

Company Registration No. 09718143 (England and Wales)

**QUIDNET REIT LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# 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
<b>Accountants</b>	MFP Services Ltd 33 Cavendish Square London W1G 0PW

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# QUIDNET REIT LTD

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# QUIDNET REIT LTD

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present the strategic report for the year ended 31 December 2021.

#### **Fair review of the business**

The company had another successful year navigating through the changing faces of the global pandemic. The demand for light industrial space has continued to show strength and the company remains well positioned to support this demand. Rent receivable was up by 13.9% to £1.52 million (2020: £1.34 million) and operating profit by 14.7% to £1.15 million (2020: £1.0 million). Profit after tax was £5.33 million (2020: £0.92 million). The shareholders funds have grown to £16.07 million (2020: £10.48 million), equating to a net asset value per share of £2.24 (2020: £1.60), an increase of 39.85%. Adjusted earnings per share were 11.45 p (2020: 12.55 p) and the Property Income Distribution was 6.99 p (2019: 10.43 p).

At the year end, the total annual rent roll was £1.52 million (2020: £1.5 million), with occupancy of 88.26% (2020: 97.4%). Since the year end, the company has closed new lettings to improve occupancy to 95.25%. The company continues to focus on delivering the new development of additional units at Hawkley Brook, Wigan with planning consent secured for 17,000 sq ft across 4 new units.

#### **Principal risks and uncertainties**

The principal risks to the business is around finding and keeping occupiers for our properties as well as ensuring that they are able to pay their rent. In order to achieve this, we must keep the properties in good working condition, with an active refurbishment programme as vacancies occur.

We use bank debt on a responsible, cautious basis and monitor carefully the interest rates payable, to reduce associated risks.

#### **Corporate Code**

Given the current stage of development of Quidnet REIT Limited, the company has not adopted a formal code of corporate governance. This is being kept under constant review by the directors.

#### **Sustainability Review**

The company is keen to play its part in reducing emissions for cleaner air. We are extending our investments in new electric vehicle chargers, with plans for 4 more installations at Crawley and Wigan.

In addition, since the year end we have placed an order for the installation of some 550 solar panels, at our Ilkeston property. The panels will generate electricity which will be sold directly to the occupier in the property, resulting in cost savings for them. Importantly it will reduce CO2 emissions by some 70 tonnes per annum. Further installations are in the pipeline.

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

Since the year end, the company has completed on the acquisition of a single vacant unit of 11,628 sq ft at 15 Edgemoor Close Northampton NN3 8RG for £750,000. This is adjacent to another property owned by the company. The company has also completed on the acquisition of a large property of 7.48 acres with 167,957 sqft in Darlington. The company has secured a new replacement debt facility of £15.5M for 7 years with our existing lender at advantageous terms (2.58% over base rate). This will enable more acquisitions, capex on existing properties and infill developments where we have secured planning consent, such as at Wigan.

#### **REIT Status**

Following the cessation of REIT status on 9 August 2021, the company is liable for tax on its property rental business profits and gains for the period commencing 10 August 2021. The company is working on plans to meet the requirement that resulted in the cessation and will keep shareholders informed.

#### **COVID 19**

The impact of the pandemic is still ongoing within the industry and as a company, we continue to navigate through the evolving challenges presented positively and safely.

# QUIDNET REIT LTD

## STRATEGIC REPORT (CONTINUED)

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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On behalf of the board



Mr R J S Tice

**Director**

9 May 2022

# QUIDNET REIT LTD

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their annual report and financial statements for the year ended 31 December 2021.

#### Principal activities

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

#### 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

#### Results and dividends

The results for the year are set out on page 9.

During the year, interim ordinary dividends were paid amounting to £388,180 (2020: £289,462). The directors recommend payment of a further dividend of 5.3p per share amounting to £381,072 (2020: £392,970).

#### Asset Manager commentary

We have continued to witness strong occupier demand in the industrial sector across the entire portfolio across the UK. We are pleased our policy of capital investment into void units to bring them to a well refurbished condition is paying off. We have enjoyed much success in securing both new lettings and lease renewals comfortably ahead of ERVs in Wigan, Ilkeston and Crawley. Our drive to support green initiatives across the portfolio continues; we have installed electric vehicle charging points in the office in Crawley and are looking to roll out shortly at the other Crawley asset and Ilkeston.

At Ilkeston we have also placed an order to install European manufactured solar PV cells on the roof of our modern building to generate electricity which will be used directly by the occupier. It is forecast to save 70 tonnes of CO2 per annum.

#### Auditor

Haysmacintyre LLP were re-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.

On behalf of the board



Mr R J S Tice  
**Director**  
9 May 2022

# **QUIDNET REIT LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2021***

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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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Cashflows 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 Financial Reporting Standard 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 2021 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 £24,594,976 as at 31 December 2021, as set out in note 9, and a revaluation gain of £4,537,680 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. The values have been derived on a traditional income capitalisation basis having regard to appropriate yields. 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 the properties, including rental income by agreeing them to the underlying property records. We communicated directly with the valuers independently of management and discussed the valuation reports to understand and challenge their methodology and assumptions.



# 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 was in breach of during the year.

We obtained correspondence with HMRC which confirmed that the Company does not comply with the REIT regime rulings and as of 9 August 2021 ceased to be a REIT. The Company has not reapplied to be part of the regime as at the year end date and therefore is subject to corporation tax on taxable profits arising from 10 August 2021. The amount of tax due at the year end totals £69,098, as set out in note 7. We reviewed the client's allocation of profits between the REIT and non-REIT compliant periods and the resulting calculation of liability to corporation tax and any deferred tax provision required.

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

Materiality for the financial statements as a whole was set at £417,600 by reference to total assets, representing approximately 2% of total assets. We agreed to report to the board of directors all errors exceeding £20,800. Specific materiality of £30,000 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 £1,500 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, 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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### **Matters on which we are required to report by exception**

In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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 strategic report and 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.

### **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.

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:

### **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

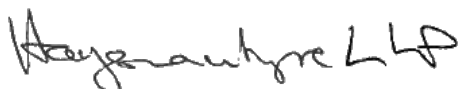
## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF QUIDNET REIT LTD

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- Inquiring and 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 (Senior Statutory Auditor)**  
**for and on behalf of Haysmacintyre LLP, Statutory Auditors**  
10 Queen Street Place  
London  
EC4R 1AG  
9 May 2022

# QUIDNET REIT LTD

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
<b>Rent receivable</b>	<b>3</b>	1,523,968	1,337,534
Property expenses		(159,720)	(200,388)
<b>Gross profit</b>		<u>1,364,248</u>	<u>1,137,146</u>
Administrative expenses		(216,082)	(133,676)
Other operating income		2,976	-
<b>Operating profit</b>	<b>4</b>	<u>1,151,142</u>	<u>1,003,470</u>
Interest receivable and similar income		-	15
Interest payable and similar expenses	<b>6</b>	(250,449)	(262,113)
Fair value gains and losses on investment properties		4,537,680	180,193
<b>Profit before taxation</b>		<u>5,438,373</u>	<u>921,565</u>
Taxation	<b>7</b>	(103,548)	-
<b>Profit for the financial year</b>		<u><u>5,334,825</u></u>	<u><u>921,565</u></u>
Earnings per share	<b>8</b>	76.62p	15.59p
Adjusted earnings per share	<b>8</b>	11.45p	12.55p
Dividends		10.80p	10.43p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# QUIDNET REIT LTD

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Investment properties	9	24,594,976		19,532,281	
<b>Current assets</b>					
Debtors	10	1,024,747		873,784	
Cash at bank and in hand		216,987		168,974	
		<u>1,241,734</u>		<u>1,042,758</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,071,047)</u>		<u>(1,541,460)</u>	
<b>Net current liabilities</b>			(1,829,313)		(498,702)
<b>Total assets less current liabilities</b>			<u>22,765,663</u>		<u>19,033,579</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(6,659,827)		(8,553,880)
<b>Provisions for liabilities</b>	13		(34,450)		-
<b>Net assets</b>			<u>16,071,386</u>		<u>10,479,699</u>
<b>Capital and reserves</b>					
Called up share capital	14	7,190,032		6,542,911	
Share premium account	15	1,547,305		1,156,413	
Deferred shares	16	149,891		149,891	
Profit and loss reserves		7,184,158		2,630,484	
<b>Total equity</b>			<u>16,071,386</u>		<u>10,479,699</u>

The financial statements were approved by the board of directors and authorised for issue on 9 May 2022 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 2021

	Notes	Share capital £	Share premium account £	Deferred shares £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2020</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	14	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
<b>Year ended 31 December 2021:</b>						
Profit and total comprehensive income for the year		-	-	-	5,334,825	5,334,825
Issue of share capital	14	374,605	225,395	-	-	600,000
Dividends		272,516	165,497	-	(781,151)	(343,138)
<b>Balance at 31 December 2021</b>		7,190,032	1,547,305	149,891	7,184,158	16,071,386

# QUIDNET REIT LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	20	1,102,861		976,489	
Interest paid		(250,449)		(261,298)	
Income taxes paid		-		(36,150)	
<b>Net cash inflow from operating activities</b>		852,412		679,041	
<b>Investing activities</b>					
Capital Expenditure & Investment property acquisition		(525,016)		(2,365,045)	
Interest received		-		16	
<b>Net cash used in investing activities</b>		(525,016)		(2,365,029)	
<b>Financing activities</b>					
Proceeds from issue of shares		599,998		879,496	
Proceeds of new bank loans		-		1,155,000	
Repayment of bank loans		(536,243)		(249,313)	
Dividends paid		(343,138)		-	
<b>Net cash (used in)/generated from financing activities</b>		(279,383)		1,785,183	
<b>Net increase in cash and cash equivalents</b>		48,013		99,195	
Cash and cash equivalents at beginning of year		168,974		69,779	
<b>Cash and cash equivalents at end of year</b>		216,987		168,974	

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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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.

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. In assessing the going concern status of the company the directors have explicitly considered the cashflows for the period ending 31 May 2023 which form part of the company's longer term.

##### 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 2021

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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 2021

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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 Taxation

The tax expense represents the sum of the tax currently payable and deferred 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 profit and loss account 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.

Following the loss of REIT status on 9 August 2021, the company is liable for tax on all business profits and gains commencing from 10 August 2021.

### 1.8 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.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

### 4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	14,500	14,500
Operating lease charges	7,190	1,256
	<u>21,690</u>	<u>15,756</u>

### 5 Employees

The average number of persons (including directors) employed by the company during the year was nil (2020: nil).

### 6 Interest payable and similar expenses

	2021 £	2020 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	250,449	262,113
	<u>250,449</u>	<u>262,113</u>

### 7 Taxation

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	69,098	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	34,450	-
	<u>103,548</u>	<u>-</u>
Total tax charge	<u>103,548</u>	<u>-</u>

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 7 Taxation

(Continued)

Following cessation of REIT status on 9 August 2021, the company is liable for tax on its property rental business profits for the period commencing 10 August 2021.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	5,438,373	921,566
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,033,291	175,098
Tax effect of expenses that are not deductible in determining taxable profit	4,008	-
Tax effect of income not taxable in determining taxable profit	(106,042)	(140,861)
Gains not taxable	(827,709)	(34,237)
Taxation charge for the year	103,548	-

### 8 Earnings per share

The analysis of earnings per share is as follows:

	2021 £	2020 £
Profit for the financial year	5,334,825	921,565
No of shares (Weighted average)	6,962,659	5,909,371
Earnings per share (pence)	76.62	15.59
Profit for the financial year	5,334,825	921,565
Fair value gains and losses on investment properties	(4,537,680)	(180,193)
Adjusted earnings for the financial year	797,145	741,372
No of shares (Weighted average)	6,962,659	5,909,371
Adjusted earnings per share (pence)	11.45	12.55

The adjusted EPS figure excludes FV adjustment which is more useful to the users of the financial statements. There are no dilutive options or warrants in issue and, accordingly, no diluted earnings per share has been disclosed.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 9 Investment property

	2021 £
<b>Fair value</b>	
At 1 January 2021	19,532,281
Additions through capital expenditure	525,015
Net gains through fair value adjustments	4,537,680
	<hr/>
At 31 December 2021	24,594,976 <hr/> <hr/>

The Company's investment properties were valued on the basis of Fair Value by Avison Young, external valuers, as at 31 December 2021. The valuations, totalling £24,590,000 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 derived on a traditional income capitalisation basis having regard to appropriate yields. The residual amount of £4,976 is capitalised costs for the acquisition of an investment property which was exchanged at the reporting year end and completed before the financial statements were approved.

### 10 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	436,585	406,966
Other debtors	385,826	274,832
Prepayments and accrued income	202,336	191,986
	<hr/>	<hr/>
	1,024,747	873,784 <hr/> <hr/>

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

	2021 £	2020 £
Bank loans and overdrafts	1,813,010	455,200
Trade creditors	269,354	194,873
Corporation tax	69,095	-
Other taxation and social security	160,575	167,503
Other creditors	199,750	201,324
Accruals and deferred income	559,263	522,560
	<hr/>	<hr/>
	3,071,047	1,541,460 <hr/> <hr/>

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:  
- £1.47 million 2.75% loan facility December 2022

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021 £	2020 £
Bank loans and overdrafts (secured)	6,659,827	8,553,880

The bank loans and overdrafts are secured by a legal mortgage over the investment properties and fixed charges over 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:

- £3.73 million 2.75% loan facility June 2023
- £2.15 million 2.75% loan facility June 2023
- £1.11 million 2.85% loan facility June 2023

### 13 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Chargeable gains	34,450	-

### 14 Share capital

	2021 £	2020 £
Ordinary share capital		
Authorised		
7,190,032 Ordinary shares of £1 each (2020 - 6,542,911)	7,190,032	6,542,911

On the 7 April 2021, 140,304 Ordinary shares were issued for a total consideration of £224,724. On the 14 April 2021, 374,605 Ordinary shares were issued for a total consideration of £600,000. On the 23 August 2021, 132,212 Ordinary shares were issued for a total consideration of £213,290.

### 15 Share premium account

	2021 £	2020 £
At the beginning of the year	1,156,413	1,156,413
Issue of new shares	390,892	-
At the end of the year	1,547,305	1,156,413

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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### 16 Deferred shares

	£
At 01 January 2020	149,891
At 31 December 2020	<u>149,891</u>
At 31 December 2021	<u><u>149,891</u></u>

The deferred shares hold no economic or voting rights.

### 17 Post balance sheet events

Since the year end, the company has completed on the acquisition of a single vacant unit of 11,628 sq ft at 15 Edgemoor Close Northampton NN3 8RG for £750,000. This is adjacent to another property owned by the company. The company has also completed on the acquisition of a large property of 7.48 acres with 167,957 sqft in Darlington. The company has secured a new replacement debt facility of £15.5M for 7 years with our existing lender at advantageous terms (2.58% over base rate). This will enable more acquisitions, capex on existing properties and infill developments where we have secured planning consent, such as at Wigan.

# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 18 Operating lease commitments

#### Lessor

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

	2021 £	2020 £
Within one year	1,427,507	1,506,044
Between two and five years	2,773,553	2,772,013
In over five years	720,880	149,833
	<u>4,921,940</u>	<u>4,427,890</u>

### 19 Related party transactions

At 31 December 2021, amounts due to a director was £nil (2019 - £38,062).

### 20 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	5,334,825	921,566
<b>Adjustments for:</b>		
Taxation charged	103,548	-
Finance costs	250,449	262,113
Investment income	-	(16)
Fair value gain on investment properties	(4,537,680)	(180,193)
<b>Movements in working capital:</b>		
(Increase)/decrease in debtors	(150,963)	14,732
Increase/(decrease) in creditors	102,682	(41,714)
<b>Cash generated from operations</b>	<u>1,102,861</u>	<u>976,489</u>



# QUIDNET REIT LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Analysis of changes in net debt

	1 January 2021 £	Cash flows £	Other non- cash changes £	31 December 2021 £
Cash at bank and in hand	168,974	48,013	-	216,987
	<u>168,974</u>	<u>48,013</u>	<u>-</u>	<u>216,987</u>
Debt due within one year	(455,200)	455,200	(1,813,010)	(1,813,010)
Debt due after one year	(8,553,880)	81,043	1,813,010	(6,659,827)
	<u>(8,840,106)</u>	<u>584,256</u>	<u>-</u>	<u>(8,255,850)</u>
	<u><u>(8,840,106)</u></u>	<u><u>584,256</u></u>	<u><u>-</u></u>	<u><u>(8,255,850)</u></u>