SC050566

VALUE AND INCOME TRUST PLC

ANNUAL REPORT 1997

SCT *SVK7BWN8* 428
COMPANIES HOUSE 18/06/97

CONTENTS

AIMS OF THE TRUST

Value and Income Trust (VIT) is a specialist United Kingdom investment trust designed for both institutional and private investors. It invests in higher-yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in smaller companies. Its aim is above average long-term growth in dividends and capital values without undue risk.

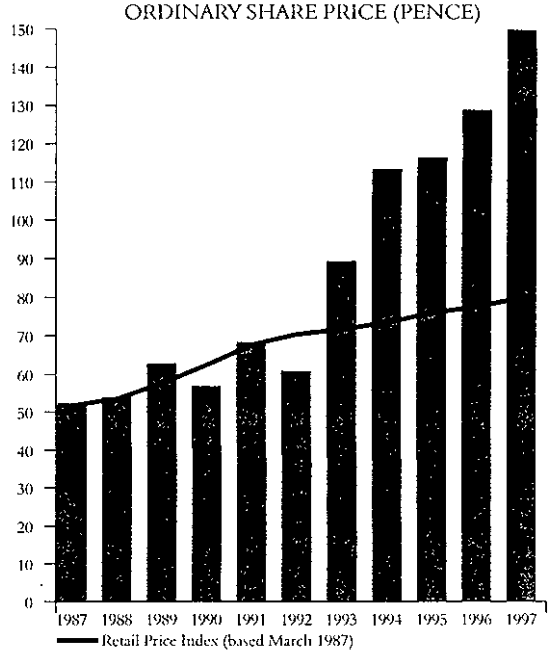
HIGHLIGHTS OF THE YEAR

- Share price up 16% (up 146% over 5 years).
- Net asset value per share up 13% (up 103% over 5 years).
- Net dividend up 5% (up 42% over 5 years).
- Awards for VIT as best performing UK Income Growth Trust over both five and ten years.

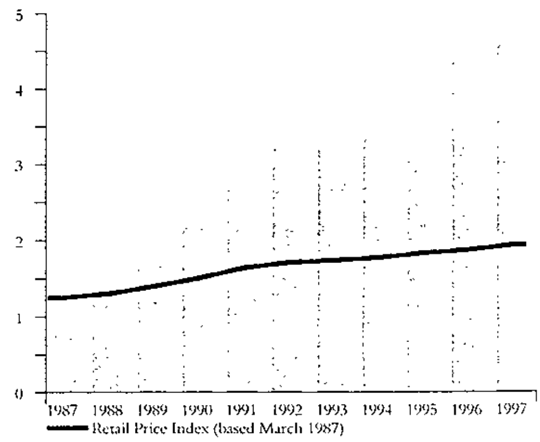
PRICE QUOTATIONS

The share price and estimated net asset value are quoted daily under "Investment Trusts" in The Daily Telegraph and Financial Times. The Guardian, Herald, Scotsman and Times quote the share price.

ORDINARY SHARE PRICE (PENCE)



DIVIDEND PER SHARE (PENCE)



LONG TERM RECORD

		31 March 1997	31 March 1996	31 March 1995	31 March 1994	31 March 1993	31 March 1992	31 March 1991	31 March 1990	31 March 1989	31 March 1988	31 March 1987	30 Sept 1986
Net Asset Value per share	p	143.6	127.4	110.0	111.7	92.5	70.6	77.0	75.5	74.2	60.5	55.1	44.0
Ordinary Share Price	p	150.0	129.0	116.5	113.5	89.5	61.0	68.5	57.0	63.0	54.0	52.0	42.0
Dividend per Share	p	4.6	4.4	4.2	4.0	3.6	3.24	2.7	2.2	1.725	1.44	1.25	N/A
Portfolio Total	£m	90.0	82.4	69.0	68.4	59.0	49.4	47.2	46.5	45.6	39.2	24.8	17.4

Value and Income Trust has completed ten full years since its reorganisation and change of management. Our original "manifesto" offered both institutional and private investors a specialist UK investment trust with an above average initial yield and growth prospects, run by active managers with a successful record in the less fashionable areas of the equity and property markets. The policy and the people have stayed the same through upheavals in the City of London which have bred a growing culture of disloyalty and greed.

The case remains strong for VIT's original concept of value investing, matching undervalued high-yielding equities and property with prudent long-term gearing. A shareholder investing £1,000 when the trust was reorganised ten and a half years ago would have seen the capital grow to £3,571 and received net dividends, after tax, of £739. The forecast net after tax dividend for the current year would return £114 on the original £1,000. Retail prices over the same period rose by 58%.

Despite another difficult year for "value investors", VIT's equity portfolio has outperformed the All Share Index, for the fifth successive year. The property portfolio was upgraded with a purchase of twelve Lloyds Bank branches in market towns at a 9% initial yield.

Our managers consider UK equities to be correctly rather than under-valued at present, with some concern about possible higher taxation of dividends, while retail property in particular offers good value. We expect to pay a total net dividend of 4.8 pence a share for the current year, an increase of 4.3% to maintain VIT's record of real dividend growth.

We now have over 2,000 personal shareholders (four times as many as five years ago) with their total shareholding rising to over 25% (doubled over five years). 522,000 shares were bought this year through our low cost Saving Scheme, of which 136,000 were new shares allotted at a premium to net asset value to the benefit of all shareholders. We have also recently launched the VIT PEP to allow investors to buy VIT shares without income or capital gains tax (see inside back cover).

For the fourth year running, VIT has received the Micropal Award as the UK Income Growth Trust with the best five year performance record. It has also received the same Award for the best ten year record, and has the best five and ten year dividend growth. The UK Income Growth sector now has over £4 billion of assets in sixteen investment trusts, managed by the leading houses in London and Scotland. Without taking undue risks, your managers have proved over the past ten years that a "good little 'un" can consistently beat the big battalions.

Thomson of Monifieth

Lord Thomson of Monifieth K.T. 24 April 1997

DIRECTORS

The Rt. Hon. LORD THOMSON OF MONIFIETH, KT*

(Chairman – Non-executive) Former Chairman of the Independent Broadcasting Authority, Cabinet Minister, Commissioner of the European Communities, Chancellor of Heriot-Watt University, First Crown Estates Commissioner, Deputy Chairman of the Woolwich Building Society and non-executive director of ICI and The Royal Bank of Scotland Group. He is a member of the Nolan Committee on Standards of Conduct in Public Life.

JAMES FERGUSON

(Non-executive) Chairman of Stewart Ivory. He is a graduate in economics and political science from Trinity College, Dublin. He joined Stewart Ivory in 1970 and became a director in 1975. He is a non-executive director of OLIM Convertible Trust and a Deputy Chairman of the Association of Investment Trust Companies.

JOHN KAY

(Non-executive) Director of the School of Management Studies at the University of Oxford and a Director of London Economics, a specialist economic consulting group. He is the author of many books and articles on economic and management issues and is a director of Halifax plc and several other companies.

ANGELA LASCELLES

(Joint Investment Director) She has been professionally engaged in investment business since graduating in philosophy from London University. She spent four years in stockbroking before becoming a fund manager, first of an investment trust, then at the Associated British Foods Pension Fund and at Courtaulds Pension Fund from 1979 until 1986. She has been an executive director of OLIM since 1986 and is joint investment director of OLIM Convertible Trust.

JOHN MURRAY*

(Non-executive) He has been engaged in investment and finance since 1957, first as a financial journalist, then as a director of a merchant bank, a divisional director of a clearing bank and until 1992 a director of Stewart Ivory. He is a non-executive director of SUMIT Venture Fund One and a member of the advisory board of Schroder Venture Advisers.

MATTHEW OAKESHOTT

(Joint Investment Director) After studying economics at Oxford University and a period as special adviser to Mr Roy Jenkins as Home Secretary, he joined S.G. Warburg & Co Ltd. in 1976 and became a director of Warburg Investment Management Ltd in 1978. He was Investment Manager of Courtaulds Pension Fund from 1981 to 1985. He has been an executive director of OLIM since 1986 and is joint investment director of OLIM Convertible Trust.

*Member of the Audit Committee.

INVESTMENT MANAGER

OLIM Limited,
Pollen House, 10/12 Cork Street,
London W1X 1PD
0171-439 4400

SECRETARY AND REGISTERED OFFICE

Stewart Ivory & Company Limited,
45 Charlotte Square, Edinburgh EH2 4HW
0131-226 3271

REGISTRARS AND TRANSFER OFFICE

The Royal Bank of Scotland plc,
P. O. Box 435, Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 4BR
0131-556 8555

AUDITORS

Chiene & Tait, C.A.,
3 Albyn Place, Edinburgh EH2 4NQ

PROPERTY MANAGERS

Workman & Partners,
Marble Arch House,
66/68 Seymour Street, London W1H 5AF

EQUITY PORTFOLIO

THE MARKET

UK equities had another buoyant year overall: the FT-SE All-Share Index rose by almost 14%. Small companies under-performed, rising by 10.4% during the year.

VIT's year opened steadily but little progress was made in the first four months. Investors waited for company reports to confirm that the UK economy was continuing to grow at a sustainable rate, and watched American economic statistics, fearing they might show an overheating level of demand. As the summer passed, evidence confirmed steady and sustainable growth in both economies, with little sign of rising inflation, and both equity markets moved strongly upwards. By the end of the half year, UK equities rose by 5%.

In the second half of our year, our market continued to climb. Bond markets around the world improved and gave support to higher equity levels: long gilt yields fell by 0.6% over the year, closing at 7.8%. Sterling, for so long the laggard amongst the major world currencies, had a major rerating, rising by more than 15% against the Deutschemark, by 16% against the Yen and 5% against the Dollar in our second half year. Currency strength caused some downward adjustment to forecasts of company profits and dividend growth in companies trading overseas; overall growth was about 8% in both for 1996 and the outlook for 1997 looks similar at this stage. Bank base rates were raised by ¼% in the second half as signs of strength in consumer spending appeared in some parts of the country.

INVESTMENT POLICY

Over the year as a whole, we made marginal net sales of equities. We began the year feeling cautious, due to the high rating of the market, but when the economic background gave reassurance and profit announcements showed good growth, we reinvested cash in the summer and autumn. Towards the end of VIT's year we again became more cautious and raised a modest amount of cash in the final quarter. In the first half we made some changes in the utility sectors, selling Southern and South West Water after takeover bid announcements and reinvesting in National Grid and United Utilities. We weeded out some of the weaker companies, such as Exco and Wace, and bought new holdings in banking and insurance. In the second half, we further increased our investment in the banking sector and bought high yielding small companies such as Frost Group, Ferguson International, Cater Allen and Adam and Harvey. We also bought back South West Water, and accepted the cash takeover bid for Calor.

Summary of Portfolio	31 March 1997		31 March 1996	
	£m	%	£m	%
UK Equities	55.1	61	48.1	58
UK Properties (at valuation)	32.8*	37	29.4	36
Cash	2.1	2	4.9	6
Total	90.0	100	82.4	100

*Including purchase committed at year end.

Greenalls Group plc

PERFORMANCE

Taking capital and income together, VIT's equity portfolio outperformed the All-Share Index by 3% over the year as a whole, with a higher yield and slight outperformance in capital terms. At the half year we had underperformed slightly after a strong start but we went fully invested in October and the portfolio showed a very strong relative performance, which was maintained for the rest of our year. Dawson Holdings, our largest investment a year ago, made an outstanding contribution. Other large holdings which outperformed significantly were British Aerospace and Granada convertible preference, Ocean Group, General Accident, Glaxo Wellcome and Shell.

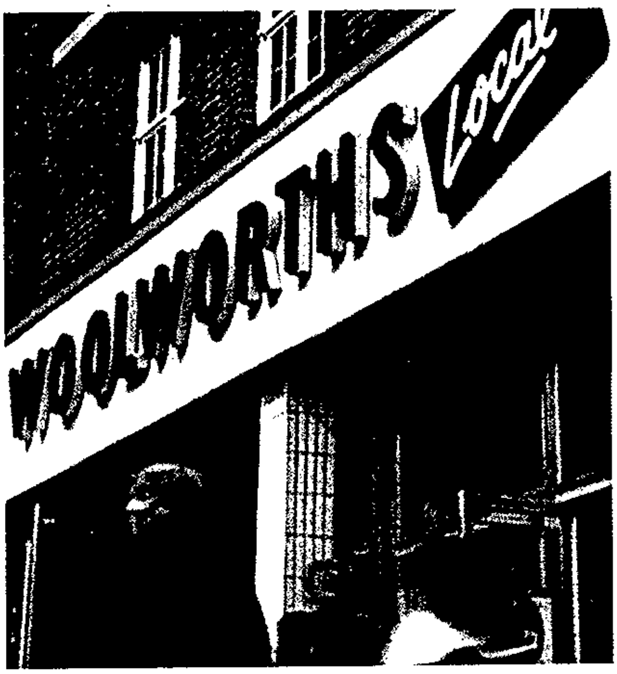
OUTLOOK

All the main world equity markets, apart from Japan, have had a buoyant start to 1997, although some bond markets are now below peak levels.

The UK economy continues to show healthy real growth, with consumer spending buoyant in Southern England, where house price increases are most visible. Average earnings have begun to accelerate, particularly in the service sectors, but there are few signs of serious supply bottlenecks and the balance of payments remains under control. UK markets are now well prepared for a comfortable Labour victory in the General Election; in any event, interest rates are likely to rise in the Summer in order to restrain and prolong economic recovery. The main uncertainty is a possible further reduction in tax credits on dividend payments, which might particularly affect high yielding companies with low growth prospects.

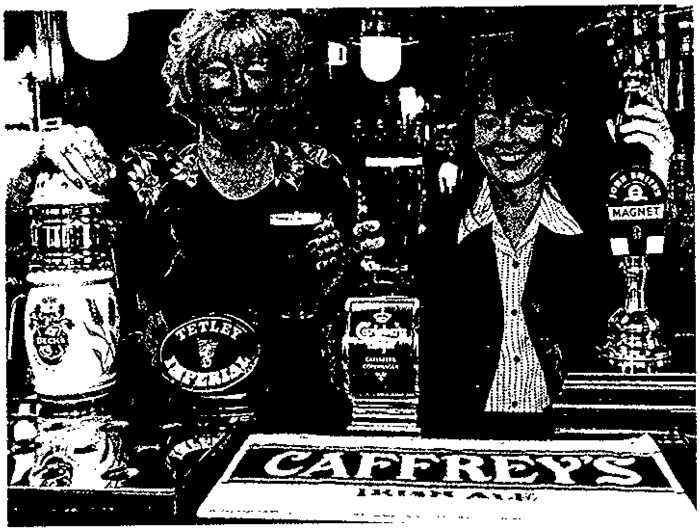
At a current yield of 3.7%, UK equities are correctly valued against index-linked and conventional gilts and offer better value than most overseas equities, but we have raised liquidity slightly in recent weeks to be ready for better buying opportunities.

22 April 1997.



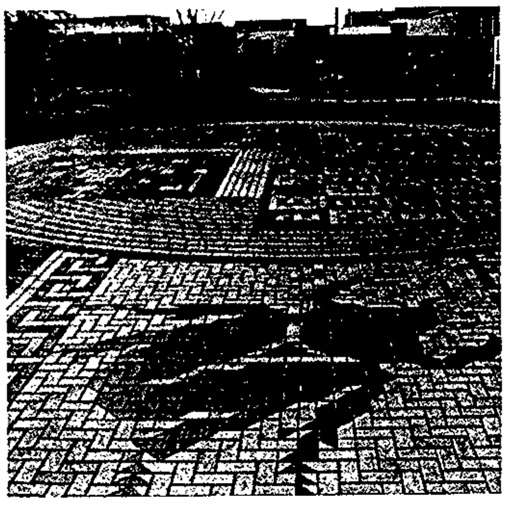
Kingfisher plc

Ferguson International Holdings plc



Century Inns plc

BTP plc



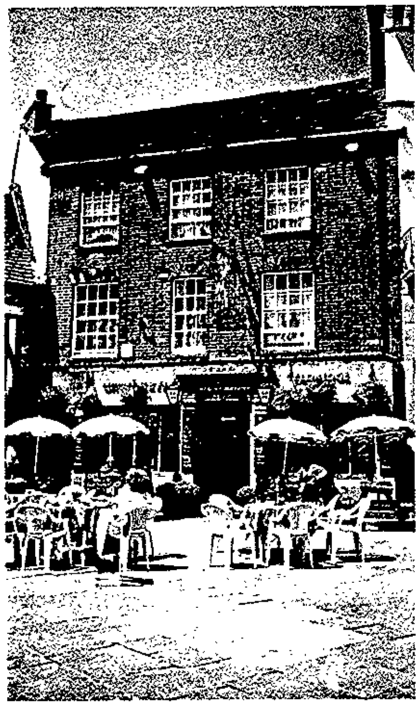
Marshalls plc

Holding	Description	Market Value £
200,000	**Dawson Holdings.*** A subscription agent for book and magazine supply, mainly to libraries in the UK, France and USA. It also owns Surridge Dawson, the UK newspaper and magazine wholesaler.	4,475,000
335,600	**United News & Media.** Following the merger of United News and MAI, the company has a broad range of media interests, particularly in television and newspapers. It also has exhibition and money broking subsidiaries.	2,525,390
1,000,000	**National Grid Group.** It operates the electricity transmission system in England and Wales and also owns Energis, a telecommunications company.	2,095,000
215,000	**Vosper Thornycroft.** It manufactures minesweepers and other warships and has growing interests in non defence marine activities, with growing profits from activities 'contracted out' by the MOD and other institutions.	1,918,875
175,000	**Shell Transport and Trading.** It has a 40% holding in one of the largest integrated oil and gas groups in the world. The group also has interests in chemicals, coal and metals.	1,899,625
600,000	**Granada 7.5% Conv. Preference.** Television contracting and hotels are the main businesses, with other interests in leisure and computer maintenance. It has a minority stake in BSkyB Television.	1,839,000
400,000	**Unigate.** It manufactures and distributes milk and fresh food products, including the St Ivel brand.	1,808,000
330,000	**Ocean Group.** Its main businesses are international freight management and marine services.	1,732,500
150,000	**Glaxo Wellcome.** The world's largest pharmaceutical company.	1,674,750
250,000	**South West Water.** Supplies water and disposes of waste, mainly in Devon and Cornwall.	1,672,500
200,000	**General Accident.** One of the largest UK composite insurance groups.	1,636,000
600,000	**BTP.** Manufactures and distributes speciality chemicals, mainly in the UK and USA.	1,620,000
250,000	**United Utilities.** The merged North West Water and Norweb undertaking, it supplies water and electricity mainly to North West England.	1,570,000
750,000	**British Aerospace 7.75% Conv. Preference.** Military aircraft contribute over half of profits. BAe also makes civil aircraft and has property interests.	1,440,000
1,150,000	**Angerstein Underwriting Trust.** An investment trust which shares in underwriting returns from insurance syndicates at Lloyds on a limited liability basis.	1,357,000
250,000	**United Assurance.** The recently merged United Friendly and Refuge life insurance business.	1,218,750
375,000	**Carr's Milling Industries.** Founded in 1908 in Cumbria, its main activities are as feed and agricultural merchants, flour millers, and in engineering.	1,196,250
450,000	**Heywood Williams Group.** Glass manufacturers for the automotive industry and building industries in Europe and USA.	1,163,250
250,000	**Allied Domecq.** The main activities are the production and marketing of wine and spirits and the operation of public houses.	1,147,500
250,000	**Cater Allen Holdings.** A city discount house, the company also has interests in a wide range of financial agency businesses.	1,112,500
533,333	**Perry Group.** A motor distributor; it has franchises to sell Ford, Rover, Toyota and other major manufacturers' cars.	1,111,999

LIST OF HOLDINGS

Holding	Description	Market Value £
500,000	**Ferguson International Holdings.** The main business is label manufacture following the sale of a number of subsidiaries in other areas.	1,087,500
334,000	**Bank of Scotland.** A leading Scottish bank, its activities are also extending steadily into England.	1,070,470
300,000	**Safeway Group.** The eponymous supermarket chain.	1,069,500
150,000	**Kingfisher.** A retail company, it owns Woolworths, B&Q, Superdrug and Comet in the UK and Darty in France.	1,050,750
1,250,000	**Anglo Irish Bank.** A fully integrated banking group based in Dublin.	962,500
750,000	**Greenalls 7% Conv. Bond 2003.** It owns pubs, restaurants and DeVere Hotels and the Boddington Group.	935,625
750,000	**Williams 8% Conv. Preference.** An industrial company, its subsidiaries are involved in building products, security and fire protection. It acquired Chubb.	933,750
125,000	**Abbey National.** The bank and building society.	931,250
500,000	**Century Inns.** Based in North East England, it owns over 300 public houses.	925,000
750,000	**Hemingway 7½% Culs 2027.** An actively managed property investment and trading company.	892,500
300,000	**Johnson Group Cleaners.** Dry cleaning and textile rental in the United Kingdom and America.	870,000
500,000	**Hunting.** An industrial holding company, whose subsidiaries are involved in aviation, defence and oil.	870,000
125,000	**Wolstenholme Rink.** The company manufactures and supplies products such as bronze powders and inks used by the printing industry throughout the world.	828,125
250,000	**Adam & Harvey.** Steel stockholder, distributor and international trader with the main business activity in Zimbabwe.	800,000
700,000	**Marshalls 6.5% Conv. Preference.** Based in Halifax, it makes concrete blocks, pavement furniture and owns George Armitage, a brick manufacturer.	707,000
800,000	**Goodhead Group 7% Conv. Preference.** A printer and publisher.	704,000
350,000	**Transport Development Group.** A widely spread transporter of products through Europe.	675,500
550,000	**Frost Group.** An independent petrol retailer, under the 'Save' brand name.	660,000
503,000	**Scholl 5.25% Conv. Preference.** Sells a range of products including hosiery and comfort footwear, mainly under the name of Scholl.	591,025
500,000	**Hampson Industries 6.5% Conv. Preference.** An industrial conglomerate, it has interests in aluminium, furniture, home improvements and engineering.	575,000
750,000	**Sirdar.** A manufacturer of floor coverings, ready made curtains and hand-knitting yarns.	513,750
500,000	**AMEC 6.5% Conv. Preference.** A building company.	477,500
1,300,000	**Leslie Wise.** Textile merchants and designers and suppliers of ladies' clothing.	468,000
200,000	**Lands Improvement.** A rural property investment and trading company with farming interests.	238,000
	*AIM company TOTAL	55,050,634

PROPERTY PORTFOLIO



Sherborne

THE MARKET

Capital and rental values of most commercial property have started to improve, but the recovery is patchy and generally slow. Average valuation yields are stable, with many pension funds still selling out of direct property.

Retail property has been outperforming offices and industrials. Last year retail warehouses, larger shopping centres and Central London did better than shops in smaller towns. Capital and rental values of industrial property both turned marginally upwards, but office returns generally were below the Investment Property Databank (IPD) average return as they have been ever since 1989. Office investors still fail to grasp the problems of over-renting and obsolescence.

The United Kingdom economy continues to show healthy real growth, with consumer spending more buoyant in the Southern half of the country as house prices rise. Some increases in taxation and interest rates are likely this summer after the Election, but rental values of commercial property may still rise slightly in real terms in 1997 and 1998.

Capital values should also benefit this year from a reduction in investment yields, although some of the apparent "weight of money" available for investment in property is illusory, since it is seeking types of property and yields which are not available in the market. Most institutions still own plenty of property which they would not buy today and would like to sell if they could achieve their valuation prices.

Wishaw

CAPITAL VALUES % CHANGES TO MARCH 1997

	Quarter	Year	Five Years
Retail	+1.3	+3.5	+14.4
Offices	+0.5	+0.4	-8.9
Industrials	+0.7	+1.0	-3.4
All Property	**+0.9**	**+2.0**	**+2.5**

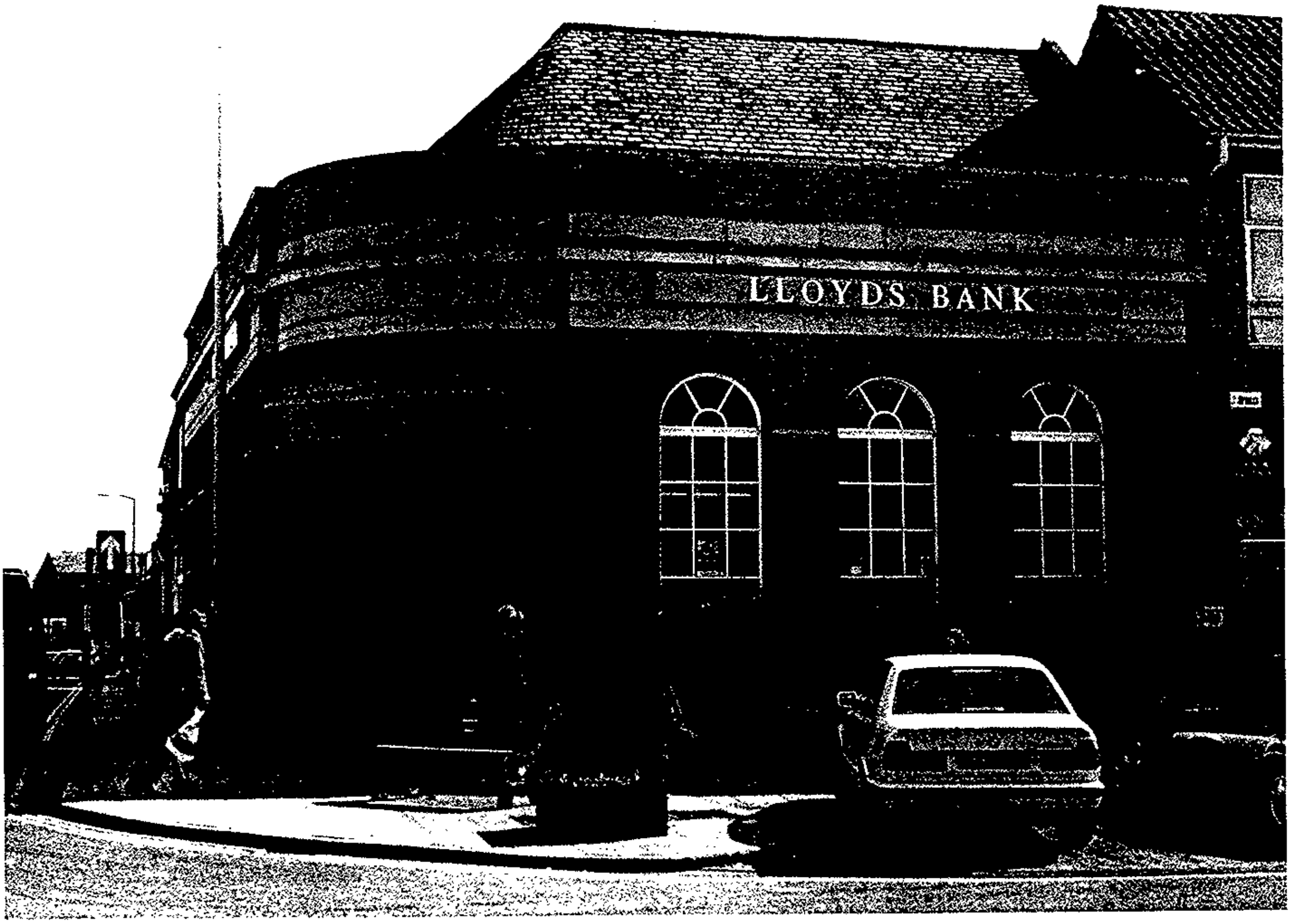
RENTAL VALUES % CHANGES TO MARCH 1997

	Quarter	Year	Five Years
Retail	+1.0	+3.2	-0.3
Offices	+1.0	+2.7	-27.7
Industrials	+0.6	+0.6	-19.7
All Property	**+0.9**	**+2.4**	**-14.1**

Source: IPD Monthly Index

Office properties on average may continue to underperform, while retail and leisure property continues to offer the best prospects for rental growth and capital security, aided by tighter planning controls.

Galashiels



Northallerton

THE VIT PORTFOLIO

VIT's property portfolio produced a total return of 10% this year, taking income and capital together. The income yield was 9½%, and the independent valuation at the end of March showed a slight increase in capital value. The return was in line with the IPD Index.

Fifteen properties were bought in all for £7 million at a net yield of 9%. New acquisitions during the year performed best, in particular the portfolio of twelve Lloyds Bank branches bought as part of a sale and leaseback portfolio for £3.9 million at a net initial yield of 9%. Four of these were sold at a useful profit during the year. We also bought a large pub/restaurant in Solihull let on a very long lease to Morlands, and a TSB branch in Dundee, and exchanged contracts in March to buy shops let to Boots and Greggs in Stowmarket.

Properties held throughout the year showed little change in value. Eight properties were sold for £3.8 million in total – in line with valuation, at an average yield of 9½% on rental income, falling to 8½% on market rental values if the properties were re-let.

The total rental income on the portfolio is equal to current rental values. All leases are on full repairing and insuring terms, with upward only rent reviews. 96% of income is reviewed five yearly or more frequently with 4% at seven year intervals. The portfolio has been fully let all year.

As the charts show (opposite) over the year, shops rose from 62% to 65% of the total portfolio value, and other retail property (retail warehouses and pub/restaurants) was up from 22% to 25%, giving a 90% total retail content. We reduced industrials further from 16% to 10% and maintained our long-standing policy of total abstinence from office investments. Fifty-two of the fifty-five properties (89% of the total by value) held at 31st March were freehold or the Scottish equivalent and three were leasehold.

VIT'S PROPERTY RECORD

YEAR END	RENTAL INCOME £'000	CAPITAL VALUE £'000	YIELD ON VALUATION %	TOTAL RETURN %
March 87	1,155	11,375	10.2	–
88	1,329	14,939	8.9	24
89	1,915	23,475	8.2	30
90	2,050	24,390	8.4	15
91	2,331	23,800	9.8	2
92	2,709	25,880	10.5	10
93	2,773	26,415	10.5	12
94	2,806	29,835	9.4	23
95	2,948	31,125	9.5	10
96	2,840	29,440	9.6	9
97	3,111	32,805	9.5	10

TENANTS WITH ANNUAL RENTS OVER £75,000
Abbey National
Argos
Blakemore trading as Spar
Boots
Coats Viyella
Grand Metropolitan
Hampden Homecare trading as Homebase
Lloyds Bank
Magnet
Morlands
Superdrug
TEC Electrical Components
Woolworths

RESULTS OF INDEPENDENT REVALUATION

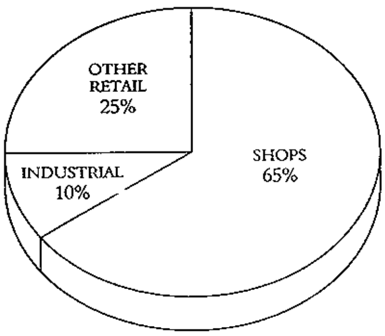
The VIT property portfolio, including properties held within our subsidiary Audax Properties plc, was subject to an independent professional revaluation by Messrs Allsop and Co. at 31 March 1997. The revaluation showed a value of £32,805,000; properties held within VIT were valued at £10,215,000 while Audax properties totalled £22,590,000. We intend to continue to commission an independent revaluation of properties at 31 March each year.

22 April 1997

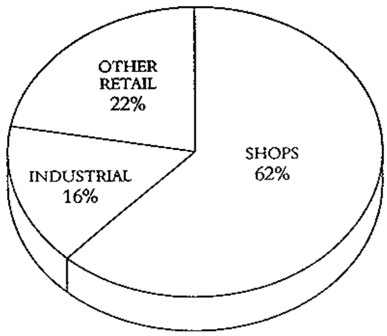
PROPERTY PORTFOLIO

BY TYPE

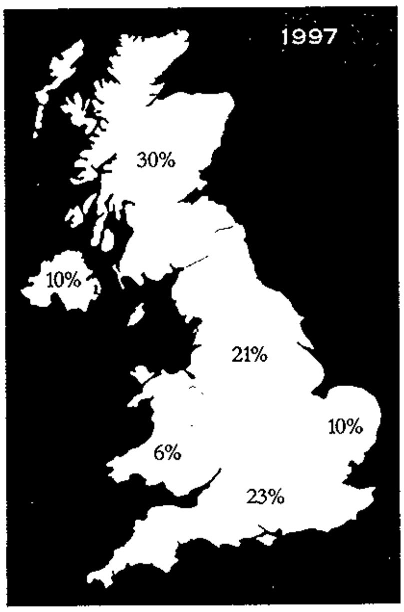
1997

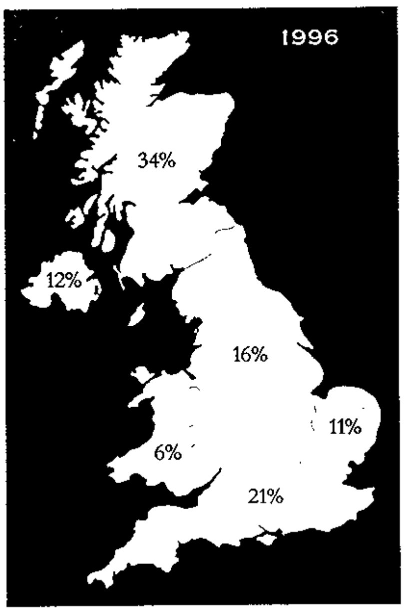


1996



BY REGION





LIST OF PROPERTIES

ADDRESS	TENANT
RETAIL	
Aberdeen – 221-9 Union Street	Grand Metropolitan, Happit, Jaeger, Thorn EMI.
Airdrie – 28-30 Graham Street	Mr Minit.
Bala – 39-41 High Street	Blakemore trading as Spar.
Beaumaris – 11 Castle Street	Blakemore trading as Spar.
Caernarfon – 3 Poolside	Argos
Campbeltown – 1-7 Main Street	Woolworths.
Dawlish – 5 The Strand	Lloyds Bank.
Dumfries – 108-112 Friars Vennel	Victoria Wine.
Dundee – 261 Brook Street, Broughty Ferry	Mackays and Superdrug.
Dundee – 92-96 Albert Street	TSB Bank.
East Dereham – 38 Market Place	Lloyds Bank.
Elgin – 163 High Street	Woolworths.
Frome – 24-25 Cheap Street	Lloyds Bank.
Glasgow – 412-418 Dumbarton Road, Partick	Woolworths.
Gloucester – 18-20 Northgate Street	Thorntons and Whittards.
Goole – 58 Boothferry Road	Mr Minit.
Harpenden – 18 High Street	Lloyds Bank.
Hythe – 54/56 High Street	Iceland.
Keighley – 54 North Street	Lloyds Bank.
Kirkcaldy – 68-72 High Street	Fads and Co-operative Wholesale Society.
Ledbury – 6 High Street	Three Counties Bookshop.
Llangefni – 6 High Street	Blakemore trading as Spar.
Llangollen – 26-38 Castle Street	Blakemore trading as Spar.
Llanidloes – 61 Long Bridge Street	Blakemore trading as Spar.
Musselburgh – 159-161 High Street	Superdrug.
Northallerton – 118 High Street	Lloyds Bank.
Paisley – 9-11 Causeyside	Argos.
Prescot – 30 Eccleston Street	Going Places.
Prestatyn – 26 High Street	Blakemore trading as Spar.
Selby – 36 Gowthorpe	Poundstretcher.
Selby – 46 Gowthorpe	British Heart Foundation.
Sevenoaks – 87-93 High Street	Abbey National, Oxfam and QS Holdings.
Southampton – 5a-8 East Street (58 years leasehold)	Alexandra Workwear, Top Trainers and Heath Florists.
Staines – 1-6 Friends Walk (95 years leasehold)	Argos, Fads, Robert Dyas and Parades.
Stornoway – 21 Cromwell Street	Woolworths.
Stowmarket – 17/21 Ipswich Street	Boots and Greggs.
Swadlincote – 43 High Street	British Shoe Corporation.
Tewkesbury – 19 High Street	Lloyds Bank.
Thame – 13-14 Cornmarket	Lloyds Bank.
Wishaw – 83 Main Street	Greggs.
York – 9-15 Front Street, Acomb	Coats Viyella and Superdrug.
OTHER RETAIL	
Ayr – Old Farm Road	Magnet.
Belfast – Longwood Road, Newtownabbey	Hampden Homecare trading as Homebase.
Bishopbriggs – Auchinairn Road	Magnet.
Castle Bromwich – Chester Road	Blockbuster.
Dundee – Baird Avenue	Magnet.
Galashiels – Tweedbank Industrial Estate	Magnet.
Haverfordwest – Withybush Road	Magnet.
Hereford – Harrow Road	Magnet.
Sherborne – The Cross Keys, 88 Cheap Street	Eldridge Pope.
Solihull – 600 Stratford Road, Shirley	Morlands.
Stirling – Whitehouse Road	Magnet.
INDUSTRIAL	
Cambridge – Ditton Walk	AIM, Co-operative Wholesale Society, Daniels Pharmaceuticals and Sheffield Insulations.
Elgin – Chanonry Industrial Estate (110 years leasehold)	Bookers.
Enfield – Progress Way	TEC Electrical Components.

Tewkesbury

Elgin

The directors have pleasure in submitting their report and the consolidated accounts for the year ended 31 March 1997.

	1997 £'000	1996 £'000
Results		
Income available for Ordinary Shareholders	**2,170**	2,249
Dividends –		
Interim of 2.30p (2.875p gross) – paid 6 January 1997.	**1,039**	988
Recommended final of 2.30p (2.875p gross) – payable 9 July 1997.	**1,040**	992
Transfer to Revenue Reserve	**91**	269

Principal Activity and Status

The Company is an investment company within the meaning of the Companies Act 1985. Inland Revenue approval as an investment trust for the purposes of the Income and Corporation Taxes Act 1988 has been given for the year ended 31 March 1996 and in the opinion of the directors the Company has subsequently directed its affairs so as to enable it to continue to seek such approval.

The principal activity of the group is an investment trust company specialising in UK equities and properties.

A review of the business is to be found in the Chairman's Review on page 3 and the Investment Directors' Report on pages 5 to 15.

Directors

In accordance with the Company's Articles of Association, all directors retire by rotation every three years. This year, Professor J A Kay and Mr J H Murray retire from office by rotation at the Annual General Meeting and their re-election is recommended by the Board.

The directors who served during the year had the following interests in the Ordinary share capital of the Company at:

	31 March 1997	31 March 1996
J G D Ferguson – Family	50,000	50,000
J A Kay – as Trustee	20,000	20,000
Mrs A M Lascelles	200,000	150,000
Mrs A M Lascelles – Family	291,052	276,496
Mrs A M Lascelles – as Trustee	12,000	12,000
J H Murray	–	–
M A Oakeshott	575,000	425,000
M A Oakeshott – Family	770,000	605,000
Lord Thomson of Monifieth	23,768	23,768
Lord Thomson of Monifieth – Family	22,000	22,000
Lord Thomson of Monifieth – as Trustee	42,241	42,241

In addition Mrs Lascelles and Mr Oakeshott had a beneficial interest in the 229,736 Ordinary shares (1996 – 229,736) held by The OLIM Limited Retirement and Death Benefit Scheme at 31 March 1997.

There were no changes to these holdings between 31 March and 9 May 1997.

Directors are interested in contracts entered into by the Company as follows:

(i) Mrs Lascelles and Mr Oakeshott are the sole directors and shareholders of OLIM Limited, which received a fee of £557,205 (1996 – £511,167) in respect of investment management services for the year.

(ii) Mr Ferguson is a director and shareholder of Stewart Ivory & Company Limited which received a fee of £95,498 (1996 – £93,745) in respect of secretarial services for the year.

The Company has no service contracts with its directors and has not entered into any other contract in which a director has an interest.

Management

OLIM Limited is employed as investment manager. It receives a half-yearly fee, from which is deducted the fee payable for secretarial services to Stewart Ivory, of ⅜% of the VIT Group of Companies' total assets less current liabilities. OLIM is also entitled to a performance fee, if the total returns to shareholders from an investment in VIT exceed the total return on the FT-SE-A All-Share Index by more than 10 percentage points in any three-year period. The objective of the performance bonus is to give the management company 10% of the additional value generated for shareholders by such outperformance. A performance fee was not payable this year.

Substantial Shareholders

At 9 May 1997 the Company was aware of the following interests exceeding 3% of the issued Ordinary shares.

The Scottish American Investment Company P.L.C.	6,256,605
The Equitable Life Assurance Society	3,432,275
Courtaulds Pensions Common Investment Fund	1,940,274

Savings Scheme

During the year the directors allotted 136,239 Ordinary shares for cash, at a premium over net asset value, to participants in the VIT Savings Scheme. The proceeds amounted to £195,615.

Personal Equity Plans

The Company satisfies the requirements for an investment of up to £6,000 in a PEP. It is the present intention of the directors that the Company should continue to qualify for this status.

Investment Trust SORP

The presentation of the Company's financial reports has changed to reflect the adoption of the Statement of Recommended Practice ("SORP") on the Accounts of Investment Trust Companies published by the AITC.

The income and capital performance are now shown together in the new Statement of Total Return which replaces the Income Account and Statement of Recognised Gains and Losses.

Creditor Payment Policy

The Company's payment policy for the year to 31 March 1998 is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them.

Corporate Governance

The Company has procedures which ensure formal compliance, in all material respects, with the Cadbury Code of Best Practice except that the Audit Committee has two members and that there is no separate Remuneration Committee. The Board considers that both of these matters are satisfactory. A majority of the Board is independent of the management company and matters concerning the appointment and remuneration of directors are dealt with by the Board rather than by Committees of the Board. The executive directors do not receive any remuneration directly from the Company and accordingly no additional report on executive directors' remuneration is required. The executive directors are, however, remunerated by OLIM Limited which received investment management fees as noted on page 24.

The directors are responsible for the internal financial controls of the Group which aim to ensure that proper accounting records are maintained, the assets are safeguarded and the financial information used within the business and for publication is reliable.

The Board has delegated by contract responsibility for management of the investment portfolio, custody, which includes the safeguarding of the assets, accounting and company secretarial services. The Board monitors the quality and cost of the services provided. The non-executive directors of the Board review the terms and conditions of the Manager's appointment on a regular basis. The Company's Audit Committee assesses the quality and effectiveness of the accounting records and management information maintained on behalf of the Group. In addition, operational and reporting systems have been established by the Board in order to ensure that effective financial controls have been maintained throughout the period covered by these accounts. These systems can, however, only provide reasonable and not absolute assurance against material misstatement or loss.

On the basis of these procedures, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

The auditors have confirmed that in their opinion the directors' statements above on internal financial control and going concern provide the disclosures required by the Code and are consistent with the information made available during their audit work on the accounts, and that the directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Code which are specified for the auditors' review by the London Stock Exchange. The auditors have carried out their review in accordance with guidance issued by the Auditing Practices Board which does not require them to perform any additional work so as to express an opinion on the effectiveness of the Company's corporate governance procedures, system of internal financial control or on the ability of the Company to continue in operational existence.

Auditors

A resolution to re-appoint Chiene & Tait, C.A., as auditors of the Company will be proposed at the Annual General Meeting.

Annual General Meeting – Special Business

The Notice convening the Annual General Meeting to be held on 7 July 1997 is given on page 30. Resolutions 6 and 7 to be proposed at the Annual General Meeting will, if approved, authorise the Directors to allot a limited number of unissued Ordinary Shares and empower them to allot some of the same for cash without first offering such shares to existing Ordinary shareholders pro rata to their existing holdings. The authority being sought under Resolution 6 is in respect of £1,075,633 of relevant securities comprising the unissued ordinary share capital of the Company on 9 May 1997. The power to disapply pre-emption rights being sought under Resolution 7 is in respect of £226,218 of equity securities comprising 5% of the Ordinary Shares of the Company in issue on 9 May 1997. The authority and power will expire on the date following fifteen months after the passing of the relevant resolutions or, if earlier, the date of the Annual General Meeting to be held in 1998.

The Directors who have no present intention of exercising their authority to allot any of the same will only allot relevant securities under this authority in connection with the Company's Savings Scheme or to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

By Order of the Board

James S Ayling
for Stewart Ivory & Company Limited
Secretary

9 May 1997

CONSOLIDATED STATEMENT OF TOTAL RETURN

(INCORPORATING THE INCOME ACCOUNT*) FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
Income							
Securities:	(2)						
Dividends from UK Companies		2,844	–	2,844	2,851	–	2,851
Dividends from Overseas Companies		59	–	59	53	–	53
Interest from UK Companies		78	–	78	44	–	44
Properties:							
Rents		3,042	–	3,042	3,066	–	3,066
Interest on deposits		249	–	249	222	–	222
Underwriting commission		54	–	54	66	–	66
Other income		42	–	42	14	–	14
		6,368	–	6,368	6,316	–	6,316
Expenses							
Investment management fee	(3)	(606)	–	(606)	(556)	–	(556)
Performance-related fee	(3)	–	–	–	–	(87)	(87)
Other expenses	(4)	(371)	–	(371)	(363)	–	(363)
		5,391	–	5,391	5,397	(87)	5,310
Capital profits/losses							
Net realised gains on investments in the year		–	1,491	1,491	–	5,593	5,593
Movement in unrealised appreciation in the year		–	5,748	5,748	–	1,784	1,784
Net return before interest payment and tax		5,391	7,239	12,630	5,397	7,290	12,687
Interest payable	(5)	(2,681)	–	(2,681)	(2,564)	–	(2,564)
Return on ordinary activities before tax		2,710	7,239	9,949	2,833	7,290	10,123
Tax on ordinary activities	(6)	(540)	–	(540)	(584)	105	(479)
Return attributable to ordinary shareholders		2,170	7,239	9,409	2,249	7,395	9,644
Ordinary dividends	(7)	(2,079)	–	(2,079)	(1,980)	–	(1,980)
Transfer to reserves after aggregate dividends paid and proposed of £2,078,544 (1996 – £1,979,713)		91	7,239	7,330	269	7,395	7,664
Return per ordinary share	(8)	4.81p	16.04p	20.85p	5.02p	16.51p	21.53p

*The Revenue column of this statement is the Income Account of the Group.

The notes on pages 23 to 28 form part of these accounts.

COMPANY STATEMENT OF TOTAL RETURN

(INCORPORATING THE INCOME ACCOUNT*) FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
Income							
Securities:	(2)						
Dividends from UK Companies		2,844	–	2,844	2,851	–	2,851
Dividends from Overseas Companies		59	–	59	53	–	53
Dividends from Subsidiary Companies		153	–	153	246	–	246
Interest from UK Companies		78	–	78	44	–	44
Properties:							
Rents		1,086	–	1,086	934	–	934
Interest on deposits		122	–	122	123	–	123
Other income		34	–	34	7	–	7
		4,376	–	4,376	4,258	–	4,258
Expenses							
Investment management fee	(3)	(401)	–	(401)	(370)	–	(370)
Performance-related fee	(3)	–	–	–	–	(87)	(87)
Other expenses	(4)	(260)	–	(260)	(249)	–	(249)
		3,715	–	3,715	3,639	(87)	3,552
Capital profits/losses							
Net realised gains on investments in the year		–	1,436	1,436	–	4,385	4,385
Movement in unrealised appreciation in the year		–	5,657	5,657	–	3,791	3,791
Net return before interest payment and tax		3,715	7,093	10,808	3,639	8,089	11,728
Interest payable	(5)	(1,031)	–	(1,031)	(914)	–	(914)
Return on ordinary activities before tax		2,684	7,093	9,777	2,725	8,089	10,814
Tax on ordinary activities	(6)	(488)	–	(488)	(476)	105	(371)
Return attributable to ordinary shareholders		2,196	7,093	9,289	2,249	8,194	10,443
Ordinary dividends	(7)	(2,079)	–	(2,079)	(1,980)	–	(1,980)
Transfer to reserves after aggregate dividends paid and proposed of £2,078,544 (1996 – £1,979,713)		117	7,093	7,210	269	8,194	8,463
Return per ordinary share	(8)	4.87p	15.72p	20.59p	5.02p	18.29p	23.31p

*The Revenue column of this statement is the Income Account of the Company.
The notes on pages 23 to 28 form part of these accounts.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Investments	9				
Equities					
Listed in U.K.			**55,051**		45,563
Unlisted			–		2,500
			55,051		48,063
Investment Properties			**31,880**		29,300
			86,931		77,363
Current Assets					
Debtors	10	**877**		1,438	
Cash and deposits		**4,717**		6,025	
		5,594		7,463	
Current Liabilities					
(due within one year)					
Creditors	11	**1,534**		1,409	
Dividend payable	12	**1,040**		992	
		2,574		2,401	
Net Current Assets			**3,020**		5,062
Total Assets less Current Liabilities			**89,951**		82,425
Creditors (due after one year)	13		**25,000**		25,000
Total Net Assets			**64,951**		57,425
Represented by:					
Capital and Reserves					
Share Capital	14				
Ordinary			4,522		4,508
Reserves	15				
Share Premium Account		**17,980**		17,798	
Capital Reserve – realised		**20,125**		18,634	
Capital Reserve – unrealised		**14,945**		9,018	
Revaluation Reserve		**6,268**		6,447	
Revenue Reserve		**1,111**		1,020	
			60,429		52,917
Equity Shareholders' Funds	17		**64,951**		57,425
Net Asset Value per ordinary share	16	**143.6p**		127.4p	

These accounts were approved by the Board on 9 May 1997 and were signed on its behalf by:

Thomson of Monifieth, Director Thomson of Monifieth

Matthew Oakeshott, Director Matth Oakeshott

The notes on pages 23 to 28 form part of these accounts.

COMPANY BALANCE SHEET

AS AT 31 MARCH 1997

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Investments	9				
Equities					
Listed in U.K.			**55,051**		45,563
Unlisted			**–**		2,500
Subsidiaries			**25**		25
			55,076		48,088
Investment Properties			**10,215**		10,650
			65,291		58,738
Current Assets					
Debtors	10	**1,059**		1,746	
Cash and deposits		**3,764**		1,933	
		4,823		3,679	
Current Liabilities					
(due within one year)					
Creditors	11	**1,114**		871	
Dividend payable	12	**1,040**		992	
		2,154		1,863	
Net Current Assets			**2,669**		1,816
Total Assets less Current Liabilities			**67,960**		60,554
Creditors (due after one year)	13		**10,000**		10,000
Total Net Assets			**57,960**		50,554
Represented by:					
Capital and Reserves					
Share Capital	14				
Ordinary			4,522		4,508
Reserves	15				
Share Premium Account		**17,980**		17,798	
Capital reserve – realised		**18,084**		16,648	
Capital reserve – unrealised		**14,945**		9,018	
Revaluation Reserve		**1,656**		1,926	
Revenue Reserve		**773**		656	
			53,438		46,046
Equity Shareholders' Funds	17		**57,960**		50,554

These accounts were approved by the Board on 9 May 1997 and were signed on its behalf by:

Thomson of Monifieth, Director Thomson of Monifieth

Matthew Oakeshott, Director Math Oakeshott

The notes on pages 23 to 28 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1997

	1997		1996	
	£'000	£'000	£'000	£'000
Operating activities:				
Cash received from investments	2,424		2,283	
Rental income	2,894		3,113	
Interest received	255		216	
Other income	103		118	
Investment management fees paid	(715)		(951)	
Administration fees paid	(95)		(92)	
Directors' fees paid	(19)		(19)	
Other cash payments	(312)		(290)	
Net cash inflow from operating activities		4,535		4,378
Returns on investments and servicing of finance:				
Interest paid		(2,722)		(2,409)
Taxation:				
Tax received		–		17
Capital expenditure and financial investment:				
Purchases of investments	(26,404)		(24,088)	
Sales of investments	25,117		21,091	
Net cash outflow from capital expenditure and financial investment		(1,287)		(2,997)
Equity dividends paid		(2,030)		(1,924)
Net cash outflow before financing		(1,504)		(2,935)
Financing:				
Issue of Debenture Stock	–		5,000	
Debenture Stock Premium (net of expenses)	–		70	
Issue of Ordinary shares	196		665	
Net cash inflow from financing		196		5,735
(Decrease)/Increase in cash		(1,308)		2,800

The notes to the Consolidated Cash Flow Statement are contained in note 18.

1. ACCOUNTING POLICIES

Basis of Preparation

These accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention modified to include the revaluation of investments, the Investment Trust Statement of Recommended Practice (SORP), and the Companies Act 1985, except that investment properties, as indicated in Note 9, are not depreciated.

Basis of Consolidation

The Group accounts consolidate the accounts of Value and Income Trust plc and its wholly-owned subsidiaries made up to 31 March 1997.

Income and Expenses

(a) Dividends are brought into account on the date on which the shares are quoted 'ex-dividend' on the Stock Exchange. Interest on securities has been accounted for on a time apportioned basis, as recommended by the SORP.

(b) Dividends are included with the addition of the relevant tax credit.

(c) Rents from investment properties and interest receivable are dealt with on an accruals basis.

(d) The investment management fee and interest payable are charged in full to income.

(e) Performance fees, payable to the Investment Managers in accordance with the Investment Management Agreement, are charged to Capital Reserve less appropriate tax relief.

(f) Interest payable and administration expenses are dealt with on an accruals basis.

Deferred Tax

Provision is made for tax deferred because of timing differences between profits as stated in the accounts and profits as computed for tax purposes to the extent it is expected tax will be payable in the foreseeable future.

Investments

(a) Listed investments are valued on the basis of middle market prices. Unlisted investments are valued by the directors on the basis of market prices, or other independent information. Unrealised gains and losses are included in Capital Reserve – unrealised.

(b) Investment properties are revalued annually by independent surveyors, and the surplus or deficit transferred to Revaluation Reserve. No depreciation or amortisation is provided on investment properties.

(c) Realised gains and losses on the sale of investments and investment properties are transferred to Capital Reserve – realised.

(d) Subsidiary companies are included at cost.

Borrowings

Long term borrowings are stated in the Balance Sheet at repayment value.

	1997		1996	
	Group	**Company**	Group	Company
2. INCOME FROM SECURITIES	**£'000**	**£'000**	£'000	£'000
Listed in UK	**2,981**	**2,981**	2,900	2,900
Unlisted	**–**	**153**	48	294
	2,981	**3,134**	2,948	3,194

3. INVESTMENT MANAGEMENT FEE AND PERFORMANCE FEE

	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
A. GROUP						
Investment Management Fee	557	–	557	511	–	511
Irrecoverable VAT thereon	49	–	49	45	–	45
Investment Manager's Performance Fee	–	–	–	–	87	87
	606	–	606	556	87	643
B. COMPANY						
Investment Management Fee	369	–	369	340	–	340
Irrecoverable VAT thereon	32	–	32	30	–	30
Investment Manager's Performance Fee	–	–	–	–	87	87
	401	–	401	370	87	457

4. ADMINISTRATION EXPENSES

	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
Auditors' remuneration – audit	7	5	7	5
– non audit	1	1	–	–
Director's Fees	19	19	19	19
Fee for Secretarial Services	95	61	94	60
Property management, irrecoverable VAT and other expenses	249	174	243	165
	371	260	363	249
Chairman and highest paid director's emoluments	10	10	10	10

Each other non-executive director received fees at a rate of £3,000 per annum (1996 – same).
Neither executive director received any emoluments directly from the Company (1996 – same).
The executive directors are the sole shareholders and directors of OLIM Limited which received an investment management fee of £557,205 (1996 – £511,167) and a performance-related fee of Nil (1996 – £87,222), the bases of calculation of which are given on page 16.

5. INTEREST PAYABLE

	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
11% First Mortgage Debenture Stock 2021	1,650	–	1,650	–
9⅜% Debenture Stock 2026	469	469	352	352
11¼% Loan	562	562	562	562
	2,681	1,031	2,564	914

6. TAX	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
A. GROUP						
Corporation tax	–	–	–	35	(35)	–
Tax credits on franked income	510	–	510	570	–	570
Section 242 relief	(8)	–	(8)	–	(70)	(70)
Overseas tax	9	–	9	8	–	8
Deferred tax	29	–	29	(29)	–	(29)
	540	–	540	584	(105)	479
B. COMPANY						
Corporation tax	(54)	–	(54)	(71)	(35)	(106)
Tax credits on franked income	510	–	510	570	–	570
Section 242 relief	(8)	–	(8)	–	(70)	(70)
Overseas tax	9	–	9	8	–	8
Deferred tax	31	–	31	(31)	–	(31)
	488	–	488	476	(105)	371

No provision has been made for advance corporation tax on the final dividend as it is anticipated that such tax will be fully relieved. The Company has excess management expenses available for group relief. A proportion of these has been used to offset the tax charge of the subsidiaries, giving rise to the above corporation tax credit.

7. ORDINARY DIVIDENDS	1997 £'000	1996 £'000
Interim – 2.30p (1996 – 2.20p) paid 6 January 1997	1,039	988
Final – 2.30p (1996 – 2.20p) payable 9 July 1997	1,040	992
	2,079	1,980

8. RETURN PER ORDINARY SHARE

Income return per Ordinary share is based on the net income on ordinary activities after taxation and on 45,123,772 (1996 – 44,803,684) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year. Capital return per Ordinary share is based on net capital gains for the financial year and on 45,123,772 (1996 – 44,803,684) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9. INVESTMENTS A. GROUP	Equities £'000	Other Securities with equity element £'000	Commercial Paper £'000	Investment Properties £'000	Total £'000
Cost 31 March 1996	30,240	8,804	–	22,853	61,897
Unrealised appreciation	6,903	2,116	–	6,447	15,466
Valuation at 31 March 1996	37,143	10,920	–	29,300	77,363
Purchases	17,957	691	1,973	6,264	26,885
Sales	(17,575)	(1,282)	(1,973)	(3,726)	(24,556)
Conversion to equity	1,690	(1,690)	–	–	–
Realised gains/(losses)	1,367	(97)	–	221	1,491
Movement in unrealised appreciation in year	5,373	554	–	(179)	5,748
Valuation at 31 March 1997	45,955	9,096	–	31,880	86,931
Cost 31 March 1997	33,679	6,426	–	25,612	65,717

	Equities £'000	Other Securities with equity element £'000	Commercial Paper £'000	Investment Properties £'000	Total £'000
Cost 31 March 1996	30,265	8,804	–	8,724	47,793
Unrealised appreciation	6,903	2,116	–	1,926	10,945
Valuation at 31 March 1996	37,168	10,920	–	10,650	58,738
Purchases	17,534	691	1,973	2,035	22,233
Sales	(17,125)	(1,282)	(1,973)	(2,393)	(22,773)
Conversion to equity	1,690	(1,690)	–	–	–
Realised gains/(losses)	1,340	(97)	–	193	1,436
Movement in unrealised appreciation in year	5,373	554	–	(270)	5,657
Valuation at 31 March 1997	**45,980**	**9,096**	**–**	**10,215**	**65,291**
Cost 31 March 1997	**33,704**	**6,426**	**–**	**8,559**	**48,689**

The Company has the following wholly owned subsidiary undertakings:-

	Principal Country of Operation	Class of shares and percentage held	
Audax Properties plc (property investment)	England & Wales	Ordinary	100.0
V.I.T. Securities Limited (investment dealing)	England & Wales	Ordinary	100.0

Audax Properties plc has a wholly owned subsidiary, Audax Securities Limited which is registered in England & Wales.

Investment Properties were valued at the year end on an open market basis by Allsop and Co., Chartered Surveyors and Valuers. No depreciation or amortisation as required by the Companies Act 1985 is provided on these properties. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The directors consider that the policy adopted is necessary in order to show a true and fair view. Freehold investment properties were valued at £28,405,000 – cost £23,005,178 (1996 – £25,525,000 – cost £20,246,158) and long leasehold properties at £3,475,000 – cost £2,606,943 (1996 – £3,775,000 – cost £2,606,943).

	1997		1996	
10. DEBTORS	**Group £'000**	**Company £'000**	Group £'000	Company £'000
Sales of investments	**309**	**309**	879	879
Amount due from subsidiaries	**–**	**207**	–	351
Prepayments and accrued income	**568**	**543**	559	516
	877	**1,059**	1,438	1,746

Included within prepayments and accrued income is NIL deferred tax (1996 – £29,051) for the Group and NIL (1996 – £31,079) for the Company.

11. CREDITORS (due within one year)

	1997 Group	1997 Company	1996 Group	1996 Company
Purchases of investments	**552**	**552**	71	71
Other tax payable	**253**	**88**	309	103
Accruals	**316**	**111**	453	195
Other creditors	**413**	**363**	576	502
	1,534	**1,114**	1,409	871

At the year end the balance owed by the group to OLIM Limited was £64,116 (1996 – £222,251) and the amount owed by the Company was £41,744 (1996 – £177,241).

12. DIVIDEND PAYABLE	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
Ordinary Shares – payable 9 July 1997	**1,040**	**1,040**	992	992

13. CREDITORS (due after one year)	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
11% First Mortgage Debenture Stock 2021	**15,000**	–	15,000	–
9⅜% Debenture Stock 2026	**5,000**	**5,000**	5,000	5,000
11¼% Loan	**5,000**	**5,000**	5,000	5,000
	25,000	**10,000**	25,000	10,000

The 11% First Mortgage Debenture Stock 2021, issued by Audax Properties plc, is repayable at par and is secured over specific assets of Audax Properties plc and the Company.

The 9⅜% Debenture Stock 2026 is redeemable at par and is secured by a floating charge over the property and assets of the Company, ranking *pari passu* with the floating charge on the 11¼% Loan.

The 11¼% Loan is drawn under a 35 year facility (expiring 27 September 2026) and is secured by a floating charge over the assets of the Company.

14. SHARE CAPITAL	Authorised 1997 £'000	Authorised 1996 £'000	Issued and fully paid 1997 £'000	Issued and fully paid 1996 £'000
Ordinary shares of 10p	**5,600**	5,600	**4,522**	4,508
6¼% Convertible Redeemable Preference shares of £1	**13,000**	13,000	–	–
	18,600	18,600	**4,522**	4,508

A total of 136,239 Ordinary shares of 10p were allotted to participants in the VIT Savings Scheme during the year for a consideration of £195,615.

15. RESERVES	Share Premium Account	Capital Reserve Realised	Capital Reserve Unrealised	Revaluation Reserve	Revenue Reserve
A. GROUP	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 1996	17,798	18,634	9,018	6,447	1,020
Realised gains on disposals	–	1,491	–	–	–
Movement in unrealised appreciation on assets	–	–	5,927	(179)	–
Issue of Ordinary shares	182	–	–	–	–
Transfer from Income Account	–	–	–	–	91
	17,980	**20,125**	**14,945**	**6,268**	**1,111**
B. COMPANY					
Balance at 31 March 1996	17,798	16,648	9,018	1,926	656
Realised gains on disposals	–	1,436	–	–	–
Movement in unrealised appreciation on assets	–	–	5,927	(270)	–
Issue of Ordinary shares	182	–	–	–	–
Transfer from Income Account	–	–	–	–	117
	17,980	**18,084**	**14,945**	**1,656**	**773**

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is based on net assets attributable of £64,951,000 (1996 – £57,425,000) and on 45,217,963 (1996 – 45,081,724) ordinary shares in issue at the year end.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
Total net assets attributable at the beginning of the year	**57,425**	**50,554**	49,026	41,356
Total recognised gains and losses in the year	**9,409**	**9,289**	9,644	10,443
Dividends paid in the year	**(2,079)**	**(2,079)**	(1,980)	(1,980)
Issue of Ordinary shares	**196**	**196**	665	665
Debenture stock premium (net of expenses)	–	–	70	70
Total net assets attributable at the end of the year	**64,951**	**57,960**	57,425	50,554

18. CONSOLIDATED CASH FLOW STATEMENT

	1997 £'000	1996 £'000
a. Reconciliation of total income to net cash inflow from operating activities		
Income	**6,368**	6,316
Investment Management Fee	**(557)**	(511)
Other Expenses	**(420)**	(408)
Increase in other debtors	**(31)**	(63)
Decrease in other creditors	**(301)**	(397)
Tax on franked and overseas income	**(524)**	(559)
Net cash inflow from operating activities	**4,535**	4,378
b. Analysis of changes in cash during the year		
Balance at previous year end	**6,025**	3,225
Net cash (outflow)/inflow	**(1,308)**	2,800
The balance for cash is shown in the balance sheet as "Cash and deposits"	**4,717**	6,025

c. Analysis of changes in financing during the year

	1997 Share Capital (Inc. Share Premium) £'000	1997 Loans £'000	1996 Share Capital (Inc. Share Premium) £'000	1996 Loans £'000
Balance at previous year end	**22,306**	**25,000**	21,641	20,000
Cash inflow from issue of Ordinary shares	**196**	–	665	–
Cash inflow from issue of Debenture Stock (net of premium and expenses)	–	–	–	5,000
	22,502	**25,000**	22,306	25,000

There were no movements in borrowings and cash balances (net debt) in the Group except for those shown in notes 18b and 18c above.

19. COMMITMENTS AND CONTINGENT LIABILITIES

	1997 Group £'000	1997 Company £'000	1996 Group £'000	1996 Company £'000
There are liabilities in respect of:				
Commitments and partly paid investments	**880**	**25**	–	25
Underwritings and contingent liabilities	**72**	**72**	1,231	1,231
	952	**97**	1,231	1,256

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year and of the income surplus or deficit of the Company and of the Group for that year. The directors are also responsible for ensuring that adequate accounting records are maintained, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts and that applicable accounting standards have been followed.

By order of the Board
James S Ayling
for Stewart Ivory & Company Limited
Secretary
9 May 1997

REPORT OF THE AUDITORS

To the members of Value and Income Trust plc
We have audited the accounts on pages 18 to 28, which have been prepared on the basis of the accounting policies set out on page 23.

Respective responsibilities of directors and auditors
As described above the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1997 and of the results of the Company and of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chiene, C.A.

Chiene & Tait, C.A.
Registered Auditors
Edinburgh

9 May 1997

NOTICE OF MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of Value and Income Trust PLC will be held at 45 Charlotte Square, Edinburgh EH2 4HW on 7 July 1997 at 12.30 p.m. The following resolutions will be proposed:

Ordinary Business

1. To receive the Directors' Report and Accounts for the year ended 31 March 1997.
2. To declare a final dividend.
3. To re-elect Professor J A Kay as a Director.
4. To re-elect Mr J H Murray as a Director.
5. To re-appoint Chiene & Tait, CA, as auditors and to authorise the Directors to fix their remuneration.

Special Business

6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   "that the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company and to make offers and agreements to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal value of £1,075,633 during the period commencing on the date of the passing of this resolution and expiring on the date following fifteen months after the date of passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company after the passing of this resolution (dates inclusive) but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired."

7. To consider and, if thought fit, to pass the following resolution as a special resolution:

   "that the Directors of the Company be and are hereby empowered to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by the previous resolution, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held (or deemed or notionally held) by them but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws, or requirements, of any recognised regulatory body or Stock Exchange in any territory; and

   (b) the allotment (other than pursuant to paragraph sub-paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £226,218,

   and shall expire on the date following fifteen months after the date of passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company after the passing of this resolution, (dates inclusive) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

By order of the Board

James S Ayling
for Stewart Ivory & Company Limited
Secretary

45 Charlotte Square
Edinburgh EH2 4HW
28 May 1997

Notes:
1. Members of the Company entitled to attend and vote at the Meeting may appoint proxies (who need not be members) to attend and vote in their place. Return of a completed form of proxy will not preclude a member from attending and voting personally at the Meeting.
2. There are no service contracts in place between the Company and any of its directors.

FORM OF PROXY

Value and Income Trust P.L.C.

(For use by Ordinary Shareholders only)

I/We ....

(Block letters please)

of ....

being a member(s) of the above-named Company, hereby appoint the Chairman of the Meeting or (see note 1)

....

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 7 July 1997 and at any adjournment thereof. My/our proxy is to vote as indicated by an "X" below in respect of the resolutions set out in the Notice of Meeting (see note 2):

Annual General Meeting		
Resolutions	For	Against
1. To receive the Directors' Report and Accounts for the year ended 31 March 1997.		
2. To declare a final dividend.		
3. To re-elect Professor J A Kay as a Director.		
4. To re-elect Mr J H Murray as a Director.		
5. To re-appoint Chiene & Tait, C.A., as auditors and authorise the Directors to fix their remuneration.		
6. To authorise the Directors to allot a limited amount of Ordinary Shares.		
7. To empower the Directors pursuant to the foregoing authority to allot a limited amount of Ordinary Shares free of pre-emption rights.		

Dated this...day of......................................1997

Signed or sealed (see note 3) ....

Notes:

1. If it is desired to appoint any other person(s) as proxy, the words "the Chairman of the Meeting or" should be struck out and the name and address of the other person(s) inserted in block letters in the space provided. A proxy need not be a member of the Company. Any alteration or deletion must be signed or initialled.
2. The manner in which the proxy is to vote should be indicated by inserting an "X" in the box marked "For" or "Against"; if no such indication is given, the proxy will vote or abstain at his discretion. The proxy will act at his discretion in relation to any other business arising at the meeting (including any resolution to adjourn the meeting).
3. In the case of a corporation this Form of Proxy should either be given under its seal or be signed on its behalf by an attorney or duly authorised officer. In the case of joint holders, the signature of the one of them who stands first on the Register will suffice, but the names of the joint holders should be shown.
4. Use of this Form of Proxy does not preclude a member from attending the meeting and voting in person.
5. To be valid this Form of Proxy must be lodged with the power of attorney (if any) under which it is signed, or a notarially certified copy thereof, at **The Registrar's Department, The Royal Bank of Scotland plc, P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG,** not later than 48 hours before the time of the meeting.

Second Fold

BUSINESS REPLY SERVICE
Licence No EH 59

2

THE REGISTRARS DEPARTMENT
THE ROYAL BANK OF SCOTLAND plc
P.O. BOX 457
OWEN HOUSE
8 BANKHEAD CROSSWAY NORTH
EDINBURGH EH11 0XG

First Fold

Third Fold and Tuck in

ANALYSIS OF SHAREHOLDINGS

	1997			1996		
	Number	Holding	%	Number	Holding	%
Individuals	2,021	11,442,162	25.3	1,789	10,390,274	23.0
Banks & Nominees	1,046	17,291,668	38.2	924	12,438,517	27.6
Insurance Companies	11	3,548,661	7.9	11	4,054,356	9.0
Investment & Unit Trusts	13	6,697,961	14.8	9	8,255,745	18.3
Other Companies	132	1,142,769	2.5	114	1,086,366	2.4
Pension Funds	11	3,648,749	8.1	12	7,479,756	16.6
Universities, Schools & Other Corporate Bodies	39	1,445,993	3.2	20	1,376,710	3.1
	3,273	45,217,963	100.0	2,879	45,081,724	100.0

The increase in the Banks & Nominees category is as a result of the company's Ordinary shares now being held and traded through CREST.

FINANCIAL DIARY

The normal timetable for the Company's financial year, which ends on 31 March will be as follows:

May: Final dividend and preliminary results for year announced. Annual Report and Accounts published.

July: Annual General Meeting.
Final dividend paid.

October: Interim results announced.

January: Interim dividend paid.

Interest on the Value and Income Trust plc Debenture is payable on 30 November and 31 May. Interest on the Audax Properties plc Debenture is payable on 30 September and 31 March.

VIT SAVINGS SCHEME AND PEP

The Savings Scheme provides a simple, low cost way for regular savers to invest £50 a month or more in VIT shares. It can also be used for one-off lump sum investments of at least £1,000. A brochure is enclosed with this report.

The PEP Scheme offers investors a method of investing in VIT shares which is subject neither to income tax or capital gains tax. This is subject to a maximum subscription of £6,000 per annum. The minimum monthly and lump sum contributions are £150 and £3,000 respectively. A PEP Scheme brochure and application form are available from:

Alison Forbes,
Stewart Ivory & Company Limited (Regulated by IMRO),
45 Charlotte Square,
Edinburgh EH2 4HW.

Tel: 0131 226 3271