

**CLIPSTONE INDUSTRIAL REIT PLC**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

Registered number 09046897

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**CLIPSTONE INDUSTRIAL REIT PLC**  
**DIRECTORS, MANAGEMENT AND ADVISERS**

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<b>Directors</b>	<b>Karl Sternberg (Chairman)</b> Anna Rule Toby Dean Richard Demarchi
<b>Registered Office</b>	45 Albemarle Street London W1S 4JL
<b>AIFM</b>	<b>Clipstone Capital Limited</b> 45 Albemarle Street London W1S 4JL
<b>Property Manager and Company Secretary</b>	<b>Clipstone Investment Management Limited</b> 45 Albemarle Street London W1S 4JL
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<b>Depository</b>	<b>Langham Hall UK Depositary LLP</b> 8th Floor 1 Fleet Place London EC4M 7RA
<b>Independent Auditor</b>	<b>Moore Kingston Smith LLP</b> 9 Appold Street London EC2A 2AP
<b>Property Valuer</b>	<b>Colliers International Valuation UK LLP</b> 50 George Street London W1U 7GA
<b>Legal Advisors to the Company (English Law)</b>	<b>Hogan Lovells International LLP</b> Atlantic House Holborn Viaduct London EC1A 2FG
<b>Legal Advisors to the Company (Jersey Law)</b>	<b>Carey Olsen</b> 47 Esplanade St Helier Jersey JE1 0BD
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**CLIPSTONE INDUSTRIAL REIT PLC**  
**STRATEGIC REPORT**  
**CHAIRMAN'S STATEMENT**

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The past year has seen a consolidation in the UK industrial property market with values remaining broadly stable; but investment activity has been sparse compared with recent years. Our portfolio valuation on a like-for-like basis fell by 0.6% in the year to 30 June 2024. In June 2023, the Company's portfolio was valued at an equivalent yield of 5.50%; by June 2024, the valuation implied an equivalent yield of 5.91%.

During the year the Company acquired one property. The combined effect of the fall in valuations and transactions was an increase in the size of our property portfolio from £300.75m to £313.15m. Taking into account income, the total return for shareholders was 3.3%, which compares with the MSCI/AREF UK Quarterly Property Fund Index total return of 0.0%, and the MSCI UK Industrial Property return of 5.3%. Despite the relatively modest returns recently the portfolio has maintained its outperformance of the wider UK property market, sitting sixth of 187 portfolios within the MSCI UK All Property Index since we started contributing data to MSCI in Q1 2019.

The economic backdrop has been dominated by the path of inflation, and the policy response of higher interest rates. Rates peaked in August 2023 at 5.25% and inflation has eased back towards the Bank of England's 2% target, which allowed the Bank to cut the base rate to 5.00% in August 2024. This by no means implies that risks around inflation have receded, and rate setters continue to urge caution. While the UK economy experienced only a mild technical recession and has returned to positive growth, its performance has remained lacklustre with a downturn still a looming possibility in the next year with global geopolitical events creating significant risk and uncertainty. Future rate cuts look likely to be drawn out. Given the tightness of labour markets in all of the developed economies, it is possible that rates may persist around the current levels for some time. The increased costs of debt have posed a challenge for the Company to maintain its level of profitability. We have been able to mitigate this through active asset management, keeping void rates low and increasing rental levels across our estates, enabling us to maintain a stable dividend of 6.5p per annum. The Company has also taken out interest rate swaps over all of its drawn floating rate debt during the past year, providing an immediate reduction in interest rate costs, cost certainty, and allowing us to plan without possible volatility in financing costs.

We are mindful that many of our tenants have experienced increases in their costs of production and operation, higher taxes, and in many cases increases in rent. We have worked hard over the past few years to improve the quality of our estates, acquiring properties with high occupational demand and limited supply and ensure that transactions are completed at rents which reflect these factors. The strategy has resulted in our being able to let vacant units quickly, often at improved rents. We will continue to communicate regularly with our tenants and our agents, to build good working relationships with occupiers, to keep estates functioning and to be aware in advance of tenants who are struggling financially. We do what we can to assist good tenants experiencing short-term difficulties.

While occupational demand is not as strong as it was between 2019 and 2022, it remains robust for good quality, well located units. Demand from tenants since 2019 has been historically high and over the past 24 months has gradually fallen back to pre-2019 levels. We view this as a normalisation in the market from an exceptional peak rather than a significant deterioration. There remains a structural imbalance between demand and supply for industrial property in London and the South East, which has been the main driver of rental growth over the past few years. The evidence from recent lettings and projections for available space gives rise to expectations of continuing growth in rents, though we remain cautious given cost pressures faced by our tenants and the uncertainty surrounding the current economic environment.

The Company's sole property acquisition during the year, an estate in Stansted, was funded using our revolving credit facility with Barclays. At the year end the Company's loan-to-value was 29.3%, up from 25.9% a year before. During the year the Company extended its loan facility with Barclays by 12 months, meaning that it now runs until April 2026. At 30 June 2024 the Company had drawn £61.75m of these facilities, leaving £8.25m of available debt facility. The facilities with Barclays carry an interest rate of SONIA plus 1.55%. However during the year the Company took out interest rate swaps to fix all of the drawn debt, the details of which are set out on page 3. We also have a fully drawn facility of £30m with LGIM at a fixed rate of 2.20% until 2028. We regularly perform stress tests on our loan covenants and continue to have sufficient headroom in our loan to value and interest cover covenants.

The additional unused debt facility 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 remain between 25% and 35%.



**CLIPSTONE INDUSTRIAL REIT PLC**  
**STRATEGIC REPORT**  
**CHAIRMAN'S STATEMENT (Continued)**

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The Board would like to thank the team at Clipstone Investment Management. They have continued to work hard to deliver returns for shareholders. Their efforts have provided shareholders with a steady income return and capital values have outperformed the rest of the property market since launch, despite extraordinary events such as Brexit and Covid.

We remain grateful to our investors for the loyal backing that they continue to provide.

I am pleased to report the results of the Group for the year ended 30 June 2024.

**Results to 30 June 2024**

The Group's properties were independently valued at 30 June 2024 at £313.15m (30 June 2023: £300.75m), a decrease of 0.6% from the portfolio valuation on 30 June 2023 on a like-for-like basis. However, this disguises an increase of 1.2% in value since 31 December 2023. This decrease was due to outward market yield shifts as a response to increasing interest rates the continued muted UK economic performance and uncertainty over the economic outlook.

The Group's net asset value (NAV) per share at 30 June 2024 was £1.8159 (30 June 2023: £1.8362). 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 2024, there would be a performance fee payable of £6,393,730 (30 June 2023: £8,070,530). The NAV net of the potential performance fee would have been £1.7636 per share at 30 June 2024 (30 June 2023: £1.7702). The total return since listing, representing both the NAV increase and dividends paid to 30 June 2024, net of the potential performance fee, is 131.9% (30 June 2023: 126.1%).

**Events to 30 June 2024**

I summarise below the material events that have taken place during the year ended 30 June 2024.

On 25 June 2024, the Company acquired an investment property in Stansted for £14.15m plus purchase costs, equating to a net initial yield of 5.74%. This estate is adjacent to our existing estate in Stansted, comprising 95,538 square feet across 13 units, plus a 2 acre cleared site, and is fully let with reversionary potential. This gives the Company control over the bulk of industrial space south of Stansted Airport.

During the year the Company extended its loan facilities with Barclays for a further 12 months. There is a £35m term loan, and a £35m revolving credit facility, of which £8.25m was unutilised at the period end. There is also an accordion facility of £30m which allows the group to request increases to the loan facilities without reopening the facility documents and incurring the associated costs. Any request would be subject to bank approval and negotiation on margin. These facilities mature on 5 April 2026 following the extension. Interest is paid at a margin of 1.55% over SONIA on a quarterly basis, however during the year the Company took out swaps against all of the drawn debt, fixing £40m at 4.513% plus margin, £6.75m at 4.639% plus margin, and £15m at 4.556% plus margin. The loan agreement provides for a further option to request an extension of the facilities to 5 April 2027.

Interim dividends totalling 6.5 pence per share were declared during the year comprising dividends of 1.6250 pence per share paid on 25 August 2023, 1.6250 pence per share on 24 November 2023, 1.6250 pence per share on 23 February 2024 and 1.6250 pence per share on 24 May 2024.

### **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 Company grows.

Following the direct or indirect sale of all of the Group's Portfolio Interests (including the sale of the Company or its subsidiaries), the Property Manager will be entitled to be paid a Performance Fee. The Performance Fee equals 20% of any balance of net sale proceeds and other cash that would remain after the total distributions to Shareholders over the Company's life equal the aggregate issue price of the Ordinary Shares and a return of 9% per annum, without compounding.

### **Sustainable Property Investment**

The Company operates a Sustainable Property Investment 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 continually reviewing its sustainable investment goals and strategies, and a report on the Company's progress against its targets over the past 12 months is on page 10.

### **Post Balance Sheet Events**

An interim dividend of 1.6250 pence per share was declared on 1 August 2024 and paid on 23 August 2024.



Karl Sternberg  
Chairman

11 October 2024

The Directors present their Strategic Report on the Company for the year to 30 June 2024.

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. The Property Manager is also entitled to a performance fee following the direct or indirect sale of all of the Group's Portfolio Interests (including the sale of the Company or its subsidiaries). The Performance Fee equals 20% of any balance of net sale proceeds and other cash that would remain after the total distributions to Shareholders over the Company's life equal the aggregate issue price of the Ordinary Shares and a return of 9% per annum, without compounding. Toby Dean is a director and shareholder of Clipstone IM and a director and shareholder of the Company. Richard Demarchi is a director and shareholder 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 paid a dividend on 23 August 2024 at an annualised rate of 6.50p per share. The Board is targeting sustainable increases in the dividend rate over time, but note that increases in interest rates over the past two years have put pressure on the Company's dividend cover, however interest rate swaps taken out over the past year provide the Company with greater certainty over its cost base.

### **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 20 on page 39.

The Company's net asset value (NAV) less potential performance fee per share at 30 June 2024 was £1.7636 (2023: £1.7702), which represents an increase of 80.0% (2023: 80.6%) 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 2024 was 131.9% (2023: 126.1%).

### **Key Performance Indicators (Continued)**

The Company's properties were independently valued at 30 June 2023 at £313.150m (2023: £300.750m), an uplift of 14.9% (2023: 16.4%) over their aggregate acquisition price, excluding acquisition costs.

### **Outlook**

While the industrial property market has stabilised following a significant fall in valuations in the second half of 2022 in response to rising interest rates, there is still significant uncertainty concerning geopolitical events and their impact on the global and UK economy and on the future path of inflation and interest rates, despite the 0.25% cut in the Bank of England's base rate in August 2024. An economic shock or inflation proving more persistent than expected could lead to valuation reductions. An economic downturn and high debt costs for longer will also likely have an adverse impact on tenants' ability to pay rents and continue as going concerns. We have worked over the previous two years to ensure that the Company is managing risks around interest rate rises and economic turbulence, fixing costs of our debt and improving the quality of our portfolio, but are also aware that these factors could have an impact on our returns in the short to medium term.

We remain confident in the quality of our portfolio and the underlying demand and supply dynamics in the occupational market for South East industrials. To date we have not experienced any material change in the occupational market. As in the past few years, the Company's portfolio has very low levels of vacancy, and where new leases are being granted, or rent reviews undertaken, we are still seeing good uplifts over previous rental levels. While the occupational market is showing sign of slowing, we believe this is a normalisation from record highs rather than a material deterioration. A deep recession would clearly affect the occupational market, securing new tenants for vacant units, the credit quality of existing tenants and as such the security of rent collection. We will continue to manage the portfolio on a tenant-by-tenant basis, with an emphasis on building productive relationships with our occupiers. 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.

The Company has worked over the past few years to position its portfolio to withstand economic shocks by increasing diversification, keeping our loan-to-value low, and improving the overall quality of our portfolio. We have also ensured that the portfolio remains invested in good quality buildings, in good locations and with strong underlying fundamentals around the supply of and demand for space in specific geographical locations.

We will continue to manage the portfolio on a tenant-by-tenant basis and take an active stance in dealing with any tenants experiencing difficulty. We will look to employ proactive asset management initiatives to help tenants while preserving the value of our properties and ensuring as much rent is collected as is possible.

### **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 Debt Financing**

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.

### **Risks Relating to Debt Financing (continued)**

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.

During the past 12 months the Company took out interest rate swaps over all of our drawn floating rate debt to hedge against interest rate risk. This is in addition to the Company's LGIM loan facility which has a fixed interest rate of 2.20% over a seven-year term ending in July 2028.

The Company's LGIM facility is fully drawn and runs until July 2028. During the year the Company extended its loan facilities with Barclays for a further 12 months. There is a £35m term loan, and a £35m revolving credit facility, of which £8.25m was unutilised at the period end. There is also an accordion facility of £30m which allows to group to request increases to the loan facilities without reopening the facility documents and incurring the associated costs. Any request would be subject to bank approval and negotiation on margin. These facilities mature on 5 April 2026 following the extension 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 a margin of 1.55% over SONIA on a quarterly basis, however during the year the Company took out swaps against all of the drawn debt, fixing £40m at 4.513% plus margin, £6.75m at 4.639% plus margin, and £15m at 4.556% plus margin. The loan agreement provides for a further option to request an extension of the facilities to 5 April 2027.

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. All covenants currently have ample headroom.

### **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.

### **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 tenant. 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 Sustainable Property Investment**

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.

**Risks relating to Sustainable Property Investment (Continued)**

The Board receives reports on sustainability matters at every quarterly meeting from the Property Manager. The staff of the Property Manager receive training in sustainable investment practices, 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 also look to provide properties which are attractive to business, and which will support local employment. We are currently working towards the targets in our Net Zero Strategy. 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

11 October 2024

**CLIPSTONE INDUSTRIAL REIT PLC**  
**SUSTAINABLE PROPERTY INVESTMENT REPORT**

The Company and its Property Manager are working towards achieving our goal of Net Zero by 2040. Our Net Zero Strategy sets out targets which will be key to achieving net zero. In this report we examine our progress against these targets. This report is not provided as a reporting obligation, but voluntarily to provide further information on our progress against our stated goals.

Strategy Area	Key Deliverables	Target	Progress
Carbon emissions measurements and baselining	<p>Our initial carbon emissions baseline was measured through tenant provided meter readings and through proxy data based upon EPC data.</p> <p>The exercise was conducted by EVORA Global in 2022.</p> <p>The impact of embodied carbon emissions in our refurbishment programme has been assessed through a pilot study with Sharman Grimwade (M&amp;E) and Architype (Architects).</p>	<p>The carbon baseline will be updated annually from 2026 to monitor progress in emission reduction (the next baseline will be 2026).</p> <p>From 2026 the carbon footprint will aim to also include accurate data for embodied carbon resulting from the refurbishment programme and aims to account for new fabric and M&amp;E products where data is currently unavailable for industrial and warehouse sector.</p> <p>The 2026 baseline will include operational and embodied carbon assessments.</p>	<p>We are on track to meet this target. We have started performing embodied carbon assessments at major refurbishments and have begun installing smart meters at a number of our estates. This data will enable us to update our carbon baseline annually and give greater accuracy than the 2022 EVORA Global study, which relied largely on EPC data and estimates.</p>
Improving the accuracy of Carbon emissions data collection	<p>The low percentage of real data in the published baseline dependency upon tenant reporting and proxy data otherwise the baseline will continue to be estimated with a risk of inaccuracy. To address this Clipstone owned smart meters will be installed into units.</p>	<p>Smart meters/ data loggers will be rolled out across the Clipstone portfolio, with a target of over 50% coverage by floor area by the end of 2024.</p>	<p>We are on track to meet this target. At the time of writing we had installed meters across 49% of the portfolio by floor area, and have instructed installations at further sites which will bring us to over 50% coverage by the end of 2024.</p>
Progress on plotting a trajectory to Net-Zero	<p>The portfolio has a Net-Zero modelled trajectory resulting in Net Zero by 2050. This is an SBTi aligned target. We aim to improve this and achieve net-zero by 2040.</p> <p>The trajectories are modelled against the Paris agreement to hold temperature rise at 1.5 global temperature and does take into account higher rates of Global warming.</p>	<p>We will aim for a reduction in emissions exceeding 4% per annum, following the trajectory set out in the Evora Carbon Reduction Trajectory to meet or do better than the 2040 net zero target.</p>	<p>In our Greenhouse Gas Emissions Reporting below we provide an estimate for our full carbon footprint for the year ended 30 June 2024 for the first time since our baselining exercise for 2019 and 2020. All of these annual figures used estimates, however the figure for 2024 uses considerably more actual data. The 2019/2020 baselines calculate a carbon footprint of 4,312 tCO<sub>2</sub>e. The 2024 figure is 49% below that at 2,212 tCO<sub>2</sub>e. This is significantly higher than 4% per annum over 5 years, however the 2019 baseline relied heavily on industry data, which has a higher weighting of heavy industrial occupiers than our portfolio, and therefore more intensive users of energy.</p> <p>We will have a better indication of our progress against this target from 2025 when we are better able to compare like with like.</p> <p>We are undertaking initiatives to reduce carbon consumption through interaction with existing tenants and refurbishment of vacant units.</p>
Operational Energy and Carbon footprint reduction interventions - degasification	<p>We will aim to remove gas from all units subject to:</p> <ul style="list-style-type: none"> <li>- tenant engagement and</li> <li>- the deployment of suitable innovation including new technology enabled and efficient solutions.</li> </ul>	<p>The 'aimed for' target date for degasification through gas ambient heater and water heater removal is 2035.</p> <p>By 2024 there will be a fully accurate inventory of gas installations in all units to enable better prioritisation of interventions with tenants.</p> <p>By 2025 a proforma will be developed setting out alternative energy solutions for tenants to follow or adopt.</p>	<p>We are on track to meet these targets. We currently have information concerning the gas installations on 207 of the 238 units in the portfolio. Of these 115 have gas in their units. Gas is being removed from units when undertaking refurbishments. In some of these buildings we know that the tenant doesn't use the gas despite there being a supply. At 30 June 2024 we had installed 22 gas meters, of which 6 had picked up zero tenant usage, however two of these were only installed in June. We believe c.25 units do not heat their warehouse space and use gas to heat just office spaces, which are far easier to heat with electricity than warehouse spaces. The units therefore should be simpler to switch from gas heating to electric heating.</p>



Strategy Area	Key Deliverables	Target	Progress
Proportion of locally generated renewable electricity and energy resilience	<p>The proportion of locally generated and stored electricity will increase as a proportion of the total usage by unit as new and improved technologies become available and can be installed.</p> <p>We will seek to develop a model and draft contract structure selling energy generated from PV to tenants.</p>	<p>The percentage of locally generated electricity will increase. We will aim to increase the production of local renewable energy from solar power, targeting 2 PV system installations a year from 2024.</p> <p>We will aim to generate income from all PV installations.</p>	<p>At the time of writing, we are on site at one of our estates in Crawley, undertaking a major refurbishment of one of the two units on the site, which will include a new PV system. This is the first project we have undertaken on an existing building. Our redevelopment at Chessington included PV panels as a planning requirement and we have had tenants at other estates install systems. This will provide us with valuable experience and lessons for future installations.</p> <p>We are unlikely to have a suitable refurbishment project in the remainder of 2024 for a second PV installations, but we are approaching those tenants we know use enough electricity to warrant the capital expenditure, and where their roofs are capable of supporting a PV system.</p>
Energy consumption in units - energy efficiency	<p>Linked to our target to decarbonise, we will seek to improve efficiency across the board and set a stretched target for energy consumption across all units.</p>	<p>By 2027 we will operate a stretched target of 40 kWh per square meter mean annual electricity consumption across the portfolio.</p>	<p>We are on track to meet this objective, however as shown below in our Greenhouse Gas Emissions Reporting, the vast majority of our emissions come from our tenants' energy usage, and therefore we cannot directly control them. Our electricity consumption for the year to 30 June 2024 was 67.5 kWh/m<sup>2</sup>. The figure of 69.7 kWh/m<sup>2</sup> in the report below includes gas. Both of these figures are estimated, but based on actual data for around half of the portfolio. We are confident that, despite the fact we cannot directly control tenants' energy usage, our efforts to improve the quality of our buildings, and supporting tenants to reduce their overall usage, we will be able to meet this target.</p> <p>One factor that will likely lead to increases in electricity use is the degasification of our units. This will mean that where space must be heated, and previously it was heated via gas, it will require electrical heating in the future. We will look to mitigate this where possible as part of our refurbishment program, for instance by installing energy efficient systems and where economically viable insulating office areas, and encouraging tenants to localise heating in warehouses, rather than heating the whole space.</p>
Embodied Energy and Carbon - Building Fabric and Refurbishment	<p>The carbon impact of building works during construction and refurbishment needs to be reduced as up to 42% of UK emissions are from this source.</p> <p>Contractors and Designers and QS teams will be advised to specify sustainable/low carbon materials. While we may alert contractors to potential product substitutions for liability reasons the specifications and warranties will apply to contractor.</p>	<p>We will aim for refurbishment projects for their embodied carbon impact and seek to achieve a target of less than 300 Kg CO<sub>2</sub>e per square metre. The embodied carbon target will apply to the 'in construction phase 'A1-A5' in order to reduce the carbon impact of refurbishments. This may also enable better life cycle and building life to be achieved.</p> <p>The outcomes of the Architype embodied carbon pilot study will enable a revised refurbishment specification to be adopted to assist with this aim from 2023.</p>	<p>We have begun performing embodied carbon auditing on major refurbishments. So far, we have conducted two surveys, both on projects with over £500,000 total cost. The embodied carbon for these projects was 109.5 KgCO<sub>2</sub>e/m<sup>2</sup> and 170.3 KgCO<sub>2</sub>e/m<sup>2</sup>. Both of these projects achieved results significantly below target. The first project incorporated over cladding to the elevations of several units. This accounted for 56KgCO<sub>2</sub>e/m<sup>2</sup> of the 109.5 KgCO<sub>2</sub>e/m<sup>2</sup> project total. Of the 170.3 KgCO<sub>2</sub>e/m<sup>2</sup> for the second project, 58 KgCO<sub>2</sub>e/m<sup>2</sup> are from the installation of PV panels, and a similar amount from a suspended ceiling system. Neither of these projects required for the roof or external walls to be replaced, or a rebuild of the frame or substructure, which make up the bulk of the upfront embodied carbon in the building. We would rarely look to replace the walls, frame or substructure, but re-roofing is more common, and usually required roughly every 20 years especially where existing units have asbestos roofs. Buildings may require reroofing to be able to support PV panels.</p> <p>New roofs provide an excellent opportunity to add insulation, generate additional natural light and install PV panels.</p> <p>The results of these two assessments show that the target is easy to meet if neither significant replacement of the structure nor reroofing works are being undertaken. We will review this target and could potentially develop a target number with and without reroofing based on these reports and upcoming assessments.</p>

Strategy Area	Target Area	Target	Progress
EPC improvements	We use EPC ratings as an important indicator for our individual units.	By 2028 all refurbishments will be EPC B with C as an absolute minimum.	<p>The percentage of the portfolio with an EPC rating of D or worse has improved over the past 5 years, as shown below:</p> <p>30 June 2020: 59.85% 30 June 2021: 50.34% 30 June 2022: 44.26% 30 June 2023: 39.66% 30 June 2024: 35.92%</p> <p>This shows the progress made in improving the sustainability of our units through refurbishment, and in stock selection of new acquisitions and disposals. We are on track to meet this target, and the majority of refurbishments already achieve a C as a minimum.</p>
Tenant engagement	A systematic programme of events and seminars will be made available to encourage greater knowledge and commitment from tenants driving their businesses	<p>A tenant engagement policy with support materials and online engagement will be targeted for 2024 launch through working with third party providers.</p> <p>An annual tenant engagement metric will be set of circa 10 businesses per annum to include new and existing business supports.</p> <p>A tenant engagement manual will be written and supplied to tenants before the end of 2023 to initiate the engagement process.</p>	We are behind schedule on this target. We have developed a tenant manual which we plan to distribute to tenants before the end of 2024. This manual includes both guidance on sustainability matters, and more practical matters to do with their lease and occupation.

### Greenhouse Gas Emissions Reporting

In 2022 we reported on our baselining exercise, which produced baseline carbon footprints for our portfolio for 2019 and 2020. This involved asking tenants to provide their utility usage data to us. We received responses from 25% of tenants. The remainder of the data had to be estimated. The 2019 baseline was 17,288 MWh total energy consumption, equivalent to carbon emissions of 4,312 tCO<sub>2</sub>e. Given the time and cost involved we decided not to repeat this exercise again. It provided a useful baseline against which we can benchmark our progress, but we feel there is little value in reassessing again based on largely estimated data. This is why we are now rolling out smart meters, with almost 50% of our floor space now covered. This will enable us to collect tenants' utility usage data remotely and automatically. This is important in calculating our footprint as tenant emissions make up the bulk of our emissions profile. The data can also be used to drive efficiencies on site and inform potential PV installations. We have been able to collect data from these meters for part of the year and so are able to extrapolate these figures and estimate an annual emissions figure for the portfolio. From next year we will have a full year's worth of data from just under half the portfolio, and further data from installations during the year.

In the 2022 and 2023 financial years we did not have any scope 3 data, however we did report on our scope 1 and 2 emissions. This year we have also produced an estimate of our scope 3 emissions.

### Methodology and Scope

For both the year ended 30 June 2024 and the year ended 30 June 2023, Scope 1 emissions are from landlord-controlled gas in vacant units. Scope 2 emissions are from landlord-controlled electricity in vacant units and estate-wide supplies.

Scope 3 emissions are tenant-controlled gas and electricity. As noted in the report above, we have installed smart meters at a number of estates, however most of these were done part way through the year, and for some units we have not installed meters at all as of year. Therefore, the figure provided in this report is an estimate based on actual data from units comprising close to half of the portfolio's total floor area. For units where we only had data from part of the year, we extrapolated the figures to the beginning of the year. This is likely to provide an overestimate of the emissions as most of the installations were completed during autumn and winter, and so the data is overweighted to colder and darker months, where occupiers typically use more heat and light. For units where we have no data, we used the average per square foot data we have collected, weighted by EPC rating and excluding outliers, and used this as an estimate for those units' energy usage. For users we know are heavy users of electricity we used the per square foot data from similar tenants. We consider this to be a reasonable method of estimation given the nature of our estates and users.

The figures set out below for carbon emissions are on a location-based calculation, using standard emission factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2024 and 2023.

Greenhouse Gas Emissions Reporting (Continued)

Carbon Emissions

As we have direct control over our scope 1 and 2 emissions, we are able to report them and drive their reduction far more easily than our scope 3 emissions. Scope 3 emissions make up the vast majority of our emissions, however it is still important for us to achieve net zero in scope 1 and 2 emissions. Our scope 1 and 2 energy usage emissions for the year to 30 June 2024 and prior year are set out below, and for the year to 30 June 2024 we have also calculated an estimate of our scope 3 emissions and energy usage.

Energy Usage	Year ended 30 June 2024 MWh	Year ended 30 June 2023 MWh
<u>Scope 1</u>		
Void asset gas	0.1	0.1
<u>Scope 2</u>		
Landlord-controlled electricity	28.9	20.4
Void asset electricity	15.9	1.0
<u>Scope 3</u>		
Tenant energy used at our buildings	10,680.2	not available
<b>Total</b>	<b>10,725.1</b>	<b>n/a</b>
<b>Total (Scope 1 &amp; 2)</b>	<b>44.9</b>	<b>21.5</b>
Intensity - total energy consumption per m <sup>2</sup> (kWh/m <sup>2</sup> )	69.7	n/a

Sources of Greenhouse Gas Emissions	Year ended 30 June 2024 Tonnes of CO <sub>2</sub> e	Year ended 30 June 2023 Tonnes of CO <sub>2</sub> e
<u>Scope 1</u>		
Void asset gas	-	-
<u>Scope 2</u>		
Landlord-controlled electricity	6.0	4.1
Void asset electricity	3.3	0.2
<u>Scope 3</u>		
Tenant energy used at our buildings	2,203.1	not available
<b>Total</b>	<b>2,212.4</b>	<b>n/a</b>
<b>Total (Scope 1 &amp; 2)</b>	<b>9.3</b>	<b>4.3</b>
<u>Carbon intensity</u>		
Carbon emissions per m <sup>2</sup> (tCO <sub>2</sub> e/m <sup>2</sup> )	14.2	n/a
tCO <sub>2</sub> e per £m net income after administration costs	137.1	n/a
<u>Carbon intensity (voids)</u>		
kgCO <sub>2</sub> e per m <sup>2</sup> time weighted vacant floor space	3.4	0.5
<u>Carbon intensity (Scope 1 &amp; 2)</u>		
tCO <sub>2</sub> e per £m net income after administration costs	0.6	0.3
£m net income after administration costs for 2024 financial year	16.1	15.4

As expected, scope 3 emissions account for the vast majority of our overall carbon footprint. This baseline figure is, however, significantly below the 2019 baseline in terms of both overall energy consumption, carbon footprint, and intensity. The EVORA 2019 baseline had an intensity figure of 25.7 tCO<sub>2</sub>/m<sup>2</sup>, compared with 14.2 tCO<sub>2</sub>/m<sup>2</sup> above. The 2019 baseline had a total energy consumption per m<sup>2</sup> of 105.6, compared with 69.7 above. This likely reasons for these gaps are the improvement in the quality of our portfolio since 2019, and the fact that many of our occupiers are not heavy energy users as we have few tenants engaged in intensive industrial processes, and only one data centre user. One obvious note of caution is that both figures include a large amount of estimated data.

## **Greenhouse Gas Emissions Reporting (Continued)**

### **Carbon Emissions (Continued)**

As shown above, for both absolute emissions and carbon intensity for scopes 1 and 2 have risen in the past financial year compared with the previous year, however from an extremely low base. We expect fluctuations in line with the vacancy rates and due to the impact of refurbishment works where contractors need to use on site power. Given the low level that these figures are already at, reducing them will be a challenge. We will of course endeavour to do so, particularly reducing scope 1 to zero, moving to high-quality green tariffs where practicable to drive market-based scope 2 emissions to zero, and looking to improve the efficiency of vacant units through our refurbishment programme.

Our focus on the removal of gas as a source of heat, improving the efficiency of lighting and the thermal properties of the buildings will have some effect on Scope 1 and 2 emissions however their impact will be more prevalent in reduced scope 3 emissions.

### **Path to Net Zero**

In April 2023 we published our Net Zero Strategy, which sets out what we need to do to achieve Net Zero by 2040, with a set of short and medium term targets against which we have reported above. Our strategy includes refurbishments to improve energy efficiency, the electrification of heat given that eliminating the use of natural gas is an integral part of any decarbonisation strategy, generating renewable energy on-site, procuring energy through high-quality green tariffs, reducing the impact of embodied carbon in any refurbishments or developments, and finally offsetting. Our offsetting strategy has already been published on our website; however, we will look to develop this further as we look into the potential to acquire carbon credits for future emissions.

Our refurbishment works are delivering a reduction in operational carbon, Scope 1-3 emissions, however we are aware that, in isolation, it would take years to work through all the buildings. We have therefore developed green lease clauses to ensure any works undertaken by new tenants are required to focus on efficiency and prohibit new gas installations. In addition, we are also offering tenants incentives to improve the efficiency of the units at lease renewal of rent review stage rather than a simple financial incentive.

As well as a focus on operational carbon we are considering the embodied carbon of refurbishments. We are undertaking embodied carbon assessments on major refurbishments and will look to use the knowledge gained from these surveys to target where we can reduce up front carbon on future projects.

In our first year of reporting against our Net Zero Strategy we are pleased with the progress made against our targets, but not complacent about the work still to do over the coming years.

We are cognisant of the fact that the interventions needed to reach net zero will require capital expenditure. We will ensure that any spending is done so on the basis that we consider it economically prudent. We are confident that in the long run the benefit in capital and rental values from making the right interventions will outweigh their cost. The key is ensuring we make the right interventions, and that is what we will look to address as we implement our Net Zero Strategy.

### **Social and Governance**

In addition to our commitments around sustainable property investment, we also have policies on social responsibility and good governance. We require contractors to follow our modern slavery and supplier code of conduct. We 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.

We require staff to abide by our Equality, Diversity and Inclusion 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. In order to promote the participation of underrepresented groups in the property industry, Clipstone is a sponsor for the Worshipful Company of Chartered Surveyors' Pathways to Property bursary scheme. This involves both financial and practical support for a student to study for and pursue a career in Real Estate. To qualify for the scheme the student must be from a disadvantaged background and meet several socio-economic criteria. We continue to support our student who is about to start his final year at Nottingham Trent. He spent two weeks with us over the summer again this year and we look forward to providing him support with his studies and job applications between now and then.

The Company and its Property Manager's sustainable property investment policies and targets along with the Company's Net Zero Strategy and accompanying policies can found on our website.

<http://www.clipstone.co.uk/environmental-social-and-governance-policies/>

## CLIPSTONE INDUSTRIAL REIT PLC

### DIRECTORS' REPORT

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The Directors present their Report and Financial Statements of the Company for the year to 30 June 2024.

#### Results and dividends

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

Interim dividends totalling 6.5 pence per share were declared during the year comprising dividends of 1.6250 pence per share paid on 25 August 2023, 1.6250 pence per share on 24 November 2023, 1.6250 pence per share on 23 February 2024 and 1.6250 pence per share on 24 May 2024.

#### 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:

	<u>30 June 2024</u>	<u>30 June 2023</u>
Karl Stephen Sternberg	322,768	322,768
Anna Rule	-	-
Toby John Grenville Dean	13,901,774	13,855,871
Richard Robert Dury Demarchi	13,256	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 23.

#### 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 19.

**Annual General Meeting**

The Annual General Meeting of the Company will be held on 18 November 2024.

By order of the Board

A handwritten signature in blue ink, appearing to be 'Toby Dean', with a stylized flourish at the end.

Toby Dean  
Director

11 October 2024

## **CLIPSTONE INDUSTRIAL REIT PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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 2023. 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.

## **CLIPSTONE INDUSTRIAL REIT PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)**

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#### **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 (the 'group') for the year ended 30 June 2024 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 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 of the parent company's affairs as at 30 June 2024 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.

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit engagement team, led by the senior statutory auditor. The Group comprises the parent company, Clipstone Industrial REIT Plc, and two subsidiaries Clipstone IX Limited and Clipstone Ten Limited. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section below.

The audit was performed centrally by the Group audit engagement team and encompasses all the companies within the Group. The audit was conducted remotely, and our audit team was provided with relevant information using cloud-based shared drives and read-only access to accounting systems.

## 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
<p><b>Valuation of investment properties (Group/Subsidiaries)</b></p> <p>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 Group's total assets as presented in the statement of financial position.</p> <p>The valuation of investment properties requires estimation, and the directors enlist the services of an independent valuer to assist in this regard.</p>	<ul style="list-style-type: none"> <li>- We assessed the Group's external property valuer's objectivity, professional qualifications, and resources to complete the valuation.</li> <li>- We critically assessed the independent valuation report provided to us, challenging the key assumptions and the valuation methodology used with reference to publicly available industry data and industry experience.</li> <li>- We engaged our own expert to review a sample of the fair values calculated by the Group's external valuer. After discussion with Group's external valuer and our own expert no material differences in valuation were identified.</li> </ul>

Key audit matter and description	Audit Approach
<p><b>Valuation of investment properties (Group/Subsidiaries) (Continued)</b></p> <p>The valuation of investment properties at the reporting date included in the statement of financial position is £311,801,017 (2023: £299,243,834). Details can be seen in Note 12 of the financial statements.</p> <p>We are required to consider if the investment properties have been appropriately valued within the Group's financial statements in accordance with the requirements of FRS 102.</p>	<ul style="list-style-type: none"> <li>- We have critically assessed the movement in the valuation of properties from the prior year and obtained the rationale and supporting evidence for any changes not in line with our expectations. We based our expectations on our experience and current industry benchmarks.</li> <li>- We reviewed the information provided by the Group to the external property valuer and agreed these inputs to supporting documentation.</li> <li>- We considered the adequacy of the Company's disclosures in the notes to the financial statements about the degree of estimation and sensitivity to key assumptions made when valuing the properties.</li> </ul> <p>We concluded that the accounting for investment properties was in accordance with the requirements of FRS 102 and that the disclosures in the financial statements were appropriate.</p>
<p><b>Valuation of investments in subsidiaries (Parent)</b></p> <p>Clipstone Industrial REIT Plc holds 100% of the share capital of two subsidiary undertakings being Clipstone IX Limited and Clipstone Ten Limited. The value of these investments forms the majority of the Parent Company's total assets as presented in the statement of financial position. Given the material nature of the balances, we are required to consider whether</p> <p>The valuation of the investment in subsidiaries at year end included in the statement of financial position is £187,419,387. Detail can be seen in Note 13 of the financial statements.</p>	<ul style="list-style-type: none"> <li>- We have critically assessed the valuation of the subsidiaries against their net asset values at the year end. This is performed in conjunction with our work referred to above on the valuation of investment properties, which are all held by the two subsidiary entities, and therefore, form the most significant part of the subsidiaries' balance sheets.</li> <li>- Where the net assets of the subsidiary are below the cost of investment, we have discussed with management and critically assessed their rationale for this not being a permanent diminution in value by reference to historic performance and rental yields achieved and considering the outlook for the sector as a whole through projected rental growth and yields.</li> </ul> <p>We concluded that the accounting for investment was in accordance with the requirements of FRS 102 and that the disclosures in the financial statements were appropriate.</p>

#### Our application of materiality

The scope and focus of our audit was influenced 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, and accordingly this consideration influenced our benchmark for materiality. Using our professional judgement, we determined materiality for the Group to be £3,237,000, having started from a basis of 1% of gross assets.

**Our application of materiality (continued)**

On the basis of our risk assessment, 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, £1,618,500.

We agreed to report to the directors all audit differences in excess of £161,850, 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.

Specific materiality

We also determined that for other classes of transactions and account balances not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, could influence the decisions of users. As a result, we determined materiality for these items based on 2% of rental income being £216,000.

Parent company materiality

We used total expenses to determine the materiality for the parent undertaking as we considered this to be the main focus for the users of the parent company financial statements. Having used a basis of 2% of total expenses, we calculated overall parent company materiality of £62,500 and performance materiality of £31,250, being 50% of overall parent company materiality. We agreed to report to the directors all audit differences in excess of £3,125, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component in the Group based on percentage of group gross assets for financial statement materiality and percentage of rental income for specific materiality. The materiality levels used ranged from £818,000 to £2,415,000 for financial statement materiality and £75,000 and £216,000 for specific materiality. We further applied performance materiality level of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

**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 and the parent company' ability to continue to adopt the going concern basis of accounting included critically assessing the forecasts and anticipated cashflows prepared by management, discussions with management and those charged with governance and assessing the credit profile of the 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 and parent company'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.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 themselves. 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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**

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

We have nothing to report in respect of the following matters where 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 and the part of the directors' remuneration report to be audited 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; or
- a corporate governance statement has not been prepared by the parent company.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 17, 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 the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**

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

A further description of our responsibilities is available on the FRC's website at <https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

This description forms part of our auditor's report.

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

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.

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 company.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, the rules of The International Stock Exchange (TISE) and the UK Real Estate Investment Trust ("REIT") regime.
- 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 governance.
- 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.
- We also performed analytical review procedures to identify any unusual relationships that may indicate a material misstatement, and additionally tested the appropriateness of journals to address the risk of fraud through management override of controls.
- 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.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

**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*

Colin Turnbull (Senior Statutory Auditor)  
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor  
9 Appold Street  
London  
EC2A 2AP

11 October 2024

**CLIPSTONE INDUSTRIAL REIT PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	Year ended 30 June 2024 £	Year ended 30 June 2023 £
<b>Turnover - Rental income</b>		<b>16,524,048</b>	15,851,451
<b>Cost of sales</b>			
- Direct property expenses		(1,397,474)	(691,182)
- Property management expenses		(2,819,548)	(2,904,972)
		<b>(4,217,022)</b>	(3,596,154)
<b>Gross profit</b>		<b>12,307,026</b>	12,255,297
Other operating income		99,991	123,823
Administrative expenses		(386,060)	(499,156)
Gain on disposal of investment properties	7	29,260	462,453
Value adjustments			
- Fair value of investment properties	12	(2,625,000)	(54,874,252)
- Value of incentives on investment properties	12	157,333	132,209
- Derivative financial instruments		45,349	-
		<b>(2,679,127)</b>	(54,654,923)
<b>Operating profit/(loss)</b>	4	<b>9,627,899</b>	(42,399,626)
Interest receivable		56,477	82,070
Interest payable	8	(4,213,406)	(3,589,308)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>5,470,970</b>	(45,906,864)
Taxation	9	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		<b>5,470,970</b>	(45,906,864)
<b>Earnings per ordinary share</b>			
Basic and diluted (pence per share)	11	<b>4.5</b>	(37.3)

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 2024**

	Notes	<u>30 June 2024</u> £	<u>30 June 2023</u> £
<b>Fixed assets</b>			
Investment properties	12	311,801,017	299,243,834
Fair value of derivative financial instruments		45,349	-
		<u>311,846,366</u>	<u>299,243,834</u>
<b>Current assets</b>			
Debtors	14	7,513,485	7,244,861
Cash at bank and in hand		4,379,973	5,463,209
		<u>11,893,458</u>	<u>12,708,070</u>
<b>Creditors: amounts falling due within one year</b>	15	(9,162,952)	(8,648,712)
<b>Net current assets/(liabilities)</b>		<u>2,730,506</u>	<u>4,059,358</u>
<b>Total assets less current liabilities</b>		<b>314,576,872</b>	<b>303,303,192</b>
<b>Creditors: amounts falling due after more than one year</b>	16	(92,551,440)	(78,801,463)
<b>Net assets</b>		<u><u>222,025,432</u></u>	<u><u>224,501,729</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	1,222,656	1,222,656
Share premium account	19	127,141,330	127,141,330
Capital reduction reserve	19	39,000,000	39,000,000
Capital redemption reserve		155,014	155,014
Investment revaluation reserve		27,056,097	29,523,764
Profit and loss account		27,450,335	27,458,965
<b>Shareholders' funds</b>		<u><u>222,025,432</u></u>	<u><u>224,501,729</u></u>
<b>Net asset value per ordinary share (pence)</b>	20	<u><u>181.59</u></u>	<u><u>183.62</u></u>

The Company's profit for the year was £5,648,325 (2023: £29,415,309).

These financial statements were approved and authorised for issue by the board on 11 October 2024 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 2024**

	Notes	<u>30 June 2024</u> £	<u>30 June 2023</u> £
<b>Fixed assets</b>			
Investment in subsidiary undertakings	13	<b>187,419,387</b>	187,419,387
<b>Current assets</b>			
Debtors	14	<b>319,988</b>	1,029,631
Cash at bank and in hand		<b>313,148</b>	1,914,470
		<b>633,136</b>	2,944,101
<b>Creditors: amounts falling due within one year</b>	15	<b>(1,101,188)</b>	(1,113,211)
<b>Net current assets/(liabilities)</b>		<b>(468,052)</b>	1,830,890
<b>Total assets less current liabilities</b>		<b>186,951,335</b>	189,250,277
<b>Creditors: amounts falling due after more than one year</b>	16	-	-
<b>Net assets</b>		<b>186,951,335</b>	189,250,277
<b>Capital and reserves</b>			
Called up share capital	19	<b>1,222,656</b>	1,222,656
Share premium account	19	<b>127,141,330</b>	127,141,330
Capital reduction reserve	19	<b>39,000,000</b>	39,000,000
Capital redemption reserve		<b>155,014</b>	155,014
Profit and loss account		<b>19,432,335</b>	21,731,277
<b>Shareholders' funds</b>		<b>186,951,335</b>	189,250,277

These financial statements were approved and authorised for issue by the board on 11 October 2024 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 2024**

	<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 2022	1,314,943	127,141,330	39,000,000	62,727	85,159,876	44,533,070	297,211,946
Shares bought back	(92,287)	-	-	92,287	-	(18,856,086)	(18,856,086)
Profit for the year	-	-	-	-	-	(45,906,864)	(45,906,864)
Realised gains on disposal of investment property recognised in previous periods	-	-	-	-	(886,455)	886,455	-
Consolidation adjustment released on disposal of investment properties	-	-	-	-	(7,614)	7,614	-
Unrealised gain on revaluation of investment property transferred to revaluation reserve	-	-	-	-	(54,874,252)	54,874,252	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	132,209	(132,209)	-
Dividends paid (see note 10)	-	-	-	-	-	(7,947,267)	(7,947,267)
Balance at 30 June 2023	1,222,656	127,141,330	39,000,000	155,014	29,523,764	27,458,965	224,501,729
Profit for the year	-	-	-	-	-	5,470,970	5,470,970
Unrealised loss on revaluation of investment property transferred from revaluation reserve	-	-	-	-	(2,625,000)	2,625,000	-
Lease incentive valuation adjustment transferred to revaluation reserve	-	-	-	-	157,333	(157,333)	-
Dividends paid (see note 10)	-	-	-	-	-	(7,947,267)	(7,947,267)
<b>Balance at 30 June 2024</b>	<b>1,222,656</b>	<b>127,141,330</b>	<b>39,000,000</b>	<b>155,014</b>	<b>27,056,097</b>	<b>27,450,335</b>	<b>222,025,432</b>

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 2024**

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Capital Reduction Reserve</u> £	<u>Capital Redemption Reserve</u> £	<u>Retained Earnings</u> £	<u>Total</u> £
Balance at 1 July 2022	1,314,943	127,141,330	39,000,000	62,727	19,119,321	186,638,321
Shares bought back	(92,287)	-	-	92,287	(18,856,086)	(18,856,086)
Profit for the year	-	-	-	-	29,415,309	29,415,309
Dividends paid (see note 10)	-	-	-	-	(7,947,267)	(7,947,267)
Balance at 30 June 2023	1,222,656	127,141,330	39,000,000	155,014	21,731,277	189,250,277
Shares bought back	-	-	-	-	-	-
Profit for the year	-	-	-	-	5,648,325	5,648,325
Dividends paid (see note 10)	-	-	-	-	(7,947,267)	(7,947,267)
<b>Balance at 30 June 2024</b>	<b>1,222,656</b>	<b>127,141,330</b>	<b>39,000,000</b>	<b>155,014</b>	<b>19,432,335</b>	<b>186,951,335</b>

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 2024**

	Year ended <u>30 June 2024</u> £	Year ended <u>30 June 2023</u> £
<b>Cash flows from operating activities</b>		
Profit for the financial year	5,470,970	(45,906,864)
Adjustments for:		
Gain on disposal of investment properties	(29,260)	(462,453)
Unrealised revaluation of investment properties	2,625,000	54,874,252
Movement in lease incentive valuation	(157,333)	(132,209)
Unrealised value adjustment of derivative financial instruments	(45,349)	-
Interest payable	4,213,406	3,589,308
Interest receivable	(56,477)	(82,070)
Change in debtors and accrued income	(374,529)	346,991
Change in creditors and accruals	453,325	1,293,431
<b>Cash from operations</b>	<u>12,099,753</u>	<u>13,520,386</u>
Interest paid	(3,892,441)	(2,981,831)
Interest received	56,477	82,070
<b>Net cash from operating activities</b>	<u>8,263,789</u>	<u>10,620,625</u>
<b>Cash flows from investing activities</b>		
Purchase of investment property and capital expenditure	(14,948,900)	(14,324,154)
Disposal of investment properties	29,260	61,477,135
<b>Net cash from investing activities</b>	<u>(14,919,640)</u>	<u>47,152,981</u>
<b>Cash flows from financing activities</b>		
Repurchase of Company shares	-	(18,856,086)
Proceeds from loan financing (net of fees)	14,859,333	3,832,102
Loan repayments	(1,250,000)	(33,700,000)
Repayments under finance leases	(77,569)	(82,669)
Dividends paid	(7,959,149)	(7,952,337)
<b>Net cash from financing activities</b>	<u>5,572,615</u>	<u>(56,758,990)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(1,083,236)</u>	<u>1,014,616</u>
Cash and cash equivalents at the beginning of the year	5,463,209	4,448,593
<b>Cash and cash equivalents at the end of the year</b>	<u><u>4,379,973</u></u>	<u><u>5,463,209</u></u>
<b>Components of cash and cash equivalents</b>		
Cash	4,379,973	5,463,209
	<u><u>4,379,973</u></u>	<u><u>5,463,209</u></u>

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 £5,648,325 (2023: £29,415,309).

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 group's loan facility with Barclays was extended during the year by 12 months. The facilities mature on 6 April 2026 with an option to request an extension of the facilities to 6 April 2027. Accordingly, the financial statements have been prepared on the going concern basis.

## 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. Valuations are net of standard purchaser's costs of circa 6%. Any performance fee due to the Property Manager is not included in the valuation.

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 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:

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	£	£
Fees payable to the Company's auditor for:		
- audit of the Company's annual accounts	55,036	40,000
- audit of the Company's subsidiaries' annual accounts	14,000	12,500
- Group tax compliance services	9,425	8,500

## 5 Particulars of Employees

The Group had no employees during the year (2023: nil), other than the directors.

## 6 Directors' Emoluments

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	£	£
Directors' emoluments for the Group	82,818	83,980

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

**CLIPSTONE INDUSTRIAL REIT PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7 Gain on Disposal of Investment Properties**

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	<b>£</b>	<b>£</b>
Disposal proceeds	29,260	4,014,971
Book cost	-	(3,030,103)
Unrealised losses/(gains) recognised in prior periods	-	(886,455)
Disposal costs	-	(3,063)
Lease incentive asset reversed on disposal	-	(53,273)
Reversal of grossed up valuation on finance leases	-	420,375
	<u>29,260</u>	<u>462,452</u>

On 17 August 2022, the Company disposed of its estate in Fareham for £4,100,000 less a rent top up of £85,029, realising a profit for the year of £995,321 and £1,339,481 since acquisition. During the year ended 30 June 2024, the Company received £29,260 relating to the rent top up.

**8 Interest Payable**

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	<b>£</b>	<b>£</b>
Bank loan interest payable	3,889,285	3,186,361
Bank loan issue costs	246,572	320,278
Interest payable on finance leases	77,549	82,669
	<u>4,213,406</u>	<u>3,589,308</u>

**9 Corporation Tax**

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax on profits for the year	-	-
	<u>-</u>	<u>-</u>

The tax charge for the year is lower than the standard effective rate of corporation tax in the UK during the year of 25.00% (2023: 20.50%). The differences are explained below:

	<b>Year ended 30 June 2024</b>	<b>Year ended 30 June 2023</b>
	<b>£</b>	<b>£</b>
(Loss)/Profit before tax	<u>5,470,970</u>	<u>(45,906,864)</u>
Corporation tax at effective rate of 25.00% (2023: 20.50%)	1,367,743	(9,410,907)
Effect of:		
Revaluation of property investments	616,917	11,276,325
Movement in valuation of derivative financial instruments	(11,337)	-
REIT tax exempt property rental profits and gains	(1,973,323)	(1,865,418)
	<u>-</u>	<u>-</u>
Effective corporation tax rate	<u>0.0%</u>	<u>0.0%</u>



**CLIPSTONE INDUSTRIAL REIT PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**10 Dividends**

	<b>Year ended 30 June 2024 £</b>	<b>Year ended 30 June 2023 £</b>
Interim dividends paid of 6.5p (2023: 6.5p) per ordinary share	<u>7,947,267</u>	<u>7,947,267</u>

An interim dividend of 1.625 pence per share was declared on 1 August 2024 and paid on 23 August 2024.

**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.

	<b>Year ended 30 June 2024 £</b>	<b>Year ended 30 June 2023 £</b>
Net (loss)/profit attributable to ordinary shares	<u>5,470,970</u>	<u>(45,906,864)</u>
Weighted average number of ordinary shares:		
Issued ordinary shares at the start of the year	122,265,642	131,494,345
Effect of shares bought back during the year	-	(8,442,742)
Basic and diluted weighted average number of shares	<u>122,265,642</u>	<u>123,051,603</u>
Basic and diluted (loss)/earnings per share (pence)	<u>4.5</u>	<u>(37.3)</u>

**12 Investment Properties**

	<b>30 June 2024 Freehold £</b>	<b>30 June 2024 Leasehold £</b>	<b>30 June 2024 Total £</b>	<b>30 June 2023 Total £</b>
<b>Cost</b>				
Brought forward	263,908,194	5,489,000	269,397,194	257,681,887
Additions	15,024,850	-	15,024,850	14,324,154
Disposals	-	-	-	(2,608,847)
<b>Carried forward</b>	<u>278,933,044</u>	<u>5,489,000</u>	<u>284,422,044</u>	<u>269,397,194</u>
<b>Revaluation</b>				
Brought forward	31,041,806	311,000	31,352,806	87,118,113
Revaluation during the year	(2,874,850)	250,000	(2,624,850)	(54,874,154)
Revaluation reversed on disposals	-	-	-	(891,153)
<b>Carried forward</b>	<u>28,166,956</u>	<u>561,000</u>	<u>28,727,956</u>	<u>31,352,806</u>
<b>Value per independent valuer</b>	<u>307,100,000</u>	<u>6,050,000</u>	<u>313,150,000</u>	<u>300,750,000</u>
<b>Deferred lease incentives (note 14)</b>				
Brought forward	(2,270,527)	(36,519)	(2,307,046)	(2,439,255)
Movement during the year	164,805	(7,472)	157,333	78,936
Reversed on disposals	-	-	-	53,273
<b>Carried forward</b>	<u>(2,105,722)</u>	<u>(43,991)</u>	<u>(2,149,713)</u>	<u>(2,307,046)</u>
<b>Long leasehold valuations</b>				
Brought forward	-	800,880	800,880	1,221,353
Revaluation during the year	-	(150)	(150)	(98)
Disposals	-	-	-	(420,375)
<b>Carried forward</b>	<u>-</u>	<u>800,730</u>	<u>800,730</u>	<u>800,880</u>
<b>Carrying value</b>	<u>304,994,278</u>	<u>6,806,739</u>	<u>311,801,017</u>	<u>299,243,834</u>

## 12 Investment Properties (Continued)

During the year, the Group acquired one new asset located in Stansted. This property was acquired for a total of £14,150,000 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 2024 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. Valuations are net of standard purchaser's costs of circa 6%. Any performance fee due to the Property Manager is not included in the valuation.

## 13 Investment in Subsidiaries

	<u>30 June 2024</u> £	<u>30 June 2023</u> £
<b>Cost</b>		
At 1 July and 30 June	<u>187,419,387</u>	<u>187,419,387</u>

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

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.

## 14 Debtors

	<u>30 June 2024</u> £	<u>30 June 2023</u> £
<b>Group</b>		
Prepayments and accrued income	969,319	923,659
Trade debtors	1,185,242	1,564,323
Deferred lease incentives	2,149,713	2,307,046
Other debtors	3,209,211	2,449,833
	<u>7,513,485</u>	<u>7,244,861</u>
<b>Company</b>		
Prepayments and accrued income	21,108	29,631
Due from group undertakings	298,880	1,000,000
	<u>319,988</u>	<u>1,029,631</u>

Included within trade debtors are provisions of £236,688 (2023: £160,658) 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.

**CLIPSTONE INDUSTRIAL REIT PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**15 Creditors: Amounts Falling Due Within One Year**

	<u>30 June 2024</u>	<u>30 June 2023</u>
	£	£
<b>Group</b>		
Finance lease liabilities (see note 17)	24	21
Trade creditors	90,431	75,628
Deferred income	3,955,219	3,671,926
Accruals	1,807,609	1,905,938
Withholding taxes and other taxes	809,253	826,066
Tenant deposits	1,805,616	1,689,803
Other creditors	694,800	479,330
	<u>9,162,952</u>	<u>8,648,712</u>
<b>Company</b>		
Trade creditors	-	15,680
Accruals	875,296	869,227
Withholding taxes and other taxes	225,892	224,898
Other creditors	-	3,406
	<u>1,101,188</u>	<u>1,113,211</u>

**16 Creditors: Amounts Falling Due After More Than One Year**

	<u>30 June 2024</u>	<u>30 June 2023</u>
	£	£
<b>Group</b>		
Bank loans - due between one and two years	61,750,000	48,000,000
Bank loans - due between two and five years	-	-
Bank loans - due in more than five years	30,000,000	30,000,000
Finance lease liabilities (see note 17)	801,440	801,463
	<u>92,551,440</u>	<u>78,801,463</u>

The Company has a £35m term loan, and a £35m revolving credit facility with Barclays, of which £8.25m was unutilised at the period end. There is also an accordion facility of £30m which allows to group to request increases to the loan facilities without reopening the facility documents and incurring the associated costs. Any request would be subject to bank approval and negotiation on margin. These facilities mature are secured by charges over the investment properties owned by Clipstone IX Limited and a debenture from Clipstone IX Limited. Interest is paid at 1.55% over SONIA on a quarterly basis.

During the year the Company entered into an agreement to extend its loan facilities by 12 months to 6 April 2026. These facilities are secured by charges over the investment properties owned by the Company and a debenture from the Company. Interest is paid at a margin of 1.55% over SONIA on a quarterly basis, however during the year the Company put interest rate swaps in place against all of its drawn debt, fixing £40m at 4.513% plus margin, £6.75m at 4.639% plus margin, and £15m at 4.556% plus margin. There is an option to request a further extension to 6 April 2027.

The Group's £30,000,000 loan facility with Legal and General Investment Management ("LGIM") was fully drawn down throughout the year. 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>17 Finance Leases</b>	<b><u>30 June 2024</u></b> <b>£</b>	<b><u>30 June 2023</u></b> <b>£</b>
Included within current liabilities	24	21
Included within non-current liabilities	801,440	801,463
	<u>801,464</u>	<u>801,484</u>
Future minimum lease payments due under finance leases:		
within one year	77,570	77,570
in more than one year and less than five years	310,280	310,280
in more than five years	6,096,530	6,174,100
	<u>6,484,380</u>	<u>6,561,950</u>

The Group's finance leases relate to two (2023: two) long leasehold investment property holdings, the value of which is shown in note 12.

**18 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 2024 was £nil (2023: £nil).

**19 Share Capital and Reserves**

	<b><u>Number of</u></b> <b><u>Shares</u></b>	<b><u>Share</u></b> <b><u>Capital</u></b> <b>£</b>	<b><u>Share</u></b> <b><u>Premium</u></b> <b>£</b>	<b><u>Capital</u></b> <b><u>Reduction</u></b> <b><u>Reserve</u></b> <b>£</b>	<b><u>30 June 2024</u></b> <b><u>Total</u></b> <b>£</b>
Issued and fully paid At 1 July 2023 and at 30 June 2024 (122,265,642 ordinary shares of £0.01)	<u>122,265,642</u>	<u>1,222,656</u>	<u>127,141,330</u>	<u>39,000,000</u>	<u>167,363,986</u>

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

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

**20 Net Asset Value**

The Group's net asset value per ordinary share is 181.59p based on shareholders' funds of £222,025,432 and 122,265,642 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 2024, there would be a performance fee payable of £6,393,730 (5.23p per share). The net asset value net of the potential performance fee was 176.36p per share at 30 June 2024.

## 20 Net Asset Value (continued)

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	222,025,432	1.8159
Fair value adjustment to remove finance lease accounting for long leasehold investment properties	734	-
Performance fee provision	(6,393,730)	(0.0523)
Net asset value as published on the International Stock Exchange as at 30 June 2024	<u>215,632,436</u>	<u>1.7636</u>

## 21 Capital Commitments

The Group had an no outstanding capital commitments at 30 June 2024 (2023: none).

## 22 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 £82,818 were paid during the year (2023: £83,980). £nil was payable at 30 June 2024 (2023: £nil).

Toby Dean is a director and shareholder, and Richard Demarchi a director of the Property Manager, Clipstone Investment Management Limited. Clipstone Investment Management Limited charged property management fees of £2,799,548 to the Company during the year (2023: £2,844,972) of which £703,701 was outstanding at the year end (2023: £693,728).

Toby Dean is a director and indirect shareholder, and Richard Demarchi a director 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 (2023: £20,000) of which £5,000 was outstanding at the year end (2023: £5,000).

During the year the Group was charged £553,985 (2023: £523,589) in insurance premiums by Clipstone Capital Limited, of which £nil was outstanding at the year end (2023: £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 £21,697 (2023: £12,544). All transactions were carried out at arm's length.

## 23 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:

	<u>30 June 2024</u> £	<u>30 June 2023</u> £
Financial assets that are debt instruments measured at amortised cost	9,738,897	10,220,088
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities that are debt instruments measured at amortised cost	96,949,920	82,952,183

### 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 2024 (2023: 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.

## 23 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.

## 24 Operating leases

	<u>30 June 2024</u>	<u>30 June 2023</u>
	£	£
Future minimum lease payments receivable under non-cancellable operating leases:		
within one year	15,566,653	14,874,781
in more than one year and less than five years	37,864,557	33,363,816
in more than five years	28,386,136	29,422,680
	<u>81,817,346</u>	<u>77,661,277</u>

## 25 Post Balance Sheet Events

An interim dividend of 1.625 pence per share was declared on 1 August 2024 and paid on 23 August 2024.

**CLIPSTONE INDUSTRIAL REIT PLC**  
**CONSOLIDATED DETAILED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE YEAR ENDED 30 JUNE 2024**

	<u>Quarter to</u> <u>30/09/2023</u>	<u>Quarter to</u> <u>31/12/2023</u>	<u>Quarter to</u> <u>31/03/2024</u>	<u>Quarter to</u> <u>30/06/2024</u>	<u>Year to</u> <u>30/06/2024</u>	<u>Year to</u> <u>30/06/2023</u>
<b>RENTAL INCOME</b>	3,934,326	4,113,898	3,940,221	4,535,603	16,524,048	15,851,451
Direct property expenses	(15,831)	(56,859)	(80,916)	(1,243,868)	(1,397,474)	(691,182)
Management fees	(797,514)	(684,654)	(693,727)	(643,653)	(2,819,548)	(2,904,972)
Performance fee	-	-	-	-	-	-
<b>GROSS PROFIT</b>	<u>3,120,981</u>	<u>3,372,385</u>	<u>3,165,578</u>	<u>2,648,082</u>	<u>12,307,026</u>	<u>12,255,297</u>
Gain on disposal of investment properties	458,635	-	-	(429,375)	29,260	462,453
Other income	-	-	-	99,991	99,991	123,823
<i>Value adjustments</i>						
Investment properties	13,885,497	20,049,526	20,750,612	(57,153,302)	(2,467,667)	(54,742,043)
Derivative financial instruments	-	-	-	45,349	45,349	-
	<u>17,465,113</u>	<u>23,421,911</u>	<u>23,916,190</u>	<u>(54,789,255)</u>	<u>10,013,959</u>	<u>(41,900,470)</u>
<b>Administrative expenses</b>						
Directors' remuneration	(20,000)	(21,848)	(22,132)	(18,838)	(82,818)	(83,980)
Directors' insurance	(8,102)	(8,102)	(7,881)	(3,104)	(27,189)	(31,178)
Audit fees	(13,125)	(13,125)	(13,125)	(29,661)	(69,036)	(52,500)
Tax fees	(2,250)	(1,750)	(2,250)	(3,175)	(9,425)	(8,500)
Legal fees	(35,000)	-	-	35,000	-	(35,000)
Valuation fees	(9,575)	(9,600)	(9,600)	(9,850)	(38,625)	(38,375)
Other professional fees	(47,797)	(30,506)	(25,576)	48,124	(55,755)	(131,287)
Bank charges	(770)	(585)	(490)	(318)	(2,163)	(2,249)
Bad debt expense	(31,366)	14,094	14,902	(75,589)	(77,959)	(20,754)
Miscellaneous	(94,298)	-	(112)	71,320	(23,090)	(95,333)
	<u>(262,283)</u>	<u>(71,422)</u>	<u>(66,264)</u>	<u>13,909</u>	<u>(386,060)</u>	<u>(499,156)</u>
<b>OPERATING PROFIT</b>	<u>1,623,329</u>	<u>23,350,489</u>	<u>23,849,926</u>	<u>(54,775,346)</u>	<u>9,627,899</u>	<u>(42,399,626)</u>
<b>Net interest payable:</b>						
Bank loan interest payable	(669,230)	(743,094)	(848,924)	(1,628,037)	(3,889,285)	(3,186,361)
Bank loan issue costs	(54,831)	(134,051)	(61,457)	3,767	(246,572)	(320,278)
Finance lease interest	(20,667)	(20,667)	(20,667)	(15,548)	(77,549)	(82,669)
Other interest payable	-	-	-	-	-	-
Interest receivable	8,464	14,672	26,059	7,282	56,477	82,070
	<u>(736,264)</u>	<u>(883,140)</u>	<u>(904,989)</u>	<u>(1,632,536)</u>	<u>(4,156,929)</u>	<u>(3,507,238)</u>
<b>Profit for the period</b>	<u>887,065</u>	<u>22,467,349</u>	<u>22,944,937</u>	<u>(56,407,882)</u>	<u>5,470,970</u>	<u>(45,906,864)</u>