Bricklane Residential REIT plc

Company registration number: 10301242

Half Yearly Consolidated Financial Report
for the six months ended 31 December 2020 (unaudited)

Directory

Non-executive Directors	Simon Heawood Michael Young Paul Windsor Craig Hallam
Registered office	20 Baltic Street London EC1Y 0UL
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	Crowe UK LLP 55 Ludgate Hill London EC4M 7JW
Investment Advisor	Bricklane Investment Services Ltd 20 Baltic Street London EC1Y 0UL *An appointed representative of Gallium Fund Solutions Ltd*
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 2020

Introduction
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 two subsidiary entities, 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. On 23 September 2016, the Company's shares were admitted to the Official List of The International Stock Exchange.

Results for the period ended 31 December 2020
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.

The market value of the investment Group's portfolio decreased over the reporting period by £660k (2019 gain: £12,500), prior to the impact of acquisition costs. The change in market valuation is composed of 1) subsequent revaluation properties after purchase as assessed by our independent, external valuer are in line with transactions on comparable properties and 2) the cost impact of the fire safety remediation work (c. £1.8m).

During the reporting period, the Group generated rental income of £531k (2019: £279k). The weighted average net rental yield for the current portfolio properties is forecast to be 3.2% (2019: 3.8%) over the next 5 years. However, actual performance may vary from this projection.

Fire Safety Issues
Over the course of the reporting period, the Group has been dealing with the emerging impact of fire safety issues that has been causing serious problems in the UK residential property market. In response to the Grenfell Fire, the Government has introduced several new fire safety regulations in order to protect residents of high-rise buildings. Consequently, all buildings over six storeys are now carrying out an External Wall Survey (EWS), a new industry-wide process, which is intended to reassure leaseholders as to the fire safety of the building.

The scope of the concern has expanded beyond the original form of cladding responsible for the Grenfell tragedy, and it is estimated that approximately 90% of buildings over six storeys are now failing this survey, which means that remedial work will be required in order to satisfy the new regulatory standards. This issue is expected to affect 1.5 million flats across the country and will create considerable hardship for many families and homeowners in what is already a very challenging time.

45% of units in the Group's portfolio are located in buildings that have failed an External Wall Survey or have the report outstanding, and are therefore likely to require remedial works, bringing costs to the fund as leaseholder.

We have estimated the total cost at c.£1.8m, based on our communications with building managers, who are responsible for commissioning the surveys and ensuring that remedial works are carried out. However there remains uncertainty around this estimate as we await outstanding inspections and firm quotes.

Bank Covenant
As a result of the UK-wide fire safety issues, the cost of building insurance on affected buildings has increased dramatically. This was particularly acute in the Brindley House development, where the Group owns 28 units, which saw an increase of ~1,000% compared to the previous year's premium. The increased cost has led to the subsidiary, Bricklane Regional Acquisitions Ltd, breaching its interest cover ratio loan covenant in Q2, Q3, Q4 in FY20 and in Q1 FY21. The Directors are working with Barclays to remedy this

breach, however in the interim period the covenants for Q2, Q3 & Q4 2020 have been waived. The covenants for Q1 2021 have not yet been waived.

Going concern

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

As at 31 December 2020, the Group had net assets of £14,497,414 (2019: £12,935,826) and net current liabilities of £5,738,295 (2019: £2,821,829 net current assets). The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows.

The Group and Company meets its ordinary working capital requirements through its rental income and disposals of investment properties. The Group has a bank facility with Barclays, which is repayable on 24 February 2023. Interest for the bank facility is covered by rental income.

The Group is subject to principal risks and uncertainties, for the purpose of going concern assessment, the Directors have considered the various key risks and scenarios to assess whether the Group is a going concern over the foreseeable future, being at least 12 months from the date of approval of the interim financial statements.

Cost of fire safety remediation work

Based on the information available, the Directors have recognised a reduction in fair value of investment property of c.£1.8m.

Due to the uncertainty over the timing of the work, the Directors believe that approximately £700k of cash will be required by the end of 2021. The Directors have prepared a forecast based on blocks that have already become eligible for the Government's Building Safety Fund (BSF) or likely to be eligible in the coming weeks, meaning that the work is likely to be commence soon. Those buildings that have not yet been made eligible for the fund may have the work carried out at a later date, or not at all.

To ensure sufficient funds are available, the Directors have agreed offers for sale of assets totaling c. £1.9m, which should be completed in the coming weeks, with further assets listed on the market. The Directors are comfortable that sufficient sales to meet the Company's cash requirement, however there is uncertainty as to the exact proceeds and timing of these sales.

As a result of the impact of the fire safety issue, the Directors announced on 25 March 2021 that they are actively reviewing the best possible options available to the Group, which include whether shareholders' interests are best served through an orderly sale of properties, after which any surplus cash would be returned.

Barclays debt covenant breach

Directors have been proactively engaged with Barclays to address concerns over the quality of their security caused by the fire safety issues. Their concerns would diminish once funding for remediation work on affected assets has been agreed. In addition, the Directors are discussing a partial repayment of the loan, having proposed to sell further assets with a combined value in the region of £3.2m. There is uncertainty whether Barclays will accept this proposal and whether the sales will come to fruition in the relevant timeframe.

Covid-19 Pandemic

During the period, many tenants' individual circumstances were seriously affected, whether by furlough, redundancy or social isolation. The Group's managing agent proactively engaged with tenants to maximise retention and reduce tenant arrears.

Current Government restrictions do not have any restrictions on letting activities and therefore there is no immediate concern to the Group.

The Directors have noted and considered the risks facing the Group but are comfortable that adequate steps have been taken to generate cash flow over short to medium term to pay for debts as they fall due, and productive discussions are progressing to renegotiate the loan terms and covenants. Having regard to the above, the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements but recognise that, as a result of the fire safety issue, there is a material uncertainty as to whether the Group can continue as a going concern, of which the shareholders should be aware. In order to protect the interest of shareholder, the Directors shall consider the options available which may involve the orderly sale of properties in order to return any excess cash funds to shareholders.

Share issues and dividends

Historically, when the Group has issued shares the issuance price is set using net asset value per share. In order to treat existing investors fairly, the issuance price used 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 reporting period the effective issue price for new shares has decreased by 15.2% to £0.9928 (2019: £1.1539). The NAV per share decreased by 3.3% to £0.9287 (2019: £1.1319).

However, since April 2020 there have been more intended sellers of shares than buyers, which means that trades have been completed at a discount to the normal issuance price. At the period end, the traded share price for the Company was £0.8852 which represents a 10.8% discount to the issuance price. Since period end this discount has increased.

The Company intended to pay interim dividends on a quarterly basis in cash. However, due to the impact of fire safety remediation work, distributions have been paused until further notice. Once the dividend payments restart, the payment of any dividends will be subject to market conditions and the level of the Company's net income.

During the period, the Company issued no shares and since the period end, no further shares were issued. No Treasury shares were bought or sold during the period, at period end 333,717 Treasury Shares were held.

The results for the year are set out on page 7, which shows that the Adjusted Loss to Shareholders was £508,587 (2019: £110,351 profit), which takes into account the impact of acquisition costs incurred during the period. Prior to this adjustment the loss for the period was £508,587 (2019: £97,189 profit).

This report was approved by the Directors on 27 May 2021 and signed on its behalf by

Michael Young
Director

Group Statement of Comprehensive Income

For the period ended 31 December 2020 (unaudited)

	Note	1 Jul 2020 – 31 Dec 2020 £	1 Jul 2019 – 31 Dec 2019 £	(Audited) 1 Jul 2019 – 30 Jun 2020 £
Rental Income		531,378	279,760	742,388
Property Management Expenses				
Property Management Fees & Letting Costs		(49,720)	(25,970)	(63,055)
Service Charges & Ground Rent		(173,734)	(70,869)	(225,060)
Repairs & Maintenance Costs		(78,384)	(17,596)	(85,664)
Depreciation		(4,235)	(3,372)	(6,711)
Other Expenses		(40,687)	(7,757)	(35,952)
Interest Expense		(85,331)	-	(58,897)
Rental Profit		**99,287**	**154,196**	**267,049**
Unrealised Capital Gains / (Losses)	*5*	(504,969)	12,500	(1,991,737)
Fair value loss due to property acquisition costs		-	(13,162)	(853,853)
Unrealised capital gains net of property acquisition costs		**(504,969)**	**(662)**	**(2,845,590)**
Property Profit / (Loss)		**(405,682)**	**153,534**	**(2,578,541)**
Fund Expenses				
Bank Charges		(35,620)	(139)	(24,909)
Bricklane Management Fee		(67,285)	(56,206)	(127,933)
Profit/(loss) and total comprehensive income for the period		**(508,587)**	**97,189**	**(2,731,383)**

Analysed as:				
Rental Profit		99,287	154,196	267,049
Unrealised Capital Gains / (Losses)		(504,969)	12,500	(1,991,737)
Bricklane Management Fee		(67,285)	(56,206)	(127,933)
Bank Charges		(35,620)	(139)	(24,909)
Adjusted profit / (loss) to Shareholders	*11*	**(508,587)**	**110,351**	**(1,877,530)**
Fair value loss due to property acquisition costs		-	(13,162)	(853,853)
Profit/(loss) and total comprehensive income for the year		**(508,587)**	**97,189**	**(2,731,383)**

Earnings per ordinary share (basic & diluted)	*9*	(3.3p)	0.8p	(21.1p)

Group Statement of Financial Position

As at 31 December 2020 (unaudited)

	Notes	**31 Dec 2020** **£**	**31 Dec 2019** **£**	(Audited) **30 Jun 2020** **£**
Non-Current assets				
Investment property	*5*	20,197,519	10,093,072	20,702,488
Property, plant and equipment		38,190	20,925	22,480
		20,235,709	**10,113,997**	**20,724,968**
Current assets				
Receivables	*6*	140,718	47,747	96,244
Cash and cash equivalents		278,161	2,924,042	451,174
		418,879	**2,971,789**	**547,418**
Payables: amounts falling due within one year	*7*	(6,157,174)	(149,960)	(6,266,385)
Net Assets		**14,497,414**	**12,935,826**	**15,006,001**
Capital and reserves				
Share capital	*3*	159,436	117,738	159,436
Share premium		14,898,470	9,977,755	14,898,470
Capital reduction reserve		2,499,311	2,575,864	2,499,311
Treasury shares		(385,022)	(397,909)	(385,022)
Retained profit		(2,674,781)	662,378	(2,166,194)
Shareholders' funds		**14,497,414**	**12,935,826**	**15,006,001**
Net asset value per share		£0.9287	£1.1319	£0.9613

These financial statements were approved by the Board of Directors and authorised for issue on 27 May 2021 and are signed on behalf of the board by:

Michael Young
Director

Company registration number 10301242

The accompanying notes set out on page 11 to 16 form an integral part of these financial statements.

Group Statement of Changes in Equity

For the period ended 31 December 2020 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Capital reduction reserve	Treasury shares	Total
	£	£	£	£	£	£
Balance at 1 Jul 2019	**116,333**	**9,817,001**	**565,189**	**2,622,429**	**-**	**13,120,952**
Proceeds from the issue of Ordinary Shares	1,405	160,839	-	-	-	162,244
Total Comprehensive Income for the Period	-	-	97,189	-	-	97,189
Purchase of Treasury Shares	-	-	-	-	(582,080)	(582,080)
Sale of Treasury Shares	-	-	-	-	184,171	184,171
Gain / (loss) on sale of Treasury Shares	-	(85)	-	-	-	(85)
Dividends	-	-	-	(46,565)	-	(46,565)
Balance at 31 Dec 2019	**117,738**	**9,977,755**	**662,378**	**2,575,864**	**(397,909)**	**12,935,826**
Proceeds from the issue of Ordinary Shares	41,698	4,915,295	-	-	-	4,956,993
Total Comprehensive Income for the Period	-	-	(2,828,572)	-	-	(2,828,572)
Purchase of Treasury Shares	-	-	-	-	(150,181)	(150,181)
Sale of Treasury Shares	-	-	-	-	163,068	163,068
Gain / (loss) on sale of Treasury Shares	-	5,420	-	-	-	5,420
Dividends	-	-	-	(76,553)	-	(76,553)
Balance at 30 Jun 2020	**159,436**	**14,898,470**	**(2,166,194)**	**2,499,311**	**(385,022)**	**15,006,001**
Total Comprehensive Income for the Period	-	-	(508,587)	-	-	(508,587)
Balance at 31 Dec 2020	**159,436**	**14,898,470**	**(2,674,781)**	**2,499,311**	**(385,022)**	**14,497,414**

Group Statement of Cash Flows

As at 31 December 2020 (unaudited)

	Notes	**1 Jul 2020 – 31 Dec 2020 £**	**1 Jul 2019 – 31 Dec 2019 £**	(Audited) **1 Jul 2019 – 30 Jun 2020 £**
Cash Flows from Operating Activities				
Total comprehensive income for the Operating Period		**(508,587)**	**97,189**	**(2,731,383)**
Adjusted for;				
Unrealised valuation gains / losses on investment property	*5*	504,969	(12,500)	1,991,737
Property acquisitions costs		-	13,162	853,853
(Increase)/decrease in receivables	*6*	(44,474)	16,926	(31,571)
Increase/((decrease) in payables	*7*	(109,211)	70,507	446,553
Depreciation		4,235	3,372	6,711
Loss on sale of property, plant and equipment		-	-	2,795
Net Cash Flows used in Operating Activities		**(153,068)**	**188,656**	**538,695**
Cash Flows from Investing Activities				
Acquisition and refurbishment of investment property		-	(94,919)	(13,549,263)
Purchase of property, plant and equipment		(19,945)	(1,947)	(9,636)
Net Cash Flows from Investing Activities		**(19,945)**	**(96,866)**	**(13,558,899)**
Cash Flows from Financing Activities				
Proceeds from borrowings (net of finance cost)		-	-	5,740,379
Proceeds from the issue of ordinary shares		-	162,244	5,119,237
Dividends paid	*4*	-	(46,565)	(123,118)
Purchase of Treasury Shares		-	(582,080)	(732,261)
Sale of Treasury Shares		-	184,171	347,239
Gain / (Loss) on sale of Treasury Shares		-	(85)	5,335
Net Cash Flows from Financing Activities		**-**	**(282,315)**	**10,356,811**
Increase / (decrease) in cash and cash equivalents		(173,013)	(190,525)	(2,663,393)
Cash and cash equivalents at the start of the period		451,174	3,114,567	3,114,567
Cash and cash equivalents at the end of the period		**278,161**	**2,924,042**	**451,174**

Notes to the Consolidated and Company Financial Statements
for the period ended 31 December 2020 (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 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 audited annual report for the year ended 30 June 2020 has been delivered to the Registrar of Companies.

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

Going concern

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

As at 31 December 2020, the Group had net assets of £14,497,414 (2019: £12,935,826) and net current liabilities of £5,738,295 (2019: £2,821,829 net current assets). The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows.

The Group meets its ordinary working capital requirements through its rental income and disposals of investment properties. The Group has a bank facility with Barclays, which is repayable on 24 February 2023. Interest for the bank facility is covered by rental income.

The Group is subject to principal risks and uncertainties, for the purpose of going concern the Directors have considered the various key risks and scenarios to assess the impact on going concern over the foreseeable future, being at least 12 months from the date of approval of the interim financial statements.

Cost of fire safety remediation work

It has become evident that there is a number of fire safety issues in buildings within the Group portfolio. There is some uncertainty over the remedial costs as quotes are still being obtained, along with pending external wall surveys for a number of properties. Based on the information available, the Directors have recognised a reduction in fair value to investment property of c.£1.8m.

Over the course of the year, the Group has been dealing with the emerging impact of fire safety issues that has been causing serious problems in the UK residential property market. 45% of units in the Group's portfolio are located in buildings that have failed an External Wall Survey or have the report outstanding, and are therefore likely to require remedial works, bringing costs to the fund as leaseholder. Based on the information available, the Directors have recognised a provision against property valuation of c.£1.8m.

Due to the uncertainty over the timing of the work, the Directors believe that approximately £700k of cash will be required by the end of 2021. The Directors have prepared a forecast based on blocks that have already become eligible for the Government's Building Safety Fund (BSF) or likely to be eligible in the coming weeks, meaning that the work is likely to be commence soon. Those buildings that have not yet been made eligible for the fund may have the work carried out at a later date, or not at all.

To ensure sufficient funds are available, the Directors have agreed offers for sale of assets totaling c. £1.9m, which should be completed in the coming weeks, with further assets listed on the market. The Directors are comfortable that sufficient sales to meet the Company's cash requirement, however there is uncertainty as to the exact proceeds and timing of these sales.

As a result of the impact of the fire safety issue, the Directors announced on 25 March 2021 that they are actively reviewing the best possible options available to the Group, which include whether shareholders' interests are best served through an orderly sale of properties, after which any surplus cash would be returned, indicating a further material uncertainty in relation to the going concern status of the Group.

Barclays debt covenant breach

As a result of the UK-wide fire safety issues, the cost of building insurance on affected buildings has increased dramatically. This was particularly acute in the Brindley House development, where the Group owns 28 units, which saw an increase of ~1,000% compared to the previous year's premium. The increased cost has led to the subsidiary, Bricklane Regional Acquisitions Ltd, breaching its interest cover ratio loan covenant in Q2, Q3 and Q4 in FY20 and FY21 Q1. The Directors are working with Barclays to remedy this breach, however in the interim period the covenants for Q2, Q3 & Q4 2020 have been waived. The covenants for Q1 2021 have not yet been waived.

Directors have been proactively engaged with Barclays to address concerns over the quality of their security caused by the fire safety issues. Their concerns would diminish once funding for remediation work on affected assets has been agreed. In addition, the Directors are discussing a partial repayment of the loan, having proposed to sell further assets with a combined value in the region of £3.2m. There is uncertainty whether Barclays will accept this proposal and whether the sales will come to fruition in the relevant timeframe.

Covid-19 Pandemic
During the period of the lockdown imposed by the Government during March 2020, letting activity was banned under Government restrictions. The Group experienced higher level of voids during this period and had to wait until the restrictions were lifted to improve occupancy.

During this time, many tenants' individual circumstances were seriously affected, whether by furlough, redundancy or social isolation. The Group's managing agent proactively engaged with tenants to maximise retention and reduce tenant arrears.

Current Government restrictions do not have any restrictions on letting activities and therefore there is no immediate concern to the Group.

The Directors have noted and considered the risks facing the Group but are comfortable that adequate steps have been taken to generate cash flow over short to medium term to pay for debts as they fall due, and productive discussions are progressing to renegotiate the loan terms and covenants. Having regard to the above, the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements but recognise that, as a result of the fire safety issue, there is a material uncertainty as to whether the Group can continue as a going concern, of which the shareholders should be aware. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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.

Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

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 2020	31 Dec 2019	30 June 2020
Share capital	£159,436	£117,738	£159,436
Ordinary shares of £0.01 each	15,943,571	11,773,826	15,943,571
(Allotted, called up and fully paid)			

During the period no further share were issued by the company (2019: 140,575). 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

During the period no shares were declared or paid.

5. Investment Property

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
Fair value at start of the period	**20,702,488**	**9,998,815**	**9,998,815**
Additions:			
- Direct acquisitions	-	-	12,754,000
- Acquisition costs	-	-	795,263
- Capitalised acquisition costs	-	81,757	-
Unrealised gain / (loss) from fair value adjustments on investment property (net of Acquisition costs)	(660,000)	12,500	(886,446)
Fair value adjustment for properties affected by fire safety works	155,031	-	(1,959,144)
Fair value at end of the period	**20,197,519**	**10,093,072**	**20,702,488**

The fair value of the Group's investment property at 31 December 2020 was arrived at on the basis of a valuation carried out at that date by Allsop LLP, independent valuers not connected with the Group. The valuation conforms to RICS Valuation Standards (the "Red Book") and was arrived at by reference to market evidence of transactions for similar properties. The valuation was determined based on 'Market Value', being '*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

The valuation was subject to mandatory RICS 'material uncertainty clause' as a result of External Wall Survey status for a number of properties owned by the Group. Therefore, a number of properties within the Group were valued under the "Special Assumption" that a satisfactory External Wall Survey (EWS) is available or the properties are not within the scope to require an EWS.

Subsequent information available after the period end has determined that a number of properties require remedial works to obtain a satisfactory EWS, therefore fair value of investment property has been adjusted by c.£1.8m to recognise the impact of anticipated cost of this work.

For the purpose of reporting, fair value is deemed to be the market value and the valuation technique has not changed during the year.

As at year end 77 properties had secured borrowing against them.

6. Receivables

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
Accounts receivable	16,958	11,740	20,239
Prepayments	123,760	36,007	76,005
	140,718	**47,747**	**96,244**

7. Current Liabilities

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
Accounts payable	11,956	10,648	1,484
Accruals	297,868	132,537	439,884
Other creditors	76,629	6,775	84,638
Bank loan	5,770,721	-	5,740,379
	6,157,174	**149,960**	**6,266,385**

The Group has a fixed term loan agreement payable in February 2023 with a fixed interest of 2.869%. The lender has a first charge over 77 properties owned by the Group. As at period end the Group was in breach of loan covenants as disclosed within going concern disclosure in note 1, therefore the balance has been reclassified as current liabilities.

8. 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 £7,250 (2019: £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 2020	31 Dec 2019	30 June 2020
Profit and total comprehensive income for the period	(£508,587)	£97,189	(£2,731,383)
Weighted average number of ordinary shares in the period	15,609,854	11,620,502	12,920,659

10. Events after the balance sheet date

After the 31 December 2020 Bricklane Residential REIT Plc have sold a property for a consideration of £177,500.

11. Total adjusted profit to Shareholders

The Directors had previously intended 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 issued 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.

Although the Directors are beginning an orderly wind down of the Group, and so do not intend to issue new shares, the adjusted profit to Shareholders has been provided to ensure consistency to users of the financial statements.