VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2017

Interim Board Report

	30 September 2017	31 March 2017	30 September 2016
Group net asset value per share (valuing debt at market)	332.03p	318.09p	300.20p
Group net asset value per share (valuing debt at par)	355.90p	345.51p	331.33p
Share price (mid)	267.00p	255.00p	247.50p
Dividend per share	5.40p (first and second quarterly)	11.00p (total)	5.20p (first and second quarterly)

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 2017, VIT's share price rose by 4.7% while the net asset value per share, valuing debt at par, increased by 3.0%. The FTSE All-Share Index (the "Index") rose by 1.5% over the half year. VIT's property portfolio was revalued independently at 30 September 2017.

The Company announced on 29 August 2017 the dates of the quarterly dividends for the year to 31 March 2018. The first quarterly dividend of 2.7p per share was paid on 27 October 2017 to all shareholders on the register on 29 September 2017. The second quarterly dividend of 2.7p per share will be paid on 26 January 2018 to those shareholders on the register on 29 December 2017. The ex-dividend date will be 28 December 2017.

The third quarterly dividend of 2.7p per share will be paid on 27 April 2018 to those shareholders on the register on 3 April 2018. The ex-dividend date will be 29 March 2018. 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 27 July 2018.

SUMMARY OF PORTFOLIO

	30 September 2017		31 March 2017		30 September 2016	
	£m	%	£m	%	£m	%
UK Equities	140.4	66	137.6	67	131.9	66
UK Property	67.6	32	66.8	32	61.0	30
Net current assets	4.0	2	2.9	1	7.9	4
	212.0	100	207.3	100	200.8	100

Investment Managers' Reports

UK Equities

The Market

Over the six month period to end September, UK equities rose by 1.5%. Including income, the total return on the FTSE All Share Index was 3.6%. Throughout the half-year the market continued to trade within narrow limits and moved gently upwards amid considerable turbulence in international relations and UK politics, as well as growing pressures on consumer spending. The UK equity market has now risen in each successive quarter since the result of the EU Referendum and closed our current half year 16% higher than at the close of business on 23 June 2016, the last day before the Referendum result.

During the half year, mid-sized companies continued to recover from the underperformance of the second half of 2016. The FTSE 100 Index of the largest companies rose by just 0.8% but the FTSE 250 Index of mid-sized companies rose by 4.8%. The FTSE 350 Higher Yield Index was the laggard of the half-year and recorded a fall of 0.8%. The outperformance of the FTSE 250 Index was due in part to the recovery of sterling against the dollar. The pound gained by 6.8% against the dollar, closing at $1.34. Against the euro, however, it continued to weaken, closing the half year at €1.13, a fall of 3.7% compared with the rate of $1.18 at the end of March.

In the fixed interest markets, yields rose modestly in most markets. The ten year gilt yield rose to 1.4% at the end of the half-year, compared to 1.1% at the end of March. The FTSE Gilt All Stocks Index recorded a total return of -1.7%. In America, ten year Treasury yields fell very marginally to 2.3% v 2.4% but in Germany, yields on ten year dated stocks rose from 0.3% to 0.5%. In commodity markets, the price of oil (Brent crude) rose by 8.9% to $58 and the price of copper rose by 11.0%. These upward movements reflected the steady growth in world trade, and the Baltic Dry Index of shipping also rose, by 4.6% over the half year and treble the level it recorded eighteen months earlier.

These positive moves in equity markets were achieved despite considerable adverse factors, both political and economic. International tensions escalated with the aggressive launches of missiles close to Japan by Kim Jong-un, the North Korean dictator, which were followed by highly combative comments from President Trump, threatening dire consequences from US military forces. UK politics have been a growing concern since the General Election resulted in a hung parliament and a trend towards extreme left wing politics under the leadership of Jeremy Corbyn. Consumer spending in the UK has shown a confused picture, with some companies reporting adverse trends due to rising inflation, but national statistics presenting a more encouraging background of falling unemployment and buoyant retail sales in August and September.

VIT's Portfolio

Sales and purchases totalled £2.78m in the half year. We sold our holding in Carillion in July, immediately after the announcement of its contract losses and the cancellation of its dividend. Though we realised a considerable loss on the purchase cost of the holding, the price subsequently fell significantly further. We also top sliced our large holding in Spectris which has risen very strongly since we bought it. We bought a new holding in Eddie Stobart, in the industrial transport sector. Eddie Stobart was demerged from the Stobart Group in 2014 and listed as a separate company on AIM in April this year. Since leaving the Stobart Group it has developed its business beyond delivering stock for retailers, into providing logistical solutions for a wide range of industrial sectors, especially the building sector and has a growing business in the E-commerce sector, providing solutions for customers including Amazon.

Performance

VIT's equity portfolio outperformed over the half year with a total return of +5.0% compared to the FTSE All Share Index Return of +3.6%. In sector allocations, the absence of tobacco holdings was strongly positive, due to share price weakness after the US threatened new legislation on tobacco products. Our underweighting in the resource sectors of oil & gas and mining and our overweighting in utilities, though all long-term positives, were adverse for performance in this period. In stock selection, our holding in Conviviality (+75%) was positive and in the general retail sector N Brown (+7%) recovered well after earlier disappointments. In the non-life insurance sector, Beazley (33%) outperformed strongly. After recent setbacks, Rotork (+42%) recovered significantly and Prudential (+37%) also continued its strong post-Brexit rise. These positives outweighed the disappointing performances of Marstons (-28%) and Restaurant Group (-23%) in the leisure sector and Carillion (-34% to our sale price) and Babcock (-13%) in the support services sector. Babcock drifted lower on negative sentiment towards public sector contracts.

Outlook

Global growth in GDP is expected to continue to rise steadily, with more than 3.5% forecast for 2017. American GDP is growing at just over 2% and China's rate of growth, though gently declining, should remain above 6.5% in 2017, with a small further decline next year. Growth in the Eurozone has picked up, following years of relative stagnation. In 2017, growth of close to 2% is forecast. UK growth has been more muted so far this year with just 0.2% in the first quarter and 0.3% in the second quarter. Growth of 1.5% is currently expected for the year, trailing the major developed economies, apart from Japan. The UK consumer has been under pressure with lower wage growth and higher inflation following last year's depreciation of sterling. Some consumer facing companies reported slower growth in sales during the summer, but concerns about consumer spending and a slowing domestic economy were partly alleviated by strong retail sales reported in August and September. The annual rate of CPI inflation reached 2.9% during the summer but should now moderate with the recovery in sterling against the dollar. Further grounds for optimism stem from the rate of unemployment which is now at the lowest rate for 42 years, at 4.3%.

Interest rates in America have risen four times so far and the Fed Funds rate now stands at 1.25% with further rises expected. Statistics concerning unemployment in the USA report very low levels, similar to the UK, prompting fears of rising inflation. In the UK, the Bank of England has warned about the level of indebtedness across the economic spectrum, with particular concerns about the level of consumer debt. Mark Carney warns that the Bank will raise base rate, possibly before the end of 2017, from its current rate of 0.25%. The Bank reduced base rate to this level shortly after the Brexit outcome of the EU Referendum in August 2016 and also announced a further programme of Quantitative Easing, which has now come to an end. Tightening interest rates are now generally expected both here and in America.

Investors have had to contend with a highly uncertain future for more than a year now with unexpected outcomes of major electoral decisions and changes of leadership in America and in the UK. Nevertheless, our equity market has remained positive and steady. Equity investors have been much encouraged by the growth in equity dividends; so far in 2017 dividends declared on the companies in the All Share Index have risen by nearly 16%. This is partly due to the translational effect on dollar earnings and dividends declared earlier in the year when the pound was lower against the dollar, but it also reflects steady growth in the majority who declare in sterling. Despite the rise in capital values of equities during the last half year, the yield on the All Share Index has risen to its current level of 3.7%, which remains at a high premium over gilt yields. There have been some highly publicised problems amongst some high yielding companies in the equity income sector, but with careful stock selection, focussed amongst the smaller end of the market, we believe that our portfolio will continue to deliver steadily growing income.

OLIM Limited

Property

The Market

UK commercial property prices have now recovered to their pre-Referendum levels after an initial sharp fall, but with a marked divergence in performance between the main sectors. Office and retail capital values are 2%-3% down over the past year but industrial/warehouse property is 8% up. Alternative property investments, such as leisure, pubs, hotels, caravan parks and petrol filling stations are also performing strongly.

This divergence in sector performance looks set to widen over the year ahead. Retail and office rents are both under pressure, with anaemic economic growth and real consumer incomes down for four consecutive quarters, and London office occupiers reluctant to sign new leases as the Brexit deadline draws nearer. But industrial and warehouse property is in demand from both investors and occupiers. Across all sectors of the investment market, property on long leases is outperforming shorter-let, riskier stock – in sharp contrast to the 2013-15 bull market.

Commercial Property Values – Average Annual % Growth to September 2017

	6 Months	1 Year	3 Years	5 Years	10 Years
Capital Values	+4.8	+4.5	+3.7	+4.6	-2.1
Rental Values	+1.9	+1.8	+2.9	+2.3	+0.1
Total Return	+10.4	+10.4	+9.5	+10.9	+4.3

Source: IPD Monthly Index – Annualised

The total return, including income, on the IPD Annual Index may be about 9% over 2017 as a whole, with average capital values up about 4%. Almost all the growth may come from the industrial/warehouse and alternative sectors, with retail and office rents and capital values broadly flat.

COMPARATIVE YIELDS – END DECEMBER (EXCEPT 2017)

		30 Sept 2017	31 Mar 2017	2015	2014	2008	2006
Property (Equivalent Yield)		5.6	5.7	5.6	5.9	8.1	5.4
Long Gilts	Conventional	1.6	1.4	2.2	2.0	3.7	4.6
	Index Linked	-1.7	-1.8	-0.6	-0.8	0.8	1.1
UK Equities		3.7	3.5	3.7	3.4	4.5	2.9
R.P.I (Annual Rate)		3.9	3.1	1.1	2.0	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	4.0	4.3	3.4	3.9	4.4	0.8
	less Index Linked Gilts	7.3	7.5	6.2	6.7	7.3	4.3
	less Equities	1.9	2.2	1.9	2.5	3.6	2.5

Sources: IPD and ONS

The post-Referendum devaluation of sterling last year gave a short-term boost to domestic tourism, manufacturing and exports, but the pain of import price rises cutting real incomes is clear, with inflation up to 3.0% for the CPI and 3.9% for the RPI. The inconclusive June General Election result and slow progress in Brexit negotiations are sapping business and consumer confidence and there are now more signs of a widespread slowdown across the economy. Many consumers are deeply in debt and poorly placed to manage mortgage rate rises, with the savings ratio down to a 50 year low. They are now starting to retrench hard, especially on big ticket purchases like cars, with the latest sales figures 9% down on 2016. The UK economy is the slowest growing of the G7 nations, with construction and service output weakening, labour shortages growing, and quarter-on-quarter GDP growth running at less than a 1% annual rate so far in 2017. Employment in the UK is at historic highs, but productivity is stagnant and is lower than in 2007.

Interest rates are now starting to rise in most Western economies, with the first steps to reduce Quantitative Easing starting to put upward pressure on international interest rates and bond yields from their unprecedentedly long and deep trough. Most Eurozone economies are performing strongly, with President Macron dominant in France and Frau Merkel re-elected as Chancellor of Germany, albeit needing to form a new coalition government, and the United States and Far Eastern economies are showing reasonable growth.

Since last June there have been more transactions in the safer parts of the property market than in shorter-let offices and shopping centres in particular. Those parts of the market are still in limbo, with a wall of sellers, especially the U.S. distressed debt and hedge funds, with few buyers. So valuations of portfolios heavily represented in those sectors, and the IPD indices overall, are still painting too optimistic a picture. As more properties change hands in the weaker sectors and as increasing incentives to persuade tenants to sign or renew leases on London offices show up as falling rents, the IPD market indices are likely to stop rising by the end of 2017. Private investors remain hungry for yield at the smaller (typically sub £2 million) end of the market, and are switching out of residential buy-to-let investments into commercial property following tax and regulatory changes. Local authorities are also active buyers of all sorts of provincial property, often outside their own areas, with taxpayers' money borrowed from the Public Works Loan Board. But they have no coherent investment strategy except raising short-term income to lessen the impact of ever greater public spending cuts, and the Treasury should clamp down on this abuse of public lending, probably in the Budget.

With the economic and political skies darkening, there is a flight to safety in UK property investment, with strong demand for solid long-term, especially indexed, property income, from serious long-term investors such as pension funds, insurance companies, charities, and risk-averse private investors. Safe property's extraordinarily high yield margins over conventional and index-linked gilts are still too good to miss despite the recent uptick in gilt yields, and buying pressure is continuing to close that gap. This process has further to run.

VIT's Portfolio

VIT's property portfolio is independently valued by Savills at the end of March and September each year. The latest valuation total was £67,545,000. This reduced to £66,275,000 on completion of the already exchanged sale of Stratford on 2 October.

A Co-operative petrol station and convenience store in Southampton with fixed rental increases was bought during the half-year for £2.1 million at a net initial yield of 6.4%. Two overrented retail properties at Lytham St Annes and Stratford were sold for £4 million (5% below valuation). Their net initial yield was 8.9%, falling to below 8% on current rental values, with an average unexpired lease length of 3 years. These transactions leave £1.5 million available for reinvestment in VIT's property portfolio.

Over the six months the capital value of the existing portfolio rose by 2% and the total return was +5.5%, against 5.2% on the IPD Index of commercial property. Industrial properties and the caravan park performed best with capital growth of 7%, pubs were up 2% and shops and motor trade properties were unchanged. Fourteen properties gained in value, three declined and twelve were unchanged. The running yield on valuation was 6.4% at end September (IPD: 5.2%). There are no empty properties, against an IPD void rate of 7.6%. All our properties are let on full repairing and insuring leases with upward only rent reviews and a weighted average unexpired lease length of 14 years. 39% of rental income now has rent reviews with R.P.I.-linked increases, and a further 20% has fixed increases. This 59% index-related share of rental income is up from 52% at end March and 35% five years ago.

VIT's property portfolio is partly funded from three fixed rate loans – £15 million of VIT 11% Debenture Stock repayable in 2021 and £35 million repayable in 2026, comprising £20m of historic 9 3/8% Debenture Stock and a £15 million bank loan drawn down in mid-2016 at an average fixed rate of 4.3%. The effective average annual interest cost of the Debenture Stocks is 9% because they were issued at a premium.

OLIM Property Limited

Interim Board Report

Management and Administration of VIT

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

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

Principal Risks and Uncertainties

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 but not limited to, 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 risk: The fair value of, or future cash flows from, a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk.

  Price risk: 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 that gearing levels are appropriate to market conditions and reviews these on a regular basis. Current borrowings comprise debenture stock and the ten year secured term loan, providing secure long-term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%.

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

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

- Credit risk: This is the failure of a counterparty to a transaction to discharge its obligations under that transaction 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 OLIM (who report to VIS) and limits are set on the amount that may be due from any one broker.

  - the risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis to ensure that discrepancies are picked up on a timely basis. VIS carries out periodic reviews of the Depositary's operations and reports its findings to the Company. This review also includes checks on the maintenance and security of investments held.

  - cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.

None of the Group's equity investments is secured by collateral or other credit enhancements.

- Property risk: The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market. Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews. None of the Group's financial assets is impaired.

- Political risk: In a referendum held on 23 June 2016, the UK voted to leave the European Union (informally known as "Brexit"). The political, economic and legal consequences of the referendum vote are not yet known.

Interim Board Report

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements within the Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'; and
- the Interim 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 2017

Group Statement of Financial Position

as at 30 September 2017

	Notes	As at 30 September 2017 (Unaudited) £'000	As at 30 September 2017 (Unaudited) £'000	As at 31 March 2017 (Audited) £'000	As at 31 March 2017 (Audited) £'000	As at 30 September 2016 (Unaudited) £'000	As at 30 September 2016 (Unaudited) £'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			140,465		137,573		131,852
Investment properties			67,545		66,775		61,025
	8		208,010		204,348		192,877
CURRENT ASSETS							
Cash and cash equivalents		4,519		4,292		8,232	
Other receivables		787		744		1,267	
			5,306		5,036		9,499
TOTAL ASSETS			213,316		209,384		202,376
CURRENT LIABILITIES							
Other payables			(1,312)		(2,122)		(1,582)
TOTAL ASSETS LESS CURRENT LIABILITIES			212,004		207,262		200,794
NON-CURRENT LIABILITIES							
Borrowings			(49,891)		(49,883)		(49,875)
			162,113		157,379		150,919
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		139,112		134,378		127,918
			162,113		157,379		150,919
NET ASSET VALUE PER ORDINARY SHARE			355.90p		345.51p		331.33p

Group Statement of Comprehensive Income

for the 6 months ended 30 September 2017

	Notes	6 months ended 30 September 2017 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INCOME				
Dividend income		3,439	—	3,439
Other operating income	2	2,201	—	2,201
		5,640	—	5,640
GAINS AND LOSSES ON INVESTMENTS				
Realised (losses)/gains on held-at-fair-value investments and investment properties		—	(1,653)	(1,653)
Unrealised gains on held-at-fair-value investments and investment properties		—	6,524	6,524
TOTAL INCOME		5,640	4,871	10,511
EXPENSES				
Investment management fees		(212)	(494)	(706)
Other operating expenses		(345)	—	(345)
FINANCE COSTS		(2,084)	—	(2,084)
TOTAL EXPENSES		(2,641)	(494)	(3,135)
PROFIT BEFORE TAX		2,999	4,377	7,376
TAXATION		—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,999	4,377	7,376
EARNINGS PER ORDINARY SHARE (Pence)	3	6.58	9.61	16.19

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

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

The Board has declared a first quarterly dividend of 2.70p per share (2017 - 2.60p) which was paid on 27 October 2017 to those shareholders on the register on 29 September 2017 with an ex-dividend date of 28 September 2017 and a second quarterly dividend of 2.70p per share (2017 - 2.60p) which will be paid on 26 January 2018 to those shareholders on the register on 29 December 2017 with an ex-dividend date of 28 December 2017. The third quarterly dividend of 2.7p per share will be paid on 27 April 2018 to those shareholders on the register on 3 April 2018. The ex-dividend date will be 29 March 2018.

6 months ended 30 September 2016 (Unaudited)			Year ended 31 March 2017 (Audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3,418	—	3,418	5,912	—	5,912
2,004	—	2,004	4,234	—	4,234
5,422	—	5,422	10,146	—	10,146
—	1,312	1,312	—	4,170	4,170
—	4,376	4,376	—	8,848	8,848
5,422	5,688	11,110	10,146	13,018	23,164
(187)	(435)	(622)	(401)	(935)	(1,336)
(157)	—	(157)	(573)	—	(573)
(1,987)	—	(1,987)	(4,083)	—	(4,083)
(2,331)	(435)	(2,766)	(5,057)	(935)	(5,992)
3,091	5,253	8,344	5,089	12,083	17,172
—	—	—	—	—	—
3,091	5,253	8,344	5,089	12,083	17,172
6.79	11.53	18.32	11.17	26.53	37.70

Group Statement of Changes in Equity

for the 6 months ended 30 September 2017

		6 months ended 30 September 2017 (Unaudited)			
	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2017		4,555	18,446	134,378	157,379
Net profit for the period		—	—	7,376	7,376
Dividends paid	4	—	—	(2,642)	(2,642)
NET ASSETS AT 30 SEPTEMBER 2017		4,555	18,446	139,112	162,113

Year ended 31 March 2017 (Audited)				6 months ended 30 September 2016 (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	122,307	145,308	4,555	18,446	122,307	145,308
—	—	17,172	17,172	—	—	8,344	8,344
—	—	(5,101)	(5,101)	—	—	(2,733)	(2,733)
4,555	18,446	134,378	157,379	4,555	18,446	127,918	150,919

Group Cash Flow Statement

for the 6 months ended 30 September 2017

	6 months ended 30 September 2017 (Unaudited)		6 months ended 30 September 2016 (Unaudited)		Year ended 31 March 2017 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		3,659		3,551		5,847
Rental income received		1,462		2,522		4,976
Interest received		—		1		1
Operating expenses paid		(1,388)		(878)		(1,692)
NET CASH INFLOW FROM OPERATING ACTIVITIES		3,733		5,196		9,132
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(3,253)		(11,158)		(21,767)	
Sale of investments	4,463		5,650		12,828	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		1,210		(5,508)		(8,939)
CASH FLOW FROM FINANCING ACTIVITIES						
Loans drawn down	—		9,703		9,702	
Interest paid	(2,074)		(1,907)		(3,983)	
Dividends paid	(2,642)		(2,733)		(5,101)	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(4,716)		5,063		618
NET INCREASE IN CASH AND CASH EQUIVALENTS		227		4,751		811
Cash and cash equivalents at the start of the period		4,292		3,481		3,481
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4,519		8,232		4,292

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 and updated in January 2017 with consequential amendments 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 10.

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 2017 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 11 to 15. The financial position of the Group as at 30 September 2017 is shown in the Statement of Financial Position on page 16. The cash flows of the Group for the half year to 30 September 2017, which are not untypical, are set out on page 21. The Group had fixed debt totalling £49,891,000 as at 30 September 2017; none of the borrowings is repayable before 2021. The Group had no short term borrowings. As at 30 September 2017, 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 Global Standards issued in June 2017 and effective from 1 July 2017 (the 'RICS Red Book'). 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 2017 £'000	6 months ended September 2016 £'000	Year ended March 2017 £'000
Rental income	2,201	2,003	4,233
Interest receivable on short-term deposits	—	1	1
	2,201	2,004	4,234

3 Return per ordinary share

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

	6 months ended September 2017 £'000	6 months ended September 2016 £'000	Year ended March 2017 £'000
Revenue return	2,999	3,091	5,089
Capital return	4,377	5,253	12,083
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	6.58p	6.79p	11.17p
Return per share - capital	9.61p	11.53p	26.53p
Total return per share	16.19p	18.32p	37.70p

4 Dividends paid

	6 months ended 30 September 2017 £'000	6 months ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Dividends on ordinary shares:			
Third quarterly dividend of 2.60p per share (2016 - nil) paid 28 April 2017	1,184	—	—
Final dividend of 3.20p per share (2016 - 6.00p) paid 28 July 2017	1,458	2,733	2,733
First quarterly dividend of 2.70p per share (2017 - 2.60p) paid 27 October 2017 *	—	—	1,184
Second quarterly dividend of 2.70p per share (2017 - 2.60p) payable 26 January 2018 *	—	—	1,184
Dividends paid in the period	2,642	2,733	5,101

* First and second quarterly dividends for the year to 31 March 2018 have been declared with pay dates falling after 30 September 2017. These have not been included as liabilities in these financial statements.

5 Quarterly dividends

The Directors have declared a first quarterly dividend of 2.70p per ordinary share, paid on 27 October 2017 to shareholders registered on 29 September 2017, with an ex-dividend date of 28 September 2017 (2017 - 2.60p) and a second quarterly dividend of 2.70p per share, payable on 26 January 2018 to shareholders registered on 29 December 2017, with an ex-dividend date of 28 December 2017 (2017 - 2.60p).

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 2017	4,880	129,498	134,378
Movement during the period:-			
Profit for the period	2,999	4,377	7,376
Dividends paid on ordinary shares	(2,642)	—	(2,642)
At 30 September 2017	5,237	133,875	139,112

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 2017 £'000	6 months ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Purchases	2	6	31
Sales	4	3	10
	6	9	41

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 2017 (unaudited)				
Equity investments	140,465	—	—	140,465
Investment properties	—	—	67,545	67,545
	140,465	—	67,545	208,010
Borrowings	—	(60,874)	—	(60,874)
	140,465	(60,874)	67,545	147,136
At 31 March 2017 (audited)				
Equity investments	137,573	—	—	137,573
Investment properties	—	—	66,775	66,775
	137,573	—	66,775	204,348
Borrowings	—	(62,488)	—	(62,488)
	137,573	(62,488)	66,775	141,860
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	(64,178)	61,025	128,699

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 £494,000 (half year to 30 September 2016: £435,000 and year to 31 March 2017: £935,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Limited was £80,000 (31 March 2017: £77,000) comprising management fees for the month of September 2017, subsequently paid in October 2017.

OLIM Property Limited received an investment management fee of £212,000 (half year to 30 September 2016: £187,000 and year to 31 March 2017: £401,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Property Limited was £34,000 (31 March 2017: £33,000) comprising management fees for the month of September 2017, subsequently paid in October 2017.

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

10 Half Yearly Report

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2017 and 30 September 2016 has not been audited.

The figures and financial information for the year ended 31 March 2017 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 2017.

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.

Customer Services

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

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

www.investorcentre.co.uk/contactus

Note

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

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

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

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