**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This document, which comprises a supplementary prospectus (the "**Supplementary Prospectus**") relating to Bricklane Residential REIT plc (the "**Company**"), has been prepared in accordance with the Prospectus Regulation Rules made under section 84 of the Financial Services and Markets Act 2000 ("**FSMA**"). This Supplementary Prospectus has been approved by the Financial Conduct Authority (the "**FCA**") under the Prospectus Regulation and has been delivered to the FCA in accordance with Rule 3.2 of the Prospectus Regulation Rules. This Supplementary Prospectus has been made available to the public as required by the Prospectus Regulation Rules.

This Supplementary Prospectus has been approved by the FCA of 12 Endeavour Square, London E20 1JN, as the competent authority under the Prospectus Regulation. Contact information relating to the FCA can be found at http://www.fca.org.uk/content.

The FCA only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this Supplementary Prospectus. Investors should make their own assessment as to the suitability of investing in securities.

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus of the Company dated 17 September 2019 (the "**Prospectus**") published in connection with the Share Issuance Programme for up to 200 million Shares and Admission to the Official List of The International Stock Exchange. Words or expressions defined in the Prospectus have the same meaning when used in this Supplementary Prospectus unless the context requires otherwise. Save as disclosed in this Supplementary Prospectus there has been no significant change affecting any matter contained in the Prospectus and no significant new matter has arisen since publication of the Prospectus. To the extent that there is any inconsistency between any statement in or incorporated by reference into this Supplementary Prospectus and any other statement in or incorporated by reference into the Prospectus, the statements in or incorporated by reference into this Supplementary Prospectus will prevail.

This Supplementary Prospectus includes particulars given in compliance with the Listing and Membership Committee of The International Stock Exchange Authority Ltd's (the "**Authority**") listing rules governing the listing of securities on TISE (the "**TISE Listing Rules**") for the purpose of giving information with regard to the Company. The Company and the Directors accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Supplementary Prospectus is in accordance with the facts and this Supplementary Prospectus makes no omission likely to affect its import.

**The attention of prospective investors is drawn, in particular, to the Risk Factors set out on pages 11 to 20 of the Prospectus as supplemented by this Supplementary Prospectus.**

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# BRICKLANE RESIDENTIAL REIT PLC

(incorporated in England and Wales under the Companies Act with registered number 10301242)

## Supplementary Prospectus relating to

## Share Issuance Programme for up to 200 million Shares

## Admission to the Official List of The International Stock Exchange

**Alternative Investment Fund Manager**

**Gallium Fund Solutions Limited**

**TISE Sponsor**

**Carey Olsen Corporate Finance Limited**

**Investment Adviser**

**Bricklane Investment Services Ltd**

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This Supplementary Prospectus will be issued in the United Kingdom for the purposes of FSMA by the AIFM, which is authorised and regulated by the FCA.

Neither the further admission of the Shares to TISE Official List nor the approval of the Prospectus and this Supplementary Prospectus pursuant to TISE Listing Rules shall constitute a warranty or representation by the Authority as to the competence of the service providers to, or any other party connected with, the Company, the adequacy and accuracy of the information contained in the Prospectus and Supplementary Prospectus or the suitability of the Company for investment or for any other purpose. TISE has been recognised by HMRC under section 841 of the Income and Corporation Tax Act 1988.

**This Supplementary Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the AIFM or the Investment Adviser. The offer and sale of Shares have not been and will not be registered under the applicable securities laws of the United States, Australia, Canada, South Africa or Japan. Subject to certain exceptions, the Shares may not be offered or sold within the United States, Australia, Canada, South Africa or Japan or to any national, resident or citizen of the United States, Australia, Canada, South Africa or Japan.**

**The distribution of this Supplementary Prospectus and the Prospectus in certain jurisdictions may be restricted by law or regulation. Persons into whose possession this Supplementary Prospectus and/or the Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.**

Neither the U.S. Securities and Exchange Commission (the "**SEC**") nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the Prospectus or this Supplementary Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or with any securities or regulatory authority of any state or other jurisdiction of the United States and the Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Shares in the United States. The Shares are being offered or sold only outside the United States to non U.S. Persons in offshore transactions in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S thereunder. The Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act.

Copies of the Prospectus and this Supplementary Prospectus will be directly accessible on the Company's website (https://www.bricklane.com/plc/residential) and the National Storage Mechanism of the FCA at http://www.morningstar.co.uk/uk/nsm.

**Without limitation, neither the contents of the Company's or the AIFM's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's or the AIFM's website (or any other website) forms part of this Supplementary Prospectus unless that information is incorporated by reference into this Supplementary Prospectus.**

Dated: 24 March 2020

## PURPOSE OF THIS SUPPLEMENTARY PROSPECTUS

This document constitutes a Supplementary Prospectus required under Prospectus Regulation Rules 3.4.1 and 3.4.2 and is being published to note certain significant new factors relating to the information included in the Prospectus.

On 25 February 2020, the Company's indirect wholly owned subsidiary, Bricklane Regional Acquisitions Limited ("**BR Acquisitions**"), acquired a portfolio of 74 properties in Birmingham and Manchester for an aggregate acquisition price of £12,700,000 (the "**Acquisition Price**") (the "**Acquisition**"). For the purposes of financing the Acquisition, BR Acquisitions took on a £5,900,000 fixed rate term loan facility pursuant to the BR Acquisitions Facility Agreement (as defined below) (the "**Facility**"). Pursuant to the terms of the BRUT Sale of Properties Agreement (as defined below), the Subscribers (as defined below) subscribed for, in aggregate, 4,169,745 Shares in the Company (the "**Subscription Shares**") at a subscription price per Share of £1.1888 (the "**Subscription Price**"), with £4,956,922.86 of the Acquisition Price applied in satisfaction of the aggregate Subscription Price. The Company has committed to facilitate an opportunity for the Subscribers to sell the Subscription Shares, which may include the Company repurchasing the Subscription Shares from the Subscribers to the extent that the Company has not been able to facilitate their sale alongside the issue of Shares by the Company under the Share Issuance Programme on or before 31 July 2020. The summary of the BRUT Sale of Properties Agreement set out on pages 32 to 33 below provides further details of the terms of the Acquisition and the summary of the BR Acquisitions Facility Agreement set out on pages 33 to 34 below provides further details of the Facility entered into in connection with the financing of the Acquisition. The Acquisition, and the associated Facility, constitute a significant new factor relating to certain information contained in the Prospectus.

On 20 December 2019, the Company published its annual report and audited financial statements for the year ended 30 June 2019 (the "**2019 Annual Report**") which constitutes a significant new factor relating to financial information contained in the Prospectus.

This Supplementary Prospectus is also being published to update the Prospectus Summary and Risk Factors to include an additional risk factor associated with the Acquisition and, in respect of the Prospectus Summary only, to include the key historic financial information contained within the 2019 Annual Report. Copies of the 2019 Annual Report are directly accessible at https://www.bricklane.com/plc/residential and for inspection at the registered office of the Company and the offices of Carey Olsen Corporate Finance Limited during normal business hours as described in the section titled 'Documents Available for Inspection' below.

## SUPPLEMENTS TO THE SUMMARY

As a result of the publication of the 2019 Annual Report, the content appearing at paragraph 2.2 (*What is the key financial information regarding the issuer?*) of the Summary document which forms part of the Prospectus is hereby deleted and replaced with the following:

> The selected historical financial information set out below, which has been prepared under IFRS, has been extracted without material adjustment from: (A) the audited financial statements of the Group for the periods from: (i) the Company's incorporation (being 28 July 2016) to 30 June 2017; (ii) 1 July 2017 to 30 June 2018; (iii) 1 July 2018 to 30 June 2019; and (B) the unaudited interim financial statements of the Group for the half year periods from: (i) 1 July 2017 to 31 December 2017; and (ii) 1 July 2018 to 31 December 2018:

## Group Statement of Financial Position

| Assets and Liabilities | As at 30 Jun 2019 (audited) | As at 30 Jun 2018 (audited) | As at 30 Jun 2017 (audited) | As at 31 Dec 2018 (unaudited) | As at 31 Dec 2017 (unaudited) |
|---|---|---|---|---|---|
| | (£) | (£) | (£) | (£) | (£) |
| Investment property | 9,998,815 | 7,013,373 | 3,263,000 | 9,186,701 | 4,566,426 |
| Property, plant and equipment | 22,350 | 18,949 | 15,158 | 21,384 | 17,738 |
| Receivables | 64,673 | 385,655 | 104,126 | 467,822 | 152,025 |
| Cash and cash equivalents | 3,114,567 | 591,150 | 173,828 | 595,518 | 21,044 |
| Payables | 79,453 | 32,266 | 20,200 | 48,823 | 13,163 |
| Net assets | 13,120,952 | 7,976,861 | 3,535,912 | 10,222,602 | 4,744,070 |
| Net assets per share (p) | 112.79 | 108.48 | 103.49 | 110.37 | 106.53 |

## Group and Company Statement of Comprehensive Income

| | Period from 1 Jul 2018 to 30 June 2019 (audited) (£) | Period from 1 Jul 2017 to 30 June 2018 (audited) (£) | Period from 1 Jul 2018 to 31 Dec 2018 (unaudited) (£) | Period from 1 Jul 2017 to 31 Dec 2017 (unaudited) (£) |
|---|---|---|---|---|
| Rental income | 516,455 | 262,433 | 232,574 | 115,079 |
| Property management fees & letting costs | (48,070) | (25,072) | (22,639) | (10,146) |
| Service charges & ground rent | (85,127) | (39,777) | (38,785) | (16,335) |
| Repairs & maintenance costs | (53,694) | (16,104) | (30,054) | (11,124) |
| Depreciation | (5,800) | (3,964) | (2,677) | (1,794) |
| Other expenses | (7,747) | (10,985) | (5,454) | (8,677) |
| Unrealised capital gains | 297,465 | 256,125 | 135,975 | 90,400 |
| Property acquisition costs | (133,818) | (171,131) | (102,556) | (58,677) |
| Bank charges | (428) | (401) | (265) | (183) |
| Bricklane.com management fee | (89,232) | (44,661) | (40,084) | (18,198) |
| Taxation | - | - | - | - |
| Profit/(loss) and total comprehensive income for the period | 390,004 | 206,553 | 126,035 | 80,345 |
| *Analysed as:* | | | | |
| Rental Profit | 316,017 | 166,621 | 132,965 | 67,003 |
| Unrealised Capital Gains | 297,465 | 256,125 | 135,975 | 90,400 |
| Bricklane.com Management Fee | (89,232) | (44,661) | (40,084) | (18,198) |
| Bank Charges | (428) | (401) | (265) | (183) |
| Adjusted profit to Shareholders | 523,822 | 377,684 | 228,591 | 139,022 |
| Property Acquisition Costs during the Period | (133,818) | (171,131) | (102,556) | (58,677) |
| Profit/(loss) before taxation | 390,004 | 206,553 | 126,035 | 80,345 |

As a result of the Acquisition, paragraph 2.3 (*What are the key risks that are specific to the issuer?*) of the Summary document which forms part of the Prospectus is hereby supplemented by the addition of the following risk factor:

(k) The Group may be obliged to sell property assets in order to fund the Company's contingent obligation to repurchase Shares pursuant to the BRUT Sale of Properties Agreement. Any such sale of property assets may have a material adverse effect on the Net Asset Value and earnings of the Company.

## SUPPLEMENTS TO THE RISK FACTORS

As a result of the Acquisition, the sub-section titled 'Borrowings' of paragraph 1 (*Risks relating to the Company, its investment policy and operations*) of the Risk Factors document which forms part of the Prospectus is hereby supplemented by the addition of the following at the start of the first paragraph:

For the purposes of financing the Acquisition, BR Acquisitions took on a £5,900,000 fixed rate term loan facility pursuant to the BR Acquisitions Facility Agreement, which remains outstanding. In connection with the BR Acquisitions Facility Agreement, BR Acquisitions and Bricklane Regional Holdings Limited, a wholly owned direct subsidiary of the Company ("**BR Holdings**") have granted security over the BRUT Portfolio (as defined below) and certain other property and assets of the Group as detailed in the material contract summary of the BR Acquisitions Facility Agreement at pages 33 to 34 of the Supplementary Prospectus. The Company may in future be obliged to arrange additional debt funding should it be necessary to do so in order to fund any repurchase of the Subscription Shares that the Company becomes required to make, pursuant to the terms of the BRUT Sale of Properties Agreement, in circumstances where the Company has not been able to facilitate the sale of the Subscription Shares alongside the issue of Shares under the Share Issuance Programme on or before 31 July 2020.

As a result of the Acquisition, paragraph 1 (*Risks relating to the Company, its investment policy and operations*) of the Risk Factors document which forms part of the Prospectus is hereby further supplemented by the addition of the following risk factor:

**The Group may be obliged to sell property assets to fund the Company's obligations to repurchase Shares pursuant to the BRUT Sale of Properties Agreement**

Pursuant to the BRUT Sale of Properties Agreement, where the Company is unable to facilitate an opportunity for the Subscribers to sell the Subscription Shares alongside the issue of Shares by the Company under the Share Issuance Programme on or before 31 July 2020, the Company will be obliged to repurchase the Subscription Shares from the Subscribers, and may be required to sell property assets out of its then current portfolio and/or arrange additional debt funding should it be necessary to do so in order to fund the repurchase of the Subscription Shares. The relative illiquidity of investments in real estate may affect the Group's ability to dispose of or liquidate assets from its property portfolio expeditiously, on reasonable terms and/or at satisfactory prices if it is required to do so pursuant to its obligations under the BRUT Sale of Properties Agreement. Any such sale of properties may have a material adverse effect on the Net Asset Value and earnings of the Company.

## SUPPLEMENTS TO PART 1 – INFORMATION ON THE GROUP

As a result of the Acquisition, the section titled 'INTRODUCTION' of Part 1 – Information on the Group of the Prospectus is hereby supplemented by adding the following new paragraph at the end of that section:

As at the date of the Supplementary Prospectus, the Company had invested, or allocated for investment, c.£22 million in 127 residential properties across Birmingham, Leeds and Manchester. Further details of the Investment Portfolio are set out in Part 3 of the Prospectus, as supplemented by the Supplementary Prospectus.

As a result of the Acquisition, the section titled 'SHARE BUY-BACKS' of Part 1 – Information on the Group of the Prospectus is hereby supplemented by adding the following new paragraph at the end of that section:

> Pursuant to the BRUT Sale of Properties Agreement, the Company may be obliged to repurchase some or all of the Subscription Shares from the Subscribers to the extent that the Company has not been able to facilitate the sale of the Subscription Shares alongside the issue of Shares by the Company under the Share Issuance Programme on or before 31 July 2020. Subject to a limited exception, until all such Subscription Shares have been repurchased by the Company in accordance with the terms of the BRUT Sale of Properties Agreement, the Company will require Caementum Holdings Limited's ("**CHL**") consent prior to the repurchase of any other Shares.

## SUPPLEMENTS TO PART 3 – INVESTMENT PORTFOLIO AND PIPELINE

As a result of the Acquisition, the section titled 'Investment Portfolio' of Part 3 – Investment Portfolio and Pipeline of the Prospectus is hereby supplemented by adding the following new paragraph at the end of that section:

> On 25 February 2020, the Group entered into the BRUT Sale of Properties Agreement, pursuant to the terms of which BR Acquisitions acquired 74 separate rental flats located in Birmingham and Manchester, for an aggregate acquisition price of £12,700,000. The average estimated net rental yield of the properties in this portfolio is c.3% and the aggregate estimated annual gross rental value of the new properties is c.£690,000.

As a result of the Acquisition, the section titled 'Pipeline Investments' of Part 3 – Investment Portfolio and Pipeline of the Prospectus is hereby supplemented by adding the following new paragraph after the first paragraph of that section:

> As at the date of the Supplementary Prospectus, BR Acquisitions has now completed the acquisition of the portfolio of 74 properties referred to in the Prospectus (being the Acquisition).

## SUPPLEMENTS TO PART 4 – DIRECTORS AND ADMINISTRATION

As a result of the Acquisition, the section titled 'The Board and Board Committees' of Part 4 – Directors and Administration of the Prospectus is hereby supplemented by adding the following paragraph at the end of that section:

> Pursuant to the terms of the BRUT Sale of Properties Agreement, the Sellers (as defined below) are entitled to nominate a board observer to attend and speak at all meetings of the Company's Board. These board observer rights will fall away should the Sellers' (and/or members of their group) cease to hold 5 per cent. or more of the issued share capital of the Company.

## SUPPLEMENTS TO PART 5 – FINANCIAL INFORMATION ON THE GROUP

As a result of the publication of the 2019 Annual Report, Part A: Historical and other financial information on the Group of Part 5 – Financial information on the Group is hereby supplemented by the addition of the following sentence at the end of the first paragraph:

> The audited financial information of the Group for the financial year ended 30 June 2019 is also set out in full in Part B of this Part 5 and forms part of the Financial Information as defined in the Prospectus.

As a result of the publication of the 2019 Annual Report, Part A: Historical and other financial information on the Group of Part 5 – Financial information on the Group is hereby further supplemented by the deletion of the last sentence of the second paragraph of the section titled 'Accounting policies' which is hereby replaced as follows:

> Save for the audited financial information of the Group for the period from the Company's incorporation to 30 June 2018 and the audited financial information contained in the 2019 Annual Report set out in full in Part B of this Part 5, none of the information in the Prospectus has been audited.

As a result of the publication of the 2019 Annual Report, Part A: Historical and other financial information on the Group of Part 5 – Financial information on the Group is hereby further supplemented by the deletion of the first paragraph of the section titled 'Financial condition and results of operations' which is hereby replaced as follows:

> During the period under review, the Group purchased thirteen properties (as against six in the six months to 30 December 2017) and a further 79 properties have been purchased since the end of the period under review.

As a result of the Acquisition, Part A: Historical and other financial information on the Group of Part 5 – Financial information on the Group is hereby further supplemented by the deletion of the final sentence of the last paragraph of the section titled 'Financial condition and results of operations' which is hereby replaced as follows:

> Since the end of the period under review, the Company has issued a further 6,681,765 Shares.

As a result of the Acquisition, Part A: Historical and other financial information on the Group of Part 5 – Financial information on the Group is hereby further supplemented by the addition of the following paragraph at the end of the section titled 'Significant factors':

> In addition to the property purchases shown in the table above, on 25 February 2020, the Group entered into the BRUT Sale of Properties Agreement, pursuant to the terms of which BR Acquisitions acquired 74 separate rental flats located in Birmingham and Manchester, for an aggregate acquisition price of £12,700,000. The average estimated net rental yield of the properties in this portfolio is c.3% and the aggregate estimated annual gross rental value of the new properties is c.£690,000.

**SUPPPLEMENTS TO PART B: FINANCIAL INFORMATION ON THE GROUP OF PART 5 – FINANCIAL INFORMATION ON THE GROUP**

As a result of the publication of the 2019 Annual Report, Part B: Financial Information on the Group of Part 5 – Financial information on the Group is hereby further supplemented by the insertion of the following, being the 2019 Annual Report,  at the end of that Part:

# Bricklane Residential REIT plc

Company registration number: 10301242

## Annual Report and Financial Statements
## For the year ended 30 June 2019

# Directory

| | |
|---|---|
| **Non-executive Directors** | Simon Heawood<br>Michael Young<br>Paul Windsor<br>Craig Hallam |
| **Registered office** | Floor 3<br>26 Finsbury Square<br>London<br>EC2A 1DS |
| **Registered number** | 10301242 (England and Wales) |
| **Alternative Investment Fund Manager** | Gallium Fund Solutions Limited<br>Gallium House<br>Station Court<br>Borough Green<br>Sevenoaks<br>TN15 8AD |
| **Independent Auditor** | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG |
| **Investment Advisor** | Bricklane Investment Services Ltd<br>Floor 3<br>26 Finsbury Square<br>London<br>EC2A 1DS<br><br>*An appointed representative of Gallium Fund Solutions Limited* |
| **Legal advisors** | Gowling WLG (UK) LLP<br>4 More London Riverside<br>London<br>SE1 2AU |
| **Standing Independent Valuer** | Allsop LLP<br>Platform (8th Floor)<br>New Station Street<br>Leeds<br>LS1 4JB |
| **TISE Listing Sponsor** | Carey Olsen Corporate Finance Ltd<br>47 Esplanade<br>St Helier<br>Jersey<br>JE1 0BD |

# Contents

# Strategic Report

The Directors present their strategic report for the year ended 30 June 2019

**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 one 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 2019**
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 18 properties (2018: 20), 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 £297k (2018: £256k), prior to the impact of acquisition costs.

During the year, the Group generated rental income of £516k (2018: £262k). The weighted average net rental yield for the current portfolio properties is forecast to be 3.8% (2018: 3.9%) over the next 5 years. However, actual performance may vary from this projection.

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 2.7% to £1.1484 (2018: £1.1179). The NAV per share increased by 3.9% to £1.1279 (2018: £1.0848). During the year, the Directors declared three interim dividends of 0.4p per share, which were paid on 12 October 2018, 27 February 2019 and 8 May 2019 respectively. After the year end, on 26 September 2019 a further dividend of 0.4p per share was paid to shareholders.

During the year, the Company issued 4,279,928 shares and since the year end, a further 140,575 shares were issued. Since the year end, the Company has purchased 504,503 and sold 140,554 Treasury shares, as at the date of this report, the Company held 363,949 as Treasury Shares.

The results for the year are set out on page 13, which shows that the Adjusted Profit to Shareholders was £523,822 (2018: £377,684), which takes into account the impact of acquisition costs incurred during the year. Prior to this adjustment the profit for the year was £390,004 (2018: £206,553).

**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 Adviser and has the ability to change or vary their appointment subject to relevant notice requirement.

This report was approved by the Directors on 19 December 2019 and signed on its behalf by

Michael Young
Director

# Directors' Report for the year ended 30 June 2019

The Directors present their report and the audited financial statements of Bricklane Residential REIT plc together for the year ended 30 June 2019.

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

Interim dividends totalling 1.2p per share were paid during the year, dividends of 0.4p per share per paid on 12 October 2018, 27 February 2019 and 8 May 2019 respectively. After the year end, on 26 September 2019 a further dividend of 0.4p per share was paid to shareholders. These dividends enabled the Group to meet the requirements needed to maintain its status as a REIT. This distribution (Property Income Dividend) is taxed as property income in the shareholders' hands.

In addition, the group must meet other obligations of the REIT regime, which includes limits on the levels of non-property rental business it can undertake.

**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 the 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 19 December 2019 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 (the 'parent company') and its subsidiary (the 'group') for the year ended 30 June 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes of Equity, the Group and Company Statement of Cash Flows and notes to the 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 and the parent company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company 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.

## 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.

GrantThornton

**Overview of our audit approach**

- Overall materiality: £ 131,210, which represents 1% of the group's net assets;
- Key audit matters were identified as valuation of investment property and recognition of revenue;

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those 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**<br><br>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.<br><br>Allsop LLP were appointed as the independent, external valuer (the 'valuer').<br><br>The valuer takes into account property-specific information such as the location, property condition, and the sale of comparable properties in the market. We identified the valuation of investment property as a significant risk, which was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because of the existence of estimation uncertainty. | Our audit work included, but was not restricted to:<br><br>• 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 authorisation and contractual confirmation;<br><br>• 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;<br><br>• 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<br><br>• exercising professional scepticism and 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.<br><br>The company's accounting policy on investment property is shown in note 1 to the financial statements and related disclosures are included in note 6.<br><br>**Key observations**<br>From the work conducted above, we did not identify any material differences. |
| **Recognition of revenue**<br><br>Revenue for the group consists of rental income, recognised in accordance with IAS 17: 'Leases'. This income is based on tenancy agreements.<br><br>We identified the recognition of revenue as a significant risk , which was one of the most significant assessed risks of material misstatement (whether or not due to fraud) because overstatement of revenue could | Our audit work included, but was not restricted to:<br><br>• agreeing rental income to signed tenancy agreements;<br><br>• 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; |

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| have a material impact on the group's net asset value, earnings per share, its level of dividend cover and compliance with REIT regulations. | • testing a sample of revenue transactions and inspecting underlying contracts in order to gain comfort over occurrence of revenue;<br><br>• agreeing a sample of revenue receivables at the period end to post year end receipts and<br><br>• 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 17.<br><br>The company's accounting policy on revenue recognition is shown in note 1 to the financial statements.<br><br>**Key observations**<br>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 audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be £131,210, which is 1% of 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.

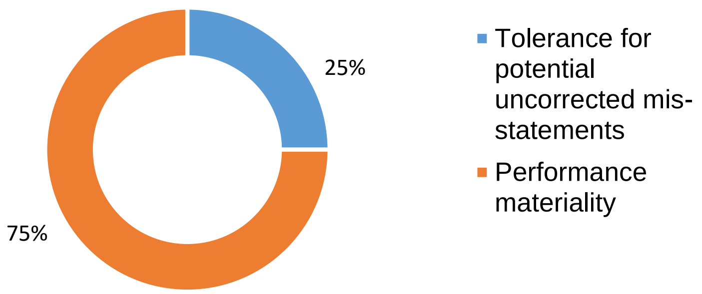
Materiality for the current year is higher than the level that we determined for the year ended 30 June 2018 to reflect the increase in the group's net assets in the year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

We determined the threshold at which we will communicate misstatements to the audit committee to be £6,560. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

**Overall materiality**



**An overview of the scope of our audit**

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation the company's internal control environment including its IT systems and controls, understanding of company's investment strategy and understanding of investment valuation process.
- full scope audit performed by the audit team on the financial statements of the group.
- a substantive approach using professional judgement to determine the extent of testing required over each balance in the financial statements.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 have 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 parent company 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of 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 and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Paul Flatley**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19 December 2019

## Group Statement of Comprehensive Income
For the year ended 30 June 2019

| | *Notes* | **30 Jun 2019** | **30 Jun 2018** |
|---|---|---|---|
| | | **£** | **£** |
| Rental Income | | 516,455 | 262,433 |
| **Property Management Expenses** | | | |
| Property Management Fees & Letting Costs | | (48,070) | (25,072) |
| Service Charges & Ground Rent | | (85,127) | (39,777) |
| Repairs & Maintenance Costs | | (53,694) | (16,104) |
| Depreciation | | (5,800) | (3,964) |
| Other Expenses | | (7,747) | (10,895) |
| **Rental Profit** | | **316,017** | **166,621** |
| Unrealised Capital Gains | | 297,465 | 256,125 |
| Property Acquisition Costs during the Year | | (133,818) | (171,131) |
| **Net change in fair value on investment property** | | **163,647** | **84,994** |
| **Property Profit** | | **479,664** | **251,615** |
| **Fund Expenses** | | | |
| Bank Charges | | (428) | (401) |
| Bricklane.com Management Fee | | (89,232) | (44,661) |
| **Profit before Taxation** | | **390,004** | **206,553** |
| Taxation | *10* | - | - |
| **Profit and total comprehensive income for the year** | | **390,004** | **206,553** |

| | | | |
|---|---|---|---|
| *Analysed as*: | | | |
| Rental Profit | | 316,017 | 166,621 |
| Unrealised Capital Gains | | 297,465 | 256,125 |
| Bricklane.com Management Fee | | (89,232) | (44,661) |
| Bank Charges | | (428) | (401) |
| **Adjusted profit to Shareholders** | | **523,822** | **377,684** |
| Property Acquisition Costs during the Year | | (133,818) | (171,131) |
| **Profit before Taxation** | | **390,004** | **206,553** |
| Taxation | | - | - |
| **Profit and total comprehensive income for the year** | | **390,004** | **206,553** |

| | | | |
|---|---|---|---|
| Earnings per ordinary share (basic & diluted) (p) | *13* | 4.2p | 4.3p |

## Group Statement of Financial Position
As at 30 June 2019

| | *Notes* | **30 Jun 2019 £** | **30 Jun 2018 £** |
|---|---|---|---|
| **Non-Current assets** | | | |
| Investment property | *1,6* | 9,998,815 | 7,013,373 |
| Property, plant and equipment | *1,5* | 22,350 | 18,949 |
| | | **10,021,165** | **7,032,322** |
| **Current assets** | | | |
| Receivables | *8* | 64,673 | 385,655 |
| Cash and cash equivalents | | 3,114,567 | 591,150 |
| | | **3,179,240** | **976,805** |
| **Current liabilities**: amounts falling due within one year | *9* | (79,453) | (32,266) |
| **Net Assets** | | **13,120,952** | **7,976,861** |
| **Capital and reserves** | | | |
| Share capital | *3* | 116,333 | 73,533 |
| Share premium | | 9,817,001 | 4,989,807 |
| Capital reduction reserve | | 2,622,429 | 2,738,336 |
| Retained profit | | 565,189 | 175,185 |
| **Shareholders' funds** | | **13,120,952** | **7,976,861** |
| Net asset value per share | | £1.1279 | £1.0848 |

These financial statements were approved by the Board of Directors and authorised for issue on 19 December 2019 and are signed on behalf of the board by:

Michael Young
Director

Company registration number 10301242

The accompanying notes set out on page 18 to 24 form an integral part of these financial statements.

## Company Statement of Financial Position
As at 30 June 2019

| | *Notes* | **30 Jun 2019** **£** | **30 Jun 2018** **£** |
|---|---|---|---|
| **Non-Current assets** | | | |
| Investment property | *1,6* | 9,998,815 | 7,013,373 |
| Property, plant and equipment | *1,5* | 22,350 | 18,949 |
| Investment in subsidiary | | 1 | 1 |
| | | **10,021,166** | **7,032,323** |
| **Current assets** | | | |
| Receivables | *8* | 64,673 | 385,655 |
| Cash and cash equivalents | | 3,114,567 | 591,150 |
| | | **3,179,240** | **976,805** |
| **Current liabilities**: amounts falling due within one year | *9* | (79,454) | (32,267) |
| **Net Assets** | | **13,120,952** | **7,976,861** |
| **Capital and reserves** | | | |
| Share capital | *3* | 116,333 | 73,533 |
| Share premium | | 9,817,001 | 4,989,807 |
| Capital reduction reserve | *3* | 2,622,429 | 2,738,336 |
| Retained profit | | 565,189 | 175,185 |
| **Shareholders' funds** | | **13,120,952** | **7,976,861** |

## Group and Company Statement of Changes in Equity

For the year ended 30 June 2019

| | Share Capital<br>£ | Share Premium<br>£ | Retained Earnings<br>£ | Capital reduction reserve<br>£ | Total<br>£ |
|---|---|---|---|---|---|
| **Balance at 30 June 2017** | **34,167** | **665,197** | **(31,368)** | **2,867,916** | **3,535,912** |
| 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 June 2018** | **73,533** | **4,989,807** | **175,185** | **2,738,336** | **7,976,861** |
| Proceeds from the issue of Ordinary Shares | 42,800 | 4,827,194 | - | - | 4,869,994 |
| Total Comprehensive Income for the year | - | - | 390,004 | - | 390,004 |
| Dividends paid | - | - | - | (115,907) | (115,907) |
| **Balance at 30 June 2019** | **116,333** | **9,817,001** | **565,189** | **2,622,429** | **13,120,952** |

## Group and Company Statement of Cash Flows

As at 30 June 2019

| | *Notes* | 30 Jun 2019<br>£ | 30 Jun 2018<br>£ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Total comprehensive income for the Operating Period | | **390,004** | **206,553** |
| Adjusted for; | | | |
| Unrealised valuation gains on investment property | *6* | (297,465) | (256,125) |
| Property acquisitions costs | | 133,818 | 171,131 |
| (Increase)/decrease in receivables | *8* | 320,982 | (281,529) |
| Increase in current liabilities | *9* | 47,187 | 12,066 |
| Depreciation | *5* | 5,800 | 3,964 |
| **Net Cash Flows used in Operating Activities** | | **600,326** | **(143,940)** |
| **Cash Flows from Investing Activities** | | | |
| Acquisition and refurbishment of investment property | *6* | (2,821,795) | (3,665,379) |
| Purchase of property, plant and equipment | *5* | (9,201) | (7,755) |
| **Net Cash Flows from Investing Activities** | | **(2,830,996)** | **(3,673,134)** |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from the issue of ordinary shares | *3* | 4,869,994 | 4,363,976 |
| Dividends paid | | (115,907) | (129,580) |
| **Net Cash Flows from Financing Activities** | | **4,754,087** | **4,234,396** |
| Increase in cash and cash equivalents | | 2,523,417 | 417,322 |
| Cash and cash equivalents at the start of the year | | 591,150 | 173,828 |
| **Cash and cash equivalents at the end of the year** | | **3,114,567** | **591,150** |

# Notes to the Consolidated and Company Financial Statements
for the year ended 30 June 2019

## 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 2019 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 our 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.

### Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have become effective in the current year:

- IFRS 9, 'Financial Instruments', represent a change from the existing requirements in IAS 39 in respect of financial assets, which are measured at amortised cost or fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. Due to the nature and size of the group's financial instruments, this standard does not have any material impact on the group's financial statements.

- IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 11 and IAS18 and some revenue-related interpretations and establishes a single comprehensive framework for revenue recognition. IFRS 15 does not apply to lease contracts within the scope of IAS 17 'leases' or, from its date of application, IFRS 16 'Leases'. This standard does not have any material impact on the group's financial statements as the majority of the group's revenue consists of rental income from the group's investment properties.

### Standards issued but not yet effective
The following standards have been issued but are not effective for this accounting year and have not been adopted early:

- 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 lease. Effective for reporting periods beginning on or after 1 January 2019. As the approach to lessor accounting is substantially unchanged in IFRS 16 compared to IAS 17, the group does not consider that the new standard will have any material impact on the group's financial statements.

**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 2019<br>£ | 30 June 2018<br>£ |
|---|---|---|
| Allotted, called up and fully paid | | |
| 11,633,251 ordinary shares of £0.01 each (2018: 7,353,323) | 116,333 | 73,533 |

During the year 4,279,928 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.

### 4. Auditor remuneration

Fees of £26,000 (2018: £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<br>£ |
|---|---|
| **Year ended 30 June 2018** | |
| Opening carrying 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** |
| | |
| **Year ended 30 June 2019** | |
| Opening net book amount | 18,949 |
| Additions | 9,201 |
| Depreciation charge | (5,800) |
| **Carrying amount** | **22,350** |
| | |
| **As at 30 June 2019** | |
| Cost | 32,887 |
| Accumulated depreciation | (10,537) |
| **Carrying amount** | **22,350** |

## 6. Investment Property

| | 30 June 2019 £ | 30 June 2018 £ |
|---|---|---|
| **Fair value** | | |
| Brought forward | **7,013,373** | **3,263,000** |
| Additions: | | |
| - Direct acquisitions | 2,635,860 | 3,487,750 |
| - Acquisition costs | 133,818 | 171,131 |
| - Capitalised acquisition costs | 52,117 | 6,498 |
| Unrealised gain from fair value adjustments on investment property (net of Acquisition costs) | 163,647 | 84,994 |
| Carried forward | **9,998,815** | **7,013,373** |

## 7. Investment in subsidiary (company only)

| | 30 June 2019 £ | 30 June 2018 £ |
|---|---|---|
| **Cost** | | |
| Brought forward | **1** | **1** |
| Additions | - | - |
| Carried forward | **1** | **1** |

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 2019 £ | 30 June 2018 £ |
|---|---|---|
| Accounts receivable | 18,688 | 10,398 |
| Share issue receivable* | - | 144,913 |
| Prepayments | 45,985 | 33,208 |
| Other assets** | - | 197,136 |
| | **64,673** | **385,655** |

*Prior to the year 30 June 2018, 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.

** Prior to the year 30 June 2018, 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 2019 £ | 30 June 2018 £ |
|---|---|---|
| Accounts payable | 1,962 | - |
| Deferred income | 529 | 3,305 |
| Accruals | 75,661 | 26,870 |
| Other creditors | 1,301 | 2,091 |
| | **79,453** | **32,266** |

## 10. Taxation

| | 30 June 2019 £ | 30 June 2018 £ |
|---|---|---|
| Tax charge for the period | - | - |

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 19% to the profit before tax. The differences are explained below:

| | 30 June 2019 £ | 30 June 2018 £ |
|---|---|---|
| **Profit/(Loss) before tax** | **390,004** | **206,553** |
| Tax calculated at UK standard rate of corporation tax of 19% | 74,101 | 39,246 |
| Valuation gains on investment property | (56,518) | (48,669) |
| Non-deductible expenditure | 26,527 | 33,268 |
| **Property rental business profits** | **44,110** | **23,845** |
| Rental profits exempt under REIT regime | (44,110) | (23,845) |
| **Tax charge for the period** | **-** | **-** |

## 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 (2018: £14,500) 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 2019 £ | 30 June 2018 £ |
|---|---|---|
| Expiring within one year | 171,840 | 172,070 |
| 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 2019 | 30 June 2018 |
|---|---|---|
| Profit and total comprehensive income for the year | £390,004 | £206,553 |
| Earnings per share | 4.2p | 4.3p |
| Weighted average number of ordinary shares in the year | 9,307,784 | 4,816,065 |

## 14. Events after the balance sheet date

After the 30 June 2019 Bricklane Residential REIT Plc continued to issue shares on a fortnightly basis. Since the year end, a further 140,575 shares were issued. Since the year end, the Company has purchased 504,503 and sold 140,554 Treasury Shares, as at the date of this report, the Company held 363,949 as Treasury Shares.

After the year end, Bricklane Regional Holdings Ltd was incorporated. Bricklane Residential REIT Plc holds 100% of the ordinary shares in Bricklane Regional Holdings Limited, a dormant company incorporated in the United Kingdom.

## 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 2019 | Less than 1 year £ | Total £ |
|---|---|---|
| Payables held at amortised cost | 79,453 | 79,453 |
| | **79,453** | **79,453** |

| 30 June 2018 | Less than 1 year £ | Total £ |
|---|---|---|
| Payables held at amortised cost | 32,266 | 32,266 |
| | **32,266** | **32,266** |

**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 yearend were held with Metro Bank PLC and Barclays 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 2019 | Level 1 £ | Level 2 £ | Level 3 £ | Total £ |
|---|---|---|---|---|
| Investment Property | - | - | 9,998,815 | 9,998,815 |
| | **-** | **-** | **9,998,815** | **9,998,815** |

| 30 June 2018 | Level 1 £ | Level 2 £ | Level 3 £ | Total £ |
|---|---|---|---|---|
| Investment Property | - | - | 7,013,373 | 7,013,373 |
| | **-** | **-** | **7,013,373** | **7,013,373** |

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.

## 17. Related party transactions

Unless otherwise disclosed in these Financial Statements, there have been no other related party transactions during the year.

## SUPPLEMENTS TO PART 9 – GENERAL INFORMATION

As a result of the Acquisition, paragraph 3.7 of Part 9 – General Information of the Prospectus is hereby supplemented by adding the following at the end of that paragraph:

The Company's share capital as at the date of the Supplementary Prospectus is as follows:

| | *Shares* | |
|---|---|---|
| | *Nominal Value (£)* | *Number* |
| As at the date of the Supplementary Prospectus | 159,436 | 15,943,571 |

As a result of the Acquisition, paragraph 8 (*Material Contracts of the Group*) of Part 9 – General Information of the Prospectus is hereby supplemented by the addition of the following as new paragraphs 8.6 and 8.7:

8.6 **BRUT Sale of Properties Agreement**

The sale of properties agreement dated 25 February 2020 entered into between BR Acquisitions, the Company, the Investment Adviser, CHL, Eantropaidh Limited, Lutea Trustees Limited (as sole trustee of the British Residential Unit Trust) (the "**Trustee**"), Sheene Nominee Limited ("**Sheene**"), Keegan Nominee Limited ("**Keegan**"), Caesar Subsidiary 1 Limited ("**CS1**"), Caesar Subsidiary 2 Limited ("**CS2**") and Caesar Subsidiary 3 Limited ("**CS3**") (the "**BRUT Sale of Properties Agreement**"), pursuant to which BR Acquisitions purchased a portfolio of 74 properties (62 in Birmingham and 12 in Manchester) as more particularly detailed in the supplements to Part 3 – Investment Portfolio and Pipeline above (the "**BRUT Portfolio**") from the Trustee, Sheene and Keegan (together, the "**Sellers**"), being the Acquisition referred to throughout this Supplementary Prospectus. The Investment Adviser charged BR Acquisitions a portfolio acquisition fee of £100,000 plus VAT in respect of the Acquisition.

The aggregate acquisition price for the BRUT Portfolio was £12,700,000 (the "**Acquisition Price**"), with £4,956,922.86 of the Acquisition Price (the "**Subscription Amount**") applied in satisfaction of the aggregate subscription price in respect of the 4,169,745 Shares in the Company subscribed for, in aggregate, by CS1, CS2 and CS3 (the "**Subscription Shares**") (the "**Subscribers**") in connection with the Acquisition, representing, in aggregate, c.26 per cent. of the Company's issued share capital. The Subscribers have each undertaken to the Company not to directly or indirectly own more than 10 per cent. each of the Company's issued share capital at any time.

The Sellers have the right to nominate a board observer to attend and speak at all meetings of the Company's Board, and such right shall remain unless and until they, or members of their group, cease to, in aggregate, hold 5 per cent. or more of the issued share capital of the Company.

The Company is obliged to provide the Subscribers with the opportunity to offer the Subscription Shares for sale alongside the issue of Shares under the Share Issuance Programme at a price equivalent to the Issue Price, so as to facilitate an exit for the Subscribers in tranches to be agreed between the Company and CHL (the "**Sale Mechanism**"). Should the Subscribers still hold any Subscription Shares on 1 August 2020 (save where they have elected not to offer such Subscription Shares for sale pursuant to the Sale Mechanism) (the "**Remaining Shares**"), the Company will, subject to applicable law and regulation, be obliged to offer to buy back such Remaining Shares at a price per Subscription Share of not less than the Net Asset Value per Share (the "**Buy Back Offer**"), and may be required to sell property assets within the Group's then current portfolio and/or arrange additional debt funding in order to fund the Buy Back Offer.

The Company obtained shareholder authority in respect of any Buy Back Offer it may become obliged to make pursuant to the BRUT Sale of Properties Agreement at the general meeting of the Company which took place at 10.00 a.m. on 17 March 2020 at the registered office of the Company, 26 Finsbury Square, London, United Kingdom, EC2A 1DS pursuant to the notice of general meeting circulated to shareholders on 27 February 2020.

Subject to a limited exception, until all Remaining Shares have been repurchased by the Company, the Company will require CHL's consent before repurchasing any other Shares. There are restrictions on the ability of the Company's Group to assume further debt whilst the Subscribers still hold the Subscription Shares (save where they have elected not to offer such Subscription Shares for sale pursuant to the Sale Mechanism).

The BRUT Sale of Properties Agreement is governed by the laws of England.

8.7 **BR Acquisitions Facility Agreement**

The loan agreement dated 21 February 2020 entered into between BR Acquisitions (as borrower), BR Holdings (as parent) and Barclays Bank PLC (the "**Bank**") (as lender), pursuant to which the Bank has provided BR Acquisitions with a Sterling property investment loan facility, in the form of a fixed rate term loan, in the amount of £5,900,000 (the "**Loan**" or the "**Facility**") in connection with the financing of the Acquisition (the "**BR Acquisitions Facility Agreement**").

The Facility, which was drawn down in full on 24 February 2020 (the "**Drawdown Date**"), is repayable by single repayment in full (together with all accrued interest) on the third anniversary of the Drawdown Date (the "**Repayment Date**"). The Facility has a fixed interest rate of 2.869 per cent. per annum.

BR Acquisitions may prepay the Facility in full or in such other amount as agreed by the Bank, with such prepayment subject to a prepayment fee if made prior to the second anniversary of the Drawdown Date. The Facility (together with all accrued interest) shall immediately become repayable in full on demand on the occurrence of certain customary events of default. If BR Acquisitions prepays, or is required to repay, all or part of the Facility before the Repayment Date, it may also incur fixed rate breakage costs.

The Facility carries a £44,250 arrangement fee (which BR Acquisitions paid on the Drawdown Date) and a £10,000 per annum management fee (payable on a quarterly basis in advance).

Pursuant to the terms of the BR Acquisitions Facility Agreement, (i) BR Acquisitions has entered into a security agreement containing fixed and floating charges over all of its assets in favour of the Bank and granted the Bank a legal charge over each property asset within the BRUT Portfolio; (ii) BR Holdings has entered into a charge over the shares of BR Acquisitions in favour of the Bank; and (iii) BR Acquisitions and BR Holdings have entered into a subordination agreement in favour of the Bank to subordinate any future loans advanced by BR Holdings to BR Acquisitions behind the Loan.

BR Acquisitions has given customary financial covenants in favour of the Bank pursuant to which BR Acquisitions must ensure that the outstanding Loan does not at any time exceed 60 per cent. of the aggregate market value of the BRUT Portfolio and that there shall be interest cover from net rental income of the BRUT Portfolio, on both a historic and a projected basis, in respect of the gross financing costs of the Facility at a ratio of 2.35 to 1. If at any time the interest cover, on either a 3 months' or 12 months' historic basis, or a 12 months' projected basis, is less than 2.50 times the gross financing costs of the Facility (a "**Cash Trap Event**"), the rental income from the BRUT Portfolio standing to the credit of BR Acquisitions' account with the Bank, after certain permitted payments, shall be transferred to a cash trap account which names the Bank as its sole authorised signatory, to be applied by the Bank in prepayment of the Facility or in payment of any amounts due but unpaid under the BR Acquisitions Facility Agreement, unless the Cash Trap Event has been remedied pursuant to the terms of the BR Acquisitions Facility Agreement.

BR Acquisitions and BR Holdings have given certain customary representations, warranties and undertakings in connection with the entry into, and performance of their respective obligations under, the BR Acquisitions Facility Agreement, including, in the case of BR Acquisitions, a negative pledge in regards to the creation of any security interest over any of its property or assets, including the BRUT Portfolio, over which the Bank has been granted security and, in the case of BR Holdings, a negative pledge in regards to the creation of any security interest over the shares in BR Acquisitions and any subordinated loans made to BR Acquisitions. BR Acquisitions has also given certain customary indemnities in favour of the Bank in connection with the BR Acquisitions Facility Agreement.

BR Acquisitions will require the prior written consent of the Bank prior to any variation of the property management arrangements with respect to the BRUT Portfolio or any part of it, and is required to provide certain information to the Bank on an ongoing basis, including a copy of its audited annual accounts and, on a quarterly basis (i) a compliance certificate relating to the financial covenants and the non-occurrence of an event of default which is continuing; (ii) a property report on the BRUT Portfolio in a form acceptable to the Bank; and (iii) its unaudited quarterly management accounts.

The BR Acquisitions Facility Agreement is governed by the laws of England.

As a result of the Acquisition and the publication of the 2019 Annual Report, the content at paragraph 13 (*No Significant Change*) of Part 9 – General Information of the Prospectus is hereby deleted and replaced as follows:

Save for: (i) the Company issuing 50,390 Shares pursuant to the 2018 Share Issuance Programme which raised gross proceeds of c.£58,000 during the period from 1 July 2019 to 3 September 2019; (ii) the Company issuing 4,259,930 Shares to date pursuant to the Share Issuance Programme, raising gross proceeds of c.£5.1million during the period from 17 September 2019 to the date of the Supplementary Prospectus; (iii) the Company issuing 4,169,745 Shares to the Subscribers pursuant to the BRUT Sale of Properties Agreement; (iv) the Company purchasing 634,535 of its Shares as treasury shares and disposing of 261,367 of the Shares held by the Company in treasury during the period from 1 July 2019 to the date of the Supplementary Prospectus; (v) the Group completing the Acquisition for an aggregate acquisition price of £12.7 million; (vi) in connection with the Acquisition, BR Acquisitions taking on a £5.9 million fixed rate term loan facility pursuant to the BR Acquisitions Facility Agreement and, in connection therewith, BR Acquisitions and BR Holdings granting security over the BRUT Portfolio and certain other property and assets of the Group; and (vii) the Company declaring interim dividends of 0.4 pence per Share on 19 September 2019 and 23 January 2020 respectively, there has been no significant change in the financial position of the Group since 30 June 2019, being the end of the last financial period for which either audited financial information or interim financial information has been published.

## SUPPLEMENTS TO PART 10 – AIFMD – ARTICLE 23 DISCLOSURES

As a result of the Acquisition, the table at Part 10 – AIFMD – Article 23 Disclosures of the Prospectus is hereby supplemented by the addition of the following additional information required to be disclosed pursuant to the AIFM Directive and related national implementing measures:

| **DISCLOSURE REQUIREMENT** | **DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE** |
|---|---|
| 1(e) the investment techniques that the Company may employ and all associated risks; | **Summary of key risks**<br>• The Group may be obliged to realise investments to satisfy the Company's obligations pursuant to the BRUT |

| DISCLOSURE REQUIREMENT | DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE |
|---|---|
| | Sale of Properties Agreement. |
| (g) the circumstances in which the Company may use leverage; | For the purposes of financing the Acquisition, BR Acquisitions has taken on a £5,900,000 fixed rate term loan facility, pursuant to which BR Acquisitions and BR Holdings have granted security over the BRUT Portfolio and certain other property and assets of the Group in accordance with the terms of the BR Acquisitions Facility Agreement. The Company may in future be obliged to arrange additional debt funding should it be necessary to do so in order to fund any repurchase of the Subscription Shares which the Company may become required to make pursuant to the terms of the BRUT Sale of Properties Agreement.<br><br>The Group may in the future use further gearing in order to generate short term cash flow facilities and create short term liquidity in respect of redemptions.<br><br>The Group will look to maintain a conservative level of gearing and intends to limit the Group borrowings to a maximum of 40 per cent. of the Group's gross assets at the relevant time. |
| (j) the maximum level of leverage which the Company is entitled to employ; | Save as specifically outlined at paragraph (g) above, the Company does not intend to use borrowing.<br><br>The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements.<br><br>The AIFM Directive prescribes two methods of measuring and expressing leverage (as opposed to gearing) and requires disclosure of the maximum amount of 'leverage' the Company might be subject to. The definition of leverage is wider than that of gearing and includes exposures that are not considered to be gearing.<br><br>Without prejudice to the foregoing (in compliance with the investment policy concerning gearing), the Company has set a maximum leverage limit of 1.66x (on both a "gross" and "commitment" basis). |
| (8) a description of the Company's liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors; | The Company is a closed-ended investment company incorporated in England and Wales on 28 July 2016 which carries on business as the principal company of a REIT. Shareholders are entitled to participate in the assets of the Company attributable to their shares in a winding-up of the Company or other return of capital, but they have no rights of redemption.<br><br>Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company mitigates this risk by maintaining a balance between continuity of funding and flexibility through the use of bank deposits and loans. If the Company is obliged to arrange additional debt funding should it be necessary to do so in order to fund any repurchase of the Subscription |

| DISCLOSURE REQUIREMENT | DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE |
|---|---|
| | Shares that the Company may become required to make pursuant to the terms of the BRUT Sale of Properties Agreement, this could increase the Company's liquidity risk profile. |
| (10) a description of how the Company ensures a fair treatment of investors; | As directors of a company incorporated in England and Wales, the Directors have certain statutory duties with which they must comply. These include a duty upon each Director to act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.<br><br>Save as specifically outlined in (11) below, no investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.<br><br>The Shares rank *pari passu* with each other. |
| (11) whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of: | |
| (a) that preferential treatment; | Pursuant to the terms of the BRUT Sale of Properties Agreement:<br><br>• the Sellers are entitled to nominate a board observer to attend and speak at all meetings of the Company's Board. These board observer rights will fall away should the Sellers' (and/or members of their group) cease to hold 5 per cent. or more of the issued share capital of the Company; and<br><br>• the Company is obliged to provide the Subscribers with the opportunity to offer the Subscription Shares for sale alongside the issue of Shares under the Share Issuance Programme at a price equivalent to the Issue Price, so as to facilitate an exit for the Subscribers in tranches to be agreed between the Company and CHL (the "**Sale Mechanism**"). Should the Subscribers still hold any Subscription Shares on 1 August 2020 (save where they have elected not to offer such Subscription Shares for sale pursuant to the Sale Mechanism) (the "**Remaining Shares**"), the Company will, subject to applicable law and regulation, be obliged to offer to buy back such Remaining Shares at a price per Subscription Share of not less than the Net Asset Value per Share. |
| (b) the type of investors who obtain such preferential treatment; and | The preferential treatment disclosed at 11(a) above applies in respect of the Subscribers (and/or members of their group) who have acquired Shares in the Company pursuant to the BRUT Sale of Properties Agreement. |
| (c) where relevant, their legal or economic links with the Company; | The investors who obtain the preferential treatment disclosed at 11(a) above have legal and economic links with the Company by virtue of their, or members of their group, being shareholders in the Company and having sold the BRUT Portfolio to the Group. |

| DISCLOSURE REQUIREMENT | DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE |
|---|---|
| (14) the latest annual report, in line with FUND 3.3 (Annual report of an AIF); | The Company has published its annual report for the period ending 30 June 2019 in line with FUND 3.3.<br><br>When published, annual reports can be found on the Company's website: https://bricklane.com/plc/residential. |
| (15) where available, the historical performance of the Company; | The Company has published its audited financial statements for the period ended 30 June 2019.<br><br>When published, annual and interim financial statements can be found on the Company's website: https://bricklane.com/plc/residential. |

## AVAILABILITY OF THIS DOCUMENT

Copies of this Supplementary Prospectus are directly accessible, for inspection only, from the date of this Supplementary Prospectus on the Company's website (https://www.bricklane.com/plc/residential) and from the National Storage Mechanism (www.morningstar.co.uk/uk/nsm) and may be obtained from the date of the Supplementary Prospectus until 16 September 2020 from the registered office of the Company.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Supplementary Prospectus and the 2019 Annual Report will be directly accessible at https://www.bricklane.com/plc/residential and for inspection at the registered office of the Company and the offices of Carey Olsen Corporate Finance Limited, 47 Esplanade, St Helier, Jersey, JE1 OBD during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of the Supplementary Prospectus until 16 September 2020.

## WITHDRAWAL RIGHTS

In accordance with section 87Q(4) FSMA, investors who have agreed before this Supplementary Prospectus was published to purchase or subscribe for Ordinary Shares the allotment of which has not become fully unconditional have the right to withdraw their acceptances. Such investors should contact Gallium Fund Solutions Limited, Gallium House Unit 2, Station Court, Borough Green, Sevenoaks, Kent TN15 8AD should they wish to exercise their right of withdrawal.

24 March 2020