

# Bricklane London REIT plc

Company registration number: 10759361

Annual Report and Financial Statements  
For the year ended 30 June 2019

## Directory

<b>Non-executive Directors</b>	Simon Heawood Michael Young Paul Windsor Craig Hallam
<b>Registered office</b>	Floor 3 26 Finsbury Square London EC2A 1DS
<b>Registered number</b>	10759361 (England and Wales)
<b>Alternative Investment Fund Manager</b>	Gallium Fund Solutions Limited Gallium House Station Court Borough Green Sevenoaks TN15 8AD
<b>Independent Auditor</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
<b>Investment Advisor</b>	Bricklane Investment Services Ltd Floor 3 26 Finsbury Square London EC2A 1DS  <i>An appointed representative of Gallium Fund Solutions Limited</i>
<b>Legal advisors</b>	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
<b>Standing Independent Valuer</b>	Allsop LLP Platform (8 <sup>th</sup> Floor) New Station Street Leeds LS1 2RY
<b>TISE Listing Sponsor</b>	Carey Olsen Corporate Finance Ltd 47 Esplanade St Helier Jersey JE1 0BD

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# Strategic Report

The Directors present their strategic report for the year ended 30 June 2019.

## Introduction

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. 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'.

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. On 18 July 2018, the company's shares were admitted to the Official List of The International Stock Exchange. Prior to July 2018 the company was not actively trading.

## Results to the year ended 30 June 2019

The Directors monitor the Group's KPIs as part of the business review, these KPIs include investment property valuation, net yield, issue price of shares, NAV per share and Adjusted Profit to Shareholders.

During the year, the Group purchased 3 properties and the portfolio has benefitted from both acquiring properties at a discount to market value, and subsequent revaluations of properties after purchase in line with transactions on comparable properties. During the year, the market value of the investment property portfolio decreased by £18,000 (2018: increase of £102,500), prior to the impact of acquisition costs.

During the year, the Group generated rental income of £156k. The weighted average net rental yield for the current portfolio properties is forecast to be 3.3% (2018: 3.2%) over the next 5 years. However, actual performance may vary from this projection.

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 year the issue price for new shares has decreased by 0.5% to £1.0913 (2018: £1.0969). The NAV per share decreased by 0.8% to £1.0340 (2018: £1.0428). During the year, the Directors declared and paid an interim dividend on 8 May 2019 of 1.5p per share. After the year end, on 26 September 2019 a further dividend of 0.3p per share was paid to shareholders.

During the year, the Company issued 1,682,959 shares and purchased 23,266 shares which are held as Treasury Shares. Since the year end no further shares were issued and the Company purchased 301,618 shares as Treasury Shares. As at the date of this report, the Company held 324,884 as Treasury Shares.

The results for the year are set out on page 13, which shows that the Adjusted Profit to Shareholders was £49k which takes into account the impact of acquisition costs incurred during the year. Prior to this adjustment the loss for the year was £47k.

## Principal risks and uncertainties

The management of the business and execution of the group's strategy is subject to a number of risks. The principal risks affecting the group include:

*Market risk* - macroeconomic conditions leading to poor rental income and/or capital performance. Although the wider market risk is largely dependent on factors the group cannot control, the group will continue to manage its exposure by maintaining and growing a portfolio that is diversified across the target markets. In order to deliver the sustainable returns, the group targets 'mainstream' properties that appeal to a wide range of tenants, and which exhibit strong rental and sales demand.

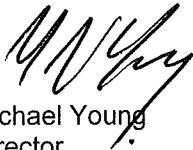
*Valuation risk* – the value of property is inherently subjective due to the individual nature of each property. In determining the value of properties, valuers are required to make assumptions, which may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property assets of the group. This is particularly so in periods of volatility or when there is a limited real estate transactional data against which property valuations can be benchmarked. This risk is minimised by the appointment of external property valuers who are independent and professional.

*Investment risk* - poor selection of assets for acquisition leading to poor rental income and/or capital performance. To mitigate this risk the group will seek to maintain a diversified portfolio and the investment adviser, Bricklane Investment Services Ltd, carries out rigorous due diligence prior to each acquisition.

*Regulatory risk* - a failure to meet current or increased legal or regulatory obligations or anticipate and respond to changes in regulation that creates increased and costly obligations. The group recognises the importance of meeting all regulatory and legal obligations and so closely monitors regulatory changes.

*Risk of reliance on the AIFM and Investment Advisor* – The ability of the Group to achieve its investment objective depends on the ability of the AIFM and Investment Advisor for identifying, acquiring and disposing of investments. In addition, the Investment Advisor pays the fees for some of the Company's service providers that would otherwise be incurred by the Company. The Board will monitor the performance of the AIFM and the Investment Advisor, and has the ability to change or vary their appointment subject to relevant notice requirement.

This report was approved by the Directors on 19 December 2019 and signed on its behalf by



Michael Young  
Director

## Directors' Report for the year ended 30 June 2019

The Directors present their report and the audited financial statements of Bricklane London REIT plc together for the year ended 30 June 2019.

### Distributions

Interim dividends totalling 1.5p per share were paid during the year on 8 May 2019. After the year end, on 26 September 2019 a further dividend of 0.3p per share was paid to shareholders. To meet the requirements needed to maintain its status as a REIT, the group will continue to make PID payments within 12 months from the end of the accounting period. 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.

### Purchase of own shares

To satisfy the demand from subscribers to sell their shares, the company purchased 23,266 Ordinary shares of 1 pence each for an aggregate consideration of £25,390.19. The shares are held as Treasury Shares.

### Going concern

The Directors consider the group and company to be a going concern and the financial statements are prepared on this basis.

### Directors

The Directors who served during the year, and up to the date of signing are:

Simon Heawood,  
Michael Young,  
Paul Windsor, and  
Craig Hallam

### Statement of Directors' Responsibilities

The Directors are responsible for preparing these 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 they are required to prepare financial statements in accordance with IFRSs as adopted by the EU 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 group, and the profit and loss for that year. In preparing the financial statements, the Directors are required to:

- Selected suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group, and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

### Employment

The group has no employees.

### Directors Indemnity Insurance

The Directors have a benefit of an indemnity in respect of liabilities arising out of the proper performance of their duties and an exclusion of liability.

**Independent auditors**

Grant Thornton UK LLP were appointed as auditor during the year, and are deemed to be re-appointed under 487(2) of the Companies Act 2006.

This report was approved by the Board of Directors on 19 December 2019 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'M Young', written in a cursive style.

Michael Young  
Director

# Independent auditor's report to the members of Bricklane London REIT plc

## Opinion

### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Bricklane London REIT plc (the 'parent company') and its subsidiary (the 'group') for the year ended 30 June 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes of Equity, the Group and Company Statement of Cash Flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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 group and the parent 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 as applied to listed entities, 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Overview of our audit approach**



**Grant Thornton**

- Overall materiality: £47,616, which represents 1% of the group's net assets;
- Key audit matters were identified as valuation of investment property and recognition of revenue;



## Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included those that 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.

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Valuation of investment property</b></p> <p>The group's investment property portfolio is required to be held at fair value under International Accounting Standard (IAS) 40 'Investment Property'. The valuation of the properties within this portfolio is inherently subjective due to the specific factors affecting each property.</p> <p>Allsop LLP were appointed as the independent, external valuer (the 'valuer').</p> <p>The valuer takes into account property-specific information such as the location, property condition, and the sale of comparable properties in the market. We identified the valuation of investment property as a significant risk, which was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because of the existence of estimation uncertainty.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>• agreeing the year end property valuations recorded in the financial statements to the professional valuation reports. This also included vouching all additions during the period, with consideration of authorisation and contractual confirmation;</li><li>• assessing the competence, capability and objectivity of the company's external valuer and the appropriateness of their work in respect of the investment property valuation;</li><li>• holding a meeting with the valuer at which the valuations of all properties, the valuation methodology and any assumptions contained therein were discussed in detail, taking into account property-specific factors; and</li><li>• exercising professional scepticism and judgement by challenging the valuer on the assumptions that they applied to each property, as well as confirming that these were not subsequently overridden by management.</li></ul> <p>The company's accounting policy on investment property is shown in note 1 to the financial statements and related disclosures are included in note 6.</p> <p><b>Key observations</b> From the work conducted above, we did not identify any material differences.</p>
<p><b>Recognition of revenue</b></p> <p>Revenue for the group consists of rental income, recognised in accordance with IAS 17: 'Leases'. This income is based on tenancy agreements.</p> <p>We identified the recognition of revenue as a significant risk, which was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because overstatement of revenue could have a material impact on the group's net asset value, earnings per share, its level of dividend cover and compliance with REIT regulations.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>• agreeing rental income to signed tenancy agreements;</li><li>• creating an expectation of rental income and comparing our expectation to the rental income recognised in the financial statements and seeking explanations for any differences greater than our defined acceptance range;</li><li>• testing a sample of revenue transactions and inspecting underlying contracts in order to gain comfort over occurrence of revenue;</li></ul>

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**Key Audit Matter****How the matter was addressed in the audit**

- agreeing a sample of revenue receivables at the period end to post year end receipts and
- considering the group's revenue recognition policy in the context of our substantive testing, to confirm that the policy has been correctly applied and that it is in accordance with IAS 17.

The company's accounting policy on revenue recognition is shown in note 1 to the financial statements

**Key observations**

From the work conducted above, we did not identify any material differences.

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**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be £47,616, which is 1% of group's net assets. This benchmark is considered the most appropriate because of the nature of the group as a Real Estate Investment Trust, where stakeholders are most interested in the net asset value.

Materiality for the current year is higher than the level that we determined for the year ended 30 June 2018 to reflect the increase in the group's net assets in the year.

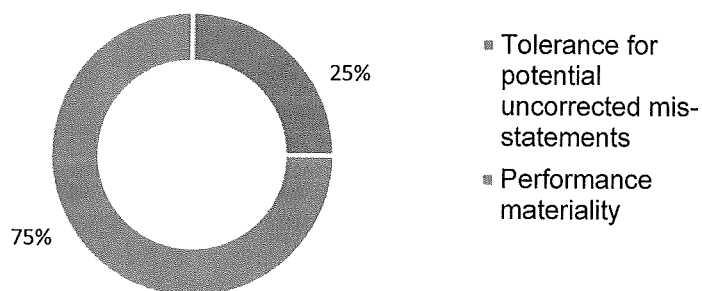
We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

We determined the threshold at which we will communicate misstatements to the audit committee to be £2,381. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

**Overall materiality**

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## **An overview of the scope of our audit**

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation the company's internal control environment including its IT systems and controls, understanding of company's investment strategy and understanding of investment valuation process.
- full scope audit performed by the audit team on the financial statements of the group.
- a substantive approach using professional judgement to determine the extent of testing required over each balance in the financial statements.

## **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.

### **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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.

## **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and parent 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.

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

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 6, 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 group's and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

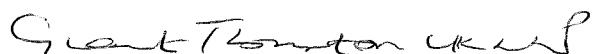
### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



**Paul Flatley**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
19 December 2019

**Group Statement of Comprehensive Income**  
For the year ended 30 June 2019

	<i>Notes</i>	<b>30 Jun</b>	<b>30 Jun</b>
		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Rental Income		156,377	51,255
<b>Property Management Expenses</b>			
Property Management Fees & Letting Costs		(12,585)	(3,719)
Service Charges & Ground Rent		(10,325)	(2,234)
Repairs & Maintenance Costs		(24,705)	(3,632)
Depreciation		(3,805)	(1,604)
Other Expenses		(3,023)	(5,274)
<b>Rental Profit</b>		<b>101,934</b>	<b>34,792</b>
Unrealised Capital (Losses) / Gains		(18,000)	95,402
Property Acquisition Costs during the year		(95,633)	(172,215)
<b>Net change in fair value on investment property</b>		<b>(113,633)</b>	<b>(77,011)</b>
<b>Property Loss</b>		<b>(11,699)</b>	<b>(42,219)</b>
<b>Fund Expenses</b>			
Bank Charges		(255)	(166)
Bricklane Management Fee		(34,690)	(9,476)
Interest payable		-	(434)
<b>Profit/(loss) before Taxation</b>		<b>(46,644)</b>	<b>(52,295)</b>
Taxation	10	-	(1,026)
<b>Profit/(loss) and total comprehensive income for the year</b>		<b>(46,644)</b>	<b>(53,321)</b>

<i>Analysed as:</i>			
Rental Profit		101,934	34,792
Unrealised Capital (Losses) / Gains		(18,000)	95,204
Bricklane Management Fee		(34,690)	(9,476)
Other Fund Expenses		(255)	(600)
<b>Adjusted profit to Shareholders</b>		<b>48,989</b>	<b>120,086</b>
Property Acquisition Costs during the year	15	(95,633)	(172,215)
<b>Profit/(loss) before Taxation</b>		<b>(46,644)</b>	<b>(52,295)</b>
Taxation	10	-	(1,026)
<b>Profit/(loss) and total comprehensive income for the year</b>		<b>(46,644)</b>	<b>(53,321)</b>

Earnings per ordinary share (basic & diluted) (p)

13

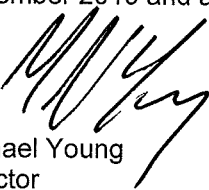
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**Group Statement of Financial Position**  
As at 30 June 2019

	<i>Notes</i>	<b>30 Jun 2019</b> £	<b>30 Jun 2018</b> £
<b>Non-Current assets</b>			
Investment property	1,6	4,165,924	2,801,524
Property, plant and equipment	1,5	15,666	12,568
		<b>4,181,590</b>	<b>2,814,092</b>
<b>Current assets</b>			
Receivables	8	13,268	79,317
Cash and cash equivalents		604,353	163,370
		<b>617,621</b>	<b>242,687</b>
<b>Current liabilities:</b> amounts falling due within one year	9	(37,660)	(9,539)
<b>Net Assets</b>		<b>4,761,551</b>	<b>3,047,240</b>
<b>Capital and reserves</b>			
Share capital	3	46,052	29,222
Share premium		839,820	3,071,339
Capital reduction reserve		4,001,034	-
Treasury Shares		(25,390)	-
Retained profit		(99,965)	(53,321)
<b>Shareholders' funds</b>		<b>4,761,551</b>	<b>3,047,240</b>
Net asset value per share		£1.0340	£1.0428

These financial statements were approved by the Board of Directors and authorised for issue on 19 December 2019 and are signed on behalf of the board by:

  
Michael Young  
Director

Company registration number 10759361

The accompanying notes set out on page 18 to 24 form an integral part of these financial statements.

**Company Statement of Financial Position**  
As at 30 June 2019

	<i>Notes</i>	<b>30 Jun 2019</b> £	<b>30 Jun 2018</b> £
<b>Non-Current assets</b>			
Investment property	1,6	4,165,924	2,801,524
Property, plant and equipment	1,5	15,666	12,568
Investment in subsidiary		1	1
		<u>4,181,591</u>	<u>2,814,093</u>
<b>Current assets</b>			
Receivables	8	13,268	79,317
Cash and cash equivalents		604,353	163,370
		<u>617,621</u>	<u>242,687</u>
<b>Current liabilities:</b> amounts falling due within one year	9	(37,661)	(9,540)
<b>Net Assets</b>		<u>4,761,551</u>	<u>3,047,240</u>
<b>Capital and reserves</b>			
Share capital	3	46,052	29,222
Share premium		839,820	3,071,339
Capital reduction reserve		4,001,034	-
Treasury Shares		(25,390)	-
Retained profit		(99,965)	(53,321)
<b>Shareholders' funds</b>		<u>4,761,551</u>	<u>3,047,240</u>

**Group and Company Statement of Changes in Equity**  
For the year ended 30 June 2019

	Share Capital £	Share Premium £	Capital Reduction Reserve £	Treasury Shares £	Retained Earnings £	Total £
<b>Balance at 30 June 2017</b>	<b>0.01</b>	-	-	-	-	<b>0.01</b>
Proceeds from the issue of Ordinary Shares	29,222	3,071,339	-	-	-	3,100,561
Total Comprehensive Income for the period	-	-	-	-	(53,321)	(53,321)
<b>Balance at 30 June 2018</b>	<b>29,222</b>	<b>3,071,339</b>	-	-	<b>(53,321)</b>	<b>3,047,240</b>
Proceeds from the issue of Ordinary Shares	16,830	1,835,124	-	-	-	1,851,954
Capital Reduction	-	(4,066,643)	4,066,643	-	-	-
Dividends Paid	-	-	(65,609)	-	-	(65,609)
Treasury Shares	-	-	-	(25,390)	-	(25,390)
Total Comprehensive Income for the year	-	-	-	-	(46,644)	(46,644)
<b>Balance at 30 June 2019</b>	<b>46,052</b>	<b>839,820</b>	<b>4,001,034</b>	<b>(25,390)</b>	<b>(99,965)</b>	<b>4,761,551</b>



**Group and Company Statement of Cash Flows**  
As at 30 June 2019

	<i>Notes</i>	<b>30 Jun 2019</b> £	<b>30 Jun 2018</b> £
<b>Cash Flows from Operating Activities</b>			
Total comprehensive income for the Operating Period		<b>(46,644)</b>	<b>(53,321)</b>
Adjusted for;			
Unrealised valuation losses / (gains) on investment property	6	18,000	(95,204)
Property acquisitions costs		95,633	172,215
(Increase) / decrease in receivables	8	66,049	(79,317)
Increase in payables	9	28,121	9,539
Depreciation	5	3,805	1,604
<b>Net Cash Flows used in Operating Activities</b>		<b>164,964</b>	<b>(44,484)</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition and refurbishment of investment property	5	(1,478,033)	(2,878,535)
Purchase of property, plant and equipment	6	(6,903)	(14,172)
<b>Net Cash Flows from Investing Activities</b>		<b>(1,484,936)</b>	<b>(2,892,707)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from the issue of ordinary shares	3	1,851,954	3,100,561
Share buy backs		(25,390)	-
Dividends paid		(65,609)	-
<b>Net Cash Flows from Financing Activities</b>		<b>1,760,955</b>	<b>3,100,561</b>
Increase in cash and cash equivalents		440,983	163,370
Cash and cash equivalents at the start of the year		163,370	-
<b>Cash and cash equivalents at the end of the year</b>		<b>604,353</b>	<b>163,370</b>

# Notes to the Consolidated and Company Financial Statements

## for the year ended 30 June 2019

### 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'. All notes, with the exception of note 7 relate to both the group and the company.

These audited financial statements of the company and group for the year ended 30 June 2019 have been prepared in accordance with and comply with International Financial Reporting Standards ('IFRSs') as adopted by the EU and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention except investment property which are stated at their fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements. The accounting policies set out below are applicable to the Group and Company unless otherwise stated.

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.

After due consideration of the future expected cash flows of the company and group, the directors are confident that the company and group have sufficient financial resources to meet its obligations as a going concern for the foreseeable future, being more than 12 months from the date of approval of the financial statements. The financial statements have therefore been prepared on a going concern basis.

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.

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have become effective in the current year:

- IFRS 9, 'Financial Instruments', represent a change from the existing requirements in IAS 39 in respect of financial assets, which are measured at amortised cost or fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. Due to the nature and size of the group's financial instruments, this standard does not have any material impact on the group's financial statements.
- IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 11 and IAS18 and some revenue-related interpretations and establishes a single comprehensive framework for revenue recognition. IFRS 15 does not apply to lease contracts within the scope of IAS 17 'leases' or, from its date of application, IFRS 16 'Leases'. This standard does not have any material impact on the group's financial statements as the majority of the group's revenue consists of rental income from the group's investment properties.

#### Standards issued but not yet effective

The following standards have been issued but are not effective for this accounting year and have not been adopted early:

- IFRS 16, 'Leases', replaces the existing standard IAS 17 Leases, where lessees are required to make a distinction between a finance lease and an operating lease. Effective for reporting periods beginning on or after 1 January 2019. As the approach to lessor accounting is substantially unchanged in IFRS 16 compared to IAS 17, the group does not consider that the new standard will have any material impact on the group's financial statements.

**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

	30 June 2019	30 June 2018
	£	£
Allotted, called up and fully paid		
4,605,152 ordinary shares (2018: 2,922,193) of £0.01 each	46,052	29,222

During the year 1,682,959 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 company acquired 23,266 of its own shares during the year for an aggregate consideration of £25,390.19. The shares are held as Treasury Shares.

The share issue costs during the year were paid by Bricklane Investments Services Ltd, the group's Investment Advisor.

During 2019 the company cancelled its share premium account to create a distributable reserve, which has been classified as a capital reduction reserve.

### 4. Auditor remuneration

Fees of £23,000 (2018: £18,000) are payable to the group's auditor for the audit of the group's annual accounts. This fee will be paid by Bricklane Investment Services Ltd on behalf of Bricklane London REIT plc.

### 5. Property, plant and equipment

	Furniture, fixtures and fittings £
<b>Period ended 30 June 2018</b>	
Opening carrying amount	-
Additions	14,172
Depreciation charge	(1,604)
<b>Carrying amount</b>	<b>12,568</b>
<b>As at 30 June 2018</b>	
Cost	14,172
Accumulated depreciation	(1,604)
<b>Carrying amount</b>	<b>12,568</b>
<b>Year ended 30 June 2019</b>	
Opening net book amount	12,568
Additions	6,903
Depreciation charge	(3,805)
<b>Carrying amount</b>	<b>15,666</b>
<b>As at 30 June 2019</b>	
Cost	21,075
Accumulated depreciation	(5,409)
<b>Carrying amount</b>	<b>15,666</b>

## 6. Investment Property

	30 June 2019 £	30 June 2018 £
<b>Fair value</b>		
Brought forward	2,801,524	-
Additions:		
- Direct acquisitions	1,383,000	2,697,500
- Acquisition costs	95,633	172,215
- Capitalised acquisition costs	(600)	1,524
Gain / (loss) from fair value adjustments on investment property (net of Acquisition costs)	(113,633)	(69,715)
Carried forward	<u>4,165,924</u>	<u>2,801,524</u>

## 7. Investment in subsidiary (company only)

	30 June 2019 £	30 June 2018 £
<b>Cost</b>		
Brought forward	1	-
Additions	-	1
Carried forward	<u>1</u>	<u>1</u>

Bricklane London REIT Plc holds 100% of the ordinary shares in Bricklane London Acquisitions Ltd, a dormant company incorporated in the United Kingdom.

## 8. Receivables

	30 June 2019 £	30 June 2018 £
Accounts receivable	4,126	640
Share issue receivable*	-	71,263
Prepayments	9,142	7,414
	<u>13,268</u>	<u>79,317</u>

\*Prior to the year end 30 June 2018, new shares were issued by the company. The funds to purchase these shares were held in the company's AIFM and due for settlement after the year end. As these funds are no longer refundable the shares are considered fully paid.

## 9. Current liabilities

	30 June 2019 £	30 June 2018 £
Accounts payable	56	381
Accruals	9,017	7,182
Other creditors*	27,637	1,026
Provision	950	950
	<u>37,660</u>	<u>9,539</u>

\*Other creditors consist of amounts due to broker for share buyback and withholding tax.

## 10. Taxation

	30 June 2019 £	30 June 2018 £
Tax charge for the year	-	1,026

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

	30 June 2019 £	30 June 2018 £
<b>Profit/(Loss) before tax</b>	<b>(46,644)</b>	<b>(53,321)</b>
Tax calculated at UK standard rate of corporation tax of 19%	(8,862)	(10,131)
Valuation gains on investment property	3,420	(18,089)
Non-deductible expenditure	18,893	33,026
<b>Property rental business profits</b>	<b>13,451</b>	<b>4,806</b>
Rental profits exempt under REIT regime	(13,451)	(3,780)
<b>Tax charge for the year</b>	<b>-</b>	<b>1,026</b>

## 11. Employees and directors

The group does not have any employees.

Three of the four Directors do not receive any remuneration for their roles as Directors of the group. One director received a total fee of £14,500 during the year (2018: £14,291), however this fee was paid by Bricklane Investment Services Ltd.

## 12. Operating leases

The future aggregate minimum lease payments due to the group under non-cancellable operating leases are as follows:

	30 June 2019 £	30 June 2018 £
Expiring within one year	41,040	48,660
Expiring later than one year but not later than five years	-	28,050

## 13. Earnings per share

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
Profit and total comprehensive income for the year	£(46,644)	£(53,321)
Earnings per share	(1.2p)	(3.7p)
<hr/>		
Weighted average number of ordinary shares in the year	3,817,386	1,450,155

#### **14. Events after the balance sheet date**

After the 30 June 2019 Bricklane London REIT Plc did not issue any further shares and purchased 301,618 shares as part of share buyback. As at the date of this report, the Company held 324,884 as Treasury Shares.

#### **15. 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 year. 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 year.

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.

#### **16. 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 year.

##### **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 year to maturity date.

<b>30 June 2019</b>	<b>Less than 1 year £</b>	<b>Total £</b>
Payables held at amortised cost	37,660	37,660
	<b>37,660</b>	<b>37,660</b>
<b>30 June 2018</b>	<b>Less than 1 year £</b>	<b>Total £</b>
Payables held at amortised cost	9,539	9,539
	<b>9,539</b>	<b>9,539</b>

#### **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 year end were held with Metro Bank PLC and Barclays 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.

<b>30 June 2019</b>	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
Investment Property	-	-	4,165,924	4,165,924
	-	-	<b>4,165,924</b>	<b>4,165,924</b>
<b>30 June 2018</b>	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
Investment Property	-	-	2,801,524	2,801,524
	-	-	<b>2,801,524</b>	<b>2,801,524</b>

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.

#### **17. Related party transactions**

Unless otherwise disclosed in these Financial Statements, there have been no other related party transactions during the year.