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VALUE AND INCOME TRUST PLC

INTERIM REPORT 2004

INTERIM REPORT

	30 September 2004	30 September 2003	31 March 2004
Net asset value per share (valuing debt at market)	160.9p	139.7p	151.9p
Net asset value per share (valuing debt at par)	180.0p	157.8p	170.9p
Share price	*159.5p*	*138.3p*	*143.3p*
Dividend per share	3.0p (interim)	3.0p (interim)	6.0p (total)

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

Equity markets have traded in a narrow range for most of this year due to the conflict between good news from companies and the escalating tensions in the Middle East. Over the past six months VIT's share price is up by 11.3% and the net asset value by 5.9%, while the FTSE All-Share Index has risen by 3.4%. Retail property capital values continue to rise strongly; VIT's property portfolio is revalued annually in March.

An interim dividend of 3.0p has been declared payable on 7 January 2005 to those Shareholders on the register on 10 December 2004.

SUMMARY OF PORTFOLIO

	30 September 2004		30 September 2003		31 March 2004	
	£m	%	£m	%	£m	%
UK equities	75.9	65	70.6	66	73.3	65
UK property*	40.4	34	33.4	31	40.4	35
Net current assets	1.2	1	3.4	3	(0.3)	-
	117.5	100	107.4	100	113.4	100

*At professional valuation at 31 March 2004 with subsequent additions at cost.

EQUITIES

UK equities traded in a very narrow price range for most of the half year but finally moved to a higher level in the late summer. Over the whole six month period to end September the FTSE All Share Index rose by 3.4%. Our market outperformed global equity markets. Long gilt yields were steady at 4.7% and the major currency cross rates were not greatly changed, though the pound fell slightly against the euro and against the dollar. Within UK equities, large companies performed best; the Midcap Index was unchanged and the Smallcap Index fell by 2.9%. High yielding equities continued to be in demand amongst investors.

Despite our heavy weighting in the Mid and Smallcap sectors VIT's equity portfolio performed relatively well and rose in capital value by 6.1%. Oils and utilities performed particularly well, our three largest holdings are now Kelda, Scottish and Southern Energy and Severn Trent. Our bank holdings benefitted from the takeover bid for Abbey National. Mersey Docks was rerated by the market as it recognised the development potential of the property interests in Liverpool and the Restaurant Group was also a strong performer. Glaxosmithkline performed well, recovering after a dull period for pharmaceutical companies. WH Smith received a takeover bid; later the bid lapsed and the company has announced a scheme of re-organisation of its capital.

We reduced our holdings in Abbey National and WH Smith when the bids were announced. We sold the entire holdings in Hilton Group, James Fisher and Elementis in sales which totalled £6.4m. We bought new holdings in Wincanton and St Ives and added to our holdings in five other companies. In our strategy, we continued to search for high yield, finding it mainly in the Midcap and FTSE 100 indices during this period.

UK companies have overall been reporting good increases in profits, earnings and dividends and the economy has been growing at an annual rate of around 3% but the market has been held back by the escalating tensions in the Middle East. Interest rates have been raised five times in the present cycle to their current level of 4.75%. There are signs now that house prices are beginning to weaken but consumer spending overall has grown at a steady rate. The rise in the oil price is a concern but we in this country are relatively less vulnerable as we still produce most of our energy needs and our consumption of energy is lower than it was in previous times of high oil prices.

We expect UK earnings and dividends to rise in real terms this year and next and think that overall this market is still good fundamental value.

MANAGERS' REVIEW

PROPERTY

Commercial property's strong performance over the past three years, with a total annualised return averaging 12% (against UK equities +2% and gilts +5%), is due to a combination of high running yield and capital growth stemming purely from changes in valuation yields. Underlying rental values have, on average, been flat. With property's yield advantage over gilts now down to a seven year low, only property with reasonable rental growth prospects will perform well from here.

So far this year, capital values of commercial property in all sectors have continued to rise strongly, while rental values have shown little net change (retail and industrial up and offices down). Property yields are being forced down by hunger for relatively safe investment income. The institutions, who had been net sellers of property, are now taking up the torch from private and debt-backed buyers, but find that they have to pay very keen yields since there are few natural sellers.

EQUIVALENT YIELDS

	September 2004	Dec 2003	Dec 2002	Dec 1998	Dec 1993
Retail	6.1	6.6	7.0	7.3	8.4
Office	7.5	7.9	8.1	8.3	9.2
Industrial	7.8	8.3	8.6	9.3	10.5
All Property	6.8	7.3	7.6	7.9	9.0
UK Equities*	3.2	3.2	3.5	2.9	3.4
Long Gilts	4.8	5.0	4.5	4.5	6.4
Yield Gap (property – long gilts)	2.0	2.3	3.1	3.4	2.6

Source: IPD   *Equity dividend yield shown net.

Economic growth in the UK should be around 3% in 2004, but estimates for 2005 are coming down in the wake of high oil prices and the cooling housing market. Demand from tenants to rent additional space is slowly picking up. Many retailers are still actively seeking space, both in and out of town, and demand and rental growth are best in smaller towns where rents are relatively low. Land supply for new industrial and warehouse buildings is restricted in southern England by alternative users, mainly residential, but traditional manufacturing employment is still falling fast. Average rental values of industrial property should edge ahead over the next year.

Office rental values are still falling on average, with tenant demand off the bottom in the West End of London but vacancy rates and oversupply depressing rents in the rest of London and the South-East. Provincial office markets remain quiet.

PROPERTY VALUES – ANNUALISED GROWTH RATES % TO END SEPTEMBER 2004

	6 months		1 year		3 years		5 years		10 years	
	Capital	Rental	Capital	Rental	Capital	Rental	Capital	Rental	Capital	Rental
Retail	15.1	3.6	13.5	3.8	8.7	2.9	5.3	3.1	4.0	3.3
Office	6.8	-0.6	3.4	-2.1	-0.8	-4.1	1.3	0.3	1.3	2.0
Industrial	10.2	0.8	8.1	0.8	3.8	0.7	3.8	2.0	2.4	1.8
All Property	12.1	1.9	9.7	1.5	4.8	0.1	3.8	2.0	2.9	2.6

Source: Investment Property Databank (IPD)

VIT's property portfolio is again fully invested following the acquisitions at Horsham and Rochford in March and April for £4.9 million at a net initial yield of 7.9% with guaranteed rental uplifts. All our properties are fully let on full repairing and insuring leases with upward only rent reviews, with a weighted average unexpired lease length of seventeen years. Half the rental income comes from clearing banks, Woolworths, WH Smith, Somerfield and Sytners. Six rent reviews and lease renewals were completed in the half year, with seven more due to complete by next March.

The property portfolio 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. Because those Debenture Stocks were issued at a premium, their effective interest cost averaged 9%. Total annual returns on the property portfolio have averaged 13% over the past five and ten years and 15% over the seventeen years since VIT started investing in property.

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

18 October 2004

CONSOLIDATED STATEMENT OF TOTAL RETURN
(unaudited)

	6 months ended 30 September 2004		
	Revenue £000	Capital £000	Total £000
INCOME			
Income from investments	1,766	—	1,766
Rental income	1,554	—	1,554
Interest receivable on short-term deposits	49	—	49
Other income	1	—	1
	3,370	—	3,370
EXPENSES			
Investment management fee	(131)	(306)	(437)
Administrative expenses	(226)	—	(226)
	3,013	(306)	2,707
CAPITAL PROFITS/(LOSSES)			
Net realised gains on investments	—	1,347	1,347
Movement in unrealised appreciation	—	3,220	3,220
NET RETURN BEFORE FINANCE COSTS AND TAXATION	3,013	4,261	7,274
Interest payable and similar charges	(1,751)	—	(1,751)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION	1,262	4,261	5,523
Taxation	—	—	—
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS	1,262	4,261	5,523
Dividends in respect of equity shares	(1,366)	—	(1,366)
Transfer (from)/to reserves	(104)	4,261	4,157
RETURN PER ORDINARY SHARE	2.77p	9.36p	12.13p

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	6 months ended 30 September 2003			12 months ended 31 March 2004		
il 0	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
5	2,033	—	2,033	3,883	—	3,883
4	1,414	—	1,414	2,764	—	2,764
9	111	—	111	190	—	190
1	—	—	—	8	—	8
)	3,558	—	3,558	6,845	—	6,845
7)	(192)	(192)	(384)	(401)	(854)	(1,255)
5)	(220)	—	(220)	(434)	—	(434)
7	3,146	(192)	2,954	6,010	(854)	5,156
7	—	1,608	1,608	—	2,370	2,370
)	—	7,200	7,200	—	13,315	13,315
4	3,146	8,616	11,762	6,010	14,831	20,841
1)	(1,751)	—	(1,751)	(3,501)	—	(3,501)
3	1,395	8,616	10,011	2,509	14,831	17,340
	—	—	—	—	—	—
3	1,395	8,616	10,011	2,509	14,831	17,340
5)	(1,366)	—	(1,366)	(2,733)	—	(2,733)
7	29	8,616	8,645	(224)	14,831	14,607
p	3.07p	18.92p	21.99p	5.51p	32.56p	38.07p

CONSOLIDATED BALANCE SHEET

(unaudited)

	At 30 September 2004 £000	At 31 March 2004 £000	At 30 September 2003 £000
INVESTMENTS			
Equities – Listed in UK	75,966	73,333	70,620
Investment properties	40,375	40,400	33,450
	116,341	113,733	104,070
CURRENT ASSETS			
Debtors	1,328	1,134	966
Cash and short term deposits	3,432	3,913	4,928
	4,760	5,047	5,894
CURRENT LIABILITIES (DUE WITHIN ONE YEAR)			
Creditors	2,207	4,031	1,165
Dividend payable	1,366	1,366	1,366
	3,573	5,397	2,531
NET CURRENT ASSETS	1,187	(350)	3,363
TOTAL ASSETS LESS CURRENT LIABILITIES	117,528	113,383	107,433
CREDITORS (DUE AFTER MORE THAN ONE YEAR)	35,527	35,539	35,551
TOTAL NET ASSETS	82,001	77,844	71,882
CAPITAL AND RESERVES			
Ordinary share capital	4,555	4,555	4,555
Revenue reserve	935	1,039	1,292
Other reserves	76,511	72,250	66,035
EQUITY SHAREHOLDERS' FUNDS	82,001	77,844	71,882
Net asset value per ordinary share	180.02p	170.89p	157.81p

JWS Ferguson

CONSOLIDATED CASHFLOW STATEMENT

(unaudited)

	6 months ended 30 September 2004 £000	*6 months ended* 30 September 2003 £000	*12 months ended* 31 March 2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,437	2,368	4,968
SERVICING OF FINANCE			
Interest paid	(1,763)	(1,763)	(3,525)
TAXATION			
UK tax received/(paid)	—	—	—
FINANCIAL INVESTMENT			
Purchase of investments	(5,751)	(10,228)	(16,714)
Sale of investments	5,962	11,338	17,338
NET CASH INFLOW FROM FINANCIAL INVESTMENT	211	1,110	624
EQUITY DIVIDENDS PAID	(1,366)	(1,321)	(2,688)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(481)	394	(621)
(DECREASE)/INCREASE IN CASH	(481)	394	(621)

NOTES TO THE ACCOUNTS

1. The revenue column of the statement of total return is the income account of the Group.
2. The position as at 31 March 2004 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. For the year to 31 March 2005, 70% (31 March 2004 - 50%) of the investment management fee of the Group has been charged to capital in line with the expected long term split of returns of the Group.

VIT SAVINGS SCHEME AND ISA

The Savings Scheme provides a simple, low cost way for regular savers to invest £30 a month or more in VIT shares. It can also be used for one-off lump sum investments of at least £250.

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 2004/05 completely free of income tax and capital gains tax. You can choose between subscribing as little as £50 per month or making lump sum investment of £1,000 or more to suit your investment needs.

Further details of the above schemes are available from:

Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone: 0131 313 1000
Website: www.edfd.com
(Authorised and regulated by the Financial Services Authority)

Investment Managers
OLIM Limited
Pollen House
10/12 Cork Street
London
W1S 3NP
Telephone: 020 7439 4400
(Authorised and regulated by the
Financial Services Authority)

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97 Haymarket Terrace
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Website: www.edfd.com
(Authorised and regulated by the
Financial Services Authority)