VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2015

Interim Board Report

	30 September 2015	31 March 2015	30 September 2014
Net asset value per share (valuing debt at market)	284.13p	299.53p	293.85p
Net asset value per share (valuing debt at par)	309.89p	326.85p	316.64p
Share price (mid)	237.25p	254.25p	258.38p
Dividend per share	4.50p (Interim)	9.00p (Total)	4.30p (Interim)

Value and Income Trust PLC ('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 2015, VIT's share price fell by 6.7% while the net asset value per share, valuing debt at par, decreased by 5.2%. The FTSE All-Share Index (the "Index") fell by 8.9% over the half year. VIT's property portfolio was revalued independently at 30 September 2015.

Over the half-year, the capital value of VIT's equity portfolio (adjusted for sales and purchases) fell by 7% compared to a fall of 8.9% in the Index. The capital value of VIT's existing property portfolio rose by 1.3%.

An interim dividend of 4.50p (2015: 4.30p) per share has been declared payable on 4 January 2016 to those shareholders on the register on 4 December 2015. The ex-dividend date will be 3 December 2015.

SUMMARY OF PORTFOLIO

	30 September 2015		31 March 2015		30 September 2014	
	£m	%	£m	%	£m	%
UK equities	123.3	68	132.1	70	127.7	71
UK property	52.9	29	54.5	29	48.8	27
Net current assets	5.1	3	2.4	1	3.0	2
	181.3	100	189.0	100	179.50	100

UK EQUITIES

The Market

Over the six month period to end September, UK equities fell heavily amid concerns about Europe and about the developing world, particularly China. The FTSE All Share Index recorded a fall of 8.9%, but the largest companies, measured by the FTSE 100 Index fell by more than 10%. Mid-sized companies, more targeted to the UK economy, were relatively resilient, with a fall of just 2.4% in the FTSE 250 Index. The FTSE High Yield Index, which has a higher representation of mining and oil stocks, fell by just under 14%.

Overseas equity markets fell by 9.7% in dollar terms, but with a modest appreciation in sterling against the dollar, the returns to sterling based investors from overseas equities were – 10.9%. America performed best of the overseas markets, with a fall of 7%, but Germany and the Emerging Markets indices each fell by nearly 20% measured in euro and dollars respectively. Oil prices slid further with Brent crude ending September at $48 and copper fell by 15% in the six months. Gilt yields rose marginally over the period and at the end of September the FTSE All Stocks Index recorded a yield of 1.8%, compared with 1.6% at the end of March.

Our half year opened with investors' concerns focussed on the General Election here, where the outcome was unusually hard to predict. The clear result in early May was received with relief and there was a short dated rally in our market, especially amongst the sectors which would have been threatened by a different administration. The July Budget did not affect market sentiment, but the growing crisis in Greece caused prices to fall. Eventually the terms of the latest bail-out were agreed, but then the slowdown in growth in China dominated the financial news. Further falls in oil and commodity prices and the falls in the Chinese currency exacerbated the anxiety about global economic growth. As our half year ended, the encouraging outlook in the UK and America was forgotten as investors fled to the perceived safety of the gilt market.

VIT's Portfolio

We made very few changes to our portfolio in this half year, with sales and purchases totalling just £2.27m. Our sales were marginally more than purchases. We sold our holding in Sanne, acquired towards the end of our last year, after it rose strongly to a level which does not fit our investment policy. We slightly reduced the holding in Restaurant Group. We reinvested in Daily Mail and General Group, which we have held previously, and we added to the holding in Conviviality, in the placing they had to fund the acquisition of Matthew Clark, the drinks wholesaler. We were fully invested at the end of September.

Investment Managers' Reports

Performance

Our portfolio was more resilient than the FTSE All Share Index, with a fall of 7%. Our underweight allocations to the resource sectors of oils and mining contributed to the outperformance, and our underweight holding in banks also benefitted performance. Our overweight holdings in the travel & leisure and non-life insurance sectors made a significant contribution. In stock selection Amlin and Beazley, our specialist non-life insurance holdings both rose by more than 30%. In September, Amlin received a take-over bid from Japan's Mitsui Sumitomo and the sector rose in anticipation of further consolidation amongst the companies. Our overweight holdings in the travel and leisure sectors all outperformed the All Share Index, with particular strength in Cineworld, which rose by 20%. The outperformance in these parts of our portfolio was constrained by our holding of Rotork, a long-term outperformer, which fell by nearly a third.

Outlook

The slowdown in China is a genuine concern to the world, for China provided 40% of global growth in the aftermath of the banking crash of 2008. That contribution has now fallen to 20% and the consequence of falling oil and commodity prices has weakened the economies of the resource rich parts of the world and damaged the growth prospects of the emerging economies. This transfer of economic power from the emerging economies to the developed parts of the world is causing difficult trading conditions for many companies, but it is also benefitting other sectors which suffered higher costs when energy prices were surging and raw material prices were high.

In America the economy has grown to a point where the unemployment rate is just 5%, a level which many consider to be full employment and the GDP statistics have been upgraded. The picture is similar in the UK with negligible inflation, low levels of unemployment and real wage growth. Our market is now valued on a yield of 3.7%, more than double the yield on ten year gilts, and with cash returns barely positive. The market fall of the last six months has resulted in attractive opportunities to invest in high quality companies and we believe that VIT's equity portfolio will deliver good returns in the more settled market we think will eventually develop.

Angela Lascelles
OLIM Limited

VIT Property Report

The Market

Commercial property values are growing across England, Wales and Northern Ireland, well beyond Central London. Yields on well-let property are becoming more widely recognised as offering outstanding value to investors hungry for secure income in a low returns world. Scottish commercial property, however, is still under a political cloud; valuation yields there need to rise further to reflect the medium-term risks of independence and a separate currency. And there are now some signs of overheating in the riskier short-leased areas of the market where easy credit and aggressive overseas buying has pushed prices up and the yield premium over safe property down.

Commercial Property Values – Annual % Growth to September 2015

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Capital	+8.2	+8.7	+9.1	+6.9	+3.8	-0.7
Rental	+5.0	+4.7	+4.0	+2.2	+1.3	+0.3
Total Return	+13.7	+14.4	+15.3	+13.7	+10.6	+5.7

Source: IPD Monthly Index – Annualised

Three years of economic recovery are now feeding through into rising rents across most regions and property types as empty properties are occupied and tenants are taking more space in undersupplied local markets. Office and industrial/warehouse rents and tenant demand are growing, especially in Southern England. Average retail rental values have stabilised and started to rise again in the South East and in some prosperous smaller towns, suburban high streets and edge of town locations throughout the United Kingdom with real incomes now rising at 3% p.a. Medium term rental growth in high streets outside London will benefit from the rates revaluation, which will take effect in 2017, based on today's, not 2008 peak rents. Overrenting in the IPD Monthly Index has now fallen to negligible levels in all sectors, with reversionary potential at a six year high, pointing to continued rental growth.

Leisure property values continue to rise, with both established operators and new entrants competing for new units in and out of town. Motor trade investments are also in growing demand, with their long leases, and often indexed rents. New car retailing has been transformed by cheap manufacturer-backed financing, so it now operates much more like the mobile phone market, with customers returning their cars to the dealer for an upgrade every 2 or 3 years. Over three quarters of new cars are now financed by lease or hire purchase, against under half seven years ago.

Demand for investments with long index-related leases still seems insatiable, as insurance companies and pension funds seek to match their long-term annuity and inflation-linked liabilities with realistic returns from well-let property instead of the "return-free risk" offered by index-linked gilts on negative real yields. But capital and rental values for large supermarkets are still falling, as shoppers move to more frequent trips to smaller, more convenient or cheaper food stores, while shopping on-line and Click and Collect for bulkier items.

Comparative Yields – End December (Except 2015 - End September)

		2015	2014	2013	2008	2006	1990
Property (Equivalent Yield)		5.8	6.0	6.6	8.1	5.4	9.9
Long Gilts	Conventional	2.0	2.0	3.3	3.7	4.6	10.7
	Index Linked	-0.8	-0.8	0.0	0.8	1.1	4.5
UK Equities		3.7	3.4	3.3	4.5	2.9	5.5
R.P.I (Annual Rate)		0.8	2.0	2.7	0.9	4.4	9.3
Yield Gaps:	Property less Conventional Gilts	3.8	4.0	3.3	4.4	0.8	-1.0
	less Index Linked Gilts	6.6	6.8	6.6	7.3	4.4	5.2
	less Equities	2.1	2.6	3.3	3.6	2.5	4.2

Source: IPD

UK property offers outstanding value at a yield premium near 4 points above long-dated conventional gilts, 6½ points over long-dated index-linked and 5 points over the R.P.I. Comparable long-term expected real returns from other investments, such as high-yield bonds, come at much higher risk. Property's prospects are fairly valued against UK equities, with tenant defaults declining and real rental income from property portfolios recovering well since they tend to lag economic recovery.

Average property capital values should continue to rise over the next year, but some of the frothier areas of the market are coming off the boil. Average rental values should also show further real growth. The General Election in May removed the main political uncertainty, affecting overseas buyers in particular. When the date for the referendum on UK membership of the EU is fixed, probably well before the end of 2017, that could have serious consequences for parts of the property market, especially London offices if a vote for withdrawal seems likely. The new leadership of the Labour Party is not business or property-friendly, but the General Election is four and a half years away.

2014 was the best year for the UK economy since the 2008 Crash, with growth near 3%, but 2½% now looks likely for 2015 and 2016 may be around 2% as the economic outlook worsens outside the developed West. Stamp duty rises and problems for foreign buyers have hammered higher-priced London house prices, but cheap mortgages and desperate supply shortages should continue to push up house prices across most of the UK. Lower food, oil and commodity prices have helped boost British real incomes and keep inflation very low in 2015. The UK service sector is buoyant, but manufacturing output, construction and investment remain patchy. The US economy is performing well, and Eurozone GDP is also improving, but Russia, Greece and, particularly China and Brazil, give serious cause for concern, which is spreading to other Eastern and Southern economies, and holding both the U.S. Federal Reserve and the Bank of England back from raising short term interest rates.

VIT Portfolio

VIT's property portfolio is independently valued by Savills at the end of March and September each year. The latest valuation total was £52,900,000. Four small shops at Ayr, Kelso, Lynton and Oban were sold during the half-year for £2.2 million. Their average unexpired lease length was only 5½ years and the sale proceeds will be reinvested in longer-let property with better growth prospects.

Over the six months the capital value of the existing portfolio rose by 1.3% and the total return was +5.0%, against +7.2% on the IPD Index. Ten properties gained in value, two with short leases declined and sixteen were unchanged. The running yield on valuation was 7.2% at end September (IPD: 5.1%). There are no empty properties, against an IPD void rate of 10.7%. 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. 43% of rental income now has rent reviews with R.P.I.-linked increases, with a further 11% having fixed increases. We plan to keep increasing the proportion of index related income in the portfolio.

Investment Managers' Reports

The property portfolio is funded from three fixed rate loans - £20 million of 9⅜% Debenture Stock repayable in 2026, £15 million of VIT 11% Debenture Stock repayable in 2021 and a £5 million bank loan taken out this February at an all in cost of 4% p.a. and repayable in 2020. Because the Debenture Stocks were issued at a premium, our effective interest cost averages just under 8% compared to the 13% p.a. long-term return on VIT's properties.

Matthew Oakeshott
OLIM Property Limited

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

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 Group operates in a complex regulatory environment and therefore faces a number of regulatory risks. A breach of S1158 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 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. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and the Investment Managers.

- 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 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 UK 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 gearing levels are appropriate to market conditions and reviews these on a regular basis. Current borrowings comprise debenture stock and the five 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 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 Investment 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 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 which ensures that discrepancies are picked up in a timely fashion. The Investment Managers' Compliance Officers carry out periodic reviews of the Depositary's operations and report their findings to the respective Investment 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.

- 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 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 2015

Group Statement of Financial Position

as at 30 September 2015

	Notes	As at 30 September 2015 (Unaudited) £'000	£'000	As at 31 March 2015 (Audited) £'000	£'000	As at 30 September 2014 (Unaudited) £'000	£'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			123,280		132,133		127,687
Investment properties			52,900		54,500		48,850
	8		176,180		186,633		176,537
CURRENT ASSETS							
Cash and cash equivalents		6,226		4,693		3,920	
Other receivables		643		625		899	
			6,869		5,318		4,819
TOTAL ASSETS			183,049		191,951		181,356
CURRENT LIABILITIES							
Other payables			(1,727)		(2,900)		(1,839)
TOTAL ASSETS LESS CURRENT LIABILITIES			181,322		189,051		179,517
NON-CURRENT LIABILITIES							
Borrowings			(40,168)		(40,169)		(35,289)
			141,154		148,882		144,228
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS							
Called up share capital			4,555		4,555		4,555
Share premium			18,446		18,446		18,446
Retained earnings	6		118,153		125,881		121,227
			141,154		148,882		144,228
NET ASSET VALUE PER ORDINARY SHARE			309.89p		326.85p		316.64p

Group Statement of Comprehensive Income

for the 6 months ended 30 September 2015

	Notes	6 months ended 30 September 2015 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INCOME				
Dividend income		3,337	—	3,337
Other operating income	2	2,069	—	2,069
		5,406	—	5,406
GAINS AND LOSSES ON INVESTMENTS				
Realised gains on held-at-fair-value investments and investment properties		—	123	123
Unrealised losses on held-at-fair-value investments and investment properties		—	(8,263)	(8,263)
Net currency losses		—	—	—
TOTAL INCOME		5,406	(8,140)	(2,734)
EXPENSES				
Investment management fees		(191)	(445)	(636)
Other operating expenses		(365)	—	(365)
FINANCE COSTS		(1,852)	—	(1,852)
TOTAL EXPENSES		(2,408)	(445)	(2,853)
(LOSS)/PROFIT BEFORE TAX		2,998	(8,585)	(5,587)
TAXATION		—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,998	(8,585)	(5,587)
EARNINGS PER ORDINARY SHARE (Pence)	3	6.58	(18.84)	(12.26)

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 an interim dividend of 4.50p per share (2015: 4.30p) which will be payable on 4 January 2016 to those shareholders on the register on 4 December 2015. The ex-dividend date will be 3 December 2015.

6 months ended 30 September 2014 (Unaudited) Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2015 (Audited) Revenue £'000	Capital £'000	Total £'000
3,277	—	3,277	5,207	—	5,207
1,802	—	1,802	3,650	—	3,650
5,079	—	5,079	8,857	—	8,857
—	1,107	1,107	—	4,857	4,857
—	(5,463)	(5,463)	—	(3,431)	(3,431)
—	(3)	(3)	—	(3)	(3)
5,079	(4,359)	720	8,857	1,423	10,280
(191)	(444)	(635)	(363)	(1,153)	(1,516)
(359)	—	(359)	(660)	—	(660)
(1,751)	—	(1,751)	(3,516)	—	(3,516)
(2,301)	(444)	(2,745)	(4,539)	(1,153)	(5,692)
2,778	(4,803)	(2,025)	4,318	270	4,588
—	—	—	—	—	—
2,778	(4,803)	(2,025)	4,318	270	4,588
6.10	(10.54)	(4.44)	9.48	0.59	10.07

Group Statement of Changes in Equity

for the 6 months ended 30 September 2015

		6 months ended 30 September 2015 (Unaudited)			
	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2015		4,555	18,446	125,881	148,882
Net (loss)/profit for the period		—	—	(5,587)	(5,587)
Dividends paid	4	—	—	(2,141)	(2,141)
NET ASSETS AT 30 SEPTEMBER 2015		4,555	18,446	118,153	141,154

Year ended 31 March 2015 (Audited)				6 months ended 30 September 2014 (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	125,256	148,257	4,555	18,446	125,256	148,257
—	—	4,588	4,588	—	—	(2,025)	(2,025)
—	—	(3,963)	(3,963)	—	—	(2,004)	(2,004)
4,555	18,446	125,881	148,882	4,555	18,446	121,227	144,228

Group Cash Flow Statement

for the 6 months ended 30 September 2015

	6 months ended 30 September 2015 (Unaudited)		6 months ended 30 September 2014 (Unaudited)		Year ended 31 March 2015 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		3,126		2,907		5,151
Rental received		2,109		1,585		3,567
Interest received		1		7		7
Other income		—		8		8
Operating expenses paid		(847)		(1,162)		(2,495)
Taxation received		—		62		73
NET CASH INFLOW FROM OPERATING ACTIVITIES		4,389		3,407		6,311
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(2,273)		(4,236)		(17,267)	
Sale of investments	3,406		5,210		14,943	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		1,133		974		(2,324)
CASH FLOW FROM FINANCING ACTIVITIES						
Loans drawn down	—		—		4,889	
Interest paid	(1,848)		(1,762)		(3,525)	
Dividends paid	(2,141)		(2,004)		(3,963)	
NET CASH USED IN FINANCING ACTIVITIES		(3,989)		(3,766)		(2,599)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,533		615		1,388
Cash and cash equivalents at the start of the period		4,693		3,308		3,308
Foreign exchange movements		—		(3)		(3)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,226		3,920		4,693

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 operates. 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 November 2014 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.

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. Any performance fees payable are allocated to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely to capital performance.

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

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 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 2015 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 2015 is shown in the Statement of Financial Position on page 13. The cash flows of the Group for the half year to 30 September 2015, which are not untypical, are set out on page 18. The Group had fixed debt totalling £40,168,000 as at 30 September 2015; none of the borrowings are repayable before 2020. The Group had no short term borrowings. As at 30 September 2015, 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 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 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. 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 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. The determination of fair value by Savills 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 2015 £'000	6 months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Rental income	2,068	1,787	3,636
Interest receivable on short term deposits	1	7	6
Underwriting commission	—	8	8
	2,069	1,802	3,650

3 Return per ordinary share

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

	6 months ended 30 September 2015 £'000	6 months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Revenue return	2,998	2,778	4,318
Capital return	(8,585)	(4,803)	270
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	6.58p	6.10p	9.48p
Return per share - capital	(18.84p)	(10.54p)	0.59p
Total return per share	(12.26p)	(4.44p)	10.07p

4 Dividends paid

	6 months ended 30 September 2015 £'000	6 months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Dividends on ordinary shares:			
Final dividend of 4.70p per share (2014 - 4.40p) paid 17 July 2015	2,141	2,004	2,004
Interim dividend of 4.30p per share (2014 - 4.10p) paid 2 January 2015	—	—	1,959
	2,141	2,004	3,963

5 Interim dividend

The directors have declared an interim dividend of 4.50p (2015: 4.30p) per ordinary share, payable on 4 January 2016 to shareholders on the register on 4 December 2015. The shares will be quoted ex dividend on 3 December 2015.

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 2015	4,087	121,794	125,881
Movement during the period:-			
(Loss)/profit for the period	2,998	(8,585)	(5,587)
Dividends paid on ordinary shares	(2,141)	—	(2,141)
At 30 September 2015	4,944	113,209	118,153

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 2015 £'000	6 months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Purchases	5	23	69
Sales	1	10	24
	6	33	93

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 2015 (unaudited)				
Equity investments	123,280	—	—	123,280
Investment properties	—	52,900	—	52,900
	123,280	52,900	—	176,180
Borrowings	—	(51,733)	—	(51,733)
	123,280	1,167	—	124,447
At 31 March 2015 (audited)				
Equity investments	132,133	—	—	132,133
Investment properties	—	54,500	—	54,500
	132,133	54,500	—	186,633
Borrowings	—	(52,445)	—	(52,445)
	132,133	2,055	—	134,188
At 30 September 2014 (unaudited)				
Equity investments	127,687	—	—	127,687
Investment properties	—	48,850	—	48,850
	127,687	48,850	—	176,537
Borrowings	—	(45,379)	—	(45,379)
	127,687	3,471	—	131,158

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:-

Level 1 - valued using quoted prices in an active market for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

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 value of the loan is determined by a discounted cash flow calculation based on the appropriate inter-bank rate plus the margin per the loan agreement. All other assets and liabilities of the Group are included in the balance sheet at fair value.

There were no transfers between levels during the period.

9 Relationship with the Investment 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 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 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 £461,000 (half year to 30 September 2014: £460,000 and year to 31 March 2015: £1,093,000 including a performance fee of £215,000). At the period end, the balance owed by the Group to OLIM Limited was £75,000 (31 March 2015: £215,000) comprising management fees for the month of September 2015, subsequently paid in October 2015.

OLIM Property Limited received an investment management fee of £175,000 (half year to 30 September 2014: £175,000 and year to 31 March 2015: £423,000 including a performance fee of £90,000). At the period end, the balance owed by the Group to OLIM Property Limited was £nil (31 March 2015: £90,000).

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 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 2015 and 30 September 2014 has not been audited.

The figures and financial information for the year ended 31 March 2015 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 (2), (3) or (4) of the Companies Act 2006.

11 Approval

This half yearly report was approved by the Board on 4 November 2015.

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

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, The Guardian and The Times also quote the share price.

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
For email, select 'Contact Us', via the above website.

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.

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