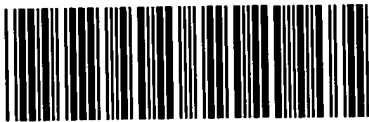


# VALUE AND INDEXED PROPERTY INCOME TRUST PLC

**Long, strong, indexed property income**



**Half-yearly report 2023**

FRIDAY			
	*ACIF7VWR*		
THU	A20	15/12/2023	#122
	COMPANIES HOUSE		
	*ACGVG6DL*		
	A30	23/11/2023	#122
COMPANIES HOUSE			

**VIP**<sub>plc</sub>

COMPANY NUMBER SC050366

**65%**  
income  
from top 6 tenants

**M&S**  
EST. 1884



tenpin



Sainsbury's

**(Parkdean  
Resorts**

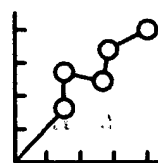
## Long, strong, indexed property income

### Rent collection

Fully Let  
No Voids

**100%**  
rent collection

### Index-related income

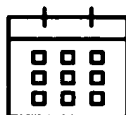


**96%**  
rent indexed

### Leases

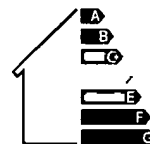
**11.9**

years  
weighted average  
unexpired lease term



**35** **38**  
properties leases

### EPCs



**97%**  
EPCs rated

**A - C**

### Debt

**4.0%**  
average rate

**7.4**

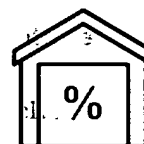
years maturity

**35%**

loan to value



### Property yield



**6.1%**  
net initial  
property yield

### Total property returns to Sep 23

**-1.8%**

over 6 months  
(Index -0.5%)



**4.0%** P.A. over 5  
years (Index 1.1% P.A.)

**7.7%** P.A. over 10  
years (Index 5.9% P.A.)

### Annual dividend growth



**6.7%** P.A.  
over 36 years  
(RPI 3.7%)

Value and Indexed Property Income Trust PLC (VIP - previously Value and Income Trust PLC) is an investment trust company listed on the London Stock Exchange. It invests directly in UK commercial property to deliver long, strong, index-related income. Its performance benchmark is the MSCI UK Quarterly Property Index, the main benchmark for commercial property performance. OLIM Property Limited is the Investment Manager.

VIP's property portfolio delivered a total return of -1.8% over the six months to end September against -0.5% for the MSCI UK Quarterly Property Index. Over the past 5 years the VIP property return was 4.0% p.a. (Index 1.1% p.a.) and over 10 years it was 7.7% p.a. (Index 5.9% p.a.).

VIP's dividend per share has risen every year since 1986 when OLIM's management began. It has risen by 963% against the Retail Price Index rise of 276%. The medium term dividend policy is for increases at least in line with inflation, underpinned by VIP's index-related property income. A first interim dividend of 3.2p per share was paid on 27 October 2023. The second interim dividend of 3.2p per share will be paid on 26 January 2024 to Shareholders on the register on 29 December 2023, with an ex-dividend date of 28 December 2023. It is intended that a third interim dividend of 3.2p per share will be paid on 26 April 2024 to all Shareholders on the register on 2 April 2024, with an ex-dividend date of 28 March 2024. The targeted total dividend for the full year is 13.2p (+2.3%). See page 46 for further information.

Portfolio	30 September 2023		31 March 2023	
	£m	%	£m	%
UK property*	135.5	94.6	150.5	98.5
Cash	7.8	5.4	2.3	1.5
	<b>143.3</b>	<b>100.0</b>	<b>152.8</b>	<b>100.0</b>

\* Savills valuation.

Over the six months to end September, four overrented properties (two pubs, a convenience store and a petrol filling station) were sold for £8.1 million, 2.9% above their valuation. Since the end of September VIP have reinvested part of the proceeds in an RPI-linked Virgin Active health and fitness club at Brentwood in Essex. Several other acquisitions are under active negotiation to reinvest the remaining proceeds, with higher yields and better growth prospects. Rent reviews were completed on five properties, and 100% of rent due was collected.

The portfolio is fully let, with no voids (MSCI UK Quarterly Property Index void rate: 8.5%). VIP has no exposure to offices, high street retail or shopping centres. The top six tenants have sixteen leases: Marks & Spencer, HM Government and Local Authorities, Ten Entertainment Group, Premier Inn, Sainsbury's and Parkdean Resorts, representing 65% of the contracted income.

Borrowings	30 September 2023	31 March 2023
Average interest rate*	4.0%	3.9%
Total loans (loan to value ratio)	£50 million (35%)	£50 million (33%)
Loan maturity	7.4 years	7.9 years

\* 96.5% of VIP's borrowings are at a fixed rate, with 3.5% variable.

Performance	30 September 2023	31 March 2023
Net Asset Value per Share (valuing debt at par)	228.0p	246.9p
Ordinary Share Price	191.0p	204.5p
Dividend per Share	6.4p (first and second interims)	12.9p (total)

Over the six months to 30 September 2023, VIP's share price fell by 6.6%, while the Net Asset Value per share, valuing debt at par, fell by 7.7%. 230,000 shares were bought back for £0.45 million. VIP's independent property revaluation (see page 8) declined by 5.0% over the period, giving a total return of -1.8% against -0.5% for the MSCI UK Quarterly Property Index. The portfolio outperformed on the income front and underperformed on capital.

## Financial calendar

### November 2023

Announcement of Half-Yearly Financial Report for the six months ending 30 September 2023

### 26 January 2024

Second quarterly dividend payable for the year ending 31 March 2024

### 26 April 2024

Third quarterly dividend payable for the year ending 31 March 2024

## **Half-Yearly Report**

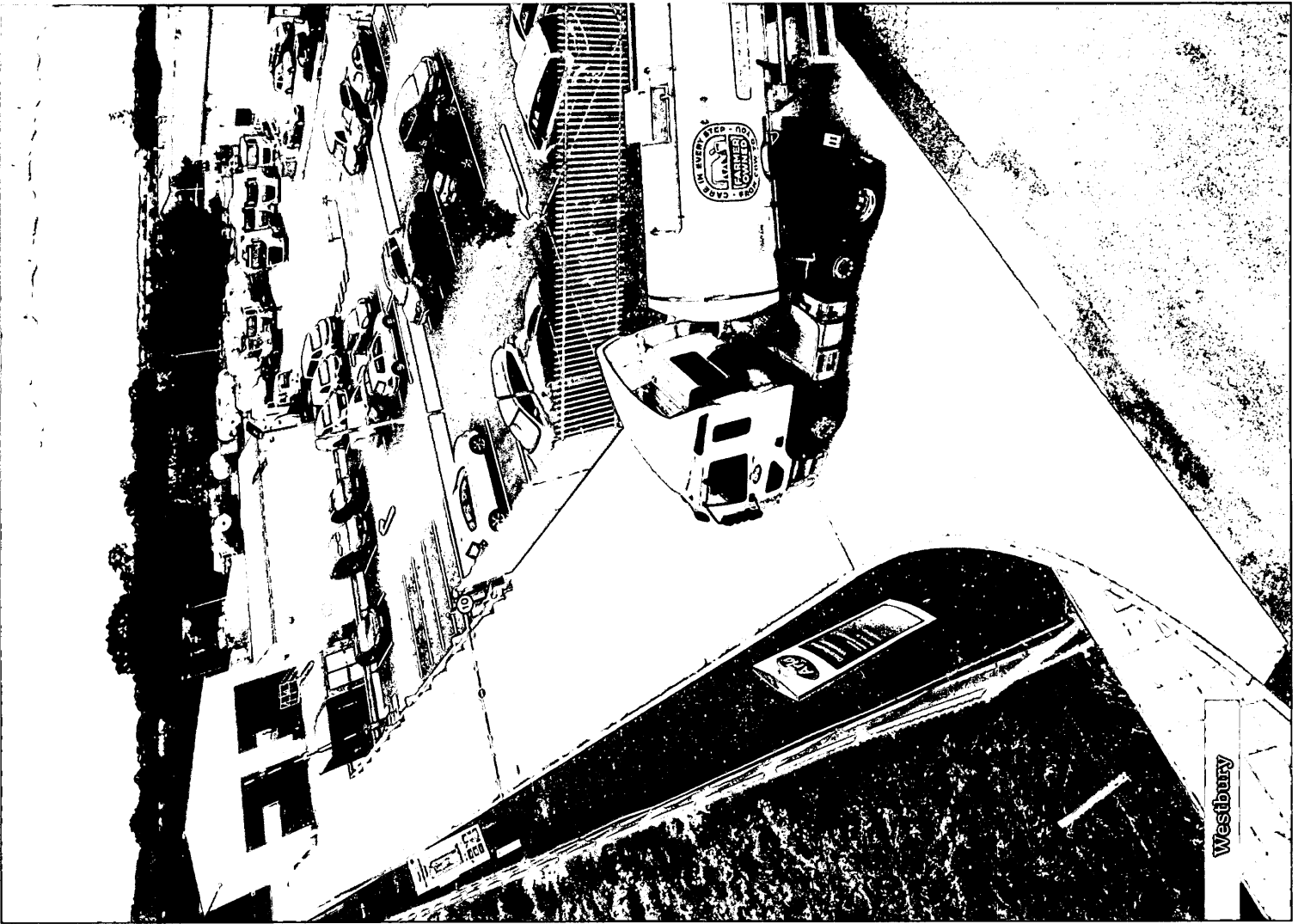
Manager's Report	8
Interim Board Report	27

## **Financial Statements**

Group Statement of Comprehensive Income	30
Group Statement of Financial Position	32
Group Statement of Changes in Equity	33
Group Statement of Cashflows	34
Notes to the Financial Statements	35

## **Additional Information**

List of properties	44
How to Invest in Value and Indexed Property Income Trust PLC	46
Contact Information	47



Westbury

## Half-Yearly Report



## Portfolio summary

VIP invests directly in UK commercial properties to deliver long, strong, index-related income.

The portfolio comprises 35 properties across 7 well diversified sub-sectors, all let on 38 full repairing and insuring leases (Weighted Average Unexpired Lease Term – WAULT – 11.9 years to the tenants' option to break) to 20 different tenant covenants across England, Scotland and Wales. All are freehold except two which are long leasehold with 108 and 82 years to run (Doncaster and Fareham).

Portfolio	30 September 2023	31 March 2023
Capital value	£135,450,000	£150,500,000
Contracted income (Rent collected 100%)	£8,795,396	£9,338,302
Running yield	6.5%	6.2%
Number of properties	35	39
Number of Tenants (Portfolio 100% let)	38	42
Contracted indexed income	95.9%	96.2%
WAULT	11.9 Years	12.6 Years

## Performance and independent revaluation

Savills' independent valuation as at end September 2023 totalled £135.45 million on 35 properties against £150.50 million on 39 properties at 31 March 2023. This reflects a net initial yield of 6.1% (31 March 2023: 5.8%) after deducting notional purchase costs. The average lot size is £3.9 million.

The valuation reflects a 5.0% like-for-like reduction in capital value of the 35 properties held over the six months. Three properties rose in value over the six months, all pubs where the rents rose by a third; five were unchanged - four small convenience stores and the recently acquired bowling investment at Coventry. The rest fell in value due to the impact of rising interest rates across the property investment market and economic and political turbulence.

The property portfolio has been upgraded further over the six month period with the sale of four overrented properties – two pubs, a convenience store and a petrol filling station for a gross total of £8.1 million (+2.9% on March 2023 valuation) and an average net sale yield of 7.1%.

No properties were purchased over the six months to end September. In November, the acquisition of a freehold purpose built health and fitness club on a 6.8 acre site with over 190 car parking spaces in Brentwood, Essex completed for a total of £6.4 million at a net initial yield of 7.6%, rising to 8.4% in July 2024. It is let to Virgin Active Limited until July 2036 (WAULT just under 13 years) with annual RPI-linked rent increases with a minimum 1% pa and maximum 4% pa. Several other acquisitions are under active negotiation to reinvest the remaining proceeds of the four sales, in properties with longer leases and stronger long term growth prospects at a higher initial yield.

The property portfolio total return on all assets, taking capital and income together and deducting all costs was -1.8% over the six months, against -0.5% for the MSCI UK Quarterly Property Index. VIP's portfolio outperformed on the income front but underperformed on capital.



## VIP property portfolio performance record over 36 years to 31 March 2023



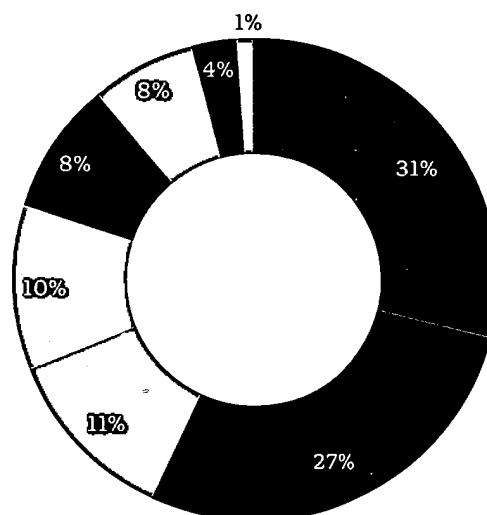
## Responsible impact based ESG management and EPCs

OLIM Property has always taken a cautious and responsible approach to managing VIP's property portfolio, with environmental impact, social responsibility and governance (ESG) taken fully into account in selecting high quality properties with suitable tenants for acquisition, long term management and disposal. Occupier relationships are crucial. We engage with our tenants to understand and establish sustainable rental levels and grow future income streams, working closely with

them to address value add energy performance targets. All VIP's properties are regularly reviewed, Energy Performance Certificates (EPCs) and ESG improvements implemented wherever possible, and properties sold where performance may be negatively impacted by ESG factors. 97% of the portfolio now has EPC ratings A to C (31 March 2023: 96%). We continue to work with our tenants to upgrade properties and improve energy efficiency.

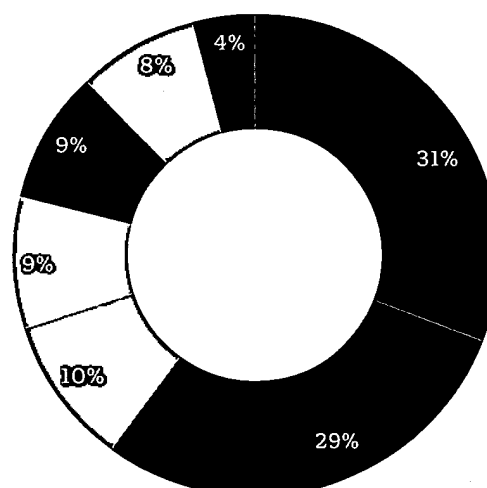
### Capital value % by region

- South East - **31%**  
(8 properties)
- North - **27%**  
(9 properties)
- Midlands - **11%**  
(4 properties)
- East Anglia - **10%**  
(3 properties)
- South West - **8%**  
(3 properties)
- Scotland - **8%**  
(5 properties)
- London - **4%**  
(2 properties)
- Wales - **1%**  
(1 property)



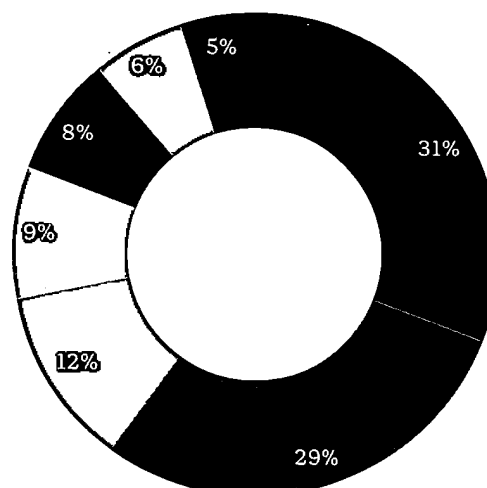
### Sector weighting % capital value

- Industrials - **31%**
- Supermarkets - **29%**
- Bowling - **10%**
- Other - **9%**
- Hotels - **9%**
- Pubs - **8%**
- Roadside - **4%**



### Sector weighting % contracted income

- Supermarkets - **31%**
- Industrials - **29%**
- Bowling - **12%**
- Other - **9%**
- Hotels - **8%**
- Pubs - **6%**
- Roadside - **5%**

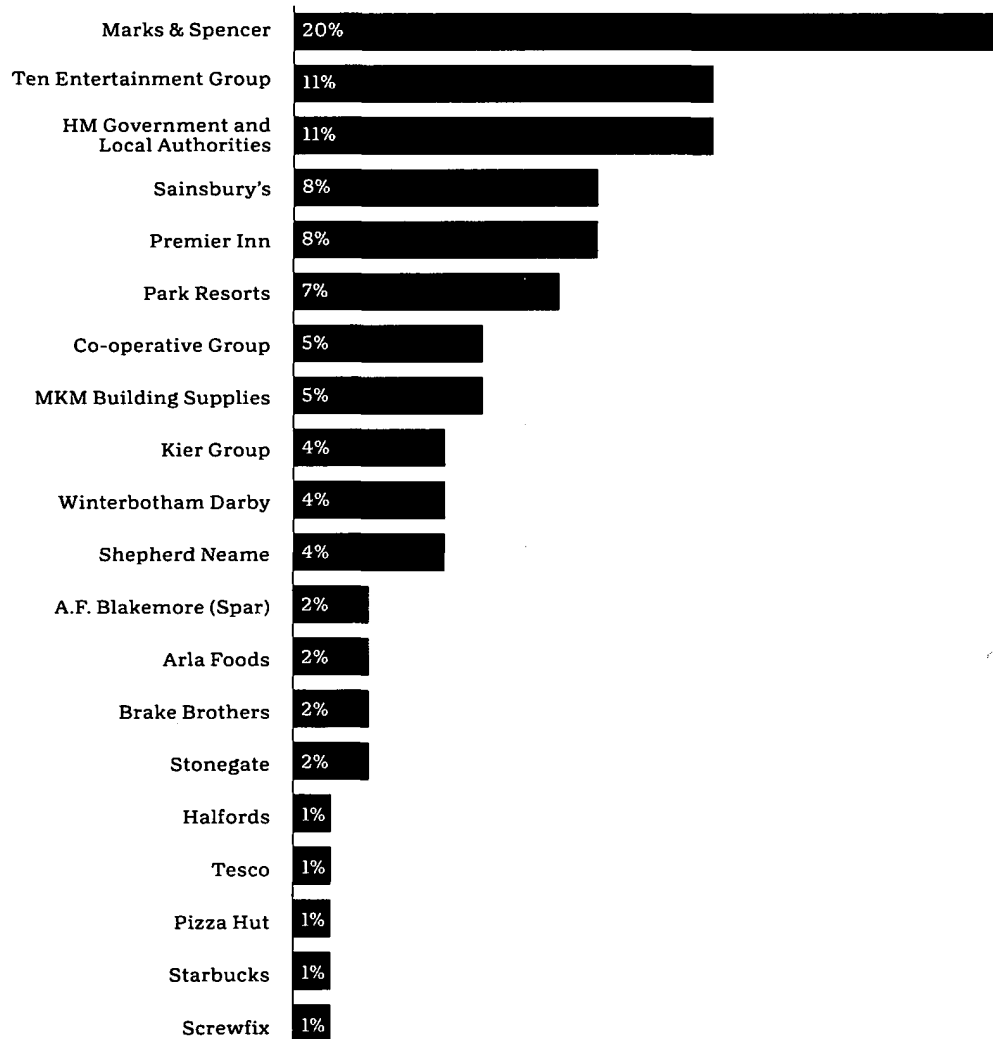


### Indexed rent reviews

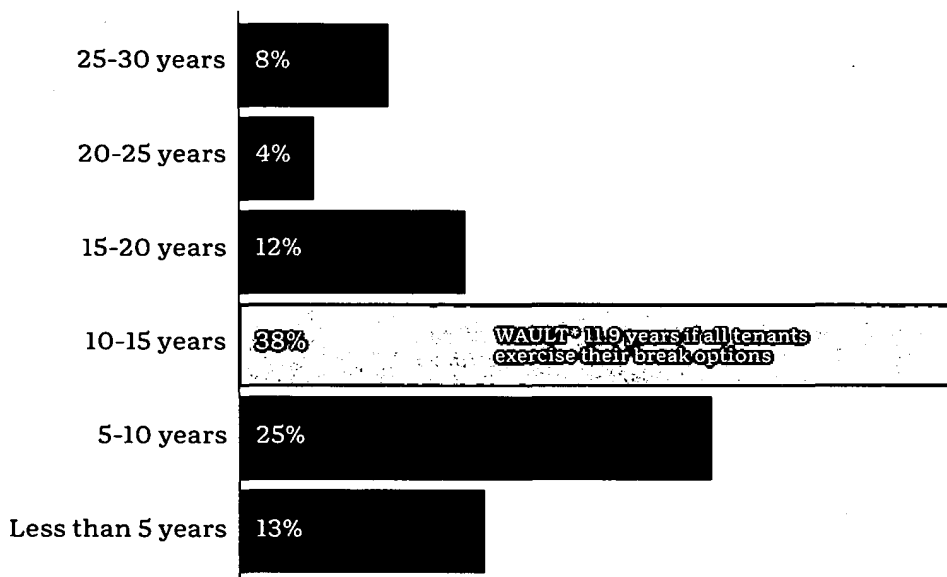
Contracted income from the 35 properties is £8.795 million per annum as at 30 September 2023 where 95.9% (37 out of 38 tenancies) have index-linked or fixed increases. 69.3% of the rental income is linked to RPI, 11.5% linked to CPI and 15.2% with fixed increases. Seven tenancies (26.1%) have annual rent reviews and thirty (69.8%) have five yearly reviews. Only one property, the industrial at Fareham, has three yearly open market upwards only reviews (4.1%).

Annual rent increases were completed at five properties over the six months, with an average uplift of +3.8% on their passing rents (three with RPI-linked increases and two with fixed uplifts), which contributed to a 0.8% increase on income on all held properties. Three rent reviews due in January 2024 have been settled early with their passing rents rising by 33.1% (in line with RPI) over the five years from January 2019. Including five further rent reviews due before 31 March 2024, current contracted rental income on the portfolio should increase by around £350,000 (4.0%) on all held properties over the 12 months.

### Contracted income by tenant %

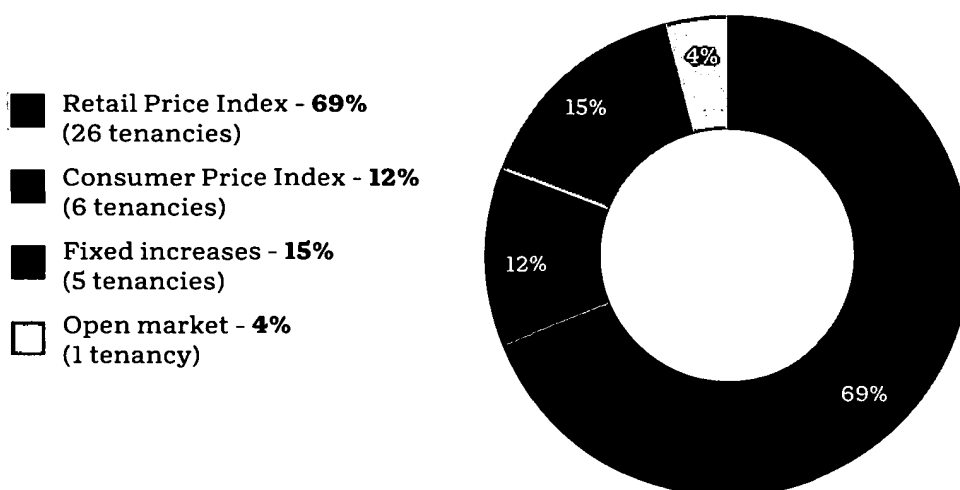


**Contracted income by lease expiry % (if all break options exercised)**



\* Weighted Average Unexpired Lease Term

**Index-related income review pattern by contracted income**



## Market Report

Winter has arrived early this year in the UK commercial property market. There was a short-lived stabilisation in values in the spring when 10 year gilt yields traded below 3.5% (see the table below). But property valuation yields have been rising again, and capital values falling since April. Property values have now fallen by almost a quarter on average on the MSCI UK Quarterly Property Index from their peak last summer after property yields were pushed down to 40 year lows. QE (Quantitative Easing) had been going on too far, for too long, in the United Kingdom as in most Western economies, forcing interest rates unsustainably low and capital values, especially of low yielding assets, unsustainably high.

### 10-year gilt yield



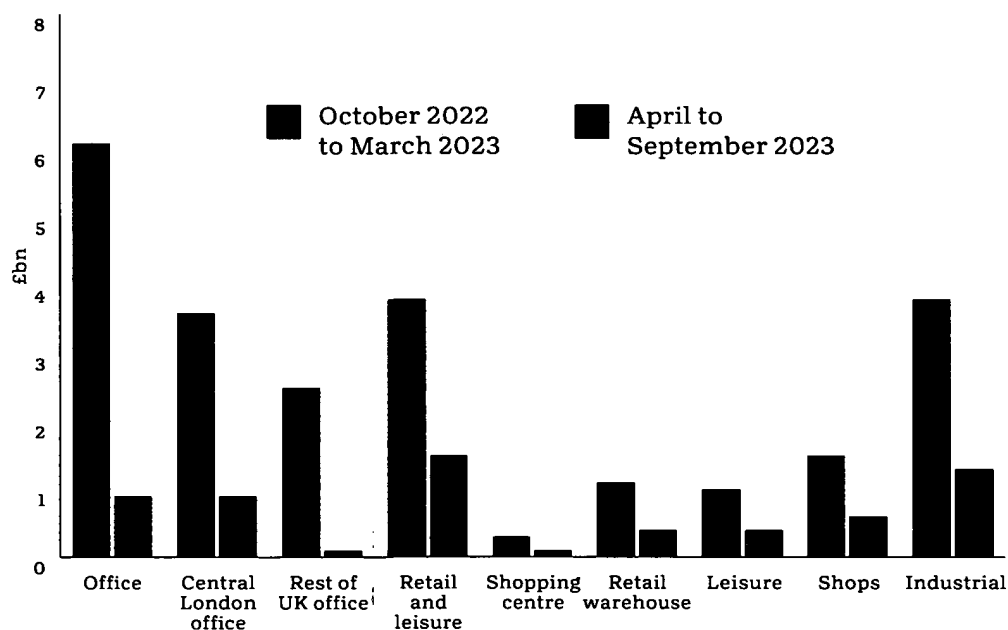
Source: Investing.com

The Bank of England had dropped its guard and lost its focus on its key target: to keep consumer price inflation at 2%. It has remained well behind the curve of what was necessary to rebuild international and local investors' confidence, as it raised base rate repeatedly from 0.1% to 5.25% since December 2021. This meant that UK gilt yields have had to shoot up to take the strain; and it will ultimately be necessary to raise short-term interest rates further to get inflation down even to hailing distance of 2%.

The dire state of the UK public finances, the costly over-issuance of index-linked gilts, and the dangerously short (under 4 years average) maturity of the UK gilt market makes us effectively a forced seller to foreigners of vast quantities of gilts every year for the foreseeable future. So no Chancellor of the Exchequer or Governor of the Bank of England can now afford to take risks with inflation. Consumer price inflation is still rising at over 6% on an annual basis, with average earnings up by over 8%, although both rates of increase are now slowing at last.

Bond and currency markets stabilised in the spring after the economic and interest rate chaos of the Truss-Kwarteng administration last autumn. But gilt yields have since broken through their panic peaks of a year ago, being pushed up to 4.7% in mid-October by stubbornly high wage and consumer price inflation and rising oil prices following Hamas' attack on Israel and the growing crisis in the Middle East. Turnover in commercial property is exceptionally thin, well down on 2023 already, languishing around the worst levels of 2009 in the Global Financial Crisis and 2020 at the start of COVID.

#### Value of commercial property transactions



Source: Sirius Property Finance

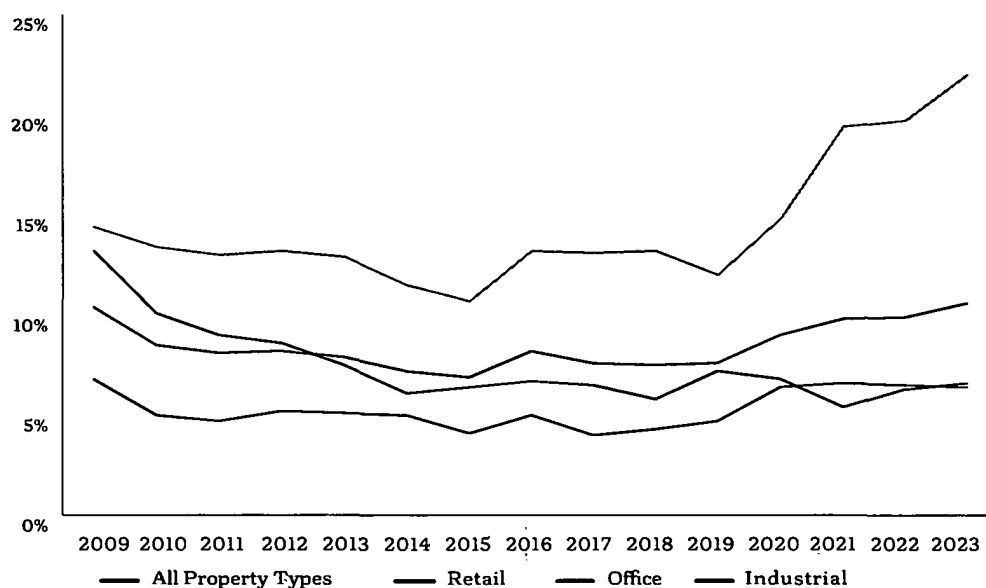
#### Comparative investment yields – End December (except 2023 – September)

	2023	2022	2021	2020	2019	2011	2008	2006
Property (equivalent yield)	6.4	6.1	5.1	5.8	5.6	6.9	8.3	5.4
Long Gilts: Conventional	4.5	3.8	1.0	0.2	1.0	2.5	3.7	4.6
Index linked	0.8	0.3	-2.6	-2.6	-2.0	-0.2	0.8	1.1
UK Equities	3.8	3.6	3.1	3.4	4.1	3.5	4.5	2.9
RPI (annual rate)	8.9	13.4	7.5	1.2	2.2	4.8	0.9	4.4
Yield gaps: Property less Conventional Gilts	1.9	2.3	4.1	5.6	4.6	4.4	4.6	0.8
Property less Index Linked Gilts	5.6	5.8	7.7	8.4	7.6	7.1	7.5	4.4
Property less Equities	2.6	2.5	2.0	2.4	1.5	3.4	3.8	2.5

Source: MSCI UK Quarterly Property Index and ONS for the RPI

The collapse in office capital values has gathered pace, falling by 11% over the first nine months of 2023, with retail down 3%, alternatives down 4% and industrials 1% ahead according to the MSCI UK Quarterly Property Index. But valuers are further behind this thin and falling market than usual. Rental values are generally flat in the office, retail and alternatives sectors but are still rising gently in the industrial sector. Rental growth has been slowing across all sectors recently.

#### MSCI UK Monthly Property Index vacancy rates



Source: MSCI UK Monthly Property Index September 2023

Retail and industrial property void rates are now back down to their pre-COVID levels, but as the table above shows, office void rates have shot up from 13% pre-COVID to 22% now, well above the previous record high of 15% for office voids in 2013. This has dragged the average void rate for all property back up to its previous 2009 peak near 11%. Retail void rates have stabilised around 6% and retail tenants are now generally benefitting from lower business rates bills from April, although many shoppers are still strapped for cash. Industrial void rates, although still below their long-term averages, have risen from 5% two years ago to 7% today and higher business rates bills and tenancy failures in this sector will accentuate that trend.



Newport, Isle of Wight



The main pain from voids will be in the office sector for many years to come. Most office owners cannot cope with the long-term structural shift to hybrid working, with two-fifths of UK adults now working from home at least one day a week, against an eighth pre-pandemic. Commuters into London and other large cities are now less visible on Mondays and an endangered species on Fridays. Even where prestige occupiers are taking expensive new space, they are invariably downsizing, usually by at

least half, as with HSBC at Canary Wharf. Most older office buildings simply cannot be upgraded to meet the requirements of potential occupiers (or achieve the necessary Energy Performance Certificate ratings) at reasonable, or often any cost. The office oversupply problem is even more serious than that facing retail property 10-15 years ago, and valuers are only just starting to get to grips with it.

#### UK commercial property – Average annualised % growth rates to September 2023

		3 months	6 months	1 year	3 years	5 years	10 years
Capital values	All property	-6.3	-3.9	-18.2	-1.6	-3.0	1.2
Rental values	All property	3.2	3.6	3.4	3.0	1.4	2.0
Total returns	All property	-0.7	1.7	-13.6	3.6	2.2	6.8

Source: MSCI UK Monthly Property Index September 2023

Property valuers marked capital values down much further and faster in the second half of 2022 than in previous property market downturns, despite low deal volumes. For some reason, they are proving more reluctant to move valuations down again now on “sentiment” as they call it, rather than evidence of actual deals completed, although values are clearly again under downward pressure. Both rental values and rent collection may also come under pressure in 2024, especially in the office and industrial sectors as weaker tenants struggle and leases expire.

The key to outperformance by property portfolios on both the income and total return fronts in this harsh economic climate, with interest rates and inflation both staying stubbornly high, will be reducing risk and sticking to strong tenants, paying affordable, preferably index-linked, rents on long leases for sustainable buildings in prosperous locations. Above all, that means avoiding office investments for the foreseeable future.

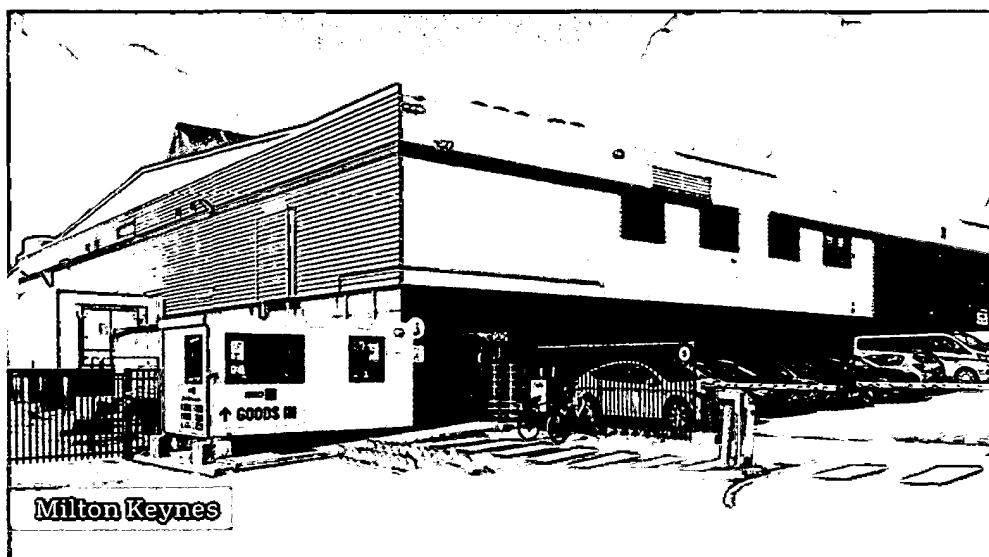
## Property prospects by sector

### Warehouse / Industrials – Values sliding on low/negligible volumes

Market momentum continued to decline this quarter. Volumes remain extremely low with only £4.66 billion traded so far in 2023 compared to £9.84 billion for the same period for 2022 (53% down). Only £1.46 billion was sold during the last quarter and Q4 has so far been extremely quiet. 2023 will have the lowest trading volumes since 2009.

There are few genuine buyers and even those few have become increasingly selective. One or two big Pension Funds are looking for perfection – the very rare absolutely prime, ESG excellent, high calibre buildings in the best locations with undoubted covenants. But even in the rest of the market – now more than ever – building quality and ESG credentials are topping the wish list. Developers who helped fuel the 3% yields of last year have all but vanished, along with those never to be repeated yields. Some North American Private Equity money is now back looking at industrial property but, given the high costs of financing, their bids are well below what vendors want and after many weeks in due diligence, they often wait until the eleventh hour to chip the price and renegotiate the agreed deal. Sellers have no choice but to accept this behaviour if they need funds quickly.

Occupational activity in the industrial market is more subdued and now back to pre-pandemic levels after the “mega deal” furore of recent years, which was fuelled by online retailing. Total take-up of units in the UK of over 50,000 sq ft stood at 19.2 million sq ft for the first half of 2023 which is down 28% on activity in the same period in 2022 and 33% below the five-year half-yearly average. Q3 figures, once published, will show further decline as the wider economic turmoil reduces occupier appetite and ability to pay rent. Like investors, occupiers have developed much more discerning attitudes towards quality, ESG credentials and energy efficiency and demand has slowed significantly – as an example, Grade A space accounted for 73% of take-up in the first half of 2023. Rental growth forecasts will continue to be revised. Rents grew by over 13% in 2022 and forecasts have been gradually scaled back over the year from 7% for 2023 to sub 4% for the year.



### **Offices – An emasculated sector, weakening further**

Structural change, lack of occupational demand and refinancing, redemption and ESG pressures all continue to hammer the office market with buyers scarce and hyper cautious. Only the very best assets attract some interest, although heavy discounts and double digit yields are now available for the “rest”. Turnover for the UK office market to date now stands at £2.0 billion, 53% below the five yearly average.

The occupational story is equally grim. The vacancy rate for offices in the MSCI monthly index has risen further to 22.0% from 15.2% in January 2021, the height of Covid, an increase of 45%. Like investors, occupiers are only looking for quality and this is difficult to find. 62% of London's office stock is now at least 30 years old with a similar level across the rest of the UK. With office to residential conversions no longer cost effective and prohibitive refurbishment costs, these buildings may well remain empty once vacated and will be so for a substantial period of time.



The most pertinent example of the state of the occupational office market is the recent surrender premium paid by Meta, (ex Facebook) to their landlord, British Land, in order to vacate their refurbished, BREEAM outstanding, EPC excellent, revolutionary low carbon, eight storey office building near Regents Park, London, 1 Triton Square. Having leased the 300,000 sq ft of space in 2021 on a 20 year lease, they never occupied and attempted to sublet the space for over two years without success. Earlier this month, in desperation, the tenant paid the owner, £149m to exit the building – a payment equal to around seven years' worth of rent.

Prices need to fall further for offices to accommodate the need for significant refurbishment and redevelopment. The bottom of the office market is not in sight and empty offices will be a blot on the landscape, in and out of town, as retail once was.

**Retail – Valuers not yet reflecting weaker sentiment**

According to the GfK Consumer Confidence Barometer, UK consumer confidence fell sharply in October 2023 back to the level in April underlining the cost of living crisis with many consumers not having enough money to make ends meet. In addition, concerns over the cost of gas, electricity and fuel, mortgage rates and rents, a slowing jobs market and uncertainty due to the conflict in the Middle East are contributing to consumer worries. This sentiment will be of concern to retailers in the run up to Christmas and is confirmed in the latest ONS Retail Sales statistics where overall retail sales volumes fell by -0.9% in September.



Non-food sales volumes fell by -1.9%. Unseasonably warm weather reduced sales of autumn-weather clothing (September was the joint warmest September on record) in addition to the impact of continuing increases in the cost of living. Despite this, several strong brands are actively taking high street space including Greggs, B&M, Savers, Gails Bakery, Mint Velvet and Oliver Bonas.

Wilko went into administration in August, the largest retail failure since Woolworths in 2008. They closed 52 shops in September, with rival B&M agreeing to take 51, but most of their

other 300 stores lie empty. Boots announced in June that a series of 300 closures would take place as part of a consolidation programme. M&S are to close a further 20 stores as part of its turnaround plan but are expanding M&S Simply Food out of town. Argos have closed 100 stores, moving to concessions inside owner Sainsbury's stores. Hundreds of Lloyds Pharmacies have closed or been sold. Shopping habits generally have changed, with more frequent but lower spending shopping trips.

The retail warehouse occupational market is generally more active but discretionary spending is still under pressure, as households continue to delay big-ticket and non-essential purchases.

Food store sales volumes growth remained positive at +0.2% but growth is slowing in comparison to a rise of +1.4% in August. Annual grocery price inflation is still very high, but for the first time since last year, the prices of some staple foods are now dropping month to month. Tesco's market share is 27.4% followed by Sainsbury's 14.8% and Asda 13.7%. In 2010 the "big four" accounted for over 75% of market share – today this figure is just under 65% with Morrisons market share having fallen to 8.6% - to the benefit of the two main discount retailers Aldi and Lidl which account for 9.9% and 7.6% respectively – the former having overtaken Morrisons over the last 12 months. This increase in the discount retailers' market share is due to consumers taking advantage of cheaper products in the current economic climate.

Aldi opened its 1,000th British store in Woking in September. Today £1 in every £10 spent on groceries is at Aldi and the retailer has plans to open another 500 shops. Lidl has 960 stores and opened its largest warehouse yet in Luton costing £300m. M&S returned after four years to the FTSE 100 in September and is now the third fastest growing food retailer (mainly at Waitrose's expense) after Aldi and Lidl.

During 2023, monthly retail rental value growth has largely been consistent, with the MSCI UK Quarterly Property Index recording growth of +0.8% over the nine months to September, the lowest of the three main property sectors and in comparison to +2.7% for all property.

Retail investment transaction volumes are down by around 80% over the year to date. There is a little activity in small lot sizes, but the bigger end of the market is desperately quiet.

A glut of supermarket stock is now on the market at unrealistic pricing (around 29 assets quoting around £540m). There is no investment market for the larger, often over-rented stores and weaker tenants except at much higher yields. John Lewis are trying to raise £150m from the sale and leaseback of 12 well located Waitrose supermarkets with 20-year inflation linked leases. The uncertainty in the market should present some interesting retail investment opportunities with higher yields offering better protection against current debt costs.

#### **Alternatives – The trend of “flight to quality” gains momentum**

Property in the “Alternatives” sector – i.e. everything except offices, retail and industrial/warehouse property – accounts for 23% of the MSCI UK Quarterly Property Index. Volatile, often disappointing returns in the traditional office, retail and industrial sectors have led investors to search for higher returns and lower risk to diversify their portfolios over the past decade. Properties in this sector often offer strong defensive characteristics such as long, index-linked leases and a wide range of property types and tenants. Capital values are, however, now under pressure from rising bond yields in this sector like others. Private property companies and individual investors are still active in the sector, but generally for sub £5 million lot sizes. Funds that were

buying the larger lot sizes are now selling, with redemption pressures on the increase.

In some cases, index-linked rents have risen too high and the additional burden of increasing operating costs is clearly hitting tenants who were already struggling post pandemic. This is particularly true of the leisure sector and there are warning signs from independent operators and those backed by private equity. But robust tenants who run a well-managed business are thriving like Shepherd Neame, Britain’s oldest brewer, and owner and operator of 296 pubs in Kent and the Southeast. Its recent results showed record revenues and an increase in underlying profits with consumer demand strong, but increased costs across the business, such as the national living wage rising 40% over the past 5 years.

Recovery of confidence in London pubs and restaurants continues as visitor numbers top pre-pandemic levels and office workers return to the capital (except on Mondays and Fridays). Good quality pubs in the country with outside space have generally been trading well, with inevitable weather-related fluctuations. Consumers remain eager to eat and drink out despite the pressure on disposable incomes, but they are increasingly selective about where they spend their money. Well financed operators who keep investing and upgrading their properties, like Greene King, Wetherspoons and Youngs are gaining market share but stretched private equity-backed chains like Stonegate are suffering where they let standards slide.

Cinemas benefitted briefly from the double bubble of ‘Barbie’ and ‘Oppenheimer’ but are still seriously structurally challenged by rising costs and competition from streaming. The fourth largest UK player, Empire Cinemas, has just gone into administration – they will not be the last.



Bowling remains one of the only affordable family outings and both main operators (Ten Entertainment Group & Hollywood Bowl) are reporting strong trading figures. Ten Entertainment does not expect to raise pricing in the near term (pricing having been frozen since 2019) with increase in footfall apparently more than sufficient to offset mid-single digit % inflation.

Modern budget hotels and caravan parks in rural areas and tourist hot spots are well placed to benefit from the more cost-conscious consumer who are reconsidering holidays abroad amid a cost-of-living crisis. City centre hotels are also benefiting from returning tourists. Whitbread, the parent company of Premier Inn, recently reported that pre-tax profits have risen by almost a third in the past 6 months with London bookings rising by nearly a quarter year-on-year. Premier Inn remain a much more secure investment than Travelodge or other weaker operators, but capital values are under pressure from rising yields as pension funds focus on selling rather than buying.

Capital values for Health and Fitness clubs have been falling, particularly those in city centres affected by the decline in commuting.

Care homes are still struggling. Staff shortages and insufficient public sector funding remain a cause for concern with no short-term solution in sight. Only the strongest operators in both sectors are likely to attract investment, particularly where value is underpinned by the future residential development potential of sites they occupy.

Established Garden Centre operators have continued to invest in their sites expanding their offer by focusing on better restaurants, soft play areas for children, toys, books, pet food, clothes etc, with concession partnerships now being more carefully considered with the consumer in mind. Operators occupy large sites and so investments in affluent locations are in demand, particularly as they are infrequently offered to the market.

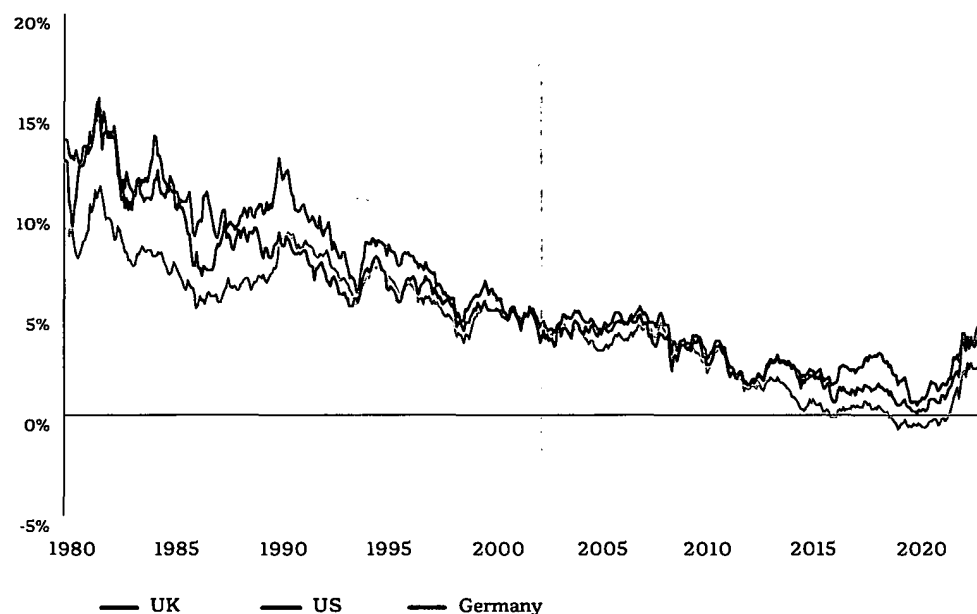
Student numbers are rising and investments on long leases to well-established universities have been in great demand. But capital values of student housing, as of other residential investment types, are declining as investment competition had driven prices up too far. However, many universities are facing a critical shortage of student housing with new local supply limited and likely to remain so with construction costs rising, so values should now be near the bottom in strong locations.

## The economy

The UK economy is still stagnating, after a slightly stronger recovery from COVID than the Central Statistical Office first reported. The main Eurozone economies are flat or weakening. Russia is at war, China has serious problems in the property sector and most of the developing world is growing well behind their long term averages.

US economic growth is still running at 2%-3% a year, with the Treasury bond market under considerable strain. This is hard to explain on the normal market metrics of investors' concern about rising inflation or short term interest rates. It may just be a symptom of a wider malaise among international bond investors, worried about a vast overhang of debt worldwide, partly from Central Banks turning from buyers to sellers of their bond holdings built up during Quantitative Easing, (The Bank of England, for example, now holds £750 billion of the £2.5 trillion of UK national debt. Our annual debt interest bill averaged 2% of national income between 2000 and 2020, rose to 4.4% in 2022-23 and will still settle at over 3% a year, costing the country more than any other public service except the NHS). Investors may also be concerned about geopolitical instability in the Middle East and Ukraine, and the possible return of President Trump next year. As the chart below shows, the 40 year long bull market in bonds is well and truly over and yields have clearly turned upwards for the foreseeable future.

### 10-year government bond yields rise to historic levels



Source: Bank of England, US Treasury and Deutsche Bundesbank

UK consumer price inflation, despite last month's rise in petrol prices, will clearly fall back down soon through 5% on an annual basis. But keeping it in a 3%-5% range will be very hard, with wages rising at over 6% a year and productivity growth negligible. 2% is, therefore, now clearly an unrealistic and unachievable target number for inflation for the UK, and for many Central Banks in the developed world. Underlying inflation in the USA, UK and Eurozone did average around 2% with relatively minor fluctuations between the early 2000's and COVID in 2020 but is now well above that level, and squeezing inflation back down to 2% in the Western economies will be a long, hard slog. The Bank of England has been slow since the pandemic to raise their forecasts for inflation for one year ahead - but at least they have raised them. Their forecasts for two years ahead have, however, stuck firmly in cloud cuckoo land around 2% p.a., falling to 1% from 2023!

The Bank of England's Monetary Policy Committee should be restructured to make it genuinely independent, with more outside economists and professional investors who really understand how the UK economy works and fewer Bank insiders and, especially, retired Treasury officials reinforcing conventional groupthink. The end of ultra-low interest rates has inevitably been a stressful and uneven process, but it is ultimately helpful for the economy. Too much cheap money has inflated asset bubbles, encouraged speculative frenzies ranging from over-hyped technology stocks to crypto currencies, diverted too much capital into financial engineering by private equity, pushed up UK house prices unaffordably and unsustainably and kept too many zombie companies alive for too long. Bankruptcies are now clearly rising.

Investment in the UK has suffered not only from constantly chopping and changing Government policy over the past decade, but also from the effects of perverse and over prescriptive regulation of pension funds for far longer. 30 years ago, UK pension funds typically held over half their assets in UK equities and property, with nearly a quarter in bonds and a quarter overseas. Then strict new accounting rules post the Maxwell scandal forced them into artificial annual valuations of notional surpluses and deficits depending on short-term fluctuations in bond yields and based on highly hypothetical assumptions about how and when pension funds might be wound up. As bond yields were forced down almost to zero after the Great Financial Crash in 2008, so called pension fund deficits ballooned, companies had to make large and unforeseeable contributions to their pension funds, and the pension fund investment climate changed from calm, balanced long-term analysis to extreme short-term myopic risk aversion. Funds were forced to invest ever more heavily in bonds guaranteeing rotten long term negative real returns. This highly artificial process of "derisking" pension funds culminated in the actually extremely risky debacle of LDI (Liability Driven Investment) in 2022. This has predictably produced much hand-wringing and no action from the Bank of England and the other relevant regulators.



Radical reform and simplification of pension regulation is urgently needed, to enable UK pension funds to go back to prudent long-term investment policies based on common sense, not artificial rules, with substantial investment again in their natural homes, UK equities, property and infrastructure which provide high yields and positive prospective long term real returns, instead of dangerous costly debt-driven private equity funds and “structured products”. Reform of savings taxation for private investors would also help stimulate investment, especially in UK mid and small cap companies quoted on The London Stock Exchange, and rebuild the City of London’s competitive position in raising capital for growing companies post Brexit. British ISA and personal pension fund tax breaks, worth many billions a year, could be redirected to focus on UK shares and investments – it makes no economic sense for UK taxpayers’ money to subsidise British investors buying shares in Amazon, Chinese property, Singapore small company equities or Saudi Aramco.

The UK housing market, with prices and rents both significantly higher than in our main Western competitor countries, remains a real hindrance to productivity and growth. The ongoing mortgage crisis proves yet again that it is both a source of financial instability and a barrier to geographic and social mobility. Only 210,000 homes were completed in the year to April 2023, against 330,000 in 1972 and about 400,000 in 1962, and this year will be even worse. Private sector completions have shown little change, but social housebuilding by local authorities and housing associations has collapsed. Changes to stamp duty, interest deductibility and tenure for private landlords in recent years have also led to an exodus of small landlords and explosive upward pressure on rents.

Only 30% of households now have mortgages, against 40% in the late 1980s, but there are more renters (9.2 million against 7.4 million mortgage holders) who are also often now facing unaffordable housing costs, especially as private landlords sell up. The last two occasions that mortgages were this unaffordable were in 1989 and 2007. Real house prices then fell by 20% each time, and they are well on their way there in this downturn. The obvious sustainable solution to the UK housing crisis is to rebuild the long lost genuinely affordable social housebuilding programme, along with radical reform of the planning system to stop the so called major “housebuilders” being really land speculators with little building businesses on the side.

The international economic outlook and business confidence are flat at best, but three big question marks remain over economic forecasts until end-2024. On the upside, if the war in Ukraine were to end in an effective Russian defeat, inflation and interest rates would move lower worldwide. But that becomes less likely, the more the West turns its foreign policy focus and resources to the intractable crisis in Israel and Palestine. On the downside, world bond markets are showing serious signs of strain. A non-bank credit crunch may have already started in the USA and UK as the private equity bubble bursts. Most significant of all, global warming is here and now, with 2022 the world’s hottest year and June and part of October 2023 easily England’s hottest on record.

**Conclusion – UK commercial property now attractive at real deal prices, not historic valuations**

Valuers are further behind the real market than usual in UK commercial property, because genuine cash buyers are few and far between. But at average yields, now really around 7%, UK non-office property now offers a realistic yield premium over UK equities and conventional long-dated gilts, despite short term UK interest rates having to stay at or above current levels for some time until inflation falls much nearer the Bank of England's target.

Rising bond yields and lower liquidity are never good for property prices, commercial or residential, but property has always been a cyclical market and always will be. The key to long term outperformance in any market, but especially property where so many players overdose on debt, is to buy from the frightened and sell to the greedy. The real bargain is lower down the risk curve. Safe, non-office property let at sustainable rents on long, index-linked leases to strong tenants in prosperous parts of the UK, typically available at initial yields of 5%-6%, now offers both very good absolute investment value and an outstandingly high 4 point margin over long dated UK index-linked gilts, now trading at only 1% real.

**Matthew Oakeshott & Louise Cleary**

OLIM Property Limited

15 November 2023

## Management and administration of VIP

Value and Indexed Property Income Services Limited (VIS), a wholly owned subsidiary of the Company, is the Company's Alternative Investment Fund Manager (AIFM). As AIFM, VIS has responsibility for the overall portfolio management and risk management of the assets of the Company. VIS has delegated its portfolio management responsibilities for the property portfolio to OLIM Property Limited (OLIMP) (the Investment Manager). The delegation by VIS of its portfolio management responsibilities is in accordance with the delegation requirements of the Alternative Investment Fund Managers Directive (AIFMD). The Investment Manager remains subject to the supervision and direction of VIS. The Investment Manager is responsible to VIS and ultimately to the Company in regard to the management of the investment of the assets of the Company in accordance with the Company's investment objective and policy. VIS has a risk committee which reviews the effectiveness of the Company's internal controls and risk management systems and procedures and identifies, measures, manages and monitors the risks identified as affecting the Company's business.

BNP Paribas Trust Corporation UK Limited is the Company's Depositary and oversees the Company's custody and cash arrangements.

## Principal and Emerging Risks and Uncertainties

The Board carries out a regular review and robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These principal and emerging risks and uncertainties are set out in full in the Strategic Report within the 2023 Annual Report, and remain applicable to the rest of the financial year.

## Climate Change and Social Responsibility Risk

The Board recognises that climate change is an important emerging risk that all companies should take into consideration within their strategic planning, but as an investment trust company, the Company has no direct employee or environmental responsibilities. The Board encourages the Manager to take environmental, social and governance matters fully into account, as set out on page 9.

## Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of Financial Statements within the Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'; and
- the Interim Report includes a true and fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure, Guidance and Transparency Rules.

For and on behalf of the Board of Value and Indexed Property Income Trust PLC

**John Kay**  
Chairman

15 November 2023



Alnwick

# Financial Statements



## GROUP STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30 September 2023 (unaudited)			6 months ended 30 September 2022 (unaudited)		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>							
Rental income	2	4,540	-	4,540	4,053	-	4,053
Investment income	2	-	-	-	168	-	168
Other income	2	100	-	100	33	-	33
		4,639	-	4,639	4,254	-	4,254
<b>Gains and losses on investments</b>							
Realised gains on held-at-fair-value investments and investment properties	-		108	108	-	1,355	1,355
Unrealised (losses)/gains on held-at-fair-value investments and investment properties	-		(7,405)	(7,405)	-	(4,432)	(4,432)
<b>Total income</b>		4,639	(7,297)	(2,658)	4,254	(3,077)	1,777
<b>Expenses</b>							
Investment management fees		(440)	-	(440)	(515)	-	(515)
Other operating expenses		(443)	-	(443)	(412)	-	(412)
<b>Finance costs</b>		(1,078)	-	(1,078)	(1,197)	(6,269)	(7,466)
<b>Total expenses</b>		(1,961)	-	(1,961)	(2,124)	(6,269)	(8,393)
<b>Profit/(loss) before taxation</b>		2,678	(7,297)	(4,619)	2,130	(9,346)	(7,216)
<b>Taxation</b>		(644)	-	(644)	(395)	1,648	1,253
<b>Profit/(loss) attributable to equity shareholders of parent company</b>		2,034	(7,297)	(5,263)	1,735	(7,698)	(5,963)
<b>Earnings per Ordinary Share (pence)</b>	3	4.76	(17.06)	(12.30)	3.99	(17.71)	(13.72)

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Value and Indexed Property Income Trust PLC, the parent company. There are no minority interests.

The Board has declared a first quarterly dividend of 3.20p per share (2023 - 3.00p) which was paid on 27 October 2023 to all Shareholders on the register on 29 September 2023 (ex-dividend date of 28 September 2023). A second quarterly dividend of 3.20p per share (2023 - 3.10p) will be paid on 26 January 2024 to those Shareholders on the register on 29 December 2023 with and ex-dividend date of 28 December 2023. It is intended that a third quarterly dividend of 3.20p (2023 - 3.20p) will be paid on 26 April 2024 to those Shareholders on the register on 2 April 2024. The ex-dividend date will be 28 March 2024.

The Notes on pages 35 to 41 form part of these Financial Statements.

<b>Year ended 31 March 2023</b>				
<b>(audited)</b>				
	Note	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>				
Rental income	2	8,358	-	8,358
Investment income	2	168	-	168
Other income	2	314	-	314
		8,840	-	8,840
<b>Gains and losses on investments</b>				
Realised gains on held-at-fair-value investments and investment properties	-		1,446	1,446
Unrealised (losses)/gains on held-at-fair-value investments and investment properties	-		(24,695)	(24,695)
<b>Total income</b>		8,840	(23,249)	(14,409)
<b>Expenses</b>				
Investment management fees		(990)	-	(990)
Other operating expenses		(895)	-	(895)
<b>Finance costs</b>		(1,779)	(6,269)	(8,048)
<b>Total expenses</b>		(3,664)	(6,269)	(9,933)
<b>Profit/(loss) before taxation</b>		5,176	(29,518)	(24,342)
<b>Taxation</b>		(979)	1,425	446
<b>Profit/(loss) attributable to equity shareholders of parent company</b>		4,197	(28,093)	(23,896)
<b>Earnings per Ordinary Share (pence)</b>	3	9.70	(64.92)	(55.22)

# GROUP STATEMENT OF FINANCIAL POSITION

		As at 30 September 2023 (unaudited)		As at 31 March 2023 (audited)		As at 30 September 2022 (unaudited)	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>							
<b>Non current assets</b>							
Investment properties			135,660		150,636		158,572
Investments held at fair value through profit or loss			-		-		-
	8		135,660		150,636		158,572
Deferred tax asset			3,893		4,537		5,344
Receivables			2,366		2,366		2,161
			141,919		157,539		166,077
<b>Current assets</b>							
Cash and cash equivalents		7,808		2,273		13,519	
Receivables		2,787		599		433	
			10,595		2,872		13,952
<b>Total assets</b>			152,514		160,411		180,029
<b>Current liabilities</b>							
Payables		(3,012)		(2,376)		(621)	
			(3,012)		(2,376)		(621)
<b>Total assets less current liabilities</b>			149,503		158,035		179,408
<b>Non-current liabilities</b>							
Payables		(2,918)		(2,845)		(2,849)	
Borrowings		(49,036)		(49,000)		(49,430)	
			(51,954)		(51,845)		(52,279)
<b>Net assets</b>			97,549		106,190		127,129
<b>Equity attributable to equity shareholders</b>							
Called up share capital			4,555		4,555		4,555
Share premium			18,446		18,446		18,446
Retained earnings	6		74,547		83,189		104,128
<b>Total equity</b>			97,549		106,190		127,129
<b>Net asset value per Ordinary Share (pence)</b>							
			228.01		246.88		294.37

These Financial Statements were approved by the Board on 15 November 2023 and were signed on its behalf by:

**John Kay**  
Chairman



The Notes on pages 35 to 41 form part of these Financial Statements.



## GROUP STATEMENT OF CHANGES IN EQUITY

	6 months ended 30 September 2023 (unaudited)				
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2023		4,555	18,446	83,189	106,190
Profit for the year		–	–	(5,264)	(5,264)
Dividends paid	4	–	–	(2,925)	(2,925)
Buyback of Ordinary Shares for Treasury		–	–	(453)	(453)
Net assets at 30 September 2023		4,555	18,446	74,548	97,549

		Year ended 31 March 2023 (audited)			
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2022		4,555	18,446	113,899	136,900
Loss for the year		–	–	(23,896)	(23,896)
Dividends paid	4	–	–	(5,507)	(5,507)
Buyback of Ordinary Shares for Treasury		–	–	(1,307)	(1,307)
<b>Net assets at 31 March 2023</b>		<b>4,555</b>	<b>18,446</b>	<b>83,189</b>	<b>106,190</b>

	6 months ended 30 September 2022 (unaudited)				
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2022		4,555	18,446	113,899	136,900
Loss for the year		–	–	(5,963)	(5,963)
Dividends paid	4	–	–	(2,875)	(2,875)
Buyback of Ordinary Shares for Treasury		–	–	(933)	(933)
<b>Net assets at 30 September 2022</b>		<b>4,555</b>	<b>18,446</b>	<b>104,128</b>	<b>127,129</b>

The Notes on pages 35 to 41 form part of these Financial Statements.

## GROUP STATEMENT OF CASHFLOWS

		6 months ended 30 September 2023 (unaudited)		6 months ended 30 September 2022 (unaudited)		Year ended 31 March 2023 (audited)	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>							
Rental income received			2,759		2,950		8,936
Dividend income received			–		168		266
Interest and other income received/(paid)			105		33		295
Operating expenses paid			(798)		(1,238)		(1,974)
Taxation paid			–		–		(29)
<b>Net cash inflow from operating activities</b>			2,066		1,913		7,494
<b>Cash flows from investing activities</b>							
Purchase of investments held at fair value through profit or loss		–		(7,215)		(7,215)	
Purchase of investment properties		(7,300)		(11,376)		(25,353)	
Sale of investments held at fair value through profit or loss		–		35,720		35,720	
Sale of investment properties		15,158		8,399		9,746	
<b>Net cash inflow/(outflow) from investing activities</b>			7,857		25,528		12,898
<b>Cash flow from financing activities</b>							
Repayment of debenture stock		–		(26,380)		(26,380)	
Drawdown of loan		–		13,000		13,000	
Fees paid on new loan		–		–		(176)	
Interest paid on loans		(969)		(1,844)		(2,815)	
Finance cost of leases		(40)		(39)		(78)	
Payments of lease liabilities		(5)		(4)		(9)	
Dividends paid		(2,925)		(2,875)		(5,507)	
Buyback of Ordinary Shares for Treasury		(451)		(933)		(1,307)	
<b>Net cash outflow from financing activities</b>			(4,389)		(19,075)		(23,272)
<b>Net increase/decrease in cash and cash equivalents</b>			5,535		8,366		(2,880)
Cash and cash equivalents at the start of the period			2,273		5,153		5,153
<b>Cash and cash equivalents at the end of the period</b>			7,808		13,519		2,273

The Notes on pages 35 to 41 form part of these Financial Statements.

## 1. Accounting policies

The Financial Statements have been prepared in accordance with UK adopted international accounting standards.

The functional and presentational currency of the Group is pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Financial Statements and the accompanying notes are presented in pounds sterling and rounded to the nearest thousand pounds except where otherwise indicated.

### (a) Basis of preparation

The Financial Statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of investment properties and investment in subsidiaries, both of which are valued at fair value through profit and loss. Where presentational guidance set out in the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts (the SORP) issued by the Association of Investment Companies (AIC) in July 2022 is consistent with the requirements of IFRSs, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is charged with setting the Group's investment strategy. The Board has delegated the day to day implementation of this strategy to the Investment Manager but the Board retains responsibility to ensure that adequate resources of the Group are directed in accordance with its decisions. The Board is of the view that the Group is engaged in a single segment of business, being investments in UK commercial properties. The view that the Group is engaged in a single segment of business is based on the fact that one of the key financial indicators received and reviewed by the Board is the total return from the investment portfolio taken as a whole. A review of the investment portfolio is included in the Investment Manager's Report on pages 8 to 26.

All expenses and finance costs are accounted for on an accruals basis. Expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect and in accordance with the SORP, the investment management fees are allocated 100% to income, in line with the general practice of property companies.

The Group's Financial Statements have been prepared using the same accounting policies as those applied for the Financial Statements for the year ended 31 March 2023 which received an unqualified audit report.

### (b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in this Interim Report. The financial position of the Group as at 30 September 2023 is shown in the Statement of Financial Position on page 32. The cash flows of the Group for the half year to 30 September 2023, which are not untypical, are set out on page 34. The Group had fixed debt totalling £49,036,225 as at 30 September 2023; none of the borrowings is repayable before 2026. As at 30 September 2023, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over 2.8.

The assets of the Group consist mainly of investment properties that are held in accordance with the Group's investment policy, as set out on page 3. The Directors, who have reviewed carefully the Group's forecasts for the coming year and having taken into account the liquidity of the Group's investment portfolio and the Group's financial position in respect of cash flows, borrowing facilities and investment commitments (of which there is none of significance), are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's Financial Statements.

# 1. Accounting policies continued

## (c) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and the entity controlled by the Company (its subsidiary). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Company consolidates the investee that it controls. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The investment in the subsidiary is recognised at fair value in the Financial Statements of the Company. This is considered to be the net asset value of the Shareholders' funds, as shown in its Statement of Financial Position.

Value and Indexed Property Income Services Limited is a private limited company incorporated in Scotland under company number SC467598. It is a wholly owned subsidiary of the Company and has been appointed to act as the Alternative Investment Fund Manager of the Company.

## (d) Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles, net capital returns may be distributed by way of dividend.

## (e) Dividends payable

Interim dividends are recognised as a liability in the period in which they are paid as no further approval is required in respect of such dividends. Final dividends are recognised as a liability only after they have been approved by Shareholders in general meeting.

## (f) Investments

### Investment property

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 cost of the property.

After initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in retained earnings.

The Group leases out all of its properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rental, capital appreciation or both. Any such property leased under an operating lease is carried at fair value. Fair value is established by half-yearly professional valuation on an open market basis by Savills (UK) Limited, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation - Global Standards January 2022 (the 'RICS Red Book'). The determination of fair value by Savills is supported by market evidence.

### Leases

The Group leases properties that meet the definition of investment property. These right-of-use assets are presented as part of Investment Properties in the Statement of Financial Position and held at fair value.

## 2. Income

	6 months ended 30 September 2023	6 months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
<b>Other operating income</b>			
Rental income	4,540	4,053	8,358
Interest receivable on short term deposits	100	33	155
Other income	-	-	159
<b>Investment income</b>			
Dividends from listed investments in UK	-	168	168
<b>Total income</b>	<b>4,639</b>	<b>4,254</b>	<b>8,840</b>

## 3. Return per Ordinary Share

	6 months ended 30 September 2023	6 months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
The return per Ordinary Share is based on the following figures:			
Revenue return	2,034	1,735	4,197
Capital return	(7,297)	(7,698)	(28,093)
Weighted average number of Ordinary Shares in issue	42,782,464	43,447,217	43,272,601
Return per share - revenue	4.76p	3.99p	9.70p
Return per share - capital	(17.06p)	(17.71p)	(64.92p)
Total return per share	(12.30p)	(13.72p)	(55.22p)

**4. Dividends paid**

	6 months ended 30 September 2023	6 months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
<b>Dividends on Ordinary Shares:</b>			
Third quarterly dividend of 3.20p per share (2023 - 3.00p) paid 28 April 2023	1,376	1,307	1,307
Final dividend of 3.60p per share (2022 - 3.60p) paid 2 August 2023	1,548	1,568	1,568
First quarterly dividend of 3.00p per share paid 28 October 2022*	-	-	1,296
Second quarterly dividend of 3.10p per share paid 27 January 2023*	-	-	1,336
<b>Dividends paid in the period</b>	<b>2,925</b>	<b>2,875</b>	<b>5,507</b>

\* First and second quarterly dividends for the year to 31 March 2024 have been declared with pay dates falling after 30 September 2023. These have not been included as liabilities in these Financial Statements. See Note 5.

**5. Interim dividend**

A first quarterly dividend of 3.20p per Ordinary Share was paid on 27 October 2023 to Shareholders registered on 29 September 2023, with an ex dividend date of 28 September 2023 (2022 - 3.00p). A second quarterly dividend of 3.20p per share will be paid on 26 January 2024 to Shareholders registered on 29 December 2023, with an ex dividend date of 28 December 2023 (2022 - 3.10p).

It is intended that a third quarterly dividend of 3.20p (2023 - 3.20p) will be paid on 26 April 2024 to those Shareholders on the register on 2 April 2024, with an ex-dividend date of 28 March 2024.

## 6. Retained earnings

The table below shows the movement in retained earnings analysed between revenue and capital items.

	Revenue	Capital	Total
	£'000	£'000	£'000
As at 31 March 2023	(5,873)	89,062	83,189
Movement during the period:			
Profit/(loss) for the period	2,032	(7,297)	(5,265)
Dividends paid (see Note 4)	(2,925)	–	(2,925)
Buyback of Ordinary Shares for Treasury	–	(453)	(453)
As at 30 September 2023	(6,765)	81,312	74,547

## 7. Transaction costs

During the period, expenses were incurred in acquiring and disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains and losses on investments in the Statement of Comprehensive Income.

	6 months ended 30 September 2023	6 months ended 30 September 2022	Year ended 31 March 2023
	£'000	£'000	£'000
Purchases	109	9	9
Sales	117	32	32
	226	41	41

## 8. Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 Fair Value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 30 September 2023 (unaudited)</b>				
Investment properties	-	-	135,660	135,660
	-	-	135,660	135,660
Borrowings	-	(45,295)	-	(45,295)
	-	(45,295)	135,660	90,365
<b>At 31 March 2023 (audited)</b>				
Investment properties	-	-	150,636	150,636
	-	-	150,636	150,636
Borrowings	-	(48,748)	-	(48,748)
	-	(48,748)	150,636	101,888
<b>At 30 September 2022 (unaudited)</b>				
Investment properties	-	-	158,572	158,572
	-	-	158,572	158,572
Borrowings	-	(44,219)	-	(44,219)
	-	(44,219)	158,572	114,353

Fair value categorisation within the hierarchy has been determined on the basis of the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety as follows:-

Level 1 - inputs are unadjusted quoted prices in an active market for identical assets

Level 2 - inputs, not being quoted prices, are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - inputs are not observable

The fair value of the loans is determined by a discounted cash flow calculation based on the appropriate inter-bank rate plus the margin per the loan agreement. These instruments are, therefore, considered to be Level 2 as defined above. There were no transfers between Levels during the period. All other assets and liabilities of the Group are included in the Balance Sheet at fair value.



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## **9. Relationship with the Investment Manager and other related parties**

Matthew Oakeshott is a Director of OLIM Property Limited which has an agreement with the Group to provide investment management services.

OLIM Property Limited receive an investment management fee of 0.60% of the capital assets that it manages.

OLIM Property Limited received an investment management fee of £440,343 (half year to 30 September 2022: £515,000 and year to 31 March 2023: £990,000). At the period end, the balance owed by the Group to OLIM Property Limited was £64,154 (31 March 2023: £52,747) comprising management fees for the month of September 2023, subsequently paid in October 2023.

Value and Indexed Property Income Services Limited is a wholly owned subsidiary of the Value and Indexed Property Income Trust PLC and all costs and expenses are borne by Value and Indexed Property Income Trust PLC. Value and Indexed Property Income Services Limited has not traded during the period.

## **10. Half-yearly report**

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2023 and 30 September 2022 has not been audited.

The information for the year ended 31 March 2023 has been extracted and abridged from the latest published audited financial statements and do not constitute the statutory accounts for that year. Those Financial Statements have been filed with the Registrar of Companies and included the Report of the Independent Auditor, which contained no qualification or statement under section 498 of the Companies Act 2006.

This Half-Yearly Report was approved by the Board on 15 November 2023.



## Additional Information



## LIST OF PROPERTIES

### Industrials

Address	Tenants
Aberdeen – Gateway Business Park, Moss Road	H.M. Government*
Aylesford – Broadmead House, Bellingham Way, New Hythe	Kier Group*
Chester – Winsford Way, Sealand Industrial Estate	MKM Building Supplies*
Dundee – Faraday Street, Dryburgh Industrial Estate	Screwfix***
Fareham – Mitchell Close, Segensworth East	Hampshire County Council
Gloucester – Falcon Close, Green Farm Business Park, Quedgeley	H.M. Government*
Milton Keynes – Wimblington Drive	Winterbotham Darby*
Staines – Thameside Service Station, Laleham Road	Halfords**
Stoke-on-Trent – Stanley Matthews Way	MKM Building Supplies*
Thetford – Units 1 - 4, Baird Way, Fison Way Industrial Estate	Brake Brothers*
Thirsk – Dalton Airfield, Dalton	H.M. Government*
Thurrock – 680 London Road	Halfords**
Westbury – 50 Cory Way, West Wilts Trading Estate	Arla Foods*

### Supermarkets

Address	Tenants
Aberfoyle – Main Street	Co-operative Group Food**
Blandford Forum – Langton Road	Marks and Spencer*
Garstang – Park Hill Road	Sainsbury's*
Invergordon – 110 High Street	Co-operative Group Food**
Kirriemuir – 33 The Roods	Co-operative Group Food*
Newport, Isle of Wight – Litten Park	Marks and Spencer***
Rayleigh – 12 - 24 Eastwood Road	Marks and Spencer*
York – 103 - 104 Hull Road	Co-operative Group Food***

## Pubs

Address	Tenants
Bedford – The Rose, 45 High Street	Stonegate*
Canterbury – The Bishop's Finger, 13 St. Dunstan Street	Shepherd Neame*
Coventry – Castle Grounds, 7 Little Park Street	Stonegate*
London – The Bishop's Finger, West Smithfield	Shepherd Neame*
London – The Prince of Wales, 48 Cleaver Square	Shepherd Neame*

## Other

Address	Tenants
Dover – St. Margaret's Holiday Park, Reach Road	Park Resorts*
Risca – 77 Tredegar Street	Caerphilly Borough Council*** Tesco*

## Roadside

Address	Tenants
Bebington – 152 Kings Road, Wirral	Sainsbury's*
Louth – Spar Fairfield Services, Bolingbroke Road, Fairfield Industrial Estate	A.F. Blakemore and Son*

## Hotels

Address	Tenants
Alnwick – Willowburn Trading Estate, South Road	Premier Inn**
Catterick – Princes Gate, Richmond Road	Premier Inn**

## Leisure

Address	Tenants
Coventry – Crosspoint, Olivier Way	Ten Entertainment Group* Starbucks* Pizza Hut***
Doncaster – The Leisure Park, Bawtry Road	Ten Entertainment Group*
Stafford – TenPin, Greyfriars Place	Ten Entertainment Group*

\* RPI-linked rent increases

\*\* CPI-linked rent increases

\*\*\* Fixed rent increases

### Direct

Investors can buy and sell shares in Value and Indexed Property Income Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

### Keeping you informed

The latest Ordinary Share price is displayed on the London Stock Exchange website, subject to a delay of 15 minutes. "VIP" is the Code for the Ordinary Shares which may be found at [www.londonstockexchange.com](http://www.londonstockexchange.com). Additional data on the Company and other investment trusts may be found at [www.trustnet.co.uk](http://www.trustnet.co.uk).

### Customer services

For enquiries in relation to Ordinary Shares held in certificated form, please contact the Company's registrars:

#### **Computershare Investor Services PLC**

The Pavilions  
Bridgwater Road  
Bristol, BS99 6ZZ

Telephone: 0370 703 0168

[www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

### Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, may be changed by future legislation.

### Dividends

VIP pays dividends quarterly, around the end of January, April, July and October. For VIP's year ending 31 March 2024, the Board is currently targeting a total dividend of 13.2p per share (an increase of 2.3% over 12.9p last year).

The first quarterly dividend of 3.2p per Ordinary Share was paid on 27 October 2023 to all Shareholders on the register on 29 September 2023. The second quarterly dividend of 3.2p per Ordinary Share will be paid on 26 January 2024 to those Shareholders on the register on 29 December 2023. The ex-dividend date will be 28 December 2023. It is intended that a third quarterly dividend of 3.2p per Ordinary Share will be paid on 26 April 2024 to those Shareholders on the register on 2 April 2024, with an ex-dividend date of 28 March 2024, and a fourth and final dividend which, subject to Shareholders' approval, would be paid on or around 26 July 2024.

## Directors

John Kay (Chairman)  
Matthew Oakeshott  
David Smith  
Josephine Valentine  
Lucy Winterburn

## Secretary

### Maven Capital Partners UK LLP

First Floor Kintyre House  
205 West George Street  
Glasgow G2 2LW

Telephone: 0141 306 7400

Website: [www.mavencp.com](http://www.mavencp.com)

(Authorised and regulated by the Financial Conduct Authority)

## Registered Office

c/o Maven Capital Partners UK LLP  
First Floor Kintyre House  
205 West George Street  
Glasgow G2 2LW

## Registered Number

Registered in Scotland  
Company No: SC050366

Legal Entity Identifier:  
213800CU1PIC7GAER820

ISIN: GB0008484718  
TIDM: VIP

## Registrars

### Computershare Investor Services PLC

The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

Telephone: 0370 703 0168

Website: [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

## Independent Auditor

### RSM UK Audit LLP

Third Floor  
Centenary House  
69 Wellington Street  
Glasgow G2 6HG

## Investment Manager

### OLIM Property Limited

15 Queen Anne's Gate  
London SW1H 9BU

Telephone: 020 7846 3252

Website: [www.olimproperty.co.uk](http://www.olimproperty.co.uk)

(Authorised and regulated by the Financial Conduct Authority)

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[Louise.Cleary@olimproperty.co.uk](mailto:Louise.Cleary@olimproperty.co.uk)

## Alternative Investment Fund Manager

### Value and Indexed Property Income Services Limited

c/o Maven Capital Partners UK LLP  
First Floor Kintyre House  
205 West George Street  
Glasgow G2 2LW

Registered in Scotland  
Registration number: SC467598

Legal Entity Identifier:  
213800D7AEDHGXDAM208

(Authorised and regulated by the Financial Conduct Authority)

## Depository and Custodian

### BNP Paribas Trust Corporation UK Limited

10 Harewood Avenue  
London NW1 6AA

## Corporate Broker

### Berenberg, Gossler & Co. KG

60 Threadneedle Street  
London EC2R 8HP

VALUE AND INDEXED PROPERTY INCOME TRUST PLC

VIP<sup>plc</sup>

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