

Bricklane Residential REIT plc

Company registration number: 10301242

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	10301242 (England and Wales)
Alternative Investment Fund Manager	Gallium Fund Solutions Ltd Gallium House Station Court Borough Green Sevenoaks TN15 8AD
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

Bricklane Residential REIT plc became the principal company in a UK REIT (Real Estate Investment Trust) group on 1 December 2016. 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 Residential 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 Residential REIT plc owns a subsidiary entity, which together are referred to as the 'Group'.

The principal activity of Bricklane Residential REIT plc is property investment in the United Kingdom. The Group's investment objective is to make long-term investments in residential property in UK cities, focussing on Manchester, Birmingham and Leeds.

During the period, the Group purchased 6 properties (2016: 3) and a further 3 properties were purchased since the period end.

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 period, the market value of the investment property portfolio increased by £90.4k (2.1%) (2016: £23.6k (3.2%)), prior to the impact of acquisitions costs.


During the period, the Group generated net rental income of £67k (2016: £3k). The weighted average net rental yield for the current portfolio properties is forecast to be 3.9% 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 3.1% to £1.1065 (2016: 3.4%; 1.0335). The NAV per share increased by 2.9% to £1.0652 (2016: 0.07%; £1.0007).

Since the period end, the company has issued a further 1,876,526 shares

The results for the period are set out on page 5, which shows that the Adjusted Profit to Shareholders was £139,022 (2016: £25,094), which takes into account the impact of acquisition costs incurred during the period. Prior to this adjustment the profit for the period was £80,345 (2016: £(9,099)).

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 period ended 31 December 2017 (unaudited)

		1 Jul 2017 – 31 Dec 2017 £	28 Jul 2016 – 31 Dec 2016 £	(Audited) 28 Jul 2016 – 30 Jun 2017 £
Rental Income		115,079	5,016	61,796
Property Management Expenses				
Property Management Fees & Letting Costs		(10,146)	(566)	(5,934)
Service Charges & Ground Rent		(16,335)	(1,016)	(9,574)
Repairs & Maintenance Costs		(11,124)	(336)	(2,754)
Depreciation		(1,794)	(94)	(773)
Other Expenses		(8,677)	(180)	(5,240)
Rental Profit		67,003	2,824	37,521
Unrealised Capital Gains	4	90,400	23,601	94,491
Property Acquisition Costs during the Period	4	(58,677)	(34,793)	(152,001)
Net change in fair value on investment property		31,723	(11,192)	(57,510)
Property Profit		98,726	(8,368)	(19,989)
Fund Expenses				
Bank Charges		(183)	(58)	(406)
Bricklane.com Management Fee		(18,198)	(673)	(10,776)
Profit/(loss) before Taxation		80,345	(9,099)	(31,171)
Taxation		-	(197)	(197)
Profit/(loss) and total comprehensive income for the period		80,345	(9,296)	(31,368)
<i>Analysed as:</i>				
Rental Profit		67,003	2,824	37,521
Unrealised Capital Gains		90,400	23,601	94,491
Bricklane.com Management Fee		(18,198)	(673)	(10,776)
Bank Charges		(183)	(58)	(406)
Adjusted profit to Shareholders	10	139,022	25,694	120,830
Property Acquisition Costs during the Period		(58,677)	(34,793)	(152,001)
Profit/(loss) before Taxation		80,345	(9,099)	(31,171)
Earnings per ordinary share (basic & diluted)	8	2.0p	(2.0p)	(2.3p)

Group Statement of Financial Position

As at 31 December 2017 (unaudited)

	Notes	31 Dec 2017 £	31 Dec 2016 £	(Audited) 30 Jun 2017 £
Non-Current assets				
Investment property	4	4,566,426	755,000	3,263,000
Property, plant and equipment		17,738	5,140	15,158
		4,584,164	760,140	3,278,158
Current assets				
Receivables	5	152,025	136,338	104,126
Cash and cash equivalents		21,044	155,165	173,828
		173,069	291,503	277,954
Payables: amounts falling due within one year	6	(13,163)	(10,784)	(20,200)
Net Assets		4,744,070	1,040,859	3,535,912
Capital and reserves				
Share capital	3	44,535	10,401	34,167
Share premium		1,782,642	1,039,754	665,197
Capital reduction reserve		2,867,916	-	2,867,916
Retained profit		48,977	(9,296)	(31,368)
Shareholders' funds		4,744,070	1,040,859	3,535,912
Net asset value per share		£1.0653	£1.0007	£1.0349

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 10301242

The accompanying notes set out on page 9 to 12 form an integral part of these financial statements.

Group Statement of Changes in Equity
For the period ended 31 December 2017 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Capital reduction reserve	Total
	£	£	£	£	£
Balance at 28 Jul 2016	-	-	-	-	-
Proceeds from the issue of Ordinary Shares	10,401	1,039,754	-	-	1,050,155
Total Comprehensive Income for the Period	-	-	(9,296)	-	(9,296)
Balance at 31 Dec 2016	10,401	1,039,754	(9,296)	-	1,040,859
Proceeds from the issue of Ordinary Shares	23,766	2,493,359	-	-	2,517,125
Total Comprehensive Income for the Period	-	-	(22,072)	-	(22,072)
Creation of capital reduction reserve	-	(2,867,916)	-	2,867,916	-
Balance at 30 Jun 2017	34,167	665,197	(31,368)	2,867,916	3,535,912
Proceeds from the issue of Ordinary Shares	10,368	1,117,445	-	-	1,127,813
Total Comprehensive Income for the Period	-	-	80,345	-	80,345
Balance at 31 Dec 2017	44,535	1,782,642	48,977	2,867,916	4,744,070

Group Statement of Cash Flows
As at 30 December 2017 (unaudited)

	<i>Notes</i>	1 Jul 2017 – 31 Dec 2017 £	28 Jul 2016 – 31 Dec 2016 £	(Audited) 28 Jul 2016 – 30 Jun 2017 £
Cash Flows from Operating Activities				
Total comprehensive income for the Operating Period		80,345	(9,296)	(31,368)
Adjusted for;				
Unrealised valuation gains on investment property	4	(90,400)	(23,601)	(94,491)
Property acquisitions costs		58,677	34,793	152,001
Increase in receivables	5	(47,899)	(136,338)	(22,099)
Increase in payables	6	(7,037)	10,784	20,200
Depreciation		1,794	95	773
Net Cash Flows used in Operating Activities		(4,520)	123,562	25,016
Cash Flows from Investing Activities				
Acquisition and refurbishment of investment property	4	(1,271,702)	(766,192)	(3,320,510)
Purchase of property, plant and equipment		(4,375)	(5,236)	(15,931)
Net Cash Flows from Investing Activities		(1,276,077)	(771,428)	(3,336,441)
Cash Flows from Financing Activities				
Proceeds from the issue of ordinary shares	3	1,127,813	1,050,155	3,485,253
Net Cash Flows from Financing Activities		1,127,813	1,050,155	3,485,253
Increase in cash and cash equivalents		(152,784)	155,165	173,828
Cash and cash equivalents at the start of the period		173,828	-	-
Cash and cash equivalents at the end of the period		21,044	155,165	173,828

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

1. Accounting policies

Basis of preparation

Bricklane Residential 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 audited annual report 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 Residential 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	31 Dec 2016	30 June 2017
Share capital	£44,535	£10,401	£34,167
Ordinary shares of £0.01 each (Allotted, called up and fully paid)	4,453,461	1,040,113	3,416,748

During the period 1,036,713 (2016: 1,040,113) of share capital was issued by the company. 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. Investment Property

	31 Dec 2017 £	31 Dec 2016 £	30 June 2017 £
Fair value at start of the period	3,263,000	-	-
Additions:			
- Direct acquisitions	1,213,026	729,500	3,165,000
- Subsequent expenditure	-	1,899	3,509
Gain from fair value adjustments on investment property	90,400	23,601	94,491
Fair value at end of the period	<u>4,566,426</u>	<u>755,000</u>	<u>3,263,000</u>

5. Receivables

	31 Dec 2017 £	31 Dec 2016 £	30 June 2017 £
Accounts receivable	11,480	-	6,373
Share issue receivable	118,469	111,017	82,027
Prepayments	22,076	1,071	14,726
Property deposit	-	24,250	1,000
	<u>152,025</u>	<u>136,338</u>	<u>104,126</u>

6. Payables

	31 Dec 2017 £	31 Dec 2016 £	30 June 2017 £
Accounts payable	220	214	514
Deferred income	352	9,505	10,954
Accruals	12,394	143	8,236
Other creditors	197	922	496
	<u>13,163</u>	<u>10,784</u>	<u>20,200</u>

7. 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 (2016: £14,400) during the period, however this fee was paid by Bricklane Investment Services Ltd.

8. 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 2017	31 Dec 2016	30 June 2017
Profit and total comprehensive income for the period	£80,345	£(9,296)	£(31,368)
Weighted average number of ordinary shares in the period	3,992,666	454,896	1,391,917

9. Events after the balance sheet date

After the 31 December 2017 Bricklane Residential REIT Plc continued to issue shares on a fortnightly basis. Since the period end, a further 1,876,526 shares were issued.

On 22 March 2018, the Directors declared an interim dividend at a rate of 2p per share.

10. 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.