CLIPSTONE INDUSTRIAL REIT PLC

UNAUDITED INTERIM REPORT

FOR THE SIX MONTHS FROM 1 JULY 2019 TO 31 DECEMBER 2019

Registered Number: 9046897

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I am pleased to report the results of the Company and its subsidiaries ('the Group') for the six months ended 31 December 2019.

Results to 31 December 2019

The Group's properties were independently valued by Colliers at 31 December 2019. Their valuation is £229.640m, which represents an uplift of 11.3% over their aggregate acquisition price, excluding acquisition costs and an increase of 3.8% since 30 June 2019 (on a like-for-like basis). The increase in value was partly due to asset management initiatives, and partly due to further strengthening of the market for industrial properties.

The Group's net asset value (NAV) per share at 31 December 2019 was £1.4793. No adjustment has been made for any potential performance fees due to the property manager. If the investment properties were sold at their values at 31 December 2019, there would be a performance fee payable of £2,936,766. The NAV net of the potential performance fee would have been £1.4547 per share at 31 December 2019.

The NAV (net of performance fees) of £1.4547 at 31 December 2019 is a 3.40% increase since 30 June 2019 and a 48.44% increase over the NAV of 98p on admission.

The total return, being NAV increase after performance fee and dividends paid to 31 December 2019 from admission, was 73.0%. The total return since 30 June 2019 was 5.6%.

Events to 31 December 2019

On 4 July 2019 the Company completed the purchase of an investment property in Swanley for £10.86 million plus associated costs. The property is a single let urban logistics warehouse totalling 56,833 square feet, made up of two adjoining units. The property is well located inside the M25 on the intersection of the M25 with the M20, making it ideal for servicing Greater London and the South East, and increases the Company's exposure to the Greater London area. The purchase price represents a net initial yield of 4.92%.

On 27 September 2019 the Company completed the purchase of an investment property in Enfield for £5.12 million plus associated purchase costs. The property comprises a single 21,500 square foot unit which has been split and is currently occupied by two tenants, one of which is the vendor of the property. As part of the deal the property became vacant before the end of 2019 and we will undertake a refurbishment to improve the property and restore it to a single unit, following which we will market and re-let. The asset is in a well-established industrial location within the M25 and with good transport and road links to London and the wider South East, further increasing the Company's exposure to the Greater London

On 9 December 2019 the Company undertook the buy back of 2,587,034 of its own shares from Clipstone Feeder Limited for £300,000. Immediately following the buy back the Company issued 2,308,888 new shares at NAV in exchange for 100% of the shares in Clipstone Feeder Limited. This transaction created goodwill on consolidation of £79,690, which was immediately written off to administrative expenditure. The overall impact on NAV per share was nil.

Interim dividends of 1.5p per share were declared on 30 July 2019 and paid on 22 August 2019, and 1.5625p per share declared on 6 November 2019 and paid on 21 November 2019.

Management Fees

The Board has agreed with the Property Manager that the 1.25% annual management fee will be subject to a sliding scale, so that the fee is charged at a rate of 1.25% of NAV per annum up to NAV of £250m and 1.00% for amounts over £250m. This will lead to further economies of scale and therefore enhanced returns for investors as the fund grows.

Environmental, Social and Governance Policy

The REIT operates an Environmental, Social and Governance policy that includes monitoring the operations of the REIT's tenants to ensure that the use of our buildings is socially and environmentally responsible, and a quarterly analysis of the environmental impact of the REIT's properties, with a view to reducing the environmental impact of the REIT's operations over time.

Post Balance Sheet Events

An Interim dividend of 1.5625p per share was declared on 7 February 2020 and paid on 26 February 2020.

On 11 March 2020, the World Health Organisation (WHO) declared the novel coronavirus (COVID-19) a global pandemic, leading to the UK government declaring a state of lockdown and a cessation of all but essential activity from 23 March 2020.

The repercussions of the lockdown have meant a significant curb on the ability of many businesses to operate, and therefore to pay staff and meet their liabilities as they fall due. While the government has announced various measures to help companies access finance, subsidise wages of furloughed staff and delay tax payments, many businesses have struggled to manage their cash flows and many will continue to do so while this crisis continues.

For commercial property investors, the impact on owners of properties in the leisure, hospitality and high street retail has been the greatest, with many tenants unable or unwilling to pay rent. The industrial sector has fared better but has not been immune as tenants have suffered cancelled contracts, collapses in demand, issues with supplies and difficulties in operating safely.

The Company and its Board set out a plan before the rent quarter day that we would deal with tenants on a case-by-case basis and look for constructive solutions with tenants who were struggling to make rental payments and who kept and open and pragmatic dialogue with the Company and its agents. We have directed all tenants to seek available government-backed support as a first port of call, which many of our tenants have attempted and continue to do so. Many of the government's schemes are still in the process of being rolled out.

Seven days after the quarter day the Company had received 70% of the rents due. A further 5% we had agreed with the tenant could be paid monthly. As at the date of this report 77% has been collected. For the previous quarter 77% of rents were collected within a week of the quarter day. By four weeks after the quarter date this had increased to 92%.

While the Board is reasonably pleased with the rate of rent collection despite the current crisis, we remain mindful that the quarter day came within a week of the lockdown starting and therefore most tenants would have had the cash on hand ready to pay the rent. The longer the lockdown continues the more difficult it is likely to become for some tenants to meet their liabilities as they fall due and indeed some tenants may well be forced into administration or receivership. We believe that the next quarter day in June will be more challenging for most tenants and we continue to communicate regularly with our tenants and our agents so that we are aware in advance of tenants who are struggling, and to devise payment plans or rent deferrals where we consider these to be in the best interests of shareholders.

The economic downturn precipitated by COVID-19 will undoubtedly lead to some fall in property valuations and we would expect to see an increase in yields on our properties in the coming quarterly valuations. All registered valuers are, however, including material uncertainty clauses with their valuation reports due to the extreme difficulty in buying and selling properties at the current time, and due to the high level of uncertainty as to for how long the crisis will continue and how lasting its effects will be. The Board will meet on 11 May 2020 to approve the updated Net Asset Value for the Company and will also discuss the dividend which is due to be paid in May 2020. The outcome of this meeting will be communicated to shareholders; however it may be necessary to reduce the dividend from the previous rate of 6.25p per share per annum in order to preserve cash flows and to reflect the reduced collection of rent caused by COVID-19.

Post Balance Sheet Events (Continued)

The Company has access to undrawn debt facilities of over £9m, which is due to expire in April 2022. We have also worked hard over the past 12 months to reduce the running costs of the Company, and the vacancy rate remains relatively low at 6.0% as at 31 March 2020, which means reasonably low void costs. Our loan to value is 25% and we continue to have significant headroom in all banking covenants and anticipate that this will continue to be the case. Our stress tests indicate that we would require a fall in rents in the region of 60% over a 12-month period to breach our covenants.

We will continue to focus on managing risk, chiefly ensuring that we ensure we have sufficient liquidity to meet our liabilities and that we maintain adequate headroom in our banking covenants. We believe that the Company is in a strong position to ride out this crisis and we will continue to look for opportunities to create value for our shareholders through active management of our properties and through acquisitions of good quality industrial estates.

Toby Dean

Director

29 April 2020

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FROM 1 JULY 2019 TO 31 DECEMBER 2019

	Notes	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Turnover - Rental income		**6,226,906**	3,321,188
Cost of sales			
- Direct property expenses		**(725,825)**	(325,556)
- Property management expenses		**(1,095,678)**	(489,415)
		(1,821,503)	(814,971)
Gross profit		**4,405,403**	2,506,217
Other operating income		**20,000**	-
Administrative expenses		**(235,802)**	(344,905)
Gain on disposal of investment properties	7	**-**	2,077,290
Value adjustments			
- Investment properties		**6,582,059**	806,000
- Lease incentive value adjustment to investment property		**(171,290)**	1,709,007
- Derivative financial instruments		**41,685**	41,004
		6,236,652	4,288,396
Operating profit	4	**10,642,055**	6,794,613
Interest receivable		**2,895**	2,294
Interest payable	8	**(824,406)**	(734,992)
Profit on ordinary activities before tax		**9,820,544**	6,061,915
Corporation tax	9	**-**	(26,485)
Profit for the financial year		**9,820,544**	6,035,430
Earnings per ordinary share			
Basic and diluted (pence per share)	11	**8.2**	11.6

Turnover and profit on ordinary activities are derived wholly from continuing activities.

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 £	30 June 2019 £
Fixed assets			
Investment properties	12	**229,773,673**	206,198,351
Current assets			
Debtors	13	**5,194,459**	4,682,095
Cash at bank and in hand		**773,117**	1,814,262
		5,967,576	6,496,357
Creditors: amounts falling due within one year	14	**(5,657,582)**	(4,944,064)
Net current assets		**309,994**	1,552,293
Total assets less current liabilities		**230,083,667**	207,750,644
Creditors: amounts falling due after more than one year	15	**(53,675,973)**	(37,226,050)
Net assets		**176,407,694**	170,524,594
Capital and reserves			
Called up share capital	16	**1,192,494**	1,195,276
Share premium account		**108,679,849**	108,679,849
Capital reduction reserve		**39,000,000**	39,000,000
Capital redemption reserve		**62,727**	36,856
Investment revaluation reserve		**19,894,598**	13,483,829
Profit and loss account		**7,578,026**	8,128,784
Shareholders' funds		**176,407,694**	170,524,594
Net asset value per ordinary share (pence)		**147.93**	142.67

These financial statements were approved and authorised for issue by the board on 29 April 2020 and were signed on its behalf by:-

Toby Dean
Director

The accompanying notes are an integral part of these financial statements.

Registered number: 9046897

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FROM 1 JULY 2019 TO 31 DECEMBER 2019

	Share Capital £	Share Premium £	Capital Reduction Reserve £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
Balance at 1 July 2018	584,813	20,850,719	39,000,000	-	16,125,468	2,206,031	78,767,031
Shares repurchased	(36,856)	-	-	36,856	-	(5,000,000)	(5,000,000)
Profit for the period	-	-	-	-	-	6,035,430	6,035,430
Realised gains on disposal of investment property recognised in previous periods	-	-	-	-	(8,423,965)	8,423,965	-
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	806,000	(806,000)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	1,709,007	(1,709,007)	-
Dividends paid	-	-	-	-	-	(2,146,979)	(2,146,979)
Balance at 31 December 2018	547,957	20,850,719	39,000,000	36,856	10,216,510	7,003,440	77,655,482
Shares issued in the period	647,319	87,860,928	-	-	-	-	88,508,247
Share issue costs	-	(31,798)	-	-	-	-	(31,798)
Profit for the period	-	-	-	-	-	6,185,578	6,185,578
Realised gains on disposal of investment property recognised in previous periods	-	-	-	-	(62,500)	62,500	-
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	3,391,651	(3,391,651)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(61,832)	61,832	-
Dividends paid	-	-	-	-	-	(1,792,915)	(1,792,915)
Balance at 30 June 2019	1,195,276	108,679,849	39,000,000	36,856	13,483,829	8,128,784	170,524,594
Shares repurchased	(25,871)	-	-	25,871	-	(300,000)	(300,000)
Shares issued in the period	23,089	-	-	-	-	-	23,089
Profit for the period	-	-	-	-	-	9,820,544	9,820,544
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	6,582,059	(6,582,059)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(171,290)	171,290	-
Dividends paid	-	-	-	-	-	(3,660,533)	(3,660,533)
Balance at 31 December 2019	**1,192,494**	**108,679,849**	**39,000,000**	**62,727**	**19,894,598**	**7,578,026**	**176,407,694**

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FROM 1 JULY 2019 TO 31 DECEMBER 2019

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Cash flows from operating activities		
Profit for the financial period	**9,820,544**	6,035,430
Adjustments for:		
Gain on disposal of investment properties	**-**	(2,077,290)
Unrealised revaluation of investment properties	**(6,582,059)**	(806,000)
Movement in lease incentive valuation	**171,290**	(1,709,007)
Unrealised value adjustment of derivative financial instruments	**(41,685)**	(41,004)
Impairment in investments	**79,690**	-
Interest payable	**824,406**	734,992
Interest receivable	**(2,895)**	(2,294)
Corporation tax expense	**-**	26,485
Change in debtors and accrued income	**(512,364)**	(975,183)
Change in creditors and accruals	**396,443**	700,549
Cash from operations	**4,153,370**	1,886,678
Interest paid	**(674,055)**	(701,700)
Interest received	**2,895**	2,294
Corporation tax paid	**(25,888)**	-
Net cash generated from operating activities	**3,456,322**	1,187,272
Cash flows from investing activities		
Acquisition of subsidiaries net of cash	**28,809**	-
Purchase of investment property	**(17,207,053)**	-
Disposal of invesment properties	**-**	84,141,616
Net cash from investing activities	**(17,178,244)**	84,141,616
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of issue costs)	**249,796**	-
Buy back of shares	**(300,000)**	(5,000,000)
Proceeds from loan financing	**16,450,000**	-
Loan Repayments	**-**	(400,000)
Repayments under finance leases	**(58,486)**	-
Dividends paid	**(3,660,533)**	(1,462,033)
Net cash from financing activities	**12,680,777**	(6,862,033)
Net increase/(decrease) in cash and cash equivalents	**(1,041,145)**	78,466,855
Cash and cash equivalents at the beginning of the period	**1,814,262**	2,651,615
Cash and cash equivalents at the end of the period	**773,117**	81,118,470
Components of cash and cash equivalents		
Cash	**773,117**	81,118,470
	773,117	81,118,470

1 Corporate Information

Clipstone Industrial REIT plc (the Company) is a public limited company incorporated and domiciled in England and Wales whose shares are publicly traded on The International Stock Exchange.

2 Basis of Preparation and Accounting Policies

(a) Basis of Preparation of financial statements

A summary of the principal accounting policies of the Group, which have been applied consistently throughout the period, is set out below.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with Financial Reporting Standard 104 Interim Financial Reporting (FRS 104) and with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties. The presentation currency is £ sterling.

Basis of Consolidation

The consolidated financial statements incorporate the unaudited financial statements of the Company and its subsidiaries, as at the balance sheet date. Subsidiaries are those entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to direct the financial and operating policies of an entity so as to obtain benefits from its activities. All intragroup transactions are eliminated on consolidation.

Business Combinations

The group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination, by applying the purchase method, where an integrated set of activities is acquired in addition to property.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxes arise.

Going Concern

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

(b) Revenue Recognition

Rental Income

Rental income excluding VAT arising on investment properties is accounted for in the statement of comprehensive income on a straight-line basis over the terms of the individual leases. Lease incentives are amortised on a straight-line basis over the lease term. Rental income received in advance is recognised as deferred income and disclosed within creditors. Rental income earned but not received is recognised as accrued income and disclosed within debtors.

Interest Income

Interest income is accounted for on an effective interest rate method.

2 Basis of Preparation and Accounting Policies (continued)

(c) Expenses

Expenses are accounted for on an accruals basis. The Group's management and administration fees, finance costs and all other expenses are charged to the statement of comprehensive income.

(d) Dividends

Dividends are accounted for in the period in which they are declared.

(e) Taxation

The group operates as a Real Estate Investment Trust (REIT) and therefore profits and gains from its qualifying property rental business are expected to be exempt from direct taxation provided the REIT conditions are met.

Taxation on any profit or loss for the period not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the statement of comprehensive income.

Corporation tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(f) Investments in Subsidiaries

The Company recognises investments in subsidiaries at cost less impairment in its statement of financial position.

(g) Investment Properties

Investment properties consist of land and buildings which are not occupied for use by or in the operations of the Group or for sale in the ordinary course of business but are held to earn rental income together with the potential capital and income growth.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book costs of the property.

After initial recognition, investment properties are measured at fair value with gains and losses recognised in the statement of comprehensive income. Deferred tax is not provided on these gains or losses as corporation tax is not expected to be paid on capital gains arising from the Group's qualifying property rental business under the REIT regime. Fair value is based on an independent open market valuation provided by a RICS recognised Chartered Surveyor, at the balance sheet date using recognised valuation techniques.

In arriving at the fair value in the statement of financial position, any deferred rent receivable or lease incentives are taken into consideration in reporting the carrying amount of the investment properties.

2 Basis of Preparation and Accounting Policies (continued)

(h) Rent and Other Debtors

Debtors are recognised initially at fair value, subsequently at amortised cost. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors concerned.

Rents receivable, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(i) Cash at Bank and in Hand

Cash at bank and in hand consists of cash held in banks and on-demand deposits in banks.

(j) Creditors

Creditors are recognised initially at fair value, subsequently at amortised cost.

(k) Derivative financial instruments

The Group uses interest-rate caps for economic hedging to manage its market risk. All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair values of interest-rate caps are based on counterparty or market quotes.

(l) Loans

Loans are initially measured at proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable is accounted for on an accruals basis using the effective interest method.

(m) Finance leases

At the commencement of the lease term, rights of use and obligations under finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Any initial direct costs of the lease are added to the amount recognised as an asset. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

After initial recognition, minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method.

The value of investment properties held under finance leases will be measured at the gross value before deductions for any recognised lease liability. The lease liability is added back to the assessed fair value with changes in present value of the remaining net lease liability being accounted for as changes in fair value of the investment property through the statement of comprehensive income.

(n) Critical accounting judgements and key estimations of uncertainty

The preparation of financial statements in conformity with FRS 104 requires management to make significant judgements and estimates.

The area where the Group considers the judgements and key estimations of uncertainty to be most significant involves assumptions or estimates applied in respect of the valuation of investment properties.

The value of property and property related assets is inherently subjective due to the individual nature of each property, its location and the expected future rental revenues from that particular property.

2 Basis of Preparation and Accounting Policies (continued)

(n) Critical accounting judgements and key estimations of uncertainty (continued)

In determining the value of investment properties, valuers are required to make assumptions in respect of matters including, but not limited to, the existence of willing sellers in uncertain market conditions, title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, the structural condition of the properties, tenure and other information. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2012.

Such assumptions involve a degree of estimation uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked. Incorrect assumptions underlying the valuation reports could negatively affect the value of Group’s investment properties and thereby have a material adverse effect on the Group’s financial position. This risk is minimised by the appointment of external property valuers who are independent and professional.

3 Segmental Information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in industrial properties. The results reported represent the segment results for the Group.

4 Operating Profit

Operating profit is stated after charging:

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Auditor's remuneration - audit	26,250	27,500
Auditor's remuneration - taxation	14,750	7,525

5 Particulars of Employees

The Company had no employees during the period (period to 31 December 2018 - none), other than the directors.

6 Directors' Emoluments

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Directors' emoluments	22,500	22,500

7 Gain on Disposal of Investment Properties

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Disposal proceeds	-	84,624,976
Book cost	-	(71,560,035)
Unrealised losses/(gains) recognised in prior periods	-	(8,423,965)
Disposal costs	-	(483,360)
Lease incentive asset reversed on disposal	-	(2,080,326)
	-	2,077,290

8 Interest Payable

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Bank loan interest payable	589,781	613,036
Bank loan issue costs	176,209	121,956
Interest payable on finance leases	58,416	-
	824,406	734,992

9 Corporation Tax

The tax charge for the period is lower than the standard rate of corporation tax in the UK during the period of 19%. The differences are explained below:

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
Profit before tax	9,820,544	6,035,430
Corporation tax at effective rate of 19% (2018: 19%)	1,865,903	1,146,732
Effect of:		
REIT tax exempt property rental profits and gains	(1,865,903)	(1,146,732)
Residual income - prior year adjustment	-	26,485
	-	26,485
Effective corporation tax rate	0.0%	0.4%

10 Dividends

	Six months to 31 December 2019 £	Six months to 31 December 2018 £
31 December 2018 - 3.75p) per ordinary share per annum	3,660,533	2,146,979

11 Earnings Per Share

Basic earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Six months to 31 December 2019	Six months to 31 December 2018
	£	£
Net profit attributable to ordinary shares	9,820,544	6,035,430
Weighted average number of ordinary shares:		
Issued ordinary shares at the start of the period	119,527,591	52,328,113
Effect of shares issued during the period	92,693	-
Effect of shares bought back during the period	(103,859)	(201,404)
Basic and diluted weighted average number of shares	119,516,425	52,126,709
Basic and diluted earnings per share (pence)	8.2	11.6

12 Investment Properties

	31 December 2019 Freehold	December 2019 Leasehold	December 2019 Total	30 June 2019 Total
	£	£	£	£
Cost				
Brought forward	184,239,378	7,828,007	192,067,385	109,152,274
Acquired with subsidiaries	-	-	-	149,800,000
Additions	16,987,913	176,640	17,164,553	4,675,146
Disposals	-	-	-	(71,560,035)
Carried forward	201,227,291	8,004,647	209,231,938	192,067,385
Revaluation				
Brought forward	13,818,622	6,993	13,825,615	18,111,726
Revaluation during the period	6,745,087	(162,640)	6,582,447	4,200,354
Revalution reversed on disposals	-	-	-	(8,486,465)
Carried forward	20,563,709	(155,647)	20,408,062	13,825,615
Value per independent valuer	221,791,000	7,849,000	229,640,000	205,893,000
Lease Incentive Asset				
Brought forward	(899,024)	(19,606)	(918,630)	(1,986,258)
Movement during the period	(169,854)	(1,436)	(171,290)	(433,151)
Acquired with subsidiaries	-	-	-	(579,547)
Reveresed on disposals	-	-	-	2,080,326
Carried forward	(1,068,878)	(21,042)	(1,089,920)	(918,630)
Long leasehold valuations				
Brought forward	-	1,223,981	1,223,981	-
Acquired with subsidiaries	-	-	-	1,226,684
Revaluation during the period	-	(388)	(388)	(2,703)
Carried forward	-	1,223,593	1,223,593	1,223,981
Carrying value	220,722,122	9,051,551	229,773,673	206,198,351

12 Investment Properties (continued)

The fair value of investment properties at 31 December 2019 was determined by the Group's independent valuer, Colliers International Valuation UK LLP. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuer are reviewed internally by senior management and the directors.

The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques. The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuer's opinion of fair value. The average discount rate, which, if applied to all cash flows, would produce the fair value, is described as the equivalent yield.

13 Debtors

	31 December 2019	30 June 2019
	£	£
Prepayments and accrued income	669,632	816,487
Trade debtors	1,013,669	835,839
Deferred lease incentives	1,089,920	918,630
Other debtors	2,421,238	2,111,139
	5,194,459	4,682,095

There is no evidence of default for any debtors and therefore no provision has been made at the year end (30 June 2019: none).

There were no debtors due after more than one year.

14 Creditors: Amounts Falling Due Within One Year

	31 December 2019	30 June 2019
	£	£
Finance lease liabilities	151	144
Trade creditors	126,215	227,219
Rental income in advance	2,664,232	2,351,990
Accruals	1,445,456	1,334,534
Corporation tax payable	308,838	-
Withholding taxes and other taxes	639,253	539,293
Derivative financial instruments (see note 15)	20,896	62,581
Other creditors	452,541	428,303
	5,657,582	4,944,064

15 Creditors: Amounts Falling Due After More Than One Year

	31 December 2019	30 June 2019
	£	£
Bank loans - due between one and two years	-	-
Bank loans - due between two and five years	52,450,000	36,000,000
Finance lease liabilities	1,225,973	1,226,050
	53,675,973	37,226,050

The bank loans mature on 29 April 2022 and are secured by charges over the investment properties owned by Clipstone IX Limited and a debenture from Clipstone IX Limited. Interest is paid at 1.5% over three month LIBOR, the interest cover covenant is 200% and the loan to value covenant 65%.

The Company has entered into interest rate cap contracts to cap interest at 3% on its bank borrowings. At 31 December 2019 the notional amount under the contracts was £30,573,025 (30 June 2019: £30,853,025). The contracts terminate on 11 February 2020. The premiums are payable by quarterly instalments of £20,915. At 31 December 2019 the cap contracts had a negative fair value of £20,896 (30 June 2019: £62,581).

16 Finance Leases

	31 December 2019	30 June 2019
	£	£
Included within current liabilities	151	144
Included within non-current liabilities	1,225,973	1,226,050
	1,226,124	1,226,194
Future minimum lease payments due under finance leases:		
within one year	116,973	116,973
in more than one year and less than five years	467,892	467,892
in more than five years	8,662,012	8,691,255
	9,246,877	9,276,120

The Group's finance leases relate to three long leasehold investment property holdings, the value of which is show in note 12.

16 Share Capital and Reserves

	Number of Shares
Issued and fully paid	
At 1 July 2019 - 119,527,591 ordinary shares of £0.01 each	119,527,591
Share buy-back	
2,587,034 ordinary shares of 1p each	(2,587,034)
Share issue	
2,308,888 ordinary shares of 1p each	2,308,888
At 31 December 2019	119,249,445

The shares are listed on the Official List of The International Stock Exchange.

On 9 December 2019 the Company bought back 2,587,034 new ordinary shares for £300,000. On the same day the Company issued 2,308,888 new shares of 1p each at a premium of £3,272,617.

17 Net Asset Value

The Group's net asset value per ordinary share is 147.93p based on shareholders' funds of £176,407,694 and 119,249,445 ordinary shares in issue at the period end.

No adjustment has been made for any potential performance fee due to the property manager. If the investment properties were sold at their values at 31 December 2019, there would be a performance fee payable of £2,936,766. The net asset value after the potential performance fee was 145.47p per share at 31 December 2019.

A reconciliation of the net asset value as shown in these financial statement to the net asset value of the Group as published on The International Stock Exchange is shown below:

	Net Asset Value	Net Asset Value per Share
	£	£
Net asset value as shown in these financial statements	176,407,694	1.4793
Fair value adjustment to remove finance lease accounting for	2,530	-
Performance fee provision	(2,936,766)	(0.0246)
Net asset value as published on the International Stock Exchange as at 31 December 2019	173,473,459	1.4547

18 Capital Commitments

The Group had no capital commitments outstanding at 31 December 2019 (30 June 2019: none).

19 Related Party Transactions

The Directors are considered to be related parties. The Directors are engaged under letters of appointment and do not have service contracts with the Company. The Directors are required to retire by rotation and seek re-election at least every three years and their appointments are terminable by the director or the Company giving three months' notice, other than Richard Demarchi whose notice period is 3 days.

Directors' emoluments of £22,500 were paid during the period (period to 31 December 2018: £22,500). £Nil was payable at 31 December 2019 (31 December 2018: £Nil).

Toby Dean is a director and shareholder of the Property Manager, Clipstone Investment Management Limited. Clipstone Investment Management Limited charged fees of £1,095,678 to the Company during the period (period to 31 December 2018: £489.415) of which £553,010 was outstanding at the period end (31 December 2018: £243,434).

20 Operating Leases

	31 December 2019	30 June 2019
	£	£
Future minimum lease payments receivable under non-cancellable operating leases:		
within one year	10,932,016	10,351,090
in more than one year and less than five years	21,728,703	21,216,404
in more than five years	11,480,045	10,305,302
	44,140,764	41,872,796

21 Post Balance Sheet Events

An Interim dividend of 1.5625p per share was declared on 7 February 2020 and paid on 26 February 2020.