Company Registration No. 09718143 (England and Wales)

QUIDNET REIT LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

QUIDNET REIT LTD

COMPANY INFORMATION

Directors	Mr R J S Tice Mr N J G Tribe Mr J P Purcell
Company number	09718143
Registered office	24 Berkeley Square London W1J 6HE
Auditor	Taylor Associates LLP 1st Floor Gallery Court 28 Arcadia Avenue London N3 2FG
Accountants	MFP Services Ltd 30 Moorgate London EC2R 6DA

QUIDNET REIT LTD

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QUIDNET REIT LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023.

Fair review of the business
The company has continued to improve rental income through active asset management and focused capital investment initiatives. Rent receivable was up by 22.14% to £2.37 million (2022: £1.94 million) and operating profit by 86.58% to £2.17 million (2022: £1.16 million). Profit after tax was £1.24 million (2022: £1.21 million). The shareholders funds at reporting date were £17.52 million (2022: £17.52 million), equating to a net asset value per share of £2.43 (2022: £2.43). Adjusted earnings per share were 18.8p (2022: 8.62p).

At the year end, the total annual rent roll was £2.21 million (2022: £2.20 million), with occupancy of 91.83% (2022: 94.17%). The company continues to realise income from resale of generated energy to existing tenants and/or the grid supplier.

Principal risks and uncertainties
The principal risks to the business are:

i) Tenant risk: ensuring that our portfolio lettings are not concentrated to a particular tenant, business or sector is one of ways we mitigate tenant risk. We also engage our tenants on a property level to ensure that we are can be aware of any arising issues and take appropriate actions to resolve.

ii) Interest rate risk: we use interest rate swaps to fix our interest position on the majority of our external debt balance. This mitigates the risk of fluctuating interest payments and improves financial planning.

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
During the year the company continued its solar initiatives with more solar panels installed, together with the opening of 2 super fast electric car chargers at Wigan, which are now the fastest such public chargers in Wigan. Demand for these is picking up well, during the first few weeks as people become aware of their presence.

Post balance sheet events
A payment of a further interim dividend of 5p per share amounting to £359,501 was made in January 2024.

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.

Ukraine, Middle East & Energy Crisis
The geopolitical situation is increasingly a cause for real concern, with potential serious ramifications. So far the energy markets in recent months have been calmer than might be expected, but we keep a close eye on this.

On behalf of the board

Mr R J S Tice
Director

22 February 2024

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and financial statements for the year ended 31 December 2023.

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 8.

The company has continued to improve rental income through active asset management and focused capital investment initiatives. Rent receivable was up by 22.14% to £2.37 million (2022: £1.94 million) and operating profit by 86.58% to £2.17 million (2022: £1.16 million). Profit after tax was £1.24 million (2022: £1.21 million). The shareholders funds at reporting date were £17.52 million (2022: £17.52 million), equating to a net asset value per share of £2.43 (2022: £2.43). Adjusted earnings per share were 18.8p (2022: 8.62p).

During the year, an interim ordinary dividend was paid of 6p per share amounting to £431,402 (2022: £377,447). A payment of a further interim dividend of 5p per share amounting to £359,501 (2022: £nil) was made in January 2024. A final dividend of 1p per share amounting to £71,900 will be made in March 2024 making a total yearly dividend of 12 pence per share.

The aim of the company is to grow revenues so we can grow the dividend on a long term sustainable basis.

Asset Manager commentary
Occupier demand remains strong for small to medium industrial units, with national vacancy at very low levels leading to further rental growth. We have continued to secure higher rental levels on all our reviews and renewals, with more growth to come, especially in Wigan and Metana House Crawley. We have completed the refurbishment of the larger Northampton unit at the year end and viewings are encouraging to secure an occupier. A major lease renewal is under negotiation at our Balderton unit near Newark.

In early 2024 the large Darlington comes back to us as a vacant for refurbishment, which will take much of the year. This should then lead to higher rental levels and increased values. The Gatwick House office building has also let up well.

We remain optimistic about the resilience of the portfolio against an uncertain economic backdrop.

Auditor
During the year, Taylor Associates LLP were appointed as auditor to the company.

Statement of directors' responsibilities

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.

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
22 February 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIDNET REIT LTD

Opinion

We have audited the financial statements of Quidnet REIT Ltd (the 'Company') for the year ended 31 December 2023 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 2023 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of investment properties

The Company's investment properties were valued at £31,940,000 as at 31 December 2023, as set out in note 9 and a revaluation loss of £504,144 was accounted for under fair value gains and losses on investment properties in the statements of comprehensive income. Valuations are carried out by third party valuers with 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 Savills, 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.

2. Valuation of interest rate swaps

Derivative financial instruments are used to manage and hedge interest rate risk. The Company applies hedge accounting for transactions entered into, to manage the cash flow exposures of borrowings. The Company's financial assets have a fair value of £509,310 as at 31 December 2023, as set out in note 11. Valuations are carried out by the third party experts and by directors. We focused on this area because of their measurement and the complexity related to hedge accounting.

We obtained an understanding of the risk management policies and testing key controls for the use, the recognition and the measurement of derivative financial instruments. We reconciled derivative financial instruments data to third party confirmation and reperformed calculations from independent valuation models. We considered the appropriateness of disclosures in relation to derivative financial instruments and hedge accounting.

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

Materiality for the financial statements as a whole was set at 716,000 by reference to total assets, representing approximately 2% of total assets. We agreed to report to the board of directors all errors exceeding £35,800. Specific materiality of £47,400 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 £2,400 in circumstances where the specific materiality had been applied.

Total Assets has been selected as a benchmark because it is a key performance indicator of the company and stakeholders are principally interested in the performance of the portfolio. Rent receivable has been selected as a benchmark for specific materiality to all other areas as stakeholders are also interested in the underlying performance of return of the portfolio and therfore performance of the Company.

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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Discussing management's assessment of the Company's ability to remain a going concern
- Review and understanding the cash flow forecasts for the period to December 2025
- Assessing and challenging the inputs in and judgements made in the preparation of the cashflow forecasts
- Performing sensitivity analysis to model the effect of changing assumptions made within the cashflow forecast and considering the impact on the Company's ability to adopt the going concern basis

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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or the directors' report.

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

- 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
- 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:

QUIDNET REIT LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF QUIDNET REIT LTD

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 regulatory requirements for the company and trade regulations 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, and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the engagement team included:
- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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.

Peter A. Taylor

Peter Taylor (Senior Statutory Auditor)
for and on behalf of Taylor Associates LLP, Statutory Auditors
1st Floor
Gallery Court
28 Arcadia Avenue
London
N3 2FG
22 February 2024

QUIDNET REIT LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2022 £
Rent receivable	3	2,370,438	1,940,732
Property expenses		(191,843)	(419,055)
Gross profit		2,178,595	1,521,677
Administrative expenses		(158,860)	(363,095)
Other operating income		150,662	4,653
Operating profit	4	2,170,397	1,163,235
Interest payable and similar expenses	6	(820,432)	(543,685)
Fair value gains on investment properties		(504,144)	1,046,530
Profit before taxation		845,821	1,666,080
Taxation	7	391,428	(461,048)
Profit for the financial year		1,237,249	1,205,032
Other comprehensive income			
Adjustments to the fair value of financial assets	10	(493,386)	1,002,696
Total comprehensive income for the year		743,863	2,207,728
Earnings per share	8	10.35p	30.71p
Adjusted earnings per share	8	18.78p	8.62p
Dividends		12.00p	11.00p

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

QUIDNET REIT LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	£	£
Profit for the year	1,237,249	1,205,032
Other comprehensive income		
Adjustments to the fair value of financial assets	(493,386)	1,002,696
Total comprehensive income for the year	743,863	2,207,728

QUIDNET REIT LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Investment properties	9		31,940,000		31,500,000
Current assets					
Debtors falling due after one year	12	509,310		903,364	
Debtors falling due within one year	12	1,505,422		1,448,767	
Cash at bank and in hand	13	641,641		632,719	
		2,656,373		2,984,850	
Creditors: amounts falling due within one year	14	(1,554,961)		(1,802,796)	
Net current assets			1,101,412		1,182,054
Total assets less current liabilities			33,041,412		32,682,054
Creditors: amounts falling due after more than one year	15		(15,417,443)		(14,665,961)
Provisions for liabilities	16		(104,071)		(495,499)
Net assets			17,519,898		17,520,594
Capital and reserves					
Called up share capital	17		7,190,032		7,190,032
Share premium account	18		1,547,305		1,547,305
Cashflow hedge reserve	11, 19		509,310		1,002,696
Deferred shares	20		149,891		149,891
Profit and loss reserves			8,123,360		7,630,670
Total equity			17,519,898		17,520,594

The financial statements were approved by the board of directors and authorised for issue on 22 February 2024 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 2023

	Notes	Share capital £	Share premium account £	Cashflow hedge reserve £	Deferred shares £	Profit and loss reserves £	Total £
Balance at 1 January 2022		7,190,032	1,547,305	-	149,891	7,184,158	16,071,386
Year ended 31 December 2022:							
Profit for the year		-	-	-	-	1,205,032	1,205,032
Other comprehensive income:							
Adjustments to fair value of financial assets		-	-	1,002,696	-	-	1,002,696
Total comprehensive income for the year		-	-	1,002,696	-	1,205,032	2,207,728
Dividends		-	-	-	-	(758,520)	(758,520)
Balance at 31 December 2022		7,190,032	1,547,305	1,002,696	149,891	7,630,670	17,520,594
Year ended 31 December 2023:							
Profit for the year		-	-	-	-	1,237,249	1,237,249
Other comprehensive income:							
Cashflow hedge movement		-	-	(493,386)	-	-	(493,386)
Total comprehensive income for the year		-	-	(493,386)	-	1,237,249	1,746,559
Dividends		-	-	-	-	(744,559)	(744,559)
Balance at 31 December 2023		7,190,032	1,547,305	509,310	149,891	8,123,360	17,519,898

QUIDNET REIT LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Cash flows from operating activities					
Cash generated from operations	**25**		1,754,259		1,452,903
Income taxes paid			-		(69,095)
Net cash inflow from operating activities			1,754,259		1,383,808
Investing activities					
Capital Expenditure & Investment property acquisition		(946,054)		(5,858,994)	
Net cash used in investing activities			(946,054)		(5,858,994)
Financing activities					
Proceeds from borrowings		751,482		14,665,961	
Repayment of borrowings		-		(8,472,837)	
Interest paid		(806,206)		(543,686)	
Dividends paid		(744,559)		(758,520)	
Net cash (used in)/generated from financing activities			(799,283)		4,890,918
Net increase in cash and cash equivalents			8,922		415,732
Cash and cash equivalents at beginning of year			632,719		(216,987)
Cash and cash equivalents at end of year			641,641		632,719

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 December 2025 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.

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.

1 Accounting policies (Continued)

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.

Basic financial liabilities

Basic financial liabilities including creditors and bank loans 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.

1 Accounting policies **(Continued)**

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 though 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 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity net of any related deferred tax. Any ineffectiveness in the hedging relationship (being the difference between the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in other comprehensive income.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

1.8 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 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing 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 profit and loss account, 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.

1.9 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 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of investment property

The valuation of investment property is estimated by the Directors, having obtained an annual valuation of its investment property by external valuers for the purposes of the bank. The valuations are derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. An adjustment to any of these assumptions could lead to a material change in the property valuation. There is significant judgement as to the indicators of the valuation of the investment property as they are based upon valuer assumptions which may prove to be inaccurate.

Valuation of interest rate swaps

The fair value of several interest rate swap contracts into which the company has entered into are valued by the bank at the year end date. The value of each swap is estimated based on the bank's projection of future SONIA rates and is therefore subject to estimation uncertainty.

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

	2023	2022
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	18,000	28,000

5 Employees

The average number of persons (including directors) employed by the company during the year was 3 (2022: 3).

6 Interest payable and similar expenses

	2023	2022
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable and similar expenses	820,432	543,685

7 Taxation

	2023	2022
	£	£
Deferred tax		
Origination and reversal of timing differences	(391,427)	461,048

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.

7 Taxation (Continued)

The actual (credit)/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:

	2023 £	2022 £
Profit before taxation	845,821	1,666,080
Expected tax charge based on the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%)	211,455	316,555
Tax effect of expenses that are not deductible in determining taxable profit	-	4,277
Gains not taxable	126,036	(198,841)
Unutilised tax losses carried forward	(40,272)	61,415
Change in unrecognised deferred tax	(391,428)	461,048
Capital allowances deductible	(297,219)	(183,406)
Taxation (credit)/charge for the year	(391,428)	461,048

8 Earnings per share

The analysis of earnings per share is as follows:

	2023 £	2022 £
Profit for the financial year	743,863	2,207,728
No of shares (Weighted average)	7,190,032	7,190,032
Earnings per share (pence)	10.35	30.71
Profit for the financial year	743,863	2,207,728
Fair value gains and losses on investment properties	504,144	(1,046,030)
Fair value gains and losses on financial instruments	493,386	(1,002,696)
Deferred tax on fair value movements	(391,428)	461,048
Adjusted earnings for the financial year	1,349,965	620,050
No of shares (Weighted average)	7,190,032	7,190,032
Adjusted earnings per share (pence)	18.78	8.62

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

9 Investment property

	2023
	£
Fair value	
At 1 January 2023	31,500,000
Additions through capital expenditure	946,054
Revaluation gain	(504,144)
Other changes	(1,910)
At 31 December 2023	31,940,000

The freehold interests in the properties held within the Fund were independently valued as at 31 December 2023 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13 and the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2023 together with the UK National Supplement effective 14 January 2019, together the "Red Book".

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2023	2022
	£	£
Cost	25,425,359	24,481,216
Carrying amount	25,425,359	24,481,216

10 Derivative financial instruments

The risks to which the company is principally exposed are:

- Interest rate risk

The company invests in land and buildings and as such the assets of the company are illiquid. The company relies on borrowing facilities wholly repayable within seven years, to mitigate the risks involved. These borrowing facilities are structured so as to manage the risks to which the company is exposed. All the company's borrowings are sterling denominated and all investments are in UK property. The company is therefore not exposed to any direct currency risk.

Interest rate risk:

	Hedged	Floating	Total
Bank loan	14,000,000	1,417,443	15,417,443

Interest is charged on the company's secured bank loan of £15,417,443 at SONIA plus margin. In order to manage its interest rate risk the company has entered into the following hedging arrangements as follows:

- £5,000,000 at 2.31% against floating SONIA until 10 May 2029
- £5,000,000 at 2.49% against floating SONIA until 30 April 2029
- £4,000,000 at 3.33% against floating SONIA until 30 April 2029

During 2023, a hedging loss of £493,386 (2022: gain of £1,002,696) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

11 Financial instruments

	2023 £	2022 £
Carrying amount of financial assets		
Instruments measured at fair value through other comprehensive income	509,310	1,002,696

12 Debtors

Amounts falling due within one year:	2023 £	2022 £
Trade debtors	361,213	527,088
Derivative financial instruments	-	99,332
Other debtors	837,316	529,081
Prepayments and accrued income	306,893	293,266
	1,505,422	1,448,767

12 Debtors **(Continued)**

Amounts falling due after more than one year:	**2023 £**	**2022 £**
Derivative financial instruments	509,310	903,364
Total debtors	2,014,732	2,352,131

13 Cash at bank and in hand

	2023 £	**2022 £**
Cash at bank	641,641	632,719
	641,641	632,719

14 Creditors: amounts falling due within one year

	2023 £	**2022 £**
Trade creditors	195,367	385,514
Other taxation and social security	134,552	88,464
Other creditors	361,253	394,924
Accruals and deferred income	863,789	933,894
	1,554,961	1,802,796

15 Creditors: amounts falling due after more than one year

	2023 £	**2022 £**
Bank loans	15,417,443	14,665,961

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:
- £15.42 million 2.58% plus margin loan facility repayable in April 2029

16 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 2023 £	Liabilities 2022 £
Balances:		
Chargeable gains	104,070	495,499

	2023 £
Movements in the year:	
Liability at 1 January 2023	495,498
Credit to profit or loss	(391,428)
Liability at 31 December 2023	104,070

17 Share capital

	2023 £	2022 £
Ordinary share capital		
Authorised		
7,190,032 Ordinary shares of £1 each (2022 - 7,190,032)	7,190,032	7,190,032

No shares were alloted in the year (2022: Nil).

18 Share premium account

	2023 £	2022 £
At the beginning and end of the year	1,547,305	1,547,305

19 Cashflow hedge reserve

	2023 £	2022 £
At the beginning of the year	1,002,696	-
Fair value adjustment to Interest rate swap	(493,386)	1,002,696
At the end of the year	509,310	1,002,696

20 Deferred shares

	£
At 01 January 2022	149,891
At 31 December 2022 and 1 January 2023	149,891
At 31 December 2023	149,891

The deferred shares hold no economic or voting rights.

21 Post balance sheet events

Since the year end, the company has made an interim dividend payment on the 12th January 2024 totalling £359,501.

22 Operating lease commitments

Lessor

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

	2023	2022
	£	£
Within one year	1,617,408	2,019,900
Between two and five years	4,417,321	3,375,828
In over five years	2,871,919	2,716,209
	8,906,648	8,111,937

23 Related party transactions

There were no related poarty transactions during the year (2022: the company made short term borrowings from Tisun Investments Ltd , Gellymill Ltd and JMT Corporation Ltd for £100,000, £125,000 and £30,000 respectively. The company has a common director with each of these companies and the loans were fully settled before the end of the reporting period).

24 Ultimate controlling party

R J S Tice is the ultimate controlling party of the company by virtue of combined majority control of the ordinary share capital.

25 Cash generated from operations

	2023 £	2022 £
Profit for the year after tax	1,237,249	1,205,032
Adjustments for:		
Taxation (credited)/charged	(391,427)	461,048
Finance costs	820,432	543,685
Fair value loss/(gain) on investment properties	504,144	(1,046,029)
Other gains and losses	(12,316)	-
Movements in working capital:		
Increase in debtors	(155,019)	(324,687)
(Decrease)/increase in creditors	(248,804)	613,854
Cash generated from operations	1,754,259	1,452,903

26 Analysis of changes in net debt

	1 January 2023 £	Cash flows £	31 December 2023 £
Cash at bank and in hand	632,719	8,922	641,641
	632,719	8,922	641,641
Debt due after one year	(14,665,961)	-	(14,665,961)
	(14,033,242)	8,922	(14,024,320)