VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2016

Interim Board Report

	30 September 2016	31 March 2016	30 September 2015
Group net asset value per share (valuing debt at market)	300.20p	299.17p	284.13p
Group net asset value per share (valuing debt at par)	331.33p	319.01p	309.89p
Share price (mid)	247.50p	221.75p	237.25p
Dividend per share	5.20p (first and second interim)	10.50p (total)	4.50p (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 2016, VIT's share price rose by 11.6% while the net asset value per share, valuing debt at par, increased by 3.9%. The FTSE All-Share Index (the "Index") rose by 10.6% over the half year. VIT's property portfolio was revalued independently at 30 September 2016.

The Company announced on 24 August 2016 that it intended to pay quarterly dividends in the future. The first quarterly dividend of 2.6p per share was paid on 28 October 2016 to all shareholders on the register on 30 September 2016. The second quarterly dividend of 2.6p per share will be paid on 27 January 2017 to those shareholders on the register on 30 December 2016. The ex-dividend date will be 29 December 2016.

Interim Board Report

The third quarterly dividend of 2.6p per share will be paid on 28 April 2017 to those shareholders on the register on 31 March 2017. The ex-dividend date will be 30 March 2017. 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 28 July 2017.

SUMMARY OF PORTFOLIO

	30 September 2016		31 March 2016		30 September 2015	
	£m	%	£m	%	£m	%
UK Equities	131.9	66	127.3	68	123.3	68
UK Property	61.0	30	55.1	30	52.9	29
Net current assets	7.9	4	3.1	2	5.1	3
	200.8	100	185.5	100	181.3	100

Investment Managers' Reports

UK Equities

The Market

Over the six month period to end September, UK equities rose by 10.6%. Including income the total return on the FTSE All Share Index was 12.7%. At the opening of VIT's year, equity markets were still recovering from the earlier collapse in the oil price and the rumours surrounding German banks, which had caused sharp falls at the beginning of 2016. In the middle of our first half, the EU Referendum result initially caused a sharp setback, but within a few days the market recovered to close higher than the pre Brexit level. Post the Brexit vote, sterling fell heavily against the dollar. Large companies which are exposed to dollar based earnings, subsequently significantly outperformed mid and small sized companies, which report in sterling and are more domestically focussed. In the six months as a whole the FTSE 100 Index rose by 11.6% but the FTSE 250 Index of mid–sized companies rose by much less, at +5.6%. The Higher Yield Index, which is dominated by large oil companies, large pharmaceutical companies and international banks, rose by 13.7%.

After the shock of the surprise Referendum result, and the subsequent complete change of leadership in Government, the UK economy settled into a calmer phase. Companies trading in this country were mostly reporting 'business as usual' and UK companies trading in international markets have reported the benefit of the lower exchange rate in their order books. Official statistics reported higher than expected figures for UK GDP growth in Q2 2016. Since the Referendum, forecasts for GDP growth have been upgraded from depressed levels earlier in the year.

In August the Bank of England reduced bank base rate to just 0.25% and introduced a new phase of quantitative easing, this time including corporate bonds as well as gilts. Bond yields fell even further and the total return on the FTSE All Stocks Gilt Index was +8.9% over the half year. The gross redemption yield on 10 year dated stocks fell to 0.8% at the end of September and the yield on 20 year dated stocks was 1.3%. The pound fell by just under 10% against the dollar over the six months and against the euro it fell by 9%. The oil price was steady at $49 over the six months and the price of copper was also almost unchanged over the same period. Overseas equity markets rose by 5% overall, measured in dollars, but with emerging markets outperforming America and Europe, reversing the trend of recent years.

VIT's Portfolio

We made very few changes to our portfolio in this half year, with sales and purchases totalling just £1.5m. We trimmed the large holding in Halma after very strong performance and in late September we reduced the holding in Informa, in order to fund the purchase of the rights to the new shares issued to buy the US exhibitions company, Penton. Early in our half year, we topped up the holdings of Crest Nicholson, GlaxoSmithKline and Vodafone. We were fully invested throughout the period.

Performance

In the early months of our year the equity portfolio performed in line with the FTSE All Share Index, but after the Brexit vote it fell significantly behind the Index. Over the half year as a whole our portfolio rose by 4.2%, compared with the rise of 10.6% recorded by the Index. There was a sharp reversal of relative performance due to the weakness of sterling against the dollar and the euro. The FTSE 100 rose strongly due to its dominance by the very large companies which trade internationally and declare dividends in dollars. Companies which relate to UK consumer spending were initially hit hard, though have subsequently been steadily recovering. Our underweight holdings in Mining and Oils and our overweight position in Travel and Leisure penalised performance. These sector weightings have been long-term beneficial elements to VIT's performance, but not in the weeks following Brexit. In stock selection the companies close to the consumer suffered with falls in N Brown (-42%), and Britvic (-15%). Go Ahead (-23%) was affected by the strikes in Southern Rail and Crest Nicholson (-20%) was affected by negative sentiment in the house-building sector. Strong performers in our portfolio were the dollar related stocks BHP Billiton (+49%), HSBC (+33%), Rio Tinto (+32%) and BP (+29%).

Outlook

Since the end of June, forecasts for UK GDP have been upgraded after downgrading earlier in 2016. Currently forecasters expect 1.8% for this year, but only 0.7% for 2017. We expect that they will upgrade the figure for next year in the next few months. Recently announced figures for the UK Manufacturing Purchasing Managers' Index in September showed an increase of 3.9%, against an expectation of -2.3%. Industrial companies are reporting a benefit to their order books following the decline in sterling and consumer companies are mainly reporting unchanged business activity. The strong rally in equity markets since June has taken many commentators by surprise. Those economists, including those at the Organisation for Economic Co-operation and Development and the UK Treasury, who predicted a dire economic outcome in the event of the UK voting to leave the EU, have so far been proved wrong. There are many uncertainties ahead. The new Government appears to have abandoned many of the principles held by its predecessors concerning economic policy. Public sector borrowing continues to escalate and the target of balancing the national budget has been abandoned. The negotiations on the terms of UK withdrawal from the EU will soon begin and the Conservative Party seems so far to have no common purpose on the terms of withdrawal. Nevertheless, the differential between gilt yields and equity yields remains extreme and inflation is likely to accelerate in the wake of sterling's depreciation. With Base Rate now at 0.25% and ten year gilt yields of 0.8%, equities remain attractively priced on an average yield of 3.5%.

OLIM Limited

VIT Property Report

The Market

Capital values of UK commercial property have fallen, on average, by about 5% so far since the EU Referendum on 23 June, but with stark contrasts between different locations, property types and lot sizes and, most notably, lease and covenant strength. A flight to safety and security of income in property is now well under way.

The office sector has generally been hardest hit, with the outlook for rents and tenant demand particularly problematic in the City of London. The market for large shopping centres and retail parks has not really re-opened since June, with few deals done, but the valuers have all marked yields up and values down, by up to 10% in those areas. Capital values of industrial and warehouse properties are only slightly down on average, with some longer-leased properties actually gaining in value since June. High street shop values are also holding up better than large offices or retail complexes, because their smaller lot sizes appeal to private investors who are desperate for income now long-term interest rates have fallen even further since 23 June after yet another dose of Quantitative Easing from the Bank of England.

Interest rates have fallen, from 1.5% pre-Referendum to a low of 0.5% on the 10 year gilt (although this has since partly reversed to 1.2% in mid-October) and from -1.0% then to -1.8% now on long index-linked gilts. This has given substantial support to capital values of properties with the longest and strongest income streams across the board, but especially in "alternative" property sectors where leases are often index-related. They include pubs, restaurants, motor showrooms, petrol stations and caravan parks where VIT is well invested.

Property unit trusts, after some large sales under pressure in July, have mostly re-opened with reduced redemption penalties but they still have many properties out in the market and remain keen to rebuild their cash cushions against possible future waves of redemptions. Unit trust investors and managers have had a lesson they should never forget on the dangers of promising instant liquidity from a potentially illiquid asset.

Commercial Property Values – Annual % Growth to September 2016

	6 Months	1 Year	3 Years	5 Years	10 Years
Capital	-7.4	-2.3	+6.0	+2.7	-2.6
Rental	+1.4	+2.7	+3.2	+1.9	+0.3
Total Return	-2.0	+3.3	+12.2	+9.2	+3.7

Source: IPD Monthly Index – Annualised

The total return, including income, on the IPD Annual Index may be about -1% over 2016 as a whole, with average capital values down about 6% in the second half year after a flat first half. The outlook for 2017 is unusually uncertain, even without the fog of Brexit, with a substantial devaluation of the pound, slowing economic growth and rising gilt yields in the UK, albeit from 300 year lows.

Comparative Yields – End December (Except 2016)

		30 Sept 2016	30 June 2016	31 Mar 2016	2015	2014	2008	2006	1990
Property (Equivalent Yield)		6.1*	5.8	5.7	5.7	6.0	8.1	5.4	9.9
Long Gilts	Conventional	1.0	1.3	1.8	2.2	2.0	3.7	4.6	10.7
	Index Linked	-1.8	-1.4	-1.0	-0.6	-0.8	0.8	1.1	4.5
UK Equities		3.5	3.7	3.8	3.7	3.4	4.5	2.9	5.5
R.P.I (Annual Rate)		2.0	1.4	1.6	1.2	2.0	0.9	4.4	9.3
Yield Gaps:	Property less Conventional Gilts	5.1	4.5	3.9	3.5	4.0	4.4	0.8	-1.0
	less Index Linked Gilts	7.9	7.2	6.7	6.3	6.8	7.3	4.3	5.2
	less Equities	2.6	2.1	1.9	2.0	2.6	3.6	2.5	4.2

Source: IPD: except *30 September 2016: OLIM Property estimate.

Despite that dull overall outlook, well-let UK provincial properties with realistic yields and rents should provide strong real returns and excellent relative performance against both the IPD Index and UK bonds and gilts, especially if they have inflation-linked rent reviews. They will also benefit from the rates revaluation which will hit Central London and help most of England and Wales. While open market rental growth will be tailing off in 2017, inflation in goods and services will be rising sharply. The R.P.I. may rise in the 3% - 4% range for much of 2017 as importers' short term currency hedges expire. The 20% devaluation of the pound is already showing up at the petrol pump, and however strong the competitive pressures in food retailing, prices will rise rapidly across most sectors over the next few months, cutting real incomes and spending power. The new Chancellor of the Exchequer will be walking a tight rope in the dark in his Autumn Statement on 23 November.

The devaluation of the pound, as so often in the past in the UK, will cut our net deficit on tourist trade and give short-term help to hard pressed exporters and aid import substitution. But some big investment and employment decisions will inevitably be postponed until there is some clarity on our future relationship with the European Single Market, and passporting for financial services operations in London. With critical elections next year in France and Germany, and unstable minority governments in Italy and Spain, more clarity may be at least a year away.

Business and consumer sentiment surveys in the UK have been volatile, although broadly reassuring so far, but hard evidence of the performance of the economy since 23 June is thin on the ground. GDP growth may slow to about 1% in 2017, and the mood of the currency and gilt markets has been darkening in October, with the danger that if sterling slides too far, sterling interest rates may have to be raised to provide reassurance to the overseas buyers who will be needed to fund the UK's chronic budget and balance of payments deficits for many years to come.

Against this background, with its escalating risks, it will pay to play it safe in property investment with well-tenanted, particularly, indexed property attracting an ever greater premium over the short-leased, "opportunity" (i.e. gambling) stock which outperformed in the 2013-15 boom. And safe property's yield premium over conventional and index-linked gilts remains far too wide, underpinning the investment case for secure property income in an ever more yield-hungry investment world.

Investment Managers' Reports

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 £61,025,000. The final £3.1 million tranche of our new £15m ten year Bank loan was drawn down on 30 September at a fixed interest rate of 3.6%.

Four overrented properties at Ayr, Dundee, Rochford and Sherborne were sold during the half-year for £5.3 million (5% above valuation). Their net initial yield was 7.8% and average unexpired lease length was 6 years. The proceeds of these sales, plus part of the new loan, were reinvested in five new properties for £10.1 million at Bedford, Caerphilly, Milton Keynes, Oxted (Surrey) and Thornton-Cleveleys at an average net initial yield of 7.0%. Three quarters of the new properties' income is index-related and their average unexpired lease length is 12.4 years.

Over the six months the capital value of the existing portfolio rose by 1.3% and the total return was +5.0%, against -1.0% on the IPD Index of commercial property. Eight properties gained in value, three with short leases declined and fourteen were unchanged. The running yield on valuation was 7.0% at end September (IPD: 5.2%). There are no empty properties, against an IPD void rate of 10.1%. All our properties are let on full repairing and insuring leases with upward only rent reviews and a weighted average unexpired lease length of 13.6 years. 46% of rental income now has rent reviews with R.P.I.-linked increases, with a further 10% having fixed increases. In October the portfolio has become fully invested with contracts exchanged for the purchase for £5.2 million of an industrial estate in Fareham and a pub-restaurant in Cheltenham at a net yield of 6.6% and the sale of the Elgin shop for £0.8 million at a net yield of 9.2%.

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 May and September this year at an average fixed rate of 4.3%. 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 10% p.a. on the IPD Index.

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 FCA Listing Rules or the FCA 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 Group 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 stocks and the fifteen 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.

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 and Transparency Rules.

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

James Ferguson
Chairman
31 October 2016

Group Statement of Financial Position

as at 30 September 2016

	Notes	As at 30 September 2016 (Unaudited) £'000	£'000	As at 31 March 2016 (Audited) £'000	£'000	As at 30 September 2015 (Unaudited) £'000	£'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			131,852		127,266		123,280
Investment properties			61,025		55,125		52,900
	8		192,877		182,391		176,180
CURRENT ASSETS							
Cash and cash equivalents		8,232		3,481		6,226	
Other receivables		1,267		755		643	
			9,499		4,236		6,869
TOTAL ASSETS			202,376		186,627		183,049
CURRENT LIABILITIES							
Other payables			(1,582)		(1,152)		(1,727)
TOTAL ASSETS LESS CURRENT LIABILITIES			200,794		185,475		181,322
NON-CURRENT LIABILITIES							
Borrowings			(49,875)		(40,167)		(40,168)
			150,919		145,308		141,154
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		127,918		122,307		118,153
			150,919		145,308		141,154
NET ASSET VALUE PER ORDINARY SHARE			331.33p		319.01p		309.89p

Group Statement of Comprehensive Income

for the 6 months ended 30 September 2016

	Notes	6 months ended 30 September 2016 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INCOME				
Dividend income		3,418	—	3,418
Other operating income	2	2,004	—	2,004
		5,422	—	5,422
GAINS AND LOSSES ON INVESTMENTS				
Realised gains on held-at-fair-value investments and investment properties		—	1,312	1,312
Unrealised gains/(losses) on held-at-fair-value investments and investment properties		—	4,376	4,376
TOTAL INCOME		5,422	5,688	11,110
EXPENSES				
Investment management fees		(187)	(435)	(622)
Other operating expenses		(157)	—	(157)
FINANCE COSTS		(1,987)	—	(1,987)
TOTAL EXPENSES		(2,331)	(435)	(2,766)
PROFIT/(LOSS) BEFORE TAX		3,091	5,253	8,344
TAXATION		—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,091	5,253	8,344
EARNINGS PER ORDINARY SHARE (Pence)	3	6.79	11.53	18.32

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 interim dividend of 2.60p per share which was paid on 28 October 2016 to those shareholders on the register on 30 September 2016 with an ex-dividend date of 29 September 2016 and a second interim dividend of 2.60p per share which will be paid on 27 January 2017 to those shareholders on the register on 30 December 2016 with an ex-dividend date of 29 December 2016. The 2015 equivalent dividend rate was 4.50p per share. The third quarterly dividend of 2.60p per share will be paid on 28 April 2017 to those shareholders on the register on 31 March 2017. The ex-dividend date will be 30 March 2017.

6 months ended 30 September 2015 (Unaudited)			Year ended 31 March 2016 (Audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3,337	—	3,337	5,898	—	5,898
2,069	—	2,069	3,938	—	3,938
5,406	—	5,406	9,836	—	9,836
—	123	123	—	1,759	1,759
—	(8,263)	(8,263)	—	(5,295)	(5,295)
5,406	(8,140)	(2,734)	9,836	(3,536)	6,300
(191)	(445)	(636)	(361)	(843)	(1,204)
(365)	—	(365)	(777)	—	(777)
(1,852)	—	(1,852)	(3,702)	—	(3,702)
(2,408)	(445)	(2,853)	(4,840)	(843)	(5,683)
2,998	(8,585)	(5,587)	4,996	(4,379)	617
—	—	—	—	—	—
2,998	(8,585)	(5,587)	4,996	(4,379)	617
6.58	(18.84)	(12.26)	10.97	(9.61)	1.36

Group Statement of Changes in Equity

for the 6 months ended 30 September 2016

		6 months ended 30 September 2016 (Unaudited)			
	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2016		4,555	18,446	122,307	145,308
Net profit/(loss) for the period		—	—	8,344	8,344
Dividends paid	4	—	—	(2,733)	(2,733)
NET ASSETS AT 30 SEPTEMBER 2016		4,555	18,446	127,918	150,919

Year ended 31 March 2016 (Audited)				6 months ended 30 September 2015 (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	125,881	148,882	4,555	18,446	125,881	148,882
—	—	617	617	—	—	(5,587)	(5,587)
—	—	(4,191)	(4,191)	—	—	(2,141)	(2,141)
4,555	18,446	122,307	145,308	4,555	18,446	118,153	141,154

Group Cash Flow Statement

for the 6 months ended 30 September 2016

	6 months ended 30 September 2016 (Unaudited)		6 months ended 30 September 2015 (Unaudited)		Year ended 31 March 2016 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		3,551		3,126		5,608
Rental income received		2,522		2,109		3,374
Interest received		1		1		1
Operating expenses paid		(878)		(847)		(1,830)
NET CASH INFLOW FROM OPERATING ACTIVITIES		5,196		4,389		7,153
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(11,158)		(2,273)		(8,935)	
Sale of investments	5,650		3,406		8,462	
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(5,508)		1,133		(473)
CASH FLOW FROM FINANCING ACTIVITIES						
Loans drawn down	9,703		—		—	
Interest paid	(1,907)		(1,848)		(3,701)	
Dividends paid	(2,733)		(2,141)		(4,191)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		5,063		(3,989)		(7,892)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,751		1,533		(1,212)
Cash and cash equivalents at the start of the period		3,481		4,693		4,693
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		8,232		6,226		3,481

Notes to the Financial Statements

1 Accounting policies

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

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

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 9.

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 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 2016 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 10 to 13. The financial position of the Group as at 30 September 2016 is shown in the Statement of Financial Position on page 14. The cash flows of the Group for the half year to 30 September 2016, which are not untypical, are set out on page 19. The Group had fixed debt totalling £49,875,000 as at 30 September 2016; none of the borrowings is repayable before 2021. The Group had no short term borrowings. As at 30 September 2016, 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 Service 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, any surplus arising from the realisation of any investment may be distributed.

(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 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 September 2016 £'000	6 months ended September 2015 £'000	Year ended March 2016 £'000
Rental income	2,003	2,068	3,937
Interest receivable on short term deposits	1	1	1
	2,004	2,069	3,938

3 Return per ordinary share

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

	6 months ended September 2016 £'000	6 months ended September 2015 £'000	Year ended March 2016 £'000
Revenue return	3,091	2,998	4,996
Capital return	5,253	(8,585)	(4,379)
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	6.79p	6.58p	10.97p
Return per share - capital	11.53p	(18.84p)	(9.61p)
Total return per share	18.32p	(12.26p)	1.36p

4 Dividends paid

	6 months ended 30 September 2016 £'000	6 months ended 30 September 2015 £'000	Year ended 31 March 2016 £'000
Dividends on ordinary shares:			
Final dividend of 6.00p per share (2015 - 4.70p) paid 15 July 2016	2,733	2,141	2,141
Interim dividend of 4.50p per share (2015 - 4.30p) paid 4 January 2016	—	—	2,050
	2,733	2,141	4,191

5 Interim dividend

The Directors have declared a first interim dividend of 2.60p per ordinary share, paid on 28 October 2016 to shareholders registered on 30 September 2016, with an ex dividend date of 29 September 2016 and a second interim dividend of 2.6p per share, payable on 27 January 2017 to shareholders registered on 30 December 2016, with an ex dividend date of 29 December 2016. The 2015 equivalent dividend rate was 4.50p per share.

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 2016	4,892	117,415	122,307
Movement during the period:-			
Profit for the period	3,091	5,253	8,344
Dividends paid on ordinary shares	(2,733)	—	(2,733)
At 30 September 2016	5,250	122,668	127,918

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 2016 £'000	6 months ended 30 September 2015 £'000	Year ended 31 March 2016 £'000
Purchases	6	5	32
Sales	3	1	4
	9	6	36

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 2016 (unaudited)				
Equity investments	131,852	—	—	131,852
Investment properties	—	61,025	—	61,025
	131,852	61,025	—	192,877
Borrowings	—	(64,178)	—	(64,178)
	131,852	(3,153)	—	128,699
At 31 March 2016 (audited)				
Equity investments	127,266	—	—	127,266
Investment properties	—	55,125	—	55,125
	127,266	55,125	—	182,391
Borrowings	—	(52,190)	—	(52,190)
	127,266	2,935	—	130,201

	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

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 70% to OLIM and 30% 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 70% to OLIM and 30% to OLIM Property. The fee is charged wholly to capital.

OLIM Limited received an investment management fee of £435,000 (half year to 30 September 2015: £461,000 and year to 31 March 2016: £873,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Limited was £71,000 (31 March 2016: £72,000) comprising management fees for the month of September 2016, subsequently paid in October 2016.

OLIM Property Limited received an investment management fee of £187,000 (half year to 30 September 2015: £175,000 and year to 31 March 2016: £331,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Property Limited was £30,000 (31 March 2016: £27,000) comprising management fees for the month of September 2016, subsequently paid in October 2016.

Value and Income Services Limited is a wholly owned subsidiary of the 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 2016 and 30 September 2015 has not been audited.

The figures and financial information for the year ended 31 March 2016 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.

This half yearly report was approved by the Board on 31 October 2016.

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.

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.

Contact Information

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Secretary

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