

Registered number 14940941

**MREIT Limited**

**Half yearly report for the period ended 30 June 2024**

# **MREIT Limited**

## **Half yearly report for the period ended 30 June 2024**

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# **MREIT Limited**

## **COMPANY INFORMATION**

### **Directors**

Charles Ferguson-Davie

Marc Gilbard

Steven Hall

Sadie Malim (appointed 01 April 2024)

### **Registered Number**

14940941

### **Registered Office**

10 Grosvenor Street

Mayfair

London

United Kingdom

W1K 4QB

# MREIT Limited

## INTERIM REPORT

The Directors present their interim report for MREIT Limited and its subsidiaries (together the “Group”) for the 6 month period ended 30 June 2024.

### Principal activity

MREIT Limited (“the Company”) is a real estate investment trust ("REIT") listed on The International Stock Exchange (St Peter Port, Guernsey). The principal activity of the Company and its subsidiaries collectively referred to as the “Group” is that of acquiring and renting single-family homes and homes of multiple occupancy (“student HMOs”).

### Business review

As at 30 June 2024, the Group owned 260 investment property assets in the following locations:

Location	Number of Properties	Primary use	Percentage of total properties
Bristol	107	Single-family homes	41%
London	32	Single-family homes	12%
Thames Estuary	14	Single-family homes	5%
Bath	4	Single-family homes	2%
Liverpool	35	Student HMOs	13%
Lancaster	9	Student HMOs	4%
Derby	32	Student HMOs	12%
Sheffield	9	Student HMOs	4%
Leicester	15	Student HMOs	6%
Lincoln	3	Student HMOs	1%

The Group has acquired a further 9 properties since the balance sheet date.

During the period under review the Group generated turnover of £2,121,000 (2023 FY: £1,908,000) and a loss after tax of £3,091,000 (2023 FY: £3,745,000). Inclusive within the interim results for the period are unrealised losses on the Group's investment properties of £2,865,000 (2023 FY: £2,894,000).

# MREIT Limited

## INTERIM REPORT (CONTINUED)

### Principal risks and uncertainties

#### *Market Risk*

The Directors consider the main market risks to be elevated inflation levels and interest rates, increasing real estate yields and pressure on house prices.

Real estate yields have increased due to higher interest rates and the increase in long duration government bond yields. However, strong rental growth across the portfolio has largely helped to offset the valuation impact of increased real estate yields. Whilst house prices have been weak, strong pay growth and relatively low unemployment levels have sustained house price levels in nominal terms.

Rises in inflation increase the cost of operating the Group's investment properties, particularly the cost of providing utilities in the student HMOs. Utility costs increased significantly during the energy crisis and have not yet returned to their earlier levels. The Directors continue to monitor utility costs and manage exposure to volatility by using fixed tariffs where available.

#### *Credit Risk*

The Group purchases single-family homes and Student HMOs in various target locations across the UK. This strategy helps reduce risk through both tenant and geographic diversification. The Group does not depend on a single tenant or micro-location, focusing instead on acquisitions in established locations with proven rental demand. The Group requires a guarantor to be party to a tenancy agreement if a tenant does not meet the required affordability threshold. As such, tenant credit risk is deemed to be managed through the diversified number of tenancy agreements in place.

#### *Interest Rate Risk*

The Group makes use of senior debt finance secured against the investment properties. The Group uses derivative financial instruments to hedge interest rate risk and reduce its overall exposure to volatility in interest rates. Directors consider interest rate risk to be sufficiently managed through a low gearing policy and the use of derivative financial instruments.

#### *Liquidity Risk*

The Group finances its activities with interest free shareholder loans and third-party debt finance. As at 30 June 2024 the Group had outstanding shareholder loans of £48,519,000 and the Group has the support of its shareholders to provide further funds as and when required. The Group entered into a £25,000,000 facility agreement on 28 March 2024, which is repayable on 28 March 2029, and can be used to acquire or refinance properties within the single-family home portfolio. As such, the directors do not consider there to be any material liquidity risk to the Group.

#### *Other risks*

The Directors monitor compliance with REIT regulations to ensure the Group maintains the right to continue to operate as a REIT for UK tax purposes. The Group has a PID requirement to distribute 90% of its rental profits within 12 months of the balance sheet date. There is no requirement to make a PID payment by 31 December 2024 based on the rental profits to 31 December 2023. Whilst the Directors have ultimate responsibility the Group has appointed PricewaterhouseCoopers LLP as tax advisor to ensure compliance with REIT regulations.

# MREIT Limited

## INTERIM REPORT (CONTINUED)

### Financial key performance indicators

Management consider the below to be the Group's main KPI's.

<b><u>Financial key performance indicator</u></b>	<b><u>H1 2024 Results</u></b>	<b><u>2023 FY Results</u></b>
Turnover	<b>£2,121,000</b>	£1,908,000
Gross profit / (loss)	<b>£456,000</b>	(£380,000)
Profit / (loss) before tax	<b>(£3,091,000)</b>	(£3,745,000)
Investment properties' valuation	<b>£69,088,000</b>	£59,350,000
Fair value loss on investment properties	<b>(£2,865,000)</b>	(£2,894,000)
Net assets/(liabilities)	<b>£12,119,000</b>	£15,210,000
Cash balance	<b>£3,475,000</b>	£4,097,000

<b><u>Non-financial performance indicator</u></b>	<b><u>H1 2024</u></b>	<b><u>FY 2023</u></b>
Single-family homes	157	126
Student HMOs	103	103

### Environmental and social matters

The Group is responding proactively to the challenges and opportunities posed by the sustainability agenda, which in recent years has taken hold as a matter requiring additional focus for real estate investors. The Directors recognise that, over time, more environmentally efficient and productive buildings will likely yield higher net income growth, attract lower risk and therefore deliver higher returns.

The Company is ultimately wholly owned by MREF V 'B' Limited Partnership and MREIT CIV1 Limited Partnership, Alternative Investment Funds ("AIFs") managed by Moorfield Group and subsidiaries. The ESG report published by Moorfield Group is available on that company's website ([www.moorfield.com](http://www.moorfield.com)) affirms the principles which underpin the approach to the environmental, social and governance aspects of its real estate investment, development and management processes, and through which it will continue to engage positively with all stakeholders (shareholders, tenants, service providers and advisors). Furthermore, MREIT CIV1 Limited is registered as a Article 8 SFDR fund.

# **MREIT Limited**

## **INTERIM REPORT (CONTINUED)**

### **Environmental and social matters (continued)**

Through the involvement of Moorfield Group (as investment manager and asset manager of the AIFs referred to above) the Company is part of a wider series of objectives and targets that have been set to address environmental, social and governance risks and deliver improvements. A number of programmes have been established including:

- a commitment to achieving operational net zero carbon by 2030;
- to incorporate evaluation of environmental criteria into the acquisition process;
- establish sustainability improvement plans to consider energy, water and waste management;
- improve awareness and understanding of sustainability issues amongst suppliers, contractors and building occupiers;
- enable the regular measurement and monitoring of key environmental data (such as energy and water);
- participate in Global Real Estate Sustainability Benchmark (GRESB) for all AIFs and target an improved score year on year;
- adopting health & wellbeing best practices and mechanisms for measuring social impact and managing Moorfield Group's contribution to social value;
- a responsible landlord code of conduct; and
- a core principle of improving the customer experience with consistent brand standards.

# MREIT Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2024

	Period ended 30 June 2024	Year ended 31 December 2023
	£'000	£'000
Revenue	2,121	1,908
Property expenses	(1,665)	(2,288)
<b>Gross profit / (loss)</b>	<b>456</b>	<b>(380)</b>
Administrative expenses	(336)	(471)
Interest payable and similar expenses	(278)	-
Fair value loss of investment properties	(2,865)	(2,894)
Fair value loss of financial instruments	(68)	-
<b>Loss before taxation</b>	<b>(3,091)</b>	<b>(3,745)</b>
Taxation	-	-
<b>Loss after taxation</b>	<b>(3,091)</b>	<b>(3,745)</b>
<b>Total comprehensive loss for the financial year</b>	<b>(3,091)</b>	<b>(3,745)</b>
	£	£
<b>Loss per share (basic)</b>	<b>(309.1)</b>	<b>(374.5)</b>
<b>Loss per share (diluted)</b>	<b>(309.1)</b>	<b>(374.5)</b>

There was no other comprehensive income for H1 2024 and FY 2023.

The Group has not discontinued any operations in the period. The revenue derives entirely from continuing operations.



# MREIT Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	30 June 2024 £'000	31 December 2023 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	69,088	59,350
<b>Total non-current assets</b>	<b>69,088</b>	<b>59,350</b>
<b>Current assets</b>		
Trade and other receivables	1,104	10,648
Cash and cash equivalents	3,475	4,097
<b>Total current assets</b>	<b>4,579</b>	<b>14,745</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(1,013)	(1,116)
Borrowings	(48,519)	(57,769)
<b>Total current liabilities</b>	<b>(49,532)</b>	<b>(58,885)</b>
<b>Net current liabilities</b>	<b>(44,953)</b>	<b>(44,140)</b>
<b>Non-current liabilities</b>		
Borrowings	(12,016)	-
<b>Net assets/(liabilities)</b>	<b>12,119</b>	<b>15,210</b>
<b>Capital and reserves</b>		
Called up share capital	10	10
Share premium account	19,986	19,986
Accumulates losses	(7,877)	(4,786)
<b>Total equity</b>	<b>12,119</b>	<b>15,210</b>

# **MREIT Limited**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2024**

### **1 General Information**

MREIT Limited is a real estate investment trust ("REIT") listed on The International Stock Exchange (St Peter Port, Guernsey) and incorporated in England and Wales, registered number 14940941. The registered office address is 10 Grosvenor Street, Mayfair, London, United Kingdom, W1K 4QB.

These consolidated statements are presented in sterling (£), which is the functional currency of the Group and each of its subsidiaries and has been rounded to the nearest thousand £'000 unless otherwise stated.

### **2 Accounting policies**

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year presented, unless otherwise stated.

#### **Basis of preparation**

These financial statements have been prepared under the historical cost convention, except for investment property which has been measured at fair value, and on a going concern basis in accordance with UK adopted international accounting standards (IFRS) and the Companies Act 2006. There were no material departures from these standards.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies.

#### **Basis of consolidation**

The acquisition of Moorfield BrickMoor Holdings Limited, Moorfield Wakmoor Holdings Limited and their respective subsidiary undertakings on 29 September 2023 has been recognised in the Group's consolidated financial statements using the merger accounting method. Consequently, the Consolidated Statement of Comprehensive Income for the year ended 31 December 2023 presents the results of the new group from the beginning of the year. There is no difference between the cost of acquiring these subsidiaries and the share capital of these subsidiaries therefore no merger reserve has been recognised.

The consolidated financial statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group. Intercompany transactions and balances between Group companies are eliminated in full.

### **3 Controlling party**

The Group's ultimate controlling party is MREF V GP Ltd on behalf of MREF V "B" Limited Partnership and MREIT CIV1 Limited Partnership which are limited partnerships registered in England and Wales.