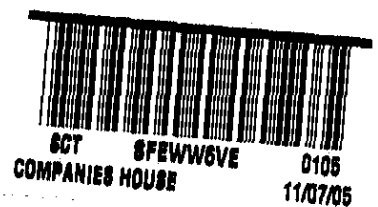


SC 50366

VALUE AND INCOME TRUST PLC

ANNUAL REPORT 2005



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COMPANY SUMMARY

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 medium and smaller sized companies. Its aim is long term real growth in dividends and capital values without undue risk.

THE YEAR

- Share price total return +31.4% (FTSE All-Share Index +15.6%).
- VIT's share price total return over the last three years was +33.9% (FTSE All-Share Index total return +6.3%).
- Net dividend up 3.3% – 18th consecutive increase above inflation.

PRICE QUOTATIONS

The share price and the estimated net asset value are quoted daily under 'Investment Companies' in The Daily Telegraph and Financial Times. The Herald, Independent, Scotsman and Times also quote the share price.

	30 Sept 1986*	31 Mar 1987	31 Mar 1996	31 Mar 1997	31 Mar 1998	31 Mar 1999	31 Mar 2000	31 Mar 2001	31 Mar 2002	31 Mar 2003	31 Mar 2004	31 Mar 2005
NAV (valuing debt at par) (p)	44.0	55.1	127.4	143.6	169.6	167.0	173.3	177.4	185.3	138.8	170.9	213.9
NAV (valuing debt at market) (p)	n/a	n/a	n/a	n/a	n/a	132.6	140.3	150.9	166.3	118.8	151.9	189.0
Ordinary share price (p)	42.0	52.0	129.0	150.0	159.8	116.5	131.0	136.5	152.5	114.0	143.3	181.0
Dividend per share (p)	n/a	1.3	4.4	4.6	4.8	5.0	5.2	5.4	5.6	5.8	6.0	6.2
Portfolio total (£m)	17.4	24.8	82.4	90.0	112.9	111.7	114.6	116.4	120.0	98.8	113.4	133.0

* Date from which the current investment managers were appointed.

CHAIRMAN'S REVIEW

Value and Income Trust has had another good year. Over the twelve months to 31st March 2005 the net asset value per share increased by 24.5% with the debt valued at market price and 25.2% with the debt valued at par. The FTSE All-Share Index rose by 15.6% in total return terms. Both the equity and the property portfolios performed well. The proposed final dividend of 3.2p would take total dividends for the year to 6.2p representing an increase of 3.3%.

You will see from the table on page 11 that the total return from our property investments was 21%, making it the best year since 1999. The equity portfolio was particularly successful with a total return of 25.7%, which was 10.1 percentage points ahead of the FTSE All-Share Index total return. OLIM has again earned a performance fee. The formula for this is based on Value and Income Trust's share price total return, that is taking the share price and dividend together, over three years. As noted in previous years, this is not an easy target and our managers have done well to exceed it. The details are shown on page 17.

A change in the Financial Services Authority Listing Rules, with which Value and Income Trust must comply to retain its Stock Exchange quotation and also investment trust status, means that only one director of Value and Income Trust can be an employee of the managers. Both Angela Lascelles and Matthew Oakeshott have been directors of Value and Income Trust since 1986 and a majority of the Board were independent non-executive directors throughout this period. This structure has worked well for the Company and its performance has been very satisfactory. Consequently it is vexing to have to report that Angela Lascelles has had to

leave the Board. She volunteered to do this so that Value and Income Trust complied with the rules and we are very grateful to her. Matthew Oakeshott will continue to serve on the Board for a year and will then be replaced by Angela for the next year. In practice these changes will make no difference to the way in which Value and Income Trust is run; both Angela and Matthew will continue to attend board meetings and their investment management responsibilities remain the same.

Despite the rise in property and equity markets the outlook for real growth in rents and dividends remains encouraging and Value and Income Trust is fully invested.

We hope to see as many shareholders as possible at the Annual General Meeting, which is to be held in Edinburgh on Friday 8 July 2005.

James Ferguson
Chairman
17 May 2005

DIRECTORS AND ADVISERS

James Ferguson

*Chairman – non-executive**

James Ferguson, aged 57, was appointed a non-executive director in 1986. He is a graduate in economics and political science from Trinity College, Dublin. He joined Stewart Ivory in 1970, became chairman in 1989 and retired in 2000. He is chairman of The Scottish Oriental Smaller Companies Trust, and a director of The Independent Investment Trust, Northern 3 VCT, The Monks Investment Trust and Edinburgh US Tracker Trust. He is a former deputy chairman of the Association of Investment Trust Companies and a former member of the Executive Committee of the Fund Managers Association.

David Back

*Non-executive Director**

David Back, aged 66, has worked within the investment sector since 1960 with a leading London based stockbroker. He retired from SBC Warburg in 1998 and was appointed a non-executive director in 2000.

John Kay

*Non-executive Director**

John Kay, aged 56, is an economist specialising in the application of economics to business issues. He has been chairman of London Economics, a director of several other companies, has held chairs at the London Business School and Oxford University and is currently a visiting Professor of Economics at the London School of Economics. He was appointed a non-executive director in 1994.

Matthew Oakeshott

Investment Director

Matthew Oakeshott, aged 58, after studying economics at Oxford University and a period as special adviser to Mr Roy Jenkins as Home Secretary, joined S.G. Warburg & Co in 1976 and became a director of Warburg Investment Management in 1978. He was Investment Manager of Courtaulds Pension Fund from 1981 to 1985. He has been an executive director of OLIM since 1986. He is a Life Peer.

Investment Manager

OLIM Limited
Pollen House
10/12 Cork Street
London W1S 3NP
Tel: 020 7439 4400

Secretary and Registered Office

Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Tel: 0131 313 1000

Registrars and Transfer Office

Computershare Investor
Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 7020010

Auditors

Chiene & Tait CA
61 Dublin Street
Edinburgh EH3 6NL

Property Managers

Workman & Partners
Alliance House
12 Caxton Street
London SW1H 0QS

*Member of the Audit and Management Engagement Committee.
All Directors are members of the Nomination Committee.

INVESTMENT DIRECTORS' REPORT

EQUITY PORTFOLIO

MARKET BACKGROUND

After a very quiet start to last year, equities performed strongly in the second half. The FTSE All-Share Index rose by 11.9% and gave a total return of 15.6% in the twelve months to end March. During the late spring and early summer of last year, the market was concerned with the aftermath of the war in Iraq, the rising oil price, and rising UK interest rates. By September, however, the continuing robust flow of news from companies, and the steady growth of the economy overall, outweighed the international concerns, and the market rose in each successive month till March, when it fell back slightly. Within the UK equity market, Mid-cap stocks performed best, with an increase of 13.9%, but the Small-cap Index was just behind the larger companies with a rise of 10.4%. High yielding stocks continued to be in demand. Yields on long gilts were almost unchanged over the year as a whole and ended March at 4.6%. The pound strengthened against the yen and dollar but weakened by 3% against the euro.

PERFORMANCE

VIT's equity portfolio performed well. The total return of 25.7% was 10.1 percentage points above the return on the All-Share Index. Our over-weighting in the utilities sectors was helpful and we benefited from several takeover bids for stocks held within the portfolio. Abbey National was acquired by Banco Santander and there has been an approach for Mersey Docks and Harbour Board from Peel Holdings. British Vita has agreed to an offer from the private equity house TPG at 360p per share. WH Smith also received a bid though it

Matthew Oakeshott and Angela Lascalles

later lapsed. The heavy bias towards Midcap companies was helpful, and we had some very good performances from companies acquired in the last two years, particularly National Express and The Restaurant Group, which both rose by more than 60%.

INVESTMENT POLICY

We sold ten complete equity holdings in sales which totalled £20.3m for the year. Two were stocks which had been involved in takeover talks: Abbey National and WH Smith. We took substantial profits on James Fisher and Reckitt & Colman Convertible Bond, where the yields had fallen to well below average levels. We switched Severn Trent into AWG and sold all the BP shares, partially re-investing in increasing the holding in Shell.

SUMMARY OF PORTFOLIO

	31 March 2005		31 March 2004	
	£m	%	£m	%
UK equities	85.8	64	73.3	65
UK property	45.9	35	40.4	35
Cash	1.3	1	(0.3)	0
	133.0	100	113.4	100

INVESTMENT DIRECTORS' REPORT

We switched Aviva into the higher yielding Legal & General after the bid for RAC was announced. We sold the holdings in Elementis, where trading conditions were being affected by the rise in raw material prices, and Cookson, whose balance sheet was causing concern. We took profits on Hilton Group. The Cookson bond was redeemed at par.

We bought stocks for a total value of £18.7m. Four new companies were added to the portfolio. Dairy Crest, whose main business is the production of milk products, especially cheese and butter spreads, gave a net yield of 4.4% at the purchase price. St Ives, the printing company, and Wincanton, which transports goods round Europe, were both also yielding around 4.5% at the buying prices. These three companies are all part of the Mid-cap Index. The fourth new company was AWG. We added to many of our other holdings and our buying programme continued to concentrate on high yielding companies.

At the end of March we were holding 32 companies with a total value of £85.8m, giving an overall net yield of 4%.

OUTLOOK

Consumers appear to have reacted at last to earlier rises in interest rates and to have trimmed back their spending. Latest statistics on consumer spending point to falling demand for 'big ticket' discretionary items of expenditure and house prices appear to be falling slightly, though the statistics remain confused. The newly elected Government will have to take steps to limit the public expenditure deficit, either by increasing taxes, or by cutting expenditure, or both.

Our overall expectation is that the UK economy will grow by around 2.5% this year and that we will continue to see steady real growth in earnings and dividends.

INVESTMENT DIRECTORS' REPORT

So far this year, dividends have been growing at over 10% compared with the same period in 2004. Mid-cap and High Yield stocks have had a tremendous re-rating in the last two years, and are no longer absurdly cheap. We do, however, still find attractive valuations of companies in several areas of the market and think that the rating overall is good value, given the continuing growth in the economy.

17 May 2005

DISTRIBUTION OF SECURITIES AT 31 MARCH

	2005 %	2004 %
■ Cyclical services	33.0	28.6
■ Utilities	18.9	16.2
■ Financials	13.6	15.4
■ General industrials	10.6	13.0
■ Non-cyclical consumer goods	8.7	8.2
■ Resources	6.9	8.1
■ Basic industries	5.9	9.1
■ Non-cyclical services	2.4	1.4
	100.0	100.0

INVESTMENT DIRECTORS' REPORT

List of Equity Holdings as at 31 March 2005

Holding	Description	Market Value (£)
1,000,000	Kelda Group. The main water supplier in North East England, also owns water businesses in the eastern states of the USA.	5,980,000
1,250,000	Shell Transport & Trading. It has a 40% holding in one of the largest integrated oil and gas groups in the world.	5,937,500
600,000	Scottish & Southern Energy. The merged Scottish Hydro-Electric (supplying electricity in Northern Scotland) and Southern Electricity (supplying south central England).	5,289,000
4,500,000	Legal & General Group. A leading UK life insurance company with a dominant position in index fund management.	5,096,250
600,000	AWG. The main water supplier in East Anglia, also owns Morrisons in support services	4,968,000
1,540,000	VT Group. Traditionally a manufacturer of minesweepers and other warships, more than half its business is now in non defence marine activities, and activities 'contracted out' by the MOD and other institutions.	4,881,800
1,000,000	British Vita. A chemical company operating mainly in the UK and USA.	3,545,000
716,000	Lloyds TSB Group. The UK banking group.	3,422,480
730,000	Johnson Service Group. Its largest business is textile rentals and it has a chain of dry cleaning shops.	3,354,350
385,000	HBOS. A leading Scottish bank, its activities are also extending steadily into England.	3,176,250
600,000	Rotork. The world's leading manufacturer of actuators serving particularly the oil and gas industries.	2,796,000
227,881	Wolverhampton & Dudley Breweries. The regional brewer and pub operator.	2,563,661
200,000	GlaxoSmithKline. The UK's largest pharmaceutical company.	2,426,000
250,000	Mersey Docks & Harbour. Owns and operates the Port of Liverpool and Sheerness.	2,415,000
722,431	AMEC. An international engineering, construction and development group, a growing proportion of its revenues arise from contracted out services.	2,304,554
300,000	Trinity Mirror. The company publishes the Mirror Group's national newspapers and several regional newspapers.	2,103,000
1,000,000	BT Group. The former public utility supplying wireline telephony.	2,055,000
850,000	Compass Group. The company operates catering businesses.	2,052,750
1,450,000	The Restaurant Group. The company owns chains of restaurants: Garfunkels and Caffé Uno on high streets and Frankie & Benny in leisure parks.	1,921,250
400,000	Scottish & Newcastle. The UK's largest brewing company, it also owns pubs.	1,842,000
200,000	National Express. A bus and train operator and has a stake in Eurostar, the fast train service from Waterloo to Paris.	1,805,000
370,000	Dairy Crest. Production of milk products.	1,713,100
600,000	Wincanton. A leading European supply chain management company	1,635,000
450,000	St Ives. A printing business with facilities in the UK, Europe and America. It prints books, magazines, direct response advertising leaflets, and financial documents.	1,622,250

INVESTMENT DIRECTORS' REPORT

List of Equity Holdings as at 31 March 2005

Holding	Description	Market Value (£)
500,000	Marshalls. The company is a manufacturer of concrete blocks and a quarry owner.	1,500,000
200,000	Diageo. Formerly Guinness, the company is a manufacturer of spirits and beer.	1,492,000
1,200,000	Laing (John) 6.4% Conv. Preference. The company has interests in construction and invests in PFI projects.	1,482,000
425,000	Interserve. Formerly Tilbury Douglas, the company provides outsourced support	1,457,750
400,000	BPP. The company trains professionals for qualifications, particularly in finance and law. It also has MPW, a college for studying for A levels and GCSEs, and Linguarama, a language training school.	1,400,000
1,000,000	BAE Systems 7.75p Pref. Has a wide spread of defence manufacturing and commercial aircraft.	1,362,500
437,500	Kingfisher. A retail company, it owns B&Q in the UK, and Castorama and Darty in France.	1,263,281
300,000	Kesa Electricals. Demerged from Kingfisher plc, it has pan European electrical retailing businesses, including Comet in the UK and Darty in France.	906,750
	Total holdings	85,769,476

INVESTMENT DIRECTORS' REPORT

VIT PROPERTY PORTFOLIO

THE MARKET

Commercial property produced an average total return of 18% in 2004, as measured by the Investment Property Databank (IPD). On top of the income yield of 6.7%, average capital values rose by 11.3%. After falling for two years, rental values rose 2.2% on average (4% for retail, 1% for industrials and flat for offices), and a heavy weight of investment money forced capital values up and valuation yields down in all sectors.

In 2004, retail and industrial properties have, for the third year running, substantially outperformed offices in both capital and rental values. Offices may underperform again in 2005 since vacancy rates and over-renting remain much higher in the office sector, office

rental values are still bumping along the bottom and take-up of London office space was poor in the first quarter. In 2005 there may be continuing modest recovery in London's West End but no rental growth and excess supply in the City and Thames Valley and little change elsewhere.

In the retail and industrial/warehouse sectors the occupational markets remain in reasonable balance. Vacancies are very low in most shopping centres, the prime sections of high streets and out of town, so retail rental values should rise again by 3% - 4% in 2005.

Despite the cooling housing market, consumer spending is still growing and constraints on developing new retail property are tighter than for other property types. Vacancy rates have peaked for industrial and warehouse property and demand for distribution space is improving. Average industrial/warehouse rental values may rise by about 2% in 2005.

Overall average property rental values, as measured by the IPD Annual Index in 2005, may rise by between 2% and 3%. Pent-up buying demand from both institutional and retail investors may produce a capital gain of around 6% for the IPD Index as a whole in 2005 despite the re-imposition of stamp duty on property purchases in "disadvantaged areas" in March. Adding rental income, that would give an average total return around 12%.

PROPERTY RENTAL VALUES - ANNUALISED GROWTH RATES % TO END MARCH 2005

	6 months	1 Year	3 Years	5 Years	10 Years
Retail	4.2	4.0	3.3	2.9	3.5
Office	0.3	-0.2	-3.9	-0.4	2.0
Industrial	1.2	1.0	0.6	1.6	2.0
All Property	2.6	2.3	0.4	1.6	2.7

Table 1: Source: IPD

PROPERTY CAPITAL VALUES - ANNUALISED GROWTH RATES % TO END MARCH 2005

	6 months	1 Year	3 Years	5 Years	10 Years
Retail	11.0	13.4	10.4	5.7	4.6
Office	5.9	6.5	0.4	1.2	1.8
Industrial	7.3	8.9	5.1	3.7	3.1
All Property	9.0	10.8	6.3	4.0	3.5

Table 2: Source: IPD

INVESTMENT DIRECTORS' REPORT

Property is still a relatively high yielding asset class, but its yield advantage over UK equities has fallen substantially in recent years and is now at its lowest since 1982. Against gilts, property's yield advantage has narrowed slightly over the past five years but is still high by longer term standards. With real rental values likely to be at least maintained over the next few years, property should give a satisfactory real return, outperforming gilts and underperforming UK equities, but with a higher income and therefore probably less volatile returns.

THE VIT PORTFOLIO

VIT's property portfolio produced a total return of 21% over the year to March, compared with the IPD Annual Index return of 18%. The average capital gain of 14% was mainly due to a further favourable shift in valuation yields on well-let VIT-type retail properties, but net rental income and underlying rental values also rose by 3% over the year.

The purchase of a long leasehold supermarket and restaurant investment near Horsham for £2.225 million, let to Somerfield and McDonalds on leases with 23 years to run at 7.8% net, was completed in April 2004. It has now been valued at £2.5 million.

We focus on long, strong income streams to meet the fixed interest payments on our long term debt. Three quarters of the total rent is from quoted companies, mainly national multiple retailers. The weighted average unexpired lease length is 14 years. All properties are fully let on full repairing and insuring leases, with upward only rent reviews. 99% of income is reviewed five yearly.

EQUIVALENT YIELDS

Equivalent yields - end December (except March 2005)	2005	2004	2003	2001	1998
Retail	5.9	6.0	6.6	7.0	7.9
Office	7.2	7.3	8.0	8.1	8.6
Industrial	7.4	7.6	8.3	8.8	9.9
All Property	6.5	6.6	7.3	7.6	8.4
5-15 Year Gilts	4.7	4.5	4.8	4.8	8.8
UK Equities	3.0	3.0	3.1	2.1	4.0
Yield Gap: Property Less Gilts	1.8	2.1	2.5	2.8	-0.4
Property Less Equities	3.5	3.6	4.2	5.5	4.4

Table 3: Source: IPD

VIT'S PROPERTY RECORD

31 March	Rental income £000	Capital value £000	Yield on valuation %	Capital growth %	Total Return VIT %	IPD %
1987	1,155	11,375	10.2	n/a	n/a	n/a
1988	1,329	14,939	8.9	15	24	26
1989	1,915	23,475	8.2	22	30	30
1990	2,050	24,390	8.4	7	15	15
1991	2,331	23,800	9.8	-8	2	-8
1992	2,709	25,880	10.5	0	10	-3
1993	2,773	26,415	10.5	1	12	-2
1994	2,806	29,835	9.4	13	23	20
1995	2,948	31,125	9.5	0	10	12
1996	2,840	29,440	9.6	0	9	4
1997	3,111	32,805	9.5	0	10	10
1998	3,141	34,800	9.0	6	15	17
1999	3,410	41,055	8.3	17	25	12
2000	3,054	39,800	7.7	7	15	15
2001	3,117	39,825	7.8	2	10	10
2002	3,013	38,800	7.8	5	13	7
2003	3,089	40,550	7.6	4	12	10
2004	3,052*	40,375*	7.5	7	15	11
2005	3,124	45,875	6.8	14	21	18

* Including Horsham property where contracts for purchase had been exchanged at £2,225,000, with completion in April 2004.

INVESTMENT DIRECTORS' REPORT

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 King Sturge and Co. at 31 March 2005.

The revaluation showed a value of £45,875,000; properties within VIT were valued at £15,450,000 while Audax properties totalled £30,425,000. We intend to commission an independent revaluation of properties at 31 March each year.

26 of the properties valued at 31 March were freehold or the Scottish equivalent and one is held on a long lease with 52 years to run.

17 May 2005

INVESTMENT DIRECTORS' REPORT

PROPERTY PORTFOLIO

BY TYPE

	2005 %
■ High Street Shops	62
■ Out of Town Retail	18
■ Leisure	15
■ Industrial	5
	100

TOP TEN TENANTS – % OF TOTAL RENT

	%
■ Woolworths	13
■ Synchron	11
■ W H Smith	9
■ GB Holiday Parks	9
■ Satair	6
■ Lloyds TSB	5
■ Somerfield	5
■ Burger King	3
■ Shepherd Neame	3
■ Superdrug	2
	66

BY REGION

INVESTMENT DIRECTORS' REPORT

List of Properties as at 31 March 2005

Address	Tenant
Shops	
Aberdeen - 221-7 Union Street	Burger King, Jaeger, Unichem
Ayr - 83 High Street	Card Factory
Dundee - 261 Brook Street, Broughty Ferry	Mackays and Superdrug
Edinburgh - 30 North Bridge	Ladbrokes
Elgin - 163 High Street	Woolworths
Galashiels - 15-37 Channel Street	Woolworths, WH Smith & Co-op
Glasgow - 412-418 Dumbarton Road, Partick	Woolworths
Gloucester - 18-20 Northgate Street	Signet
Godalming - 80-82 High Street	W H Smith
Haddington - 54-56 Court Street	Clydesdale Bank and solicitors
Kelso - 8-16 Horsemarket	Mackays and W H Smith
Lymington - 78-80 High Street	Woolworths
Melton Mowbray - 29-29B Market Place	W H Smith
Oban - 42 George Street	Edinburgh Woollen Mill
Selby - 36 Gowthorpe	Halifax
Sevenoaks - 87-93 High Street	Abbey National, Oxfam, QS Holdings and insurance brokers
St Andrews - 76 South Street	Clydesdale Bank
St. Anne's-on-Sea - The Burlington Centre, St Anne's Road West	Superdrug, Iceland, Thomas Cook, New Look, Signet, Stead and Simpson and Julian Graves
Worcester - 4 The Cross	Lloyds TSB
Other Retail	
Hereford - Harrow Road	Magnet
Horsham - Buck Barn	Somerfield and McDonald's
Oxford - 171/173 Cumnor Hill	Sytners
Leisure	
Derby - 17/18 Cornmarket	Kentucky Fried Chicken
Dover - St Margarets Holiday Park, Reach Road	GB Holiday Parks
Sherborne - The Cross Keys, 88 Cheap Street	Eldridge Pope
Whitstable - Chestfield Barn	Shepherd Neame
Industrial	
Rochford - 8 Purdeys Way	Satair A/S

DIRECTORS' REPORT

The directors have pleasure in submitting their report and consolidated accounts for the year ended 31 March 2005.

	31 March 2005 £000	31 March 2004 £000
Income available for ordinary shareholders	2,926	2,509
Dividends – interim of 3.0 pence per share paid on 7 January 2005	1,366	1,366
Recommended final dividend of 3.2 pence per share payable on 13 July 2005	1,457	1,366
Transfer to/(from) Revenue Reserves	102	(224)

Table 1 Group results and dividends

PRINCIPAL ACTIVITY AND STATUS

The principal activity of the Group is that of an investment trust specialising in higher yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in medium and smaller sized companies.

The Company is registered as a public limited company and is an investment company as defined by Section 266 of the Companies Act 1985. The Inland Revenue has approved the Company's status as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 March 2004. The directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2005 so as to be able to continue to obtain such approval.

	31 March 2005	31 March 2004
J G D Ferguson	315,000	315,000
J G D Ferguson – Family	100,000*	130,000
D H Back	30,000	25,000
J A Kay	104,110	104,110
J A Kay – as Trustee	64,830	64,830
M A Oakeshott	1,170,207	1,170,207
M A Oakeshott – Family	1,170,207	1,330,207

Table 2 Directors and their interests in Value and Income Trust plc

* Change in beneficial holding

DIRECTORS

The directors are shown on page 4 of this report and their interests in the Company's share capital are shown in Table 2. There were no changes to these holdings between 31 March and 17 May 2005. As mentioned in the Chairman's Statement, Angela Lascelles resigned from the Board on 10 February 2005.

The directors had no interest in either the 9.375% Debenture Stock 2026 issued by Value and Income Trust plc or the 11% First Mortgage Debenture Stock 2021 issued by Audax Properties plc.

Matthew Oakeshott and Angela Lascelles had a beneficial interest in the 229,736 ordinary shares (2004–229,736) held by The OLIM Limited Retirement and Death Benefit Scheme at 31 March 2005. Angela Lascelles remains, alongside Matthew Oakeshott, a director and shareholder of OLIM, which received a total fee of £1,209,000 (2004 - £1,106,000) in respect of investment management services for the year ended 31 March 2005. Further details of the investment management agreement are found on page 17.

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

The board has decided that directors may serve longer than nine years and that all directors should be subject to annual re-election. Accordingly, James Ferguson, David Back, John Kay and Matthew Oakeshott will retire and, being eligible, offer themselves for re-election at the next Annual General Meeting and at every Annual General Meeting.

A Nomination Committee has been established which comprises the whole Board. The Nomination Committee is chaired by James Ferguson and is responsible for considering appointments to the Board of directors. Possible new directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every director is entitled to receive appropriate training as deemed necessary.

INVESTMENT MANAGEMENT

OLIM is employed as investment manager under a contract which may be terminated by either party on giving one year's notice. OLIM receives a half-yearly fee of 1/3% of the VIT Group of Companies' total assets less current liabilities. An additional fee is payable to Edinburgh Fund Managers plc for secretarial and administrative services.

OLIM is also entitled to a performance fee if the total positive returns to shareholders from their investment in VIT exceed the total return on the FTSE All-Share Index by more than 10 percentage points in any three year period. The objective of the performance bonus is to give the managers 10% of the additional value generated for shareholders by such outperformance. A performance fee of £408,000 was payable this year and has been charged wholly to capital (2004 - £400,000).

The non-executive directors of the Board review the terms and conditions of OLIM's appointment on a regular basis. Following the most recent review, the Board is satisfied that the continuing appointment of OLIM is in the best interests of shareholders as the Company benefits from the expertise of the Manager's specialised team of investment professionals. In the event of termination on not less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.

CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the 2003 Combined Code (as appended to the Financial Services Authority Listing Rules) which is applicable for the Company's year ended 31 March 2005. The Board confirms that the Company has complied throughout the accounting period with the relevant provisions contained within the 2003 Combined Code unless otherwise indicated below.

The Board consists of a non-executive Chairman, two non-executive directors and one executive director. Angela Lascelles resigned as a director of the Company on 10 February 2005 as a result of the amended UKLA Listing Rules which came into force on 1 April 2005 and which limited to one, the number of executive directors on the board of an investment trust. The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength. With the exception of Matthew Oakeshott and Angela Lascelles, all directors who served during the year are considered by the Board to be independent of the Company and OLIM and free of any material relationship with OLIM.

The Board has reviewed the skills, experience and independence of James Ferguson, David Back and John Kay as well as the skills and experience of Matthew Oakeshott and has no hesitation in recommending to shareholders their re-election at the Annual General Meeting.

The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has

DIRECTORS' REPORT

effectively been delegated to the managers, OLIM, under the terms of the investment management agreement. The Board also considers that the role of a senior independent director is inappropriate, in addition to the independent non-executive Chairman.

The Board normally meets at least four times each year and more frequently if required. The Board has a schedule of matters reserved to it for decision, including strategy, borrowings and dividend policy. The Board has conducted appraisals of the Chairman, the other members of the Board and the Board as a whole.

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every director has to the advice and services of the Company Secretary, Edinburgh Fund Managers plc, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The executive director does not receive any remuneration directly from the Company, and accordingly no additional report on executive directors' remuneration is required. Matthew Oakeshott is remunerated by OLIM which received investment management fees from the Company as noted on pages 16 and 17.

The Company's Articles of Association require that one-third of the directors retire by rotation each year and seek re-election at the Annual General Meeting and the Companies Act 1985 specifies that all directors are required to submit themselves for re-election at least every three years. A director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. If required, directors are able to take professional advice at the Company's expense.

PROXY VOTING AS AN INSTITUTIONAL SHAREHOLDER

Responsibility for monitoring the activities of investee companies has been delegated by the Board to OLIM, who are responsible for constantly reviewing the annual reports, circulars and other publications produced by them. The Board has given OLIM discretion to exercise the Company's voting rights.

INTERNAL CONTROLS

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Accounts, and is regularly reviewed by the Board and accords with the guidance. The Board has reviewed the effectiveness of the system of internal control. In particular, it has

	Board	Audit and Management Engagement Committee
James Ferguson (Chairman)	4(4)	2(2)
David Back	4(4)	2(2)
John Kay	4(4)	2(2)
Matthew Oakeshott	4(4)	—
Angela Lascelles	4(4)	—

Table 3 shows the number of meetings attended by each director against the total number of meetings, each director was entitled to attend.

reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- **Financial;**
The Company's financial instruments comprise long-term borrowings, investments, cash and bank deposits and other short-term debtors and creditors. The Board considers that the main risks arising from the Company's financial instruments are interest rate, market price and liquidity risk. Interest rate risk is described in Note 13 to the Accounts. Market price and liquidity risk are minimised by the Company's prudent closed-end financial structure and long-term borrowings, thus avoiding the need for forced sales of investments at low prices. Liquidity awaiting long-term investment is held in UK clearing banks or short-dated gilt-edged stock.
- Operational; and
- Compliance.

The key components designed to provide effective internal control are outlined below:

- forecasts and management accounts are prepared which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- OLIM regularly reports to the Board including performance statistics and investment valuations;
- OLIM's compliance department keeps OLIM's operations under review;
- written agreements are in place which specifically define the roles and

responsibilities of OLIM and Edinburgh Fund Managers plc;

- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within OLIM and Edinburgh Fund Managers plc, the Board has decided to place reliance on these systems; and
- at its meeting on 6 May 2005, the audit and management engagement committee of the Board carried out an annual assessment of internal controls for the year ended 31 March 2005 by considering documentation from OLIM and Edinburgh Fund Managers plc, including their internal audit and compliance functions and taking account of events since 31 March 2005.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

ACCOUNTABILITY AND AUDIT

The respective responsibilities of the directors and the Auditors in connection with the financial statements appear on pages 38 and 39.

The members of the Audit and Management Engagement Committee are the non-executive directors and the Chairman is James Ferguson. Audit matters are reviewed by the Audit and Management Engagement Committee within clearly defined written terms of reference and the main audit review functions are as follows:

DIRECTORS' REPORT

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of OLIM and the third party administrators;
- to meet, if required, with the external Auditors to review their proposed audit programme of work and the findings of the Auditors. The Board shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditors to supply non-audit services if applicable. The Board reviews the level of non-audit fees in the light of the requirement to maintain the Auditors' independence, and for the year ended 31 March 2005 these amounted to £2,250 for the Group;
- to review an annual statement from OLIM and Edinburgh Fund Managers plc detailing the arrangements in place within OLIM whereby OLIM staff may, in confidence, communicate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditors and to approve the remuneration and terms of engagement of the external Auditors; and,
- to monitor and review annually the external Auditors' independence, objectivity, effectiveness, resources and qualification.

GOING CONCERN

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The Company has adequate financial resources to continue in operational existence for the foreseeable future.

SUBSTANTIAL INTERESTS

At 17 May 2005, there were no beneficial interests in the ordinary share capital notified to the company exceeding 3%.

RELATIONS WITH SHAREHOLDERS

The Board and OLIM consider it important to maintain good relations with shareholders and welcome their views. The notice of the Annual General Meeting included within the report and accounts is sent out at least 20 working days in advance of the meeting.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE

The Company purchases and maintains liability insurance covering the directors and officers of the Company.

CREDITOR PAYMENT POLICY

The Company's payment policy 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.

THE VIT SAVINGS SCHEME AND VIT ISA AND PEP TRANSFER

Further details regarding how to invest in the Company via the VIT Savings Scheme and VIT ISA and PEP Transfer may be found on page 42 of this report.

DIRECTORS' REPORT

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 following item of special business will be proposed at the forthcoming Annual General Meeting:

Repurchase of the Company's own Shares

Special resolution 10 will be proposed to authorise the Company to make market purchases of its own shares. This authority, if conferred, will only be exercised if to do so would enhance the net asset value and is in the best interests of shareholders generally.



By order of the Board,
Edinburgh Fund Managers plc
Secretary
Edinburgh, 17 May 2005

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's Auditors to audit certain of the disclosures provided.

Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on pages 39 and 40.

REMUNERATION COMMITTEE

The Company has three non-executive and one executive director. The Board as a whole fulfils the function of a Remuneration Committee.

YOUR COMPANY'S PERFORMANCE

The graph below compares the Company's share price total return (assuming all dividends are reinvested) to ordinary shareholders to the total return from the FTSE All-Share Index.

This index was chosen for comparison purposes, as it is a benchmark used for investment performance measurement purposes.

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable with that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year to 31 March 2006 and subsequent years.

The fees for the non-executive directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Board will carry out the next review of non-executive directors' fees in May 2007.

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the directors has a service contract. The terms of their appointment provide that a director shall retire and be subject to re-election at the first Annual General Meeting after their appointment, and at least every three years after that. As noted in the Directors' Report, the Board has decided that every Director shall stand for annual re-election. A director may be removed without notice and compensation will not be due on leaving office.


DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The directors who served in the year received emoluments in the form of fees, as described in the Table on page 23.

DIRECTORS' REMUNERATION REPORT

APPROVAL

The Directors' Remuneration Report on pages 22 to 23 was approved by the Board of directors on 17 May 2005 and signed on its behalf by:



By order of the Board,
Edinburgh Fund Managers plc

Secretary

Edinburgh, 17 May 2005

	2005	2004
	£	£
J G D Ferguson (Chairman)	15,000	12,000
D H Back	10,000	8,000
J A Kay	10,000	8,000
M A Oakeshott	—	—
Mrs A M Lascelles*	—	—
	35,000	28,000

Angela Lascelles and Matthew Oakeshott are directors and shareholders in OLIM, which received a fee of £1,209,000 (2004-£1,106,000) in respect of investment management services for the year.

*Angela Lascelles resigned on 10 February 2005.

CONSOLIDATED STATEMENT OF TOTAL RETURN

For the year ended 31 March (incorporating the revenue account)

	Notes	Revenue £000	2005 Capital £000	Total £000	Revenue £000	2004 Capital £000	Total £000
INCOME							
<i>Securities:</i>							
Dividends from UK companies	2	3,388	—	3,388	3,667	—	3,667
Interest from UK companies	2	421	—	421	216	—	216
<i>Properties:</i>							
Rental income		3,116	—	3,116	2,764	—	2,764
Interest receivable on short-term deposits		133	—	133	190	—	190
Underwriting commission		1	—	1	8	—	8
		<u>7,059</u>	<u>—</u>	<u>7,059</u>	<u>6,845</u>	<u>—</u>	<u>6,845</u>
EXPENSES							
Investment management fee	3	(268)	(1,084)	(1,352)	(401)	(854)	(1,255)
Administration expenses	4	(364)	—	(364)	(434)	—	(434)
		<u>6,427</u>	<u>(1,084)</u>	<u>5,343</u>	<u>6,010</u>	<u>(854)</u>	<u>5,156</u>
CAPITAL PROFITS							
Net realised gains on investments		—	1,741	1,741	—	2,370	2,370
Movement in unrealised appreciation		—	18,846	18,846	—	13,315	13,315
NET RETURN BEFORE FINANCE							
COSTS AND TAXATION		<u>6,427</u>	<u>19,503</u>	<u>25,930</u>	<u>6,010</u>	<u>14,831</u>	<u>20,841</u>
Interest payable and similar charges	5	(3,501)	—	(3,501)	(3,501)	—	(3,501)
RETURN ON ORDINARY							
ACTIVITIES BEFORE TAXATION		<u>2,926</u>	<u>19,503</u>	<u>22,429</u>	<u>2,509</u>	<u>14,831</u>	<u>17,340</u>
Taxation	6	—	—	—	—	—	—
RETURN ATTRIBUTABLE TO							
EQUITY SHAREHOLDERS		<u>2,926</u>	<u>19,503</u>	<u>22,429</u>	<u>2,509</u>	<u>14,831</u>	<u>17,340</u>
Dividends in respect of equity shares	7	(2,824)	—	(2,824)	(2,733)	—	(2,733)
TRANSFER TO/(FROM) RESERVES							
		<u>102</u>	<u>19,503</u>	<u>19,605</u>	<u>(224)</u>	<u>14,831</u>	<u>14,607</u>
RETURN PER ORDINARY SHARE							
	8	<u>6.42p</u>	<u>42.82p</u>	<u>49.24p</u>	<u>5.51p</u>	<u>32.56p</u>	<u>38.07p</u>
DIVIDEND PER ORDINARY SHARE							
		<u>6.20p</u>			<u>6.00p</u>		

The revenue column of this statement represents the revenue account of the company.
All revenue and capital items in the above statement are derived from continuing operations.
The notes on pages 29 to 37 form part of these accounts.

COMPANY STATEMENT OF TOTAL RETURN

For the year ended 31 March (incorporating the revenue account)

	Notes	Revenue £000	2005 Capital £000	Total £000	Revenue £000	2004 Capital £000	Total £000
INCOME							
<i>Securities:</i>							
Dividends from UK companies	2	3,388	—	3,388	3,667	—	3,667
Interest from UK companies	2	421	—	421	216	—	216
<i>Properties:</i>							
Rental income		1,065	—	1,065	956	—	956
Interest receivable on short-term deposits		95	—	95	67	—	67
		<u>4,969</u>	<u>—</u>	<u>4,969</u>	<u>4,906</u>	<u>—</u>	<u>4,906</u>
EXPENSES							
Investment management fee	3	(187)	(895)	(1,082)	(283)	(736)	(1,019)
Administration expenses	4	(229)	—	(229)	(300)	—	(300)
		<u>4,553</u>	<u>(895)</u>	<u>3,658</u>	<u>4,323</u>	<u>(736)</u>	<u>3,587</u>
CAPITAL PROFITS							
Net realised gains							
on investments		—	1,741	1,741	—	2,599	2,599
Movement in unrealised appreciation		—	15,571	15,571	—	11,634	11,634
Net return before finance costs and taxation							
Interest payable and similar charges	5	(1,851)	—	(1,851)	(1,851)	—	(1,851)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION							
Taxation	6	7	—	7	1	—	1
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS							
Dividends in respect of equity shares	7	(2,824)	—	(2,824)	(2,733)	—	(2,733)
TRANSFER (FROM)/TO RESERVES							
		(115)	16,417	16,302	(260)	13,497	13,237
RETURN PER ORDINARY SHARE							
	8	5.95p	36.04p	41.99p	5.43p	29.63p	35.06p
DIVIDEND PER ORDINARY SHARE							
		<u>6.20p</u>			<u>6.00p</u>		

The revenue column of this statement represents the revenue account of the company.

All revenue and capital items in the above statement are derived from continuing operations.

The notes on pages 29 to 37 form part of these accounts.

CONSOLIDATED BALANCE SHEET

At 31 March

	Notes	2005		2004	
		£000	£000	£000	£000
INVESTMENTS	9				
Listed in UK			85,770		73,333
Investment properties			45,875		40,400
			<u>131,645</u>		<u>113,733</u>
CURRENT ASSETS					
Debtors	10	1,092		1,134	
Cash and short term deposits		3,133		3,913	
		<u>4,225</u>		<u>5,047</u>	
CURRENT LIABILITIES:					
DUE WITHIN ONE YEAR					
Creditors	11	1,449		4,031	
Dividend payable	12	1,457		1,366	
		<u>2,906</u>		<u>5,397</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>1,319</u>		<u>(350)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>132,964</u>		<u>113,383</u>
CREDITORS: DUE AFTER ONE YEAR	13		<u>35,515</u>		<u>35,539</u>
TOTAL NET ASSETS			<u>97,449</u>		<u>77,844</u>
CAPITAL AND RESERVES					
SHARE CAPITAL - ORDINARY	14		4,555		4,555
RESERVES	15				
Share premium		18,446		18,446	
Capital reserve - realised		33,873		33,216	
Capital reserve - unrealised		23,092		9,746	
Revaluation reserve		16,342		10,842	
Revenue reserve		1,141		1,039	
			<u>92,894</u>		<u>73,289</u>
EQUITY SHAREHOLDERS' FUNDS	16		<u>97,449</u>		<u>77,844</u>
NET ASSET VALUE PER ORDINARY SHARE	17		<u>213.93p</u>		<u>170.89p</u>

These accounts were approved by the Board on 17 May 2005 and were signed on its behalf by:

JAMES FERGUSON, Director

MATTHEW OAKESHOTT, Director

The notes on pages 29 to 37 form part of these accounts.

J.F. Ferguson
Math Oakeshott

COMPANY BALANCE SHEET


At 31 March

	Notes	2005		2004	
		£000	£000	£000	£000
INVESTMENTS	9				
Listed in UK			85,770		73,333
Subsidiaries			25		25
			<u>85,795</u>		<u>73,358</u>
Investment properties			15,450		13,225
			<u>101,245</u>		<u>86,583</u>
CURRENT ASSETS					
Debtors	10	992		1,125	
Cash and short term deposits		2,913		931	
		<u>3,905</u>		<u>2,056</u>	
CURRENT LIABILITIES:					
DUE WITHIN ONE YEAR					
Creditors	11	2,046		1,904	
Dividend payable	12	1,457		1,366	
		<u>3,503</u>		<u>3,270</u>	
NET CURRENT ASSETS/(LIABILITIES)			402		(1,214)
TOTAL ASSETS LESS CURRENT LIABILITIES			101,647		85,369
CREDITORS: DUE AFTER ONE YEAR	13		20,515		20,539
TOTAL NET ASSETS			<u>81,132</u>		<u>64,830</u>
CAPITAL AND RESERVES					
SHARE CAPITAL – ORDINARY	14		4,555		4,555
RESERVES	15				
Share premium		18,446		18,446	
Capital reserve – realised		29,980		29,134	
Capital reserve – unrealised		23,092		9,746	
Revaluation reserve		4,150		1,925	
Revenue reserve		909		1,024	
			<u>76,577</u>		<u>60,275</u>
EQUITY SHAREHOLDERS' FUNDS	16		81,132		64,830
			<u>178.12p</u>		<u>142.33p</u>

These accounts were approved by the Board on 17 May 2005 and were signed on its behalf by:

JAMES FERGUSON, Director

MATTHEW OAKESHOTT, Director

J.F. Ferguson


The notes on pages 29 to 37 form part of these accounts.

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 March

	Notes	2005		2004	
		£000	£000	£000	£000
OPERATING ACTIVITIES					
Income received from investments			4,001		3,297
Rental received			2,677		2,760
Interest received			124		190
Other income			1		8
Investment management fees paid			(1,279)		(802)
Administration fees paid			(132)		(110)
Directors' fees paid (including NI)			(34)		(32)
Other cash payments			(280)		(343)
			<u> </u>		<u> </u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		5,078		4,968
SERVICING OF FINANCE					
Interest paid		(3,525)		(3,525)	
		<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(3,525)		(3,525)
TAXATION					
UK tax paid			—		—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of investments		(20,907)		(16,714)	
Sale of investments		21,307		17,338	
		<u> </u>		<u> </u>	
NET CASH INFLOW FROM FINANCIAL INVESTMENT			400		624
Ordinary dividends paid			(2,733)		(2,688)
			<u> </u>		<u> </u>
NET CASH OUTFLOW BEFORE FINANCING			(780)		(621)
			<u> </u>		<u> </u>
DECREASE IN CASH	18		(780)		(621)
			<u> </u>		<u> </u>

The notes on pages 29 to 37 form part of these accounts.

NOTES TO THE ACCOUNTS

1 Accounting policies

(a) 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 and the 2003 Investment Trust Statement of Recommended Practice (SORP), except that investment properties, as indicated in Note 9, are not depreciated and finance costs have not been allocated between revenue and capital in the same proportion as the investment management fee (see 1(c) (iv) below).

(b) 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 2005. Audax Properties plc and VIT Securities Limited, both subsidiaries of the Company, charge expenses wholly to income. On consolidation, however, an adjustment has been made to charge 70% of the investment management fee paid by Audax Properties plc to capital. The allocation has no effect on the total return of the Company or the Group.

(c) Income and expenses –

- (i) 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 gross and on a time apportioned basis, as recommended by the SORP.
- (ii) Dividends are included without the notional tax credit.
- (iii) Rents from investment properties and interest receivable are dealt with on an accruals basis.
- (iv) 70% (2004: 50%) of the investment management fee paid by the Company has been charged to capital. The change to the ratio has been agreed by the Board on the basis of the Directors’ expected long term returns from revenue and capital respectively.
The SORP states that finance costs should be allocated to capital on the same basis as the investment management fee allocation. However, as the Company has a significant exposure to property, and property companies do not charge finance costs to capital, the directors consider it inappropriate to allocate finance costs to capital.
- (v) Distributions which are deemed to be of a capital nature are included in the Capital Reserve.
- (vi) Performance fees, payable to the Investment Managers in accordance with the Investment Management Agreement, are charged to Capital Reserve–realised (less appropriate tax relief).
- (vii) Interest payable and administration expenses are dealt with on an accruals basis and are charged in full to income.

(d) Deferred tax – Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- Due to the Company’s status as an investment trust, and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation of investments. In relation to the subsidiary companies, provision is made for gains on revalued fixed assets only where there is a commitment at the balance sheet date to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE ACCOUNTS

1 Accounting policies – continued

(e) Investments –

- (i) 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. These valuations also represent the fair value of the investments. Unrealised gains and losses are included in Capital Reserve–unrealised.
- (ii) 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.
- (iii) Realised gains and losses on the sale of investments and investment properties are transferred to Capital Reserve–realised.
- (iv) Subsidiary companies are included at cost.

(f) Borrowings – The Audax Properties 11% First Mortgage Debenture Stock 2021 and the initial £5,000,000 of the Company’s 9.375% Debenture Stock 2026 are stated in the Balance Sheet at repayment value on maturity.

The 9.375% Debenture Stock 2026 is shown in the Balance Sheet inclusive of the premium received on issue, and after deduction of issue expenses. The premium, less expenses, is offset against the interest payable over the life of the stock.

Interest payable on borrowings is charged in full to income.

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
2 Income from securities				
Listed in UK	<u>3,809</u>	<u>3,809</u>	<u>3,883</u>	<u>3,883</u>

Included within income from securities is a special dividend of £318,750 from WH Smith PLC as part of a capital reorganisation following the disposal of one of its subsidiaries. This dividend has been treated as a revenue receipt within the Statement of Total Return.

3 Investment management fee

Investment management fee (including irrecoverable VAT)	895	625	802	566
Performance fee (including irrecoverable VAT)	<u>457</u>	<u>457</u>	<u>453</u>	<u>453</u>
	1,352	1,082	1,255	1,019
Performance fee charged against capital reserve – realised	(457)	(457)	(453)	(453)
Charged against capital reserve – realised (see note 1(c)(vi))	<u>(627)</u>	<u>(438)</u>	<u>(401)</u>	<u>(283)</u>
	<u>268</u>	<u>187</u>	<u>401</u>	<u>283</u>

NOTES TO THE ACCOUNTS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
4 Administrative expenses				
Auditors' remuneration				
– audit	9	6	9	6
– non audit (including taxation)	2	2	4	4
– out of pocket expenses	1	1	1	1
Directors' fees	35	35	28	28
Fees for secretarial services	113	75	110	73
Property management, irrecoverable VAT and other expenses	204	110	282	188
	<u>364</u>	<u>229</u>	<u>434</u>	<u>300</u>

Non-executive directors' fees comprise the Chairman's fee of £15,000 (2004–£12,000) per annum and £10,000 (2004–£8,000) per annum to each other non-executive director.

Neither executive director who served during the year received any emoluments directly from the Company (2004–nil). The executive directors are shareholders and directors of OLIM which received an investment management fee of £801,000 (2004–£706,000) and a performance fee of £408,000 (2004–£400,000), the basis of calculation of which are given on page 17.

5 Interest payable and similar charges

11% First Mortgage Debenture Stock 2021	1,650	—	1,650	—
9.375% Debenture Stock 2026*	1,851	1,851	1,851	1,851
	<u>3,501</u>	<u>1,851</u>	<u>3,501</u>	<u>1,851</u>

* Net of amortised premium and expenses of issue – see note 13.

6 Taxation

a) Analysis of tax charge in the period

Current tax				
UK corporation tax on profits of the period	—	(7)	—	(1)
Deferred tax				
Origination and reversal of timing differences	—	—	—	—
Tax on return on ordinary activities	—	(7)	—	(1)

NOTES TO THE ACCOUNTS

6 Taxation – continued

b) Factors affecting tax charge for the period

The Group has no liability to corporation tax for the year (2004–nil).

The Group's revenue return on ordinary activities before taxation amounted to £2,926,000. Under normal circumstances the Group's tax charge for the year would be based on this figure. The tax rules are such that dividends received from UK companies (amounting to £3,745,000) do not fall within the corporation tax regime. In addition, for tax purposes, the £1,084,000 of the investment managers' fee that has been charged against the capital reserve is also deductible from the Group's revenue return in arriving at the taxable profits for the year.

Taking account of the above tax adjustments, the Group has losses for tax purposes arising in the year of £1,876,000. Under current legislation, it is unlikely that these losses will be capable of offset against the Group's future taxable profits.

c) Factors affecting future tax charges

Both the Company and Audax Properties plc have deferred tax assets of £2,471,000 and £47,000 respectively at 31 March 2005 relating to total accumulated unrelieved tax losses carried forward. These have not been recognised in the accounts and it is unlikely that they will be capable of offset against the Group's future taxable profits.

7 Ordinary dividends

	2005 £000	2004 £000
Interim dividend of 3.0p (2004–3.0p) paid 7 January 2005	1,367	1,367
Final dividend of 3.2p (2004–3.0p) payable 13 July 2005	1,457	1,366
	<u>2,824</u>	<u>2,733</u>

8 Return per ordinary share

Income return per ordinary share is based on the net income on ordinary activities after taxation and on 45,549,975 (2004–45,549,975) 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 45,549,975 (2004–45,549,975) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS

	Equities £000	Other securities with equity element £000	Bonds £000	Investment Properties £000	Total £000
9 Investments					
Group					
Cost at 31 March 2004	59,753	2,945	889	29,559	93,146
Unrealised appreciation	7,947	1,687	112	10,841	20,587
Valuation at 31 March 2004	67,700	4,632	1,001	40,400	113,733
Purchases	18,657	—	—	(25)	18,632
Sales proceeds	(18,098)	(2,209)	(1,000)	—	(21,307)
Realised gains on sales	394	1,236	111	—	1,741
Movement in unrealised appreciation in year	14,273	(815)	(112)	5,500	18,846
Valuation at 31 March 2005	82,926	2,844	—	45,875	131,645
Cost at 31 March 2005	60,706	1,972	—	29,534	92,212
Company					
Cost at 31 March 2004	59,778	2,945	889	11,300	74,912
Unrealised appreciation	7,947	1,687	112	1,925	11,671
Valuation at 31 March 2004	67,725	4,632	1,001	13,225	86,583
Purchases	18,657	—	—	—	18,657
Sales proceeds	(18,098)	(2,209)	(1,000)	—	(21,307)
Realised gains on sales	394	1,236	111	—	1,741
Movement in unrealised appreciation in year	14,273	(815)	(112)	2,225	15,571
Valuation at 31 March 2005	82,951	2,844	—	15,450	101,245
Cost at 31 March 2005	60,731	1,972	—	11,300	74,003

The weighted average rate of interest from other securities with an equity element amounted to 7.0% (2004–7.6%).

The Company has the following wholly-owned subsidiary undertakings:

Name	Nature of business	Principal country of operation	Class of shares	% held
Audax Properties plc	Property investment	England & Wales	Ordinary	100.0
VIT Securities Limited	Investment dealing	England & Wales	Ordinary	100.0

An analysis of the investment portfolio by broad industrial or commercial sector, and a list of the investments, are contained within the Investment Directors' Report.

NOTES TO THE ACCOUNTS

9 Investments – continued

Investment properties were valued at the year end on an open market basis by King Sturge and Co, Chartered Surveyors and Valuers and in accordance with the RICS Appraisal and Valuation Manual. 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 £45,875,000 with cost £29,534,000 (2004–value of £38,150,000 with cost £27,309,000 excluding the long leasehold property at Horsham which was purchased for £2,250,000).

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
10 Debtors				
Prepayments and accrued income	1,092	992	1,134	1,125
11 Creditors: amounts falling due within one year				
Amounts due on property purchases	25	25	2,300	25
Value Added Tax payable	118	35	105	38
Amounts due to subsidiaries	—	843	—	584
Accruals and other creditors	1,306	1,143	1,626	1,257
	<u>1,449</u>	<u>2,046</u>	<u>4,031</u>	<u>1,904</u>
12 Dividend payable				
Ordinary shares—payable 13 July 2005	<u>1,457</u>	<u>1,457</u>	<u>1,366</u>	<u>1,366</u>

NOTES TO THE ACCOUNTS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
13 Creditors: amounts falling due after one year				
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add: Balance of premium less issue expenses	539	539	563	563
Less: Credit to income for the year	(24)	(24)	(24)	(24)
	<u>20,515</u>	<u>20,515</u>	<u>20,539</u>	<u>20,539</u>
11% First Mortgage Debenture Stock 2021	15,000	—	15,000	—
	<u>35,515</u>	<u>20,515</u>	<u>35,539</u>	<u>20,539</u>

The weighted average period for which the Group's debentures are fixed is 19 years (2004–20 years). The weighted average interest rate on the Group's debentures is 10.1% (2004–10.1%) and they were issued at an average Gross Redemption Yield of 9.1% (2004–9.1%).

The 11% First Mortgage Debenture Stock 2021, issued by Audax Properties plc, is repayable at par on 31 March 2021 and is secured over specific assets of Audax Properties plc and the Company.

The 9.375% Debenture Stock 2026 issued by Value and Income Trust plc is repayable at par on 30 November 2026 and is secured by a floating charge over the property and assets of the Company.

The Group has a long-standing policy of financing its property portfolio through the issue of long-term fixed interest debentures from time to time when it sees a favourable relationship between long-term interest rates and the yields achievable on safe investment property. Financing long-term and sometimes illiquid investments in property through short-term variable rate debt can prove fatal, as many property companies discovered in the early 1990's.

The Group has no intention of redeeming either of its debenture stocks before their due dates, when each is repayable at par. Gilt edged yields would be used to calculate the price, if the debt were to be repaid earlier. Fluctuations in their market prices therefore have no effect on the Group's cash flows or repayment liabilities. The market prices and market capitalisation at 31 March 2005 are as follows:–

Audax Properties 11% First Mortgage Debenture Stock 2021: £136.969 per £100 (£20.545m).
2004–£129.125 per £100 (£19.369m).

Value and Income Trust 9.375% Debenture Stock 2026: £131.656 per £100 (£26.331m).
2004–£124.1875 per £100 (£24.838m).

The net asset value of the Group, adjusted for these borrowings at market value, would be 188.99p (2004–151.87p).

No disclosure is required under FRS13 for short-term debtors and creditors as the Group had no exposure to derivatives and other financial instruments.

NOTES TO THE ACCOUNTS

	Authorised		Issued and fully paid	
	2005 £000	2004 £000	2005 £000	2004 £000
14 Called up share capital				
Ordinary shares of 10p 6.25% convertible redeemable preference shares of £1	5,600	5,600	4,555	4,555
	13,000	13,000	—	—
	<u>18,600</u>	<u>18,600</u>	<u>4,555</u>	<u>4,555</u>

	Share premium account £000	Capital reserve realised £000	Capital reserve unrealised £000	Revaluation reserve £000	Revenue reserve £000
	15 Reserves				
Group					
Balance at 31 March 2004	18,446	33,216	9,746	10,842	1,039
Realised gains on disposals	—	1,741	—	—	—
Management fee charged to capital	—	(1,084)	—	—	—
Movement in unrealised appreciation on assets	—	—	13,346	5,500	—
Transfer for year	—	—	—	—	102
Balance at 31 March 2005	<u>18,446</u>	<u>33,873</u>	<u>23,092</u>	<u>16,342</u>	<u>1,141</u>
Company					
Balance at 31 March 2004	18,446	29,134	9,746	1,925	1,024
Realised gains on disposals	—	1,741	—	—	—
Management fee charged to capital	—	(895)	—	—	—
Movement in unrealised appreciation on assets	—	—	13,346	2,225	—
Transfer for year	—	—	—	—	(115)
Balance at 31 March 2005	<u>18,446</u>	<u>29,980</u>	<u>23,092</u>	<u>4,150</u>	<u>909</u>

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
16 Reconciliation of movements in shareholders' funds				
Total net assets attributable at the beginning of the year	77,844	64,830	63,237	51,593
Total recognised gains and losses in the year	22,429	19,126	17,340	15,970
Dividends paid in the year	(2,824)	(2,824)	(2,733)	(2,733)
Total net assets attributable at the end of the year	<u>97,449</u>	<u>81,132</u>	<u>77,844</u>	<u>64,830</u>

NOTES TO THE ACCOUNTS

17 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable of £97,449,000 (2004—£77,844,000) and on 45,549,975 (2004—45,549,975) ordinary shares in issue at the year end.

The net asset value for the Group with borrowings at market value is shown in Note 13.

2005	2004
£000	£000

18 Consolidated cash flow statement

Reconciliation of total income to net cash inflow from operating activities

Income	7,059	6,845
Investment management fee	(1,352)	(1,255)
Administration expenses	(364)	(434)
Decrease/(increase) in other debtors	42	(580)
(Decrease)/increase in other creditors	(307)	392
Net cash inflow from operating activities	5,078	4,968

	Balance at 31 March 2004 £000	Cash flows £000	Movement in net premium £000	Balance at 31 March 2005 £000
Analysis of changes in net debt				
Cash	3,913	(780)	—	3,133
9.375% Debenture Stock 2026	(20,539)	—	24	(20,515)
11% First Mortgage Debenture Stock 2021	(15,000)	—	—	(15,000)
Net debt	(31,626)	(780)	24	(32,382)

19 Commitments and contingent liabilities

There were no commitments or contingent liabilities at the year end.

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 of the Group 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,
Edinburgh Fund Managers plc
Secretary
Edinburgh, 17 May 2005

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALUE AND INCOME TRUST PLC

We have audited the accounts of Value and Income Trust plc for the year ended 31 March 2005 set out on pages 24 to 37. These accounts have been prepared under the historical cost convention as modified by the *revaluation of investments and the accounting policies* set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. They are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code, specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Aims of the Trust, The Year, the Long Term Record,

INDEPENDENT AUDITORS' REPORT

the Chairman's Review, the Directors and Advisers, the Investment Directors' Report, the Directors' Report (including the Corporate Governance Statement) and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. 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 Company'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

As noted on page 29, the treatment of finance costs does not comply with the 2003 Statement of Recommended Practice for Investment Trust Companies. Our opinion is not qualified in this respect.

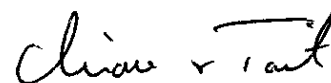
As disclosed in note 2 to the accounts, a special dividend received during the year has been included within the revenue column of the Statement of Total Return. Having reviewed the relevant facts pertaining to this dividend together with the 2003 Statement of Recommended Practice, we believe that this dividend should have been classified as a capital receipt in the Statement of Total Return. This treatment does not affect the Group's and the Company's total return for the year and our opinion is not qualified in this respect.

OPINION

In our opinion:

- the accounts give a true and fair view of the state of the Group's and the Company's affairs as at 31 March 2005 and of the Group's and Company's total return for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

CHIENE & TAIT CA
Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL
17 May 2005



ANALYSIS OF SHAREHOLDINGS

	Number	Holding	%
■ Individuals	1,321	22,809,382	50.1
■ Banks & nominees	581	16,660,807	36.6
■ Investment & unit trusts	7	2,361,665	5.2
■ Other companies	5	56,693	0.1
■ Insurance companies	61	3,525,882	7.7
■ Pension funds	6	124,446	0.3
■ Charities	2	11,100	0.0
	1,983	45,549,975	100.0

	Number	Holding	%
■ Individuals	1,380	23,350,888	51.3
■ Banks & nominees	760	15,645,754	34.3
■ Investment & unit trusts	11	2,618,254	5.7
■ Other companies	64	2,189,450	4.8
■ Insurance companies	6	1,040,493	2.3
■ Pension funds	7	637,426	1.4
■ Charities	4	67,710	0.2
	2,232	45,549,975	100.0

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 and final dividend paid.

October – Interim results announced.

January – Interim dividend paid.

Interest on the Value and Income 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 ISA AND PEP TRANSFER

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 and offers a dividend reinvestment facility.

The VIT ISA provides the opportunity to invest in VIT shares in a cost effective and tax efficient manner.

You may subscribe any amount as a lump sum from £1,000 up to £7,000 in the tax year 2005/2006.

After your initial lump sum investment, you may make top-up payments of £500 or more.

Alternatively, you can make regular payments of a minimum of £50 per month.

Savings Scheme and ISA brochures and application forms are available from:

Edinburgh Fund Managers plc,
(Authorised and regulated by the Financial Services Authority),
c/o Capital Communications
Capital House
e-State
Bankhead Crossway South
Edinburgh EH11 4EP.

Tel: 0800 027 9558.

e-mail: efm@lit-request.com

NOTICE OF MEETING

Notice is hereby given that the thirty-third Annual General Meeting of Value and Income Trust plc will be held in Donaldson House, 97 Haymarket Terrace, Edinburgh on 8 July 2005 at 12.30pm. The following resolutions will be proposed:

ORDINARY BUSINESS

1. To receive the reports of the directors and auditors and the accounts for the year ended 31 March 2005;
2. To approve the directors' report on remuneration for the year ended 31 March 2005;
3. To declare a final dividend of 3.2 pence per Ordinary share;
4. To re-elect James Ferguson as a Director of the Company;
5. To re-elect David Back as a Director of the Company;
6. To re-elect John Kay as a Director of the Company;
7. To re-elect Matthew Oakeshott as a Director of the Company;
8. To re-appoint Chiene & Tait, CA, as auditor of the Company;
9. To authorise the directors to fix the remuneration of the auditors for the year to 31 March 2006.

SPECIAL BUSINESS

To consider and, if thought fit, to pass Resolution 10 as a special resolution.

SPECIAL RESOLUTION

10. That, in substitution for any existing authority, the Company be and it is hereby authorised in accordance with section 166 of the Act to make purchases (within the meaning of section 163 of the Act) of ordinary shares of 10p each in the Company ('shares') provided that:

- (a) the maximum number of shares hereby authorised to be purchased is 6,827,941 (14.99% of the issued share capital of the company as at the date of the passing of this resolution);
- (b) the minimum price which may be paid for a share shall be 10p;
- (c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than 5% above the average of the middle market quotation (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and
- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006 save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board
Edinburgh Fund Managers plc
Secretary
3 June 2005



Registered office: Donaldson House, 97
Haymarket Terrace, Edinburgh EH12 5HD

NOTICE OF MEETING

NOTES:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. A *form of proxy for use by shareholders* is enclosed with these accounts. Completion and return of the form of proxy will not prevent any shareholder from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any Power of Attorney or other authority (if any) under which it is signed or an extract from the Books of Council and Session or a notarially certified copy of such power or authority at the address stated thereon, so as to be received not less than 48 hours before the time of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the register of

members of the Company as at 6.00pm on 6 July 2005 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the register of members after 6.00pm on 6 July 2005 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

4. There are special arrangements for holders of shares through The VIT Savings Plan and the VIT ISA/PEP. These are explained in the 'Letter of Direction' which such holders will have received with this report.

FORM OF PROXY

VALUE AND INCOME TRUST PLC

(for use by Ordinary Shareholders only)

Please complete in block capitals

I/We _____

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 vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 12.30pm on 8 July 2005 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):

	For	Against	Abstain
1. To receive the reports of the directors and auditors and accounts for the year ended 31 March 2005			
2. To approve the directors' report on remuneration for the year ended 31 March 2005			
3. To declare a final dividend of 3.2 pence per Ordinary share			
4. To re-elect James Ferguson as a Director			
5. To re-elect David Back as a Director			
6. To re-elect John Kay as a Director			
7. To re-elect Matthew Oakeshott as a Director			
8. To re-appoint Chiene & Tait as auditors			
9. To authorise the directors to fix the auditors' remuneration			
10. To authorise the directors to buy back Ordinary Shares			

Dated this _____ day of _____ 2005

Signature _____

Notes:

- Proxies must be lodged at the address overleaf not less than 48 hours before the time appointed for holding the meeting, together with the power of attorney or other authority (if any) under which it is signed or an extract from the Books of Council and Session or a notarially certified copy of such power of attorney.
- A corporation should execute under its common seal or the hand of a duly authorised officer.
- Members are entitled to appoint a proxy of their own choice. If desired the name of such proxy can be inserted in the space provided. If no name is inserted in such space, the chairman of the meeting will act as proxy.
- Please indicate how you wish your votes to be cast by placing a cross in the appropriate spaces. Unless otherwise indicated the proxy will vote as he thinks fit or will abstain.
- In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- Completion of this form of proxy will not prevent members from attending the meeting and voting in person should they so wish.
- A proxy need not be a member of the company.

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BUSINESS REPLY SERVICE
Licence No. SWB 1002

2



COMPUTERSHARE INVESTOR SERVICES PLC
PO BOX 1075
BRISTOL BS99 3ZZ

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Third fold and tuck in