

CLIPSTONE INDUSTRIAL REIT PLC
UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS FROM 1 JULY 2021 TO 31 DECEMBER 2021

Registered Number: 9046897

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I am pleased to report the results of the Company and its subsidiaries ('the Group') for the six months ended 31 December 2021.

Results to 31 December 2021

The Group's properties were independently valued by Colliers at 31 December 2021. Their valuation is £334.9m, which represents an uplift of 31.0% over their aggregate acquisition price, excluding acquisition costs, and an increase of 11.6% since 30 June 2021 (on a like-for-like basis). The increase in value was partly due to asset management initiatives, and partly due to the continued positive performance of the market for industrial properties as a whole.

The Group's net asset value (NAV) per share at 31 December 2021 was £1.8834. No adjustment has been made for any potential performance fees due to the property manager. If the investment properties were sold at their values at 31 December 2021, there would be a performance fee payable of £10,601,181. The NAV net of the potential performance fee would have been £1.8028 per share at 31 December 2021.

The NAV (net of performance fees) of £1.8028 at 31 December 2021 is a 13.36% increase since 30 June 2021 and a 83.96% increase over the NAV of 98p on admission.

The total return, being NAV increase after performance fee and dividends paid to 31 December 2021 from admission, was 119.6%. The total return since 30 June 2021 was 15.7%.

Events to 31 December 2021

On 25 August 2021 the Company issued 3,509,706 new shares at £1.5961 per share.

On 20 August 2021, the Group exchanged contracts to acquire an industrial estate in Crawley. The purchase price was £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. The acquisition was funded with the proceeds of the share issue on 25 August 2021.

Interim dividends of 1.5625p per share were declared on 26 August 2021 and paid on 1 September 2021, 0.5p per share declared on 13 October 2021 and paid on 27 October 2021, and 1.625p per share declared on 18 November 2021 and paid on 24 November 2021.

Environmental, Social and Governance Policy

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 commenced reporting against its ESG goals in the 2021 annual report.

Copies of our ESG policy, targets, annual report, and supplementary policies can be found at <http://www.clipstone.co.uk/environmental-social-and-governance-policies/>.

COVID-19

The impact of COVID-19 continues to be felt across the globe with the emergence of the Omicron variant in late 2021, however most restrictions impeding economic activity domestically in the UK have now been lifted. There is also some optimism that COVID-19 will become endemic in 2022 and all remaining restrictions relaxed. It has been a difficult 24 months for many businesses and sadly, some of the Company's tenants have failed, however we have seen buoyant demand for vacant units and at 31 December 2021 the Company's vacancy rate stood at 1.6%. This represents 6 out of 278 units across the portfolio, of which all 6 were under offer at 31 December 2021.

COVID-19 (continued)

Our low vacancy rate and continued occupier demand reflects the fact that industrial property has been impacted far less by COVID-19 than other sectors, particularly retail properties. Most of our tenants have been able to work within the restrictions since the beginning of the pandemic. We are pleased that we have collected over 98% of rents demanded since March 2020.

The Company's revolving credit facility of £30m has £4.2m available to draw down. There is also a further £12.25m to utilise under the Company's seven-year term loan facility with LGIM. There is still ample headroom on both loan to value and interest cover covenants, however we continue to monitor the situation and carry out regular sensitivity testing to ensure we are comfortable with the level of risk. Given that operational cashflows are healthy, the Board is confident that the Company will continue to meet its liabilities as they fall due.

Following the onset of the pandemic and the increased uncertainty and difficulty around rent collection, the Board made the decision to reduce the May 2020 dividend to 3.00p per share from 6.25p per share in February 2020. The Board's intention has always been to increase the dividend as matters improve. The pleasing progress made in rent collection allowed us to increase the dividend back to its pre-pandemic rate and during the period the rate was increased to 6.50p per share. The Board also approved the declaration of two special dividends of 0.5p per share, one in June 2021 and one in October 2021. We are mindful of our requirement to distribute at least 90% of our property rental business profits as a REIT and are confident that cash flows will be sufficient for us to meet, if not exceed, this requirement.

The Board would like to thank the Property Manager and our managing agents for their hard work to ensure the continued success of the Company over the past 24 months in challenging circumstances.

Post Balance Sheet Events

An Interim dividend of 1.625p per share was declared on 31 January 2022, to be paid on or around 23 February 2022.



Toby Dean

Director

24 February 2022

CLIPSTONE INDUSTRIAL REIT PLC
 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS FROM 1 JULY 2021 TO 31 DECEMBER 2021

	Notes	Six months to 31 December 2021 £	Six months to 31 December 2020 £
Turnover - Rental income		<u>8,306,840</u>	<u>6,683,926</u>
Cost of sales			
- Direct property expenses		(534,466)	(663,390)
- Property management expenses		(1,473,127)	(1,145,891)
		<u>(2,007,593)</u>	<u>(1,809,281)</u>
Gross profit		<u>6,299,247</u>	<u>4,874,645</u>
Other operating income		6,391	-
Administrative expenses		(180,560)	(142,487)
Loss on disposal of investment properties		(2,116)	-
Value adjustments			
- Investment properties		34,242,707	6,367,947
- Lease incentive value adjustment to investment property		(308,161)	(351,121)
		<u>33,758,261</u>	<u>5,874,339</u>
Operating profit	4	40,057,508	10,748,984
Interest receivable		66	905
Interest payable	7	(1,103,513)	(690,591)
Profit on ordinary activities before tax		<u>38,954,061</u>	<u>10,059,298</u>
Corporation tax	8	-	-
Profit for the period		<u>38,954,061</u>	<u>10,059,298</u>
Earnings per ordinary share			
Basic and diluted (pence per share)	10	<u>29.9</u>	<u>8.4</u>

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

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	<u>31 December 2021</u> £	<u>30 June 2021</u> £
Fixed assets			
Investment properties	11	333,805,778	294,289,416
Current assets			
Debtors	12	8,126,149	11,370,107
Cash at bank and in hand		<u>2,490,211</u>	<u>3,682,109</u>
		10,616,360	15,052,216
Creditors: amounts falling due within one year	13	(6,377,490)	(6,774,969)
Net current assets		<u>4,238,870</u>	<u>8,277,247</u>
Total assets less current liabilities		338,044,648	302,566,663
Creditors: amounts falling due after more than one year	14	(90,389,659)	(94,615,722)
Net assets		<u><u>247,654,989</u></u>	<u><u>207,950,941</u></u>
Capital and reserves			
Called up share capital	16	1,314,943	1,279,846
Share premium account		127,141,330	121,577,585
Capital reduction reserve		39,000,000	39,000,000
Capital redemption reserve		62,727	62,727
Investment revaluation reserve		68,889,468	34,954,922
Profit and loss account		11,246,521	11,075,861
Shareholders' funds		<u><u>247,654,989</u></u>	<u><u>207,950,941</u></u>
Net asset value per ordinary share (pence)		<u><u>188.34</u></u>	<u><u>162.48</u></u>

These financial statements were approved and authorised for issue by the board on 24 February 2022 and were signed on its behalf by:-



Toby Dean
Director

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

Registered number: 9046897

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FROM 1 JULY 2021 TO 31 DECEMBER 2021

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Capital Reduction Reserve</u> £	<u>Capital Redemption Reserve</u> £	<u>Revaluation Reserve</u> £	<u>Retained Earnings</u> £	<u>Total</u> £
Balance at 1 July 2020	1,192,494	108,679,849	39,000,000	62,727	17,355,774	8,637,885	174,928,729
Shares repurchased	-	-	-	-	-	-	-
Shares issued in the period	40,893	5,940,937	-	-	-	-	5,981,830
Share issue costs	-	(1,000)	-	-	-	-	(1,000)
Profit for the period	-	-	-	-	-	10,059,298	10,059,298
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	6,367,947	(6,367,947)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(351,121)	351,121	-
Dividends paid	-	-	-	-	-	(2,685,352)	(2,685,352)
Balance at 31 December 2020	1,233,387	114,619,786	39,000,000	62,727	23,372,600	9,995,005	188,283,505
Shares repurchased	46,459	6,962,799	-	-	-	-	7,009,258
Shares issued in the period	-	(5,000)	-	-	-	-	(5,000)
Profit for the period	-	-	-	-	-	17,029,604	17,029,604
Realised gains on disposal of investment property recognised in previous period	-	-	-	-	(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	-	-	-	-	12,282,721	(12,282,721)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(442,157)	442,157	-
Dividends paid	-	-	-	-	-	(4,366,426)	(4,366,426)
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
Shares issued in the period	35,097	5,566,745	-	-	-	-	5,601,842
Share issue costs	-	(3,000)	-	-	-	-	(3,000)
Profit for the period	-	-	-	-	-	38,954,061	38,954,061
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	34,242,707	(34,242,707)	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	(308,161)	308,161	-
Dividends paid	-	-	-	-	-	(4,848,855)	(4,848,855)
Balance at 31 December 2021	1,314,943	127,141,330	39,000,000	62,727	68,889,468	11,246,521	247,654,989

CLIPSTONE INDUSTRIAL REIT PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FROM 1 JULY 2021 TO 31 DECEMBER 2021

	<u>Six months to</u> <u>31 December 2021</u>	<u>Six months to</u> <u>31 December 2020</u>
	£	£
Cash flows from operating activities		
Profit for the financial period	38,954,061	10,059,298
Adjustments for:		
Loss on disposal of investment properties	2,116	-
Unrealised revaluation of investment properties	(34,242,707)	(6,367,947)
Movement in lease incentive valuation	308,161	351,121
Interest payable	1,103,513	690,591
Interest receivable	(66)	(905)
Change in debtors and accrued income	(1,273,745)	(2,125,649)
Change in creditors and accruals	220,951	503,412
Cash from operations	<u>5,072,284</u>	<u>3,109,921</u>
Interest paid	(788,322)	(671,855)
Interest received	66	905
Net cash generated from operating activities	<u>4,284,028</u>	<u>2,438,971</u>
Cash flows from investing activities		
Purchase of investment properties	(5,588,122)	(13,170,716)
Disposal of investment properties	4,286,585	-
Net cash from investing activities	<u>(1,301,537)</u>	<u>(13,170,716)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of issue costs)	5,598,842	5,980,830
Proceeds from loan financing	-	7,950,000
Loan Repayments	(4,225,965)	-
Repayments under finance leases	(58,487)	(58,487)
Dividends paid	(5,488,779)	(2,685,352)
Net cash from financing activities	<u>(4,174,389)</u>	<u>11,186,991</u>
Net increase/(decrease) in cash and cash equivalents	(1,191,898)	455,246
Cash and cash equivalents at the beginning of the period	3,682,109	2,297,332
Cash and cash equivalents at the end of the period	<u>2,490,211</u>	<u>2,752,578</u>
Components of cash and cash equivalents		
Cash	2,490,211	2,752,578
	<u>2,490,211</u>	<u>2,752,578</u>

1 Corporate Information

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

2 Basis of Preparation and Accounting Policies

(a) Basis of Preparation of financial statements

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

Basis of Accounting

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

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

Basis of Consolidation

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

Business Combinations

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

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

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

Going Concern

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

(b) Revenue Recognition

Rental Income

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

Interest Income

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

2 Basis of Preparation and Accounting Policies (continued)

(c) Expenses

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

(d) Dividends

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

(e) Taxation

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

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

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

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

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

(f) Investments in Subsidiaries

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

(g) Investment Properties

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

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

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

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

2 Basis of Preparation and Accounting Policies (continued)

(h) Rent and Other Debtors

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

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

(i) Cash at Bank and in Hand

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

(j) Creditors

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

(k) Derivative financial instruments

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

(l) Loans

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

(m) Finance leases

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

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

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

(n) Critical accounting judgements and key estimations of uncertainty

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

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

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

2 Basis of Preparation and Accounting Policies (continued)

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

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

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

3 Segmental Information

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

4 Operating Profit

Operating profit is stated after charging:

	Six months to 31 December 2021	Six months to 31 December 2020
	£	£
Auditor's remuneration - audit	26,250	21,000
Auditor's remuneration - taxation	500	(5,500)
	<u>26,750</u>	<u>15,500</u>

5 Particulars of Employees

The Company had no employees during the period (period to 31 December 2020 - none), other than the

6 Directors' Emoluments

	Six months to 31 December 2021	Six months to 31 December 2020
	£	£
Directors' emoluments	<u>42,451</u>	<u>22,500</u>

7 Interest Payable

	Six months to 31 December 2021	Six months to 31 December 2020
	£	£
Bank loan interest payable	816,110	497,739
Bank loan issue costs	229,001	134,443
Interest payable on finance leases	58,402	58,409
	<u>1,103,513</u>	<u>690,591</u>

CLIPSTONE INDUSTRIAL REIT PLC
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Corporation Tax

The tax charge for the period is lower than the standard rate of corporation tax in the UK during the period (2020: lower than) of 19%. The differences are explained below:

	<u>Six months to</u> <u>31 December 2021</u>	<u>Six months to</u> <u>31 December 2020</u>
	£	£
Profit before tax	<u>38,954,061</u>	<u>10,059,298</u>
Corporation tax at effective rate of 19% (2020: 19%)	7,401,272	1,911,267
Effect of:		
REIT tax exempt property rental profits and gains	(7,401,272)	(1,911,267)
	<u>-</u>	<u>-</u>
Effective corporation tax rate	<u>0.0%</u>	<u>0.0%</u>

9 Dividends

	<u>Six months to</u> <u>31 December 2021</u>	<u>Six months to</u> <u>31 December 2020</u>
	£	£
Interim dividends paid of 3.6875p (period to 31 December 2020 - 2.25p) per ordinary share per annum	<u>4,848,855</u>	<u>2,685,352</u>

10 Earnings Per Share

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

	<u>Six months to</u> <u>31 December 2021</u>	<u>Six months to</u> <u>31 December 2020</u>
	£	£
Net profit attributable to ordinary shares	<u>38,954,061</u>	<u>10,059,298</u>
Weighted average number of ordinary shares:		
Issued ordinary shares at the start of the period	127,984,639	119,527,591
Effect of shares issued during the period	2,454,876	938,528
Basic and diluted weighted average number of shares	<u>130,439,515</u>	<u>120,466,119</u>
Basic and diluted earnings per share (pence)	<u>29.9</u>	<u>8.4</u>

CLIPSTONE INDUSTRIAL REIT PLC
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Investment Properties

	31 December 2021			30 June 2021
	Freehold £	Leasehold £	Total £	Total £
Cost				
Brought forward	250,550,268	8,097,847	258,648,115	212,085,656
Additions	5,581,816	-	5,581,816	49,918,459
Disposals	-	-	-	(3,356,000)
Carried forward	256,132,084	8,097,847	264,229,931	258,648,115
Revaluation				
Brought forward	35,974,732	477,153	36,451,885	18,019,344
Revaluation during the period	33,943,184	300,000	34,243,184	18,651,541
Revaluation reversed on disposals	-	-	-	(219,000)
Carried forward	69,917,916	777,153	70,695,069	36,451,885
Value per independent valuer	326,050,000	8,875,000	334,925,000	295,100,000
Lease Incentive Asset				
Brought forward	(1,962,620)	(70,277)	(2,032,897)	(1,239,619)
Movement during the period	(290,395)	(17,766)	(308,161)	(849,524)
Reversed on disposals	-	-	-	56,246
Carried forward	(2,253,015)	(88,043)	(2,341,058)	(2,032,897)
Long leasehold valuations				
Brought forward	-	1,222,313	1,222,313	1,223,186
Revaluation during the period	-	(477)	(477)	(873)
Carried forward	-	1,221,836	1,221,836	1,222,313
Carrying value	323,796,985	10,008,793	333,805,778	294,289,416

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 31 December 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.

CLIPSTONE INDUSTRIAL REIT PLC
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Debtors

	<u>31 December 2021</u>	<u>30 June 2021</u>
	£	£
Prepayments and accrued income	897,096	5,306,608
Trade debtors	1,280,120	1,500,690
Deferred lease incentives	2,341,058	2,032,897
Other debtors	3,607,875	2,529,912
	<u>8,126,149</u>	<u>11,370,107</u>

Included within trade debtors are provisions of £371,370 (30 June 2021 - £356,296) for doubtful debts.

13 Creditors: Amounts Falling Due Within One Year

	<u>31 December 2021</u>	<u>30 June 2021</u>
	£	£
Finance lease liabilities	182	170
Trade creditors	20,877	32,716
Rental income in advance	3,531,133	3,349,451
Accruals	1,435,150	1,392,876
Withholding taxes and other taxes	853,408	722,221
Dividends payable	-	639,924
Other creditors	536,740	637,611
	<u>6,377,490</u>	<u>6,774,969</u>

14 Creditors: Amounts Falling Due After More Than One Year

	<u>31 December 2021</u>	<u>30 June 2021</u>
	£	£
Bank loans - due between one and two years	-	-
Bank loans - due between two and five years	89,164,034	93,390,000
Finance lease liabilities	1,225,625	1,225,722
	<u>90,389,659</u>	<u>94,615,722</u>

The Barclays bank loans mature on 29 April 2023 and are secured by charges over the investment properties owned by Clipstone IX Limited and a debenture from Clipstone IX Limited. Interest is paid at 1.61% over SONIA on a quarterly basis, 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"). 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.

CLIPSTONE INDUSTRIAL REIT PLC
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Finance Leases

	<u>31 December 2021</u>	<u>30 June 2021</u>
	£	£
Included within current liabilities	182	170
Included within non-current liabilities	1,225,625	1,225,722
	<u>1,225,807</u>	<u>1,225,892</u>
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	8,428,065	8,486,552
	<u>9,012,930</u>	<u>9,071,417</u>

The Group's finance leases relate to three long leasehold investment property holdings, the value of which is shown in note 11.

16 Share Capital

	<u>Number of Shares</u>
Issued and fully paid	
At 1 July 2021 - 127,984,639 ordinary shares of £0.01 each	127,984,639
Share issue	
3,509,706 ordinary shares of 1p each	3,509,706
At 31 December 2021	<u>131,494,345</u>

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

On 25 August 2021 the Company issued 3,509,706 new shares of 1p each at a premium of £5,566,745. Costs of the issue were £3,000.

CLIPSTONE INDUSTRIAL REIT PLC
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Net Asset Value

The Group's net asset value per ordinary share is 188.34p based on shareholders' funds of £247,654,989 and 131,494,345 ordinary shares in issue at the period end.

No adjustment has been made for any potential performance fee due to the property manager. If the investment properties were sold at their values at 31 December 2021, there would be a performance fee payable of £10,601,181. The net asset value after the potential performance fee was 180.28p per share at 31 December 2021.

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

	Net Asset Value	Net Asset Value per Share
	£	£
Net asset value as shown in these financial statements	247,654,989	1.8834
Fair value adjustment to remove finance lease accounting for	3,973	-
Performance fee provision	(10,601,181)	(0.0806)
Net asset value as published on the International Stock Exchange as at 31 December 2021	<u>237,057,780</u>	<u>1.8028</u>

18 Capital Commitments

The Group had no capital commitments outstanding at 31 December 2021 (30 June 2021: £nil).

19 Related Party Transactions

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

Directors' emoluments of £42,451 were paid during the period (period to 31 December 2020: £22,500). £Nil was payable at 31 December 2021 (31 December 2020: £Nil).

Toby Dean is a director and shareholder of the Property Manager, Clipstone Investment Management Limited. Clipstone Investment Management Limited charged fees of £1,473,127 to the Company during the period (period to 31 December 2020: £1,145,891) of which £761,677 was outstanding at the period end (31 December 2020: £590,241).

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 £10,000 to the Company during the period (2020: £10,000) of which £5,000 was outstanding at the period end (2020: £5,000).

During the period the Group was charged 600,262 (2020: £515,961) in insurance premiums by Clipstone Capital Limited. At the period end there was £nil outstanding (2020: £8,711). 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 period the cost of insurance to the Group was £7,308 (2020: £5,372). All transactions were carried out at arm's length.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Operating Leases

	<u>31 December 2021</u>	<u>30 June 2021</u>
	£	£
Future minimum lease payments receivable under non-cancellable operating leases:		
within one year	15,508,331	14,984,240
in more than one year and less than five years	37,274,277	37,715,482
in more than five years	33,114,921	32,072,093
	<u>85,897,529</u>	<u>84,771,815</u>

21 Post Balance Sheet Events

An Interim dividend of 1.625p per share was declared on 31 January 2022, to be paid on or around 23 February 2022.