CLIPSTONE INDUSTRIAL REIT PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Registered number 09046897

Directors	Nicholas Lyons (resigned as Chairman and director 1 April 2021) Karl Sternberg (Chairman from 1 April 2021) Anna Rule (appointed 12 February 2021) Toby Dean Richard Demarchi
Registered Office	45 Albemarle Street London W1S 4JL
AIFM	**Clipstone Capital Limited** 45 Albemarle Street London W1S 4JL
Property Manager and Company Secretary	**Clipstone Investment Management Limited** 45 Albemarle Street London W1S 4JL
Sponsor for The International Stock Exchange Limited	**Carey Olsen Corporate Finance Limited** 47 Esplanade St Helier Jersey JE1 0BD
Depositary	**Langham Hall UK Depositary LLP** 8th Floor 1 Fleet Place London EC4M 7RA
Independent Auditor	**Moore Kingston Smith LLP** Devonshire House, 60 Goswell Road London EC1M 7AD
Property Valuer	**Colliers International Valuation UK LLP** 50 George Street London W1U 7GA
Legal Advisors to the Company (English Law)	**Hogan Lovells International LLP** Atlantic House Holborn Viaduct London EC1A 2FG
Legal Advisors to the Company (Jersey Law)	**Carey Olsen** 47 Esplanade St Helier Jersey JE1 0BD
Market Maker	**Ravenscroft Limited** PO Box 222 The Market Buildings Fountain Street St Peter Port Guernsey GY1 4JG

During the past 12 months the Company expanded its property portfolio, and increased the value of its existing properties through active asset management. The combined effect was an increase in the size of our property portfolio from £230.1m to £295.1m. The total return for shareholders was 13.5%, which compares with the MSCI/AREF quarterly property fund index of 6.9%.

The Company successfully raised £12.99m in new equity, and secured new loan facilities totalling £43.64m, including £12.25m of undrawn debt. Existing and new investors supported the equity issuance, which reflects confidence both in the Company's past performance and its potential. The increase in available capital enabled us to continue to invest in good quality industrial real estate during the year.

We acquired three new properties: one in Sutton, situated within the M25, and two estates in Reading and Chelmsford. These properties are all modern, well located, and contribute towards the Board's goal of improving further the quality of our portfolio.

The impact of COVID-19 on owners of properties in the leisure, hospitality and high street retail sectors has been the most severe, with many tenants unable or unwilling to pay rent. The industrial sector has fared better, but it has not been immune: tenants have suffered cancelled contracts, collapses in demand, issues with suppliers and difficulties in operating safely.

The Company had a better year than originally feared given the ongoing restrictions and economic downturn due to COVID-19. Rent collection has been challenging for many property companies, but our management team have collected 98.3% of the rent demanded since March 2020, including the rents that fell due at the end of June 2021. We will continue to remaining negotiate and work with tenants to recover as much of the unpaid rent as possible.

Despite the Government's relaxation of most coronavirus-related restrictions, the Board is mindful that the pandemic is not yet over and there is still a possibility that vaccine-resistant variants could lead to further restrictions. Economic conditions remain challenging for many businesses, including many of our tenants, due to the lingering uncertainty, the impact of the winding down of the furlough scheme, and ongoing restrictions around travel. Whatever the course of the pandemic and the wider economic picture, we will continue to communicate regularly with our tenants and our agents so that we are aware in advance of tenants who are struggling, and we will devise payment plans or rent deferrals where we consider these to be in the best interests of shareholders.

Despite these uncertainties, industrial property continues to generate strong demand from occupiers and investors. There is a stuctural imbalance between demand and supply for industrial property, which has driven marked rental growth over the past few years. The evidence from recent lettings and projections for available space, suggest that this trend is likely to continue. Over the year to June 30th, the MSCI UK property index registered an increase in the capital value of industrial properties of 17.9%. This compares with capital value falls of 5.4% for retail, 3.4% for offices and 3.0% for hotels.

In May 2021, the Board raised the dividend to 6.25p per share per annum, which is the same as before the pandemic struck. In addition to the restoration of the dividend rate, the Company paid a special dividend of 0.5p per share in July 2021. This special dividend was paid in recognition of better rent collection over the past 18 months than had been anticipated at the start of the lockdown. The Board will consider future opportunities to pay further special dividends.

Following acquisitions made over the past year, the Company's loan to value at 30 June 2021 was 31.2% (2020: 23.5%). As at 30 June 2021 the Company had £12.25m of committed debt available to draw upon, which will allow us to take advantage of investment opportunities as they are identified by our fund manager. It remains our intention that the Company's loan-to-value ratio should be between 25% and 35%.

I would like to thank all of our investors for the loyal backing that they continue to provide. Given the ample liquidity in markets and the search for asset-backed yields, there is heavy demand for our sector of the property market. We shall remain opportunistic and nimble when attractively-priced assets become available, but our managers remain disciplined on pricing. There may also be opportunities to take profits on some less strategic assets.

I would also like to thank my predecessor as Chairman, Nicholas Lyons, who retired from the Board in April, for his leadership and service to the Company over the past six years. We were able to persuade Anna Rule to join the Board as a non-executive director. Anna runs the property team at Railways Pension Scheme, who remain substantial investors in the UK property market.

Toby Dean and his team at Clipstone have worked very hard for shareholders in what has been another especially busy and challenging year. Shareholders have achieved significant outperformance despite all these challenges thanks to their efforts.

The Board is confident that we are well positioned to recover strongly from the COVID-19 pandemic. We are well aware of the risks of rising inflation and the possible monetary response, which would prove challenging to all asset markets. But The Company is well positioned to take advantage of opportunities that would arise in such circumstances.

I am pleased to report the results of the Group for the year ended 30 June 2021.

Results to 30 June 2021

The Group's properties were independently valued at 30 June 2021 at £295,100,000 (30 June 2020: £230,105,000), an increase of 5.6% from the portfolio valuation on 31 December 2020 on a like-for-like basis. The increase is due to active asset management of the portfolio and continued strong performance of industrial property in the South-East.

The Group's net asset value (NAV) per share at 30 June 2021 was £1.6248 (30 June 2020: £1.4669). 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 30 June 2021, there would be a performance fee payable of £4,408,214 (30 June 2020: £2,340,723). The NAV net of the potential performance fee would have been £1.5904 per share at 30 June 2021 (30 June 2020: £1.4473). The total return since listing, representing both the NAV increase and dividends paid to 30 June 2021, net of the potential performance fee, is 94.1% (30 June 2020: 74.6%).

Events to 30 June 2021

I summarise below the material events that have taken place during the year ended 30 June 2021.

On 19 November 2020, the Company issued 4,089,302 new shares at £1.4628 per share.

On 20 November 2020, the proceeds from this issue of shares, along with the drawdown of £6.75m from the Company's revolving credit facility, were used to purchase a four-unit estate at Sutton Trade Park for £11.3m plus associated purchase costs, representing a net initial yield of 4.22%. This represented an opportunity for the Company to acquire a good quality industrial estate well-located within the M25. The property is modern, at the front of the estate, with main road frontage, excellent yards and car parking, and fully let to four trade counter tenants. At 30 June 2021 the property was independently valued at £11.5m.

On 14 April 2021, the Company issued 4,645,892 new shares at £1.5087 per share.

On 19 April 2021, the proceeds from this issue of shares, along with an extension of our debt facility with Barclays of £13.64m, were used to purchase an investment property in Reading for £19.15m plus associated purchase costs, representing a net initial yield of 4.62%. It is let until 2041 with no break options, and benefits from RPI-linked rental uplifts every five years. The most recent uplift was in September 2021 and has increased the yield on purchase costs to 5.20%. The property was constructed in 2016 and is a single let warehouse totalling 51,885 square feet. The property is located within 2 miles of the M4 making it ideal for servicing Greater London and the South East, and has an EPC rating of "A", in line with our ESG targets.

In addition to the extension of our debt facility with Barclays, the term on the existing facilities was also extended by 12 months, so that all of our facilities with Barclays now terminate at the end of April 2023.

Events to 30 June 2021 (Continued)

On 27 May 2021, the Company secured a debt facility with Legal and General Investment Management (LGIM). This new facility provides for a term loan of £30m with a fixed interest rate of 2.20% until 28 July 2028. On 27 May 2021 £17.75m of the facility was drawn down leaving £12.25m to be utilised for future opportunities.

Also on 27 May 2021, the Company purchased an estate in Chelmsford for £16.08m plus associated purchase costs, representing a net initial yield of 4.40%. The property was built in 2019 and consists of 11 units totalling 61,200 square feet. It is well positioned, close to both the A12 and A414 which provide direct links to the M25 and M11, and is also ideally located to serve the Chelmsford local market. All units are EPC rated "A", which is beneficial for our ESG targets.

On 10 June 2021, the Company unconditionally exchanged contracts on the sale of our estate in Peterborough for £4.35m realising a net profit of £654,205 over valuation at 30 June 2020, and £873,205 over book cost. Completion was on 8 July 2021. The net proceeds were used to pay down our revolving credit facility, and therefore, as at the date of this report, the Company had £16.5m of available debt facilities.

Interim dividends totalling 5.7125 pence per share were declared during the year comprising dividends of 1.0000 pence per share paid on 26 August 2020, 1.2500 pence per share on 18 November 2020, 1.4000 pence per share on 24 February 2021, 1.5625 pence per share on 27 May 2021, and 0.5000 pence per share declared on 28 June 2021 and paid on 5 July 2021.

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 £225m and 1.00% for amounts over £225m. This will lead to further economies of scale and therefore enhanced returns for investors as the fund grows.

Environmental, Social and Governance

The Company operates an Environmental, Social and Governance (ESG) policy that includes monitoring the operations of the Company's tenants to ensure that the use of our buildings is socially and environmentally responsible. It also conducts a quarterly analysis of the environmental impact of the Company's properties, with a view to reducing the carbon footprint impact of the Company's operations over time. The Company is continuingly reviewing its ESG goals, and a report on the Company's progress against its targets over the past 12 months is on page 10.

Post Balance Sheet Events

On 25 August 2021, the Company issued 3,509,706 ordinary shares of £0.01 each at a premium of £1.5861 each. These shares were admitted to listing on the International Stock Exchange on 26 August 2021.

On 20 August 2021, the Group exchanged contracts to acquire an industrial estate in Crawley. The purchase price is £5.25m, which represents a net initial yield of 4.5% and a reversionary yield of approximately 5.5% (if let at current market rents the property would yield approximately 5.5%). The acquisition completed on 27 August 2021.

An interim dividend of 1.5625 pence per share was declared on 26 August 2021 and paid on 1 September 2021.

Karl Sternberg
Chairman

30 September 2021

The Directors present their Strategic Report on the Company for the year to 30 June 2021.

The Company is a closed-ended investment company, incorporated on 19 May 2014 in England and Wales and registered as an investment company under section 833 of the Companies Act 2006.

The Company's issued share capital is listed on the Official List of The International Stock Exchange. The Company and its subsidiaries (together "the Company") entered the REIT regime with effect from 17 December 2014.

Investment Objective

The Company's Investment Objective is to generate secure income and capital returns for Shareholders by investing in a balanced portfolio of good quality industrial property across the South and South East of the UK.

The full Investment Policy is set out in the Listing Document which can be obtained from The International Stock Exchange (http://www.tiseCompany.com/).

The Company will target a maximum level of bank borrowings of 55% of the value of the investment portfolio, but will look to maintain a loan to value range of 25% – 35%.

Alternative Investment Fund Manager (AIFM) and Property Manager

The AIFM for the year continued to be Clipstone Capital Limited. Toby Dean is a director of Clipstone Capital Limited and a director of the Company. The annual fee payable to the AIFM is £20,000.

The Company has appointed Clipstone Investment Management Limited ("Clipstone IM") as property manager pursuant to a property management agreement dated 15 December 2014. Under the Property Management Agreement, Clipstone IM has agreed to provide property management services and advice to the Company and the AIFM, such as identifying, evaluating and negotiating investment opportunities in property for the Company, subject to the overall control and supervision of the Directors. The agreement may be terminated on one year's notice by either party after four years. The annual management fee is 1.25% of the net asset value of the Company up to a value of £225m and 1% of the net asset value in excess of £225m, measured and paid quarterly in arrears. Toby Dean is a director and shareholder of Clipstone IM and a director and shareholder of the Company. Richard Demarchi is a director of Clipstone IM and a director and shareholder of the Company.

Dividend Policy

The Company intends to pay interim dividends on a quarterly basis in cash. The Company is targeting an annualised dividend, payable quarterly, of 6.25 pence per share. In May 2020, due to significant uncertainty around rent collection caused by COVID-19 the Company reduced its dividend to an annualised rate of 3.00 pence per share. Following better than anticipated rent collection over the past 12 months, the Board has been able to increase dividends back to 6.25 pence per share per annum.

Key Performance Indicators

The Directors consider that the Company's net asset value is a more appropriate indicator of the performance of a property investment Company than earnings per share. The calculation of the net asset value is given in Note 21 on page 41.

The Company's net asset value (NAV) less potential performance fee per share at 30 June 2021 was £1.5904 (2020: £1.4473), which represents an increase of 62.3% (2020: 47.7%) over the £0.98 on admission on 17 December 2014. The total return, being NAV increase and dividends paid less potential performance fee to 30 June 2021 was 94.1% (2020: 74.6%).

The Company's properties were independently valued at 30 June 2021 at £295.100m (2020: £230.105m), an uplift of 17.9% (2020: 11.2%) over their aggregate acquisition price, excluding acquisition costs.

Outlook

The short-term outlook for the property market, as for the rest of the world, continues to be dominated by COVID-19. While the industrial property market has fared relatively well compared with other sectors, the outlook remains uncertain. Most restrictions on activity have now been lifted, however we remain mindful that an increase in hospitalisation rates, or the emergence of new variants, may lead to further restrictions being placed on people and businesses. Any such restrictions may prevent our tenants from operating, and therefore impact on their ability to pay their rent. It is unclear how much further assistance the government will provide businesses to cope with any future restrictions, if any. The Coronavirus Job Retention Scheme was withdrawn on 30 September 2021, and this alone may create liquidity issues for businesses. However, the Board is hopeful that the rollout of vaccinations will allow the UK to keep the economy open and avoid further lockdowns.

Following the lifting of COVID-19 restrictions the economy is showing growth, mainly driven by consumer-facing sectors. This is helping to create occupational activity in the industrial sectors as logistics networks respond to customer demand. The malaise in high street retail prior to COVID-19 was in no small part due to changing trends with consumers moving increasingly to shopping online, and the costs of selling via traditional bricks and mortar continuing to increase. The trend towards online shopping has been accelerated by COVID-19 and we believe that it is likely more people will continue to shop online even as restrictions around COVID-19 are lifted. The combination of COVID-19, years of anaemic economic growth in the UK and the potential for further global economic events provides considerable uncertainty in the short-term economic outlook. The Company has worked over the past few years to position its portfolio to withstand economic shocks by increasing diversity, moving loan-to-value into our target range, and improving liquidity. We have also ensured that the portfolio is invested in good quality buildings, in good locations and with strong underlying fundamentals around the supply of and demand for space in the specific market. This is highlighted by the three new asset purchases this year in Sutton, Reading and Chelmsford along with the sale of our Peterborough asset which has enhanced the quality and size of the overall portfolio.

The remaining and possible future restrictions due to COVID-19, and the associated economic turbulence, present an ongoing risk to the collection of rents and securing new tenants for vacant units. We will continue to manage the portfolio on a tenant-by-tenant basis and taking an active stance in dealing with any tenants experiencing difficulty. We will look to employ positive asset management initiatives to help tenants while preserving the value of our properties and ensuring as much rent is collected as is possible.

Despite COVID-19, and issues in the wider property market thanks to the woes of traditional retailers, the investment market for industrial property remains competitive, and we are still seeing deals complete at low yields. Yields for both prime and secondary industrial real estate are below pre- pandemic levels with demand from occupiers sustained, in both the multi-let and the logistics sectors. Furthermore, Rental growth is expected to remain relatively strong throughout 2021.

The multi-let sector in particular is characterised by a lack of supply with limited speculative development, with this imbalance most acute in and around London. In spite of the turbulence in political spheres and sluggish economic indicators, many investors still consider real estate to be an attractive asset class when compared to other investment opportunities, particularly as interest rates have hit historic lows in response to the COVID-19 pandemic. Industrial property is widely considered to be less exposed to economic uncertainties than other sectors, partly due to the growth in online retailing creating higher demand for industrial space and partly due to the reasons outlined above.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to the REIT status of the Company

The basis of taxation of any Shareholder's holding in the Company will differ or change fundamentally if the Company fails or ceases to maintain its REIT status as the Company was set up to benefit from this structure. The requirements for maintaining REIT status are complex. There is a risk that the REIT Regime may cease to apply in some circumstances. The Company will continue to manage its operations with a view to compliance with the REIT conditions with close attention from the Board.

Risks Relating to Gearing

Shareholders should be aware that, whilst the use of borrowings should enhance the net asset value of the Company where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. This may further increase the volatility of the net asset value of the Company. In addition, in the event that the rental income of the Company's portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.

The use of borrowings by the Company also exposes it to capital risks and interest costs. The use of leverage increases the exposure of investments to adverse economic factors such as rising interest rates, severe economic downturns or deteriorations in the condition of an investment or its market. In particular, the Company may be required to realise investments to fund the repayment of the Company's borrowings at a time when the value of such investments is depressed because of adverse market conditions. The Company carefully selects properties for acquisition to maintain value.

While the Company does not currently use swaps or caps to hedge against interest rate risk, the Company's new LGIM loan facility acts as a hedge against rising interest rates. The facility has a fixed interest rate of 2.20% over a seven-year term. The Board made the decision not to take out a further interest rate cap over our variable rate Barclays facility. It expires within two years and the Board considers that the likelihood of interest rates increasing significantly during that period is remote and the cost of a cap would not represent value for money for shareholders. The Board will continue to monitor the market and sentiment over future interest rates and will consider entering into a new interest rate cap should it be considered to be in the best interest of shareholders.

Future compliance with the Company's banking covenants depends on a number of factors including general financial conditions, which are very difficult to predict. If real estate assets owned by the Company (or its subsidiaries) decrease in value such covenants could be inadvertently breached, and the impact of such an event could include: an increase in borrowing costs; a call for additional capital from the lender; or payment of a fee to the lender; or in such cases where other remedies were not available, it could require a sale of an asset, or a forfeit of any asset to a lender, this could result in a total or partial loss of equity value for each specific asset, or indeed the Company as a whole. The Board will closely monitor compliance with the banking covenants and maintain the overall gearing against the value and quality of the property portfolio.

The Company's existing Barclays facility runs until April 2023 and it's LGIM facility runs until July 2028. There is currently £12.25m of available liquidity from the LGIM facility which the Company can draw upon, and £4.2m available from our revolving credit facility with Barclays. We will continue to monitor the credit market and liaise with our lenders to ensure that we can secure further finance as and when the Board considers it appropriate well in advance of the current facilities maturity.

There is a risk that come April 2023 Barclays, will either offer less attractive terms or decline to offer to renew the facility. We are in regular contact with the Company's lenders and discuss their attitude towards risk and our portfolio. We are confident that by maintaining a diverse portfolio of good quality industrial properties in good locations, and keeping loan to value within our target range, the Company will represent an attractive prospect to lenders and be considered relatively low risk. We will also aim to use an approaching expiry of our loan facilities as an opportunity to negotiate the best possible terms on the market with a range of lenders.

Conditions affecting the UK property market

The Company's performance will be affected by, amongst other things, general conditions affecting the UK property market, as a whole or specific to the Company's investments, including decrease in capital values and weakening of rental yields. The value of industrial real estate in the UK may be negatively impacted as a result of economic recession, reductions in available credit, or changes in market confidence. The Company's ability to dispose of its properties, and the price realised in any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal. The Company's business and results of operations may be materially adversely affected by a number of factors outside of its control, including but not limited to (i) a general property market contraction, (ii) a decline in property rental values, and (iii) changes in laws and governmental regulations in relation to property, including those relating to permitted and planning usage, taxes and government charges, health and safety and environmental compliance.

If conditions affecting the investment market negatively impact the price at which the Company is able to dispose of its assets, or if the Company suffers a material decrease in property rental income, or if the Company suffers a material increase in its operating costs, this may have a material adverse effect on the Company's business and results of operations. The Company mitigates this risk by careful selection of properties for acquisition within its target sector having particular regard to location and the covenant strength of the tenants.

Risks arising from COVID-19

The implications of COVID-19 for the Company have been discussed extensively in this report. The principal risks to the Company are around tenant failure and the recoverability of tenant arrears. If there are further lockdowns or tighter restrictions on people and businesses imposed by the government there is a risk that the Company will suffer a material decrease in property rental income and an increase in vacancy rate, and that these vacant units will be more difficult to re-let. This may have a significant adverse effect on the Company's business and results of operations.

Operational performance of tenants and tenant default

Both the rental income and the market value of the properties acquired by the Company will be affected by the operational performance of the related business being carried on in the property and the general financial performance of the operator. The operational performance of a tenant will be affected by local conditions such as household incomes. Both rental income and market values may also be affected by other factors specific to the UK industrial property market, such as competition from other property funds. In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs and may have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover. The Company receives regular reports on concentrations of risk and any tenants in arrears. The Property Manager monitors such reports in order to anticipate and minimise the impact of defaults by occupational tenants.

Subjective nature of valuations

The value of property and property related assets is inherently subjective due to the individual nature of each property. In determining the value of properties and property-related assets, 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, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property assets the Company acquires and thereby have a material adverse effect on the Company's financial condition. This is particularly so in periods of volatility or when there is 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.

Risks relating to the reliance on the Property Manager, the AIFM and their respective key individuals

The ability of the Company to achieve its Investment Objective depends on the ability of the Property Manager and the AIFM to identify, select and execute investments which offer the potential for satisfactory returns. The availability of suitable investment opportunities will depend, in part, upon conditions in the UK industrial real estate market and the level of competition for assets in that market. The Board and the Property Manager review strategic opportunities on an ongoing basis.

Accordingly, the ability of the Company to achieve its Investment Objective depends heavily on the experience of the Property Manager's and the AIFM's teams, and more generally on the ability of the Property Manager and the AIFM to attract and retain suitable staff. The underperformance or the departure of key skilled professionals from the Property Manager and/or the AIFM could have a material adverse effect on the Company's business and financial condition and on the results of its operations. The Board monitors the performance of the AIFM and the Property Manager and has the ability to change or vary their appointment subject to relevant notice requirement.

Risks relating to Environmental, Social and Governance (ESG)

The Company's stakeholders expect us to comply with responsible business practices and to ensure that we operate an effective policy on the environmental and social impacts of our properties and the governance of the company. Failing to adhere to best practices could lead to reputational damage, reduced returns for shareholders, negative impact on asset liquidity, reduced access to debt and capital markets and a breakdown in relationships with stakeholders.

The Board receives reports on ESG matters at every quarterly meeting from the Property Manager. The staff of the Property Manager receive training in ESG matters, and monitor changes in law, stakeholder sentiment and best practice in relation to responsible business, seeking advice where needed from specialist consultants. We monitor EPC ratings against a benchmark to ensure compliance with current and future Minimum Energy Efficiency Standards ("MEES") that could otherwise impact on the quality and desirability of our buildings leading to increased void rates, lost income and reduced liquidity. We consider the risks posed by climate change for our properties and plan accordingly, working with occupiers where possible to improve the energy efficiency of our assets. We consider the usage of our buildings and how this will impact on the local area and society. We receive quarterly reports from the Property Manager against a list of "undesirable" uses. We also look to provide properties which are attractive to business, and which will support local employment. We have 22 sustainability targets which are split across 4 strategy areas: being a responsible employer, environmental, social responsibility and good governance. We are currently working towards these targets and will closely monitor to Company's performance to ensure they are met thus reducing the risks relating to ESG. A report on performance against these targets is on page 10.

The Strategic Report was approved by the board and signed on its behalf by:-

Toby Dean

Director

30 September 2021

The Company and its Property Manager's ESG policies and targets were updated in November 2020 and are published on our website.
http://www.clipstone.co.uk/environmental-social-and-governance-policies/

The Company and its Property Manager has a range of Environmental, Social and Governance targets split across 4 strategy areas: being a responsible employer, environmental, social responsibility and good governance. Performance against these targets is set out below.

Strategy Area	Target Area	Target	Progress
Being a Responsible Employer	Valuing Employees	We actively encourage employee input into how Clipstone is run. We are committed to being a Real Living Wage employer. We ensure that all directly employed staff are paid above the London Living Wage, as well as all contractors who work at Clipstone's offices or for Clipstone.	During the past 12 months the Property Manager attained accreditation as a Living Wage employer from the Living Wage Foundation. We also audited the Company's suppliers to ensure that our key suppliers and those working frequently on our estates were paying their employees the Real Living Wage.
Being a Responsible Employer	Training and Personal Objectives	Relevant staff will receive ESG training. More widely, we are committed to supporting staff's continued professional development, either through training provided by Clipstone or enabling staff to attend external courses and events.	Online ESG training has been rolled out and completed by all relevant staff, and we will continue to encourage staff to seek opportunities for further training.
Environmental	Landlord Energy Usage	1. In 2020/21 we will start collecting the data required to calculate the landlord-controlled energy usage on all our estates and provide a statistic for portfolio energy intensity and GHG emissions.	During the year to 30 June 2021, landlord controlled energy usage created an estimated 26.8 tonnes of CO_2 equivalent using a location-based method. To put this into some context, this is the equivalent of the 2020 CO_2e emissions of 4.3 people in the UK[1], or 6.9 economy seats on a flight from London to Sydney[2]. Using a market-based method, which takes into account the fuel mix of each individual energy contract, the estimated CO_2e equivalent emissions were 16.8 tonnes thanks to our usage of renewable suppliers where feasible. Estimated energy intensity, expressed as tonnes of CO2e per £m of turnover after administration costs was 1.98 using a location based method and 1.24 using a market-based method. Further detail on the sources and scope of emissions will be published on our website once we have been able to baseline our carbon footprint for the Group as a whole, which will include our tenant emissions. We aim to publish this in the first half of 2022.

[1] Data from Department for Business, Energy & Industrial Strategy (2020 UK greenhouse gas emissions: provisional figures) https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2020, and from the Office for National Statistics (Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020) https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2020

[2] Data for CO2 emissions for economy flight from London to Sydney from atmosfair https://www.atmosfair.de/en/offset/flight/.

Strategy Area	Target Area	Target	Progress
Environmental	Landlord Energy Usage	2. Using this baseline, we will aim to reduce our energy intensity and GHG emissions. We will set an ambitious but achievable goal for a percentage reduction over the next five years once we know our baseline usage.	This figure is already relatively low, however we will aim to reduce our intensity over the coming five years. A goal for reduction will be set alongside that for reduction in overall energy consumption, which will be informed by our tenant utility data collection and application of science based targets to achieve our net zero goal.
		3. We will formalise and begin working towards a Net Zero Carbon strategy.	In June 2021 the Property Manager appointed Professor John French to support us in developing a Net Zero Carbon Strategy. Professor French holds a Chair in Enterprise and Sustainability at the University of East Anglia (UEA), is a Fellow of the Cambridge Institute of Sustainability Leadership (CISL), and is a Professorial Fellow of Wolfson College, University of Cambridge. He is an expert in sustainability with a particular emphasis on the infrastructure and the built environment, new and retrofitted buildings and heritage projects. His remit is to support and advise on our commitment to move towards a net zero strategy, and create a road map that is both sensible and practical to implement at a portfolio level. We believe that his expertise will be vital in determining what investment needs to be made across the portfolio to achieve our aims, and vitally when to make the investment based on the current and likely future costs of both existing and future technologies and building solutions.
		4. We will aim to generate or purchase sufficient renewable electricity to cover over 95% of landlord-controlled electricity consumption.	During the year to 30 June 2021, the percentage of landlord controlled electricity acquired from 100% renewable supplies was 55%. In addition 16% was from suppliers using only renewable sources and nuclear power (i.e. no direct carbon emissions from power generation). This will form the baseline for future comparisons, and we will look to improve this percentage towards our target over the coming years.
		5. We aim to increase the percentage of our portfolio with smart meters. This will help us closely monitor our energy usage.	We have initiated an audit of our estates to determine how many units currently have smart meters. We are also investigating the possibility of fitting sub-meters so that we can collect data from landlord and tenant controlled data without needing to have smart meters in every property, or letters of authority from tenants to collect data from their utility providers. We have decided to amend this target to be to increased the level direct data acquisition from tenants using a range of methods, including smart meters, sub-meters and direct data links with utility suppliers.
Environmental	Tenant Energy Usage	1. We aim to increase our level of collection of energy usage data from our tenants.	In September 2021 we appointed Evora Global to help us with the collection and analysis of tenant and landlord utility data, which will enable us to inform and track our progress towards achieving net zero. We are aiming to baseline our carbon emissions, including tenant emissions, by July 2022.

Strategy Area	Target Area	Target	Progress
Environmental	Tenant Energy Usage	2. We will aim to increase the proportion of our tenants using 100% renewal electricity.	This is a challenging goal as we have no ability to force tenants to make the decision to use 100% renewable electricity. What we have started doing this year is switching vacant units over to 100% renewable suppliers, and when those units are let informing the incoming tenant that the existing supplier provides 100% renewable electricity and is good value for money. As part of our net zero strategy we will look at ways to influence tenants into choosing 100% renewable electricity. We expect the baselining part of this work to be completed by the end of the current financial year.
Environmental	CIML Carbon Footprint	1. In 2020/21 we will collect data on energy, water, waste at our head office, and other metrics such as staff travel, to enable us to calculate the carbon footprint at a corporate level.	We are in the process of calculating our carbon footprint for Clipstone Investment Management Limited. The results will be published on our website in due course.
		2. We will offset our carbon footprint to become a carbon neutral business.	We will offset our carbon footprint, with advice from John French, who is Chair of the Carbon Coalition, and has shared with us a set of policies and principles for effective offsetting and relationships with a Fund offering a range of best practice carbon offsets.
		3. We will ensure that 100% of our purchased energy comes from 100% renewable sources.	During the past year we switched our electricity provider at our head office to one providing 100% green electricity across all its tariffs. Our head office does not have a gas supply.
		4. We will put in place incentive schemes for staff to promote greener travel choices, and to achieve ESG targets for our business.	During the year we put in place a scheme for staff who receive a car allowance, which will provide a financial incentive to choose a fully electric or plug in hybrid vehicle when the time comes to replacing their existing car.
Environmental	Building Credentials	We will continue to assess sustainability risks and opportunities of our portfolio (including new investments) to ensure assets are future proofed and environmental risks are mitigated and properly priced in by:	
		1. Reducing the percentage of our portfolio where EPC rating is below D, with a view to increasing this target to at least a C or B where economically viable in advance of changes in Minimum Energy Efficiency Standards (MEES) legislation.	As at 30 June 2020 16.05% of the portfolio had an EPC rating below D, of this 0.36% were rated F. There were no G ratings. As at 30 June 2021 12.33% of the portfolio had an EPC rating below D with all of these being E rated. We continue to review EPC on an ongoing basis seeking improvements when opportunities arise.

Strategy Area	Target Area	Target	Progress
Environmental	Building Credentials	2. Risk rating all assets, including an assessment of the risks of climate change.	Working with Professor John French and third party consultants we will review the portfolio over time to asses the assets and their risk rating.
		3. For estates at risk, create improvement plans and implement strategies to mitigate risks.	We are developing a revised spefication for the refurbishment of units to minimise carbon expenditure in materials and to reduce embodied carbon over the building lifecycle. In addition we will review the options to move away from materials where the supply chain or manufacture have negative environmental consequences.
		4. For new investments, identify ESG risks (and opportunities) and associated future actions and costs potentially required to mitigate risks.	When seeking to acquire new assets we undertake environmental and building surveys. Any risks identified will assessed to determine if they can be managed, if so they will be costed and factored into the price. If we consider the risks too great we would not proceed with the potential acquisition.
		5. Target at least BREEAM Very Good on any large development projects and greater consideration of biodiversity, embodied carbon and potential positive environmental impacts at developments.	In March 2021 our Oakcroft Road, Chessington development was awarded a BREEAM Very Good rating. The scheme scored particularly well on health and wellbeing, energy, water, pollution and materials. The development included renewable energy from solar panels, energy efficient heating and lighting, no gas, and new landscaping scheme. The development has an EPC rating of A, the old building had a D rating. We will update this target and include an aim to assess and follow UKGBC guidance on whole life carbon in buildings. We will also set an embodied carbon target alongside our operational carbon target once we have been able to assess what is a realistic target and transition period, to support our wider net-zero aspiration.
		6. Include relevant environmental and social information into occupier marketing materials.	The energy performance and utility information are incorporated into our marketing literature allowing potential tenats to compare properties. Our literature also identifies travel information such as distances to major junctions etc. By 2025, for tenants that do not have a published sustainability strategy, we will provide tenants contact with business support programmes such as CISL's Sustainability Business Hub and Accelerator where they can obtain free advice on energy and carbon transition and how to adopt their own strategy.
		7. We aim to decrease the number of properties using gas heated boilers in favour of renewable sourced heating.	As part of our refurbishment programme we are removing gas heaters/boilers or upgrading to more energy efficient options where alternatives are not viable. Our work with Professor John French will incorporate identification of suitable alternatives to gas, or mitigating strategies for unheated spaces.
		8. The above goals will be amended as necessary to enable the implementation of our net zero strategy.	Over the coming year we will be working with Professor John French to design and begin the implementation of a net zero strategy.

Strategy Area	Target Area	Target	Progress
Social Responsibility	Contractors and Suppliers	We will require all contractors and regular suppliers to adhere to our Modern Slavery and Supplier Code of Conduct.	This code of conduct was developed during the year and is available to view on our website. It has been shared with and acknowledged by our key suppliers.
		We will monitor compliance with this Code of Conduct and our Responsible Procurement Policy.	Spot checks will be carried out on suppliers on a random basis.
		We will establish sustainability criteria for refurbishments and developments to include within procurement tenders.	This will be developed in consultation with Professor John French. We are currently incorporating elements into our tender documents based on projected EPC objectives or lessons learnt from previous projects where relevant.
		Despite not being required to by law, we will produce a Modern Slavery Annual Statement, setting out the steps we have taken to ensure our business and our portfolios are free from Modern Slavery.	This will be available on our website by the end of 2021.
Good Governance	Diversity and Inclusion	We require all staff to abide by our Diversity and Inclusion Policy.	This policy is available on our website and all staff have been made aware of it and of their responsibility to abide by it. There have been no instances of breaches of the policy.
		We acknowledge that the Property Manager is currently not a diverse company and commit to improving this. We will maintain statistics on our diversity in terms of gender, ethnicity, and socio-economic background. We aim to improve these statistics and will build this into our hiring process.	During the year the Property Manager undertook one hiring process, to find a Financial Controller for the Property Manager. The search was conducted by a recruiter, who was provided with a copy of our Diversity and Inclusion Policy and asked to use their best endeavours to ensure as diverse a candidate list as possible, with at least 50% of suitable candidates being female and at least 2 from BAME backgrounds. We were pleased with the response from the recruiter and they were successful in meeting these targets. The successful candidate was female, which has improved the gender balance of the team.
		We will also aim to do our bit to improve diversity within the property industry by undertaking outreach and educational and work experience programs with local underrepresented groups of young people.	COVID-19 has prevented us undertaking some of the outreach work we'd like to do, such as offering work experience. Some members of staff have started mentoring real estate students remotely and we are encouraging more staff to take up mentoring roles. We are looking at supporting the work of the Worshipful Company of Chartered Surveyors, both financially and practically, which will give us the chance to support disadvantaged students pursue a career in Real Estate.
Good Governance	Reporting and Benchmarking	We will aim by 2025 to report in line with EPRA in our REIT annual report.	This is ongoing. We need to start collecting more data to be able to meet this target.
		We will look to join UKGBC to gain knowledge and help with our ambitions to be a more sustainable real estate business.	Based on the fees required to join, our decision to appoint an external expert, and the fact that much of UKGBC's resources are available for free, we have decided not to join at this stage and will drop this target for now.

In addition to our ESG targets we are also mindful of how our properties are used, and avoiding any reputational damage to the Company or its stakeholders caused by the operations of our tenants. To this end we monitor the sectors in which both existing and prospective tenants operate. We do not have an outright embargo on an particular usage, however we have a list of sectors where the Board will make a judgement on whether a particular usage would pose an unacceptable reputational risk to the Company or its stakeholders. These sectors are Weapons, Adult Entertainment, Gamling, Tobacco, Nuclear Power, Fossil Fuels. During the year the Company had one tenant operating in any of these sectors, a company engaged in manufactoring cigarette making equipement, representing 1.6% of the total rent roll as at 30 June 2021.

The Directors present their Report and Financial Statements of the Company for the year to 30 June 2021.

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

Interim dividends totalling 5.7125 pence per share were decalred during the year comprising dividends of 1.0000 pence per share paid on 26 August 2020, 1.2500 pence per share on 18 November 2020, 1.4000 pence per share on 24 February 2021, 1.5625 pence per share on 27 May 2021, and 0.5000 pence per share, declared on 28 June and paid on 5 July 2021.

Principal Activity and Status
The Company is registered as a public limited company under the Companies Act 2006 (number 9046897). It is an investment company as defined by Section 833 of the Companies Act 2006.

Taxation
The group operates as a Real Estate Investment Trust and therefore profits and gains from its qualifying property rental business are expected to be exempt from corporation tax.

Going Concern
The Directors have had regard to the guidance issued by the Financial Reporting Council in assessing the going concern basis of accounting. After making enquiries and considering the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the financial statements have been prepared on the going concern basis.

Directors
The Directors of the Company during the year and their shareholdings were:

	30 June 2021	30 June 2020
Nicholas Lyons (resigned 1 April 2021)	100,000	236,925
Karl Stephen Sternberg	396,182	396,182
Anna Rule (appointed 12 February 2021)	-	-
Toby John Grenville Dean	11,853,977	11,846,931
Richard Robert Dury Demarchi	13,256	-

Post Balance Sheet Events
Details of post balance sheet events are given in the Chairman's Report on page 4.

Financial Risk Management
Details of financial risk management are given in Note 24.

Future Development
Details of future developments are disclosed in the Strategic Report on page 6.

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 save to the extent of any negligence, fraud, wilful default and breach of duty.

Statement of Disclosure to Auditors
So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor
The Independent Auditor's Report can be found on page 20. Moore Kingston Smith LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held on 1 November 2021.

By order of the Board

Clipstone Investment Management Limited
Secretary

30 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 and the profit or loss of the Company and the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company'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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006

The board of directors of Clipstone Industrial REIT plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 30 June 2021. In particular, by reference to the Strategic Report on page 5.

The directors of Clipstone Industrial REIT plc – and those of all UK companies – must act in accordance with a set of general duties. These duties are detailed in the UK’s Companies Act and include a duty to promote the success of the Company, which is summarised below. As part of their induction, the directors are briefed on their duties and they can access professional advice on these – either through the Company or, if they judge it necessary, from an independent provider.

Typically, in Alternative Investment Funds such as Clipstone Industrial REIT plc, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to an Alternative Investment Fund Manager and a Property Manager. The Alternative Investment Fund Manager is Clipstone Capital Limited and the Property Manager is Clipstone Investment Management Limited.

The Board recognises that such delegation needs to be much more than simple financial authorities and, in this section of the report, we have summarised our governance structure, which covers: the values and behaviours expected of our employees; the standards they must adhere to; how we engage with stakeholders; and how the Board looks to ensure that we have a robust system of control and assurance processes.

Section 172 of the UK's Companies Act

In summary, as required by Section 172 of the UK's Companies Act, a director of a company must act in the way (s)he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

Stakeholders

A board should communicate effectively with its shareholders and understand their views, and also act fairly as between different members. Fostering business relationships with key stakeholders, such as customers – in our case our tenants - and suppliers, is also important to a company's success. A board should have visibility of these relationships so that it is able to take stakeholder considerations into account when making decisions. In their decision-making, directors need to have regard to the impact of a company's operations on the community and environment.

Overview of how the Board performed its duties

Shareholders

The Board receives regular updates from the Alternative Investment Fund Manager (AIFM) of the Company on feedback received from investors. The AIFM sends out quarterly updates to all shareholders and has regular conversations with individual shareholders. The feedback received has been positive and the AIFM will continue to engage actively with all of our shareholders.

Employees

The company does not have any employees other than the directors.

Tenants

The Property Manager closely monitors the relationship with all our tenants, whether that be directly, via our managing agents or other third-party asset managers. At all scheduled Board meetings, the Property Manager briefs the Board on our performance in delivering on our commitments to tenants and the quality of these critical relationships. Providing safe, well-maintained, and functional properties to our tenants is key in retaining and attracting tenants, as well as being responsive and reasonable with any queries or requests tenants have.

Suppliers

The Board recognises that our key supplier relationships are with our managing agent and Property Manager. The Board meets regularly with the Property Manager to receive updates on the performance of the property portfolio and to discuss future plans for our assets.

Community and environment

The Board recognises the importance of leading a company that not only generates value for shareholders but also contributes to wider society.

As a real estate investment company, we recognise that environmental and climate risks could impact us directly, and we are committed to reducing the environmental impact of our operations and buildings and minimising our environmental footprint. The Board has mandated that our businesses implement the requirements of our Responsible Property Investment Policy, which details our commitment to high standards of environmental management.

Opinion

We have audited the financial statements of Clipstone Industrial REIT Plc ('the parent company') and its subsidiaries for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated 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 United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included reviewing forecasts and cashflows, discussions with management and assessing the credit profile of tenants within the property portfolio.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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) we identified, including those which 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 and description	Audit Approach
Valuation of investment properties The group holds an investment portfolio of logistics and industrial properties, with an aim to generate capital returns for its shareholders. The value of this portfolio forms the majority of the balance sheet assets. The valuation of investment properties requires an estimation and the directors enlist the services of an independent valuer to assist in this regard.	- We assessed the Group's external property valuer's objectivity, professional qualifications and resources to complete this service. - We reviewed and audited the independent valuation report provided to us, challenging the key assumptions and the valuation methodology used with reference to publically available industry data and industry experience. - We have analytically reviewed the movement in the valuation of properties from the prior year, and obtained the rationale for any change not in line with our expectations. We based our expectations on our experience and current industry benchmarks. - We reviewed the information provided by the Group to the external property valuer and verified these to supporting documentation. - We considered the adequacy of the Company's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties.

Our application of materiality

The scope and focus of our audit was influences by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Group we considered the gross asset value to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £1,596,708, based upon a percentage of gross assets.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 50% of materiality, namely £798,354.

We agreed to report to the directors all audit differences in excess of £79,835, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the senior statutory auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

The audit is performed centrally and comprises all of the companies with the Group all of which were visited by audit teams.

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.

Opinions on other matters prescribed by the Companies Act 2006
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.

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
As explained more fully in the Statement of Directors' Responsibilities set out on page 10, 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the group.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the group and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the group complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

Other responsibilities

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s or the parent company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Other responsibilities (continued)

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 for no purpose other than to draw to the attention of the company’s members those matters which we are required to include in an auditor’s report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company’s members as a body, for our work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

Matthew Meadows (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD

30 September 2021

CLIPSTONE INDUSTRIAL REIT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Turnover - Rental income		**13,999,161**	12,487,476
Cost of sales			
- Direct property expenses		**(1,091,991)**	(1,009,962)
- Property management expenses		**(2,401,921)**	(2,184,510)
		(3,493,912)	(3,194,472)
Gross profit		**10,505,249**	9,293,004
Other operating income		**-**	20,000
Administrative expenses		**(446,604)**	(497,039)
Gain on disposal of investment properties	7	**654,205**	-
Value adjustments			
- Fair value of investment properties	13	**18,650,668**	4,192,934
- Value of incentives on investment properties	13	**(793,278)**	(320,989)
- Derivative financial instruments		**-**	62,581
		18,064,991	3,457,487
Operating profit	4	**28,570,240**	12,750,491
Interest receivable		**1,189**	4,185
Interest payable	8	**(1,482,527)**	(1,650,799)
Profit on ordinary activities before tax		**27,088,902**	11,103,877
Corporation tax	9	**-**	(6,894)
Total comprehensive income for the financial year		**27,088,902**	11,096,983
Earnings per ordinary share			
Basic and diluted (pence per share)	11	**22.1**	9.3

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

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

CLIPSTONE INDUSTRIAL REIT PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
Fixed assets			
Intangible fixed assets	12	**-**	-
Investment properties	13	**294,289,416**	230,088,567
		294,289,416	230,088,567
Current assets			
Debtors	15	**11,370,107**	4,375,766
Cash at bank and in hand		**3,682,109**	2,297,332
		15,052,216	6,673,098
Creditors: amounts falling due within one year	16	**(6,774,969)**	(6,557,044)
Net current assets		**8,277,247**	116,054
Total assets less current liabilities		**302,566,663**	230,204,621
Creditors: amounts falling due after more than one year	17	**(94,615,722)**	(55,275,892)
Net assets		**207,950,941**	174,928,729
Capital and reserves			
Called up share capital	20	**1,279,846**	1,192,494
Share premium account	20	**121,577,585**	108,679,849
Capital reduction reserve	20	**39,000,000**	39,000,000
Capital redemption reserve		**62,727**	62,727
Investment revaluation reserve		**34,954,922**	17,355,774
Profit and loss account		**11,075,861**	8,637,885
Shareholders' funds		**207,950,941**	174,928,729
Net asset value per ordinary share (pence)	21	**162**	147

The Company's profit for the year was £5,704,942 (2020: £5,698,657).

These financial statements were approved and authorised for issue by the board on 30 September 2021 and were signed on its behalf by:-

Toby Dean

Director

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

Registered number 09046897

CLIPSTONE INDUSTRIAL REIT PLC
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
Fixed assets			
Investment in subsidiary undertakings	14	**168,199,387**	148,986,476
Current assets			
Debtors	15	**5,578**	7,953,488
Cash at bank and in hand		**1,867,946**	1,174,751
		1,873,524	9,128,239
Creditors: amounts falling due within one year	16	**(1,670,320)**	(1,350,376)
Net current assets		**203,204**	7,777,863
Total assets less current liabilities		**168,402,591**	156,764,339
Creditors: amounts falling due after more than one year	17	**-**	-
Net assets		**168,402,591**	156,764,339
Capital and reserves			
Called up share capital	20	**1,279,846**	1,192,494
Share premium account	20	**121,577,585**	108,679,849
Capital reduction reserve	20	**39,000,000**	39,000,000
Capital redemption reserve		**62,727**	62,727
Profit and loss account		**6,482,433**	7,829,269
Shareholders' funds		**168,402,591**	156,764,339

These financial statements were approved and authorised for issue by the board on 30 September 2021 and were signed on its behalf by:-

Toby Dean

Director

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

Registered number 09046897

CLIPSTONE INDUSTRIAL REIT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share Capital £	Share Premium £	Capital Reduction Reserve £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
Balance at 1 July 2019	1,195,276	108,679,849	39,000,000	36,856	13,483,829	8,128,784	170,524,594
Shares issued in the year	23,089	-	-	-	-	-	23,089
Shares repurchased	(25,871)	-	-	25,871	-	(300,000)	(300,000)
Profit for the year	-	-	-	-	-	11,096,983	11,096,983
Unrealised loss on revaluation of investment property transferred to revaluation reserve	-	-	-	-	4,192,934	(4,192,934)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(320,989)	320,989	
Dividends paid (see note 10)	-	-	-	-	-	(6,415,937)	(6,415,937)
Balance at 30 June 2020	1,192,494	108,679,849	39,000,000	62,727	17,355,774	8,637,885	174,928,729
Shares issued in the year	87,352	12,903,736	-	-	-	-	12,991,088
Share issue costs	-	(6,000)	-	-	-	-	(6,000)
Profit for the year	-	-	-	-	-	27,088,902	27,088,902
Realised gains on disposal of investment property recognised in previous periods	-	-	-	-	(219,000)	219,000	-
Consolidation adjustment released on disposal of investment properties	-	-	-	-	(39,242)	39,242	-
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	18,650,668	(18,650,668)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(793,278)	793,278	-
Dividends paid (see note 10)	-	-	-		-	(7,051,778)	(7,051,778)
Balance at 30 June 2021	**1,279,846**	**121,577,585**	**39,000,000**	**62,727**	**34,954,922**	**11,075,861**	**207,950,941**

Retained earnings and the capital reduction reserve are distributable to shareholders by way of dividends.

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

CLIPSTONE INDUSTRIAL REIT PLC
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share Capital £	Share Premium £	Capital Reduction Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 July 2019	1,195,276	108,679,849	39,000,000	36,856	8,846,549	157,758,530
Shares issued in the year	23,089	-	-	-	-	23,089
Shares repurchased	(25,871)	-	-	25,871	(300,000)	(300,000)
Profit for the year	-	-	-	-	5,698,657	5,698,657
Dividends paid (see note 10)	-	-	-	-	(6,415,937)	(6,415,937)
Balance at 30 June 2020	1,192,494	108,679,849	39,000,000	62,727	7,829,269	156,764,339
Shares issued in the year	87,352	12,903,736	-	-	-	12,991,088
Share issue costs	-	(6,000)	-	-	-	(6,000)
Profit for the year	-	-	-	-	5,704,942	5,704,942
Dividends paid (see note 10)	-	-	-	-	(7,051,778)	(7,051,778)
Balance at 30 June 2021	**1,279,846**	**121,577,585**	**39,000,000**	**62,727**	**6,482,433**	**168,402,591**

Retained earnings and the capital reduction reserve are distributable to shareholders by way of dividends.

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

CLIPSTONE INDUSTRIAL REIT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Cash flows from operating activities		
Profit for the financial year	**27,088,902**	11,096,983
Adjustments for:		
Gain on disposal of investment properties	**(654,205)**	-
Unrealised revaluation of investment properties	**(18,650,668)**	(4,192,934)
Movement in lease incentive valuation	**793,278**	320,989
Unrealised value adjustment of derivative financial instruments	**-**	(62,581)
Impairment of goodwill	**-**	89,302
Interest payable	**1,482,527**	1,650,799
Interest receivable	**(1,189)**	(4,185)
Corporation tax	**-**	6,894
Change in debtors and accrued income	**(2,280,418)**	306,329
Change in creditors and accruals	**133,881**	999,596
Cash from operations	**7,912,108**	10,211,192
Interest paid	**(1,022,288)**	(1,460,584)
Interest received	**1,189**	4,185
Corporation tax paid	**-**	(341,620)
Net cash from operating activities	**6,891,009**	8,413,173
Cash flows from investing activities		
Acquisition of subsidiaries net of cash	**-**	28,808
Purchase of investment property and capital expenditure	**(50,522,192)**	(19,416,682)
Disposal of investment properties	**(3,250)**	-
Net cash from investing activities	**(50,525,442)**	(19,387,874)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of issue costs)	**12,985,088**	-
Repurchase of Company shares	**-**	(59,319)
Proceeds from loan financing (net of fees)	**38,562,949**	18,050,000
Loan repayments	**-**	-
Repayments under finance leases	**(116,973)**	(116,973)
Dividends paid	**(6,411,854)**	(6,415,937)
Net cash from financing activities	**45,019,210**	11,457,771
Net increase/(decrease) in cash and cash equivalents	**1,384,777**	483,070
Cash and cash equivalents at the beginning of the year	**2,297,332**	1,814,262
Cash and cash equivalents at the end of the year	**3,682,109**	2,297,332
Components of cash and cash equivalents		
Cash	**3,682,109**	2,297,332
	3,682,109	2,297,332

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

1 Corporate information

Clipstone Logistics 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 year, is set out below.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - 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.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's profit for the year was £5,704,942 (2020: £5,698,657).

The individual financial statements of the Company have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows, as per FRS 102.1.12(b).
- financial instrument disclosure including categories of financial instruments, as per FRS 102.1.12(c).

Basis of Consolidation

The consolidated financial statements incorporate the audited 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.

While the restrictions on activity and the accompanying economic shock in response to COVID-19 has caused a number of businesses across the UK to experience significant difficulties, to date the Company has coped well. Rent collection has remained strong and with the new debt facility to draw upon the Directors are confident that the Company is well positioned to continue as a going concern for at least the next 12 months. The industrial real estate market is experiencing growth so even if there are further restrictions imposed due to COVID-19, the Company remains in a good position to recover strongly and take advantage of any new opportunities as they arise.

2 Basis of Preparation and Accounting Policies (continued)

(b) Revenue Recognition

Rental Income
Rental income excluding Value Added Tax 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.

(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 recognised as a liability when they have been approved and 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 investment 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 for 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.

2 Basis of Preparation and Accounting Policies (continued)

(g) Investment Properties (continued)

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.

(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.

Amounts collected by managing agents and held in cash by managing agents in accounts controlled by the managing agent on behalf of the Company are included within other debtors.

(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) 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.

(l) 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.

2 Basis of Preparation and Accounting Policies (continued)

(m) Critical accounting judgements and key estimations of uncertainty

The preparation of financial statements in conformity with FRS 102 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 involve 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.

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.

Additionally, judgement is required regarding recognising the profit or loss on disposal of an investment property. This is recognised at the point of exchange when substantially all of the risks and rewards transfer from the company to the buyer.

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:

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Fees payable to the Company’s auditor for:		
- audit of the Company’s annual accounts	33,500	37,500
- audit of the Company’s subsidiaries' annual accounts	12,500	15,000
- Group tax compliance services	500	25,270

5 Particulars of Employees

The Group had no employees during the year (2020 - nil), other than the directors.

6 Directors' Emoluments

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Directors' emoluments for the Group	63,357	45,828

The directors received fixed fees and are not entitled to any further remuneration.

7 Gain on Disposal of Investment Properties

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Disposal proceeds	4,350,213	-
Book cost	(3,356,000)	-
Unrealised losses/(gains) recognised in prior periods	(219,000)	-
Disposal costs	(64,762)	-
Lease incentive asset reversed on disposal	(56,246)	-
	654,205	-

On 10 June 2021, the Company unconditionally exchanged on the sale of its estate in Peterborough. The sale completed on 8 July 2021 for £4,350,213, realising a profit since acquisition of £873,205.

8 Interest Payable

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Bank loan interest payable	1,068,795	1,217,795
Bank loan issue costs	295,583	316,175
Interest payable on finance leases	116,815	116,829
Other interest payable	1,334	-
	1,482,527	1,650,799

9 Corporation Tax

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Current tax:		
UK corporation tax on profits for the year	-	-
Adjustment in respect of prior years	-	-
Adjustment to provision for tax payable by Clipstone Feeder Limited post-acquisition	-	6,894
	-	6,894

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

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Profit before tax	27,088,902	11,103,877
Corporation tax at effective rate of 19.00% (2020: 19.00%)	5,146,891	2,109,737
Effect of:		
Revaluation of property investments	(3,694,350)	(857,645)
REIT tax exempt property rental profits and gains	(1,452,542)	(1,252,092)
Adjustment in relation to prior years	-	-
Adjustment to provision for tax payable by Clipstone Feeder Limited post-acquisition	-	6,894
	-	6,894
Effective corporation tax rate	0.0%	0.1%

10 Dividends

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Interim dividends paid of 5.7125p (2020 - 5.375p) per ordinary share	7,051,778	6,415,937

An interim dividend of 1.5625 pence per share was declared on 26 August 2021 and paid on 1 September 2021.

11 Earnings Per Share

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

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Net profit attributable to ordinary shares	27,088,902	11,096,983
Weighted average number of ordinary shares:		
Issued ordinary shares at the start of the year	119,249,445	119,527,591
Effect of shares issued during the year	3,488,044	1,290,447
Effect of shares bought back during the year	-	(1,445,904)
Basic and diluted weighted average number of shares	122,737,489	119,372,134
Basic and diluted earnings per share (pence)	22.1	9.3

12 Goodwill

	30 June 2021 Total £	30 June 2020 Total £
Consideration and purchase costs of subsidiaries	-	82,904
Net liabilities/(assets) of subsidiaries at acquisition	-	6,398
Goodwill arising on acquisition	-	89,302
Impairment	-	(89,302)
Goodwill carried forward	-	-

On 9 December 2019 the Company acquired 100% of the shares in Clipstone Feeder Limited in exchange for the issue of 2,308,888 shares in the Company at £1.4274. Applying merger relief accounting these shares were accounted for at nominal value, being £23,089, this being the consideration for the shares in Clipstone Feeder Limited. In addition costs of £59,815 were incurred. This resulted in goodwill on acquisition which was impaired to £nil as the Feeder became dormant and has been placed into liquidation.

13 Investment Properties

	30 June 2021 Freehold £	30 June 2021 Leasehold £	30 June 2021 Total £	30 June 2020 Total £
Cost				
Brought forward	203,987,809	8,097,847	212,085,656	192,067,385
Additions	49,918,459	-	49,918,459	20,018,271
Disposals	(3,356,000)	-	(3,356,000)	-
Carried forward	250,550,268	8,097,847	258,648,115	212,085,656
Revaluation				
Brought forward	18,117,191	(97,847)	18,019,344	13,825,615
Revaluation during the year	18,076,541	575,000	18,651,541	4,193,729
Revaluation reversed on disposals	(219,000)	-	(219,000)	-
Carried forward	35,974,732	477,153	36,451,885	18,019,344
Value per independent valuer	286,525,000	8,575,000	295,100,000	230,105,000
Deferred lease incentives (note 15)				
Brought forward	(1,192,077)	(47,542)	(1,239,619)	(918,630)
Movement during the year	(826,789)	(22,735)	(849,524)	(320,989)
Reversed on disposals	56,246	-	56,246	-
Carried forward	(1,962,620)	(70,277)	(2,032,897)	(1,239,619)
Long leasehold valuations				
Brought forward	-	1,223,186	1,223,186	1,223,981
Revaluation during the year	-	(873)	(873)	(795)
Carried forward	-	1,222,313	1,222,313	1,223,186
Carrying value	284,562,380	9,727,036	294,289,416	230,088,567

On 10 June 2021 the Group unconditionally exchanged contracts on the sale of Peterborough which had a carrying value of £3,575,000. The sale completed on 8 July 2021.

During the year, the Group acquired three new assets located in Sutton, Reading and Chelmsford. These properties were acquired for a total of £46,534,777 plus purchase costs.

The Group has restated the valuation of its long leasehold investment properties in line with FRS 102 section 20 to recognise these assets as investment properties held under finance leases. In addition, to avoid double counting of fair value in the statement of financial position, any deferred rent receivable is taken into consideration in reporting the carrying amount of the investment properties.

The fair value of investment properties at 30 June 2021 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.

14 Investment in Subsidiaries

	30 June 2021	30 June 2020
	£	£
Cost		
Brought forward	148,986,476	138,168,146
Additions	19,315,000	19,127,089
Disposals	(102,089)	(8,308,759)
Carried forward	168,199,387	148,986,476

During the year the Company acquired a further 12,315,000 shares in Clipstone Ten Limited at £1 each.

During the year the Company acquired a further 7,000,000 shares in Clipstone IX Limited at £1 each.

On 9 December 2019 the Group acquired all of the share capital in Clipstone Feeder Limited in exchange for new shares issued in the Company for £1.4274 each. Applying merger relief account to this transaction, these shares were accounted for at nominal value, being £23,089. In addition to this, the Company applied for further shares in Clipstone Feeder Limited for £19,185, and incurred costs on acquisition of £59,815 which were capitalised.

During the year the Company disposed of its holdings in Clipstone Feeder Limited.

Direct subsidiaries	Principal Activity	Date of Acquisition	Country of Incorporation	Ownership %
Clipstone Ten Limited	Property Investment	2 June 2014	UK	100%
Clipstone IX Limited	Property Investment	17 Dec 2014	UK	100%

All of the above entities have been included in the consolidated financial statements. The registered addresses of all the above subsidiaries is 45 Albemarle Street, London, W1S 4JL.

15 Debtors

	30 June 2021	30 June 2020
	£	£
Group		
Prepayments and accrued income	5,306,608	513,083
Trade debtors	1,500,690	1,476,452
Deferred lease incentives	2,032,897	1,239,619
Other debtors	2,529,912	1,146,612
	11,370,107	4,375,766
Company		
Prepayments and accrued income	5,578	3,488
Due from group undertakings	-	7,950,000
	5,578	7,953,488

Included within trade debtors are provisions of £356,296 (2020 - £209,155) for doubtful debts.

There were no debtors due after more than one year.

All intercompany loans are issued at market rates and are repayable on demand.

16 Creditors: Amounts Falling Due Within One Year

	30 June 2021 £	30 June 2020 £
Group		
Finance lease liabilities (see note 18)	170	158
Trade creditors	32,716	504,776
Rental income in advance	3,349,451	2,585,104
Accruals	1,392,876	2,089,799
Withholding taxes and other taxes	722,221	918,544
Dividends payable	639,924	-
Other creditors	637,611	458,663
	6,774,969	6,557,044
Company		
Trade creditors	(35)	499,488
Due to group undertakings	-	4,838
Accruals	813,538	716,819
Withholding taxes and other taxes	216,893	129,231
Dividends payable	639,924	-
	1,670,320	1,350,376

All intercompany loans are issued at market rates and are repayable on demand.

17 Creditors: Amounts Falling Due After More Than One Year

	30 June 2021 £	30 June 2020 £
Group		
Bank loans - due between one and two years	-	-
Bank loans - due between two and five years	93,390,000	54,050,000
Finance lease liabilities (see note 18)	1,225,722	1,225,892
	94,615,722	55,275,892

During the year the group took out a further loan facility with Barclays for £13,640,000. This loan matures on 29 April 2023 and is secured by charges over the investment properties owned by Clipstone IX Limited and a debenture from Clipstone IX Limited. Interest is paid at 1.61% over SONIA on a quarterly basis.

The existing £32,000,000 term loan and £30,000,000 revolving credit facility were extended on 15 April 2021 for a further year to expire on 29 April 2023. They are secured by charges over the investment properties owned by Clipstone IX Limited and a debenture from Clipstone IX Limited. Interest is paid at 1.61% over three month SONIA on a quarterly basis. All of the facilities with Barclays share covenants. The interest cover covenant is 200% and the loan to value covenant 65%.

On 27 May 2021 the group secured a new £30,000,000 loan facility with Legal and General Investment Management ("LGIM"). At the year end £17,750,000 had been drawn down. The facility matures on 30 July 2028 and is secured by charges over the investment properties owned by Clipstone Ten Limited and a security agreement covering the assets of Clipstone Ten Limited. Interest is paid at a fixed rate of 2.20% on a quarterly basis.

18 Finance Leases

	30 June 2021	30 June 2020
	£	£
Included within current liabilities	170	158
Included within non-current liabilities	1,225,722	1,225,892
	1,225,892	1,226,050
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	8,486,552	8,603,525
	9,071,417	9,188,390

The Group's finance leases relate to three long leasehold investment property holdings, the value of which is shown in note 13.

19 Contingent Liabilities

The Company's loan facility agreement with LGIM contains provisions for a redemption fee payable to the lender should we decide to make an early repayment. The Board has no intention of making any early repayments. The value of the redemption fee as at 30 June 2021 was £1,525,134.

20 Share Capital and Reserves

	Number of Shares	Share Capital	Share Premium	Capital Reduction Reserve	30 June 2021 Total
		£	£	£	£
Issued and fully paid At 1 July 2020 (119,527,591 ordinary shares of £0.01)	119,249,445	1,192,494	108,679,849	39,000,000	148,872,343
4,089,302 ordinary shares of 1p each, issued at 146.28p	4,089,302	40,893	5,940,938	-	5,981,831
4,645,892 ordinary shares of 1p each, issued at 150.87p	4,645,892	46,459	6,962,798	-	7,009,257
Share issue costs	-	-	(6,000)	-	(6,000)
At 30 June 2021	127,984,639	1,279,846	121,577,585	39,000,000	161,857,431

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

On 19 November 2020, the Company issued 4,089,302 ordinary shares of £0.01 each at a premium of £1.4528 each. These shares were admitted to listing on the International Stock Exchange on 20 November 2020.

On 14 April 2021, the Company issued 4,645,892 ordinary shares of £0.01 each at a premium of £1.4987 each. These shares were admitted to listing on the International Stock Exchange on 15 April 2021.

The capital reduction reserve was brought about by a reduction in the Company's share premium and is distributable to shareholders.

21 Net Asset Value

The Group's net asset value per ordinary share is 162.48p based on shareholders' funds of £207,950,941 and 127,984,639 ordinary shares in issue at the year end.

No adjustment has been made for any potential performance fee due to the Property Manager (Clipstone Investment Management Limited). If the investment properties were sold at their values at 30 June 2021, there would be a performance fee payable of £4,408,214 (3.44p per share). The net asset value net of the potential performance fee was 159.04p per share at 30 June 2021.

A reconciliation of the net asset value as shown in these financial statements 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	207,950,941	1.6248
Fair value adjustment to remove finance lease accounting for long leasehold investment properties	3,579	-
Performance fee provision	(4,408,214)	(0.0344)
Net asset value as published on the International Stock Exchange as at 30 June 2021	203,546,306	1.5904

22 Capital Commitments

The Group had an outstanding capital commitment relating to its development at Chessington at the year end of £nil (2020: £464,143).This commitment is relating to a retention for work carried out in 2020.

23 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.

Directors' emoluments of £63,357 were paid during the year (2020: £45,828). £nil was payable at 30 June 2021 (2020: £nil).

Toby Dean is a director and shareholder of the Property Manager, Clipstone Investment Management Limited. Clipstone Investment Management Limited charged property management fees of £2,401,921 to the Company during the year (2020: £2,184,510) of which £651,895 was outstanding at the year end (2020: £963,843).

Toby Dean is a director and indirect shareholder of the Alternative Investment Fund Manager, Clipstone Capital Limited. Clipstone Capital Limited charged fund management fees of £20,000 to the Company during the year (2020: £20,000) of which £5,000 was outstanding at the year end (2020: £5,000).

During the year the Group was charged £527,793 (2020: £415,416) in insurance premiums by Clipstone Capital Limited, of which £11,733 was outstanding at the year end (2020: £nil). Clipstone Capital Limited is authorised to arrange insurance by the Financial Conduct Authority, and is not the underwriter. All leases with tenants of the Group are on a full repairing and insuring basis and so where a unit is occupied the cost of insurance is recharged in full to the tenant. The Group only incurs the cost of insurance for vacant properties and any insurance relating to developments. During the year the cost of insurance to the Group was £12,557 (2020: £4,556) and a charge of £nil (2020: £12,544) for insurance relating to the development at Chessington. All transactions were carried out at arm's length.

24 Financial Risk Management

Consistent with its objective the Group will hold UK commercial property investments. In addition the Group's financial instruments comprise cash and receivables and payables that arise directly from its operations. The Group uses derivative instruments to mitigate interest rate risk.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the period under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by FRS 102, are considered by the Board to be integral to the Group's overall risk exposure.

The following table summarises the Group's financial assets and liabilities into the categories required by FRS 102:

	30 June 2021	30 June 2020
	£	£
Financial assets that are debt instruments measured at amortised cost	8,244,918	4,683,563
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities that are debt instruments measured at amortised cost	97,319,019	58,329,288

Credit Risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in reletting, maintenance costs, insurances, rates and marketing costs and will have a material adverse impact on the financial condition and performance of the Group and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Property Manager monitors such reports in order to anticipate and minimise the impact of defaults by occupational tenants.

There were no financial assets which were either past due or considered impaired at 30 June 2021 (2020: none).

All the Group's cash is placed with financial institutions with a long-term credit rating of A or better. Bankruptcy or insolvency of such financial institutions may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK commercial properties. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Alternative Investment Fund Manager and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group aims to have adequate resources (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

Interest Rate Risk
Some of the Company's financial instruments are interest-bearing. As a consequence, the Company will be exposed to interest rate risk due to fluctuations in the prevailing market rate.

24 Financial Risk Management (continued)

Interest Rate Risk (continued)

However, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

When the Group retains cash balances, they will ordinarily be held on interest-bearing deposit accounts. The Group's policy is to hold cash in variable rate or short term fixed rate bank accounts. Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies.

The Group uses bank borrowings to help fund its activities which will expose the Group to interest rate risk in future periods. The Group uses derivative instruments to mitigate this interest rate risk.

Market Risk

The management of market risk is part of the investment management process and is typical of a property investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies.

25 Operating leases

	30 June 2021	30 June 2020
	£	£
Future minimum lease payments receivable under non-cancellable operating leases:		
within one year	14,984,240	11,486,476
in more than one year and less than five years	37,715,482	27,824,517
in more than five years	32,072,093	8,943,956
	84,771,815	48,254,949

26 Post Balance Sheet Events

On 25 August 2021, the Company issued 3,509,706 ordinary shares of £0.01 each at a premium of £1.5861 each. These shares were admitted to listing on the International Stock Exchange on 26 August 2021.

On 20 August 2021, the Group exchanged contracts to acquire an industrial estate in Crawley. The purchase price is £5.25m, which represents a net initial yield of 4.5% and a reversionary yield of approximately 5.5% (if let at current market rents the property would yield approximately 5.5%). The acquisition completed on 27 August 2021.

An interim dividend of 1.5625 pence per share was declared on 26 August 2021 and paid on 1 September 2021.

CLIPSTONE INDUSTRIAL REIT PLC
CONSOLIDATED DETAILED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2021

	Quarter to 30/09/2020	Quarter to 31/12/2020	Quarter to 31/03/2021	Quarter to 30/06/2021	Year to 30/06/2021	Year to 30/06/2020
RENTAL INCOME	3,054,440	3,629,486	3,560,804	3,754,431	13,999,161	12,487,476
Direct property expenses	(370,487)	(292,904)	(222,333)	(206,268)	(1,091,991)	(1,009,962)
Management fees	(555,650)	(590,241)	(604,135)	(651,895)	(2,401,921)	(2,184,510)
Performance fee	-	-	-	-	-	-
GROSS PROFIT	2,128,303	2,746,341	2,734,336	2,896,268	10,505,249	9,293,004
Gain on disposal of investment properties	-	-	-	654,205	654,205	-
Other income	-	-	-	-	-	20,000
Value adjustments						
Investment properties	1,789,268	4,227,984	4,045,117	7,795,021	17,857,390	3,871,945
Derivative financial instruments	-	-	-	-	-	62,581
	3,917,571	6,974,325	6,779,453	11,345,494	29,016,844	13,247,530
Administrative expenses						
Directors' remuneration	(11,250)	(11,250)	(20,857)	(20,000)	(63,357)	(45,828)
Directors' insurance	(1,900)	(3,212)	(9,223)	(3,560)	(17,895)	(7,064)
PR & Advertising	-	-	-	-	-	-
Audit fees	(8,500)	(12,500)	(12,500)	(12,500)	(46,000)	(52,500)
Tax fees	(4,750)	10,250	(3,000)	(3,000)	(500)	(25,270)
Legal fees	-	(11,900)	(10,600)	-	(22,500)	-
Valuation fees	(10,500)	(10,725)	(10,725)	(11,175)	(43,125)	(42,000)
Other professional fees	(20,746)	(25,716)	(55,646)	(22,791)	(124,899)	(108,820)
Bank charges	(591)	(750)	(584)	(741)	(2,666)	(2,582)
Impairment of goodwill	-	-	-	-	-	(89,302)
Bad debt expense	11,994	(29,019)	(164,736)	59,143	(122,618)	(115,784)
Miscellaneous	(411)	(1,011)	(1,284)	(338)	(3,044)	(7,889)
	(46,654)	(95,833)	(289,155)	(14,962)	(446,604)	(497,039)
OPERATING PROFIT	1,623,329	6,878,492	6,490,298	11,330,532	28,570,240	12,750,491
Net interest payable:						
Bank loan interest payable	(259,190)	(238,549)	(235,409)	(335,647)	(1,068,795)	(1,217,795)
Bank loan issue costs	(67,254)	(67,125)	(65,729)	(95,475)	(295,583)	(316,175)
Finance lease interest	(29,204)	(29,204)	(29,204)	(29,204)	(116,815)	(116,829)
Other interest payable	-	(64)	(1,270)	-	(1,334)	-
Interest receivable	398	507	598	(314)	1,189	4,185
	(355,250)	(334,435)	(331,014)	(460,640)	(1,481,338)	(1,646,614)
Profit for the period	1,268,079	6,544,058	6,159,285	10,869,893	27,088,902	11,103,877