VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2014

Interim Board Report

	30 September 2014	31 March 2014	30 September 2013
Net asset value per share (valuing debt at market)	293.85p	304.30p	287.72p
Net asset value per share (valuing debt at par)	316.64p	325.48p	309.48p
Share price (mid)	258.38p	267.00p	255.00p
Dividend per share	4.30p (Interim)	8.50p (Total)	4.10p (Interim)

Value and Income Trust ('VIT') is a specialist investment trust whose shares are traded on the London Stock Exchange. VIT invests in higher yielding, less fashionable areas of the UK commercial property and equity markets, particularly in medium and smaller sized companies. VIT aims for long term real growth in dividends and capital values without undue risk. Figures for net asset values shown in the tables above and below are calculated after deducting dividends declared but not yet paid, as in previous years.

Over the six months ended 30 September 2014, VIT's share price fell by 3.2% while the net asset value per share, valuing debt at par, decreased by 2.7%. The FTSE All-Share Index (the "Index") fell by 0.6% over the half year. VIT's property portfolio was revalued independently at 30 September 2014.

Over the half-year, the capital value of VIT's equity portfolio (adjusted for sales and purchases) fell by 4.5% compared to a fall of 0.6% in the Index. The capital value of VIT's existing property portfolio rose by 3.2%.

An interim dividend of 4.30p (2013: 4.10p) per share has been declared payable on 2 January 2015 to those shareholders on the register on 5 December 2014. The ex-dividend date will be 4 December 2014.

SUMMARY OF PORTFOLIO

	30 September 2014		31 March 2014		30 September 2013	
	£m	%	£m	%	£m	%
UK equities	127.7	71	135.2	74	126.4	72
UK property	48.8	27	46.5	25	46.4	26
Net current assets	3.0	2	1.9	1	3.5	2
	179.5	100	183.6	100	176.3	100

UK EQUITIES

The Market

Over the six month period to end September, UK equities fell marginally, continuing the pattern of the first nine months of 2014, trading within a narrow range. The FTSE All Share Index fell by 0.6% and recorded a total return, including income, of +1.3%. The market has been finely balanced between the encouraging growth in the UK economy and the escalating problems overseas, both politically and economically. Within the UK market the FTSE 250 Index of Mid-cap companies fell much more, recording -5.5%, a sharp reversal of previous outperformance. The Higher-Yield Index slightly underperformed the market average, recording a fall of 0.9%.

Overseas equity markets outperformed the UK in this period, with America's Index rising by over 5%. The American economy strengthened considerably in the second quarter of 2014, after a weather affected setback in the first quarter. International tensions led to falling fixed interest yields, and ten year gilt yields closed the half year at 2.4%, compared with 2.7% at end March, despite an expectation of rising UK interest rates. The US Fed substantially cut back its programme of quantitative easing, which will end shortly. In a volatile period for exchange rates the dollar rose against the pound by 3% over the six months, having fallen by 2% in the first quarter. The euro was weaker throughout the period and fell by 5% by the end of September.

VIT's Portfolio

Sales and purchases of equities in the first half totalled £8.7m, with net sales of £1.73m. Babcock had a rights issue to fund the acquisition of Avincis, a safety and rescue helicopter company in mainland Europe. Babcock is one of our largest holdings and we sold the rights to the new shares. We sold our holding in Reed Elsevier, which had risen to a level where the yield was very low and we could find more attractive investments elsewhere in the sector. Problems in the UK food retailing industry escalated sharply and Tesco were hit in addition by accounting problems and we sold our holding. We bought a new holding in Daily Mail and General Trust, where the branding is very strong, especially the website, and with considerable cash generation, they have acquired some valuable subsidiaries, notably Euromoney and Zoopla. We added to our holding in Conviviality Retail. At the end of September the equity portfolio was valued at £128m with un-invested capital cash of £0.6m and a yield of 3.7%.

Portfolio Managers' Reports

Performance

After the strong performance of the recent past, VIT's equity portfolio underperformed in this half-year with a fall in capital value (adjusted for sales and purchases) of 4.5%. It was affected by the setback in the Mid-cap Index (-5.5%) and the relative underperformance of high yielding companies. Our large holdings in the industrial sectors of electricals and chemicals fell and Tesco fell heavily before we sold it. On the positive side, our holding of Go Ahead rose by more than a third, having been awarded in May the contract to operate the Thameslink franchise, and continuing to operate efficiently its bus contracts.

Outlook

There is much to concern investors as we approach the end of this year. Although the UK economy is currently growing at the fastest rate in the developed world, our progress is threatened by weakness in other economies, particularly the Eurozone. Germany's recently reported falls in their manufacturing orders and the drop in industrial production in August shocked investors and some economists now predict another recession in the Eurozone. International concerns also include the spread of the Ebola virus, the continuing tensions in Eastern Ukraine, and the fighting in Northern Iraq and Syria. In the UK the future of Scotland may be tested again, and the rise of UKIP makes the outcome of next year's general election possibly more complicated. The UK's economic growth rate is threatened by many factors, both here and overseas. With the volatility in exchange rates in the currency markets, expectations for dividends and earnings growth in 2014 have changed accordingly but we expect modest real growth overall on our portfolio. Ten year Gilt yields have fallen to 2.2% and average equity yields are currently 3.5% with the price earnings ratio well below the long term average. Turbulence is likely to continue in the next few months but we think the current valuation of the UK equity market offers attractive long term value.

Angela Lascelles
OLIM Limited

VIT Property Report

The Market

The recovery in UK commercial property capital values, which began in mid-2012, is now gathering pace. Growth is broadening out from Central London into all regions and types of property as the economy grows. Average capital values are up by 9% so far in 2014 on the IPD Monthly Index, with office and industrial property strongest, and retail property values also on an improving trend. Buying pressure is keenest for large office and industrial portfolios with high yielding, riskier, "recovery stock" type properties seen to offer the best odds for short term capital growth. The Scottish property market was relieved at the result of the Referendum in September but questions still remain on separate levels of stamp duty, property rates and taxation in Scotland.

Commercial Property Values – Annual % Growth to September 2014

	6 Months	1 Year	3 Years	5 Years	10 Years
Capital	+13.6	+12.5	+2.8	+4.8	-0.5
Rental	+3.2	+2.5	+0.7	0.0	+0.1
Total Return	+20.8	+19.7	+9.6	+11.9	+5.9

Source: IPD Monthly Index – Annualised

Rental values are also improving on average, but much more gradually than capital values. Office rental growth has now spread out from Central London across much of Southern England, where industrial warehouse values are also starting to grow again. Average retail rental values stabilised in the spring and are now edging ahead. There is still downward pressure on rents where local spending power and population is in decline, usually in conurbations outside Southern England, but many prosperous smaller towns and suburban high streets and edge of town locations throughout the United Kingdom are now seeing improved demand for space from retailers of various types, especially discount and convenience store operators, as well as café, restaurant and other leisure users. Retailers' covenant quality is also improving as private equity-owned companies such as Poundland, B&M, Pets at Home and Card Factory have floated on the Stock Exchange and the squeeze on real consumer incomes eases. Leisure property capital and rental values are also rising, aided by leases which are often indexed and by acquisitive strong operators such as Greene King bidding for Spirit, and Mitchells and Butlers and Wetherspoons taking new units both in and out of town.

Demand for investments with long index-linked leases in most sectors continues to grow, as large insurance companies and pension funds seek to match their long-term annuity and inflation-linked liabilities with returns less painful than the "return-free risk" offered by index-linked gilts on negative real yields. But investors are becoming noticeably more cautious in one index-linked sector – large supermarkets – where there is rapid structural change. Consumers' preferences are moving rapidly towards more frequent trips to smaller, more convenient stores combined with growth in on-line shopping for bulkier items.

COMPARATIVE YIELDS

Equivalent Yields (End Dec. except 2014: end September)		2014	2013	2012	2008	2006	1990
Property		6.2	6.6	7.0	8.2	5.4	9.9
Long Gilts	Conventional	2.9	3.3	2.3	3.7	4.6	10.7
	Index Linked	-0.4	0.0	0.1	0.8	1.1	4.5
UK Equities		3.4	3.3	3.5	4.5	2.9	5.5
R.P.I (Annual Rate)		2.4	2.7	3.1	0.9	4.4	9.3
Yield Gaps:	Property less Conventional Gilts	3.3	3.3	4.7	4.5	0.8	-1.0
	less Index Linked Gilts	6.6	6.6	6.9	7.4	4.4	5.2
	less Equities	2.8	3.3	3.5	3.7	2.5	4.2

Source: IPD

Property's yield premium over gilts remains far too high at 3 points over conventional and 6½ points over long-dated index-linked gilts. This is discounting a property disaster at a time when the outlook for rental growth and tenant demand is improving. Property's prospects are also competitive with U.K. equities at almost double their running yield, with voids and tenant defaults declining and rental income from property portfolios now growing again.

Britain's banks are speeding up disposals of property owned by distressed borrowers both by formal Receiverships and "consensual sales" under the threat of Receivership. Most banks are also lending briskly again on commercial as well as residential property with the stimulus and subsidy of the Funding for Lending scheme. Reasonable quality property is still available from these bank-driven sales, but the prices are rising and the competition for larger lot sizes and portfolios is fierce. The best value is available in properties for sale between £2m and £5m which are too large for most private and too small for most institutional investors.

Average property capital values now look likely to rise by about 12% over 2014, giving average total returns approaching 20%. Average rental values should also grow in real terms, with an improving trend next year as employment powers ahead and the economic recovery spreads to the parts of the United Kingdom furthest from London.

Consumer incomes are stable, with average earnings and transfer payments growing around 1% a year, broadly in line with the Consumer Price Index, but still behind the Retail Price Index, which includes housing costs. The service sector is now buoyant and construction is recovering rapidly. But manufacturing output, investment and exports are lagging behind. The Funding for Lending and Help to Buy programmes have clearly had a major impact on mortgage supply, but net bank lending to small and medium sized businesses continues to fall. Recovery continues in the US economy but most Eurozone economies remain depressed, which is reducing bond yields. China and some emerging market economies look increasingly fragile and commodity prices are falling. The UK economy should grow by about 3% this year, but by less in 2015 with particular uncertainty here about the General Election and probable interest rate rises.

The prospects for commercial property remain good because its exceptionally high yield premium over both short and long-term interest rates provides a considerable built-in cushion against interest rate rises. Property capital values are now benefitting from buying pressure from many new as well as established investors which should keep prices rising for at least the next year. The key, as always, to sustainable growth in the longer term will be rising real rents, and the specific property locations and types which deliver them.

VIT Portfolio

VIT's property portfolio is independently valued by Jones Lang LaSalle at the end of March and September each year. The latest valuation total was £48,850,000. One property was bought for £0.9 million – a pub/restaurant in Coventry with a 25 year R.P.I-linked lease. VIT's Scottish properties will benefit from a reduction in stamp duty next year because they are all valued below £2 million.

Over the six months the capital value of the existing portfolio rose by 3.2% and the total return was +7.2%, against +10.0% on the IPD Index. Nineteen properties gained in value, three with short leases declined and seven were unchanged. The running yield on valuation was 7.4% at end September (IPD: 5.6%). The void rate is 0.5% (part of Haddington, where contracts have been exchanged for sale) against an IPD void rate of 10.5%. All our properties are let on full repairing and insuring leases with upward only rent reviews and a weighted average unexpired lease length of 13 years. 34% of rental income now has rent reviews with R.P.I.-linked increases, with 7% having fixed increases.

Portfolio Managers' Reports

The property portfolio is matched with £35 million of long term, fixed rate loans - £15 million of 11% Debenture Stock, repayable in 2021 and £20 million of 9⅜% Debenture Stock repayable in 2026. Because these Stocks were issued at a premium, their effective interest cost averaged 9%. The strains in the banking system in recent years and property's cyclicality show the risks of relying on short term finance to finance long term property investment.

Matthew Oakeshott
OLIM Property Limited

Management and Administration of VIT

The Company has made arrangements to comply with the Alternative Investment Fund Managers Directive (AIFMD) which came into effect on 22 July 2014. As a result, the Company has appointed Value and Income Services Limited (VIS), a wholly owned subsidiary of the Company, as its Alternative Investment Fund Manager (AIFM). As AIFM, VIS has responsibility for the overall portfolio management and risk management of the assets of the Company. VIS has delegated its portfolio management responsibilities for the equity portfolio to OLIM Limited (OLIM) and for the property portfolio to OLIM Property Limited (OLIMP) (collectively the Portfolio Managers). The delegation by VIS of its portfolio management responsibilities is in accordance with the delegation requirements of the AIFMD. The Portfolio Managers remain subject to the supervision and direction of VIS. The Portfolio Managers are responsible to VIS and ultimately to the Company in regard to the management of the investment of the assets of the Company in accordance with the Company's investment objectives and policies. VIS has established a risk committee to keep under review the effectiveness of the Company's internal controls and risk management systems and procedures and to identify, measure, manage and monitor the risks identified as affecting the Company's business.

An additional requirement of the AIFMD was to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed BNP Paribas Securities Services, London Branch to act as the Company's depositary.

Principal Risks and Uncertainties

There is regular review of each of the principal risks and uncertainties which have been identified as affecting the Company's business. These risks and uncertainties are summarised below and are considered equally applicable to the second half of the financial year as for the period under review. Policies are in place for the management of each of these risks and uncertainties.

- Discount volatility: The Company's shares may trade at a price which represents a discount to its underlying net asset value.

- Regulatory risk: The Company operates in a complex regulatory environment and therefore faces a number of regulatory risks. A breach of S1158 Corporation Taxes Act 2010 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company could also lead to reputational damage or loss.

- Market price risk: The fair value of, or future cash flows from, a financial instrument held by the Company may fluctuate because of changes in market prices. This market price 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 Company's investments. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. For equities, asset allocation and stock selection both act to reduce market risk. The Portfolio Managers actively monitor market prices throughout the year and report to the Board, which meets regularly in order to review investment strategy. The investments held by the Group are listed on the UK Stock Exchange and all investment properties are commercial properties located in the UK which are leased on full repairing and insuring terms, with upward only rent reviews.

  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 debenture stock, 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 40%.

Currency risk: A small proportion of the Group's investment portfolio is invested in securities whose fair value and dividend stream are affected by movements in foreign exchange rates. It is not the Board's policy to hedge this risk.

- Liquidity risk: This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's assets comprise of readily realisable securities which can be sold to meet commitments if required and investment properties which, by their nature, are less readily realisable.

- Credit risk: This is the failure of a counterparty to a transaction to discharge its obligations under that transaction which could result in the Group suffering a loss. The risk is not significant and is managed as follows:

  - investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Portfolio Managers and limits are set on the amount that may be due from any one broker;

  - the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis which ensures that discrepancies are picked up in a timely fashion. The Portfolio Managers' Compliance Officers carry out periodic reviews of the Custodian's operations and report findings to the respective Portfolio Manager's Risk Management Committee and to VIS. This review will also include checks on the maintenance and security of investments held; and

  - cash is held only with reputable banks with high quality external credit ratings.

  None of the Company's assets are secured by collateral or other credit enhancements.

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

Going Concern

In compliance with the UKLA's Listing Rules and with reference to the Financial Reporting Council's guidance on Going Concern and Liquidity Risk issued in October 2009, the Directors can report that, based on the Company's valuations of assets and liabilities, budgets and financial projections, they have satisfied themselves that the Company is a going concern. The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, that it remains appropriate to adopt the going concern basis in preparing the accounts.

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 Board Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

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

James Ferguson
Chairman
4 November 2014

Group Statement of Financial Position

as at 30 September 2014

	Notes	As at 30 September 2014 (Unaudited) £'000	£'000	As at 31 March 2014 (Audited) £'000	£'000	As at 30 September 2013 (Unaudited) £'000	£'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			127,687		135,229		126,395
Investment properties			48,850		46,475		46,400
			176,537		181,704		172,795
CURRENT ASSETS							
Cash and cash equivalents		3,920		3,308		4,219	
Other receivables		899		619		762	
			4,819		3,927		4,981
TOTAL ASSETS			181,356		185,631		177,776
CURRENT LIABILITIES							
Other payables			(1,839)		(2,073)		(1,497)
			179,517		183,558		176,279
NON-CURRENT LIABILITIES							
Debenture stock			(35,289)		(35,301)		(35,313)
			144,228		148,257		140,966
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS							
Ordinary called up share capital			4,555		4,555		4,555
Share premium			18,446		18,446		18,446
Retained earnings	6		121,227		125,256		117,965
			144,228		148,257		140,966
NET ASSET VALUE PER ORDINARY SHARE			316.64p		325.48p		309.48p

Group Statement of Comprehensive Income
for the 6 months ended 30 September 2014

	Notes	6 months ended 30 September 2014 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INVESTMENT INCOME				
Dividend income		3,277	—	3,277
OTHER OPERATING INCOME	2	1,802	—	1,802
		5,079	—	5,079
GAINS AND LOSSES ON INVESTMENTS				
Realised gains on held-at-fair-value investments		—	1,107	1,107
Unrealised (losses)/gains on held-at-fair-value investments and investment properties		—	(5,463)	(5,463)
Net currency (losses)/gains		—	(3)	(3)
TOTAL INCOME		5,079	(4,359)	720
EXPENSES				
Investment management fees		(191)	(444)	(635)
Other operating expenses		(359)	—	(359)
FINANCE COSTS		(1,751)	—	(1,751)
TOTAL EXPENSES		(2,301)	(444)	(2,745)
(LOSS)/PROFIT BEFORE TAX		2,778	(4,803)	(2,025)
TAXATION		—	—	—
(LOSS)/PROFIT FOR THE PERIOD		2,778	(4,803)	(2,025)
EARNINGS PER ORDINARY SHARE (PENCE)	3	6.10	(10.54)	(4.44)

The total column of this statement represents the Group's Income Statement prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both 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 the parent company. There are no minority interests.

The Board has declared an interim dividend of 4.30p per share (2013: 4.10p) which will be payable on 2 January 2015 to those shareholders on the register on 5 December 2014. The ex-dividend date will be 4 December 2014.

6 months ended 30 September 2013 (Unaudited)			Year ended 31 March 2014 (Audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3,023	—	3,023	4,834	—	4,834
1,777	—	1,777	3,463	—	3,463
4,800	—	4,800	8,297	—	8,297
—	686	686	—	6,159	6,159
—	4,309	4,309	—	7,781	7,781
—	—	—	—	2	2
4,800	4,995	9,795	8,297	13,942	22,239
(187)	(437)	(624)	(368)	(1,470)	(1,838)
(338)	—	(338)	(655)	(5)	(660)
(1,751)	—	(1,751)	(3,501)	—	(3,501)
(2,276)	(437)	(2,713)	(4,524)	(1,475)	(5,999)
2,524	4,558	7,082	3,773	12,467	16,240
—	—	—	—	—	—
2,524	4,558	7,082	3,773	12,467	16,240
5.54	10.01	15.55	8.28	27.37	35.65

Group Statement of Changes in Equity

for the 6 months ended 30 September 2014

		6 months ended 30 September 2014 (Unaudited)			
	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2014		4,555	18,446	125,256	148,257
Net (loss)/profit for the period		—	—	(2,025)	(2,025)
Dividends paid	4	—	—	(2,004)	(2,004)
NET ASSETS AT 30 SEPTEMBER 2014		4,555	18,446	121,227	144,228

Year ended 31 March 2014 (Audited)				6 months ended 30 September 2013 (Unaudited)			
Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
4,555	18,446	112,842	135,843	4,555	18,446	112,842	135,843
—	—	16,240	16,240	—	—	7,082	7,082
—	—	(3,826)	(3,826)	—	—	(1,959)	(1,959)
4,555	18,446	125,256	148,257	4,555	18,446	117,965	140,966

Group Cash Flow Statement

for the 6 months ended 30 September 2014

	6 months ended 30 September 2014 (Unaudited)		6 months ended 30 September 2013 (Unaudited)		Year ended 31 March 2014 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		2,907		3,118		5,117
Rental received		1,585		1,428		3,497
Interest received		7		—		2
Other income		8		—		—
Operating expenses paid		(1,162)		(986)		(2,312)
Taxation received / (paid)		62		—		(63)
NET CASH INFLOW FROM OPERATING ACTIVITIES		3,407		3,560		6,241
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(4,236)		(730)		(11,711)	
Sale of investments	5,210		2,969		13,987	
NET CASH INFLOW FROM INVESTING ACTIVITIES		974		2,239		2,276
CASH FLOW FROM FINANCING ACTIVITIES						
Interest paid	(1,762)		(1,763)		(3,525)	
Dividends paid	(2,004)		(1,959)		(3,826)	
NET CASH USED IN FINANCING ACTIVITIES		(3,766)		(3,722)		(7,351)
NET INCREASE IN CASH AND CASH EQUIVALENTS		615		2,077		1,166
Cash and cash equivalents at the start of the period		3,308		2,140		2,140
Foreign exchange movements		(3)		2		2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,920		4,219		3,308

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

(a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, and to the extent that they have been adopted by the European Union.

The functional and presentational currency of the Group is pounds sterling because that is the currency of the primary economic environment in which the Group 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.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial assets. 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 January 2009 is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is charged with setting the Group's investment strategy. The Board has delegated the day to day implementation of this strategy to the Investment Managers 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 quoted UK equities and 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 Portfolio Managers' Reports on pages 3 to 8.

The Group's financial statements have been prepared using the same accounting policies as those applied for the financial statements for the year ended 31 March 2014 which received an unqualified audit report.

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Interim Board Report on pages 9 to 12. The financial position of the Group as at 30 September 2014 is shown in the Statement of Financial Position on page 13. The cash flows of the Group for the half year to 30 September 2014, which are not untypical, are set out on page 18. The Group had fixed debt totalling £35,289,000 as at 30 September 2014; none of the borrowings is repayable before 2021. The Group had no short term borrowings. As at 30 September 2014, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over five.

The assets of the Group consist mainly of securities and investment properties that are held in accordance with the Group's investment policy, as set out on page 2. Most of these securities are readily realisable, even in volatile markets. The Directors, who have reviewed carefully the Group's forecasts for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) 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.

(e) Investments

Equity investments

All investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 constituents along with some other securities. 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.

Investment property
All investment properties have been designated upon initial recognition as fair value through profit or loss. Investment properties are recognised and derecognised on the date where a purchase or sale is legally completed and are initially measured at fair value.

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 Jones Lang LaSalle, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation Professional Standards. The determination of fair value by Jones Lang LaSalle is supported by market evidence. It is not more heavily based on other factors because of the nature of the properties and the availability of comparable market data.

2 Other operating income

	6 months ended 30 September 2014 £'000	6 months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Rental income	1,787	1,775	3,462
Underwriting commission	8	—	—
Interest receivable on short term deposits	7	2	1
	1,802	1,777	3,463

3 Return per ordinary share

The return per ordinary share is based on the following figures:

	6 months ended 30 September 2014 £'000	6 months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Revenue return	2,778	2,524	3,773
Capital return	(4,803)	4,558	12,467
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	6.10p	5.54p	8.28p
Return per share - capital	(10.54p)	10.01p	27.37p
Total return per share	(4.44p)	15.55p	35.65p

4 Dividends paid

Ordinary dividends on equity shares deducted from reserves are as follows:-

	6 months ended 30 September 2014 £'000	6 months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Dividends on ordinary shares:			
Final dividend of 4.40p per share (2013 - 4.30p) paid 18 July 2014	2,004	1,959	1,959
Interim dividend of 4.10p per share (2013 - 4.00p) paid 3 January 2014	—	—	1,867
	2,004	1,959	3,826

5 Interim dividend

The directors have declared an interim dividend of 4.30p (2014: 4.10p) per ordinary share, payable 2 January 2015 to shareholders registered on 5 December 2014. The shares will be quoted ex dividend on 4 December 2014.

6 Retained earnings

The table below shows the movement in retained earnings analysed between revenue (distributable) and capital (non-distributable) items.

	Revenue £'000	Capital £'000	Total £'000
At 31 March 2014	3,732	121,524	125,256
Movement during the period:-			
(Loss)/profit for the period	2,778	(4,803)	(2,025)
Dividends paid on ordinary shares	(2,004)	—	(2,004)
At 30 September 2014	4,506	116,721	121,227

7 Transaction costs

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

The total costs are as follows:-

	6 months ended 30 September 2014 £'000	6 months ended 30 September 2013 £'000	Year ended 31 March 2014 £'000
Purchases	23	5	47
Sales	10	5	17
	33	10	64

8 Relationship with the Portfolio Managers and other Related Parties

Angela Lascelles is a Director of OLIM Limited which has an agreement with the Group to provide investment management services.

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

OLIM and OLIM Property receive an investment management fee of 2/3 of 1% of the Group's total assets, which is allocated 72.5% to OLIM and 27.5% to OLIM Property.

OLIM and OLIM Property are also entitled to a performance fee, subject to the achievement of certain criteria. The objective is to give the Portfolio Managers a performance fee of 10% of any out-performance of the VIT share price total return (VIT SPTR) over the FTSE All-Share Index share price total return (FTSE SPTR).

The performance fee is paid annually in respect of performance over the preceding three years. The fee is payable only if the VIT SPTR has been positive over the period and, in addition, the NAV total return has been positive and has exceeded the FTSE SPTR over the period.

The maximum performance fee payable in any year is 1/3 of 1% of VIT's total assets and is allocated 72.5% to OLIM and 27.5% to OLIM Property.The fee is charged wholly to capital.

OLIM Limited received an investment management fee of £460,000 (half year to 30 September 2013: £449,000 and year to 31 March 2014: £1,305,000 including a performance fee of £419,000). At the period end, the balance owed by the Group to OLIM Limited was £74,000 (31 March 2014: £419,000) comprising management fees for the month of September 2014, subsequently paid in October 2014.

OLIM Property Limited received an investment management fee of £175,000 (half year to 30 September 2013: £175,000 and year to 31 March 2014: £533,000 including a performance fee of £192,000). At the period end, the balance owed by the Group to OLIM Property Limited was £28,000 (31 March 2014: £192,000) comprising management fees for the month of September 2014, subsequently paid in October 2014.

Audax Properties plc and Value and Income Services Limited are wholly owned subsidiaries of the Company and accordingly the Company is the ultimate controlling party.

9 Half Yearly Report

The financial information contained in this 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 2014 and 30 September 2013 has not been audited.

The information for the year ended 31 March 2014 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 498 (2), (3) or (4) of the Companies Act 2006.

10 Approval

This half yearly report was approved by the Board on 4 November 2014.

How to Invest in Value and Income Trust

Direct

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

Alternatively shares can be bought directly through the Value and Income Trust Share Plan or Value and Income Trust ISA.

Value and Income Trust Share Plan

The Company offers a Share Plan (the "Plan") through which shares in Value and Income Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250 while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchasing shares. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Plan, and regular savers can stop or suspend participation by instructing the Administrators in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Value and Income Trust ISA

Through the Value and Income Trust ISA (the "ISA"), an investment of up to £15,000 in Value and Income Trust PLC may be made in the tax year 2014/15.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The ISA administration charge is £24 + VAT which is deducted annually from income. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments which can be invested in Value and Income Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to an additional minimum lump sum of £250.

Keeping you Informed

For internet users, the net asset value per ordinary share of the Company is calculated at each month end and published on the London Stock Exchange where the latest ordinary share price is also displayed, subject to a delay of 15 minutes. "VIN" is the code for the ordinary shares which may be found at www. londonstockexchange.com.

Additional data on the Company and other investment trusts may be found at www.trustnet.co.uk. The net asset value (with debt at market value) and share price are quoted daily in The Financial Times. The Daily Telegraph, The Herald, The Independent, The Scotsman and The Times also quote the share price.

Literature Request Service

Literature and application forms for the Plan or ISA may be downloaded from the Value and Income Trust section of the Manager's website (www.olim.co.uk) or please call 0500 00 40 00 and quote "Value and Income Trust". Alternatively, please email your request to "aam@lit-request.com" including in the Subject line, "Value and Income Trust". It is not possible for either Value and Income Trust or the Plan/ISA Administrators to offer financial advice regarding the suitability or otherwise of these products for individual circumstances.

Customer Services

For enquiries regarding an existing Plan or ISA, please contact the Administrators:

Value and Income Trust PLC
Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0500 00 00 40

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

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 7NH
Telephone: 0870 703 0168
Fax: 0870 703 6101
(Calls to the above number cost 10 pence per minute plus network extras.)

www.investorcentre.co.uk
For email, select 'Contact Us', via the above website.

How to Invest in Value and Income Trust

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested. As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

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

Contact Information

Directors

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J A Kay
A M Lascelles
M A Oakeshott
D A Smith

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