VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2019

Interim Board Report

	30 September 2019	31 March 2019	30 September 2018
Group net asset value per share (valuing debt at market)	316.73p	312.16p	330.46p
Group net asset value per share (valuing debt at par)	337.71p	332.45p	349.70p
Share price (mid)	249.00p	251.00p	265.50p
Dividend per share	5.8p (first and second interim)	11.8p (total)	5.6p (first and second interim)

Value and Income Trust PLC ('VIT') is a specialist investment trust whose shares are listed 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.

Over the six months ended 30 September 2019, VIT's share price fell by 0.8% while the net asset value per share, valuing debt at par, increased by 1.6%. The FTSE All-Share Index rose by 2.1% over the half year. VIT's property portfolio was revalued independently at 30 September 2019.

The Company announced on 11 September 2019 the dates of the quarterly dividends for the year to 31 March 2020. The first quarterly dividend of 2.9p per share was paid on 25 October 2019 to all shareholders on the register on 27 September 2019. The second quarterly dividend of 2.9p per share will be paid on 31 January 2020 to those shareholders on the register on 3 January 2020. The ex-dividend date will be 2 January 2020.

The third quarterly dividend of 2.9p per share will be paid on 24 April 2020 to those shareholders on the register on 27 March 2020. The ex-dividend date will be 26 March 2020. The Board will announce in due course the proposed fourth and final payment for the year which, subject to shareholder approval, will be paid on or around 31 July 2020.

SUMMARY OF PORTFOLIO

	30 September 2019		31 March 2019		30 September 2018	
	£m	%	£m	%	£m	%
UK Equities	129.5	64	128.7	64	135.7	65
UK Property	71.3	35	68.8	34	67.9	32
Net current assets	2.9	1	3.8	2	5.6	3
	203.7	100	201.3	100	209.2	100

UK Equities

The Market

Over the six month period to the end of September 2019, the UK stock market, as measured by the FTSE All-Share Index, rose by 2.1% and, including dividends, the total return was 4.5%. The market has traded within a well-defined range over the first half of VIT's year. It rose fairly steadily in the early months before peaking in late July. Since then the market has fallen back as economic growth and Brexit concerns have come to the fore, although the share prices had rebounded somewhat from their August low point by the end of September.

Within the UK market, large companies, measured by the FTSE 100 Index, rose by 1.8%, whilst the more domestically focussed FTSE 250 Index of mid-sized companies rose by 4.3%, driven in part by a number of high profile takeover bids from overseas buyers. The FTSE World Index rose by 3.1%, measured in dollars. Once again, world markets were led by the US, where the S&P 500 index rose by 5.0%, and by the German market, which rose by 7.8% in local currency over the six month period. Elsewhere in the world market performances were more subdued, with a fall of 5.0% recorded on average in Asian markets, which were unsettled by the unrest in Hong Kong, and a 4.5% fall in the FTSE All Emerging All-Cap Index.

The modest rise in share prices in September was triggered by coincident monetary easing by many of the world's central banks. In particular, the US Federal Reserve cut interest rates twice over the course of the summer and the European Central Bank (ECB) resumed its bond buying programme. Falling interest rates prompted a strong rally in bonds and the benchmark US ten year bond yield closed September at just 1.7%, over seventy basis points lower than at the end of March and in the same period ten year UK gilt yields fell by fifty basis points to 0.5%, well below the prevailing rate of UK inflation. In the currency markets the pound weakened against most currencies as the risk of a "no-deal" Brexit was perceived to have increased, despite parliamentary efforts to block this outcome. During the period the pound fell by 5.7% against the dollar and 3.0% against the Euro to finish the period at £1:$1.23 and £1:€1.13. Commodity prices were generally weak as economic growth expectations declined; copper and oil both fell by over 10%, although oil briefly rallied after the attacks on the Saudi Arabian oil facilities.

Performance

VIT's equity portfolio modestly outperformed over the half year with a total return of +4.8% compared to the FTSE All Share Index Return of +4.5%. This was despite a difficult background for high-yielding shares; the FTSE Higher Yield Index underperformed the FTSE All Share Index by around 4% in capital terms in the period. In broad terms, asset allocation between sectors was the main positive, whilst stock selection was a small negative influence. The main positive sector influences were the underweight positions in Tobacco and Oil Producers and the overweight in Personal Goods, although these were somewhat offset by the underweight position in Pharmaceuticals. In stock selection terms mid-caps were generally strong with good performances coming from Beazley (+21%), Restaurant Group (+21%), Marston's (+20%) and Babcock International (+13%). Vodafone (+16%) also outperformed after announcing plans to dispose of its tower assets. These good performances were partially offset by weakness in some of the Trust's financial holdings including Lloyds Banking Group (-13%) and Legal & General (-10%). BT (-20%) and Cineworld (-22%) were also weak.

VIT's Portfolio

We continued to make a relatively significant level of changes to the portfolio in the half year with the aim of improving the overall yield and growth prospects of the investments. For new investments, particular attention is being paid to the companies' underlying growth, their balance sheet strength and their level of cash generation. During the half year we made complete sales of Johnson Matthey, where we have become concerned about the longer term outlook for the company's diesel engine related activities, and Centrica, which has faced increasingly difficult markets with the result that it cut its dividend (announced well after the disposal was made). We also took profits in a number of stocks that are now low yielding after having performed well including Beazley, Croda International, Spectris and Unilever.

Using the monies raised we started new holdings in PayPoint and FDM Group. PayPoint is a payments and transaction services business focussed on convenience retailers whilst FDM is an international IT consultancy business. Both companies have attractive cash generation characteristics, generate high returns on capital employed and have strong balance sheets. Whilst FDM has the stronger dividend and earnings growth record, PayPoint is supplementing its ordinary dividend with regular special payments. We also added to existing holdings including Lloyds Banking Group, ITV, Royal Dutch Shell, DS Smith and Phoenix Group, all on an attractive yield basis.

In total, £10.7m of sales were made against £9.4m of purchases meaning we made net sales of approximately £1.3m and we will be looking to invest this small effective cash balance in due course.

Outlook

Globally, economic growth is slowing, particularly in Europe. President Trump's trade policies have raised the risks in the world economy, with particular anxiety about the impact of his proposed tariffs on Chinese and European goods, though so far these have not been too extensive. GDP growth in America has moderated to an annual rate of 2% as the impact of the 2018 tax cuts has evaporated, but the Federal Reserve has reacted by cutting interest rates and signalled that further cuts are likely and that it will resume Quantitative Easing (QE). The ECB has also restarted its programme of bond buying in an effort to boost flagging Eurozone growth. Despite all the uncertainty surrounding Brexit, the UK economy has continued to grow at a reasonable pace. Whilst the reported annual growth to the end of June of 1.3% is below the long-term average it shows the UK economy is some way from a recession.

The labour markets in both the USA and the UK have continued to tighten, with unemployment in both areas at the lowest levels for more than 40 years. This has led to a rebound in the rate of wage growth in the UK, which has now reached 4%. This is well ahead of inflation and should provide significant support to consumer spending. Despite all the difficulties and threats to world stability, forecasts for global growth in 2019 remain at around 3% with a slight acceleration expected in 2020. In the UK, economic growth is slowing but not as fast as many economists have predicted. The ongoing Brexit saga is clearly affecting confidence in some areas and current UK growth expectations for 2019 as a whole remain fairly subdued at 1.3%. The Bank of England has not changed interest rates for over a year after increasing them once in 2017 and once in 2018. Given the cuts elsewhere in the world, pressure is clearly growing on the Bank to reduce rates, especially given the uncertainty surrounding Brexit. Unfortunately, Brexit remains the predominant topic of politics and the UK Parliament is currently paralysed as a result, although the forthcoming General Election may resolve this. At the time of writing, the Prime Minister has sought an extension to the Article 50 process which has been granted and which will delay the country's departure once more. This may be advantageous from an economic perspective, but the General Election adds new uncertainties. The likelihood of a hard-left Labour administration appears to be diminishing, in part due to the Labour Party's equivocation over Brexit.

The valuation of the UK equity market at the end of VIT's half year of 12.7x earnings for the current 2019 year, falling to 11.8x for 2020 (source: Bloomberg) looks attractive and is below the long-term average. Furthermore, the average yield of 4.2% looks compelling, especially when compared with gilt yields and cash returns, which remain well below the current rate of inflation. To the overseas investor the UK looks good value compared to overseas markets, with the pound trading at a severely reduced exchange rate since the EU Referendum in June 2016. As a consequence of this we have seen a number of bids for UK companies including the recently announced takeover of Greene King by a well-known Hong Kong based investor. Until the shape of Brexit is determined, much uncertainly will overhang our market but we do believe that investors will take advantage of the low valuation once the future of our relationship with Europe has been resolved.

Patrick Harrington
OLIM Limited

1 November 2019

PROPERTY

The Market

UK commercial property capital values turned down a year ago and are continuing to slip on unprecedently low transaction volumes – barely two-thirds of their long-term averages. Most UK institutional property investors have looked like rabbits caught in the headlights of an oncoming Brexit train. Retail, office and industrial investment turnover so far in 2019 has been well down, with only the newer alternatives sector bucking the trend, with transactions actually ahead of 2018 levels.

Valuers have been surprisingly slow to address weakness in high street shops, shopping centres and retail warehouses. Retail capital and rental values started falling two years ago but valuations are still well behind the curve on rental value falls, which are now accelerating and dragging capital values down further.

The MSCI Quarterly Property Index, the most representative recent measure of the performance of institutional investment property portfolios, showed a total return of only 0.8% over the six months to end September and 1.3% for calendar 2019 to date.

UK COMMERCIAL PROPERTY – AVERAGE ANNUAL % GROWTH RATES TO SEPTEMBER 2019

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Capital Values	-2.8	-3.4	-2.2	+1.7	+2.7	+3.6
Rental Values	+0.2	+0.4	+0.1	+1.2	+2.0	+1.0
Total Returns	+2.0	+1.6	+3.1	+6.0	+8.4	+10.1

Source: MSCI Quarterly Index – Annualised

A flight to property safety continues, with a widening gulf between safe, long-let property and the rest of the market. There are almost no UK institutional buyers at any price now for retail warehouses, shopping centres or high street shops unless they present real redevelopment opportunities for alternative use, and potential hedge fund or opportunistic buyers are still only window shopping. Company Voluntary Arrangements (CVAs), even at profitable retail groups, have hammered values across the board and there will be many more retail company failures and shops closing over the next few years. Last year there were net closures of 7,500 retail units in Great Britain, against net openings of 3,000 five years before and the stream of CVAs and bankruptcies is turning into a tsunami. On-line's share of non-food retail spending is forecast to rise from 19% today to 34% in 5 years' time and over 50% in 8-10 years' time, and retail property investment volumes are down by two-thirds since 2016. Even the strongest retailers are now demanding rent reductions on existing leases from landlords who are conceding deep rent cuts in CVAs to their competitors trading nearby.

Only one retail sector is bucking the trend - supermarkets - where the high quality of income from the strong main operators on long, often index-linked leases, is proving attractive to investors fleeing the non-food retail storm. Even here however, over-rented and over-sized supermarkets are falling in value.

Office values in general edged ahead in 2018, with rental growth in the big provincial cities and a handful of trophy purchases of long-let large buildings, mainly by Far Eastern buyers, propping up the London office market despite downward pressure on rents. But Brexit uncertainty has now frightened off some overseas buyers and made many large as well as smaller companies take serviced office space rather than sign long leases. WeWork (a serviced office operator where their sub-tenants can leave when they like) have signed long leases on over 4 million square feet, about a tenth of all new Central London office lettings, over the past 4 years. Over £300 million a year of WeWork London office rental income is at risk if WeWork run out of cash following their failed float. London office capital and rental values will fall over the next year. Provincial office values should be more resilient, underpinned by some rental growth.

Warehouse/industrial property has been the star performer over the past two years. The structural shift from bricks and mortar to online retailing has driven up rents both for large distribution depots near motorway junctions and smaller warehouse units for "last mile" local deliveries. But investor demand has forced investment valuation yields for industrial/warehouse property down below retail and office yields for the first time since reliable yield records began forty years ago – and, more seriously, to a yield level even lower than at the property market peak in 2007. Any further growth in industrial/warehouse values in 2019/20 will therefore only be in those areas where rising rents more than offset adverse valuation yield movements.

Most other types of investment property now (usually called "alternatives" in the property market), such as hotels, pubs, cinemas, bowling, bingo, petrol filling stations/ convenience stores, healthcare and educational property, should continue to outperform conventional commercial investment property over the next few years, as they have in the recent past. In these alternative sectors, unlike traditional retailing, structural change can benefit multiple operators. In the pub sector, for example, the 39,000 pubs still trading in 2018 had revenue 6% higher in real terms and employed 6% more people than the 50,000 pubs trading in 2008, with the biggest increases in pubs with over 10 employees.

The twin keys to outperformance in most alternative property types remains generally strong national operators, often building a dominant position (as Stonegate will have with 5,000 pubs after its takeover of EI Group, like Cineworld/Odeon/Vue in cinemas and Hollywood Bowl/Tenpin in bowling) and long, index-linked leases signed because conventional open market rent reviews have been impractical. Investments with such leases are increasingly sought after by many institutional investors who feel underweight in these alternative sectors.

These contrasting trends in UK commercial property may produce a fall in average capital values around 4%, (broadly offset by the income yield), giving a just positive total return for the MSCI Quarterly and Annual Indices over 2019 as a whole. Within those averages, capital values of retail property (except supermarkets), may be down by between 10% and 15%. Many shops and retail warehouse units are only re-lettable well below current rent levels as tenants fail and leases expire. Many traditional shopping centres are obsolete in 21st century Britain and some high streets and retail warehouse parks are clearly heading the same way. The unfair business rates burden, with painfully slow phasing of the downward adjustment after each revaluation of the rates paid, is simply crippling bricks and mortar retailing against the internet.

Comparative Yields – End December (Except 2019 End September)

		2019	2018	2017	2016	2014	2011	2008	2006
Property (Equivalent Yield)		5.5	5.4	5.5	5.7	5.9	6.8	8.1	5.4
Long Gilts	Conventional	0.6	1.5	1.4	1.5	2.0	2.5	3.7	4.6
	Index Linked	-2.5	-1.8	-1.8	-1.8	-0.8	-0.2	0.8	1.1
UK Equities		4.2	4.5	3.6	3.5	3.4	3.5	4.5	2.9
R.P.I. (Annual Rate)		2.4	3.2	4.1	2.5	2.0	4.8	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	4.9	3.9	4.1	4.2	3.9	4.3	4.4	0.8
	less Index Linked Gilts	8.0	7.2	7.3	7.5	6.7	7.0	7.3	4.4
	less Equities	1.3	0.9	1.9	2.2	2.5	3.3	3.6	2.5

Source: MSCI and ONS

Any forecast for the UK economy in 2019 and beyond continues to hang heavily on Brexit, which is by definition uncharted political and constitutional territory.

Economic growth in 2019 may repeat the disappointment of 2018 at around 1.3%. Business investment has fallen for eight of the last nine quarters, with business sentiment indicators ever weaker, and services, construction and manufacturing flat, after allowing for precautionary stock-building in March which has since unwound. Average earnings are now clearly growing faster than prices but retail spending is still under serious pressure as consumers have stopped running up debt, especially for big ticket purchases, and remain generally cautious and price-sensitive. Short-term interest rates are unlikely to rise further for the foreseeable future, and long-term rates have fallen further, in line with overseas bond markets, despite the danger of a high-spending, left-wing Labour government.

The outlook for growth in most developed economies is deteriorating, with political turmoil in the United States and trade wars with China, and trade disputes with Europe. Rising tension in the Middle East could also affect oil supplies.

Partly because of Brexit uncertainty and most UK institutions' reluctance to invest, UK commercial property now offers record high yield margins of 4.9 points over UK conventional gilts and no less than 8 points over UK index-linked gilts. So long as tenants can pay their rent, these bargain basement yields offer an exceptionally attractive hunting ground for investors buying long, preferably index-linked income secured on strong tenants in well-specified buildings in prosperous locations. The price premium institutional investors are prepared to pay for that security against average or riskier commercial property has been growing since the Referendum in 2016. Once they regain their nerve and start buying again after 12 December, safe property will outperform even more as open market rental growth evaporates. Carefully chosen low risk indexed property is also overwhelmingly likely to outperform both conventional and index-linked bonds over the short, medium and long term from today's yields.

VIT's Portfolio

VIT's property portfolio is independently valued by Savills at the end of March and September each year. The latest valuation total was £71,350,000 as at 30 September 2019.

Since the end of March, the sales of three properties have completed, a short-let industrial in Luton, a high street supermarket in Sudbury and a shop in Lymington for £6,575,000 at a yield of 7.2% net of sale costs. This was 3.5% above Savills' March valuation total with a weighted average unexpired lease term length of 7 years. There were four purchases over the last six months for £8,800,000 at an initial yield of 6.6% net of acquisition costs. Three within the industrial sector at Aberdeen, Thetford and Thirsk and a bowling alley in Doncaster, all having index-related leases and a long weighted average unexpired lease length of 21 years (14 years if a break option is exercised). These four have just been valued at end-September at 5.2% above their total purchase price excluding costs and in-line including costs.

Over the six months, the capital value of the existing portfolio declined by 0.6%, and rental income rose by 0.9% (due to 6 rent reviews). The portfolio gave a total return of 3.0% including the profitable sales and purchases, against 0.8% on the MSCI (formerly IPD) Index of commercial property. Four properties rose in value, four declined and fifteen were unchanged. The best performing sectors within the portfolio were the Industrials, a petrol filling station and the caravan park. There is now only one shop remaining in the portfolio (compared to 23 five years ago). The running yield on valuation was 6.4% at end September (MSCI: 4.8%) against 6.4% at the end of March. There are no empty properties, against an MSCI void rate of 7.5%. All 27 properties and 29 tenancies are let on full repairing and insuring leases with upward only rent reviews and a weighted average unexpired lease length of 17 years (15 years if the tenants' break options are exercised). The rental income now has 67.8% with R.P.I.-linked increases (32.6% with annual reviews and 35.2% five yearly) and a further 15.7% has fixed increases (6.3% with annual reviews and 9.4% five yearly). The 83.5% index-related share of rental income is up from 79% at end March and 39% five years ago. Our objective is to have a high exposure to those sectors of the market that will outperform and to minimise exposure to those sectors that could underperform due to market changes throughout the property market cycle. Every property, tenant and sector is reviewed regularly to provide a long term growing income stream from strong tenants as well as capital growth.

VIT's property portfolio is partly funded from three fixed rate loans – £15 million of VIT 11% Debenture Stock repayable in 2021 and £35 million repayable in 2026, comprising £20m of historic 9 3/8% Debenture Stock and a £15 million bank loan drawn down in mid-2016 at an average fixed rate of 4.4%. Because the Debenture Stocks were issued at a premium, our effective average annual interest cost is 7.5% compared to the 13% p.a. long-term total return on VIT's properties, and 9% on the IPD Index.

Louise Cleary
OLIM Property Limited

1 November 2019

Interim Board Report

Management and Administration of VIT

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

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

Principal Risks and Uncertainties

The Board carries out a regular review and robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. These principal 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.

- 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: Changes in market prices (other than those arising from interest rate or currency risk) may affect the value of the Group'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 Investment Managers actively monitor market prices throughout the year and report to VIS and to the Board, which meet regularly in order to review investment strategy. The equity investments held by the Group are listed on the London Stock Exchange and all investment properties held by the Group are commercial properties located in the UK with long, strong income streams.

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 that gearing levels are appropriate to market conditions and reviews these on a regular basis. Current borrowings comprise debenture stocks and the ten year secured term loan, 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 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 that 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 OLIM (which report to VIS) 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 Group 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 to ensure that discrepancies are picked up on a timely basis. VIS carries out periodic reviews of the Depositary's operations and reports its findings to the Company. This review also includes checks on the maintenance and security of investments held.
  - cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.
- 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.

- Political risk: The full political, economic and legal consequences of the EU Referendum result to leave the European Union are not yet known.

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 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 Foreign Account Tax Compliance Act, the Common Reporting Standard, 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. 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 Managers.

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 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 Income Trust PLC

James Ferguson
Chairman
1 November 2019

Group Statement of Financial Position

as at 30 September 2019

	Notes	As at 30 September 2019 (Unaudited) £'000	£'000	As at 31 March 2019 (Audited) £'000	£'000	As at 30 September 2018 (Unaudited) £'000	£'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			129,484		128,706		135,706
Investment properties			71,350		68,800		67,850
	8		200,834		197,506		203,556
Deferred tax asset			345		389		248
			201,179		197,895		203,804
CURRENT ASSETS							
Cash and cash equivalents		4,584		4,338		6,043	
Receivables		492		907		717	
			5,076		5,245		6,760
TOTAL ASSETS			206,255		203,140		210,564
CURRENT LIABILITIES							
Payables			(2,510)		(1,794)		(1,371)
TOTAL ASSETS LESS CURRENT LIABILITIES			203,745		201,346		209,193
NON-CURRENT LIABILITIES							
Borrowings			(49,920)		(49,913)		(49,905)
NET ASSETS			153,825		151,433		159,288
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		130,824		128,432		136,287
TOTAL EQUITY			153,825		151,433		159,288
NET ASSET VALUE PER ORDINARY SHARE (Pence)			337.71p		332.45p		349.70p

Group Statement of Comprehensive Income

for the 6 months ended 30 September 2019

	Notes	6 months ended 30 September 2019 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INCOME				
Dividend income		3,857	-	3,857
Other operating income	2	2,191	-	2,191
		6,048	-	6,048
GAINS AND LOSSES ON INVESTMENTS				
Realised gains on held-at-fair-value investments and investment properties		-	3,165	3,165
Unrealised (losses)/gains on held-at-fair-value investments and investment properties		-	(908)	(908)
TOTAL INCOME		6,048	2,257	8,305
EXPENSES				
Investment management fees		(180)	(420)	(600)
Other operating expenses		(357)	-	(357)
FINANCE COSTS		(2,088)	-	(2,088)
TOTAL EXPENSES		(2,625)	(420)	(3,045)
PROFIT BEFORE TAX		3,423	1,837	5,260
TAXATION		(124)	80	(44)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,299	1,917	5,216
EARNINGS PER ORDINARY SHARE (Pence)	3	7.25	4.21	11.46

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 Income Trust PLC, the parent company. There are no minority interests.

The Board has declared a first quarterly dividend of 2.90p per share (2019 - 2.80p) which was paid on 25 October 2019 to those shareholders on the register on 27 September 2019 with an ex-dividend date of 26 September 2019 and a second quarterly dividend of 2.90p per share (2019 - 2.80p) which will be paid on 31 January 2020 to those shareholders on the register on 3 January 2020 with an ex-dividend date of 2 January 2020. The third quarterly dividend of 2.90p (2019 - 2.80p) will be paid on 24 April 2020 to those shareholders on the register on 27 March 2020. The ex-dividend date will be 26 March 2020.

6 months ended 30 September 2018 (Unaudited)			Year ended 31 March 2019 (Audited)		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
3,626	-	3,626	6,215	-	6,215
2,143	-	2,143	4,296	-	4,296
5,769	-	5,769	10,511	-	10,511
-	4,178	4,178	-	5,294	5,294
-	4,649	4,649	-	(3,600)	(3,600)
5,769	8,827	14,596	10,511	1,694	12,205
(175)	(407)	(582)	(348)	(813)	(1,161)
(389)	-	(389)	(781)	-	(781)
(2,084)	-	(2,084)	(4,168)	-	(4,168)
(2,648)	(407)	(3,055)	(5,297)	(813)	(6,110)
3,121	8,420	11,541	5,214	881	6,095
(116)	77	(39)	(241)	343	102
3,005	8,497	11,502	4,973	1,224	6,197
6.60	18.65	25.25	10.92	2.68	13.60

Group Statement of Changes in Equity

for the 6 months ended 30 September 2019

	Notes	6 months ended 30 September 2019 (Unaudited)			
		Share capital	Share premium	Retained earnings	Total
		£'000	£'000	£'000	£'000
Net assets at 31 March 2019		4,555	18,446	128,432	151,433
Profit for the period		-	-	5,216	5,216
Dividends paid	4	-	-	(2,824)	(2,824)
NET ASSETS AT 30 SEPTEMBER 2019		4,555	18,446	130,824	153,825

	Notes	Year ended 31 March 2019 (Audited)			
Net assets at 31 March 2018		4,555	18,446	127,518	150,519
Profit for the period		-	-	6,197	6,197
Dividends paid	4	-	-	(5,283)	(5,283)
NET ASSETS AT 31 MARCH 2019		4,555	18,446	128,432	151,433

	Notes	6 months ended 30 September 2018 (Unaudited)			
		Share capital	Share premium	Retained earnings	Total
		£'000	£'000	£'000	£'000
Net assets at 31 March 2018		4,555	18,446	127,518	150,519
Profit for the period		-	-	11,502	11,502
Dividends paid	4	-	-	(2,733)	(2,733)
NET ASSETS AT 30 SEPTEMBER 2018		4,555	18,446	136,287	159,288

Group Statement of Cash Flows

for the 6 months ended 30 September 2019

	6 months ended 30 September 2019 (Unaudited)		6 months ended 30 September 2018 (Unaudited)		Year ended 31 March 2019 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		4,383		3,811		5,994
Rental income received		1,800		1,582		4,295
Interest received		6		1		8
Operating expenses paid		(1,045)		(1,079)		(1,975)
NET CASH INFLOW FROM OPERATING ACTIVITIES		5,144		4,315		8,322
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(17,613)		(10,713)		(30,634)	
Sale of investments	17,616		13,609		32,447	
NET CASH INFLOW FROM INVESTING ACTIVITIES		3		2,896		1,813
CASH FLOW FROM FINANCING ACTIVITIES						
Interest paid	(2,077)		(2,074)		(4,153)	
Dividends paid	(2,824)		(2,733)		(5,283)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(4,901)		(4,807)		(9,436)
NET INCREASE IN CASH AND CASH EQUIVALENTS		246		2,404		699
Cash and cash equivalents at the start of the period		4,338		3,639		3,639
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4,584		6,043		4,338

Notes to the Financial Statements

1 Accounting policies

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 operates. The Financial Statements and the accompanying notes are presented in pounds sterling and rounded to the nearest thousand pounds except where otherwise indicated.

(a) Basis of preparation

The Financial Statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of 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 October 2019 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 below.

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 Investment Managers' Reports on pages 3 to 12.

All expenses and finance costs are accounted for on an accruals basis. Expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect, and in accordance with the SORP, the investment management fees are allocated 30% to revenue and 70% to capital 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 Group 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.

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 2019, 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 13 to 15. The financial position of the Group as at 30 September 2019 is shown in the Statement of Financial Position on page 16. The cash flows of the Group for the half year to 30 September 2019, which are not untypical, are set out on page 20. The Group had fixed debt totalling £49,920,000 as at 30 September 2019; none of the borrowings is repayable before 2021. The Group had no short term borrowings. As at 30 September 2019, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over four.

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 1. 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 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.

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

(d) Presentation of Statement of Comprehensive Income

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

(e) Dividends payable

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

(f) Investments

Equity investments

All equity investments are 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, is such that the portfolio of equity investments is managed, and performance is evaluated, on the basis of fair value. Consequently, all equity investments are measured at fair value through profit or loss.

For listed investments, fair value through profit or loss 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 properties

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Statement of Comprehensive Income.

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 - Professional Standards issued in July 2017 (the 'RICS Red Book'). The determination of fair value by Savills is supported by market evidence.

2 Other operating income

	6 months ended September 2019 £'000	6 months ended September 2018 £'000	Year ended March 2019 £'000
Rental income	2,186	2,142	4,287
Interest receivable on short term deposits	5	1	9
	2,191	2,143	4,296

3 Return per ordinary share

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

	6 months ended September 2019 £'000	6 months ended September 2018 £'000	Year ended March 2019 £'000
Revenue return	3,299	3,005	4,973
Capital return	1,917	8,497	1,224
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	7.25p	6.60p	10.92p
Return per share - capital	4.21p	18.65p	2.68p
Total return per share	11.46p	25.25p	13.60p

4 Dividends paid

	6 months ended 30 September 2019 £'000	6 months ended 30 September 2018 £'000	Year ended 31 March 2019 £'000
Dividends on ordinary shares:			
Third quarterly dividend of 2.80p per share (2018- 2.70p) paid 26 April 2019	1,275	1,230	1,230
Final dividend of 3.40p per share (2018 - 3.30p) paid 26 July 2019	1,549	1,503	1,503
First quarterly dividend of 2.80p per share (2018- 2.70p) paid 26 October 2018 *	-	-	1,275
Second quarterly dividend of 2.80p per share (2018- 2.70p) paid 25 January 2019 *	-	-	1,275
Dividends paid in the period	2,824	2,733	5,283

* First and second quarterly dividends for the year to 31 March 2020 have been declared with pay dates falling after 30 September 2019. These have not been included as liabilities in these Financial Statements.

5 Interim dividend

The Directors have declared a first quarterly dividend of 2.90p per ordinary share, paid on 25 October 2019 to shareholders registered on 27 September 2019, with an ex dividend date of 26 September 2019 (2019 - 2.80p) and a second interim dividend of 2.90p per share, payable on 31 January 2020 to shareholders registered on 3 January 2020, with an ex dividend date of 2 January 2020 (2019 - 2.80p). The third quarterly dividend of 2.90p (2019 - 2.80p) will be paid on 24 April 2020 to those shareholders on the register on 27 March 2020. The ex-dividend date will be 26 March 2020.

6 Retained earnings

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

	Revenue £'000	Capital £'000	Total £'000
At 31 March 2019	3,995	124,437	128,432
Movement during the period:-			
Profit for the period	3,299	1,917	5,216
Dividends paid on ordinary shares	(2,824)	-	(2,824)
At 30 September 2019	4,470	126,354	130,824

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 2019 £'000	6 months ended 30 September 2018 £'000	Year ended 31 March 2019 £'000
Purchases	56	61	116
Sales	11	11	22
	67	72	138

8 Fair value hierarchy disclosures

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 September 2019 (unaudited)				
Equity investments	129,484	-	-	129,484
Investment properties	-	-	71,350	71,350
	129,484	-	71,350	200,834
Borrowings	-	(59,557)	-	(59,557)
	129,484	(59,557)	71,350	141,277
At 31 March 2019 (audited)				
Equity investments	128,706	-	-	128,706
Investment properties	-	-	68,800	68,800
	128,706	-	68,800	197,506
Borrowings	-	(59,244)	-	(59,244)
	128,706	(59,244)	68,800	138,262
At 30 September 2018 (unaudited)				
Equity investments	135,706	-	-	135,706
Investment properties	-	-	67,850	67,850
	135,706	-	67,850	203,556
Borrowings	-	(58,764)	-	(58,764)
	135,706	(58,764)	67,850	144,792

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

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

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

Level 3 - inputs are not observable

The fair values of the debentures are determined by comparison with the fair values of equivalent gilt edged securities, discounted to reflect the differing levels of credit worthiness of the borrowers. 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. These instruments are therefore considered to be Level 2 as defined above. There were no transfers between Levels during the period. All other assets and liabilities of the Group are included in the balance sheet at fair value.

9 Relationship with the Investment Managers and other Related Parties

OLIM and OLIM Property each receives an investment management fee of 0.60% of the capital assets that they manage.

OLIM Limited received an investment management fee of £393,000 (half year to 30 September 2018: £388,000 and year to 31 March 2019: £757,000). At the period end, the balance owed by the Group to OLIM Limited was £65,000 (31 March 2019: £74,000) comprising management fees for the month of September 2019, subsequently paid in October 2019.

OLIM Property Limited received an investment management fee of £207,000 (half year to 30 September 2018: £194,000 and year to 31 March 2019: £404,000). At the period end, the balance owed by the Group to OLIM Property Limited was £34,000 (31 March 2019: £34,000) comprising management fees for the month of September 2019, subsequently paid in October 2019.

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

10 Half Yearly Report

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2019 and 30 September 2018 has not been audited.

The figures and financial information for the year ended 31 March 2019 has been extracted and abridged from the latest published audited Financial Statements and do not constitute the statutory accounts for that year. Those Financial Statements have been filed with the Registrar of Companies and included the Report of the Independent Auditor, which contained no qualification or statement under section 498 of the Companies Act 2006.

This Half Yearly Report was approved by the Board on 1 November 2019.

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.

Keeping you Informed

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.

Customer Services

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

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 703 0168

www.investorcentre.co.uk/contactus

Note

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

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

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

Contact Information

Directors
J G D Ferguson, Chairman
J A Kay
D M Neary
D A Smith

Secretary
Maven Capital Partners UK LLP
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone: 0141 306 7400
www.mavencp.com
(Authorised and regulated by the Financial Conduct Authority)

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

Registered Number
Registered in Scotland No. SC50366
Legal Entity Identifier
No. 213800CU1PIC7GAER820

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 703 0168
Website: www.investorcentre.co.uk/contactus

Independent Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Investment Manager - Equities
OLIM Limited
1 Benjamin Street
London EC1M 5QL
Telephone: 020 7367 5660
www.olim.co.uk
(Authorised and regulated by the Financial Conduct Authority)

Investment Manager - Property
OLIM Property Limited
15 Queen Anne's Gate
London SW1H 9BU
Telephone: 020 7647 6701
Website: www.olimproperty.co.uk
(Authorised and regulated by the Financial Conduct Authority)

Alternative Investment Fund Manager
Value and Income Services Limited
c/o Maven Capital Partners UK LLP
Kintyre House
205 West George Street
Glasgow G2 2LW
(Authorised and regulated by the Financial Conduct Authority)
Registered in Scotland No. SC467598
Legal Entity Identifier
No. 213800D7AEDHGXDAM208

Depositary and Custodian
BNP Paribas Securities Services
London Branch
10 Harewood Avenue
London NW1 6AA

Unsolicited Offers for Shares (Boiler Room Scams)

Shareholders in a number of UK registered companies have received unsolicited calls from organisations, usually based overseas or using false UK addresses or phone lines routed abroad, offering to buy shares at prices much higher than their current market values or to sell non-tradeable, overpriced, high-risk or even non-existent securities. Whilst the callers may sound credible and professional, Shareholders should be aware that their intentions are often fraudulent and high pressure sales techniques may be applied, often involving a request for an indemnity or a payment to be provided in advance.

If you receive such a call, you should exercise caution and, based on advice from the FCA, the following precautions are suggested:

- obtain the name of the individual or organisation calling;
- check the FCA register to confirm if the caller is authorised;
- call back using the details on the FCA register to verify the caller's identity;
- discontinue the call if you are in any doubt about the intentions of the caller, or if calls persist; and
- report any individual or organisation that makes unsolicited calls with an offer to buy or sell shares to the FCA and the City of London Police.

Useful contact details:
ACTION FRAUD
Telephone: 0300 123 2040
Website: www.actionfraud.police.uk

FCA
Telephone: 0800 111 6768 (freephone)
E-mail: consumer.queries@fca.org.uk
Website: www.fca.org.uk