

Bricklane Residential REIT plc

Company registration number: 10301242

Annual Report and Financial Statements
For the year ended 30 June 2018



Directory

Non-executive Directors	Simon Heawood Michael Young Paul Windsor Craig Hallam
Registered office	Floor 2 6-8 Bonhill Street London EC2A 4BX
Registered number	10301242 (England and Wales)
Alternative Investment Fund Manager	Gallium Fund Solutions Limited Gallium House Station Court Borough Green Sevenoaks TN15 8AD
Independent Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Investment Advisor	Bricklane Investment Services Ltd 2nd floor 6-8 Bonhill Street London EC2A 4BX <i>An appointed representative of Gallium Fund Solutions Limited</i>
Legal advisors	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Standing Independent Valuer	Allsop LLP 33 Park Place Leeds LS1 2RY
TISE Listing Sponsor	Carey Olsen Corporate Finance Ltd 47 Esplanade St Helier Jersey JE1 0BD

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Strategic Report

The Directors present their strategic report for the year ended 30 June 2018

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 a subsidiary entity, which together are referred to as the 'Group'.

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

Results to the year ended 30 June 2018

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 year, the Group purchased 20 properties (2017: 15) and a further 13 properties were purchased since the year end.

The portfolio has benefitted from both acquiring properties at a discount to market value, and subsequent revaluations of properties after purchase in line with transactions on comparable properties. During the year, the market value of the investment property portfolio increased by £256k (3.8%) (2017: £95k (3.0%)), prior to the impact of acquisitions costs.

During the year, the Group generated rental income of £262k (2017: £61k). The weighted average net rental yield for the current portfolio properties is forecast to be 3.9% (2017: 4.2%) over the next 5 years. The percentage net yield has declined due to the capital growth in the target markets has exceed our forecasts. However, actual performance may vary as more properties are added to the portfolio, and existing properties are revalued.

In order to treat existing investors fairly, when the company issues shares the issue price used is calculated using net asset value and is adjusted for the amortisation of property acquisition costs. These acquisition costs are amortised over the first five years for each property from purchase. Over the year the issue price for new shares has increased by 4.1% to £1.1179 (2017: £1.0737). The NAV per share increased by 4.8% to £1.0848 (2017: £1.0349). During the year, the Directors declared two interim dividends. One dividend was paid on 26 March 2018 of 2.0p per share and the second on 26 June 2018 of 0.4p per share. After year end, on 12 October 2018 a further dividend of 0.4p per share was paid to shareholders.

During the year, the Company issued 3,936,575 shares and since the year end, a further 1,814,503 shares were issued.

The results for the year are set out on page 12, which shows that the Adjusted Profit to Shareholders was £377,690 (2017: £120,830), which takes into account the impact of acquisition costs incurred during the year. Prior to this adjustment the profit for the year was £206,559 (2017: £(31,368)).

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 leading to poor rental income and/or capital performance. Although the wider market risk is largely dependent on factors the group cannot control, the group will

continue to manage its exposure by maintaining and growing a portfolio that is diversified across the target markets. In order to deliver the sustainable returns, the group targets 'mainstream' properties that appeal to a wide range of tenants, and which exhibit strong rental and sales demand.

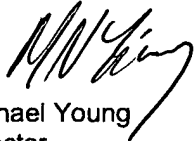
Valuation risk – the value of property is inherently subjective due to the individual nature of each property. In determining the value of properties, valuers are required to make assumptions, which may prove to be inaccurate. Inaccurate assumptions underlying the valuation reports could negatively affect the value of any property assets of the Group. This is particularly so in periods of volatility or when there is a limited real estate transactional data against which property valuations can be benchmarked. This risk is minimised by the appointment of external property valuers who are independent and professional.

Investment risk - poor selection of assets for acquisition leading to poor rental income and/or capital performance. To mitigate this risk the group will seek to maintain a diversified portfolio and the investment adviser, Bricklane Investment Services Ltd, carries out rigorous due diligence prior to each acquisition.

Regulatory risk - a failure to meet current or increased legal or regulatory obligations or anticipate and respond to changes in regulation that creates 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 for identifying, acquiring and disposing 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 Advisor and has the ability to change or vary their appointment subject to relevant notice requirement.

This report was approved by the Directors on 13 December 2018 and signed on its behalf by



Michael Young
Director

Directors' Report for the year ended 30 June 2018

The Directors present their report and the audited financial statements of Bricklane Residential REIT plc together for the year ended 30 June 2018.

Distributions

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

Interim dividends totalling 2.4p per share were paid during the year. One dividend was paid on 26 March 2018 of 2.0p per share and the second on 26 June 2018 of 0.4p per share. 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.

Going concern

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

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 IFRSs as adopted by the EU 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:

- Selected 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 IFRSs as adopted by the EU; 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

Grant Thornton UK LLP were appointed as auditor during the year, and are deemed to be re-appointed under 487(2) of the Companies Act 2006.

This report was approved by the Board of Directors on 13 December 2018 and signed on its behalf by



Michael Young
Director

Independent auditor's report to the members of Bricklane Residential REIT plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Bricklane Residential REIT plc for the period from 1 July 2017 to 30 June 2018, which comprise the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 as applied to listed entities, 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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Overview of our audit approach

- Planning materiality: £75,000, which represented 1% of the group's net asset value; and
- Key audit matters identified were;
 - Valuation of investment property; and
 - Recognition of revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 that 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.

Key Audit Matter

How the matter was addressed in the audit

Valuation of investment property

Our audit work included, but was not restricted to:

The group's investment property portfolio is required to be held at fair value under International Accounting Standard (IAS) 40 'Investment Property'. The valuation of the properties within this portfolio is inherently subjective due to the specific factors affecting each property.

Allsop LLP were appointed as the independent, external valuer (the 'valuer').

The valuer takes into account property-specific information such as the location, property condition, and the sale of comparable properties in the market. The valuation of investment property was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because of the existence of significant estimation uncertainty.

- Agreeing the year end property valuations recorded in the financial statements to the professional valuation reports. This also included vouching all additions during the period, with consideration of authorization and contractual confirmation;
- assessing the competence, capability and objectivity of the company's external valuer and the appropriateness of their work in respect of the investment property valuation. This included substantiating the inputs of the models to supporting documentation;
- holding a meeting with the valuer at which the valuations of all properties, the valuation methodology and any assumptions contained therein were discussed in detail, taking into account property-specific factors; and
- exercising professional skepticism & judgement by challenging the valuer on the assumptions that they applied to each property, as well as confirming that these were not subsequently overridden by management.

The group's accounting policy on investment property is shown in note 1 to the financial statements and related disclosures are included in note 6.

Key observations

From the work conducted above, we did not identify any material differences.

Recognition of revenue

Revenue for the group consists of rental income, recognised in accordance with IAS 17: 'Leases'. This income is based on tenancy agreements.

The recognition of revenue was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because overstatement of revenue could have a material impact on the group's net asset value, earnings per share, its level of dividend cover and compliance with REIT regulations.

Our audit work included, but was not restricted to:

- agreeing rental income to signed tenancy agreements;
- creating an expectation of rental income and comparing our expectation to the rental income recognised in the financial statements and seeking explanations for any differences greater than our defined acceptance range;
- performance of attribute testing on revenue streams and inspecting underlying contracts in order to gain comfort over occurrence of revenue.
- agreeing a sample of revenue receivables at the period end to post year end receipts; and
- considering the group's revenue recognition policy in the context of our substantive testing, to confirm that the policy has been correctly applied and that it is in accordance with IAS 18: 'Revenue'.

The group's accounting policy on revenue recognition

Key Audit Matter**How the matter was addressed in the audit**

is shown in Note 1 to the Financial Statements.

Key observations

From the work conducted above, we did not identify any material differences.

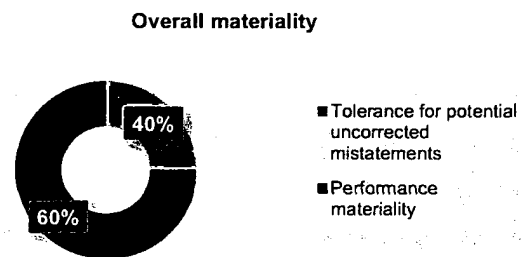
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £75,000 which is approximately 1% of the group's net assets. This benchmark is considered the most appropriate because of the nature of the group as a Real Estate Investment Trust, where stakeholders are most interested in the net asset value.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 65% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We determined the threshold at which we will communicate misstatements to the audit committee to be £3,750. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and, in particular, included an evaluation of the company's internal controls environment including its IT systems and controls, understanding of company's investment strategy and understanding of investment valuation process.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 7 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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 to cease operations, or have no realistic alternative but to do so.

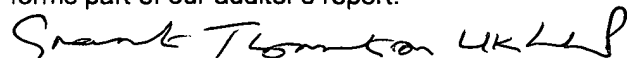
Auditor's responsibilities for the audit of the financial statements

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.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that 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). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Paul Flatley

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, 18 December 2018

Group Statement of Comprehensive Income
For the year ended 30 June 2018

	<i>Notes</i>	30 Jun 2018	28 Jul 2016 – 30 Jun 2017
		£	£
Rental Income		262,433	61,796
Property Management Expenses			
Property Management Fees & Letting Costs		(25,072)	(5,934)
Service Charges & Ground Rent		(39,777)	(9,574)
Repairs & Maintenance Costs		(16,104)	(2,754)
Depreciation		(3,964)	(773)
Other Expenses		(10,895)	(5,240)
Rental Profit		166,621	37,521
Unrealised Capital Gains		256,125	94,491
Property Acquisition Costs during the Year		(171,131)	(152,001)
Net change in fair value on investment property		84,994	(57,510)
Property Profit		251,615	(19,989)
Fund Expenses			
Bank Charges		(401)	(406)
Bricklane.com Management Fee		(44,661)	(10,776)
Profit/(loss) before Taxation		206,553	(31,171)
Taxation	10	-	(197)
Profit/(loss) and total comprehensive income for the year		206,553	(31,368)

<i>Analysed as:</i>		
Rental Profit	166,621	37,521
Unrealised Capital Gains	256,125	94,491
Bricklane.com Management Fee	(44,661)	(10,776)
Bank Charges	(401)	(406)
Adjusted profit to Shareholders	377,684	120,830
Property Acquisition Costs during the Year	(171,131)	(152,001)
Profit/(loss) before Taxation	206,553	(31,368)
Taxation	-	(197)
Profit/(loss) and total comprehensive income for the year	206,553	(31,368)

Earnings per ordinary share (basic & diluted) (p)

13

4.3p

(2.3p)

Group Statement of Financial Position
As at 30 June 2018

	<i>Notes</i>	30 Jun 2018 £	30 Jun 2017 £
Non-Current assets			
Investment property	1,6	7,013,373	3,263,000
Property, plant and equipment	1,5	18,949	15,158
		<u>7,032,322</u>	<u>3,278,158</u>
Current assets			
Receivables	8	385,655	104,126
Cash and cash equivalents		591,150	173,828
		<u>976,805</u>	<u>277,954</u>
Current liabilities: amounts falling due within one year	9	(32,266)	(20,200)
Net Assets		<u>7,976,861</u>	<u>3,535,912</u>
Capital and reserves			
Share capital	3	73,533	34,167
Share premium		4,989,807	665,197
Capital reduction reserve		2,738,336	2,867,916
Retained profit		175,185	(31,368)
Shareholders' funds		<u>7,976,861</u>	<u>3,535,912</u>
 Net asset value per share		 £1.0848	 £1.0349

These financial statements were approved by the Board of Directors and authorised for issue on 13 December 2018 and are signed on behalf of the board by:


Michael Young
Director

Company registration number 10301242

The accompanying notes set out on page 17 to 23 form an integral part of these financial statements.

Company Statement of Financial Position
As at 30 June 2018

	<i>Notes</i>	30 Jun 2018 £	30 Jun 2017 £
Non-Current assets			
Investment property	1,6	7,013,373	3,263,000
Property, plant and equipment	1,5	18,949	15,158
Investment in subsidiary		1	1
		<u>7,032,323</u>	<u>3,278,159</u>
Current assets			
Receivables	8	385,655	104,126
Cash and cash equivalents		591,150	173,828
		<u>976,805</u>	<u>277,954</u>
Current liabilities: amounts falling due within one year	9	(32,267)	(20,201)
Net Assets		<u>7,976,861</u>	<u>3,535,912</u>
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Share capital	3	73,533	34,167
Share premium		4,989,807	665,197
Capital reduction reserve	3	2,738,336	2,867,916
Retained profit		175,185	(31,368)
Shareholders' funds		<u>7,976,861</u>	<u>3,535,912</u>

Group and Company Statement of Changes in Equity
For the year ended 30 June 2018

	Share Capital	Share Premium	Retained Earnings	Capital reduction reserve	Total
	£	£	£	£	£
Balance at 28 Jul 2016	-	-	-	-	-
Proceeds from the issue of Ordinary Shares	34,167	3,533,113	-	-	3,567,280
Total Comprehensive Income for the period	-	-	(31,368)	-	(31,368)
Creation of capital reduction reserve	-	(2,867,916)	-	2,867,916	-
Balance at 30 Jun 2017	<u>34,167</u>	<u>665,197</u>	<u>(31,368)</u>	<u>2,867,916</u>	<u>3,535,912</u>
Proceeds from the issue of Ordinary Shares	39,366	4,324,610	-	-	4,363,976
Total Comprehensive Income for the year	-	-	206,553	-	206,553
Dividends paid	-	-	-	(129,580)	(129,580)
Balance at 30 Jun 2018	<u>73,533</u>	<u>4,989,807</u>	<u>175,185</u>	<u>2,738,336</u>	<u>7,976,861</u>

Group and Company Statement of Cash Flows
As at 30 June 2018

	<i>Notes</i>	30 Jun 2018	28 Jul 2016 – 30 Jun 2017
			£
Cash Flows from Operating Activities			
Total comprehensive income for the Operating Period		206,553	(31,368)
Adjusted for;			
Unrealised valuation gains on investment property	6	(256,125)	(94,491)
Property acquisitions costs		171,131	152,001
Increase in receivables	8	(281,529)	(22,099)
Increase in current liabilities	9	12,066	20,200
Depreciation	5	3,964	773
Net Cash Flows used in Operating Activities		(143,940)	25,016
Cash Flows from Investing Activities			
Acquisition and refurbishment of investment property	6	(3,665,379)	(3,320,510)
Purchase of property, plant and equipment	5	(7,755)	(15,931)
Net Cash Flows from Investing Activities		(3,673,134)	(3,336,441)
Cash Flows from Financing Activities			
Proceeds from the issue of ordinary shares	3	4,363,976	3,485,253
Dividends paid	3	(129,580)	
Net Cash Flows from Financing Activities		4,234,396	3,485,253
Increase in cash and cash equivalents		417,322	173,828
Cash and cash equivalents at the start of the year		173,828	-
Cash and cash equivalents at the end of the year		591,150	173,828

Notes to the Consolidated and Company Financial Statements for the year ended 30 June 2018

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'. All notes, with the exception of note 7 relate to both the group and the company.

These audited financial statements of the company and group for the year ended 30 June 2018 have been prepared in accordance with and comply with International Financial Reporting Standards ('IFRSs') as adopted by the EU and 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements. The accounting policies set out below are applicable to the Group and Company unless otherwise stated.

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.

After due consideration of the future expected cash flows of the company and group, the directors are confident that the company and group have sufficient financial resources to meet its obligations as a going concern for the foreseeable future, being more than 12 months from the date of approval of the financial statements. The financial statements have therefore been prepared on a going concern basis.

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.

Adoption of new and revised IFRSs and Interpretation

The Directors considered all relevant new standards, amendments and interpretations to existing standards effective for the period ended 30 June 2018, but they have not been early adopted. The Directors' assessment is that they would not have led to any changes in the group's accounting policies and they had no material impact on the financial statements of the group. Those that are most relevant to the group are set out below:

- IFRS 15, 'Revenue from Contracts', replaces IAS 11 and IAS 18 and some revenue-related interpretations and establishes a single comprehensive framework for revenue recognition. IFRS 15 is effective for period beginning on or after 1 January 2018.
- IFRS 16, 'Leases', replaces the existing standard IAS 17 Leases, where lessees are required to make a distinction between a finance lease and an operating leased. Effective for reporting periods beginning on or after 1 January 2019.
- IAS 40, 'Investment Property', amendments in Transfers of Investment Property. Clarification of when properties can be transferred to and from investment property. Effective for periods beginning on or after 1 January 2018.

Property, plant and equipment

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

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

Revenue Recognition

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

Segmental analysis

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

Expense Recognition

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

Investment Properties

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

Cash and cash equivalents

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

Receivables

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

Functional and presentational currency

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

2. Critical accounting estimates and assumptions

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

REIT status

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

Investment Property

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

3. Called up share capital

	30 June 2018	30 June 2017
	£	£
Allotted, called up and fully paid		
7,353,323 ordinary shares of £0.01 each (2017: 3,416,748)	73,533	34,167

During the year 3,936,575 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.

The share issue costs during the year were paid by Bricklane Investments Services Ltd, the group's Investment Advisor.

During 2017 the company cancelled its share premium account to create a distributable reserve, which has been classified as a capital reduction reserve.

4. Auditor remuneration

Fees of £25,000 (2017: £25,000) 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.

5. Property, plant and equipment

	Furniture, fixtures and fittings £
Period ended 30 June 2017	
Opening carrying amount	-
Additions	15,931
Depreciation charge	(773)
Carrying amount	15,158
As at 30 June 2017	
Cost	15,931
Accumulated depreciation	(773)
Carrying amount	15,158
Year ended 30 June 2018	
Opening net book amount	15,158
Additions	7,755
Depreciation charge	(3,964)
Carrying amount	18,949
As at 30 June 2018	
Cost	23,686
Accumulated depreciation	(4,737)
Carrying amount	18,949

6. Investment Property

	30 June 2018	30 June 2017
	£	£
Fair value		
Brought forward	3,263,000	-
Additions:		
- Direct acquisitions	3,487,750	3,165,000
- Subsequent expenditure	-	3,509
- Capitalised acquisition costs	6,498	-
Unrealised gain from fair value adjustments on investment property	256,125	94,491
Carried forward	<u>7,013,373</u>	<u>3,263,000</u>

7. Investment in subsidiary (company only)

	30 June 2018	30 June 2017
	£	£
Cost		
Brought forward	1	-
Additions	-	1
Carried forward	<u>1</u>	<u>1</u>

Bricklane Residential REIT Plc holds 100% of the ordinary shares in Bricklane Regional Acquisitions Limited, a dormant company incorporated in the United Kingdom.

8. Receivables

	30 June 2018	30 June 2017
	£	£
Accounts receivable	10,398	6,373
Share issue receivable*	144,913	82,027
Prepayments	33,208	15,726
Other assets**	197,136	1,000
	<u>385,655</u>	<u>104,126</u>

*Prior to year end new shares were issued by the company. The funds to purchase these shares were held in the company's AIFM and due for settlement after the year end. As these funds are no longer refundable the shares are considered fully paid.

**At the year end the company transferred funds to its lawyers' client money account in advance of the completion of a property acquisition. These funds were unrestricted and so continue to be an asset of the company.

9. Current Liabilities

	30 June 2018	30 June 2017
	£	£
Accounts payable	-	514
Deferred income	3,305	10,954
Accruals	26,870	8,236
Other creditors	2,091	496
	<u>32,266</u>	<u>20,200</u>

10. Taxation

	30 June 2018	30 June 2017
	£	£
Tax charge for the period	-	197

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. 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 tax charge for the year (prior to obtaining REIT status) is different to the tax charge for the year derived by applying the standard rate of corporation tax in the UK of 20% to the profit before tax. The differences are explained below:

	30 June 2018	30 June 2017
	£	£
Profit/(Loss) before tax	206,553	(31,171)
Tax calculated at UK standard rate of corporation tax of 19%	39,246	(5,922)
Valuation gains on investment property	(48,669)	(17,953)
Non-deductible expenditure	33,268	29,027
Property rental business profits	23,845	5,152
Rental profits exempt under REIT regime	(23,845)	(4,955)
Tax charge for the period	-	197

11. Employees and directors

The group does not have any employees.

Three of the four Directors do not receive any remuneration for their roles as Directors of the group. One director received a total fee of £14,500 (2017: £22,000) during the year, however this fee was paid by Bricklane Investment Services Ltd.

12. Operating leases

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

	30 June 2018	30 June 2017
	£	£
Expiring within one year	172,070	52,575
Expiring later than one year but not later than five years	22,435	-

13. 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 2018	30 June 2017
Profit and total comprehensive income for the year	£206,553	£(31,368)
Earnings per share	4.3p	(2.3p)
<hr/>		
Weighted average number of ordinary shares in the year	4,816,065	1,391,917

14. Events after the balance sheet date

After the 30 June 2018 Bricklane Residential REIT Plc continued to issue shares on a fortnightly basis. Since the year end, a further 1,814,503 shares were issued.

15. Total adjusted profit to Shareholders

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

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 year.

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

16. Financial Risk Management

The main financial risks arising from the group's activities are market risk, liquidity 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 monthly.

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

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 2018	Less than 1 year £	Total £
Payables held at amortised cost	32,266	32,266
	32,266	32,266
30 June 2017	Less than 1 year £	Total £
Payables held at amortised cost	20,200	20,200
	20,200	20,200

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.

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 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Investment Property	-	-	7,013,373	7,013,373
	-	-	7,013,373	7,013,373
30 June 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Investment Property	-	-	3,263,000	3,263,000
	-	-	3,263,000	3,263,000

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

There were no transfers between levels during the year.