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VALUE AND INCOME

TRUST

Interim Report

2000

VIT INTERIM REPORT

Value and Income Trust invests in higher yielding, less fashionable areas of the UK commercial property and equity markets, particularly in smaller companies. It aims for above-average long-term growth in dividends and capital values without undue risk.

VIT's investments have performed well over the past six months. Our equity portfolio outperformed the equity market by 9% over this period; sales of smaller properties have been completed and funds reinvested in larger, safer properties at higher initial yields.

We have changed the accounting policy this year, so that half of the annual investment management fee is now charged against revenue and half against capital. This brings VIT into line with normal practice in our Income Growth Sector. An interim dividend of 2.7p has been declared (+3.8%) and the Board expects to recommend a final dividend of 2.7p next May (also a 3.8% increase). Edinburgh Fund Managers has been appointed as Company Secretaries in place of Stewart Ivory.

SUMMARY OF PORTFOLIO	**30 September 2000**		**30 September 1999**		**31 March 2000**	
	£m	%	£m	%	£m	%
UK Equities	76.6	65	67.4	61	72.0	63
UK Property*	38.9*	33	41.8*	38	40.8*	36
Cash	2.4	2	1.6	1	1.8	1
	117.9	100	110.8	100	114.6	100

*At professional valuation at 31 March with subsequent additions at cost.

EQUITIES

The FTSE-All Share Index of UK equities fell by 2.6% over the six months period to end September. The UK's economic growth rate eased as interest rate rises dampened consumer demand and the high rate of sterling against the euro caused difficulties for our manufacturing sectors. Profit downgrading was widespread in some sectors following the slower growth of the economy generally. In September rising oil prices became a concern for investors as well as motorists.

VIT's equity portfolio had a good half year, rising in capital value by 4.7%. It benefited from the trends in higher yielding companies and a sharp rerating in some of its larger holdings particularly Volex. Burmah Castrol, Goodhead convertible preference and Prism Rail were all taken over. We bought new holdings in Britannic, Britax, Morgan Crucible, Northern Foods, British Telecom and DFS Furniture. We added to many of the existing holdings in purchases which totalled £13.5m, taking advantage of opportunities to invest in sound companies on yields similar to gilts. We sold the complete holdings in Ellis & Everard, Rexam, Eurosales Finance, Scottish Media and Rank Group in sales which totalled £12.5m overall.

As a net oil exporter, Britain would be less affected than most countries if oil prices stay high or rise further, but would still not be immune to any international economic disruption. Current ratings on growth stocks leave little margin for disappointing results from individual companies, but so called "old economy" sectors, such as breweries and retailers, have become very cheap again. VIT's equity portfolio yields 4.4% net, more than twice the yield on the FTSE-All Share Index. Though we think the equity market overall is vulnerable, we think our portfolio should continue to withstand any further squalls in the highly rated technology sectors.

SUMMARY	30 September 2000	30 September 1999	31 March 2000
Net Asset Value Per Share	180.6p	164.9p	173.3p
Share Price	127.0p	129.5p	131.0p
Dividend Per Share	2.7p (interim)	2.6p (interim)	5.2p (total)

PROPERTY

Economic conditions in the UK provide a generally favourable background for commercial property. Real GDP growth is still running at 3% a year, with only a slight slowdown expected next year, and unemployment has fallen to a 25 year low. Short term interest rates are unlikely to rise much further. The gloom in the retail sector is overdone. Planning permission is now very difficult for new developments, restricting potential supply, and although some mid-market fashion retailers are struggling, there is good demand for vacated units from both upmarket and "value" retailers, as well as mobile phone and fast food operators. Tenant demand remains strongest for London offices and South-Eastern industrials and warehouses; supply in most sub-sectors of the commercial property market is generally fairly tight except in the City of London and Docklands where development activity has been rising fast. Average rental values have been growing at an annual rate of about 6% so far this year.

Property capital values have been lagging behind rents. Valuation yields have been rising gently since the latest rise in Stamp Duty in March, thus reducing the capital benefit from rising rental values.

At current yields, well above equities and gilts and with rental growth running well above inflation, well-let commercial property provides very good investment value. Safe well-let properties with long leases and solid tenants offer institutional investors the best combination of low risk and good likely reward in the current market, with the unfashionable retail sector offering particularly good value.

CHANGES IN CAPITAL AND RENTAL VALUES	March 2000 - September 2000	
	Capital %	Rental %
All Institutional Property	+1.4	+2.9
Retail	- 0.4	+1.8
Offices	+3.6	+5.0
Industrial	+2.4	+2.1

Source IPD Monthly Index

Equivalent Yields	September 2000	End 99	End 94	End 89
Retail	7.4	7.3	7.5	7.3
Office	8.6	8.7	8.7	7.7
Industrial	8.9	9.1	10.2	9.4
All Property	8.1	8.1	8.4	7.9
UK Equities	2.2	2.1	4.0	4.2
Long Gilts	5.0	4.8	8.8	10.0
Yield Gap (Property - Long Gilts)	3.1	3.3	0.4	- 2.5

Over the past six months we have sold twelve properties for £4.1 million in total, at an average net yield of 7.8% and 3% above valuation. Two larger properties were bought, Woolworths in Airdrie and a pub/restaurant near Newbury for £2.1 million at a net initial yield of 8.9% with 14 and 35 years left on the leases. Rent reviews have generally settled above expectations.

The property portfolio has been fully let for the past six years on full repairing and insuring leases with upward only rent reviews. It is matched with £35 million of long term fixed-rate loans - £20 million of VIT 9 3/8% Debenture Stock repayable in 2026 and £15 million of 11% Debenture Stock, issued by our subsidiary, Audax Properties, and repayable in 2021.

Tenant quality remains high, with half the rental income coming from Sainsburys, Kingfisher, Lloyds-TSB, Clydesdale Bank, W H Smith and Diageo. 45% of income is subject to one or more guaranteed future increases, and tenants' leases have an average of 25 years left to run, with no break clauses. The average property value has risen by two-thirds to £1.1 million over the past eighteen months.

There is an independent professional revaluation of the property portfolio at 31 March each year.

13 October 2000

CONSOLIDATED STATEMENT OF TOTAL RETURN (UNAUDITED)

for the half year ended 30 September 2000

	Half Year to 30 September 2000			Half Year to 30 September 1999 (3)		
	Revenue (1)	Capital	Total	Revenue (1) Restated	Capital Restated	Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Income from Securities	1,724	-	1,724	2,233		2,233
Rents from Investment Properties	1,481	-	1,481	1,545	-	1,545
Other Income	202	-	202	196	-	196
	3,407	-	3,407	3,974	-	3,974
Expenses						
Administration	(414)	(212)	(626)	(421)	(200)	(621)
	2,993	(212)	2,781	3,553	(200)	3,353
Capital Profits/Losses						
Net realised gains on *investments in the period*	-	2,936	2,936	-	1,310	1,310
Movement in unrealised appreciation in the period	-	608	608	-	(2,456)	(2,456)
Net return before interest *payment and tax*	2,993	3,332	6,325	3,553	(1,346)	2,207
Interest payable	(1,751)	-	(1,751)	(1,750)	-	(1,750)
Return on ordinary activities before tax	1,242	3,332	4,574	1,803	(1,346)	457
Tax on ordinary activities	(7)	7	-	(226)	6	(220)
Return attributable to ordinary shareholders	1,235	3,339	4,574	1,577	(1,340)	237
Ordinary dividends	(1,230)	-	(1,230)	(1,184)	-	(1,184)
Surplus/(deficit) for the period	5	3,339	3,344	393	(1,340)	(947)
Return per ordinary share	2.71p	7.33p	10.04p	3.46p	(2.94p)	0.52p

SUMMARISED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2000 (UNAUDITED)

	30 September 2000 £'000	31 March 2000 (2) £'000
Total Investments	115,462	111,761
Net Current Assets	2,442	2,811
Total Assets less Current Liabilities	117,904	114,572
Creditors due after one year	(35,623)	(35,635)
Total Net Assets	82,281	78,937

The financial statements were approved by the board on 13 October 2000 and were signed on its behalf by: J G D Ferguson

J G D Ferguson, *Director*

CASH FLOW STATEMENT

for the six months ended 30 September 2000 (Unaudited)

	Six months to 30 September 2000 £000	Six months to 30 September 1999 £000
Operating activities		
Net cash inflow from operating activities	2,791	*3,626*
Taxation		
Tax paid	-	*(98)*
Returns on investments and servicing of finance		
Interest paid	(1,751)	*(1,751)*
Debenture stock premium	(12)	*(12)*
Capital expenditure and financial investment		
Purchase of investments	(17,405)	*(23,354)*
Sale of investments	17,581	*22,371*
Investment management fee charged to capital	(211)	*(200)*
Net cash outflow from capital expenditure and financial *investment*	(35)	*(1,183)*
Equity dividend paid	(1,184)	*(1,139)*
NET CASH OUTFLOW	(191)	*(557)*

NET CASH OUTFLOW		
Decrease in cash	(191)	*(557)*
Increase in deposits	-	-
Decrease in cash and deposits	(191)	*(557)*

(1) The Revenue column of this statement is the Income Account of the Group.

(2) The position as at 31 March 2000 is an abridged version from the full accounts for that year, which received an unqualified audit report and which have been filed with the Registrar of Companies.

(3) The Board have decided to charge 50 per cent of the investment management fee to capital in line with the expected long-term split of returns of the Group. 1999 comparatives have been restated accordingly.

VIT
SAVINGS SCHEME
AND ISA

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.

On 6 April 1999 VIT launched The VIT ISA as a successor to its Personal Equity Plan. Investors in the VIT PEP do not have to sell or transfer their plans but can continue to hold them as a tax free investment.

The VIT ISA is a maxi-only ISA enabling you to invest up to £7,000 in the tax year 2000/2001 completely free of income tax and capital gains tax. You can choose between subscribing as little as £50 per month or making lump sum investments of £1,000 or more to suit your investment needs.

Further details of the above schemes are available from:

Edinburgh Fund Managers plc
(regulated by IMRO)
Donaldson House, 97 Haymarket Terrace
Edinburgh EH12 5HD

Investment Managers
OLIM Limited
Pollen House
10/12 Cork Street
London W1X 1PD
(Regulated by IMRO)

Secretary & Registered Office
Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD
(Regulated by IMRO)