

# Bricklane London REIT plc

Company registration number: 10759361

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

## Directory

<b>Non-executive Directors</b>	Simon Heawood Michael Young Paul Windsor Craig Hallam
<b>Registered office</b>	20 Baltic Street London EC1Y 0UL
<b>Registered number</b>	10759361 (England and Wales)
<b>Alternative Investment Fund Manager</b>	Gallium Fund Solutions Ltd Gallium House Station Court Borough Green Sevenoaks TN15 8AD
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<b>Standing Independent Valuer</b>	Allsop LLP 33 Park Place Leeds LS1 2RY
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# Interim Strategic Report

The Directors present their interim strategic report for the six months ended 31 December 2020.

## Introduction

Bricklane London REIT plc became the principal company in a UK REIT (Real Estate Investment Trust) group on 1 December 2017. A UK REIT is a Group that carries on a property rental business and meets HM Revenue & Customs (HMRC) requirements for UK REIT status. As a consequence of being a REIT Group, Bricklane London REIT plc does not pay tax on the profits of its property rental business. However, when the Company pays a distribution (Property Income Dividends), tax may be due from shareholders. The REIT regime requires that 90% of the group's property rental income is distributed to its shareholders.

Bricklane London REIT plc owns a subsidiary entity, which together are referred to as the 'Group'.

The principal activity of Bricklane London REIT plc is property investment in the United Kingdom. The Group's investment objective is to make long-term investments in residential property in London and areas commutable to it. On 18 July 2018, the company's shares were admitted to the Official List of The International Stock Exchange. Prior to July 2018 the company was not actively trading.

## Going concern

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

As at 31 December 2020, the Group had net assets of £4,323,305 (2019: £4,421,329) and net current assets of £253,694 (2019: £286,937). The Group meets its ordinary working capital requirements through its rental income. The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows.

The impact of Covid-19 was managed to minimise impact on the Group financial position. Tenants' individual circumstances were seriously affected, including whether by furlough, redundancy or social isolation. The Group's managing agent proactively engaged with the tenants to maximise retention in particular to retain tenants and reduce tenant arrears.

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

The Group is subject to principal risks and uncertainties but for the purpose of going concern the Directors have considered the various key risks and scenarios to assess the impact on going concern over the foreseeable future, being at least 12 months from the date of approval of the financial statements. The Group does not hold any bank debt, therefore is not subject to any cash flow pressure. The Group has a strong cash balance and the Directors do not envisage any material unforeseen costs.

While the Group is so far unaffected by the impact of the fire safety issues, recent trading has been affected by the uncertainty around Bricklane Residential REIT plc, and any path forward required a sustainable solution for both funds together. Having regard to the above, the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements but recognise that, as a result of the fire safety issue, there is a material uncertainty as to whether the Company can continue as a going concern, of which the shareholders should be aware. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

## Results to the year ended 31 December 2020

The Directors monitor the Group's KPIs as part of the business review, these KPIs include investment property valuation, net yield, issue price of shares, NAV per share and Adjusted Profit to Shareholders. During the period, the Group purchased no further properties and the market value of the investment property portfolio increased by £22,000 (2019: decrease of £45,000), prior to the impact of acquisition costs.

During the period, the Group generated rental income of c.£79k. The weighted average net rental yield for the current portfolio properties is forecast to be 3.4% (2019: 3.3%) over the next 5 years. However, actual performance may vary from this projection.

## Share issues and dividends

Historically, when the Group has issued shares the issuance price is set using net asset value per share. In order to treat existing investors fairly, the issuance price used is calculated using net asset value and is adjusted for the amortisation of property acquisition costs. These acquisition costs are amortised over the first five years for each property from purchase. Over the reporting period the effective issue price for new shares has increased by 0.02% to £1.0574 (2019: £1.077). The NAV per share decreased by 1.1% to £1.027 (2019: £1.033).

However, since April 2020 there has been more intended sellers of shares than buyers, which means investors have traded at a price with a discount to the normal issuance price. At the year end the traded share price for the Company was £1.0002 which represents a 5.4% discount to the issuance price.

During the period, no interim dividend was declared or paid.

The Company intends to pay interim dividends on a quarterly basis either in cash. The payment of any dividends will be subject to market conditions and the level of the Company's net income.

During the period, the Company issued no further shares. No Treasury shares were purchased or sold during the period, as at the date of this report, the Company held 397,028 as Treasury Shares.

The results for the year are set out on page 7, which shows that the Adjusted Profit to Shareholders was £49k (2019: £2k) which takes into account the impact of acquisition costs incurred during the year. Prior to this adjustment the profit for the year was £49k (2019: £632).

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

A handwritten signature in blue ink that reads "M Young". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

Michael Young  
Director

**Group Statement of Comprehensive Income**  
For the period ended 31 December 2020 (unaudited)

		1 Jul 2020 - 31 Dec 2020 £	1 Jul 2019 - 31 Dec 2019 £	(Audited) 1 Jul 2019 – 30 Jun 2020 £
Rental Income		79,167	92,510	179,886
<b>Property Management Expenses</b>				
Property Management Fees & Letting Costs		(8,047)	(8,198)	(15,802)
Service Charges & Ground Rent		(6,860)	(9,463)	(14,741)
Repairs & Maintenance Costs		(13,818)	(4,028)	(11,262)
Depreciation		(2,339)	(2,276)	(4,568)
Other Expenses		(2,588)	(1,869)	(3,069)
<b>Rental Profit</b>		<b>45,515</b>	<b>66,676</b>	<b>130,444</b>
Unrealised Capital Gains / (Losses)	5	22,000	(45,000)	(128,000)
Fair value loss due to property acquisition costs		-	(1,386)	(2,563)
<b>Unrealised capital gain/(loss) net of property acquisition costs</b>		<b>22,000</b>	<b>(46,386)</b>	<b>(130,563)</b>
<b>Property Profit / (loss)</b>		<b>67,515</b>	<b>20,290</b>	<b>(119)</b>
<b>Fund Expenses</b>				
Bank Charges		(120)	(153)	(327)
Bricklane Management Fee		(18,423)	(19,505)	(37,692)
<b>Profit/(loss) before Taxation</b>		<b>48,972</b>	<b>632</b>	<b>(38,138)</b>
Taxation	2	-	-	-
<b>Profit/(loss) and total comprehensive income for the period</b>		<b>48,972</b>	<b>632</b>	<b>(38,138)</b>

	<b>1 Jul 2020 - 31 Dec 2020</b>	<b>1 Jul 2019 - 31 Dec 2019</b>	<b>(Audited) 1 Jul 2019 – 30 Jun 2020</b>
	£	£	£
<i>Analysed as:</i>			
Rental Profit	45,515	66,676	130,444
Unrealised Capital Gains / (Losses)	22,000	(45,000)	(128,000)
Bank Charges	(120)	(153)	(327)
Bricklane Management Fee	(18,423)	(19,505)	(37,692)
<b>Adjusted profit to Shareholders</b>	<b>48,972</b>	<b>2,019</b>	<b>(35,575)</b>
Fair value loss due to property acquisition costs	-	(1,386)	(2,563)
<b>Profit/(loss) before Taxation</b>	<b>48,972</b>	<b>632</b>	<b>(38,138)</b>
Taxation	-	-	-
<b>Profit/(loss) and total comprehensive income for the year</b>	<b>48,972</b>	<b>632</b>	<b>(38,138)</b>

Earnings per ordinary share (basic & diluted)	9	1.2p	0.0p	(0.9p)
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## Group Statement of Financial Position

As at 31 December 2020 (unaudited)

	<i>Notes</i>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>30 Jun 2020</b>
		£	£	£
<b>Non-Current assets</b>				
Investment property	5	4,059,000	4,120,462	4,037,000
Property, plant and equipment		10,611	13,930	11,931
		<b>4,069,611</b>	<b>4,134,392</b>	<b>4,048,931</b>
<b>Current assets</b>				
Receivables	6	10,898	14,645	11,233
Cash and cash equivalents		256,244	292,100	226,573
		<b>267,142</b>	<b>306,745</b>	<b>237,806</b>
<b>Payables:</b> amounts falling due within one year	7	(13,448)	(19,808)	(12,404)
		<b>4,323,305</b>	<b>4,421,329</b>	<b>4,274,333</b>
<b>Net Assets</b>				
<b>Capital and reserves</b>				
Share capital	3	46,052	46,052	46,052
Share premium		838,290	839,820	838,290
Capital reduction reserve		3,956,170	3,987,762	3,956,170
Treasury Shares		(428,076)	(352,972)	(428,076)
Retained profit		(89,131)	(99,333)	(138,103)
<b>Shareholders' funds</b>		<b>4,323,305</b>	<b>4,421,329</b>	<b>4,274,333</b>
Net asset value per share (£)		1.027	1.033	1.016

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



Michael Young  
Director

Company registration number 10759361

The accompanying notes set out on page 11 to 14 form an integral part of these financial statements.

**Group Statement of Changes in Equity**  
For the period ended 31 December 2020 (unaudited)

	Share Capital	Share Premium	Retained Earnings	Capital Reduction Reserve	Treasury Shares	Total
	£	£	£	£	£	£
<b>Balance at 30 Jun 2019</b>	<b>46,052</b>	<b>839,820</b>	<b>(99,965)</b>	<b>4,001,034</b>	<b>(25,390)</b>	<b>4,761,551</b>
Dividends Paid	-	-	-	(13,272)	-	13,272
Purchase of Treasury Shares	-	-	-	-	(327,582)	(327,582)
Total Comprehensive Income for the Period	-	-	632	-	-	632
<b>Balance at 31 Dec 2019</b>	<b>46,052</b>	<b>839,820</b>	<b>(99,333)</b>	<b>3,987,762</b>	<b>(352,972)</b>	<b>4,421,329</b>
Dividends Paid	-	-	-	(31,592)	-	(31,592)
Purchase of Treasury Shares	-	-	-	-	(142,361)	(142,361)
Sale of Treasury Shares	-	-	-	-	67,257	67,257
Loss on sale of Treasury Shares	-	(1,530)	-	-	-	(1,530)
Total Comprehensive Income for the Period	-	-	(38,770)	-	-	(38,770)
<b>Balance at 30 Jun 2020</b>	<b>46,052</b>	<b>838,290</b>	<b>(138,103)</b>	<b>3,956,170</b>	<b>(428,076)</b>	<b>4,274,333</b>
Total Comprehensive Income for the Period	-	-	48,972	-	-	48,972
<b>Balance at 31 Dec 2020</b>	<b>46,052</b>	<b>839,820</b>	<b>(89,131)</b>	<b>3,956,170</b>	<b>(428,076)</b>	<b>4,323,305</b>

## Group Statement of Cash Flows

As at 31 December 2020 (unaudited)

	<i>Notes</i>	1 Jul 2020 - 31 Dec 2020 £	1 Jul 2019 - 31 Dec 2019 £	(Audited) 1 Jul 2019 – 30 Jun 2020 (£)
<b>Cash Flows from Operating Activities</b>				
Total comprehensive income for the Operating Period		48,972	632	(38,138)
Adjusted for;				
Unrealised valuation gains / loss on investment property	5	(22,000)	45,000	128,000
Property acquisitions costs		-	1,386	2,563
Decrease / (Increase) in receivables	6	335	(1,377)	2,035
Increase / (Decrease) in payables	7	1,044	(17,852)	(25,256)
Depreciation		2,339	2,276	4,568
<b>Net Cash Flows used in Operating Activities</b>		<b>30,690</b>	<b>30,065</b>	<b>73,772</b>
<b>Cash Flows from Investing Activities</b>				
Acquisition and refurbishment of investment property		-	(925)	(1,639)
Purchase of property, plant and equipment		(1,019)	(539)	(833)
<b>Net Cash Flows from Investing Activities</b>		<b>(1,019)</b>	<b>(1,464)</b>	<b>(2,472)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from the issue of ordinary shares		-	-	-
Purchase of Treasury Share		-	(327,582)	(469,943)
Sale of Treasury Share		-	-	67,257
Loss on sale of Treasury Shares		-	-	(1,530)
Dividends Paid	4	-	(13,272)	(44,864)
<b>Net Cash Flows from Financing Activities</b>		<b>-</b>	<b>(340,854)</b>	<b>(449,080)</b>
Increase in cash and cash equivalents		29,671	(312,253)	(377,780)
Cash and cash equivalents at the start of the period		226,573	604,353	604,353
<b>Cash and cash equivalents at the end of the period</b>		<b>256,244</b>	<b>292,100</b>	<b>226,573</b>

## Notes to the Consolidated and Company Financial Statements

for the period ended 31 December 2020 (unaudited)

### 1. Accounting policies

#### Basis of preparation

Bricklane London REIT plc (the 'Company') is a company incorporated and domiciled in the UK. It is a public limited liability company listed on The International Stock Exchange. The Group financial statements consolidate those of the company and its subsidiary, together referred as the 'Group'

This consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial performance and position of the Group since the last financial statements for the year ended 30 June 2020. This consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The financial statements are unaudited and do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006.

A copy of the annual audited accounts for the year ended 30 June 2020 has been delivered to the Registrar of Companies.

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

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on the Directors' best knowledge of the events and amounts involved, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity or areas where estimates or assumptions are significant to the financial statements are disclosed in note 2.

#### Going concern

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

As at 31 December 2020, the Group had net assets of £4,323,305 (2019: £4,421,329) and net current assets of £253,694 (2019: £286,937). The Group and Company meets its ordinary working capital requirements through its rental income. The Directors have carried out a detailed assessment of going concern as part of the financial reporting process, taking into consideration a number of matters including forecast cash flows.

The Group is subject to principal risks and uncertainties, for the purpose of going concern the Directors have considered the various key risks and scenarios to assess the impact on going concern over the foreseeable future, being at least 12 months from the date of approval of the interim financial statements. The Group does not hold any bank debt, therefore is not subject to any cash flow pressure. The Group has a strong cash balance and the Directors do not envisage any material unforeseen costs.

However, as a result of uncertainty around Bricklane Residential REIT plc, on 25 March 2021 the Directors announced that they are also reviewing the future of the Group including the option of an orderly sale of the properties with funds being returned to shareholders. While the Group is so far unaffected by the impact of the fire safety issues, recent trading has been affected by the uncertainty around Bricklane Residential REIT plc, and any path forward will require sustainable solutions for both funds together. Having regard to the above, the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements but recognise that, as a result of the fire safety issue, there is a material uncertainty as to whether the Company can continue as a going concern, of which the shareholders should be aware. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

#### Property, plant and equipment

These assets are stated at historical cost less accumulated depreciation. Depreciation is charged using the straight-line method over 3 to 5 years.

Property, plant and equipment relates solely to furniture which is situated across the REIT's investment properties and can be reallocated between the different properties as tenancies require.

### **Revenue Recognition**

Rental income comprises the fair value of the consideration received or receivable during ordinary operating activities. Revenue is recognised when the amount of revenue and related cost can be reliably measured and the collectability of the related receivables is reasonably assured. Rental income (net of any incentives given to the lessees, such as rent-free periods) is recognised on a straight-line basis over the lease term.

### **Segmental analysis**

The Directors, who together are the Chief Operating decision makers, consider that the Group comprises of one operating segment and that it operates in the country of incorporation. The Group provides directors with financial information that is on an aggregated level with the exception of the fair value of the investment properties. As such, there is no segmental information to disclose.

### **Expense Recognition**

All expenses are accounted for on an accruals basis. Letting costs and costs associated with setting up a lease are recognised on a straight-line basis over the lease term.

### **Investment Properties**

Investment properties are initially recognised at cost (including acquisition costs) and subsequently carried at fair value, as provided by Allsop LLP. Allsop LLP are external valuers who hold a recognised and relevant qualification and have experience in valuing residential property. Changes in fair values are recognised as unrealised gains or losses through the profit or loss. Investment properties are subject to renovations or improvements at regular intervals. The costs of renovations and improvements are capitalised. The costs of maintenance, repairs and minor improvements are recognised in the profit or loss when incurred. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in income statement.

### **Cash and cash equivalents**

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

### **Receivables**

Rents receivable are recognised and carried at the original payment amount, less an allowance of uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

### **Functional and presentational currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Group's functional and presentational currency.

## **2. Critical accounting estimates and assumptions**

The following is intended to provide further details relating to those accounting policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

### **REIT status**

Bricklane London REIT plc is the principal company of a Real Estate Investment Trust ("REIT") group, and as such, does not pay corporation tax on its property rental business profits (property income and gains on property disposals) provided that at least 90% of the Groups' property income is distributed to shareholders within specified time limits. This distribution (Property Income Dividend) is taxed as property income in the shareholders' hands. In addition, the Group must meet other obligations of the REIT regime, which includes limits on the levels of non-property rental business it can undertake. The Directors' view is that all REIT compliance tests have been met to ensure that the Group maintains its REIT status. It is the Directors' intention that the Group will continue as a REIT for the foreseeable future.

### **Investment Property**

The Directors are required to make an assessment of the value of the Group's investment property portfolio using the valuation prepared by Allsop LLP. The fair value provided by the Allsop LLP is based on the market value of the individual residential units.

### 3. Called up share capital

	31 Dec 2020	31 Dec 2019	30 June 2020
Share capital	£46,052	£46,052	£46,052
Ordinary shares of £0.01 each (Allotted, called up and fully paid)	4,605,152	4,605,152	4,605,152

During the period no further, ordinary shares were issued. Each ordinary share has equal right to dividends and is entitled and has equal rights to participate in a distribution arising from a winding up of the Group. The ordinary shares are not redeemable.

### 4. Dividends

No dividends were declared or paid during the period.

### 5. Investment Property

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
<b>Fair value at start of the period</b>	<b>4,037,000</b>	<b>4,165,924</b>	<b>4,165,924</b>
Additions:			
- Direct acquisitions	-	-	-
- Subsequent expenditure	-	-	-
- Capitalised acquisition costs	-	(462)	(924)
Gain / (loss) from fair value adjustments on investment property	22,000	(45,000)	(128,000)
<b>Fair value at end of the period</b>	<b>4,059,000</b>	<b>4,120,462</b>	<b>4,037,000</b>

### 6. Receivables

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
Accounts receivable	2,491	6,222	2,759
Prepayments	8,407	8,423	8,474
	<b>10,898</b>	<b>14,645</b>	<b>11,233</b>

### 7. Payables

	31 Dec 2020 £	31 Dec 2019 £	30 June 2020 £
Accounts payable	771	9,642	771
Accruals	11,721	8,538	9,680
Other creditors	6	678	1,003
Provision	950	950	950
	<b>13,448</b>	<b>19,808</b>	<b>12,404</b>

## 8. Employees and directors

The Group does not have any employees.

Three of the four Directors do not receive any remuneration for their roles at Directors of the Group. One Director received a total fee of £7,250 (2019: £7,250) during the period, however this fee was paid by Bricklane Investment Services Ltd.

## 9. Earnings per share

Basic earnings per share is calculated by dividing the Profit and total comprehensive income for the period by the weighted average number of ordinary shares in issue during the period. There are no dilutive instruments outstanding and so basic and diluted earnings per share are identical.

	31 Dec 2020	31 Dec 2019	30 June 2020
Profit and total comprehensive income for the period	£48,972	£632	£(38,138)
Weighted average number of ordinary shares in the period	4,208,124	4,413,531	4,298,762

## 10. Total adjusted profit to Shareholders

The Directors had previously intended to expand the Group through a programme of share issues and purchase additional investment properties with the proceeds. The Group will incur acquisition costs as a result of each of these purchases, and under IFRS these will immediately impact the income statement.

Due to the continued purchase of properties, the Group may continue to generate a loss under IFRS, such as in this period. In order to provide shareholders with useful information and to show a result that reflects the underlying performance of the property portfolio, shareholders have been provided with an adjusted profit calculation, which excluded acquisitions costs incurred during the period.

In order to treat existing investors fairly, when the Company issued shares, the issue price used is calculated using net asset value and is adjusted for the amortisation of property acquisition costs. These acquisition costs are amortised over the first five years for each property from purchase. This practice is in line with other real estate investment companies.

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