

# Bricklane London REIT plc

Company registration number: 10759361

Half Yearly Consolidated Financial Report  
for the six months ended 31 December 2019 (unaudited)

## 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 Ltd Gallium House Station Court Borough Green Sevenoaks TN15 8AD
<b>Independent Auditor</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
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<b>Standing Independent Valuer</b>	Allsop LLP 33 Park Place Leeds LS1 2RY
<b>TISE Listing Sponsor</b>	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 2019

## Introduction

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 and after the period, the Group purchased no further properties.

During the period, the market value of the investment property portfolio decreased by £45k (1.0%), (2018: increase of £17k; 0.5%).

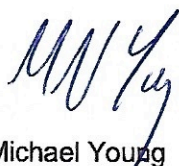
The weighted average net rental yield for the current portfolio properties is forecast to be 3.3% over the next 5 years on current property valuations. Actual performance may vary as more properties are added to the portfolio, and existing properties are revalued.

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 decreased by 1.31% to £1.077 (2018: increase of 0.76%; £1.1052). The NAV per share decreased by 1.12% to £1.035 (2018: increase of 0.09%; £1.0541). Since the period end, the Company has issued no further shares and has purchased 132,612 Treasury Shares and have sold 4,513 Treasury Shares. At the date of this report the Company held 454,400 as Treasury Shares.

As at the date of this report, Directors are continuing to assess the impact of the Coronavirus pandemic on the Company. The valuation report for the property portfolio received from the independent valuers for the end of March 2020 included a caveat that there was material valuation uncertainty. In addition, the 'lock down' as a result of the pandemic could potentially increase property voids and/or tenant bad debt. It is too early to assess the financial impact of the ongoing crisis. However, the uncertainty does not relate to the Period under review and is considered to be a non-adjusting subsequent event.

The results for the period are set out on page 5, which shows that the Adjusted Profit to Shareholders was £2,019 (2018: £49,294), which takes into account the impact of acquisition costs incurred during the period. Prior to this adjustment the profit for the period was £632 (2018: (£6,017) loss).

This report was approved by the Directors on 29 April 2020 and signed on its behalf by



Michael Young  
Director

**Group Statement of Comprehensive Income**  
For the period ended 31 December 2019 (unaudited)

		1 Jul 2019 - 31 Dec 2019 £	1 Jul 2018 - 31 Dec 2018 £	(Audited) 1 Jul 2019 – 30 Jun 2019 £
Rental Income		92,510	69,364	156,377
<b>Property Management Expenses</b>				
Property Management Fees & Letting Costs		(8,198)	(5,158)	(12,585)
Service Charges & Ground Rent		(9,463)	(3,975)	(10,325)
Repairs & Maintenance Costs		(4,028)	(8,057)	(24,705)
Depreciation		(2,276)	(1,588)	(3,805)
Other Expenses		(1,869)	(2,072)	(3,023)
<b>Rental Profit</b>		<b>66,676</b>	<b>48,514</b>	<b>101,934</b>
Unrealised Capital Gains / (Losses)	5	(45,000)	17,000	(18,000)
Property Acquisition Costs during the Period		(1,386)	(55,311)	(95,633)
<b>Net change in fair value on investment property</b>		<b>(46,386)</b>	<b>(38,311)</b>	<b>(113,633)</b>
<b>Property Profit</b>		<b>20,290</b>	<b>10,203</b>	<b>(11,699)</b>
<b>Fund Expenses</b>				
Bank Charges		(153)	(110)	(255)
Bricklane Management Fee		(19,505)	(16,110)	(34,690)
<b>Profit/(loss) before Taxation</b>		<b>632</b>	<b>(6,017)</b>	<b>(46,644)</b>
Taxation	2	-	-	-
<b>Profit/(loss) and total comprehensive income for the period</b>		<b>632</b>	<b>(6,017)</b>	<b>(46,644)</b>

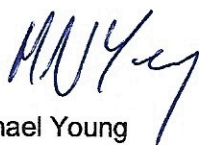
	<b>1 Jul 2019 - 31 Dec 2019</b>	<b>1 Jul 2018 - 31 Dec 2018</b>	<b>(Audited) 1 Jul 2019 – 30 Jun 2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Analysed as:</i>			
Rental Profit	66,676	48,514	101,934
Unrealised Capital Gains / (Losses)	(45,000)	17,000	(18,000)
Bank Charges	(153)	(110)	(255)
Bricklane Management Fee	(19,505)	(16,110)	(34,690)
<b>Adjusted profit to Shareholders</b>	<b>2,019</b>	<b>49,294</b>	<b>48,989</b>
Property Acquisition Costs during the Period	(1,386)	(55,311)	(95,633)
<b>Profit/(loss) before Taxation</b>	<b>632</b>	<b>(6,017)</b>	<b>(46,644)</b>
Taxation	-	-	-
<b>Profit/(loss) and total comprehensive income for the year</b>	<b>632</b>	<b>(6,017)</b>	<b>(46,644)</b>

Earnings per ordinary share (basic & diluted)	11	0.0p	(0.2p)	(1.2p)
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**Group Statement of Financial Position**  
As at 31 December 2019 (unaudited)

	<i>Notes</i>	<b>31 Dec 2019</b> £	<b>31 Dec 2018</b> £	<b>30 Jun 2019</b> £
<b>Non-Current assets</b>				
Investment property	5	4,120,462	3,687,597	4,165,924
Property, plant and equipment		13,930	18,479	15,666
		<b>4,134,392</b>	<b>3,706,076</b>	<b>4,181,590</b>
<b>Current assets</b>				
Receivables	6	14,645	24,876	13,268
Cash and cash equivalents		292,100	325,211	604,353
		<b>306,745</b>	<b>350,087</b>	<b>617,621</b>
<b>Payables:</b> amounts falling due within one year	7	(19,808)	(15,891)	(37,660)
<b>Net Assets</b>		<b>4,421,329</b>	<b>4,040,272</b>	<b>4,761,551</b>
<b>Capital and reserves</b>				
Share capital	3	46,052	38,300	46,052
Share premium		839,820	4,061,310	839,820
Capital reduction reserve		3,987,762	-	4,001,034
Treasury Shares		(352,972)	-	(25,390)
Retained profit		(99,333)	(59,338)	(99,965)
<b>Shareholders' funds</b>		<b>4,421,329</b>	<b>4,040,272</b>	<b>4,761,551</b>
Net asset value per share (£)		1.0333	1.0549	1.0340

These financial statements were approved by the Board of Directors and authorised for issue on 29 April 2020 and are signed on behalf of the board by:



Michael Young  
Director

Company registration number 10759361

The accompanying notes set out on page 10 to 13 form an integral part of these financial statements.

**Group Statement of Changes in Equity**  
For the period ended 31 December 2019 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Capital Reduction Reserve	Treasury Shares	Total
	£	£	£	£	£	£
<b>Balance at 30 Jun 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	9,078	989,971	-	-	-	999,049
Total Comprehensive Income for the Period	-	-	(6,017)	-	-	(6,017)
<b>Balance at 31 Dec 2018</b>	<b>38,300</b>	<b>4,061,310</b>	<b>(59,338)</b>	-	-	<b>4,040,272</b>
Proceeds from the issue of Ordinary Shares	7,752	845,153	-	-	-	852,905
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 Period	-	-	(40,627)	-	-	(40,627)
<b>Balance at 30 Jun 2019</b>	<b>46,052</b>	<b>839,820</b>	<b>(99,965)</b>	<b>4,001,034</b>	<b>(25,390)</b>	<b>4,761,551</b>
Proceeds from the issue of Ordinary Shares	-	-	-	-	-	-
Dividends Paid	-	-	-	(13,272)	-	(13,272)
Treasury Shares	-	-	-	-	(327,582)	(327,582)
Total Comprehensive Income for the Period	-	-	632	-	-	632
<b>Balance at 31 Dec 2019</b>	<b>46,052</b>	<b>839,820</b>	<b>(99,333)</b>	<b>3,987,762</b>	<b>(352,972)</b>	<b>4,421,329</b>



## Group Statement of Cash Flows

As at 31 December 2019 (unaudited)

	<i>Notes</i>	1 Jul 2019 - 31 Dec 2019 £	1 Jul 2018 - 31 Dec 2018 £	(Audited) 1 Jul 2018 – 30 Jun 2019 (£)
<b>Cash Flows from Operating Activities</b>				
Total comprehensive income for the Operating Period		632	(6,017)	(46,644)
Adjusted for;				
Unrealised valuation gains on investment property	5	45,000	(17,000)	18,000
Property acquisitions costs		1,386	55,311	95,633
Decrease / (Increase) in receivables	6	(1,377)	54,441	66,049
Increase / (Decrease) in payables	7	(17,852)	6,352	28,121
Depreciation		2,276	1,588	3,805
<b>Net Cash Flows used in Operating Activities</b>		<b>30,065</b>	<b>94,675</b>	<b>164,964</b>
<b>Cash Flows from Investing Activities</b>				
Acquisition and refurbishment of investment property		(925)	(924,385)	(1,478,033)
Purchase of property, plant and equipment		(539)	(7,498)	(6,903)
<b>Net Cash Flows from Investing Activities</b>		<b>(1,464)</b>	<b>(931,883)</b>	<b>(1,484,936)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from the issue of ordinary shares		-	999,049	1,851,954
Purchase of Treasury Share		(327,582)	-	(25,390)
Dividends Paid	4	(13,272)	-	(65,609)
<b>Net Cash Flows from Financing Activities</b>		<b>(340,854)</b>	<b>999,049</b>	<b>1,760,955</b>
Increase in cash and cash equivalents		(312,253)	164,841	440,983
Cash and cash equivalents at the start of the period		604,353	163,370	163,370
<b>Cash and cash equivalents at the end of the period</b>		<b>292,100</b>	<b>325,211</b>	<b>604,353</b>

## **Notes to the Consolidated and Company Financial Statements** for the period ended 31 December 2019 (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 2019. 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 annual audited accounts for the year ended 30 June 2019 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 2019	31 Dec 2018	30 June 2019
Share capital	£46,052	£38,300	£46,052
Ordinary shares of £0.01 each (Allotted, called up and fully paid)	4,605,152	3,829,975	4,605,152

During the period no further, 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.

#### 4. Dividends

On 18 September 2019, the Directors declared an interim dividend at a rate of 0.3p per share, which was paid on 26 September 2019.

#### 5. Investment Property

	31 Dec 2019 £	31 Dec 2018 £	30 June 2019 £
<b>Fair value at start of the period</b>	<b>4,165,924</b>	<b>2,801,524</b>	<b>2,801,524</b>
Additions:			
- Direct acquisitions	-	867,999	1,383,000
- Subsequent expenditure	-	1,074	95,633
- Capitalised acquisition costs	(462)	-	(600)
Gain from fair value adjustments on investment property	(45,000)	17,000	(113,633)
<b>Fair value at end of the period</b>	<b>4,120,462</b>	<b>3,687,597</b>	<b>4,165,924</b>

#### 6. Receivables

	31 Dec 2019 £	31 Dec 2018 £	30 June 2019 £
Accounts receivable	6,222	2,660	4,126
Share issue receivable*	-	13,876	-
Prepayments	8,423	8,340	9,142
	<b>14,645</b>	<b>24,876</b>	<b>13,268</b>

\*Prior to period end 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.

#### 7. Payables

	31 Dec 2019 £	31 Dec 2018 £	30 June 2019 £
Accounts payable	9,642	381	56
Accruals	8,538	13,534	9,017
Other creditors	678	1,026	27,637
Provision	950	950	950
	<b>19,808</b>	<b>15,891</b>	<b>37,660</b>

## 8. 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 £7,250 (2018: £7,250) during the period, however this fee was paid by Bricklane Investment Services Ltd.

## 9. 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.

	31 Dec 2019	31 Dec 2018	30 June 2019
Profit and total comprehensive income for the period	£632	£(6,017)	£(46,644)
Weighted average number of ordinary shares in the period	4,413,531	3,524,438	3,817,386

## 10. Events after the balance sheet date

No further shares were issued after 31 December 2019. Since the period end the Company has purchased 132,612 Treasury Shares and have sold 4,513 Treasury Shares. At the date of this report the Company held 454,400 as Treasury Shares.

On 23 January 2020, the Directors declared an interim dividend at a rate of 0.3p per share, which was paid on 30 January 2020.

As at the date of this report, Directors are continuing to assess the impact of the Coronavirus pandemic on the Company. However, the uncertainty does not relate to the Period ended 31 December 2019 and is considered to be a non-adjusting subsequent event.

## 11. 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.