

VALUE AND INDEXED PROPERTY INCOME TRUST PLC

Unaudited Half-Yearly Report For the Six Months Ended 30 September 2024

Value and Indexed Property Income Trust PLC announces its Half Year Results for the six months to 30 September 2024. A full copy of the 2024 Half-Yearly Report and Financial Statements will be printed and issued to Shareholders and is available on the Company's webpages hosted by the Investment Manager, OLIM Property Limited, at <https://www.olimproperty.co.uk/value-and-indexed-property-income-trust.html> and can be viewed at <https://www.olimproperty.co.uk/downloads/vip-2024-interim-report.pdf>.

Summary

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

VIP's property portfolio delivered a total return of 4.0% over the six months to 30 September 2024 against 2.7% for the MSCI UK Quarterly Property Index. Over the past 5 years the VIP property return was 3.6% p.a. (Index 1.1% p.a.) and over 10 years it was 6.8% p.a. (Index 4.3% p.a.).

VIP's dividend per share has risen every year since 1986 when OLIM's management began. It has risen by 956% against the UK Retail Price Index rise of 281%. The medium term dividend policy is for increases at least in line with inflation, underpinned by VIP's index-related property income. A first interim dividend of 3.4p per share was paid on 25 October 2024. The second interim dividend of 3.4p per share will be paid on 31 January 2025 to Shareholders on the register on 3 January 2025, with an ex-dividend date of 23 December 2024. It is intended that a third interim dividend of 3.4p per share will be paid on 25 April 2025 to all Shareholders on the register on 28 March 2025, with an ex-dividend date of 27 March 2025. The targeted total dividend for the full year is 13.6p (+3.0%).

Over the six months to end September, four properties were sold for 4.3% above their March 2024 valuation total (shorter let properties at Fareham, Risca, and Thurrock and one overrented long let London pub, back to the tenant, Shepherd Neame). In August, VIP reinvested the proceeds of these sales, along with part of a new £15 million loan, in an RPI-linked long let Blue Diamond garden centre in Nantwich, Bridgemere Garden Centre. VIP continues to look for further opportunities to upgrade and strengthen the portfolio. Rent increases were achieved on nine properties, and 100% of rent due was collected.

The portfolio is fully let, with no voids (MSCI UK Quarterly Property Index void rate: 9.1%). VIP has no exposure to offices, high street retail or shopping centres. The top eight tenants have nineteen leases: Marks & Spencer, Blue Diamond, Ten Entertainment Group, Premier Inn, Sainsbury's, Parkdean Resorts, HM Government and Co-operative Group, representing 68% of the contracted income.

Borrowings	30 September 2024	31 March 2024
Average interest rate*	4.5%	3.9%
Total loans (loan to value)	£65 million (39%)	£50 million (35%)
Loan maturity	6.9 years	6.9 years

* 96% of VIP's borrowings are at a fixed rate, with 4% variable.

Performance	30 September 2024	31 March 2024
Net Asset Value per Share (valuing debt at par)	210.2p	211.4p

Ordinary Share Price	185.5p	1/1.3p
Dividend per Share	6.8p (first and second interims)	13.2p (total)

Over the six months to 30 September 2024, VIP's share price increased by 8.3%, while the Net Asset Value per share, valuing debt at par, fell by 0.6%. 215,703 shares were bought back for £364,000. VIP's independent property revaluation increased by 1.1% over the period, giving a total return of 4.0% against 2.7% for the MSCI UK Quarterly Property Index. The portfolio outperformed on both income and capital fronts.

The intended retail investor in the Company is a retail investor who is seeking long-term (at least five years) real growth in dividends and capital value from investing in directly held UK commercial property, plus cash or near cash securities, pending re-investment.

Financial Calendar

November 2024: Announcement of Half-Yearly Financial Results for the six months to 30 September 2024

31 January 2025: Second quarterly dividend payable for the year ending 31 March 2025

25 April 2025: Third quarterly dividend payable for the year ending 31 March 2025

ENQUIRIES:

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Manager's Report

Portfolio summary

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

The portfolio comprises 32 properties across 7 well diversified sub-sectors, let on 34 full repairing and insuring leases (Weighted Average Unexpired Lease Term - WAULT - 13.7 years to the tenants' option to break) to 20 different tenant covenants across England, Scotland and Wales. All are freehold except one long leasehold with 107 years to run (Doncaster).

Portfolio	30 September 2024	31 March 2024
Capital value:	£146,150,000	£138,100,000
Contracted income (Rent collected 100%):	£9,901,796	£9,665,326
Net initial yield	6.4%	6.6%
Number of properties:	32	35
Total Number of Tenants (Portfolio is 100% let):	34	38
Contracted indexed income:	100.0%	96.0%
WAULT	13.7 years	11.6 years

Performance and independent revaluation

Savills' independent valuation as at end September 2024 totalled £146.15 million on 32 properties against £138.10 million on 35 properties as at 31 March 2024. This reflected a net initial yield of 6.4% (31 March 2024: 6.6%) after deducting notional purchase costs. The average lot size is £4.6 million.

The valuation reflects a 1.1% like-for-like increase in capital value of the 31 properties held over the six months. Supermarkets, industrials, bowling and hotels rose in value, with all other sectors unchanged.

The property portfolio has been upgraded over the six months with the sale of four properties - shorter let properties at Fareham, Risca, and Thurrock, and an overrented long let London pub, back to the tenant, Shepherd Neame, for a gross total of £10.32 million (+4.3% on March 2024 valuation) and a net sale yield of 7.5%.

One property was purchased over the six months to end September. In August, VIP acquired the freehold Bridgemere Garden Centre investment on a 36.5 acre site near Nantwich (Cheshire) for £16.5 million at a net initial yield of 6.6%, rising to an estimated 7.8% in December 2025. It is let to Blue Diamond Limited on a full repairing and insuring lease without break to 2049 (WAULT of 25 years), with five yearly rental increases in line with the Retail Price Index (RPI), capped at 4% p.a. and collared at 1% p.a. We are actively seeking to upgrade portfolio quality further by investing in similar properties with long leases and strong, long term growth prospects and selling shorter let properties with less potential.

The property portfolio total return on all assets, taking capital and income together and deducting all costs, was +4.0% over the six months, against +2.7% for the MSCI UK Quarterly Property Index. VIP's portfolio outperformed by 1.3%, continuing its consistent outperformance by an average of 2%-3% a year over 3, 5, 10, 20 and 37 years.

Responsible impact based ESG management and EPCs

OLIM Property has always taken a cautious and responsible approach to managing VIP's property portfolio, with environmental impact, social responsibility and governance (ESG) taken fully into account in selecting high quality properties with suitable tenants for acquisition, long term management and disposal. Occupier relationships are crucial. We engage with our tenants to understand and establish sustainable rental levels and grow future income streams, working closely with them to address value add energy performance targets. All VIP's properties are regularly reviewed, Energy Performance Certificates (EPCs) and ESG improvements implemented wherever possible, and properties sold where performance may be negatively impacted by ESG factors. 100% of the portfolio now has EPC ratings A to C (31 March 2024: 97%). We continue to work with our tenants to upgrade properties and improve energy efficiency.

Indexed rent reviews

Contracted income from the 32 properties is £9.902 million per annum as at 30 September 2024. 100% (34 tenancies) have index-linked or fixed increases. 86.9% of the rental income is linked to RPI, 9.7% linked to CPI, and 3.4% with fixed increases. Eight tenancies (28.7%) have annual rent reviews and twenty-six (71.3%) have five yearly reviews.

Rent increases were completed at seven properties over the six months, with an average uplift of +4.1% on their passing rents (six with RPI-linked increases and one with fixed uplifts), contributing to a +3.3% increase in income on all held properties over the six months.

Market Report

The UK property downturn of 2022 - 2023 is over and the market is now in a cyclical upswing. Average commercial property values, as measured by the MSCI UK Quarterly Property Index, the main benchmark for institutional property performance, stabilised over the summer and are now growing again, after falling by almost a quarter since mid 2022. Investment volumes and investor confidence are also picking up from a low base.

Capital values rising again - % changes by sector

Sector	June 2022 to March 2024	March 2024 to September 2024
Retail	-19.1	+1.3
Office	-27.4	-2.5
Industrial	-26.0	+1.5
Alternatives	-12.8	+0.2
All Property	-22.6	+0.3

Source: MSCI UK Quarterly Property Index September 2024

Capital values across the non-office sectors of the property market are now developing enough momentum to outweigh offices' weakness. Turnover has been low, making valuers' jobs harder than usual, with an unusually wide spread between the prices most buyers are prepared to offer and most sellers prepared to accept. Many sales which completed earlier this year were, therefore, 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.

But with more stock now coming to the market, and more competitive bidding, there will be more evidence for valuers to confirm that the long rise in valuation yields is over and capital values are growing again. Property performance in 2025 should therefore benefit both from rising rents and capital values.

		3 months	1 year	3 years	5 years	10 years
Capital values	All property	0.9	-2.6	-4.8	-3.2	-0.2
Rental values	All property	3.8	3.7	3.8	1.7	1.8
Total returns	All property	5.5	2.1	-0.6	1.1	4.3

Source: MSCI UK Quarterly Property Index September 2024

The pain is still 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, so far in 2024 have been +3.2% for the market as a whole, with retail at +5.3%, industrial at +5.0%, the alternatives sectors at +2.6%, and offices at -0.5%. Underlying rental values are still generally improving, by +3.7% on average on an annualised basis, with industrials leading the way.

Comparative investment yields - End December (except 2024 end September)

	2024	2023	2022	2021	2020	2011	2008	2006
Property (equivalent yield)	6.6	6.4	6.1	5.1	5.8	6.9	8.3	5.4
Long Gilts: Conventional	4.0	4.5	3.8	1.0	0.2	2.5	3.7	4.6
Index-linked	0.7	0.8	0.3	-2.6	-2.6	-0.2	0.8	1.1
UK Equities	3.6	3.8	3.6	3.1	3.4	3.5	4.5	2.9
RPI (annual rate)	2.7	8.9	13.4	7.5	1.2	4.8	0.9	4.4
Yield gaps: Property less Conventional Gilts	2.6	1.9	2.3	4.1	5.6	4.4	4.6	0.8
Property less Index Linked Gilts	5.9	5.6	5.8	7.7	8.4	7.1	7.5	4.4
Property less Equities	3.0	2.6	2.5	2.0	2.4	3.4	3.8	2.5

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

UK 10 year gilt yields have been volatile over the past year, rising to a high of 4.7% last October, then falling to 3.5% at the year end. They rose again to 4.2% at end June, influenced mainly by rising US bond yields and concerns about the Middle East and Ukraine despite a much improved outlook for world food and energy prices. They calmed over the summer, generally trading at or below 4%, but rose to 4.5% in October after the Budget and over the US Presidential Election. UK index-linked gilt yields rose slightly in October to 0.9%.

UK commercial property offers fair value against equities and conventional fixed-coupon gilts, and outstanding value against index-linked gilts, which still only offer negligible real returns at considerable capital risk, as shown by their performance since 2021.

As the chart in the Half Yearly Report shows, office vacancies are well above their previous historic highs. Occupancy levels in the retail, industrial and alternative sectors are either below or in line with their long term averages.

Markets breathed a sigh of relief at the UK General Election result in July, after the upheavals of the past few years, including Brexit and Prime Minister Truss. But caution returned as the Budget on 30 October contained major tax rises, reflecting the deep seated pressures on the public finances. The economy is growing again, annual consumer price inflation should stay between 2% and 3% and short term interest rates should gradually fall further. But UK ten year gilt yields have risen from 4.0% to 4.5% since end September, partly due to American election concerns, with President Trump's re-election seen as likely to raise inflation and government debt.

UK commercial property should benefit from more stability and public investment over the next year but a rising tide will not float all boats. Property portfolios that stay ahead of structural and environmental change, stick to strong tenants, paying affordable rents on long, indexed leases for sustainable buildings in prosperous locations should outperform. That means still avoiding office investments for the foreseeable future and focussing hard in other sectors, replacing weaker or ex-growth properties with safer and stronger new purchases, and upgrading portfolio quality both by lease extensions and improvements to existing properties.

Matthew Oakeshott & Louise Cleary

OLIM Property Limited

Management and administration of VIP

As announced on 9 September 2024, and with effect from 8 September 2024, the Company changed its Alternative Investment Fund Manager (AIFM) from its wholly owned subsidiary, Value and Indexed Property Income Services Limited, to OLIM Property Limited (OLIM Property), the Company's current delegated Investment Manager. There was no change to the portfolio management or fee arrangements.

The Investment Manager is responsible for the management of the investment of the assets of the Company in accordance with the Company's investment objective and policy.

BNP Paribas Securities Services is the Company's Depositary and oversees the Company's custody and cash arrangements.

Principal and Emerging Risks and Uncertainties

The Board carries out a regular review and robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These principal and emerging risks and uncertainties are set out in full in the Strategic Report within the 2024 Annual Report, and remain applicable to the rest of the financial year.

Climate Change and Social Responsibility Risk

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

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

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

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

John Kay

Chairman

25 November 2024

Group Statement of Comprehensive Income

	Note	6 months ended 30 September 2024 (unaudited)			6 months ended 30 September 2023 (unaudited)			Year ended 31 March 2024 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income										
Rental income	2	4,226	-	4,226	4,540	-	4,540	8,824	-	8,824
Other income	2	144	-	144	100	-	100	242	-	242
		4,370	-	4,370	4,639	-	4,639	9,066	-	9,066
Gains and losses on investments										
Realised gains on held-at-fair-value investments and investment properties	-	309	309	-	108	108	-	(137)	(137)	
Unrealised gains/(losses) on held-at-fair-value investments and investment properties	-	939	939	-	(7,405)	(7,405)	-	(11,480)	(11,480)	
Total income		4,370	1,248	5,618	4,639	(7,297)	(2,658)	9,066	(11,617)	(2,551)

Expenses									
Investment management fees	(437)	-	(437)	(440)	-	(440)	(863)	-	(863)
Other operating expenses	(448)	-	(448)	(443)	-	(443)	(894)	-	(894)
Finance costs	(1,545)	-	(1,545)	(1,078)	-	(1,078)	(2,142)	-	(2,142)
Exceptional items	3	4,511	-	4,511	-	-	-	-	-
Total expenses	<u>2,081</u>	-	<u>2,081</u>	<u>(1,961)</u>	-	<u>(1,961)</u>	<u>(3,899)</u>	-	<u>(3,899)</u>
Profit/(loss) before taxation	6,451	1,248	7,699	2,678	(7,297)	(4,619)	5,167	(11,617)	(6,450)
Taxation									
Profit/(loss) attributable to equity shareholders of parent company									
Earnings per Ordinary Share (pence)	3	12.74	2.94	15.68	4.76	(17.06)	(12.30)	9.14	(27.11)
									(17.97)

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

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

The Board declared a first quarterly dividend of 3.4p per share (2024 - 3.2p), which was paid on 25 October 2024 to all Shareholders on the register on 27 September 2024 (ex-dividend date of 26 September 2024). A second quarterly dividend of 3.4p per share (2024 - 3.2p) will be paid on 31 January 2025 to those Shareholders on the register on 3 January 2025 with an ex-dividend date of 23 December 2024. The third quarterly dividend of 3.4p (2024 - 3.2p) will be paid on 25 April 2025 to those Shareholders on the register on 28 March 2025. The ex-dividend date will be 27 March 2025.

Group Statement of Financial Position

	Note	As at 30 September 2024 £'000	As at 31 March 2024 £'000	As at 30 September 2023 £'000
Assets				
Non current assets				
Investment properties	8	140,741	135,112	135,660
Deferred tax asset		1,186	2,228	3,893
Receivables		5,266	5,792	2,366
		<u>147,193</u>	<u>143,132</u>	<u>141,919</u>
Current assets				
Cash and cash equivalents	8,326	2,695	7,808	
Receivables	2,494	687	2,787	
	<u>10,820</u>	<u>3,382</u>	<u>10,595</u>	
Total assets		<u>158,013</u>	<u>146,514</u>	<u>152,514</u>
Current liabilities				
Payables	(3,806)	(3,428)	(3,012)	
	<u>(3,806)</u>	<u>(3,428)</u>	<u>(3,012)</u>	
Total assets less current liabilities		<u>154,207</u>	<u>143,086</u>	<u>149,503</u>
Non-current liabilities				
Payables	-	(2,913)	(2,918)	
Borrowings	(64,218)	(49,073)	(49,036)	
Exceptional items	3	4,511	-	-
		<u>(59,707)</u>	<u>(51,986)</u>	<u>(51,954)</u>
Net assets		<u>94,500</u>	<u>91,100</u>	<u>97,549</u>
Equity attributable to equity shareholders				
Called up share capital		4,555	4,555	4,555
Share premium		18,446	18,446	18,446
Retained earnings	6	71,499	68,099	74,547
Total equity		<u>94,500</u>	<u>91,100</u>	<u>97,549</u>
Net asset value per Ordinary Share (pence)	3	222.62p	213.53p	228.01p

These Financial Statements were approved by the Board on 25 November 2024 and were signed on its behalf by:

John Kay

Chairman

Group Statement of Changes in Equity

		6 months ended 30 September 2024 (unaudited)		
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000
				Total £'000
Net assets at 31 March 2024		4,555	18,446	68,099
Profit for the period		-	-	6,657
Dividends paid	4	-	-	(2,893)
Buyback of Ordinary Shares for Treasury		-	-	(364)
Net assets at 30 September 2024		4,555	18,446	71,499
				94,500

		Year ended 31 March 2024 (audited)		
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000
				Total £'000
Net assets at 31 March 2023 - Restated	10	4,555	18,446	82,131
Loss for the year		-	-	(7,701)
Dividends paid	4	-	-	(5,661)
Buyback of Ordinary Shares for Treasury		-	-	(670)
Net assets at 31 March 2024		4,555	18,446	68,099
				91,100

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

Group Statement of Cashflows

	Note	6 months ended 30 September 2024 (unaudited) £'000	6 months ended 30 September 2023 (unaudited) £'000	Year ended 31 March 2024 (audited) £'000
Cash flows from operating activities				
Rental income received		3,524	2,759	8,987
Dividend income received		-	-	-
Interest and other income received/(paid)		144	105	241
Operating expenses paid		(893)	(798)	(1,694)
Taxation paid		-	-	-
Net cash inflow from operating activities		2,775	2,066	7,534
Cash flows from investing activities				
Purchase of investment properties		(17,511)	(7,300)	(11,363)
Sale of investment properties		9,849	15,158	12,633
Net cash inflow/(outflow) from investing activities		(7,662)	7,857	1,270
Cash flow from financing activities				
Drawdown of loan		15,000	-	-
Fees paid on new loan		(172)	-	-
Interest paid on loans		(1,036)	(969)	(1,962)
Finance cost of leases		(8)	(40)	(80)
Payments of lease liabilities		(9)	(5)	(9)
Dividends paid		(2,893)	(2,925)	(5,661)
Buyback of Ordinary Shares for Treasury		(364)	(451)	(670)
Net cash outflow from financing activities		10,518	(4,389)	(8,382)
Net increase/decrease in cash and cash equivalents		5,631	5,535	422
Cash and cash equivalents at the start of the period		2,695	2,273	2,273
Cash and cash equivalents at the end of the period		8,326	7,808	2,695

The Notes to these Financial Statements can be found in the Half-Yearly Report.

The financial information contained in the Half Yearly Report does not constitute statutory accounts as defined in sections 434 - 436 of the Companies Act 2006.

The financial information for the six months ended 30 September 2024 and 30 September 2023 has not been audited.

The information for the year ended 31 March 2024 has been extracted and abridged from the latest published audited financial statements and do not constitute the statutory accounts for that year. Those Financial Statements have been filed with the Registrar of Companies and included the Report of the Independent Auditor, which contained no qualification or statement under section 498 of the Companies Act 2006.

The Half-Yearly Report was approved by the Board on 25 November 2024.

Other information

The 2024 Half Yearly Report and Financial Statements will be submitted to the National Storage Mechanism and will be available for inspection at:

<https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism>.

Neither the content of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

By order of the Board

Maven Capital Partners UK LLP

Company Secretary

0141 306 7400

25 November 2024

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