposits and amount owed to director.

### 6 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	406,966	545,704
Other debtors	466,818	354,542
	873,784	900,246

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts (secured)	455,200	421,126
Trade creditors	194,873	313,780
Corporation tax	-	35,611
Other taxation and social security	167,503	98,237
Other creditors	723,884	693,321
	<u>1,541,460</u>	<u>1,562,075</u>

### 8 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Bank loans and overdrafts (secured)	<u>8,553,880</u>	<u>7,679,758</u>

The bank loans and overdrafts are secured by a legal mortgage over the investment properties and fixed charges over the assets of the assets of the company. In addition, there is a personal guarantee from a director of £600,000 in respect of the loans.

The bank loans and overdrafts (secured) comprise of the following:

- £1.86 million 2.75% loan facility December 2022
- £4.54 million 2.75% loan facility June 2023
- £2.30 million 2.75% loan facility June 2023
- £1.15 million 2.85% loan facility June 2023

### 9 Called up share capital

	2020 £	2019 £
<b>Ordinary share capital</b>		
<b>Authorised</b>		
6,542,911 Ordinary shares of £1 each (2019 - 5,366,193)	<u>6,542,911</u>	<u>5,366,193</u>

On the 16 March 2020, 423,040 Ordinary shares were issued for a total consideration of £684,055. On the 21 September 2020, 753,678 Ordinary shares were issued for a total consideration of £1,168,958.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 10 Operating lease commitments

#### Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020 £	2019 £
Within one year	1,506,044	1,134,332
Between two and five years	2,772,013	1,766,842
In over five years	149,833	196,766
	<u>4,427,890</u>	<u>3,097,940</u>

### 11 Related party transactions

The amounts paid to Quidnet Capital Partners LLP for asset management service during the year was £nil (2019 - £47,337), as provided for under the existing asset management contract between Quidnet REIT Ltd and Quidnet Capital Partners LLP.

At 31 December 2020, amounts totalling £nil was due from a company partly owned by a director and shareholder (2019 - £85,000).

At 31 December 2020, amounts due to a director was £38,062 (2019 - £38,062). These amounts were cleared in full after the reporting date and before the financial statements were approved.