

Bricklane London REIT plc

Company registration number: 10759361

Half Yearly Consolidated Financial Report
for the six months ended 31 December 2017 (unaudited)

Directory

Non-executive Directors	Simon Heawood Michael Young Paul Windsor Craig Hallam
Registered office	Floor 2 6-8 Bonhill Street London EC2A 4BX
Registered number	10759361 (England and Wales)
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Independent Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Investment Advisor	Bricklane Investment Services Ltd 2nd floor 6-8 Bonhill Street London EC2A 4BX <i>An appointed representative of Gallium Fund Solutions Ltd</i>
Legal advisors	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Standing Independent Valuer	Allsop LLP 33 Park Place Leeds LS1 2RY
TISE Listing Sponsor	Carey Olsen Corporate Finance Ltd 47 Esplanade St Helier Jersey JE1 0BD

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Interim Strategic Report

The Directors present their interim strategic report for the six months ended 31 December 2017

Incorporation

Bricklane London REIT plc (the 'Company') was incorporated in the United Kingdom on 8 May 2017. On 18 July 2017, the company's shares were admitted to the Official List of The International Stock Exchange. Using a Share Issuance Programme, the company issued shares on a regular basis during the period and used these funds to invest in residential property in London and areas commutable to it.

Bricklane London REIT plc became the principal company in a UK REIT (Real Estate Investment Trust) group on 1 December 2017. A UK REIT is a group that carries on a property rental business and meets HM Revenue & Customs (HMRC) requirements for UK REIT status. After the Company had completed the purchase of its third property, it had met all the HMRC requirements and so was able to enter the REIT regime. As a consequence of being a REIT group, Bricklane London REIT plc does not pay tax on the profits of its property rental business. However, when the company pays a distribution (Property Income Dividends), tax may be due from shareholders. The REIT regime requires that 90% of the group's property rental income is distributed to its shareholders.

Bricklane London REIT plc owns a subsidiary entity, which together are referred to as the 'Group'.

Business review and principal activities

The principal activity of Bricklane London REIT plc is property investment in the United Kingdom. The Group's investment objective is to make long-term investments in residential property in London and areas commutable to it. During the period, the Group purchased 3 properties and a further property was purchased since the period end.

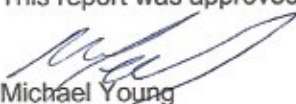
London can be separated into three sections – Prime Central London, Inner London, and Outer London. The Group is focussed on purchasing properties location in Inner and Outer London and valued between £350,000 and £850,000. By focussing on mainstream assets, the Directors believe that returns (both rental and price-driven) respond to shifts in demographics, working habits, transport and culture relating to the population at large, and are more readily comprehensible to a wide range of investors. Momentum has slowed in the London market recently, as has recently been covered in the press. With fewer active buyers, and a number of motivated sellers, we believe that London is currently a buyer's market, and there are opportunities to be had for sophisticated, dispassionate investors. The Investment Advisers continues to bid on multiple properties for every one intended for acquisition, as a means to secure favourable pricing, and as cash buyers who can move quickly, offer an attractive proposition to many vendors in the current environment. As a result, the Group purchased a number of properties at a discount to market value. During the period, the market value of the investment property portfolio increased by £45.2k (3.8%), prior to the impact of acquisitions costs, of which £25k related to discounts to market value negotiated upon purchase and £20k related to subsequent revaluations.

The weighted average net rental yield for the current portfolio properties is forecast to be 3.1% over the next 5 years. However, actual performance may vary as more properties are added to the portfolio, and existing properties are revalued.

In order to treat existing investors fairly, when the Company issues shares, the issue price used is calculated using net asset value and is adjusted for the amortisation of property acquisition costs. These acquisition costs are amortised over the first five years for each property from purchase. Over the period the issue price for new shares has increased by 6.4% to £1.0644. The NAV per share increased by 1.02% to £1.0191. Since the period end, the Company has issued a further 968,023 shares.

The results for the period are set out on page 5, which shows that the Adjusted Profit to Shareholders was £51,561, which takes into account the impact of acquisition costs incurred during the period. Prior to this adjustment the loss for the period was £23,708.

This report was approved by the Directors on 17 April 2018 and signed on its behalf by


Michael Young
Director

Group Statement of Comprehensive Income
For the six months ended 31 December 2017 (unaudited)

		6 months to 31 Dec 2017 £
Rental Income		12,798
Property Management Expenses		
Property Management Fees & Letting Costs		(855)
Service Charges & Ground Rent		(162)
Repairs & Maintenance Costs		(1,175)
Depreciation		(387)
Other Expenses		(3,812)
Rental Profit		6,407
Unrealised Capital Gains		45,204
Property Acquisition Costs during the Period		(74,243)
Net change in fair value on investment property		(29,039)
Property Profit		(22,632)
Fund Expenses		
Bank Charges		(50)
Profit/(loss) before Taxation		(22,682)
Taxation	8	(1,026)
Profit/(loss) and total comprehensive income for the period		(23,708)

<i>Analysed as:</i>		
Rental Profit		6,407
Unrealised Capital Gains		45,204
Bank Charges		(50)
Adjusted profit to Shareholders		51,561
Property Acquisition Costs during the Period	12	(74,243)
Profit/(loss) before Taxation		(22,682)

Earnings per ordinary share (basic & diluted)	10	(2.7p)
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Group Statement of Financial Position
As at 31 December 2017 (unaudited)

	<i>Notes</i>	31 Dec 2017 £	30 Jun 2017 £
Non-Current assets			
Investment property	5	1,242,184	-
Property, plant and equipment	4	10,513	-
		<u>1,252,697</u>	<u>-</u>
Current assets			
Receivables	6	106,349	0.01
Cash and cash equivalents		164,878	-
		<u>271,227</u>	<u>0.01</u>
Payables: amounts falling due within one year	7	(9,409)	-
		<u>1,514,515</u>	<u>0.01</u>
Net Assets			
Capital and reserves			
Share capital	3	14,861	0.01
Share premium		1,523,362	-
Retained profit		(23,708)	-
Shareholders' funds		<u>1,514,515</u>	<u>0.01</u>
Net asset value per share (£)		1.0191	0.01

These financial statements were approved by the Board of Directors and authorised for issue on 17 April 2018 and are signed on behalf of the board by:



Michael Young
Director

Company registration number 10759361

The accompanying notes set out on page 9 to 14 form an integral part of these financial statements.

Group Statement of Changes in Equity
 For the six months to 31 December 2017 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Total
	£	£	£	£
Balance at 8 May 2017	-	-	-	-
Proceeds from the issue of Ordinary Shares	0.01	-	-	-
Balance at 30 June 2017	0.01	-	-	-
Proceeds from the issue of Ordinary Shares	14,861	1,523,362	-	1,538,223
Total Comprehensive Income for the Period	-	-	(23,708)	(23,708)
Balance at 31 Dec 2017	14,861	1,523,362	(23,708)	1,514,515

Group Statement of Cash Flows
As at 31 December 2017 (unaudited)

	<i>Notes</i>	Six months to 31 Dec 2017 £
Cash Flows from Operating Activities		
Total comprehensive income for the Operating Period		(23,708)
Adjusted for;		
Unrealised valuation gains on investment property	5	(45,204)
Property acquisitions costs		74,243
Increase in receivables	6	(106,349)
Increase in payables	7	9,409
Depreciation	4	387
Net Cash Flows used in Operating Activities		<u>(91,222)</u>
Cash Flows from Investing Activities		
Acquisition and refurbishment of investment property	5	(1,271,223)
Purchase of property, plant and equipment	4	(10,900)
Net Cash Flows from Investing Activities		<u>(1,282,123)</u>
Cash Flows from Financing Activities		
Proceeds from the issue of ordinary shares	3	1,538,223
Net Cash Flows from Financing Activities		<u>1,538,223</u>
Increase in cash and cash equivalents		164,878
Cash and cash equivalents at the start of the period		-
Cash and cash equivalents at the end of the period		<u>164,878</u>

Notes to the Consolidated and Company Financial Statements for the six months ended 31 December 2017 (unaudited)

1. Accounting policies

Basis of preparation

Bricklane London REIT plc (the 'Company') is a company incorporated and domiciled in the UK. It is a public limited liability company listed on The International Stock Exchange. The Group financial statements consolidate those of the company and its subsidiary, together referred as the 'Group'

This consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial performance and position of the Group since the last financial statements for the year ended 30 June 2017. This consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The financial statements are unaudited and do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006.

A copy of the dormant accounts for the year ended 30 June 2017 has been delivered to the Registrar of Companies.

The financial statements have been prepared under the historical cost convention except investment property which are stated at their fair value. The financial statements have therefore been prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on the Directors' best knowledge of the events and amounts involved, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity or areas where estimates or assumptions are significant to the financial statements are disclosed in note 2.

Property, plant and equipment

These assets are stated at historical cost less accumulated depreciation. Depreciation is charged using the straight-line method over 3 to 5 years.

Property, plant and equipment relates solely to furniture which is situated across the REIT's investment properties and can be reallocated between the different properties as tenancies require.

Revenue Recognition

Rental income comprises the fair value of the consideration received or receivable during ordinary operating activities. Revenue is recognised when the amount of revenue and related cost can be reliably measured and the collectability of the related receivables is reasonably assured. Rental income (net of any incentives given to the lessees, such as rent-free periods) is recognised on a straight-line basis over the lease term.

Segmental analysis

The Directors, who together are the Chief Operating decision makers, consider that the Group comprises of one operating segment and that it operates in the country of incorporation. The Group provides directors with financial information that is on an aggregated level with the exception of the fair value of the investment properties. As such, there is no segmental information to disclose.

Expense Recognition

All expenses are accounted for on an accruals basis. Letting costs and costs associated with setting up a lease are recognised on a straight-line basis over the lease term.

Investment Properties

Investment properties are initially recognised at cost (including acquisition costs) and subsequently carried at fair value, as provided by Allsop LLP. Allsop LLP are external valuers who hold a recognised and relevant qualification and have experience in valuing residential property. Changes in fair values are recognised as unrealised gains or losses through the profit or loss. Investment properties are subject to renovations or improvements at regular intervals. The costs of renovations and improvements are capitalised. The costs of

maintenance, repairs and minor improvements are recognised in the profit or loss when incurred. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in income statement.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

Receivables

Rents receivable are recognised and carried at the original payment amount, less an allowance of uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Group's functional and presentational currency.

2. Critical accounting estimates and assumptions

The following is intended to provide further details relating to those accounting policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

REIT status

Bricklane London REIT plc is the principal company of a Real Estate Investment Trust ("REIT") group, and as such, does not pay corporation tax on its property rental business profits (property income and gains on property disposals) provided that at least 90% of the Groups' property income is distributed to shareholders within specified time limits. This distribution (Property Income Dividend) is taxed as property income in the shareholders' hands. In addition, the Group must meet other obligations of the REIT regime, which includes limits on the levels of non-property rental business it can undertake. The Directors' view is that all REIT compliance tests have been met to ensure that the Group maintains its REIT status. It is the Directors' intention that the Group will continue as a REIT for the foreseeable future.

Investment Property

The Directors are required to make an assessment of the value of the Group's investment property portfolio using the valuation prepared by Allsop LLP. The fair value provided by the Allsop LLP is based on the market value of the individual residential units.

3. Called up share capital

	31 Dec 2017
Share capital	£14,861
Ordinary shares of £0.01 each (Allotted, called up and fully paid)	1,486,160

During the period 1,486,160 ordinary shares were issued. Each ordinary share has equal right to dividends, and is entitled and has equal rights to participate in a distribution arising from a winding up of the Group. The ordinary shares are not redeemable.

The initial listing costs and share issue costs during the period were paid by Bricklane Investments Services Ltd, the Group's Investment Advisor.

4. Property, plant and equipment

	Furniture, fixtures and fittings £
Cost	
As at 1 Jul 2017	-
Additions	10,900
As at 31 Dec 2017	10,900
Depreciation	
As at 1 July 2016	-
Charge during the period	387
As at 31 Dec 2017	387
Carrying amount	
As at 31 Dec 2017	<u>10,513</u>

5. Investment Property

	£
Fair value at 1 Jul 2017	-
Additions:	
- Direct acquisitions	1,189,684
- Subsequent expenditure	7,296
Gain from fair value adjustments on investment property	45,205
Fair value at 31 Dec 2017	<u>1,242,184</u>

6. Receivables

	31 Dec 2017 £
Accounts receivable	293
Share issue receivable	48,520
Prepayments	3,536
Property deposit	54,000
	<u>106,349</u>

7. Payables

	31 Dec 2017 £
Accounts payable	624
Accruals	7,760
Other creditors	1,025
	<u>9,409</u>

8. Taxation

31 Dec 2017
£

Tax charge for the period 1,026

Effective from 1 December 2017 the Bricklane London REIT Plc elected for UK REIT status. Consequently, Bricklane London REIT Plc does not pay corporation tax on its property rental business profits (property income and gains on property disposals), provided that at least 90% of the REIT's property income is distributed to shareholders. This distribution is taxed as property income in the shareholders' hands. Any Group profits which do not qualify for exemption under the REIT regime are subject to UK tax in the normal way.

The tax charge for the period (prior to obtaining REIT status) is different to the tax charge for the period derived by applying the standard rate of corporation tax in the UK of 19% to the profit before tax. The differences are explained below:

31 Dec 2017
£

Loss before tax	(22,682)
Tax calculated at UK standard rate of incorporation tax of 19%	(4,310)
Valuation gains on investment property	(8,589)
Non-deductible expenditure	14,180
Property rental business profits	1,281
Rental profits exempt under REIT regime	(256)
Tax charge for the period	1,025

9. Employees and directors

The Group does not have any employees.

Three of the four Directors do not receive any remuneration for their roles at Directors of the Group. One director received a total fee of £7,041 during the period, however this fee was paid by Bricklane Investment Services Ltd.

10. Earnings per share

Basic earnings per share is calculated by dividing the Profit and total comprehensive income for the period by the weighted average number of ordinary shares in issue during the period. There are no dilutive instruments outstanding and so basic and diluted earnings per share are identical.

Profit and total comprehensive income for the period	£ (22,682)
Weighted average number of ordinary shares in the period	833,216

11. Events after the balance sheet date

After the 31 December 2017 Bricklane London REIT Plc continued to issue shares on a fortnightly basis. Since the period end, a further 968,023 shares were issued.

12. Total adjusted profit to Shareholders

The directors intend to expand the Group through a programme of share issues and purchase additional investment properties with the proceeds. The Group will incur acquisition costs as a result of each of these purchases, and under IFRS these will immediately impact the income statement.

Due to the continued purchase of properties, the Group may continue to generate a loss under IFRS, such as in this period. In order to provide shareholders with useful information and to show a result that reflects the

underlying performance of the property portfolio, shareholders have been provided with an adjusted profit calculation, which excluded acquisitions costs incurred during the period.

In order to treat existing investors fairly, when the Company issues shares, the issue price used is calculated using net asset value and is adjusted for the amortisation of property acquisition costs. These acquisition costs are amortised over the first five years for each property from purchase. This practice is in line with other real estate investment companies.

13. Financial Risk Management

The main financial risks arising from the Group's activities are market risk, liquidity risk and credit risk. The Group's approach to managing these risks are outlined below.

The Group manages these risks through the review of information supplied by the investment advisor and other sources, which is then discussed at Board meetings.

Market risk

The Group's exposure to market risk is comprised mainly of movements in the value of the Group's property investments and hence to movements in house price valuations. An exposure to the housing market is a key driver for investment into the Group by shareholders, and so the Group does not aim to remove market risk. However, to mitigate this risk, an investment advisor has been appointed. The investment advisor monitors the market value of investment properties by having independent valuations performed monthly.

The Group is not exposed to market price movements on financial instruments as it did not hold any equity securities during the period.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial liabilities, which would result in a large draw on cash resources. As a REIT, the Group is required to distribute at least 90% of the Group's net property income to shareholders within specified time limits.

The table below analyses financial liabilities into relevant maturity groupings, based at the statement of financial position date on the remaining period to maturity date

	Less than 1 year £	Total £
Payables held at amortised cost	9,409	9,409
	9,409	9,409

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional related costs. Prior to agreeing a tenancy agreement with a new tenant, checks are performed to assess their creditworthiness. In addition, the investment advisor regularly reviews the reports on any tenants in arrears and upcoming tenancy end dates are monitored.

All cash balances at the period end were held with Metro Bank PLC.

Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 Fair Value hierarchy for investment property, which is the only asset type held at fair value.

	Level 1 £	Level 2 £	Level 3 £	Total £
Investment Property	-	-	1,242,184	1,242,184
	<u>-</u>	<u>-</u>	<u>1,242,184</u>	<u>1,242,184</u>

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in an active market for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

There were no transfers between levels during the year.