

Bricklane Residential REIT plc

Company registration number: 10301242

Half Yearly Consolidated Financial Report
for the six months ended 31 December 2023 (unaudited)

Directory

Non-executive Directors	Simon Heawood Michael Young Paul Windsor Craig Hallam
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Registered number	10301242 (England and Wales)
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Contents

Interim strategic report	4 - 5
Group statement of comprehensive income	6
Group statement of financial position	7
Group statement of changes in equity	8
Group statement of cash flows	9
Notes to the financial statements	10 – 14

Interim Strategic Report

The Directors present their interim strategic report for the six months ended 31 December 2023.

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, focusing 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, 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 were therefore best served through an orderly sale of properties, after which net proceeds will be returned to shareholders. During the recent financial period, the Group has been in the process of selling assets in order to ultimately return capital to shareholders. The sale process has taken longer than originally envisaged due to the length of time for fire safety remediation works to be funded and completed and the evolving sales market for city centre flats.

Results for the period ended 31 December 2023

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

During the period, the market value of the investment Group's portfolio decreased by £92k (2022: £210k). The Group is now actively marketing selected assets in the portfolio. By the end of the reporting period, the Group had sold c.£1.07m of assets and since the period end a further c.£1.95m have been sold.

During the period, the Group generated rental income of £275k (2022: £348k) and made a loss before tax of £202k (2022: £313k).

Fire Safety Issues

The Group continues to deal 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 introduced several new fire safety regulations in order to protect residents of high-rise buildings. Consequently, all buildings that are more than 11m high 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.

In order to protect leaseholders from the costs of fire safety works, the Government has introduced new legislation and funding mechanisms to pay for certain remediation costs, however not all of these are fully available to commercial landlords, such as the Group. There have been three key developments in this area:

- The Government established the £5bn Building Safety Fund (BSF) to pay for remediation works in affected buildings that are over 11m tall. Early applications for BSF grants were subject to a subsidy control cap that limited total amounts paid to commercial leaseholders to c.£335k. However, applications approved after 28 July 2022 are no longer subject to this cap. We are in ongoing communications with building managers and the Government to understand the status of each building's funding application and the extent to which leaseholders are required to contribute to the costs of works.
- The Government has ensured that the UK's largest builders signed the Developer Remediation Contract, which requires them to take responsibility for all necessary work to address life-critical fire-safety defects in high-rise buildings that they developed or refurbished over the last 30 years. We

are seeking to understand the extent which works in buildings owned by the group are covered by the Developer Remediation Contract.

- The Building Safety Act 2022 has received royal assent which bring new protections for certain leaseholders, such as extending the limitation period for claims brought under the Defective Premises Act from 6 to 30 years, and to 15 years for refurbishment works. The Directors will review whether action can be taken against developers or contractors given this legislative change and where appropriate legal action will be taken.

Given the developments above, the Group has reviewed the status of each building's remediation works and the total estimated works costs are c.£784k, net of the £335k subsidy control cap. The Directors believe that the total estimate may decrease further, but a greater degree of certainty in each instance is required before this benefit can be recognised in the Group's accounts. To date, c.£870k has been paid.

The cost estimate is 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, works quotations and information on whether the costs will be funded by either the Government or third parties. The Directors are comfortable that there is sufficient working capital to meet the expected cost of these works.

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 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 12 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, except for reclassifying those investment properties readily available to market as investment property held for sale.

As at 31 December 2023, the Group had net assets of £12,219,533 (2022: £12,369,591) and net current assets of £6,504,657 (2022: £5,985,501).

Share issues and dividends

During the period and after the period end no dividends were declared or paid to shareholders. The Directors had decided to pause dividends to shareholders.

At year end 333,717 Treasury Shares were held by the Company.

The results for the year are set out on page 6.

This report was approved by the Directors on 19th April 2024 and signed on its behalf by



Michael Young
Director

Group Statement of Comprehensive Income

For the period ended 31 December 2023 (unaudited)

	<i>Notes</i>	1 Jul 2023 – 31 Dec 2023 £	1 Jul 2022 – 31 Dec 2022 £	(Audited) 1 Jul 2022 – 30 Jun 2023 £
Rental Income		275,208	348,335	643,966
Other Income		-	-	-
Property Management Expenses				
Property Management Fees & Letting Costs		(20,136)	(29,563)	(51,038)
Service Charges & Ground Rent		(124,820)	(126,619)	(293,529)
Repairs & Maintenance Costs		(33,656)	(55,491)	(90,058)
Depreciation		(8,734)	(8,168)	(15,749)
Council tax, Utilities and Insurance		(40,629)	(40,825)	(82,980)
Other Expenses		(32,192)	(16,572)	(38,359)
Interest Expense		(170)	(41,219)	(62,068)
Rental Profit		14,871	29,878	10,185
Unrealised Capital (Loss)/Gains	5	(92,000)	(208,475)	5,313
Realised Capital (Loss)/Gain		(36,794)	(4,030)	(17,307)
Total Capital (Loss)/Gain		(128,794)	(212,505)	(11,994)
Property Loss		(113,923)	(182,627)	(1,809)
Fund Expenses				
Bank Charges		(698)	(44,547)	(77,039)
Administration Fees		(87,277)	(86,260)	(182,684)
Loss		(201,898)	(313,434)	(261,532)
Taxation		-	-	(62)
Loss and total comprehensive income for the period		(201,898)	(313,434)	(261,594)
Loss per ordinary share (basic & diluted)	9	(1.3p)	(2.0p)	(1.7p)

Group Statement of Financial Position

As at 31 December 2023 (unaudited)

	Notes	31 Dec 2023 £	31 Dec 2022 £	(Audited) 30 Jun 2023 £
Non-Current assets				
Investment property	5	5,676,568	6,331,642	5,676,568
Property, plant and equipment		38,308	52,448	44,182
		5,714,876	6,384,090	5,720,750
Current assets				
Investment Property held for sale	5	5,122,696	7,044,265	6,277,992
Receivables	6	156,830	104,838	156,754
Cash and cash equivalents		1,365,100	1,008,529	432,855
		6,644,626	8,157,632	6,867,601
Current liabilities: amounts falling due within one year	7	(139,969)	(2,172,131)	(166,920)
Net Assets		12,219,533	12,369,591	12,421,431
Capital and reserves				
Share capital	3	159,436	159,436	159,436
Share premium		14,898,470	14,898,470	14,898,470
Capital reduction reserve		2,327,603	2,327,603	2,327,603
Treasury shares		(385,022)	(385,022)	(385,022)
Retained profit		(4,780,954)	(4,630,896)	(4,579,056)
Shareholders' funds		12,219,533	12,369,591	12,421,431
Net asset value per share		£0.7828	£0.7924	£0.7957

These financial statements were approved by the Board of Directors and authorised for issue on 19th April 2024 and are signed on behalf of the board by:



Michael Young
Director

Company registration number 10301242

The accompanying notes set out on page 10 to 14 form an integral part of these financial statements.

Group Statement of Changes in Equity

For the period ended 31 December 2023 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Capital reduction reserve	Treasury shares	Total
	£	£	£	£	£	£
Balance at 1 Jul 2022	159,436	14,898,470	(4,317,462)	2,327,603	(385,022)	12,683,025
Total Comprehensive Income for the Period	-	-	(313,434)	-	-	(313,434)
Balance at 31 Dec 2022	159,436	14,898,470	(4,630,896)	2,327,603	(385,022)	12,369,591
Total Comprehensive Income for the Period	-	-	51,840	-	-	51,840
Balance at 30 Jun 2023	159,436	14,898,470	(4,579,056)	2,327,603	(385,022)	12,421,431
Total Comprehensive Income for the Period	-	-	(201,898)	-	-	(201,898)
Balance at 31 Dec 2023	159,436	14,898,470	(4,780,954)	2,327,603	(385,022)	12,219,533

Group Statement of Cash Flows

As at 31 December 2023 (unaudited)

	<i>Notes</i>	1 Jul 2023 – 31 Dec 2023 £	1 Jul 2022 – 31 Dec 2022 £	(Audited) 1 Jul 2022 – 30 Jun 2023 £
Cash Flows from Operating Activities				
Total comprehensive income for the Operating Period		(201,898)	(313,434)	(261,594)
Adjusted for;				
Unrealised valuation losses on investment property	5	92,000	208,475	(5,313)
Realised valuation losses on disposal		36,794	4,030	17,307
Increase in receivables	6	(76)	(16,329)	(68,245)
(Decrease) / Increase in payables	7	(26,951)	(1,430,180)	59,457
Depreciation		8,734	8,167	15,749
Loss on sale of property, plant and equipment		1,810	4,278	10,246
Net Cash Flows used in Operating Activities		(89,587)	(1,534,993)	(232,393)
Cash Flows from Investing Activities				
Disposal of investment property		1,026,502	1,230,567	2,852,425
Payment towards fire safety works		-	(434,815)	(434,815)
Purchase of property, plant and equipment		(4,670)	(7,657)	(12,941)
Net Cash Flows from Investing Activities		1,021,832	788,095	2,404,699
Cash Flows from Financing Activities				
Bank loan repayment		-	(1,437,134)	(3,494,848)
Dividends paid		-	-	-
Net Cash Flows from Financing Activities		-	(1,437,134)	(3,494,848)
Increase / (decrease) in cash and cash equivalents		932,245	(746,898)	(1,322,572)
Cash and cash equivalents at the start of the period		432,855	1,755,427	1,755,427
Cash and cash equivalents at the end of the period		1,365,100	1,008,529	432,855

Notes to the Consolidated and Company Financial Statements for the period ended 31 December 2023 (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 2023. 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 2023 has been delivered to the Registrar of Companies.

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 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 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 to take 12 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 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, other than reclassifying investment property currently available for sale as held for sale.

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.

Going concern

The Directors announced their intention to wind down the entities on 10 June 2021. 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 accounts have been prepared on a basis other than going concern.

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, whilst fire safety remedial work is completed, and properties are sold.

Valuation of Investment Property including those held for sale

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.

As at period end Investment properties are recognised net of estimated cost of fire safety remedial works, resulting in reduced fair value. These properties have fire safety issues and cannot be marketed or sold until the works are completed and therefore remain as non-current assets.

As at period end, investment properties held for sale are recognised net of estimated disposal costs.

3. Called up share capital

	31 Dec 2023	31 Dec 2022	30 June 2023
Share capital	£159,436	£159,436	£159,436
Ordinary shares of £0.01 each (Allotted, called up and fully paid)	15,943,571	15,943,571	15,943,571

During the period no further share were issued by the company (2022: nil). 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 and Investment Property held for sale

	31 Dec 2023 £	31 Dec 2022 £	30 June 2023 £
Fair value			
Brought forward	5,676,568	6,031,302	6,031,302
Transfer to Investment Property held for sale	-	(120,000)	(953,837)
Unrealised gain / (loss) from fair value adjustments on investment property	-	(15,500)	53,500
Fair value adjustment for properties affected by fire safety works	-	435,840	545,603
Carried forward	5,676,568	6,331,642	5,676,568

Investment Property held for sale

Investment properties that are readily available for sale without fire safety issues have been classified as investment property held for sale.

	31 Dec 2023 £	31 Dec 2022 £	30 June 2023 £
Fair value			
Brought forward	6,277,992	8,352,862	8,352,862
Transfer from Investment Property	-	120,000	953,837
Disposals	(1,063,296)	(1,234,597)	(2,842,699)
Unrealised gain / (loss) from fair value adjustments on investment property (net of estimated disposal costs)	(92,000)	(194,000)	(221,066)
Fair value adjustment for properties affected by fire safety works	-	-	35,058
Carried forward	5,122,696	7,044,265	6,277,992

The fair value of the Group's investment property at 31 December 2023 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, material uncertainty clause was specifically applicable to properties with fire safety issues. In addition to this a number of properties within the Group were valued under the "Special Assumption" where a provision is set aside to cover the cost of remedial works. As at the period end, there were 42 properties with fire safety issues. These properties had been valued by Allsop at gross of any provision required for fire safety works. In order to present appropriate value in the financial statements, management have reduced the valuation of such properties by applying a provision for the estimated costs to complete the 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, except for investment properties held for sale, which have been disclosed net of estimated disposal costs of circa 2%. These costs consist of expected agent fees, legal fees and other associated cost of disposal.

During the period, the Group disposed of 7 properties for a total consideration of circa £1.07m.

As at the report date, properties to the value of c.£7.8m were either being actively marketed or under offer. Since period end, the Group has completed sale of properties for a consideration of c.£2.0m, these properties had a carrying value of c.£1.95m as at period end.

6. Receivables

	31 Dec 2023 £	31 Dec 2022 £	30 June 2023 £
Accounts receivable	104,202	38,494	72,872
Prepayments	52,628	66,344	83,882
	156,830	104,838	156,754

7. Current Liabilities

	31 Dec 2023 £	31 Dec 2022 £	30 June 2023 £
Accounts payable	269	236	8,764
Accruals	117,559	86,351	128,251
Other creditors	22,141	24,380	29,905
Corporation Tax	-	3,450	-
Bank loan	-	2,057,714	-
	139,969	2,172,131	166,920

8. Employees and directors

The Group does not have any employees, other than one non-executive Director.

One Director received £4,000 remuneration for their role as a Director of the Group (2022: £3,750).

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 2023	31 Dec 2022	30 June 2023
Loss for the period	(£201,898)	(£313,434)	(£261,594)
Loss per share	(1.3p)	(2.0p)	(1.7p)
<hr/>			
Weighted average number of ordinary shares in the period	15,609,854	15,609,854	15,609,854

10. Events after the balance sheet date

After 31 December 2023 Bricklane Residential REIT Plc have sold properties for a consideration of c.£2.0m.