Bricklane Residential REIT plc

Company registration number: 10301242

Annual Report and Financial Statements
For the year ended 30 June 2021

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 Limited Gallium House Station Court Borough Green Sevenoaks TN15 8AD
Independent Auditor	Crowe U.K. 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 Limited*
Legal Advisors	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Standing Independent Valuer	Allsop LLP Platform (8th Floor) New Station Street Leeds LS1 4JB
TISE Listing Sponsor	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 2021

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 was 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.

In light of the unforeseeable changes to fire safety requirements and the Government's response to the funding of remediation costs over the past year, the Directors considered that the Group's ability to attract further meaningful capital, generate returns, and to service shareholders seeking exit had become severely compromised. On 10 June 2021, having evaluated the circumstances and available options, the Directors announced that they believed that shareholders' interests are therefore best served through an orderly sale of properties, after which net proceeds will be returned to shareholders.

Results to the year ended 30 June 2021

The Directors monitor the Group's KPIs as part of the business review, these KPIs include investment property valuation, net yield and NAV per share.

During the year, the market value of the investment Group's portfolio decreased over the year by £1.208m (2020: £1.992m) prior to the impact of acquisition costs. The Group is now actively marketing selected assets in the portfolio. By the end of the reporting period, the Group had sold £0.8m of assets and since the year end a further £3.6m have been sold.

During the year, the Group generated rental income of £1.07m (2020: £742k) and made a loss before tax of £1.27m (2020: £2.73m loss).

Fire Safety Issues

Over the course of the year, the Group has been dealing with the 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 (EWS1), a new industry-wide process, which is intended to reassure leaseholders as to the fire safety of the building.

The scope of the review 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.

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.£1.7m (net of a capped Government grant of ~£335k via the Building Safety Fund), 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. The Directors are comfortable that there is sufficient working capital to meet the expected cost of these works.

Bank Covenant

As a result of the UK-wide fire safety issues, the cost of building insurance on certain 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. Since year end, the finance agreement with Barclays has been restated to lower this covenant requirement and c.£2.4m of debt has been repaid using property sales proceeds. As a result, Directors are expecting to meet future covenant tests.

As the subsidiary was in breach of a loan covenant at the year end, the loan has been classified as a current liability. However, the loan repayment date is in February 2023.

Going concern

In assessing the Group's going concern status, the Directors have concluded that it is not appropriate to adopt the principles of going concern and therefore the Group and Company accounts have been prepared on a basis other than going concern.

As the Directors announced their intention to wind down the entities on 10 June 2021, under IAS 1 (Presentation of Financial Statements), the accounts cannot be prepared on a going concern basis. This is despite the Group having sufficient working capital to pay its debts as they fall due and the wind down process likely taking 18-24 months to complete.

A basis other than going concern may require adjustments to the financial statements to reduce assets to their recoverable values; to provide for liabilities arising from the decision and to reclassify non-current assets and long-term liabilities as current assets and liabilities. After carrying out a review of the Group, it was concluded that there were no changes to the financial statements required.

As at 30 June 2021, the Group had net assets of £13,641,589 (2020: £15,006,001) and net current liabilities of £5,112,220 (2020: £5,718,967).

Share issues and dividends

During the year, the Directors declared and paid an interim dividend of 0.006p per share in June 2021. After the year end, no further dividends were paid to shareholders.

Directors are now intending to revert to quarterly dividends, which were paused during the last financial year.

During the year, the Company issued no shares and no further Treasury shares were bought. At year end 333,717 Treasury Shares were held.

The results for the year are set out on page 15, which shows that the Adjusted Loss to Shareholders was £1,281,961 (2020: £1,877,530), which takes into account the impact of acquisition costs incurred during the year. Prior to this adjustment the loss for the year was £1,270,753 (2020: £2,731,383).

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 can lead to poor rental income and/or capital performance. Although the wider market risk is largely dependent on factors the Group cannot control, the Group managed its exposure by maintaining and growing a portfolio that is diversified across the target market, however now the Group is in the process of selling down its portfolio.

Liquidity risk – The Group has a potential outflow of c.£1.7m for estimated remedial cost of replacing combustible cladding and other materials, which represent a fire safety issue. This therefore requires that the Group sell unaffected assets and use the proceeds to fund remediation work for affected assets, so that these are saleable in the future.

Valuation risk – The value of property has inherent uncertainty 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. Inaccurate assumptions underlying the valuation reports could negatively affect the value of any property assets of the Group. This is particularly the case in periods of volatility or when there is a limited real estate transactional data against which property valuations can be benchmarked. This risk is reduced by the appointment of external property valuers who are independent and professional. The Group has recognised a c.£1.7m provision against fair value of the investment property as potential remedial cost of replacing combustible cladding and other materials to satisfy the fire safety requirements.

Borrowing risk – At the year end the Group held a bank loan of £5.9m, which was in breach of a loan covenant. However, since the year end, c.£2.4m has been repaid and the loan agreement with Barclays Bank Plc has been amended, meaning that for future periods the loan covenants are expected to be met. The Group was compliant with the amended covenants for the quarter ended 31 December 2021.

Investment risk - Poor selection of assets for acquisition can lead to poor rental income and/or capital performance. To mitigate this risk the Group sought to maintain a diversified portfolio and the Group carried out rigorous due diligence, in conjunction with its advisors, prior to each acquisition.

Regulatory risk - A failure to meet current or increased legal or regulatory obligations can create 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 to identify, acquire and dispose 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 Adviser and has the ability to change or vary their appointment subject to relevant notice requirement.

Statement on s172 of the Companies Act 2006

Section 172(1) of the Companies Act requires Directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as whole, taking into account: –

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, tenants and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the company.

The Directors act proactively to ensure that all decisions are taken for the benefit of the stakeholders which include both tenants and shareholders, there are no employees in the Group. The portfolio is managed by a specialist property manager who are able to engage with tenants and sustain tenancies, dealing with tenant issues in a timely manner and also ensuring all compliance aspects are adequately dealt with thereby building up a high standard and reputation amongst our tenants. The same level of high standards is expected from suppliers to deliver a good service in return for a prompt payment for their services.

To balance our commitment and when making long term decisions, Directors carefully consider all key decisions that impact shareholders, such include deployment of capital for acquisition of properties, which is considered on a case-by-case basis with investment cases being approved by the AIFM prior to acquisition. In order to independently value the assets and reflect any movement in asset values, the Directors engage the service of Allsop LLP (a RICS surveyor) to perform bi-annual valuations. The Directors also ensure that any additional risk faced with long term borrowing is adequately monitored and the risks are mitigated by fixed term interest rates and by maintaining a low loan to value ratio.

Directors regularly hold board meetings to discuss and make decisions that impact the Group, which also include decisions to acquire and sell any Treasury Shares.

The Group is not reporting on energy emissions as it is below the reporting threshold.

This report was approved by the Directors on 25 February 2022 and signed on its behalf by

Michael Young
Director

Directors' Report for the year ended 30 June 2021

The Directors present their report and the audited financial statements of Bricklane Residential REIT plc together for the year ended 30 June 2021.

Distributions
The results for the year are set out in the attached financial statements.

Interim dividends of 0.006p per share were paid during the year on 16 June 2021. After the year end, no further dividends were paid to shareholders. These dividends enabled the Group to meet the requirements needed to maintain its status as a REIT. 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.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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:

- Select 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 international accounting standards in conformity with the requirements of the Companies Act 2006; 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
Crowe U.K. LLP were appointed as auditor on 4th December 2020 and are deemed to be re-appointed under 487(2) of the Companies Act 2006.

Disclosure of information to auditor
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board of Directors on 25 February 2022 and signed on its behalf by

Michael Young
Director

Independent auditor’s report to the Members of Bricklane Residential REIT plc

Opinion

We have audited the financial statements of Bricklane Residential REIT plc (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 30 June 2021, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2021;
- the Group and parent company statements of financial position as at 30 June 2021;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company's affairs as at 30 June 2021 and of the Group’s loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with the provisions of the Companies Act 2006; 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 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, 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.

Emphasis of a matter – financial statements prepared on a basis other than going concern

We draw attention to Note 1 to the financial statements which explains that following the announcement of the directors’ plan to wind up the Company due to the ongoing fire safety crisis the directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 1 and we do not form any conclusions in respect of going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £200,000 (2020: £230,000), based on a benchmark of approximately 1% of the gross assets.

We use a different level of materiality (‘performance materiality’) to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. The overall performance materiality was determined to be £142,000 (2020: £164,000).

We determined that for other account balances, classes of transactions and disclosures not related to investment properties a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users. We determined that materiality for these areas should be £17,000 (2020: £18,000), which was set at 5% of EBITDA adjusted for gain or loss on revaluation of investment properties. The performance materiality for these areas was determined to be £12,000 (2020: £12,000).

We determined that the same measure as the Group was appropriate for the Parent Company, and the materiality and specific materiality applied were £140,000 (2020: £170,000) and £11,900 (2020: £14,700). The performance materiality for parent Company's overall materiality and specific materiality was determined to be £100,000 (2020: £71,000) and £8,500 (2020: £10,500).

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £850 (2020: £900). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our engagement is in respect of the Group's consolidated financial statements and those of the Parent Company.

Our audit approach was developed by obtaining a thorough understanding of the Group's activities and is risk based. Based on this understanding we assessed those aspects of the Group and Subsidiary Companies transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly. We undertook a combination of analytical procedures and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

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 which 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. In addition to the matter described in the emphasis of matter paragraph, we have determined the matters described below to be the key audit matters to be communicated in our report.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
The valuation of the investment property portfolio (2021: £18.7m; 2020: £20.7m) The fair value is based on the market values determined annually by management and independent external valuers (Allsop LLP). The valuation requires significant judgement and estimation.	*Our audit procedures over the valuation of investment properties included:* • Assessing the Group's internal control environment to ensure the processes behind the financial reporting process were robust; • Gaining an understanding of the nature of the assets in the portfolio and ensuring classification and designation are appropriate and in line with our expectations;

The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Group's properties. Allsop LLP highlighted in its report that there is a 'material uncertainty' clause attached to its valuation. This is with respect to 48 dwellings in the portfolio which fall into the 'Fail' or 'Outstanding' categories in relation to their External Wall Survey (EWS) status. The valuers have lower than normal degree of confidence in their stated market values with respect to such dwellings.	• Reviewing the stated accounting policy and ensuring it is appropriate to the designation and has been applied consistently; • Where third party data was used to support a valuation, we considered the independence and provenance of the third party data; • Assessing the valuation approach followed by the external valuer in reaching their conclusions; • Evaluating the capability, suitability and competence of Allsop LLP, the Group's external valuer, giving specific focus to their qualification and independence; • Creating independent expectations for value and yield based on market industry data and comparing these to the portfolio results at the year end, based on asset class and segment, thus identifying outliers; • Discussing with the external valuer the findings from our audit and challenge them with regard to the outliers identified by the audit team, as well as understand the appropriateness of the adjustments made to take into consideration the impact of Covid-19 & the EWS; • Analysing profit and loss on disposal of properties during the year as an indication of the appropriateness of the carrying values; and • Reviewing the adequacy and completeness of disclosures.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 directors' report and strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the Company.

We completed a risk-assessment process during our planning for this audit that specifically considered the risk of fraud. This process included enquiry of management and those charged with governance, as well as developing our understanding of the legal and regulatory framework, the Group and Parent Company's policies and procedures around laws and regulations and financial reporting. The audit process included a specific review of the Group's internal control environment over key systems and processes.

Based on our understanding of the Group and industry, discussions with management and the Audit Committee we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

Other laws and regulations where non-compliance may have a material effect on the Group's operations are laws and regulations associated with the listing on the International Stock Exchange and REIT regime compliance.

To identify risks of material misstatement due to fraud we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;

- reading minutes of board and audit committee meetings;
- considering whether remuneration incentive schemes or performance targets exist.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, fraudulent revenue recognition and valuation of investment properties. We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. Further detail on the audit procedures performed in respect of fraudulent revenue recognition and valuation of investment properties is set out in the key audit matter disclosures above.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- examining supporting documents for all material balances, transactions and disclosures;
- enquiry of management about litigations and claims and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- specific audit testing on and review of areas that could be subject to management override of controls and potential bias, most notably around the key judgments and estimates, including the carrying value of accruals and provisions, recoverability of debtors, capitalisation of expenses;
- considering management override of controls outside of the normal operating cycles including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements including evaluating the business rationale of significant transactions outside the normal course of business;
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

Leo Malkin

Leo Malkin (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

3 March 2022

Group Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	30 Jun 2021	30 Jun 2020
		£	**£**
Rental Income		1,068,873	742,388
Property Management Expenses			
Property Management Fees & Letting Costs		(98,741)	(63,055)
Service Charges & Ground Rent		(349,805)	(225,060)
Repairs & Maintenance Costs		(207,644)	(85,664)
Depreciation		(10,514)	(6,711)
Other Expenses		(65,933)	(35,952)
Interest Expense	*3*	(169,271)	(58,897)
Rental Profit		**166,965**	**267,049**
Unrealised Capital Gains Losses		(1,207,685)	(1,991,737)
Realised Capital Losses		(6,901)	-
Fair value gain / (loss) due to property acquisition costs		11,208	(853,853)
Unrealised & realised capital gains net of property acquisition costs		**(1,203,378)**	**(2,845,590)**
Property Profit		**(1,036,413)**	**(2,578,541)**
Fund Expenses			
Bank Charges		(70,797)	(24,909)
Administration Fees		(163,543)	(127,933)
Profit / (loss)		**(1,270,753)**	**(2,731,383)**
Profit / (loss) and total comprehensive income for the year		**(1,270,753)**	**(2,731,383)**

Analysed as:			
Rental Profit		166,965	267,049
Unrealised Capital Losses		(1,207,685)	(1,991,737)
Realised Capital Loss		(6,901)	-
Administration Fees & Other Fund Expenses		(234,340)	(152,842)
Adjusted profit / (loss) to Shareholders		**(1,281,961)**	**(1,877,530)**
Fair value loss due to property acquisition costs		11,208	(853,853)
Profit before Taxation		**(1,270,753)**	**(2,731,383)**
Taxation		-	-
Profit/(loss) and total comprehensive income for the year		**(1,270,753)**	**(2,731,383)**
Earnings per ordinary share (basic & diluted) (p)	*14*	(8.1p)	(21.1p)

Group Statement of Financial Position
As at 30 June 2021

	Notes	**30 Jun 2021** **£**	**30 Jun 2020** **£**
Non-Current assets			
Investment property	*1,7*	18,700,987	20,702,488
Property, plant and equipment	*1,6*	52,822	22,480
		18,753,809	**20,724,968**
Current assets			
Receivables	*9*	225,983	96,244
Cash and cash equivalents		1,202,642	451,174
		1,428,625	**547,418**
Current liabilities: amounts falling due within one year	*10*	(6,540,845)	(6,266,385)
Net Assets		**13,641,589**	**15,006,001**
Capital and reserves			
Share capital	*4*	159,436	159,436
Share premium		14,898,470	14,898,470
Capital reduction reserve		2,405,652	2,499,311
Treasury shares		(385,022)	(385,022)
Retained profit / (loss)		(3,436,947)	(2,166,194)
Shareholders' funds		**13,641,589**	**15,006,001**
Net asset value per share		£0.8739	£0.9613

These financial statements were approved by the Board of Directors and authorised for issue on 25 February 2022 and are signed on behalf of the board by:

Michael Young
Director

Company registration number 10301242

The accompanying notes set out on page 23 to 32 form an integral part of these financial statements.

Company Statement of Financial Position
As at 30 June 2021

	Notes	**30 Jun 2021** **£**	**30 Jun 2020** **£**
Non-Current assets			
Investment property	*1,7*	7,057,510	8,162,069
Property, plant and equipment	*1,6*	25,427	18,994
Investment in subsidiary	*8*	5,707,860	6,736,192
		12,790,797	**14,917,255**
Current assets			
Receivables	*9*	313,795	82,322
Cash and cash equivalents		1,158,600	359,467
		1,472,395	**441,789**
Current liabilities: amounts falling due within one year	*10*	(621,603)	(353,043)
Net Assets		**13,641,589**	**15,006,001**
Capital and reserves			
Share capital	*4*	159,436	159,436
Share premium		14,898,470	14,898,470
Capital reduction reserve		2,405,652	2,499,311
Treasury Shares		(385,022)	(385,022)
Retained profit / (loss)		(3,436,947)	(2,166,194)
Shareholders' funds		**13,641,589**	**15,006,001**

The Directors have taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting a statement of comprehensive income for the Company alone. (Company Loss: £1,270,753; 2020: £2,731,383 loss).

These financial statements were approved by the Board of Directors and authorised for issue on 25 February 2022 and are signed on behalf of the board by:

Michael Young
Director

Company registration number 10301242

Group Statement of Changes in Equity

For the year ended 30 June 2021

	Share Capital £	Share Premium £	Retained Earnings £	Capital reduction reserve £	Treasury shares £	Total £
Balance at 30 June 2019	**116,333**	**9,817,001**	**565,189**	**2,622,429**	**-**	**13,120,952**
Proceeds from the issue of Ordinary Shares	43,103	5,076,134	-	-	-	5,119,237
Total Comprehensive Income for the year	-	-	(2,731,383)	-	-	(2,731,383)
Purchase of Treasury Shares	-	-	-	-	(732,261)	(732,261)
Sale of Treasury Shares	-	-	-	-	347,239	347,239
Gain on sale of Treasury Shares	-	5,335	-	-	-	5,335
Dividends paid	-	-	-	(123,118)	-	(123,118)
Balance at 30 June 2020	**159,436**	**14,898,470**	**(2,166,194)**	**2,499,311**	**(385,022)**	**15,006,001**
Total Comprehensive Income for the year	-	-	(1,270,753)	-	-	(1,270,753)
Dividends paid	-	-	-	(93,659)	-	(93,659)
Balance at 30 June 2021	**159,436**	**14,898,470**	**(3,436,947)**	**2,405,652**	**(385,022)**	**13,641,589**

Company Statement of Changes in Equity

For the year ended 30 June 2021

	Share Capital £	Share Premium £	Retained Earnings £	Capital reduction reserve £	Treasury shares £	Total £
Balance at 30 June 2019	**116,333**	**9,817,001**	**565,189**	**2,622,429**	**-**	**13,120,952**
Proceeds from the issue of Ordinary Shares	43,103	5,076,134	-	-	-	5,119,237
Total Comprehensive Income for the year	-	-	(2,731,383)	-	-	(2,731,383)
Purchase of Treasury Shares	-	-	-	-	(732,261)	(732,261)
Sale of Treasury Shares	-	-	-	-	347,239	347,239
Gain on sale of Treasury Shares	-	5,335	-	-	-	5,335
Dividends Paid	-	-	-	(123,118)	-	(123,118)
Balance at 30 June 2020	**159,436**	**14,898,470**	**(2,166,194)**	**2,499,311**	**(385,022)**	**15,006,001**
Total Comprehensive Income for the year	-	-	(1,270,753)	-	-	(1,270,753)
Dividends paid	-	-	-	(93,659)	-	(93,659)
Balance at 30 June 2021	**159,436**	**14,898,470**	**(3,436,947)**	**2,405,652**	**(385,022)**	**13,641,589**

Group Statement of Cash Flows

As at 30 June 2021

	Notes	30 Jun 2021 £	30 Jun 2020 £
Cash Flows from Operating Activities			
Total comprehensive income for the Operating Period		**(1,270,753)**	**(2,731,383)**
Adjusted for;			
Unrealised valuation losses on investment property		1,207,685	1,991,737
Realised valuation losses on disposal		6,901	-
Property acquisitions costs		(11,208)	853,853
Increase in receivables	*9*	(129,739)	(31,571)
Increase in current liabilities	*10*	274,460	446,553
Depreciation	*6*	10,514	6,711
Loss on sale of property, plant and equipment	*6*	1,479	2,795
Net Cash Flows used in Operating Activities		**89,339**	**538,695**
Cash Flows from Investing Activities			
Disposal / (Acquisition and refurbishment) of investment property		798,123	(13,549,263)
Purchase of property, plant and equipment	*6*	(42,335)	(9,636)
Net Cash Flows from Investing Activities		**755,788**	**(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	*4*	-	5,119,237
Gain on sale of Treasury Shares		-	5,335
Purchase of Treasury Shares		-	(732,261)
Sale of Treasury Shares		-	347,239
Dividends paid		(93,659)	(123,118)
Net Cash Flows from Financing Activities		**(93,659)**	**10,356,811**
Increase / (decrease) in cash and cash equivalents		751,468	(2,663,393)
Cash and cash equivalents at the start of the year		451,174	3,114,567
Cash and cash equivalents at the end of the year		**1,202,642**	**451,174**

Company Statement of Cash Flows
As at 30 June 2021

	Notes	30 Jun 2021 £	30 Jun 2020 £
Cash Flows from Operating Activities			
Total comprehensive income for the Operating Period		**(1,270,753)**	**(2,731,383)**
Adjusted for;			
Unrealised valuation losses on investment property		310,743	973,156
Realised valuation losses on disposal		6,901	
Property acquisitions costs		(9,600)	372,389
Increase in receivables	*9*	(231,473)	(17,649)
Increase in current liabilities	*10*	268,560	273,590
Depreciation	*6*	7,976	6,693
Loss on sale of property, plant and equipment		1,479	2,795
Impairment of investment in subsidiary	*8*	1,028,332	1,565,283
Net Cash Flows used in Operating Activities		**112,165**	**444,874**
Cash Flows from Investing Activities			
Disposal / (Acquisition and refurbishment) of investment property		796,515	491,201
Purchase of property, plant and equipment	*6*	(15,888)	(6,132)
Investment in subsidiary		-	(8,301,475)
Net Cash Flows from Investing Activities		**780,627**	**(7,816,406)**
Cash Flows from Financing Activities			
Proceeds from the issue of ordinary shares	*4*	-	5,119,237
Gain on sale of Treasury Shares		-	5,335
Purchase of Treasury Shares		-	(732,261)
Sale of Treasury Shares		-	347,239
Dividends paid		(93,659)	(123,118)
Net Cash Flows from Financing Activities		**(93,659)**	**4,616,432**
Increase / (decrease) in cash and cash equivalents		799,133	(2,755,100)
Cash and cash equivalents at the start of the year		359,467	3,114,567
Cash and cash equivalents at the end of the year		**1,158,600**	**359,467**

Notes to the Consolidated and Company Financial Statements
for the year ended 30 June 2021

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 direct and indirect subsidiaries, together referred as the 'Group'. All notes relate to both the Group and the Company, except where noted.

These audited financial statements of the Company and Group for the year ended 30 June 2021 have been prepared on a basis other than going concern in accordance with and comply with International Accounting Standards in conformity with the requirements of 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 comparative financial information was prepared on a going concern basis. The accounting policies set our below are applicable to the Group and Company unless otherwise stated.

The preparation of financial statements in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

In assessing the Group's going concern status the Directors have concluded that it is not appropriate to adopt the principles of going concern and therefore the Group and Company accounts have been prepared on a basis other than going concern.

Going concern
The Directors announced their intention to wind down the entities on 10 June 2021 due to the viability of the Group resulting from reduced demand for new shares, which has been driven by fire safety issues, therefore under IAS 1 (Presentation of Financial Statements), the accounts cannot be prepared on a going concern basis. This is despite the Group having sufficient working capital to pay its debts as they fall due and the wind down process likely 18-24 months to complete. In assessing the Group's going concern status on this basis, the Directors have concluded that it is not appropriate to adopt the principles of going concern and therefore the Group and Company accounts have been prepared on a basis other than going concern.

A basis other than going concern may require an adjustment to the financial statements to reduce assets to their recoverable values; to provide for liabilities arising from the decision and to reclassify non-current assets and long-term liabilities as current assets and liabilities. After carrying out a review of the Group, it was concluded that there were no changes to the financial statements required.

Basis of consolidation
The consolidated financial statements for the year ended 30 June 2021 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company as detailed in note 8. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiary are included in the consolidated financial statements from the date that control commenced.

In preparing the consolidated financial statements, intra-Group balances, transactions and unrealised gains or losses have been eliminated in full. Uniform accounting policies are adopted for all Companies within the Group.

Investments in subsidiary undertakings
Investments in subsidiary undertaking is stated at cost in the Company's statement of financial position, less any provision for impairment in value.

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.

Changes in accounting policies
The following new standards have become effective in the current year:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8. Accounting Policies, Changes in Accounting Estimates and Errors - Amendments in Definition of Material clarifies the definition of 'material' and aligns the definition used in the Conceptual Framework and the standards. Effective for reporting periods beginning on or after 1 January 2020. The Group does not consider that the new amendment has any material impact on the Group's financial statements.

Standards issued but not yet effective
No standard amendments have been issued that are applicable to the Group that are not effective or have not been adopted early.

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 to furniture and white goods which are 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.

Valuation of 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 as well as considering the impact of the fire safety issues as discussed in more detail on page 4. The fair value provided by Allsop LLP is based on the market value of the individual residential units.

Acquisition of properties
The Group has acquired no further properties during the year.

Calculation of loss allowance – Expected Credit Loss (ECL)
The Group faces risk of rent arrears and bad debt which is actively managed and monitored. Tenants have to a lodge a security deposit, held by the managing agent in a government approved scheme. This can be used to offset any rent arrears, any additional arrears can be pursued through further legal action. The Group writes off a receivable balance when there is no realistic prospect of recovery or the cost of recovery exceed the recoverable balance. On this basis the Group considers its ECL to be sufficiently immaterial for it to be recognised within the financial statements.

3. Interest payable (Group only)

	30 June 2021	**30 June 2020**
	£	**£**
Loan Interest	169,271	58,897
Total	**169,271**	**58,897**

4. Called up share capital

	30 June 2021	**30 June 2020**
	£	**£**
Allotted, called up and fully paid		
15,943,571 ordinary shares of £0.01 each (2020: 15,943,571)	159,436	159,436

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. During the year no further shares were issued and no further Treasury shares were bought or sold. At year end 333,717 Treasury Shares were held.

Earnings per share from continuing operations is disclosed in note 14.

During the year, the Directors declared and paid a dividend of 0.006p per share in June 2021. After the year end, no further dividends were paid to shareholders.

5. Auditor remuneration

Fees of £21,000 (2020: £20,000) 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 Residential REIT plc. No other fees were paid to the auditor in the year.

6. Property, plant and equipment

	Group	Company
	Furniture, fixtures and fittings £	**Furniture, fixtures and fittings £**
Year ended 30 June 2020		
Opening carrying amount	22,350	22,350
Additions	9,636	6,132
Disposals	(2,795)	(2,795)
Depreciation charge	(6,711)	(6,693)
Carrying amount	**22,480**	**18,994**
As at 30 June 2020		
Cost	37,542	34,038
Accumulated depreciation	(15,062)	(15,044)
Carrying amount	**22,480**	**18,994**
Year ended 30 June 2021		
Opening carrying amount	22,480	18,994
Additions	42,335	15,888
Disposals	(1,479)	(1,479)
Depreciation charge	(10,514)	(7,976)
Carrying amount	**52,822**	**25,427**
As at 30 June 2021		
Cost	**74,947**	44,996
Accumulated depreciation	(22,125)	(19,569)
Carrying amount	**52,822**	**25,427**

7. Investment Property

Group

	30 June 2021 £	30 June 2020 £
Fair value		
Brought forward	**20,702,488**	**9,998,815**
Additions:		
- Direct acquisitions	-	12,754,000
- Acquisition costs	-	795,263
- Capitalised acquisition costs	(11,208)	-
Disposals	(793,816)	-
Unrealised gain / (loss) from fair value adjustments on investment property (net of Acquisition costs)	(1,337,824)	(886,446)

Fair value adjustment for properties affected by fire safety works	141,347	(1,959,144)
Carried forward	**18,700,987**	**20,702,488**

As at the report date, properties to the value of £3.7m were either being actively marketed or under offer. Since year end, the Group had completed sale of properties worth £3.6m.

Company

	30 June 2021 £	30 June 2019 £
Fair value		
Brought forward	**8,162,069**	**9,998,815**
Additions:		
- Direct acquisitions	-	-
- Acquisition costs	-	313,799
- Capitalised acquisition costs	(9,600)	-
Disposals	(793,816)	-
Transfers	-	(805,000)
Unrealised gain / (loss) from fair value adjustments on investment property (net of Acquisition costs)	(279,432)	(670,982)
Fair value adjustment for properties affected by fire safety works	(21,711)	(674,563)
Carried forward	**7,057,510**	**8,162,069**

As at the report date, properties to the value of £2.6m were either being actively marketed or under offer. Since year end, the Company had completed sale of properties worth £1.15m.

The fair value of the Group and Company's investment property at 30 June 2021 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 the building safety issue. In addition to this a number of properties within the Company were valued under the "Special Assumption" where a provision is set aside to cover the cost of remedial works.

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

During the year, the Group disposed of 5 properties for a total consideration of circa £810k.

As at year end 77 properties had secured borrowing against them, post year end 61 properties have secured borrowing against them.

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.

30 June 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Investment Property	-	-	18,700,987	18,700,987
	-	**-**	**18,700,987**	**18,700,987**

30 June 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Investment Property	-	-	20,702,488	20,702,488
	-	**-**	**20,702,488**	**20,702,488**

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

The fair value of investment properties as at 30 June 2021 was determined by the Group's external valuer, Allsop LLP. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the valuer are reviewed internally by Senior management and other relevant people within the business.

The valuer's opinion of the fair value was primarily derived using comparable recent market transactions on arm's length terms.

There were no transfers between levels during the year.

8. Investment in subsidiary (Company only)

	30 June 2021 £	30 June 2020 £
Cost		
Brought forward	8,301,475	1
Additions	-	8,301,475
Disposals	-	(1)
Carried forward	**8,301,475**	**8,301,475**
Accumulated Impairment		
Brought forward	**(1,565,283)**	**-**
Impairment during the year	(1,028,332)	(1,565,283)
Carried forward	**(2,593,615)**	**(1,565,283)**
Carrying value	**5,707,860**	**6,736,192**

Bricklane Residential REIT Plc holds 100% of the ordinary shares in Bricklane Regional Holdings Limited, a holding company incorporated in the United Kingdom and is registered at 20 Baltic Street, London, EC1Y 0UL.

Bricklane Regional Holdings holds 100% of the ordinary shares in Bricklane Regional Acquisitions Limited, a company incorporated in the United Kingdom and engaged in principal activity of letting properties for rental income. It is registered at 20 Baltic Street, London, EC1Y 0UL.

9. Receivables

Group

	30 June 2021 £	30 June 2020 £
Accounts receivable	117,813	20,239
Prepayments	108,170	76,005
	225,983	**96,244**

Company

	30 June 2021 £	30 June 2020 £
Accounts receivable	108,617	5,579
Amounts due from group company	182,193	35,064
Prepayments	22,985	41,679
	313,795	**82,322**

The Group faces risk of rent arrears and bad debt which is actively managed and monitored. Tenants have to a lodge a security deposit, held by the managing agent in a government approved scheme. This can be used to offset any rent arrears, any additional arrears can be pursued through further legal action. The Group writes off a receivable balance when there is no realistic prospect of recovery or the cost of recovery exceed the recoverable balance. On this basis the Group considers its expected credit losses (ECL) to be immaterial to be recognised within the financial statements.

No loss allowance has been recognised as the Group considers ECL to be sufficiently immaterial to be recognised within the financial statements as noted in note 2.

10. Current Liabilities

Group

	30 June 2021 £	30 June 2020 £
Accounts payable	27,067	1,484
Accruals	123,617	439,884
Other creditors*	589,594	84,638
Bank loan	5,800,567	5,740,379
	6,540,845	**6,266,385**

Company

	30 June 2021 £	30 June 2020 £
Accounts payable	27,067	1,484
Accruals	56,140	322,921
Other creditors*	538,396	28,638
	621,603	**353,043**

*Other creditors include £508,770 due to Bricklane London REIT plc for a sale of an investment property which completed on the reporting date and this balance has been settled post year end.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charges on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

As at year end there were no capital commitments.

The Group has a fixed term loan agreement payable in February 2023 with a fixed interest of 2.869%. As at year end, the lender has a first charge over 77 properties owned by the Group, however post year 16 of these properties have been sold. As at 30th June 2021, the Group was in breach of loan covenants and therefore the balance has been classified as a current liability. However, since the year end, an agreement with Barclays Bank Plc has been signed, meaning that for future periods the loan covenants are expected to be met.

11. Taxation

Effective 1 December 2016 the Bricklane Residential REIT Plc elected for UK REIT status. Consequently, Bricklane Residential 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 and other criteria is met. 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 Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

12. Employees and directors

The Group does not have any employees.

None of the Directors receive any remuneration for their roles as Directors of the Group. During the year £14,500 (2020: £14,500) was paid for Director services to Crestbridge UK Limited in relation to one Director. £10,875 of this fee was paid by Bricklane Investment Services Ltd and remaining £3,625 was paid by Bricklane Residential REIT Plc.

13. Operating leases

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

	30 June 2021	**30 June 2020**
	£	**£**
Expiring within one year	232,860	163,530
Expiring later than one year but not later than five years	-	-

Operating leases relate to residential investment properties owned by the Group, which are let on standard Assured Shorthold Tenancy (AST) for a minimum of 6 months, subject to a break clause. Terms of the agreement allow the tenants to renew the contract at the end of the term to agreed revised rental.

14. 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.

	30 June 2021	**30 June 2020**
Profit / (loss) and total comprehensive income for the year	(£1,270,753)	(£2,731,383)
Earnings per share	(8.1p)	(21.1p)
Weighted average number of ordinary shares in the year	15,609,854	12,920,659

15. Events after the reporting date

After the 30 June 2021 Bricklane Residential REIT Plc issued no further shares. Since the year end, the Company has not purchased or sold any Treasury Shares, as at the date of this report, the Company held 333,717 as Treasury Shares.

Since year end the Group has sold 23 properties for a total consideration of circa £3.6m. The Group has also partially repaid £2.36m of a bank loan.

On 31 December 2021, the value of the Group investment property portfolio decreased by £362,500 based on the valuation report prepared by Allsop LLP on the date. The decrease is reflective of a change in market conditions alongside the ongoing issues with the fire safety remedial works. Management concluded that the slowdown of the market post balance sheet date constitutes a non-adjusting event.

16. Total adjusted profit to Shareholders

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 issued shares, the issue price used was calculated using net asset value and was adjusted for the amortisation of property acquisition costs. These acquisition costs were amortised over the first five years for each property from purchase. This practice is in line with other real estate investment companies.

17. Financial Risk Management

The main financial risks arising from the Group's activities are market risk, liquidity risk, interest rate 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 bi-annually.

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

Interest rate risk
The Group interest rate risk has been mitigated by entering in to fixed term loan until February 2023 at fixed interest of 2.869%.

This loan agreement is subject to financial covenants determined by LTV and interest cover ratio (ICR). No financial covenant default is triggered until the applicable LTV exceeds 60% or the ICR of net rental income to gross financing costs is less than 1.50 to 1, which will increase to 2.35 to 1 when certain fire safety works are completed. Management monitors the key covenants on a quarterly basis.

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

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

30 June 2021	**Less than 1 year £**	**More than 1 year £**	**Total £**
Payables held at amortised cost	740,278	-	740,278
Borrowings	5,800,567	-	5,800,567
	6,540,845	**-**	**6,540,845**

30 June 2020	**Less than 1 year £**	**More than 1 year £**	**Total £**
Payables held at amortised cost	526,006	-	526,006
Borrowings	5,740,379	-	5,740,379
	6,266,385	**-**	**6,266,385**

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, with a Fitch rating of B+ and Barclays Bank PLC with a Fitch rating of A+.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue its operation whilst the assets are sold in order to maximise the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group is not subject to any externally imposed capital requirements except for the requirement to observe loan covenants.

18. Related party transactions

Unless otherwise disclosed in these Financial Statements, there have been no other related party transactions during the year. During the year a management fee of £127,482 (2020: £127,933) was charged by Bricklane Investment Services Limited, a company under common control of two Directors.

As at year end, the Company had an outstanding balance owed of £9,562 (2020: £132,242).