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Value and Indexed Prop Inc Tst PLC
12 June 2024

# VALUE AND INDEXED PROPERTY INCOME TRUST PLC
# ANNUAL FINANCIAL REPORT
# FOR THE YEAR ENDED 31 MARCH 2024

## Strategic Report

## Chairman's Statement

The Company's capital performance was disappointing last year, with a net asset value total return of -9.7%. The discount to net asset value also widened, resulting in a share price total return of -10.3%. Since our year end on 31 March 2024, however, the share price has rebounded and the discount narrowed again. Rental income growth was well above inflation last year, and since the year end, 100% of rent has become index-related.

The weakness of the property market is principally the result of the abrupt end of the extended era of exceptionally low interest rates which followed the global financial crisis. Central Banks around the world have been indicating that the next moves in rates are more likely to be down than up. But we should expect a return to historical normality rather than a resumption of the near zero cost bank financing.

As a result, there are some indications that the worst is over for property, although confidence is still fragile and transaction volumes are low. The election in Britain, which will take place on July 4, may result in a degree of political stability which has been missing for most of the current Parliament. It is difficult to maintain similar hopes for the outcome of the US Presidential contest in November. In both countries, fiscal projections bear little relation to reality. The geopolitical uncertainties which contributed to the rise in inflation and consequent increase in interest rates have compounded. The war in Ukraine continues and hostilities have ravaged Palestine. The ambitions of China's leaders are a growing source of tension and concern.

While no asset classes are immune from these factors, the Company's portfolio of UK property assets with good locations, strong covenants and rents linked to inflation is well positioned to be robust to external events. During the year, the portfolio was strengthened with the purchase of three long-let leisure investments at yields over 8%, and the sale of seven weaker properties including the last Stonegate pub holdings. That company has since announced it is seeking to refinance its debts. All the remaining tenants appear well financed. All rent due in the last year was collected in full.

We continue to improve the sustainability credentials of our properties, post year end 100% of all Energy Performance Certificates are now A - C. All rent due in the last year was collected in full.

A major restructuring of the Company's debt was completed last year with the repayment of the costly debenture and the Company now has a comfortable loan to value position locked in at affordable interest rates.

Underlying income growth was strong with 11 rent reviews adding 4.9% to total rental income. As the revised name of the Company, adopted in 2021 emphasises, our focus is on achieving value from secure indexed property income.

At the year end, the yield on the Company's shares (at the proposed dividend) was 7.7% as against 0.1% on the UK Government's 2031 indexed gilt, which is linked to the Retail Prices Index (RPI).

Some of the rents on VIP's properties are linked to the RPI, others to the slightly slower rising Consumer Prices Index (CPI), which is the basis for the 2% target prescribed for the Bank of England. The Company's index-related rent reviews should make it well placed to at least match inflation now it is nearer to the official target.

The prior year accounts have been restated as set out in Note 24. This restatement has resulted in an increase in the Group's basic earnings per share from -55.22p to -54.20p and a reduction in the Net Asset Value per Ordinary Share from 246.9p to 244.4p for the year ended 31 March 2023.

As anticipated, dividend cover has now been restored and the Board aims to maintain the Company's thirty-seven year history of progressive dividend increases. The Board is recommending a final dividend of 3.6p per share, making total dividends of 13.2p per share for the year to 31 March 2024, compared to 12.9p in the previous year, an increase of 2.3%. Subject to Shareholder approval at the 2024 Annual General Meeting (AGM), the final dividend will be paid on 26 July 2024 to Shareholders on the register on 28 June 2024. The ex-dividend date is 27 June 2024.

As Shareholders were advised when the new investment policy was adopted in 2021, proposals will be put to the 2026 AGM of the Company to offer Shareholders an exit at net asset value less costs.

The AGM will be held at the offices of Shepherd & Wedderburn LLP, 9 Haymarket Square, Edinburgh EH3 8FY at 12.30pm on Thursday, 11 July 2024. The Notice of Annual General Meeting can be found in the Annual Report. The

Board encourages Shareholders to vote using the proxy form, which can be submitted to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. Proxy forms should be completed and returned in accordance with instructions thereon and the latest time for the receipt of proxy forms is 12.30pm on 9 July 2024. Proxy votes can also be submitted by Crest or online using the Registrar's Share Portal service at www.investorcentre.co.uk/eproxy

**John Kay**
**Chairman**

**11 June 2024**

**VIP property portfolio - sector weightings since 2014**

| Sector | March 2024 | March 2023 | March 2022 | March 2021 | March 2020 | March 2014 |
|---|---|---|---|---|---|---|
| Offices | 0% | 0% | 0% | 0% | 0% | 0% |
| Shops | 0% | 0% | 0% | 0% | 0% | 39% |
| Supermarkets | 29% | 31% | 30% | 16% | 2% | 5% |
| Pubs/Restaurants | 6% | 9% | 13% | 24% | 32% | 17% |
| Bowling and Health Club | 19% | 9% | 5% | 8% | 12% | 0% |
| Hotels | 9% | 9% | 6% | 0% | 0% | 0% |
| Industrial/Warehouse | 28% | 29% | 33% | 35% | 32% | 8% |
| Roadside | 0% | 4% | 4% | 3% | 6% | 16% |
| Other | 9% | 9% | 9% | 14% | 16% | 15% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| **Number of Properties** | **35** | **39** | **43** | **31** | **26** | **29** |

## Manager's Report

### The property market

UK commercial property values, as measured by the MSCI UK Quarterly Property Index, the main benchmark for institutional property performance, fell by 5.5% over VIP's year to end March 2024, giving a total return of -1.1%. This brings the average fall to 23% from the markets' mid-2022 peak.

**Capital value % falls by sector - to end of March 2024**

| Sector | 12 months to March 2024 | June 2022 to March 2024 |
|---|---|---|
| Retail | -6 | -19 |
| Office | -13 | -27 |
| Industrial | 0 | -26 |
| Alternatives | -5 | -14 |
| All Property | -6 | -23 |

Most capital values were slipping slowly throughout the year, but on very low transaction volumes (around half their long term average, and even lower than in 2020 during COVID). This has made valuers' jobs harder than usual, with a wide spread between the prices most buyers are prepared to offer and most sellers to accept. Many completed sales, therefore, are coming from vendors under actual or potential pressure from redemptions, in the case of institutional sellers, or rising interest rates and refinancing risk for individuals and property companies.

As the table shows, the pain was worst in the office sector, with buyers few and far between and many older offices only saleable, if at all, for alternative uses. Total returns, including income, were 4% in the industrial sector, and around zero in retail and the alternatives sectors, with offices firmly at the bottom at -9%. Underlying rental values generally edged ahead, by about 3%-4% on average with industrials leading the way, but growth slowed across the board over the year.

**UK commercial property - % growth rates to March 2024**

| | | 6 months* | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|
| Capital values | All property | -5.6 | -5.3 | -3.2 | -3.7 | +0.2 |
| Rental values | All property | +3.9 | +3.7 | +3.4 | +1.3 | +1.8 |
| Total returns | All property | -0.8 | -0.5 | +1.2 | +0.8 | +5.0 |

Source: MSCI UK Quarterly Property Index March 2024 - Standing Investments

*Annualised

2024 has seen little change so far, with transaction volumes staying very low and more pressure to sell than to buy. But in the non-office sectors, capital values are starting to stabilise, with rental growth offsetting slight adverse shifts in valuation yields in valuation yields.

**Comparative investment yields - End December (except 2024 end March)**

| | | 2024 | 2023 | 2022 | 2021 | 2020 | 2011 | 2008 | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| Property (equivalent yield) | | 6.6 | 6.5 | 6.1 | 5.1 | 5.8 | 6.9 | 8.3 | 5.4 |
| Long Gilts | Conventional | 3.9 | 3.5 | 3.8 | 1.0 | 0.2 | 2.5 | 3.7 | 4.6 |
| | Index linked | 0.4 | 0.2 | 0.3 | -2.6 | -2.6 | -0.2 | 0.8 | 1.1 |
| UK Equities | | 3.8 | 3.8 | 3.6 | 3.1 | 3.4 | 3.5 | 4.5 | 2.9 |
| RPI (annual rate) | | 4.3 | 5.2 | 13.4 | 7.5 | 1.2 | 4.8 | 0.9 | 4.4 |
| Yield gaps: | Property less Conventional Gilts | 2.7 | 3.0 | 2.3 | 4.1 | 5.6 | 4.4 | 4.6 | 0.8 |
| | Property less Index Linked Gilts | 6.2 | 6.3 | 5.8 | 7.7 | 8.4 | 7.1 | 7.5 | 4.4 |
| | Property less Equities | 2.8 | 2.7 | 2.5 | 2.0 | 2.4 | 3.4 | 3.8 | 2.5 |

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

After UK 10 year gilt yields rose to a high of 4.7% last October, the mood in international bond markets grew calmer, bringing the gilt yield down to 3.5% at the year end. But 10 year gilt yields then rose again to around 4% at end March and have since traded in a 4%-4.5% range, influenced by rising US bond yields and election and international concerns, despite a much improved outlook for world food and energy prices. As the table above shows, UK commercial property is fairly valued against equities and conventional fixed-coupon gilts. It offers outstanding value against index-linked gilts, which still only offer negligible real returns at considerable capital risk, as their performance since 2021 has shown.

Average commercial property vacancy rates are at historic highs, with offices well above them, and covenant and lease renewal risk will persist as indebted companies face higher interest and labour costs. The premium for security and quality of property income is set to grow further.

**Property prospects by sector**

**Industrial/Warehouse - Slow but steady**

Capital values in the industrial investment market were broadly stable last quarter on low trading volumes. Investor sentiment has improved since the start of the year as those who had been sitting on the sidelines are now showing interest, but, the lack of suitable stock is stifling the market. Investor preference is still focused on rare Grade A stock, which when marketed generates plenty of interest with competitive bidding. Other industrial/warehouse property attracts many window shoppers but few credible offers when bidders are asked to show their hands.

The buyers vary according to asset quality. The institutions are active but only for prime assets, other market participants such as the smaller funds, property companies and, if they are cash buyers, private investors are attracted by value add opportunities at higher initial yields with near-term rent reviews to boost returns further. Investors needing finance are still waiting for an expected base rate cut later in the year before committing.

Transaction volumes in Q1 2024 were around £1.6 billion, slightly up on the £1.2 billion transacted in Q4 2023. Capital values of industrial properties in the MSCI UK Quarterly Property Index were stagnant over the 12 months and the average net initial yield moved marginally out.

The occupier market also remains slow as supply and demand move towards equilibrium. Take up levels are steady as the sluggish economy continues to hamper activity. Vacancy rates are edging up as some smaller tenants go under and the recent increase in business rates hit this sector hardest. Economic stagnation and a weak investment market are also hitting speculative development. Only 10 million sq. ft of new development put spade to ground in 2023 (this contrasts with the previous peak of 23.6 million in 2022).

Occupational demand for prime stock remains steady, emanating mostly from third party logistics firms and discount retailers. Consequently, rental growth is still forecast for those brand-new prime assets, optimally located for transport and workforce with full top level environmental certification, however, this is at significantly more muted levels than recent years, forecast at c4% for the year. On the other side, rental growth for more secondary, older space will be minimal or worse over the next two years as the polarisation between environmentally sound prime assets and secondary properties widens amid the overall economic backdrop and total operational costs increasing.

Despite the lacklustre start to the year, most active investors and potential players in the industrial investment market want to be positive. The rest of 2024 should see more liquidity in the market and increased transaction volumes despite the overall cautious backdrop - stable pricing and positive total returns continue to attract desired investment into the sector but sourcing stock is proving more difficult.

**Offices - Still deteriorating**

In contrast to the industrial sector, investor sentiment towards the office sector is still very weak and transaction levels remain at their lowest level for over 20 years. £8.5 billion was traded in 2023, a 54% decrease on 2022 levels. This negativity prevails in 2024. The sellers are the historic core investors in the sector; both the retail and pension funds have effectively become forced sellers due to either redemptions, to satisfy environmental law changes or the need to decrease portfolio weighting in the weakening sector.

There are few genuine buyers for offices: well-funded family offices and private individuals are interested but only in the smaller lot sizes (sub £20 million). American private equity buyers are also starting to appear, but only at very high income yields to compensate for poor capital growth prospects.

Average net initial office yields in the MSCI UK Quarterly Property Index have increased from 4.4% over the last year to 5.0%. These will move out further over 2024 as valuers and the market twig that much office space is actually unlettable. Capital values are down -13.0% over the 12 months to March 2024 and have further to fall.

Take up for UK offices remains at historically low levels. Outside London it totalled 4.7m sq ft in 2023, a 15% decline on 2022 figures. The "flight to quality" for occupiers is still happening and this selectiveness is widening the gap for the two-tier market. Net disinvestment of space by occupiers continues as working from home (even for only one to two days a week) is now the norm. Occupiers are moving to upgrade their offices, with preferred space being Grade A specification with a range of market-leading amenities and high levels of sustainability check boxes ticked. But invariably at the same time they vacate larger amounts of existing office space, with Canary Wharf the most extreme example.

Whilst transaction volumes may increase during the rest of 2024, prices will continue to fall and this will be on the back of purchases made for more viable redevelopment such as hotel, mixed uses, life sciences and, where Local Authorities allow, residential. The amendment of permitted development rights for offices, regardless of size, to be converted into residential without full planning permission, should help. But with conversion costs at their highest for decades, capital values of existing offices will need to fall even further to make change work. We also expect to see more forced sales as lenders, having recently taken a more compassionate and pragmatic stance to that during the global financial crisis, are going to have to become more forceful to compensate for capital value falls triggering severe breaches of loan to value covenants.

**Retail - Food still driving growth**

The first three months of 2024 have been strong for food retail and weak in non-food. Whilst the value of total retail sales increased by 3.8% over the three months to March 2024 in comparison to the same period last year, this was below the corresponding figure for March 2023 (4.6%) but well above the average growth over the last 12 months (0.9%). Once again this growth is being driven by the food sector with sales increasing 5.3% year on year over the three months to March in comparison to non-food sales 2.5%.

The positive effects of an early Easter and school holidays were tempered by the exceptional levels of rainfall with UK footfall reducing by -1.3% year on year to March. The proportion of sales online is currently 25.7% in comparison to 22.1% in March 2020 and is slipping back towards pre-COVID levels.

Over the 12 weeks to 17 March, grocery price inflation fell to 4.5% from a peak of 17% in March last year. Grocery sales rose by 4.6% over this 12 week period boosted by seasonal sales in the run up to the early Easter weekend. Tesco, Sainsbury's, Asda and Aldi maintained a combined market share of 66% during the 12 weeks to 17 March with Lidl (7.8%) continuing to make ground on Morrisons (8.7%). Tesco's results for the year to end February demonstrated their dominance, with like for like UK sales up by 7.7% and retail operating profit up from £2.3 billion to £2.7 billion.

Restrained discretionary spending is likely to continue to cast a shadow over the non-food retail sector. It is estimated over 2,000 retailers collapsed in the year to January, a 19% increase compared to the previous year. Since Christmas, The Body Shop, Ted Baker and now Superdry have gone into administration. The Body Shop closed 82 stores in February with the administrator hoping to keep their remaining 116 stores open via a CVA. Ted Baker is to close 15 unprofitable high street stores out of a total of 46 with Next considering an acquisition of the company. However, the strongest non-food retailers like Next and Primark continue to thrive.

Business rates increased significantly in April with the standard multiplier linked to last September's CPI figure (6.7%). This and the National Living Wage increase of at least 9.8% are raising operating costs.

During 2023, the volume of retail property investment transactions was £7.2 billion a fall of 5% year on year, with food stores accounting for 40% of this total. Yields for prime supermarkets let on long index-related leases have stabilised at 5.0% after rising from 4.0% in mid 2022. To date in 2024 limited stock has been brought to the market with few sellers of the strong covenants. There is pent up demand from specialist supermarket and institutional investors for the right-sized stock let at current market rents. The food store sector continues to offer strong, long term investment criteria: planning restrictions limit supply, customer demand for food is inelastic, occupier covenants like Tesco, Sainsburys, M&S and Aldi are strong with minimal risk of failure, and prospects for rental growth are good - long leases with index-related uplifts are common and the threat from on-line retailing is mitigated with over 70% of online food retailing serviced direct from stores rather than warehouses.

In the non-food retail sub-sectors there is demand for well let retail warehousing with good prospects for rental growth, although deal volumes continue to be limited by valuation figures higher than prices investors are willing to pay. After the significant rise in retail yields, there is demand for high street shops, both for units let to strong covenants at realistic rents in top tier retail locations such as cathedral cities and wealthy London suburbs. Recent auction results also confirm increasing demand from investors seeking higher income returns from sub £2 million shops let at rebased rents at double figure yields in smaller towns. Shopping centres can also usually only be sold at double figure yields.

Over the 12 months to March 2024 the Retail sector outperformed All Property on the MSCI UK Quarterly Property Index total return (-0.2% for Retail v -1.1% for All Property). This outperformance was due to a higher income return (6.0% v 4.7%) with the sector underperforming All Property in terms of capital growth (-6.0% for Retail v -5.5% All Property). The Retail sector currently provides the highest income return out of all sectors, however, retail rental value growth is low at 1.0%

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**Alternatives - Operational resilience key to outperformance**

Property in the "Alternatives" sector - i.e. everything except offices, retail and industrial/warehouse property - accounts for 24% of the MSCI UK Quarterly Property Index, against 23% for offices and 20% for retail property. Properties in this sector are often defensive with long, index-related leases and a wide range of property types and tenants.

Q4 2023 was the lowest quarter on record for transaction volumes since the global financial crisis, but investment appetite for 'alternatives' (generally for the sub £5 million lot sizes) now shows signs of picking up with property companies and individual investors becoming more acquisitive. After a challenging year, valuation yields in the alternatives sector are beginning to look attractive. But the flight to quality remains, and investors continue to take a more cautious view on covenant strength and the affordability of rents. Properties let to well-funded tenants with robust balance sheets who operate successful businesses will drive long term, sustainable outperformance.

Although real consumer incomes are rising again, core inflation remains stubbornly high and labour markets very tight. The costs of doing business are still rising rapidly, with the latest increase in the National Living Wage and business rates. Encouragingly, however, leisure spending has seen a continued uptick over the last 12 months, in spite of consumer belt-tightening and cost of living increases. Consumers are prioritising 'experiences' over new shop purchases and are still keen to make up for lost opportunities during the pandemic or to escape the pressures of a tightening economy.

Occupationally, the pub/restaurant sector continues to be polarised between the best and the rest. Many independents and most private-equity backed chains are struggling. But well managed operators with resilient cashflows and strong income growth potential, like Greene King, Wetherspoons, Brunning & Price, Loungers and Shepherd Neame are flourishing.

Overborrowed private-equity owned groups such as Stonegate, with over 4,000 pubs, are now showing signs of serious financial strain, having to pay interest rates as high as 12% on recent short term borrowings. Consumers are still keen to eat and drink out, particularly in London with the partial return to offices by city centre workers and a buoyant tourist trade. Well managed, prosperous suburban and rural pubs are also thriving. The out-of-town market continues to see a significant appetite for growth. People seek 'value' in how they spend their money so operators have to deliver good service and value for money to survive.

Bowling remains one of the most affordable family-friendly outings, attracting all income groups. Both main operators, Hollywood Bowl and Ten Entertainment (Tenpin) continue to trade very strongly. Bowling is an undervalued niche and presents a good opportunity for the specialist investor to acquire long-let, index-related leases at high yields, with rents below neighbouring retail warehouses.

Modern budget hotels and caravan parks in rural and holiday areas are still benefiting from the more cost-conscious consumer, while business and tourist trade is returning to city centre hotels. Premier Inn/Whitbread remain best in class but hotel investment yields are continuing to move up with many institutional investors still needing to sell. More opportunities to invest at attractive yields are likely.

Capital values for Health and Fitness clubs have been falling. David Lloyd, the high-end operator, tend to occupy affluent commuter locations and are reporting an increase in membership levels as they continue to invest in their clubs, with more spa retreats and solar panels. But Nuffield Health and other mid-market operators have failed to invest in their facilities and memberships are dropping. The budget gym market remains highly competitive.

Care homes are struggling from staff shortages and insufficient public sector funding. Only the strongest, mainly charity, operators in this sector are attracting investment. The rent and cost burden for the main private-equity owned groups is unsustainable, so further collapses as happened at Southern Cross are likely. Cinemas are also a very high risk investment. Garden Centre operators occupy large sites and so investments in affluent locations are in demand. The strong operators are investing in their sites and increasing concession income.

Capital values of student housing, as with other residential investment types, have been slipping as investment competition had driven prices up too far and valuation yields too low. But many universities are still facing a critical shortage of student housing with new local supply limited and likely to remain so.

The abolition of Multiple Dwellings Relief (MDR) across England and Northern Ireland from 1 June 2024 will result in the effective rate of Stamp Duty Land Tax (SDLT) for Build to Rent, Purpose Built Student Accommodation and Co-Living schemes increasing to a maximum of 5% from an effective tax rate as low as 1%. MDR was initially introduced to encourage institutional investment in residential property and has been a significant tax saving for some investors. This change is already hitting valuation yields. Crucially, this may also affect the ability of investors and developers to secure land where previously they would have benefited from this cost saving, accelerating the current crisis in rented housing. Some residential developments are also facing problems from the need to include a second staircase in blocks between 18 and 30 storeys high.

**The economy**

The world economic outlook is returning to nearer normal as food and energy price inflation falls back to pre-Ukraine war levels in most developed Western economies. Economic growth in 2024 should turn positive in the UK and throughout the Eurozone, and stay above 2% in the United States. China's growth rate, however, continues to slow, with deep-seated structural problems in its property and credit markets and Western resistance to Chinese technology and other exports. The war in Ukraine and turmoil in the Middle East still pose real risks to all economies.

International bond and equity investors are less nervous than last autumn, although still prone to short term mood swings about the timing of interest rate cuts. They are not concerned about a probable Labour win in the UK General Election on 4 July or a possible Trump victory in the US election later this year. The yield on UK 10 year conventional gilts fell from a peak of 4.7% in October to 3.5% at the year end and has recently traded in a range of 4% to 4.5%.

The main Western bond markets tend to move together, but the USA and the main European economies have been

The main Western bond markets tend to move together, but the USA and the main European economies have been performing differently, as the chart below shows: US GDP suffered less than Europe's over the COVID crisis, and has grown faster over the past two years, partly because it is far less dependent on imported food and energy and partly because it has been investing and borrowing much more than most European countries, as it is able to do in the US dollar, the world's reserve currency. The UK economy, by contrast, has underperformed even the Eurozone economies since COVID, partly because of Brexit disruption and partly because of persistent low investment and productivity growth and a tight labour market.

Annual headline inflation rates have fallen sharply across Europe, as high monthly increases last winter drop out of the indices and are replaced by static or even falling recent numbers. In the UK, the annual rate of increase in the CPIH (Consumer Prices Index including Housing) should fall below the Bank of England's official target of 2% by June. As the table below shows, CPIH has risen only 1.2% over the past six months and 0.8% over three months, while the producer output (factory gate prices) and input price indices are flat or falling. The Retail Prices Index annual rate fell from 13.5% a year ago to 4.3% in March and has only risen by 1.2% since last June.

**UK 12 month inflation to fall below 2% by June 2024**

| To March 2024 | RPI % | CPIH% | Producer output prices | Producer input prices |
|---|---|---|---|---|
| 12 months | +4.3 | +3.8 | +0.6 | -2.5 |
| 6 months | +1.2 | +1.2 | +0.3 | -0.6 |
| 3 months | +1.1 | +0.8 | -0.1 | -1.1 |

However, consumer price inflation may well be on the way up again by October as core inflation (excluding energy, food, alcohol and tobacco) is still running at 4.3% a year, with average annual earnings growth and service sector price inflation at around 6%. The National Living (formerly Minimum) Wage rose in March by 9.8% for adults and up to 21.2% for younger workers. State Pensions are up 8.5% and most benefits by 6.7%. The Monetary Policy Committee should, therefore, be cautious about cutting Bank Rate too soon and too far from its current 5.25% or it risks having to raise it again next year. For those rates of income increase to be consistent with sustainable 2% inflation after 2025, UK investment and productivity growth will have to start catching up with our closest competitors, and the UK's labour market, with its high and rising inactivity levels since COVID, will need to limber up and loosen up fast.

The UK's public finances, centrally and locally, are under serious strain, because the tax burden (taxes as a percentage of UK GDP - as shown in the chart below) has risen to levels not seen since the 1940s. But public spending on health and social care has to rise in the short term, whatever the possible savings from longer term reforms, and it is now very hard to cut many other public spending priorities, from defence to education to law and order. Low growth for many years in both private and public sector investment, especially in public housing and other infrastructure, together with an eroded tax base, is now casting its long shadow. The present official projections for public expenditure from next year are just wishful thinking.

English local authorities' debts have risen by 78% to £119 billion since 2010, with debt interest now costing 15% of their annual budgets. Many years of back door cuts in public services, through real term reductions in local authority budgets, have now come home to roost, with many councils bankrupt and struggling to cover even the most basic public needs such as social care, children's services and repairing potholes. But the Council Tax system could be reformed so that it again provides a realistic and sustainable source of local finance for local councils.

It should be brought up to date from its antique 1991 valuations, with more bands so that council tax payable properly reflects both today's relative property values and a fairer share of local taxation to be paid by those with the largest and most valuable properties. At present there is effectively a perverse incentive not to downsize for people occupying larger properties than they need, because properties in the highest council tax bands pay so little more than the lowest.

The Government gilt buying spree under Quantitative Easing (QE) has left the UK with far more of its bonds riskily index-linked than our main competitors.

Our national debt interest bill is now running at 3% of GDP. This grim state of the UK public finances, the costly over-issuance of index-linked gilts, and the dangerously short (under four years average) maturity of the UK gilt market makes us a forced seller to foreigners of large quantities of gilts every year for the foreseeable future. So, no Chancellor of the Exchequer or Governor of the Bank of England can afford to take risks with inflation over the next few years. Unlike the United States, we no longer enjoy the luxury of printing and borrowing as much as we want of the world's reserve currency.

Real reform and simplification of savings taxation for private investors is also long overdue. It could help stimulate investment and reduce the cost of capital, especially for UK mid and small cap companies (which are far more domestically focused than the FTSE-100 Index) quoted on The London Stock Exchange, and help salvage the City of London's competitive position in raising capital for growing companies post Brexit. The over-complicated seven versions of ISA's should be redirected to focus in future on UK shares and investments - it makes no economic sense for UK taxpayers' money to flow abroad to subsidise investments in and by our competitors.

Only 30% of UK households now have mortgages, against 40% in the late 1980s. Over the past decade the proportion of floating rate mortgages has collapsed from 70% to just over 10%.

This means that rising interest rates cause less immediate pain in falling house prices and rising repossessions than in the past, but with a delayed effect as borrowers - 1.8 million of them this year - come off low rate deals. New mortgage advances are currently at an average interest rate of 4.9%, against the average rate of 3.49% paid on all existing mortgages, which will slow down any potential house price recovery as affordability tightens and millions of mortgages are re-fixed at higher rates each year.

There are more renters (9.2 million) than mortgage holders (7.4 million). Many in both tenures are now facing unaffordable housing costs, especially as private landlords sell up. Average UK house prices, adjusted for inflation, fell by about 20% in the early 1990s, then between 2008-10, and again over the last three years with house prices up by about 10% on average and the RPI up by 30%. Real house prices are unlikely to recover for some time.

Housing costs, to buy or rent, are still unaffordable in most areas of the UK by long-term standards. Only 70,000 social homes to rent have been built in the last 10 years, against twice that number every year in the 1950s and 1960s: under Conservative as well as Labour Governments. The sustainable solution to the UK's housing crisis is to build much more genuinely affordable social housing, along with radical reform of the planning system to stop land hoarding by private developers.

The economic outlook is improving for 2024, but it does depend on international conflicts staying contained. The collapse in annual inflation rates in the UK and the rest of Europe is boosting real incomes and business and consumer confidence here but it shows no signs of improving the Government's fortunes and investors are relaxed about the General Election within the next nine months. The strength of the US economy and Mr Trump's legal travails now give him and President Biden each a 50-50 chance, according to the betting markets for what they are worth. US economic policy making under a re-elected President Biden would be more prudent than under Trump but the US election is unlikely to move markets until late autumn.

Meanwhile, as extreme weather records are being broken month by month around the world, long term investors in direct property, even more than in other asset classes, must keep ahead of the climate change curve.

**Conclusion**

The UK economy is growing slowly again after a flat year, annual consumer price inflation will dip below 2%, if only briefly, this summer and short term interest rates should be lower by the year end. But longer term interest rates also need to be seen as stable before the property market as a whole, as measured by the main indices, makes real progress. The key to outperformance by property portfolios on both the income and total return fronts in this tough economic climate, with public sector finances under serious long term pressure, is therefore still to stick to strong tenants, paying affordable rents on long, index-related leases for sustainable buildings in prosperous locations.

That means avoiding office investments for the foreseeable future and focussing hard in other sectors on upgrading portfolio quality, especially on covenant strength, by constant vigilance in acquisitions, disposals and lease extensions.

**Annual portfolio summary**

VIP specialises in direct investment in UK commercial properties with long, strong, index-related income streams to deliver above average long term real returns.

The portfolio comprises 35 properties across six well diversified sub-sectors, all let on 38 full repairing and insuring leases (WAULT 11.6 years to the tenants' option to break) to 20 different tenant covenants across England, Scotland and Wales, with 55% of rents coming from the top five tenants. All are freehold except two, which are long leasehold with 107 and 81 years to run (Doncaster and Fareham). Fareham has since been sold in May after the year end.

**Index-related rent reviews**

The contracted income on the whole portfolio stands at £9.7 million per annum, where 95.6% (37 out of 38 tenancies) have index-related or fixed increases. Only Fareham had open market reviews.

Over the financial year, 11 rent reviews completed representing 40% of the rent roll, with an average increase of 12.2% on their rents passing. This added £0.4 million (4.9%) to all held properties. Five were annual reviews: three were RPI-linked and two with fixed increases. Five had five yearly RPI-linked reviews, and one had a three-yearly open market rent review.

There are 38 leases, which are reviewed with either RPI-linked (71%), CPI-linked (11%) or fixed increases (14%) and there was just one industrial/warehouse (Fareham) with an open market review (4%).

Eight tenancies representing 32% (year ended 31 March 2024) of the rental income have annual rent reviews and 29 (64%) have five yearly reviews with one (4%) having a three yearly review pattern. Over the next five years, the following percentage of rental income will be reviewed in each financial year, based on the portfolio as at 31 March 2024.

| Year ending 31 March | Annual | 5 yearly | 3 yearly | Total |
|---|---|---|---|---|
| 2025 | 32% | 3% | - | **35%** |
| 2026 | 32% | 29% | - | **61%** |
| 2027 | 32% | 8% | 4% | **44%** |
| 2028 | 32% | 12% | - | **44%** |
| 2029 | 32% | 12% | - | **44%** |

Over the next 12 months, 10 tenancies, representing 35% of the total rent roll, will undergo a rent review.

Of the index-related rents within the portfolio; 68% of the RPI-linked and CPI-linked rents are subject to collared

Of the index-related rents within the portfolio; 68% of the RPI-linked and CPI-linked rents are subject to collared uplifts, which average 1.7% per annum and 74% are subject to capped uplifts, which average 3.8% per annum. 12% of the total indexed income has uncapped RPI increases. Fixed rent review uplifts average 2.4% per annum.

**Purchases and sales**

Three purchases for £11.85 million and seven sales for £13.25 million completed over the year.

**Purchases completed**

The purchase of three long-let index-related leisure properties completed during the year for £11.85 million at a net initial yield of 7.8%, rising to 8.5% in May 2024.

**Health Club** - Clearview Health & Racquets Club, Little Warley Hall Lane, Brentwood, Essex
This purchase of a 76,000 sq ft health club on a freehold 6.7 acre site near Brentwood, 2 miles from M25 Junction 29, completed in November 2023 at a purchase price of £6.1 million. It is let to Virgin Active Limited until July 2036 (WAULT 12.7 years); with annual RPI-linked rent increases with a minimum of 1% and a maximum of 4% p.a. The net initial purchase yield was 7.5%, rising to 8.7% in May 2024.

**Bowling** - Hollywood Bowls
The purchase of the following two freehold properties completed in March 2024 at a combined purchase price of £5.75 million. They are both let to Hollywood Bowl Group plc until August 2040 (WAULT 16.4 years) with annual RPI-linked rent reviews with a minimum of 2% and a maximum of 3% p.a. Their net initial purchase yield was 8.2%.

Ashford, Kent: 43-79 Station Road is a freehold 20,165 sq ft building on a 0.7 acre town centre site.

Peterborough, Cambridgeshire: Sturrock Way is a freehold 22,667 sq ft building on a 1.9 acre site.

**Sales completed**

The sale of seven weaker properties completed during the year for £13.25 million, just above valuation at an average net yield of 7.5%. Four were pubs let to Stonegate, plus two short let petrol stations and an overrented convenience store.

**Sales exchanged**

Contracts were exchanged in November 2023 for the sale to the tenant, Shepherd Neame, of the pub in London EC1 at a net sale yield of 3.5%, rising to 4.7% in January 2024 with completion fixed for 5 July 2024. This was above the September 2023 valuation and in line with the March 2024 valuation. Contracts were exchanged in May for the sale of a short-let industrial property in Thurrock at a net sale yield of 5.3%, well above valuation. Completion is fixed for June 2024.

**Sales completed since 31 March 2024**

The sale of the short-let leasehold industrial estate at Fareham let to Hampshire County Council exchanged and completed in May above valuation at a net sale yield of 8.8%.

We are actively seeking to reinvest the sales proceeds to further upgrade portfolio quality and reduce risk.

**Rent collection**

100% of all contracted rents due were collected during the year to 31 March 2024. The top five tenants have 15 leases: Marks & Spencer, HM Government and Local Authorities, Ten Entertainment Group, Premier Inn and Sainsbury's, representing 55% of the contracted income.

**Fully let**

The portfolio is fully let, with no voids (MSCI UK Monthly Property Index void rate: 10.4%)

**Responsible impact based ESG management**

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 and 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, ESG improvements implemented at appropriate asset management stages and properties, such as Fareham, sold where performance may be negatively impacted by ESG factors.

**Energy Performance Certificates (EPCs)**

97% of the properties now have an EPC rating A-C (up from 64% in 2022). This rises to 100% after the sale of Fareham. We continue to work with our tenants to upgrade properties and improve EPC ratings.

**Top 10 properties by capital value**

| Property | Tenant | Sector | % of portfolio by capital value |
|---|---|---|---|
| Dover | Park Resorts | Caravan Park | 8% |
| Newport, Isle of Wight | Marks and Spencer | Supermarket | 7% |
| Rayleigh | Marks and Spencer | Supermarket | 6% |
| Garstang | Sainsbury's | Supermarket | 6% |
| Coventry | Tenpin, Pizza Hut & Starbucks | Bowling | 6% |
| Aylesford | Kier | Industrial/Warehouse | 5% |
| Brentwood | Virgin Active | Health Club | 5% |
| Catterick | Premier Inn | Hotel | 4% |
| Alnwick | Premier Inn | Hotel | 4% |
| Milton Keynes | Winterbotham Darby | Industrial/Warehouse | 4% |
| **Total** | | | **55%** |

**Performance and independent revaluation**

Savills' independent valuation at 31 March 2024 on all 35 properties totalled £138,100,000, as detailed in Note 9 to the Financial Statements, reflecting a net initial yield of 6.6% after deducting notional purchase costs (31 March 2023: 5.8%, 30 September 2023: 6.1%). The valuation totals at 31 March 2023 were £150,500,000 and at 30 September 2023 (half-year) £135,450,000.

On a like for like basis, excluding purchases and sales, the portfolio's capital value declined by 5.0% in the first half of the year and by 3.7% in the second, reflecting the impact of rising interest rates across the investment property market. Purchases and sales were profitable, adding 0.4% to the VIP portfolio's total value over the year.

Investment turnover across the market remains very low with a wide spread between what most buyers are prepared to offer and most sellers to accept. Most completed sales, therefore, are from vendors under redemption of refinancing pressure. Investors are cautious and risk averse.

The only sector in the portfolio to gain in value over the year was pubs, up by 16.9% on exceptional rent increases and a profitable deferred sale, with bowling down by 3.2%. The supermarket, hotel and industrial/warehouse sectors all fell by 10%- 12% as pressure on valuation yields on lower yielding properties in particular outweighed rental growth.

Contracted rental income at the year end rose to £9.7 million against £9.3 million at end March 2023, due mainly to rent increases over the year delivering rental growth of 4.9% on all held properties, usefully above inflation.

The property portfolio has been upgraded and tenant quality improved with the sale of seven weaker properties, which completed for £13.25 million (four Stonegate pubs, two petrol stations and a convenience store) with the net sale proceeds reinvested in three long-let leisure property purchases for £11.85 million, a Virgin Active Health Club in Brentwood, Essex and Hollywood Bowls in Ashford, Kent and Peterborough, Cambridgeshire, all let on RPI-related leases.

The property portfolio produced a total return of 0.0% over the past six months and -1.8% over the past year to March, against -0.6% and -1.1% for the MSCI UK Quarterly Property Index, the main benchmark for commercial property performance.

The returns on VIP's property portfolio have been above the MSCI averages by between 1.9% and 3.3% a year over 3, 5, 10, 20 and 37 years. The real returns have been behind the Retail Price Index over one, three and five years but above it over longer periods, with a real return of over 7.0% a year over 37 years since the inception of OLIM Property's Management.

**Matthew Oakeshott & Louise Cleary**
**OLIM Property Limited**

**11 June 2024**

**Business Review**

This Business Review is intended to provide an overview of the strategy and business model of the Company, as well as the key measures used by the Directors in overseeing its management. The Company is an investment trust company that invests in accordance with the investment objective and investment policy outlined in this Business Review.

Value and Indexed Property Income Trust PLC's (VIP or the Company) Ordinary Shares are listed on the Premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is registered as a public limited company in Scotland under company number SC050366 and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has one class of share. VIP is a member of the Association of Investment Companies (AIC).

member of the Association of Investment Companies (AIC).

**The Group**

Value and Indexed Property Income Services Limited (VIS), a wholly owned subsidiary of the Company, is authorised by the Financial Conduct Authority to act as the Company's Alternative Investment Fund Manager (AIFM).

VIS delegates its portfolio management responsibilities to OLIM Property Limited (OLIM Property), the Investment Manager responsible for managing the property portfolio, which reports to VIS and to the Board, which meet regularly in order to review the investment strategy. All investment properties held by the Group are commercial properties located in the UK, mainly with long-term, index-related income streams.

**Capital structure**

As at 31 March 2024, VIP's share capital consisted of 42,664,550 Ordinary Shares of 10p nominal value in issue and 2,885,425 Ordinary Shares of 10p held in Treasury. As at the date of this Annual Report, VIP's share capital consists of 42,476,147 Ordinary Shares of 10p in issue and 3,073,828 Ordinary Shares of 10p held in Treasury. Each Ordinary Share in issue entitles the holder to one vote on a show of hands and, on a poll, to one vote for every share held.

**Share dealing**

Shares in VIP can be purchased and sold in the market through a stockbroker or regulated investment platform, or indirectly through a lawyer, accountant or other professional adviser. Further information on how to invest in VIP is detailed in the Annual Report.

**Recommendation of non-mainstream investment products**

VIP currently conducts its affairs so that the shares issued by it can be recommended by independent financial advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products and intends to do so for the foreseeable future. VIP's shares are excluded from the FCA's restrictions, which apply to non-mainstream investment products, because they are shares in an investment trust company. The returns to investors are based on investments in directly held property.

**Highlights of the year**

- Net Asset Value total return (with debt at carrying value)* of -9.7% (2023 restated: -18.7%) over one year and -10.2% (2023 restated: 10.6%) over three years.
- Share Price total return* of -10.3% (2023:-9.2%) over one year and -3.2% (2023: 48.3%) over three years.
- MSCI UK Quarterly Property Index total return of -1.1% over one year (2023: -13.0%) and 2.9% (2023: +5.1%) over three years.
- Dividends for year up 2.3% - the 37th consecutive year of dividend increases.
- Dividend yield at 31 March 2024 - 7.7% (2023: 6.3%).

**Financial record**

| | 30 Sep 1986 | 31 Mar 1987 | 31 Mar 2015 | 31 Mar 2016 | 31 Mar 2017 | 31 Mar 2018 | 31 Mar 2019 | 31 Mar 2020 | 31 Mar 2021 | 31 Mar 2022 Restated | 31 Mar 2023 Restated | 31 Mar 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV (valuing debt at carrying value)* (p) | 44.0 | 55.1 | 326.9 | 319.0 | 345.5 | 330.5 | 332.5 | 253.1 | 271.1 | 310.9 | 244.4 | 213.5 |
| Share price (p) | 42.0 | 52.0 | 254.3 | 221.8 | 255.0 | 262.0 | 251.0 | 165.0 | 218.0 | 239.0 | 204.5 | 171.3 |
| Discount of share price to NAV (valuing debt at carrying value)* (%) | 4.6 | 5.6 | 22.2 | 30.5 | 26.2 | 20.7 | 24.5 | 34.8 | 19.6 | 23.1 | 16.3 | 19.8 |
| Dividend per share (p) | N/A | 1.25 | 9.0 | 10.5 | 11.0 | 11.4 | 11.8 | 12.1 | 12.3 | 12.6 | 12.9 | 13.2 |
| Total assets less current liabilities (£m) | 17.4 | 24.8 | 189.0 | 185.5 | 207.3 | 200.4 | 205.6 | 176.2 | 177.6 | 195.0 | 157.0 | 143.1 |

* This is an Alternative Performance Measure (APM) which has been explained in the Glossary in the Annual Report.

**Investment objective and investment policy**

**Investment objective**

The Company invests directly in UK commercial property to deliver long, strong, index-related income. The Company aims to achieve long-term, real growth in dividends and capital value without undue risk.

**Investment policy**

The Company's policy is to invest in directly held UK commercial property and cash or near cash securities. UK directly held commercial property will usually account for at least 80% of the total portfolio but it may fall below that level if relative market levels and investment value, or a desired increase in cash or near cash securities, make it appropriate. The Company will not use derivatives.

The Company is permitted to invest cash held for working capital purposes pending re-investment in cash deposits, gilts and money market funds.

**The UK commercial property portfolio**

The Company will target secure income and capital returns linked to inflation, mainly through its diversified portfolio of UK property assets, let or pre-let to a broad range of strong tenants on long leases with rental growth subject to index-related or fixed increases. The Company has not set any geographical limits, except that it may invest in all four nations of the United Kingdom. It has also set no structural limits and expects the portfolio to be focused on (but not limited to), the industrial/warehouse, supermarket, roadside and leisure sectors (including for example, caravan parks, pubs, hotels, garden and bowling centres) income strips and ground rents. Offices and high street retail properties would not be priority sectors for investment. In order to manage risk in the portfolio, at the time of purchase, no single property asset will exceed in value 25% of the Company's gross asset value and no single tenant (except UK Government and public sector) will account for more than 30% of the Company's total rental income.

**Borrowing policy**

The Company has a longstanding policy of funding most of the increases in its property portfolio through the judicious use of borrowings. Gearing will normally be within a range of 25% and 50% of the total portfolio. The Company will not raise new borrowings if total net borrowings would then represent more than 50% of the total assets.

Detail of the Company's current borrowings, comprising two fixed term secured loan facilities can be found in Note 12 to the Financial Statements.

**Performance, results and dividend**

As at 31 March 2024, the Net Asset Value (NAV) total return (with debt at carrying value) over one year was -9.7% and the Share Price total return over one year was -10.3%. This compares to the MSCI UK Quarterly Property Index total return of -1.1%. Total assets less current liabilities were £143.1 million. A review of the performance of the property portfolio is detailed in the Chairman's Statement and in the Manager's Report.

For the year to 31 March 2024, quarterly dividends of 3.2p per share were paid on 27 October 2023, 26 January 2024 and 26 April 2024, respectively. The Directors have declared a final dividend of 3.6p per Ordinary Share (2023: 3.6p) which, if approved by Shareholders at the 2024 AGM, will be paid on, or around, 26 July 2024 to Shareholders on the register on 28 June 2024. The ex-dividend date is 27 June 2024. This represents an annual increase in dividends of 2.3% as compared with the 4.3% and 3.8% annual increases in the Retail Prices and Consumer Prices (including Housing) Indices, respectively, as at the end of March 2024.

**Principal and emerging risks and uncertainties**

The Board has an ongoing process for identifying, evaluating and monitoring the principal and emerging risks and uncertainties facing the Group and the Parent Company. The risk register forms a key part of the Group and the Parent Company's risk management framework used to carry out a robust assessment of the risks, including a significant focus on the controls in place to mitigate them. The principal and emerging risks and uncertainties which affect the Group's and the Company's business are:

**Market risk**

The fair value of, or future cash flows from, a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises two elements - price risk and interest rate risk.

**Price risk**

Changes in market prices (other than those arising from interest rate or currency risk) may affect the value of the Group's investments.

**Interest rate risk**

Interest rate movements may affect:

- the fair value of the investments in property;
- the level of income receivable on cash deposits; and
- the fair value of borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board imposes borrowing limits to ensure that gearing levels are appropriate to market conditions and reviews these limits on a regular basis. Current borrowings comprise of two secured term loans, with two and nine year terms remaining, providing secure long-term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 50%.

**Liquidity risk**
This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

The Group's assets comprise investment properties which, by their nature, are not readily realisable. The maturity of the Company's existing borrowings is detailed in the interest rate risk profile section of Note 21 to the Financial Statements.

**Property risk**
The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue.

The price and availability of credit, real economic growth, and the constraints on the development of new property, are the main influences on the property investment market. Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews, and the weighted average unexpired lease length to the break option is 11.6 years. Details of the tenant and geographical spread of the portfolio are set out in the Annual Report. The long-term performance record through the varying property cycles since 1987 is set out in the Annual Report. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

**Political risk**
Political changes that result in parties with extreme political or social agendas having power or influence over policies could lead to instability and uncertainty in the markets, legislation and the economy.

The Board reviews regularly the political situation, together with any associated changes to the economic, regulatory and legislative environment, to ensure that any risks arising are mitigated as effectively as possible.

An explanation of certain economic and financial risks and how they are managed is contained in Note 21 to the Financial Statements.

**Climate change and social responsibility risk**
The Board recognises that climate change is an important risk that all companies should take into consideration within their strategic planning. As referred to elsewhere in the Strategic Report and in the Governance Report in the Annual Report, the Company has little direct impact on environmental issues. All of the Company's properties are let on full repairing and insuring leases, with the tenants responsible for complying with statutory obligations. The Board is aware that the Manager continues to take into account environmental, social and governance (ESG) matters, and, in particular, Energy Performance Certificates and flood risks, in managing the portfolio. In accordance with the RICS Professional Standard 'Sustainability and ESG in commercial property valuation and strategic advice', the Savills' valuation of the Company's properties takes into consideration sustainability and ESG factors.

**Economic risk**
The valuation of the Company's investments may be affected by underlying economic conditions, such as fluctuating interest rates, rising inflation, increased fuel and energy costs, and the availability of bank finance. These factors can be impacted during times of geopolitical uncertainty and volatile markets, including pandemics and the ongoing wars in Ukraine and the Middle East. The Board monitors the economic and market environment closely, and believes that the diverse, well-spread, long let indexed portfolio should prove resilient.

**Other key risks**
Additional risks and uncertainties include:

- **Discount volatility**: The Company's shares may trade at a price which represents a discount to its underlying net asset value.
- **Regulatory risk**: The Directors strive to maintain a good understanding of the changing regulatory agenda and

consider emerging issues so that appropriate changes can be implemented and developed in good time. The Group operates in a complex regulatory environment and, therefore, faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including but not limited to, the Companies Act 2006, the FCA Listing Rules, the FCA Disclosure, Guidance and Transparency Rules, the Market Abuse Regulation, the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Second Markets in Financial Instruments Directive (MiFID II) and the General Data Protection Regulation (GDPR), could lead to a number of detrimental outcomes and reputational damage.

The Company is also required to comply with tax legislation under the Foreign Account Tax Compliance Act and the Common Reporting Standard. The Company has appointed its registrar, Computershare, to act on its behalf to report annually to HM Revenue & Customs (HMRC).

The Company's privacy policy is available to view on the Company's web pages hosted by the Investment Manager at www.olimproperty.co.uk/value-and-indexed-property-income-trust.html.

Breaches of controls by service providers to the Company could also lead to reputational damage or loss. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and from the Investment Manager.

**Alternative investment fund managers directive**

The Alternative Investment Fund Managers Directive (AIFMD) introduced an authorisation and supervisory regime for all managers of authorised investment funds in the EU.

In accordance with the requirements of the AIFMD, the Company appointed VIS as its Alternative Investment Fund Manager (AIFM) and BNP Paribas Securities Services S.A. as its Depositary. VIS's status as AIFM remains unchanged following the UK's departure from the EU. The Board has controls in place, in the form of regular reporting from the AIFM and the Depositary, to ensure that both are meeting their regulatory responsibilities in relation to the Company.

**Key performance indicators**

At each Board Meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives, which also enable Shareholders and prospective investors to gain an understanding of its business.

A historical record of these performance measures, with comparatives, together with the Alternative Performance Measures (APMs) are shown in the Highlights of the year and Financial record section of the Business Review. Definitions of the APMs can be found in the Glossary in the Annual Report.

The Directors have identified the following as key performance indicators:

- Net asset value and share price total returns relative to the MSCI UK Quarterly Property Index (total returns); and
- Dividend growth relative to Consumer Price Inflation.

The net asset value (NAV) total return is considered to be an appropriate measure of Shareholder value as it includes the current NAV per share and the sum of dividends paid to date.

The medium term dividend policy is for increases at least in line with inflation.

The Board reviews the Company's rental income and operational expenses on a quarterly basis, as the Directors consider that both of these elements are important components in the generation of Shareholder returns. Further information can be found in Notes 2 and 4 to the Financial Statements.

In addition, the Directors will consider economic, regulatory, and political trends and factors that may impact on the Company's future development and performance.

**Share buy-backs**

347,914 Ordinary Shares were bought back in the year to 31 March 2024 (2023: 545,000 Ordinary Shares bought back). As at 31 March 2024, 2,885,425 Ordinary Shares of 10p each were held in Treasury. Post the year end, 188,403 Ordinary Shares were bought back and as at the date of this Annual Report 3,073,828 Ordinary Shares of 10p each are held in Treasury. Further information can be found in Note 14 to the Financial Statements.

At the forthcoming AGM, the Board will seek the necessary Shareholder authority to continue to conduct share buy-backs.

**Statement of compliance with investment policy**

The Company is adhering to its stated investment policy and managing the risks arising from it. This can be seen in various tables and charts throughout the Annual Report, and from the information provided in the Chairman's Statement and in the Manager's Report.

**The Board's section 172 duty and stakeholder engagement**

The Directors recognise the importance of an effective Board and its ability to discuss, review and make decisions to promote the long-term success of the Company and protect the interests of its key stakeholders. As required by Provision 5 of The AIC Code of Corporate Governance (the AIC Code) and, in line with The UK Corporate Governance Code (the Code), the Board has discussed the Directors' duty under Section 172 of the Companies Act and how the interests of key stakeholders have been considered in the Board discussions and decision making during the year. This has been summarised in the table below:

| Stakeholder | Form of Engagement | Influence on Board decision making |
|---|---|---|
| **Shareholders** | AGM - Shareholders are encouraged to attend the AGM and are provided with the opportunity to ask questions and engage with the Directors and the Manager. Shareholders are also encouraged to exercise their right to vote on the resolutions proposed at the AGM (please refer to the further information on the AGM in the Directors' Report in the Annual Report).<br><br>Shareholder documents - The Company reports formally to Shareholders by publishing Annual and Interim Reports, normally in June and November each year.<br><br>Significant matters or reporting obligations are disseminated to Shareholders by way of announcement to the London Stock Exchange.<br><br>The Company Secretary acts as a key point of contact for the Board, and all communications received from Shareholders are circulated to the Board.<br><br>Other Shareholder events include investor and wealth manager lunches and roadshows organised by the Company's Corporate Broker at which the Manager is invited to present. | Dividend declarations - The Board recognises the importance of dividends to Shareholders and takes this into consideration when making decisions to pay quarterly and propose final dividends for each year. Further details regarding dividends for the year under review can be found in the Chairman's Statement.<br><br>Share buy-back policy - the Directors recognise the importance to Shareholders of the Company maintaining a share buy-back policy and considered this when establishing the current programme. Further details can be found in the Business Review and in the Directors' Report in the Annual Report.<br><br>Shareholder communication and feedback from the Broker directly influences the Board's review of strategy, the asset allocation considerations, and the Manager's guidance on desirable investment characteristics.<br><br>The Directors recognise the importance to Shareholders of having a diverse Board with a range of skilled and experienced individuals represented. |
| **Manager** | Quarterly Board Meetings - The Manager attends every Board Meeting and presents a detailed portfolio analysis and reports on key issues, including the performance of the property portfolio.<br><br>The Directors challenge the Manager where they feel it is appropriate. | The Directors and the Manager are cognisant of the Company's investment policy and the strategy agreed by the Board, which the Manager has been tasked with implementing.<br><br>The Board engages constructively with the Manager to ensure investments are consistent with the agreed strategy and investment policy and supported the decision during the year to strengthen the portfolio with the purchase of three long-let leisure investments at yields over 8%, and the sale of seven weaker properties, including the last Stonegate pub holdings.<br><br>The Manager works closely with all tenants and, as a result, 100% of all contracted rents due were collected in the year to 31 March 2024. |
| **Corporate Broker** | The Corporate Broker attends Board Meetings regularly to present an update on the market, the Company's performance, and a comparison with the performance of the Company's peers. | The Directors review the performance of all third party service providers; and, during the year, made the decision to appoint Joh. Berenberg, Gossler & Co. KG as its new Corporate Broker. |
| **Depositary and Custodian** | Regular statements and control reports received, with all holdings and balances reconciled. | The Directors review the performance of all third party service providers, including oversight of securing the Company's assets. |
| **Advisers &** | The Company relies on the expert audit | The Directors review the performance of all third |

| | | |
|---|---|---|
| **Advisers & Registrar** | The Company relies on the expert audit, accounting and legal advice received from its Auditor, Administrator and Legal Advisers. The Directors ensure that the Registrar is a market leader in the services it provides to the Company's Shareholders. | The Directors review the performance of all third party service providers and, during the year, on the recommendation of the Audit and Management Engagement Committee, appointed RSM UK Audit LLP as new Auditors to the Company. |

There were no other key decisions made in the year to 31 March 2024 that require to be disclosed.

**Employee, environmental and human rights policy**

As an investment trust company, the Company has no direct employee or environmental responsibilities, nor is it responsible for the emission of greenhouse gases. Its principal responsibility to Shareholders is to ensure that the investment portfolio is properly managed and invested. The Company has no employees and, accordingly, has no requirement to report separately on employment matters.

Management of the investment portfolio is undertaken by the Investment Manager through members of its portfolio management team. In light of the nature of the Company's business, there are no relevant human rights issues and, therefore, the Company does not have a human rights policy.

**Independent auditor**

The Company's Independent Auditor is required to report if there are any material inconsistencies between the content of the Strategic Report and the Financial Statements. The Independent Auditor's Report can be found in the Annual Report.

**Future strategy**

The Board and the Investment Manager intend to maintain the strategic policies set out above for the year ending 31 March 2025 as it is believed that these are in the best interests of Shareholders.

The Company's Viability Statement is included in the Directors' Report in the Annual Report.

**Approval**

This Business Review, and the Strategic Report as a whole, was approved by the Board of Directors and signed on its behalf by:

**John Kay**
**Chairman**

**11 June 2024**

**Going concern**

The Group and the Parent Company's business activities, together with the factors likely to affect their future development and performance, are set out in the Directors' Report, and the financial position of the Group and of the Parent Company is described in the Chairman's Statement within the Strategic Report. In addition, Note 21 to the Financial Statements includes: the policies and processes for managing the financial risks; details of the financial instruments; and the exposures to market risk (price risk and interest rate risk), liquidity risk, credit risk and property risk. The Directors believe that the Group and the Parent Company are well placed to manage their business risks.

Following a detailed review, the Directors have a reasonable expectation that the Group and the Parent Company have adequate financial resources to enable them to continue in operational existence for the foreseeable future, being at least 12 months from approval of the Financial Statements, and accordingly, they have continued to adopt the going concern basis (as set out in Note 1(b) to the Financial Statements) when preparing the Annual Report and Financial Statements.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report and the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable laws and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements, and have elected to prepare the

Under that law, the Directors are required to prepare the Group Financial Statements, and have elected to prepare the Company Financial Statements, in accordance with UK adopted international accounting standards. The Group and Company Financial Statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group and the Company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. 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 of the Group and Company and of the profit or loss for the Group and Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company 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, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's web pages hosted by the Investment Manager in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's web pages is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

**Directors' responsibility statement**

Each Director confirms, to the best of his or her knowledge, that:

- the Financial Statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and that
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

The Directors confirm that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

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

**John Kay**
**Chairman**

**11 June 2024**

**Group Statement of Comprehensive Income**

| | Year ended 31 March 2024 | Year ended 31 March 2023 Restated* |
|---|---|---|

| | Note | Year ended 31 March 2024 Revenue £'000 | Capital £'000 | Total £'000 | Restated* Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Rental income | 2 | 8,824 | - | 8,824 | 8,826 | - | 8,226 |
| Investment income | 2 | - | - | - | 168 | - | 168 |
| Other income | 2 | 242 | - | 242 | 314 | - | 314 |
| | | 9,066 | - | 9,066 | 8,708 | - | 8,708 |
| **Gains and losses on investments** | | | | | | | |
| Realised (losses)/gains on held-at-fair-value investments and investment properties | 9 | - | (137) | (137) | - | 1,446 | 1,446 |
| Unrealised (losses)/gains on held-at-fair-value investments and investment properties | 9 | - | (11,480) | (11,480) | - | (24,563) | (24,563) |
| **Total income** | | 9,066 | (11,617) | (2,551) | 8,708 | (23,117) | (14,409) |
| **Expenses** | | | | | | | |
| Investment management fees | 3 | (863) | - | (863) | (990) | - | (990) |
| Other operating expenses | 4 | (894) | - | (894) | (895) | - | (895) |
| **Finance costs** | 5 | (2,142) | - | (2,142) | (1,779) | (6,269) | (8,048) |
| **Total expenses** | | (3,899) | - | (3,899) | (3,664) | (6,269) | (9,933) |
| **Profit/(loss) before taxation** | | 5,167 | (11,617) | (6,450) | 5,044 | (29,386) | (24,342) |
| **Taxation** | 6 | (1,251) | - | (1,251) | (535) | 1,425 | 890 |
| **Profit/(loss) attributable to equity shareholders of parent company** | | 3,916 | (11,617) | (7,701) | 4,509 | (27,961) | (23,452) |
| **Earnings per Ordinary Share (pence)** | 7 | 9.14 | (27.11) | (17.97) | 10.42 | (64.62) | (54.20) |

* As explained in Note 24 to the Financial Statements in the Annual Report.

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 published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Group does not have any other comprehensive income and so the total profit/(loss), as disclosed above, is the same as the Group's total comprehensive income. All income is attributable to the equity holders of Value and Indexed Property Income Trust PLC, the parent company. There are no non-controlling interests.

The Board is proposing a final dividend of 3.6p per share, making a total dividend of 13.2p per share for the year ended 31 March 2024 (2023: 12.9p per share) which, if approved by Shareholders, will be payable on 26 July 2024 (see Note 8).

The Notes form part of these Financial Statements.

**Company Statement of Comprehensive Income**

| | Note | Year ended 31 March 2024 Revenue £'000 | Capital £'000 | Total £'000 | Year ended 31 March 2023 Restated* Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Rental income | 2 | 8,824 | - | 8,824 | 8,226 | - | 8,226 |
| Investment income | 2 | - | - | - | 168 | - | 168 |
| Other income | 2 | 242 | - | 242 | 314 | - | 314 |
| | | 9,066 | - | 9,066 | 8,708 | - | 8,708 |
| **Gains and losses on investments** | | | | | | | |
| Realised (losses)/gains on held-at-fair-value investments and investment properties | 9 | - | (137) | (137) | - | 1,446 | 1,446 |
| Unrealised (losses)/gains on held-at-fair-value investments and investment properties | 9 | - | (11,480) | (11,480) | - | (24,563) | (24,563) |
| **Total income** | | 9,066 | (11,617) | (2,551) | 8,708 | (23,117) | (14,409) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | |
| Investment management fees | 3 | (863) | - | (863) | (990) | - | (990) |
| Other operating expenses | 4 | (894) | - | (894) | (895) | - | (895) |
| **Finance costs** | 5 | (2,142) | - | (2,142) | (1,779) | (6,269) | (8,048) |
| **Total expenses** | | (3,899) | - | (3,899) | (3,664) | (6,269) | (9,933) |
| **Profit/(loss) before taxation** | | 5,167 | (11,617) | (6,450) | 5,044 | (29,386) | (24,342) |
| **Taxation** | 6 | (1,251) | - | (1,251) | (535) | 1,425 | 890 |
| **Profit/(loss) attributable to equity shareholders of parent company** | | 3,916 | (11,617) | (7,701) | 4,509 | (27,961) | (23,452) |
| **Earnings per Ordinary Share (pence)** | 7 | 9.14 | (27.11) | (17.97) | 10.42 | (64.62) | (54.20) |

* As explained in Note 24 to the Financial Statements in the Annual Report.

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

The Company does not have any other comprehensive income and so the total profit/(loss), as disclosed above, is the same as the Company's total comprehensive income.

The Notes form part of these Financial Statements.

**Group Statement of Financial Position**

| | | As at 31 March 2024 | | As at 31 March 2023 Restated | | As at 31 March 2022 Restated | |
|---|---|---|---|---|---|---|---|
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Assets** | | | | | | | |
| **Non current assets** | | | | | | | |
| Investment properties | 9 | | 135,112 | | 147,055 | | 152,330 |
| Investments held at fair value through profit or loss | 9 | | - | | - | | 26,871 |
| | | | 135,112 | | 147,055 | | 179,201 |
| Deferred tax asset | 6 | | 2,228 | | 3,479 | | 2,589 |
| Receivables | 10 | | 5,792 | | 6,209 | | 5,934 |
| | | | 143,132 | | 156,743 | | 187,724 |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | 2,695 | | 2,273 | | 5,153 | |
| Receivables | 10 | 687 | | 337 | | 4,521 | |
| | | | 3,382 | | 2,610 | | 9,674 |
| **Total assets** | | | 146,514 | | 159,353 | | 197,398 |
| **Current liabilities** | | | | | | | |
| Payables | 11 | (3,428) | | (2,376) | | (2,423) | |
| | | | (3,428) | | (2,376) | | (2,423) |
| **Total assets less current liabilities** | | | 143,086 | | 156,977 | | 194,975 |
| **Non-current liabilities** | | | | | | | |
| Payables | 12 | (2,913) | | (2,845) | | (2,854) | |
| Borrowings | 12 | (49,073) | | (49,000) | | (56,723) | |
| | | | (51,986) | | (51,845) | | (59,577) |
| **Net assets** | | | 91,100 | | 105,132 | | 135,398 |
| **Equity attributable to equity shareholders** | | | | | | | |
| Called up share capital | 14 | | 4,555 | | 4,555 | | 4,555 |
| Share premium | 15 | | 18,446 | | 18,446 | | 18,446 |
| Retained earnings | 16 | | 68,099 | | 82,131 | | 112,397 |
| **Total equity** | | | 91,100 | | 105,132 | | 135,398 |
| **Net asset value per Ordinary Share (pence)** | 17 | | 213.53 | | 244.42 | | 310.85 |

These Financial Statements were approved by the Board on 11 June 2024 and were signed on its behalf by:

**John Kay**
**Chairman**

The Notes form part of these Financial Statements.

**Company Statement of Financial Position**

| | Note | As at 31 March 2024 £'000 | £'000 | As at 31 March 2023 Restated £'000 | £'000 | As at 31 March 2022 Restated £'000 | £'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Non current assets** | | | | | | | |
| Investment properties | 9 | | 135,112 | | 147,055 | | 152,330 |
| Investments held at fair value through profit or loss | 9 | | 200 | | 200 | | 27,071 |
| | | | 135,312 | | 147,255 | | 179,401 |
| Deferred tax asset | 6 | | 2,228 | | 3,479 | | 2,589 |
| Receivables | 10 | | 5,792 | | 6,209 | | 5,934 |
| | | | 143,332 | | 156,943 | | 187,924 |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | 2,495 | | 2,073 | | 4,953 | |
| Receivables | 10 | 687 | | 337 | | 4,521 | |
| | | | 3,182 | | 2,410 | | 9,474 |
| **Total assets** | | | 146,514 | | 159,353 | | 197,398 |
| **Current liabilities** | | | | | | | |
| Payables | 11 | (3,428) | | (2,376) | | (2,423) | |
| | | | (3,428) | | (2,376) | | (2,423) |
| **Total assets less current liabilities** | | | 143,086 | | 156,977 | | 194,975 |
| **Non-current liabilities** | | | | | | | |
| Payables | 12 | (2,913) | | (2,845) | | (2,854) | |
| Borrowings | 12 | (49,073) | | (49,000) | | (56,723) | |
| | | | (51,986) | | (51,845) | | (59,577) |
| **Net assets** | | | 91,100 | | 105,132 | | 135,398 |
| **Equity attributable to equity shareholders** | | | | | | | |
| Called up share capital | 14 | | 4,555 | | 4,555 | | 4,555 |
| Share premium | 15 | | 18,446 | | 18,446 | | 18,446 |
| Retained earnings | 16 | | 68,099 | | 82,131 | | 112,397 |
| **Total equity** | | | 91,100 | | 105,132 | | 135,398 |
| **Net asset value per Ordinary Share (pence)** | 17 | | 213.53 | | 244.42 | | 310.85 |

These Financial Statements were approved by the Board on 11 June 2024 and were signed on its behalf by:

**John Kay**

**Chairman**

The Notes form part of these Financial Statements.

**Group Statement of Cashflows**

| | Note | Year ended 31 March 2024 £'000 | £'000 | Year ended 31 March 2023 £'000 | £'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Rental income received | | | 8,987 | | 8,936 |
| Dividend income received | | | - | | 266 |
| Interest and other income received | | | 241 | | 295 |
| Operating expenses paid | | | (1,694) | | (1,974) |
| Taxation paid | | | - | | (29) |
| **Net cash inflow from operating activities** | 18 | | 7,534 | | 7,494 |
| **Cash flows from investing activities** | | | | | |
| Purchase of investments held at fair value through profit or loss | | - | | (7,215) | |
| Purchase of investment properties | | (11,363) | | (25,353) | |
| Sale of investments held at fair value through profit or loss | | - | | 35,720 | |
| Sale of investment properties | | 12,633 | | 9,746 | |
| **Net cash inflow/(outflow) from investing activities** | | | 1,270 | | 12,898 |
| **Cash flow from financing activities** | | | | | |
| Repayment of debenture stock | | - | | (26,380) | |
| Drawdown of loan | | - | | 13,000 | |
| Fees paid on new loan | | - | | (176) | |
| Interest paid on loans | | (1,962) | | (2,815) | |
| Finance cost of leases | | (80) | | (78) | |
| Payments of lease liabilities | | (9) | | (9) | |

| | Note | | | | |
|---|---|---|---|---|---|
| Payments of lease liabilities | | (9) | | (9) | |
| Dividends paid | 8 | (5,661) | | (5,507) | |
| Buyback of Ordinary Shares for Treasury | 14 | (670) | | (1,307) | |
| **Net cash outflow from financing activities** | | | (8,382) | | (23,272) |
| **Net increase/(decrease) in cash and cash equivalents** | | | 422 | | (2,880) |
| Cash and cash equivalents at 1 April | | | 2,273 | | 5,153 |
| **Cash and cash equivalents at 31 March** | | | 2,695 | | 2,273 |

The Notes form part of these Financial Statements.

**Company Statement of Cashflows**

| | | **Year ended 31 March 2024** | | **Year ended 31 March 2023** | |
|---|---|---|---|---|---|
| | Note | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cash flows from operating activities** | | | | | |
| Rental income received | | | 8,987 | | 8,936 |
| Dividend income received | | | - | | 266 |
| Interest and other income received | | | 241 | | 295 |
| Operating expenses paid | | | (1,694) | | (1,974) |
| Taxation paid | | | - | | (29) |
| **Net cash inflow from operating activities** | 18 | | 7,534 | | 7,494 |
| **Cash flows from investing activities** | | | | | |
| Purchase of investments held at fair value through profit or loss | | - | | (7,215) | |
| Purchase of investment properties | | (11,363) | | (25,353) | |
| Sale of investments held at fair value through profit or loss | | - | | 35,720 | |
| Sale of investment properties | | 12,633 | | 9,746 | |
| **Net cash inflow/(outflow) from investing activities** | | | 1,270 | | 12,898 |
| **Cash flow from financing activities** | | | | | |
| Repayment of debenture stock | | - | | (26,380) | |
| Drawdown of loan | | - | | 13,000 | |
| Fees paid on new loan | | - | | (176) | |
| Interest paid on loans | | (1,962) | | (2,815) | |
| Finance cost of leases | | (80) | | (78) | |
| Payments of lease liabilities | | (9) | | (9) | |
| Dividends paid | 8 | (5,661) | | (5,507) | |
| Buyback of Ordinary Shares for Treasury | 14 | (670) | | (1,307) | |
| **Net cash outflow from financing activities** | | | (8,382) | | (23,272) |
| **Net increase/(decrease) in cash and cash equivalents** | | | 422 | | (2,880) |
| Cash and cash equivalents at 1 April | | | 2,073 | | 4,953 |
| **Cash and cash equivalents at 31 March** | | | 2,495 | | 2,073 |

The Notes form part of these Financial Statements.

**Group and Company Statement of Changes in Equity**

| | | **Year ended 31 March 2024** | | | |
|---|---|---|---|---|---|
| | Note | **Share capital £'000** | **Share premium £'000** | **Retained earnings £'000** | **Total £'000** |
| **Group** | | | | | |
| Net assets at 31 March 2023 | | 4,555 | 18,446 | 82,131 | 105,132 |
| Loss for the year | | - | - | (7,701) | (7,701) |
| Dividends paid | 8 | - | - | (5,661) | (5,661) |
| Buyback of Ordinary Shares for Treasury | 14 | - | - | (670) | (670) |
| **Net assets at 31 March 2024** | | 4,555 | 18,446 | 68,099 | 91,100 |
| **Company** | | | | | |
| Net assets at 31 March 2023 | | 4,555 | 18,446 | 82,131 | 105,132 |
| Loss for the year | | - | - | (7,701) | (7,701) |
| Dividends paid | 8 | - | - | (5,661) | (5,661) |
| Buyback of Ordinary Shares for Treasury | 14 | - | - | (670) | (670) |
| **Net assets at 31 March 2024** | | 4,555 | 18,446 | 68,099 | 91,100 |

**Restated**

| | | **Year ended 31 March 2023** | | | |
|---|---|---|---|---|---|
| | Note | **Share capital £'000** | **Share premium £'000** | **Retained earnings £'000** | **Total £'000** |

| | Note | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Net assets at 31 March 2022 | | 4,555 | 18,446 | 112,397 | 135,398 |
| Loss for the year | | - | - | (23,452) | (23,452) |
| Dividends paid | 8 | - | - | (5,507) | (5,507) |
| Buyback of Ordinary Shares for Treasury | | - | - | (1,307) | (1,307) |
| **Net assets at 31 March 2023** | | 4,555 | 18,446 | 82,131 | 105,132 |
| **Company** | | | | | |
| Net assets at 31 March 2022 | | 4,555 | 18,446 | 112,397 | 135,398 |
| Loss for the year | | - | - | (23,452) | (23,452) |
| Dividends paid | 8 | - | - | (5,507) | (5,507) |
| Buyback of Ordinary Shares for Treasury | | - | - | (1,307) | (1,307) |
| **Net assets at 31 March 2023** | | 4,555 | 18,446 | 82,131 | 105,132 |

The Notes form part of these Financial Statements.

## Notes to the Financial Statements

### 1. Accounting policies

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

The presentational currency of the Group and Company, and functional currency of the Company, is pounds sterling because that is the currency of the primary economic environment in which the Group and Company operate. 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 as disclosed in the Directors' Report in the Annual Report and on the historical cost basis, except for the revaluation of investment properties, investment in subsidiaries and the £35 million bank borrowings, which are valued at fair value through profit and loss. The principal accounting policies adopted are set out below. 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, except for the allocation of finance costs to revenue as explained in Note 1(f).

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 reports from the Investment Manager in the Annual 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 the Strategic Report in the Annual Report. The financial position of the Group as at 31 March 2024 is shown in the Statement of Financial Position. The cash flows of the Group for the year ended 31 March 2024 are shown in the Group and Company Statement of Cashflows. The Group had fixed debt totalling £49,073,000 as at 31 March 2024, as set out in Note 12; none of the borrowings is repayable before March 2026. Note 21 sets out the Group's risk management policies and procedures, including those covering market price risk, liquidity risk and credit risk. As at 31 March 2024, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of 2.75. The assets of the Group consist mainly of investment properties that are held in accordance with the Group's investment policy. 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 anything 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 Financial Statements.

#### (c) Basis of consolidation

**(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 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 realised capital returns may be distributed by way of dividend.

Additionally, the net revenue is the measure that the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in sections 1158-1160 of the Corporation Tax Act 2010.

**(e) Income**

Dividend income from investments is recognised as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the period end are treated as revenue for the period.

Where the Group has elected to receive dividend income in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the income statement.

Interest receivable from cash and short term deposits and interest payable is accrued to the end of the period.

Rental receivable and lease incentives, where material, from investment properties under operating leases are recognised in the Statement of Comprehensive Income over the term of the lease on a straight line basis. Other income is recognised on an accruals basis.

**(f) Expenses and Finance Costs**

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 have been allocated, 100% to revenue to reflect the Board's expectations of long term investment returns.

It is normal practice and in accordance with the SORP for investment trust companies to allocate finance costs to capital on the same basis as the investment management fee allocation. However, as the Company has a significant exposure to property, and property companies allocate finance costs to revenue to match rental income, the Directors consider that, contrary to the SORP, it is inappropriate to allocate finance costs to capital.

**(g) Other Receivables**

Financial assets classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. As such they are measured at amortised cost. Other receivables do not carry any interest, they have been assessed for any expected credit losses over their lifetime due to their short-term nature.

**(h) Other payables**

Payables are non-interest bearing and are stated at their discounted cash flow.

**(i) Taxation**

The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the date of the Statement of Financial Position.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the date of the Statement of Financial Position, where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the date of the Statement of Financial Position.

This is subject to deferred tax assets only being recognised if it is considered more probable than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to maintain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

**(j) 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.

**(k) Investments**

**Equity investments**

All equity investments were classified on the basis of their contractual cashflow characteristics and the Group's business model for managing its assets. The business model, which is the determining feature, was such that the portfolio of equity investments was managed, and performance was evaluated, on the basis of fair value. Consequently, all equity investments were measured at fair value through profit or loss.

The Company accounts for its investment in its subsidiary at fair value. All fair value adjustments in relation to the subsidiary are eliminated on consolidation.

**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 is 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 the retained earnings.

As disclosed in Note 21, 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, excluding prepaid or accrued operating lease income arising from the spreading of lease incentives or minimum lease payments because it has been recognised as a separate liability or asset. The fair value of investment property held by a lessee as a right-of-use asset reflects expected cash flows (including variable lease payments that are expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the carrying amount of the investment property using the fair value model. These valuations are disclosed in Note 9.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprises deposits held with banks.

**(m) Non-current liabilities**

All new loans and borrowings are initially measured at cost, being the fair value of the consideration received, less issue costs where applicable. Thereafter, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. The costs of arranging any interest-bearing loans are capitalised and amortised over the life of the loan. When the term of a loan is modified, the amortisation of costs is adjusted in line and the loan measured at fair value on the balance sheet.

**(n) 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. All properties are leased out under operating leases and rental income is recognised on a straight line basis over the expected term of the relevant lease. Many leases have fixed or minimum rental uplifts and where lease incentives or temporary rent reductions have been granted as a result of the COVID pandemic, rental income is recognised on a straight line basis over the expected term of the lease. The capital element of lease obligations is recorded as a finance lease payable liability in the Statement of Financial Position on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding. The lease liability relates to the head rent on the property in Fareham. The current lease is for a period of 99 years with an option for a further 26 years. The liability is based on the option being taken up and extinguishing in December 2105.

**(o) Critical accounting judgements and key estimates**

The preparation of the Financial Statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The critical accounting area involving a higher degree of judgement or complexity comprises the determination of fair value of the investment properties. The Group engages independent professional qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining fair value as at 31 March 2024 is disclosed in Note 9 to the Financial Statements.

**(p) Adoption of new and revised Accounting Standards**

New and revised standards and interpretations that became effective during the year had no significant impact on the amounts reported in these Financial Statements but may impact accounting for future transactions and arrangements.

At the date of authorisation of these Financial Statements, the following Standards and interpretations, which have not been applied to these Financial Statements, were in issue but were not yet effective.

*Standards*

IFRS 16 Amendments - Lease Liability in a Sale and Leaseback (effective 1 January 2024)
IAS 1 Amendments - Presentation of Financial Statements (effective 1 January 2024)
IAS 7 and IFRS 7 Amendments - Supplier Finance (effective 1 January 2024)
IAS 21 Amendments - Lack of Exchangeability (effective 1 January 2025)

The Directors do not expect the adoption of these Standards and interpretations (or any other Standards and interpretations which are in issue but not effective) will have a material impact on the Financial Statements of the Group in future periods.

**(q) Prior period adjustments and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such
adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 2. Income

| | Year ended 31 March 2024 | | Year ended 31 March 2023 Restated | |
|---|---|---|---|---|
| | **Group £'000** | **Company £'000** | **Group £'000** | **Company £'000** |
| **Other operating income** | | | | |
| Rental income | 8,824 | 8,824 | 8,226 | 8,226 |
| Interest receivable on short term deposits | 183 | 183 | 155 | 155 |
| Other income | 59 | 59 | 159 | 159 |
| **Investment income** | | | | |
| Dividends from listed investments in UK | - | - | 168 | 168 |
| **Total income** | 9,066 | 9,066 | 8,708 | 8,708 |

### 3. Investment management fee

| | Year ended 31 March 2024 | | | Year ended 31 March 2023 | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **Group and Company** | | | | | | |
| Investment management fee | 863 | - | 863 | 990 | - | 990 |

A summary of the terms of the management agreement is given in the Directors' Report in the Annual Report.

OLIM Property Limited received an investment management fee of £863,000 (2023 - £990,000), the basis of calculation of which is detailed in the Directors' Report in the Annual Report.

### 4. Other operating expenses

| | Year ended 31 March 2024 | | Year ended 31 March 2023 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Fee payable to the Group's auditor for the audit of the Group's accounts | 86 | 86 | 65 | 65 |
| Directors' fees | 109 | 109 | 97 | 97 |
| NIC on Directors' fees | 5 | 5 | 3 | 3 |
| Fees for company secretarial services | 270 | 270 | 237 | 237 |
| Direct property costs | - | - | (23) | (23) |
| Other expenses | 424 | 424 | 516 | 516 |
| | 894 | 894 | 895 | 895 |

Directors' fees comprise the Chairman's fees of £33,000 (2023 - £30,000), the Audit and Management Engagement Committee Chairman's fees of £27,000 (2023 - £24,500) and fees of £24,500 (2023 - £22,000) per annum paid to each other Director.

Additional information on Directors' fees is given in the Directors' Remuneration Report in the Annual Report.

### 5. Finance costs

| | Year ended 31 March 2024 | | Year ended 31 March 2023 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Interest payable on: | | | | |
| 9.375% Debenture Stock 2026 | - | - | 456 | 456 |
| Less amortisation of issue premium | - | - | (111) | (111) |
| Bank loan interest payable | 1,988 | 1,988 | 1,753 | 1,753 |
| Loan expenses derecognised | - | - | 385 | 385 |
| Gain on loan modification | - | - | (908) | (908) |
| Borrowing costs expensed on recognition of fair value | - | - | 80 | 80 |
| Effective interest | 35 | 35 | 24 | 24 |
| Amortisation of loan expenses | 39 | 39 | 22 | 22 |
| Finance costs attributable to lease liabilities | 80 | 80 | 78 | 78 |
| | 2,142 | 2,142 | 1,779 | 1,779 |

In June 2022, the 9.375% Debenture Stock 2026 was repaid early at a premium of £6,380,000 and a balance of £111,000 unamortised premium from the issue of the debenture was expensed, resulting in a capital charge of £6,269,000 for the year to 31 March 2023.

On 28 November 2019, the Company entered into a £22,000,000 fixed term secured loan facility for a period of up to seven years to 30 November 2026. On 3 March 2021, this facility was extended until 31 March 2031. During the year ended 31 March 2023, the loan was increased to £35,000,000 and extended for a further two years until 31 March 2033, costs previously incurred on the loan were extinguished at this point.

### 6. Taxation

| | Year ended 31 March 2024 | | | Year ended 31 March 2023 Restated | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **a) Analysis of the tax credit/(charge) for the year:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Group and Company** | | | | | | |
| Current tax | - | - | - | (979) | 979 | - |
| Deferred tax | (1,251) | - | (1,251) | 444 | 446 | 890 |
| | (1,251) | - | (1,251) | (535) | 1,425 | 890 |
| **Factors affecting the total tax credit/(charge) for year:** | | | | | | |
| Loss before taxation | | | (6,450) | | | (24,342) |
| Tax (credit) thereon at 25% (2023 - 19%) | | | (1,613) | | | (4,625) |
| Effects of: | | | | | | |
| Non taxable dividends | | | - | | | 32 |
| Losses on investments not relievable | | | 2,904 | | | 4,392 |
| Finance costs | | | (40) | | | (689) |
| | | | 1,251 | | | (890) |

| | Year ended 31 March 2024 | | | Year ended 31 March 2023 Restated | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **b) Factors affecting future tax charges** | | | | | | |
| Unutilised tax losses | | | 8,913 | | | 13,918 |
| Potential tax benefit at 25% | | | 2,228 | | | 3,479 |
| | | | 2,228 | | | 3,479 |
| Recognised as a deferred tax non-current asset | | | 2,228 | | | 3,479 |
| Not recognised as a deferred tax asset | | | - | | | - |
| | | | 2,228 | | | 3,479 |

The Company and Group have deferred tax assets of £2,228,000 (2023 restated - £3,479,000) at 31 March 2024 relating to total accumulated unrelieved tax losses carried forward of £8,913,000 (2023 restated - £13,918,000). The Company and Group have recognised deferred tax assets of £2,228,000 (2023 restated - £3,479,000), based on forecast profits for the next five years.

### 7. Return per Ordinary Share

| | Year ended 31 March 2024 | | Year ended 31 March 2023 Restated | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| The return per Ordinary Share is based on the following figures: | | | | |
| Revenue return | 3,916 | 3,916 | 4,509 | 4,509 |
| Capital return | (11,617) | (11,617) | (27,961) | (27,961) |
| Weighted average number of Ordinary Shares in issue | 42,855,131 | 42,855,131 | 43,272,601 | 43,272,601 |
| Return per share - revenue | 9.14p | 9.14p | 10.42p | 10.42p |
| Return per share - capital | (27.11p) | (27.11p) | (64.62p) | (64.62p) |
| Total return per share | (17.97p) | (17.97p) | (54.20p) | (54.20p) |

### 8. Dividends

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Dividends on Ordinary Shares: | | |
| Third quarterly dividend of 3.20p per share (2023 - 3.00p) paid 28 April 2023 | 1,376 | 1,307 |
| Final dividend of 3.60p per share (2023 - 3.60p) paid 4 August 2023 | 1,548 | 1,568 |
| First quarterly dividend of 3.20p per share (2023 - 3.00p) paid 27 October 2023 | 1,369 | 1,296 |
| Second quarterly dividend of 3.20p per share (2023 - 3.10p) paid 26 January 2024 | 1,368 | 1,336 |
| Dividends paid in the period | 5,661 | 5,507 |

The third interim dividend of 3.20p (2023 - 3.20p), paid on 26 April 2024, has not been included as a liability in these financial statements.

The final dividend of 3.60p (2023 - 3.60p), being paid on 26 July 2024, has not been included as a liability in these financial statements.

Set out below is the total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158 - 1159 of the Corporation Tax Act 2010 are considered. The current year's revenue available for distribution by way of dividend is £3,916,000 (2023 restated - £4,509,000).

| | Year ended 31 March 2023 £'000 | Year ended 31 March 2022 £'000 |
|---|---|---|
| First quarterly dividend of 3.20p per share (2023 - 3.00p) paid 27 October 2023 | 1,369 | 1,296 |
| Second quarterly dividend of 3.20p per share (2023 - 3.10p) paid 26 January 2024 | 1,368 | 1,336 |
| Third quarterly dividend of 3.20p per share (2023 - 3.20p) payable 26 April 2024 | 1,365 | 1,376 |
| Final quarterly dividend of 3.60p per share (2023 - 3.60p) payable 26 July 2024 | 1,529 | 1,549 |
| | 5,631 | 5,557 |

The final dividend is based on the latest share capital of 42,476,147 Ordinary Shares excluding those held in Treasury.

**9. Investments**

| | Investment properties £'000 | Equities £'000 | Total £'000 |
|---|---|---|---|
| **Group** | | | |
| Cost at 31 March 2023 | 146,525 | - | 146,525 |
| Fair value movement brought forward | 530 | - | 530 |
| Valuation at 31 March 2023 - Restated | 147,055 | - | 147,055 |
| Purchases | 12,737 | - | 12,737 |
| Sales proceeds | (13,063) | - | (13,063) |
| Realised losses on sales | (137) | - | (137) |
| Fair value movement in year | (11,480) | - | (11,480) |
| Valuation at 31 March 2024 | 135,112 | - | 135,112 |

| | Investment properties £'000 | Investment in subsidiary £'000 | Equities £'000 | Total £'000 |
|---|---|---|---|---|
| **Company** | | | | |
| Cost at 31 March 2023 | 146,525 | 200 | - | 146,725 |
| Fair value movement brought forward | 530 | - | - | 530 |
| Valuation at 31 March 2023 - Restated | 147,055 | 200 | - | 147,255 |
| Purchases | 12,737 | - | - | 12,737 |
| Sales proceeds | (13,063) | - | - | (13,063) |
| Realised losses on sales | (137) | - | - | (137) |
| Fair value movement in year | (11,480) | - | - | (11,480) |
| Valuation at 31 March 2024 | 135,112 | 200 | - | 135,312 |

The fair value valuation given by Savills plc excludes prepaid or accrued operating lease income arising from the spreading of lease incentives or minimum future uplifts and for adjustments to recognise finance lease liabilities for one leasehold property, both in accordance with IFRS 16. The valuation has, therefore, been decreased.

| | As at 31 March 2024 £'000 | As at 31 March 2023 Restated £'000 |
|---|---|---|
| Savills plc valuation | 138,100 | 150,500 |
| Operating lease assets | (5,911) | (6,298) |
| Finance lease liabilities | 2,923 | 2,853 |
| | 135,112 | 147,055 |
| Decrease in fair value | (2,988) | (3,445) |

The fair value valuation given by Savills plc includes £4,200,000 relating to the property at Mitchell Close, Fareham, where contracts have been exchanged and completed for sale in May 2024, £700,000 relating to a property at Thurrock where contracts have been exchanged for sale in June 2024 and £3,700,000 relating to The Bishop's Finger, London, where contracts have been exchanged for sale in July 2024.

**Transaction costs**

During the year 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. The total costs were as follows:

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Purchases | 154 | 9 |
| Sales | 179 | 32 |
| | 333 | 41 |

The fair values of the investment properties were independently valued by professional valuers from Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuers of the portfolio as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations were prepared on the basis of Fair Value as required by the IFRS (International Financial Reporting Standards). In addition, the valuations have also been prepared in accordance with RICS Valuation - Professional Standards VPS 3.5 Fair Value and VPS 4.1 Valuations for Inclusion in Financial Statements. The definition of Fair Value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date"

The RICS Red Book directs us to consider that Fair Value is consistent with the concept of Market Value, the definition of which is set out in Valuation Practice Statement 4 1.2 of the Red Book, as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuations have been arrived at predominantly by reference to market evidence for comparable property (Level 3 of the Fair Value Hierarchy). As part of Savills' standard process, the valuations were carried out by specialist valuers, which were peer reviewed and reviewed again prior to the valuation date. During the review process, the various characteristics of each property were taken into consideration.

| Property portfolio | Passing rent range £ | Fair value - Group £'000 | Key unobservable input | Inputs range | Blended yield |
|---|---|---|---|---|---|
| Supermarkets | 87,000 - 986,458 | 40,500 | Net Equivalent Yield | 5.50% - 7.50% | 6.25% |
| Industrial | 49,500 - 486,680 | 39,250 | Net Equivalent Yield | 5.50% - 8.50 % | 6.50% |
| Leisure - Bowling and Health Club | 217,160 - 610,324 | 26,350 | Net Equivalent Yield | 8.00% - 8.75% | 8.25% |
| Hotels | 360,000 - 373,549 | 11,900 | Net Equivalent Yield | 5.75% - 6.25% | 6.00% |
| Other | 168,610 - 599,166 | 11,800 | Net Equivalent Yield | 5.50% - 10.50% | 8.00% |
| Public Houses | 120,000 - 185,000 | 8,300 | Net Equivalent Yield | 4.75% - 6.00% | 5.25% |
| | | 138,100 | | | |

A 25 bps decrease in the equivalent yield applied would have increased the net assets attributable to the Group and Company's Shareholders and the total gain for the year by £5,250,000. A 25 bps increase in the equivalent yield applied would have decreased the net assets attributable to the Group and Company's Shareholders and the total gain for the year by £4,975,000. A 5% decrease in the rental value applied would have decreased the net assets attributable to the Group and Company's Shareholders and the total gain for the year by £3,550,000. A 5% increase in the rental value applied would have increased the net assets attributable to the Group and Company's Shareholders and the total loss for the year by £3,325,000.

**Investment in subsidiary**

| Name | Country of incorporation | Date of incorporation | % ownership | Principal activity |
|---|---|---|---|---|
| Value and Indexed Property Income Services Limited, having its registered office c/o Maven Capital Partners UK LLP, Kintyre House, 205 West George Street, Glasgow G2 2LW. | UK | 16 January 2014 | 100 | AIFM |

**10. Receivables**

| As at 31 March 2024 | As at 31 March 2023 |
|---|---|

| | | | Restated | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Operating lease asset | 119 | 119 | 89 | 89 |
| Other receivables | 338 | 338 | 194 | 194 |
| Prepayments and accrued income | 57 | 57 | 54 | 54 |
| Rents receivable | 173 | 173 | - | - |
| | 687 | 687 | 337 | 337 |
| Amounts falling due after more than one year: | | | | |
| Operating lease asset | 5,792 | 5,792 | 6,209 | 6,209 |
| | 6,479 | 6,479 | 6,546 | 6,546 |

Many of the Company's leases provide for minimum and maximum increases of rental at future rent reviews. Minimum increases have been averaged over the life of the lease, generating an operating lease asset.

### 11. Payables

| | As at 31 March 2024 | | As at 31 March 2023 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts due to OLIM Property Limited | 65 | 65 | 53 | 53 |
| Accruals and other creditors | 2,966 | 2,966 | 1,907 | 1,907 |
| Value Added Tax payable | 387 | 387 | 408 | 408 |
| Lease liability | 10 | 10 | 8 | 8 |
| | 3,428 | 3,428 | 2,376 | 2,376 |

The amount due to OLIM Property Limited comprises the monthly management fee for March 2024, subsequently paid in April 2024.

### 12. Non-current liabilities

| | As at 31 March 2024 | | As at 31 March 2023 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| **Bank loans held at fair value** | | | | |
| Bank loan b/fwd | 34,116 | 34,116 | 35,000 | 35,000 |
| Balance of costs incurred | - | - | (250) | (250) |
| Costs written off in the year | - | - | 385 | 385 |
| Gain on modification of debt | - | - | (908) | (908) |
| Borrowing costs expensed on recognition of fair value | - | - | 80 | 80 |
| Costs incurred in the year | - | - | (215) | (215) |
| Effective interest | 35 | 35 | 24 | 24 |
| | 34,151 | 34,151 | 34,116 | 34,116 |
| **Bank loans held at amortised costs** | | | | |
| Bank loan | 15,000 | 15,000 | 15,000 | 15,000 |
| Balance of costs incurred | (116) | (116) | (138) | (138) |
| Add: Debit to income for the year | 38 | 38 | 22 | 22 |
| | 14,922 | 14,922 | 14,884 | 14,884 |
| **Total bank borrowings** | 49,073 | 49,073 | 49,000 | 49,000 |
| | | | | |
| **9.375% Debenture Stock 2026** | | | | |
| Add: Balance of premium less issue expenses | - | - | 111 | 111 |
| Less: Credit to income for the year | - | - | (111) | (111) |
| | - | - | - | - |
| **Total borrowings** | 49,073 | 49,073 | 49,000 | 49,000 |
| | | | | |
| Lease liability payable in more than one year | | | | |
| - within 2 - 5 years | 42 | 42 | 28 | 28 |
| - over 5 years | 2,871 | 2,871 | 2,817 | 2,817 |
| **Total payables** | 2,913 | 2,913 | 2,845 | 2,845 |
| | 51,986 | 51,986 | 51,845 | 51,845 |

The Company has a £15,000,000 fixed term secured loan facility for a period of up to ten years to 31 March 2026 (2023 - £15,000,000). At 31 March 2024, £11,893,750 was drawn down at a rate of 4.344% and £3,106,250 was drawn down at a rate of 3.60%. The terms of the loan facility contain financial covenants that require the Company to ensure that:

- in respect of each 3 month period ending on 31 March and 30 September (the Half Year dates), net rental income shall be at least 200 per cent of interest costs;

- in respect of each 12 month period beginning immediately after 31 March and 30 September, net rental income shall be at least 200 per cent of interest costs; and

- at all times, the loan shall not exceed 60 per cent of the value of the properties that have been charged.

On 28 November 2019, the Company entered into a £22,000,000 fixed term secured loan facility for a period of up to seven years to 30 November 2026. On 3 March 2021, this facility was extended until 31 March 2031. On 27 April 2022, the loan was increased to £30,000,000 and on 22 June 2022, the loan was increased to £35,000,000 and extended for a further two years until 31 March 2033, costs previously incurred on the loan were extinguished at this point. Subsequent to this, the loan is recorded on the Statement of Financial Position at it's fair value in the year to 31 March 2023. As at 31 March 2024, the loan is recorded on an amortising basis. 95% of the loan is at a fixed rate and 5% at a floating rate of interest. At 31 March 2024, £35,000,000 was drawn down at a net effective interest rate of 3.81%. The terms of the loan facility contain financial covenants that require the Company to ensure that:

- the total debt ratio does not at any time exceed 50 per cent;

- projected interest cover is not less than 200 per cent at all times; and

- the Loan to Value shall not exceed 68% of the value of the properties that have been charged.

The fair values of the loans are disclosed in Note 21 and the Net Asset Value per share, calculated with the borrowings at fair value, is disclosed in Note 17.

**13. Deferred tax**

Under IAS 12, provision must be made for any potential tax liability on revaluation surpluses. As an investment trust, the Company does not incur capital gains tax and no provision for deferred tax is therefore required in this respect.

As disclosed in Note 6, a deferred tax asset has been recognised to reflect the estimated value of tax losses carried forward which are likely to be capable of offset against future profits.

**14. Share capital**

| | As at 31 March 2024 £'000 | As at 31 March 2023 £'000 |
|---|---|---|
| **Authorised:** | | |
| 56,000,000 Ordinary Shares of 10p each (2023 - 56,000,000) | 5,600 | 5,600 |
| **Called up, issued and fully paid:** | | |
| 42,664,550 Ordinary Shares of 10p each (2023 - 43,012,464) | 4,266 | 4,301 |
| **Treasury shares:** | | |
| 2,885,425 Ordinary Shares of 10p each (2023 - 2,537,511) | 289 | 254 |
| | 4,555 | 4,555 |

The ordinary share capital on the Statement of Financial Position relates to the number of Ordinary Shares in issue and held in Treasury. Only when shares are cancelled, either from Treasury or directly, is a transfer made to the Capital Redemption Reserve.

During the year, the Company repurchased 347,914 Ordinary Shares at a cost of £670,000 including expenses. Subsequent to the year end, the Company repurchased 188,403 Ordinary Shares at a cost of £315,000, including expenses. All of these shares were placed in Treasury.

**15. Share premium**

| | As at 31 March 2024 | | As at 31 March 2023 | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Opening balance | 18,446 | 18,446 | 18,446 | 18,446 |

**16. Retained earnings**

| | As at | As at 31 March 2023 |
|---|---|---|

| | As at 31 March 2024 | | 31 March 2023 Restated | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Opening balance at 31 March 2023 | 82,131 | 82,131 | 112,397 | 112,397 |
| Loss for the year | (7,701) | (7,701) | (23,452) | (23,452) |
| Dividends paid (see Note 8) | (5,661) | (5,661) | (5,507) | (5,507) |
| Buyback of Ordinary Shares for Treasury (see Note 14) | (670) | (670) | (1,307) | (1,307) |
| Closing balance at 31 March 2024 | 68,099 | 68,099 | 82,131 | 82,131 |

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

| | Year ended 31 March 2024 | | | Year ended 31 March 2023 Restated | | |
|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **Group** | | | | | | |
| Opening balance at 31 March 2023 | (2,468) | 84,599 | 82,131 | (1,470) | 113,867 | 112,397 |
| Profit/(loss) for the year | 3,916 | (11,617) | (7,701) | 4,509 | (27,961) | (23,452) |
| Dividends paid (see Note 8) | (5,661) | - | (5,661) | (5,507) | - | (5,507) |
| Buyback of Ordinary Shares for Treasury (see Note 14) | - | (670) | (670) | - | (1,307) | (1,307) |
| Closing balance at 31 March 2024 | (4,213) | 72,312 | 68,099 | (2,468) | 84,599 | 82,131 |
| **Company** | | | | | | |
| Opening balance at 31 March 2023 | (3,555) | 85,686 | 82,131 | (2,557) | 114,954 | 112,397 |
| Profit/(loss) for the year | 3,916 | (11,617) | (7,701) | 4,509 | (27,961) | (24,954) |
| Dividends paid (see Note 8) | (5,661) | - | (5,661) | (5,507) | - | (5,507) |
| Buyback of Ordinary Shares for Treasury (see Note 14) | - | (670) | (670) | - | (1,307) | (1,307) |
| Closing balance at 31 March 2024 | (5,300) | 73,399 | 68,099 | (3,555) | 85,686 | 82,131 |

Of the Company's Retained Earnings of £68,099,000 (2023: £82,131,000), £74,797,000 (2023 restated: £75,375,000) is considered to be distributable.

## 17. Net asset value per equity share

The net asset values per Ordinary Share are based on the Group's net assets attributable of £91,100,000 (2023 restated - £105,132,000) and on the Company's net assets attributable of £91,100,000 (2023 restated - £105,132,000) and on 42,664,550 (2023 - 43,012,464) Ordinary Shares in issue at the year end, excluding shares held in Treasury.

The net asset value per Ordinary Share, based on the net assets of the Group and the Company adjusted for borrowings at fair value (see Note 21) of £92,070,000 (2023 restated - £105,384,000) is 215.80p (2023 restated - 245.01p).

| | As at 31 March 2024 | | As at 31 March 2023 Restated | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Net assets at 31 March 2024 | 91,100 | 91,100 | 105,132 | 105,132 |
| Fair value adjustments | 970 | 970 | 252 | 252 |
| Net assets with borrowings at fair value | 92,070 | 92,070 | 105,384 | 105,384 |
| Number of shares in issue | 42,664,550 | 42,664,550 | 43,012,464 | 43,012,464 |
| Net asset value per share | 213.53p | 213.53p | 244.42p | 244.42p |
| Net asset value per share with borrowings at fair value | 215.80p | 215.80p | 245.01p | 245.01p |

## 18. Reconciliation of income from operations before tax to net cash inflow from operating activities

| | Year ended 31 March 2024 | | Year ended 31 March 2023 Restated | |
|---|---|---|---|---|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Income from operations before tax | (2,551) | (2,551) | (14,409) | (14,409) |
| Losses on investments | 11,617 | 11,617 | 23,117 | 23,117 |
| Investment management fee | (863) | (863) | (990) | (990) |
| Other operating expenses | (894) | (894) | (895) | (895) |
| (Increase)/decrease in receivables | (322) | (322) | 653 | 653 |
| Increase/(decrease) in other payables | 547 | 547 | 18 | 18 |
| Net cash from operating activities | 7,534 | 7,534 | 7,494 | 7,494 |

**19. Reconciliation of current and non-current liabilities arising from financing activities**

| | Year ended 31 March 2024 | | Year ended 31 March 2023 | |
|---|---|---|---|---|
| | **Group £'000** | **Company £'000** | **Group £'000** | **Company £'000** |
| **Cash movements** | | | | |
| Payment of rental (for leasing) | 89 | 89 | 87 | 87 |
| Repayment of debenture | - | - | 20,000 | 20,000 |
| Drawdown of loans (for financing) | - | - | (13,000) | (13,000) |
| Loan costs | - | - | 80 | 80 |
| **Non-cash movements** | | | | |
| Finance costs (for leasing) | (159) | (159) | (78) | (78) |
| Changes in fair value | - | - | 578 | 578 |
| Issue premium on debenture | - | - | 111 | 111 |
| Effective interest | (35) | (35) | (24) | (24) |
| Amortisation of loan premium and expenses and fair value adjustment | (38) | (38) | (22) | (22) |
| Change in debt in the year | (143) | (143) | 7,732 | 7,732 |
| Opening debt at 31 March 2023 | (51,853) | (51,853) | (59,585) | (59,585) |
| Closing debt at 31 March 2024 | (51,996) | (51,996) | (51,853) | (51,583) |

**20. Relationship with the Investment Manager and Related Parties**

Value and Indexed Property Income Services Limited is a wholly owned subsidiary of 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 year.

Matthew Oakeshott is a director of OLIM Property Limited, which has an agreement with the Group to provide investment management services, the terms of which are outlined in the Directors' Report in the Annual Report and in Note 3.

**21. Financial instruments and investment property risks**

**Risk management**

The Group's and the Company's financial instruments and investment property comprise property and other investments, cash balances, loans and payables and receivables that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement or debtors for accrued income.

The Managers have dedicated investment management processes which ensures that the Investment Policy is achieved. The portfolio is reviewed on a periodic basis by a senior investment manager and by OLIM Property's Investment Committee.

Additionally, the Manager's Compliance Officer continually monitors the Group's investment and borrowing powers and reports to the Manager.

The main risks that the Group faces from its financial instruments are:

(i) market risk (comprising price risk and interest rate risk)
(ii) liquidity risk
(iii) credit risk

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

**(i) Market risk**

The fair value of, or future cash flows from, a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk.

**Price risk**

Price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the Group's investments.

All investment properties held by the Group are commercial properties located in the UK with long, strong income streams.

**Price risk sensitivity**

If market prices at the date of the Statement of Financial Position had been 10% higher or lower, while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 31 March 2024 would have increased/decreased by £13,511,000 (2023 - (restated) increase/decrease of £14,706,000) and equity reserves would have increased/decreased by the same amount.

**Interest rate risk**

Interest rate movements may affect:

- the fair value of the investments in property; and
- the level of income receivable on cash deposits.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise five and ten year bank loans, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 50%. Details of borrowings at 31 March 2024 are shown in Note 12.

**Interest risk profile**

The interest rate risk profile of the portfolio of financial assets and liabilities at the statement of financial position date was as follows:

| | Weighted average period for which rate is fixed Years | Weighted average interest rate % | Fixed rate £'000 | Floating rate £'000 |
|---|---|---|---|---|
| **At 31 March 2024** | | | | |
| **Assets** | | | | |
| Sterling | - | 3.79 | - | 2,695 |
| Total assets | - | 3.79 | - | 2,695 |
| **At 31 March 2024** | | | | |
| **Liabilities** | | | | |
| Sterling | 6.90 | 3.92 | 47,365 | 1,708 |
| Total liabilities | 6.90 | 3.92 | 47,365 | 1,708 |
| **At 31 March 2023** | | | | |
| **Assets** | | | | |
| Sterling | - | 3.18 | - | 2,273 |
| Total assets | - | 3.18 | - | 2,273 |
| **At 31 March 2023** | | | | |
| **Liabilities** | | | | |
| Sterling | 6.51 | 3.63 | 50,000 | - |
| Total liabilities | 6.51 | 3.63 | 50,000 | - |

The weighted average interest rate on borrowings is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Group's loans are shown in Note 12.

The floating rate assets consist of cash deposits on call, earning interest at prevailing market rates. The Group's equity and property portfolios and short term receivables and payables are non interest bearing and have been excluded from the above tables. All financial liabilities are measured at amortised cost.

**Interest rate sensitivity**

The sensitivity analyses below have been determined based on the exposure to interest rates at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- profit for the year ended 31 March 2024 would increase/decrease by £18,000 (2023 - increase/decrease by £21,000). This is mainly attributable to the Group's exposure to interest rates on its floating rate cash balances.
- the Group holds no financial instruments that will have an equity reserve impact.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Group's objectives.

**Currency sensitivity**

There is no sensitivity analysis included as the Group has no outstanding foreign currency denominated monetary items. Where the Group's equity investments (which are non-monetary items) are affected, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

**(ii) Liquidity risk**

This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

The Group's assets of cash or near cash securities and investment properties which, by their nature, are less readily realisable. The maturity of the Group's mainly fixed rate borrowings is set out in the interest risk profile section of this Note.

The table below details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash outflows, including both interest and principal cash flows, and on the earliest date upon which the Group can be required to make payment.

| | Carrying value £'000 | Expected cashflows £'000 | Due within 3 months £'000 | Due between 3 months and 1 year £'000 | Due after 1 year £'000 |
|---|---|---|---|---|---|
| **At 31 March 2024** | | | | | |
| Borrowings | 49,073 | 63,666 | 493 | 1,478 | 61,695 |
| Leases | 2,923 | 7,286 | 22 | 67 | 7,197 |
| Other payables | 3,418 | 3,418 | 3,418 | - | - |
| Total | 55,414 | 74,370 | 3,933 | 1,545 | 68,892 |
| **At 31 March 2023** | | | | | |
| Borrowings | 50,270 | 62,378 | 405 | 1,245 | 60,728 |
| Leases | 2,853 | 7,177 | 22 | 65 | 7,090 |
| Other payables | 1,500 | 1,500 | 1,500 | - | - |
| Total | 54,623 | 71,055 | 1,927 | 1,310 | 67,818 |

**(iii) Credit risk**

This is the failure of a counterparty to a transaction to discharge its obligations under that transaction that could result in the Group suffering a loss. Cash is held only with reputable banks with high quality external credit rating, which are monitored on a regular basis.

**Credit risk exposure**

In summary, compared to the amounts on the Group Statement of Financial Position, the maximum exposure to credit risk during the year to 31 March was as follows:

| | Year ended 31 March 2024 | | Year ended 31 March 2023 Restated | |
|---|---|---|---|---|
| | Statement of Financial Position £'000 | Maximum exposure £'000 | Statement of Financial Position £'000 | Maximum exposure £'000 |
| **Current assets** | | | | |
| Cash and cash equivalents | 2,695 | 9,593 | 2,273 | 27,725 |
| Other receivables | 687 | 2,787 | 337 | 8,239 |
| | 3,382 | 12,380 | 2,610 | 35,964 |

**(iv) Property risk**

The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market.

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length to the break option is 11.6 years (2023 - 12.6 years). Details of the tenant and geographical spread of the portfolio are set out in the Annual years (2023 - 12.6 years). Details of the tenant and geographical spread of the portfolio are set out in the Annual Report. The long term record of performance through the varying property cycles since 1987 is set out in the Annual Report. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

The Group leases out its investment property to its tenants under operating leases. At 31 March 2024, the future minimum lease receipts, including minimum future uplifts in rent, under non-cancellable leases are as follows:

| | As at 31 March 2024 £'000 | As at 31 March 2023 £'000 |
|---|---|---|
| Due within 1 year | 10,383 | 9,338 |
| Due between 2 and 5 years | 39,073 | 36,302 |
| Due after more than 5 years | 75,930 | 89,151 |
| | 125,386 | 134,791 |

This amount comprises the total contracted rent receivable as at 31 March 2024.

None of the Group's financial assets is past due or impaired.

**Fair values of financial assets and financial liabilities**

All assets and liabilities of the Group other than receivables and payables and the borrowings are included in the Statement of Financial Position at fair value.

**(i) Fair value hierarchy disclosures**

Investment properties, investment subsidiaries and the £35 million bank borrowings are held in the Statement of Financial Position at fair value.

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 |
|---|---|---|---|---|
| **At 31 March 2024** | | | | |
| Investment properties | - | - | 135,112 | 135,112 |
| | - | - | 135,112 | 135,112 |
| **At 31 March 2023 (Restated)** | | | | |
| Investment properties | - | - | 147,055 | 147,055 |
| | - | - | 147,055 | 147,055 |

Company and Group numbers per the above fair value disclosures are the same except for the investment of £200,000 made by the Company in its subsidiary, which was the subject of an inter-group transfer in 2014. This investment falls under Level 3.

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

There were no transfers between Levels during the year.

**(ii) Borrowings**

The fair value of borrowings has been calculated at £48,103,000 as at 31 March 2024 (2023 - £48,748,000) compared to a Statement of Financial Position value in the Financial Statements of £49,073,000 (2023 - £49,000,000) per Note 12.

The fair values of the loans are determined by a discounted cash flow calculation based on the appropriate inter-bank rate plus the margin per the loan agreement. There were no transfers between Levels during the year.

All other assets and liabilities of the Group are included in the Statement of Financial Position at fair value.

**(iii) Financial instruments by category**

**Financial assets**

| | Fair value through profit or loss | | Amortised cost | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023 Restated** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Cash and cash equivalents | - | - | 2,695 | 2,273 |
| Other receivables | - | - | 6,479 | 6,546 |
| **Total financial assets** | **-** | **-** | **9,174** | **8,819** |

**Financial liabilities**

| | Fair value through profit or loss | | Amortised cost | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023 Restated** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Other payables | - | - | (5,954) | (5,103) |
| Loans and other borrowings | - | (34,116) | (49,073) | (14,884) |
| **Total financial liabilities** | **-** | **(34,116)** | **(55,027)** | **(19,987)** |

**22. Capital management policies and procedures**

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern; and
- to maximise the return to its equity shareholders in the form of long term real growth in dividends and capital value without undue risk.

The capital of the Group consists of equity, comprising issued capital, reserves, borrowings and retained earnings.

The Board monitors and reviews the broad structure of the Group's capital. This review includes:

- the planned level of gearing which takes into account the Manager's view of the market and the extent to which revenue in excess of that which requires to be distributed should be retained.

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

Details of the Group's gearing and financial covenants are disclosed in Note 12.

**23. Commitments**

The Board is recommending the payment of a final dividend of 3.6p per Ordinary Share (2023: 3.6p) and, subject to receiving Shareholder approval at the 2024 AGM, will be paid on 26 July 2024 to all Shareholders on the register 28 June 2024.

There are no significant subsequent events for the Group or the Company, though purchases and sales of property in the normal course of business which completed after the year end are disclosed in the Annual Report.

**24. Correction of errors**

During the year to 31 March 2024, the Group discovered an error in the calculation of the operating lease asset brought forward, being the operating lease income arising from the spreading of lease incentives or minimum future uplifts over the length of the lease term for each of the investment properties. The 2023 financial statements have been restated to take account of this error, and the consequential tax impact, which resulted in a decrease to Net Asset Value of £1,058,000 with the Net Asset Value per Ordinary Share moving from 246.88p to 244.42p.

As a result of the restatement, the Group's basic earnings per share increased from -55.22p to -54.20p. There has been no impact on the total operating, investing or financing cash flows for the years ended 31 March 2024 and 2023.

The error has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group and Company financial statements.

**(i) Statement of Financial Position**

| | Group | Company |
|---|---|---|

| As at 31 March 2022 | Impact of correction of error<br>As previously reported<br>£'000 | Adjustments<br>£'000 | As restated<br>£'000 | Impact of correction of error<br>As previously reported<br>£'000 | Adjustments<br>£'000 | As restated<br>£'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non current assets** | | | | | | |
| Investment properties | 155,838 | (3,508) | 152,330 | 155,838 | (3,508) | 152,330 |
| Investments held at fair value through profit or loss | 26,871 | - | 26,871 | 27,071 | - | 27,071 |
| | 182,709 | (3,508) | 179,201 | 182,909 | (3,508) | 179,401 |
| Deferred tax asset | 4,091 | (1,502) | 2,589 | 4,091 | (1,502) | 2,589 |
| Receivables | 2,238 | 3,696 | 5,934 | 2,238 | 3,696 | 5,934 |
| | 189,038 | (1,314) | 187,724 | 189,238 | (1,314) | 187,924 |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 5,153 | - | 5,153 | 4,953 | - | 4,953 |
| Receivables | 4,709 | (188) | 4,521 | 4,709 | (188) | 4,521 |
| | 9,862 | (188) | 9,674 | 9,662 | (188) | 9,474 |
| **Total assets** | 198,900 | (1,502) | 197,398 | 198,900 | (1,502) | 197,398 |
| **Current liabilities** | | | | | | |
| Payables | (2,423) | - | (2,423) | (2,423) | - | (2,423) |
| Total assets less current liabilities | 196,477 | (1,502) | 194,975 | 196,477 | (1,502) | 194,975 |
| **Non-current liabilities** | | | | | | |
| Payables | (2,854) | - | (2,854) | (2,854) | - | (2,854) |
| Borrowings | (56,723) | - | (56,723) | (56,723) | - | (56,723) |
| | (59,577) | - | (59,577) | (59,577) | - | (59,577) |
| Net assets | 136,900 | (1,502) | 135,398 | 136,900 | (1,502) | 135,398 |
| **Equity attributable to equity shareholders** | | | | | | |
| Called up share capital | 4,555 | - | 4,555 | 4,555 | - | 4,555 |
| Share premium | 18,446 | - | 18,446 | 18,446 | - | 18,446 |
| Retained earnings | 113,899 | (1,502) | 112,397 | 113,899 | (1,502) | 112,397 |
| Total equity | 136,900 | (1,502) | 135,398 | 136,900 | (1,502) | 135,398 |

| As at 31 March 2023 | Group<br>Impact of correction of error<br>As previously reported<br>£'000 | Adjustments<br>£'000 | As restated<br>£'000 | Company<br>Impact of correction of error<br>As previously reported<br>£'000 | Adjustments<br>£'000 | As restated<br>£'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non current assets** | | | | | | |
| Investment properties | 150,636 | (3,581) | 147,055 | 150,636 | (3,581) | 147,055 |
| Investments held at fair value through profit or loss | - | - | - | 200 | - | 200 |
| | 150,636 | (3,581) | 147,055 | 150,836 | (3,581) | 147,255 |
| Deferred tax asset | 4,537 | (1,058) | 3,479 | 4,537 | (1,058) | 3,479 |
| Receivables | 2,366 | 3,843 | 6,209 | 2,366 | 3,843 | 6,209 |
| | 157,539 | (796) | 156,743 | 157,739 | (796) | 156,943 |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 2,273 | - | 2,273 | 2,073 | - | 2,073 |
| Receivables | 599 | (262) | 337 | 599 | (262) | 337 |
| | 2,872 | (262) | 2,610 | 2,672 | (262) | 2,410 |
| **Total assets** | 160,411 | (1,058) | 159,353 | 160,411 | (1,058) | 159,353 |
| **Current liabilities** | | | | | | |
| Payables | (2,376) | - | (2,376) | (2,376) | - | (2,376) |
| Total assets less current liabilities | 158,035 | (1,058) | 156,977 | 158,035 | (1,058) | 156,977 |
| **Non-current liabilities** | | | | | | |
| Payables | (2,845) | - | (2,845) | (2,845) | - | (2,845) |
| Borrowings | (49,000) | - | (49,000) | (49,000) | - | (49,000) |
| | (51,845) | - | (51,845) | (51,845) | - | (51,845) |
| Net assets | 106,190 | (1,058) | 105,132 | 106,190 | (1,058) | 105,132 |
| **Equity attributable to equity shareholders** | | | | | | |
| Called up share capital | 4,555 | - | 4,555 | 4,555 | - | 4,555 |
| Share premium | 18,446 | - | 18,446 | 18,446 | - | 18,446 |
| Retained earnings | 83,189 | (1,058) | 82,131 | 83,189 | (1,058) | 82,131 |
| Total equity | 106,190 | (1,058) | 105,132 | 106,190 | (1,058) | 105,132 |

**(ii) Statement of Comprehensive Income**

| For the year ended 31 March 2023 | Group Impact of correction of error As previously reported | | | Group Impact of correction of error Adjustments | | | Group Impact of correction of error As restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **Income** | | | | | | | | | |
| Rental income | 8,358 | - | 8,358 | (132) | - | (132) | 8,226 | - | 8,226 |
| Investment income | 168 | - | 168 | - | - | - | 168 | - | 168 |
| Other income | 314 | - | 314 | - | - | - | 314 | - | 314 |
| | 8,840 | - | 8,840 | (132) | - | (132) | 8,708 | - | 8,708 |
| **Gains and losses on investments** | | | | | | | | | |
| Realised gains on held-at-fair-value investments and investment properties | - | 1,446 | 1,446 | - | - | - | - | 1,446 | 1,446 |
| Unrealised (losses)/gains on held-at-fair-value investments and investment properties | - | (24,695) | (24,695) | - | 132 | 132 | - | (24,563) | (24,563) |
| **Total income** | 8,840 | (23,249) | (14,409) | (132) | 132 | - | 8,708 | (23,117) | (14,409) |
| **Expenses** | | | | | | | | | |
| Investment management fees | (990) | - | (990) | - | - | - | (990) | - | (990) |
| Other operating expenses | (895) | - | (895) | - | - | - | (895) | - | (895) |
| **Finance costs** | (1,779) | (6,269) | (8,048) | - | - | - | (1,779) | (6,269) | (8,048) |
| **Total expenses** | (3,664) | (6,269) | (9,933) | - | - | - | (3,664) | (6,269) | (9,933) |
| **Profit/(Loss) before taxation** | 5,176 | (29,518) | (24,342) | (132) | 132 | - | 5,044 | (29,386) | (24,342) |
| **Taxation** | (979) | 1,425 | 446 | 444 | - | 444 | (535) | 1,425 | 890 |
| Profit/(Loss) attributable to equity shareholders of parent company | 4,197 | (28,093) | (23,896) | 312 | 132 | 444 | 4,509 | (27,961) | (23,452) |
| **Earnings per Ordinary Share (pence)** | 9.70 | (64.92) | (55.22) | 0.72 | 0.30 | 1.02 | 10.42 | (64.62) | (54.20) |

| For the year ended 31 March 2023 | Company Impact of correction of error As previously reported | | | Company Impact of correction of error Adjustments | | | Company Impact of correction of error As restated | | |
|---|---|---|---|---|---|---|---|---|---|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| **Income** | | | | | | | | | |
| Rental income | 8,358 | - | 8,358 | (132) | - | (132) | 8,226 | - | 8,226 |
| Investment income | 168 | - | 168 | - | - | - | 168 | - | 168 |
| Other income | 314 | - | 314 | - | - | - | 314 | - | 314 |
| | 8,840 | - | 8,840 | (132) | - | (132) | 8,708 | - | 8,708 |
| **Gains and losses on investments** | | | | | | | | | |
| Realised gains on held-at-fair-value investments and investment properties | - | 1,446 | 1,446 | - | - | - | - | 1,446 | 1,446 |
| Unrealised (losses)/gains on held-at-fair-value investments and investment properties | - | (24,695) | (24,695) | - | 132 | 132 | - | (24,563) | (24,563) |
| Total income | 8,840 | (23,249) | (14,409) | (132) | 132 | - | 8,708 | (23,117) | (14,409) |
| **Expenses** | | | | | | | | | |
| Investment management fees | (990) | - | (990) | - | - | - | (990) | - | (990) |
| Other operating expenses | (895) | - | (895) | - | - | - | (895) | - | (895) |
| Finance costs | (1,779) | (6,269) | (8,048) | - | - | - | (1,779) | (6,269) | (8,048) |
| Total expenses | (3,664) | (6,269) | (9,933) | - | - | - | (3,664) | (6,269) | (9,933) |
| Profit/(Loss) before taxation | 5,176 | (29,518) | (24,342) | (132) | 132 | - | 5,044 | (29,386) | (24,342) |
| Taxation | (979) | 1,425 | 446 | 444 | - | 444 | (535) | 1,425 | 890 |
| Profit/(Loss) attributable to equity shareholders of parent company | 4,197 | (28,093) | (23,896) | 312 | 132 | 444 | 4,509 | (27,961) | (23,452) |
| **Earnings per Ordinary Share (pence)** | 9.70 | (64.92) | (55.22) | 0.72 | 0.30 | 1.02 | 10.42 | (64.62) | (54.20) |

**Additional Information**

In accordance with section 435 of the Companies Act 2006, the Directors advise that the financial information set out in this announcement does not constitute the Group's statutory Financial Statements for the period ended 31 March 2024 but is derived from these Financial Statements. The statutory Financial Statements for the year ended 31 March 2023 have been delivered to the Registrar of Companies and contained an audit report which was unqualified and did not constitute statements under S498(2) or S498(3) of the Companies Act 2006.

The Financial Statements for the period ended 31 March 2024 have been prepared in accordance with UK adopted international accounting standards. The Financial Statements for the period ended 31 March 2024 will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these

Financial Statements; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The Group and Company Statement of Financial Position at 31 March 2024 and the Group and Company Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended have been extracted from the Group's Financial Statements. Those Financial Statements have not yet been delivered to the Registrar.

The 2024 Annual Report and Financial Statements will be posted to Shareholders shortly and will contain the Notice of the Annual General Meeting of the Company to be held on Thursday, 11 July 2024 at 12.30pm at the offices of Shepherd & Wedderburn LLP, 9 Haymarket Square, Edinburgh, EH3 8FY.

**For Value and Indexed Property Income Trust PLC**
**Maven Capital Partners UK LLP**
**Company Secretary**

**11 June 2024**



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