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VALUE AND INCOME TRUST PLC

INTERIM REPORT 2005



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COMPANIES HOUSE 13/12/05

INTERIM REPORT

| | 30 September 2005 | 30 September 2004 | 31 March 2005 |
|---|----------------------|----------------------|------------------|
| Net asset value per share (valuing debt at market) | 197.1p | 160.9p | 189.0p |
| Net asset value per share (valuing debt at par) | 229.8p | 180.9p | 213.9p |
| Share price | 199.0p | 159.5p | 181.0p |
| Dividend per share | 3.1p (interim) | 3.0p (interim) | 6.2p (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. Figures for net asset values and net current assets shown on this page are calculated after deducting dividends declared but not yet paid, as in previous years. We are required to use the IFRS method of presenting our accounts on pages 6 to 25.

Equity markets have performed strongly over the past six months, due to the fall in bond yields and robust profits growth. Over the half year VIT's share price is up by 9.9% and the net asset value by 4.1%, while the FTSE All-Share Index has risen by 11.7%. Property capital values have continued to rise strongly; VIT's property portfolio is revalued annually in March.

An interim dividend of 3.1p has been declared payable on 6 January 2006 to those Shareholders on the register on 9 December 2005.

SUMMARY OF PORTFOLIO

| | 30 September 2005 | | 30 September 2004 | | 31 March 2005 | |
|--------------------|-------------------|-----|-------------------|-----|---------------|-----|
| | £m | % | £m | % | £m | % |
| UK equities | 91.8 | 65 | 75.9 | 65 | 85.8 | 64 |
| UK property* | 45.9 | 32 | 40.4 | 34 | 45.9 | 34 |
| Net current assets | 2.5 | 3 | 1.2 | 1 | 1.3 | 2 |
| | 140.2 | 100 | 117.5 | 100 | 133.0 | 100 |

*At professional valuation at 31 March 2005.

MANAGERS' REVIEW

Equities

World equity markets have performed strongly in the last six months; measured in sterling, the World Index rose by 14.6%. UK equities rose by 11.7%, continuing the uptrend of the last 21/2 years. Since the end of March 2003, the FTSE All-Share Index has risen by 58%, though it is still 16% below the all time high of five years ago. The Midcap Index underperformed the All-Share Index slightly but the Smallcap index rose much less, at + 8.6%. Gilt yields fell by 35 basis points to 4.3% at the long end of the market and the same trend was seen in American and European bonds. The currency markets were on the whole stable, but the US dollar strengthened by nearly 7% against the pound.

These strong trends in equities were caused by a number of factors. The fall in bond yields and the low returns on cash increased the relative attractions of equities, especially as dividends have continued to grow at more than 10% per annum. The economic cycles have been slowing in both America and here in the UK, but there has been strong growth in the developing world, particularly in China and India, and this has benefited many companies in the developed economies. UK companies on the whole have still been reporting robust profits, though there have been well publicised difficulties from retailers trading close to the discretionary end of consumer spending.

The VIT equity portfolio underperformed the All-Share Index in the last six months; it rose by 8.4%. In the first three months of our year, our portfolio outperformed the Index but it was relatively very weak in July and August. During these months the merger took place between Royal Dutch Petroleum and Shell; these two companies had been separately quoted parts of the one European oil company, one in Holland and the other in the United Kingdom. Following the merger, the oil sector became 17% of the All-Share Index and the total of the resource sectors 22%. Index tracking funds then became forced buyers of oils and mining stocks, which outperformed the market very strongly. In the six months under review the oil sector rose by 23% and mining by 34%. Mining stocks pay small dividends in relation to share prices, and are not held within our portfolio and our weighting in oils is well below the Index.

MANAGERS' REVIEW

Sales and purchases in the six months totalled £17.9m. Sales included two companies which were taken over, British Vita and Mersey Docks. We sold Dairy Crest, whose price had reached a level which we felt did not reflect the risks in its industry. We also sold the holding in National Express, where the bidding costs for new rail franchises have risen to an unacceptable level. We bought a new issue, Inmarsat, which provides satellite communications for mobile telephones, and later sold it as our allocation was small in relation to the portfolio. We reinvested the proceeds of British Vita into BOC Group, the global manufacturer of industrial gases, and we reinvested National Express into Go Ahead Group, which does not have the problem of very expensive tenders for rail franchises. We bought a new holding in Vodafone, which is now a sufficiently mature company to give a rapid increase in its returns to shareholders. We added to the holdings in BP, BT Group, Johnson Service Group, Scottish & Newcastle, and Royal Dutch Shell.

Though forecasts for economic growth in the UK have been reined back during the year, we still expect growth of just under 2% this year and next. This amounts to a slowing of the economic cycle and a recession is not expected, despite the evident distress on the High Street. We still produce a significant proportion of our own energy needs, and are relatively protected from the rising oil price. Rising Government spending is a concern and will have to be funded through taxation or borrowing, but is not an immediate problem. Dividends on the market as a whole are rising at a rapid rate, well in excess of official inflation and even exceeding the rise in council taxes, a more realistic measure of the financial pressures on citizens. Compared to gilt yields of 4.3% and base rates of 4.5%, we think that equities are undervalued at current levels.

MANAGERS' REVIEW

EQUIVALENT YIELDS

| | September 2005 | Dec 2004 | Dec 2003 | Dec 1999 | Dec 1994 |
|-----------------------------------|-------------------|-------------|-------------|-------------|-------------|
| Retail | 5.6 | 6.0 | 6.6 | 7.0 | 7.9 |
| Office | 6.8 | 7.3 | 8.0 | 8.1 | 8.6 |
| Industrial | 7.1 | 7.6 | 8.3 | 8.8 | 9.9 |
| All Property | 6.2 | 6.6 | 7.3 | 7.6 | 8.4 |
| UK Equities* | 3.0 | 3.0 | 3.1 | 2.1 | 4.0 |
| 5-15 Gilts | 4.3 | 4.5 | 4.8 | 4.8 | 8.8 |
| Yield Gap (property – long gilts) | 1.9 | 2.1 | 2.5 | 2.8 | -0.4 |

Source: Investment Property Databank (IPD) *Equity dividend yield shown net.

Property

Commercial property may give an average total return around 16% in calendar 2005, as measured by the Investors' Property Databank (IPD) Index. Capital values may rise by about 10% as buying pressure forces down valuation yields. Total returns should vary little between the three main sectors, with higher running yields on industrial and office property offsetting superior capital and rental growth on retail property. Underlying rental values are just holding their own in real terms, with retail rents rising slightly faster than the retail price index, but office and industrial rents only inching upwards.

Economic growth in the UK has clearly slowed, under the influence of rising oil prices, weakening consumer confidence and a dull housing market. Unemployment is edging up from a very low base, and retailers of big ticket household items like furniture and white goods are under particular pressure as people are moving house less often and consumers are reluctant to take further credit. Spending on food and everyday purchases is relatively resilient, as are smaller shopping towns well away from London. Retailer bankruptcies are on the rise, but vacancy levels remain low and tenant demand for well-located retail property at realistic rents is still good.

MANAGERS' REVIEW

Demand for office and industrial property is generally bumping along the bottom. Take-up by tenants is patchy and slow and office vacancy rates are still well above their long term averages in London and South-East England where most offices by value are concentrated. In Southern England industrial property sites are gradually being converted to other uses, restricting supply, but other parts of the UK are well supplied with land and property for industrial/warehouse use.

At this stage property rental values look likely to rise on average by about 2% in both 2005 and 2006. With falling yields likely to have run their course by early 2006, total property returns for that year may be around 10% (a 6% income yield plus 4% capital growth). If Real Estate Investment Trusts (REITs) are approved next year, they should prove an attractive way for small institutions and private investors to buy commercial property, and support capital values.

PROPERTY VALUES - ANNUALISED GROWTH RATES % TO END SEPTEMBER 2005

| | 6 months | | 1 year | | 3 years | | 5 years | | 10 years | |
|--------------|----------|--------|---------|--------|---------|--------|---------|--------|----------|--------|
| | Capital | Rental | Capital | Rental | Capital | Rental | Capital | Rental | Capital | Rental |
| Retail | 12.6 | 3.7 | 12.1 | 4.2 | 11.2 | 3.5 | 7.1 | 3.0 | 5.6 | 3.6 |
| Office | 11.2 | 1.0 | 8.7 | 0.7 | 2.2 | -3.3 | 1.6 | -1.2 | 2.6 | 2.2 |
| Industrial | 11.5 | 1.1 | 9.6 | 1.2 | 6.7 | 0.7 | 4.4 | 1.3 | 4.0 | 2.1 |
| All Property | 12.0 | 2.5 | 10.8 | 2.6 | 7.7 | 0.8 | 4.9 | 1.3 | 4.4 | 2.8 |

Source: Investment Property Databank (IPD).

VIT's property portfolio has remained fully invested, with no purchases or sales this half year. 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 fourteen years. Half the rental income comes from clearing banks, Woolworths, WH Smith, Somerfield, Signet and Sytners. Seven rent reviews were completed in the half year, with four more due to complete by next March. Contracted annual rental income has risen from £3.124 million in March to £3.203 million in September.

MANAGERS' REVIEW

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 14% over the past five and ten years and 15% over the eighteen years since VIT started investing in property.

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

17 October 2005

GROUP INCOME STATEMENT

(unaudited)

| | 6 months ended 30 September 2005 | | |
|--|----------------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 |
| INVESTMENT INCOME | | | |
| Dividend income | 2,123 | — | 2,123 |
| Interest income | 70 | — | 70 |
| OTHER OPERATING INCOME | <u>1,648</u> | <u>—</u> | <u>1,648</u> |
| TOTAL INCOME | <u>3,841</u> | <u>—</u> | <u>3,841</u> |
| GAINS AND LOSSES ON INVESTMENTS | | | |
| Realised gains on held-at-fair-value investments | — | 3,106 | 3,106 |
| Unrealised gains on investments | — | 4,277 | 4,277 |
| TOTAL REVENUE | <u>3,841</u> | <u>7,383</u> | <u>11,224</u> |
| EXPENSES | | | |
| Investment management fees | (170) | (396) | (566) |
| Other operating expenses | (279) | — | (279) |
| FINANCE COSTS | <u>(1,751)</u> | <u>—</u> | <u>(1,751)</u> |
| TOTAL EXPENSES | <u>(2,200)</u> | <u>(396)</u> | <u>(2,596)</u> |
| PROFIT BEFORE TAX | 1,641 | 6,987 | 8,628 |
| TAXATION | <u>—</u> | <u>—</u> | <u>—</u> |
| PROFIT FOR THE PERIOD | <u>1,641</u> | <u>6,987</u> | <u>8,628</u> |
| EARNINGS PER ORDINARY SHARE* | | | <u>18.94p</u> |
| DIVIDENDS PAYABLE FOR PERIOD | | | <u>3.10p</u> |
| *EARNINGS PER ORDINARY SHARE | | | |
| Revenue return | | | 1,641 |
| Capital return | | | 6,987 |
| Weighted average ordinary shares in issue | | | 45,549,975 |
| Return per share – revenue | | | 3.60p |
| Return per share – capital | | | 15.34p |
| TOTAL RETURN PER SHARE | | | <u>18.94p</u> |

Previously, in accordance with UK GAAP, dividends payable by the Company were charged to the Statement of Total Return. However, in accordance with IFRS, the Group is now required to reflect dividends payable in the Group Statement of Changes in Equity. The interim dividend for the six months to 30 September 2005 is not reflected in the results for the period. Details of the restatement in accordance with IFRS are shown in Note 6.

| 6 months ended 30 September 2004 (restated) | | | Year ended 31 March 2005 (restated) | | |
|---|------------------|----------------|-------------------------------------|------------------|----------------|
| Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 1,766 | — | 1,766 | 3,388 | — | 3,388 |
| 49 | — | 49 | 421 | — | 421 |
| <u>1,555</u> | <u>—</u> | <u>1,555</u> | <u>3,250</u> | <u>—</u> | <u>3,250</u> |
| 3,370 | — | 3,370 | 7,059 | — | 7,059 |
| — | 1,347 | 1,347 | — | 1,741 | 1,741 |
| — | 3,219 | 3,219 | — | 18,859 | 18,859 |
| <u>3,370</u> | <u>4,566</u> | <u>7,936</u> | <u>7,059</u> | <u>20,600</u> | <u>27,659</u> |
| (131) | (306) | (437) | (268) | (1,084) | (1,352) |
| (226) | — | (226) | (364) | — | (364) |
| <u>(1,751)</u> | <u>—</u> | <u>(1,751)</u> | <u>(3,501)</u> | <u>—</u> | <u>(3,501)</u> |
| <u>(2,108)</u> | <u>(306)</u> | <u>(2,414)</u> | <u>(4,133)</u> | <u>(1,084)</u> | <u>(5,217)</u> |
| 1,262 | 4,260 | 5,522 | 2,926 | 19,516 | 22,442 |
| — | — | — | — | — | — |
| <u>1,262</u> | <u>4,260</u> | <u>5,522</u> | <u>2,926</u> | <u>19,516</u> | <u>22,442</u> |
| | | <u>12.12p</u> | | | <u>49.27p</u> |
| | | <u>3.00p</u> | | | <u>6.20p</u> |
| | | 1,262 | | | 2,926 |
| | | 4,260 | | | 19,516 |
| | | 45,549,975 | | | 45,549,975 |
| | | 2.77p | | | 6.42p |
| | | 9.35p | | | 42.85p |
| | | <u>12.12p</u> | | | <u>49.27p</u> |

GROUP STATEMENT OF CHANGES IN EQUITY

(unaudited)

| | | 6 months ended 30 September 2005 | | | |
|--|------|----------------------------------|------------------------|----------------------------|----------------|
| | Note | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
| Net assets at 31 March 2005 | | 4,555 | 18,446 | 75,893 | 98,894 |
| Net profit for the period | | — | — | 8,628 | 8,628 |
| Dividends paid | 2 | — | — | (1,457) | (1,457) |
| NET ASSETS AT 30 SEPTEMBER 2005 | | 4,555 | 18,446 | 83,064 | 106,065 |

| Share capital £'000 | Year ended 31 March 2005 (restated) | | | Share capital £'000 | 6 months ended 30 September 2004 (restated) | | |
|------------------------|--|----------------------------|----------------|------------------------|--|----------------------------|----------------|
| | Share premium £'000 | Retained earnings £'000 | Total £'000 | | Share premium £'000 | Retained earnings £'000 | Total £'000 |
| 4,555 | 18,446 | 56,184 | 79,185 | 4,555 | 18,446 | 56,184 | 79,185 |
| — | — | 22,442 | 22,442 | — | — | 5,522 | 5,522 |
| — | — | (2,733) | (2,733) | — | — | (1,366) | (1,366) |
| <u>4,555</u> | <u>18,446</u> | <u>75,893</u> | <u>98,894</u> | <u>4,555</u> | <u>18,446</u> | <u>60,340</u> | <u>83,341</u> |

GROUP BALANCE SHEET

(unaudited)

| | Note | At 30 September 2005 £'000 | At 31 March 2005 (restated) £'000 | At 30 September 2004 (restated) £'000 |
|--|------|----------------------------------|--|--|
| NON CURRENT ASSETS | | | | |
| Investments held at fair value | | 91,772 | 85,758 | 75,940 |
| Investment properties held at fair value | | 45,875 | 45,875 | 40,375 |
| | | <u>137,647</u> | <u>131,633</u> | <u>116,315</u> |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | 3,063 | 3,133 | 3,432 |
| Accrued income | | 2,900 | 1,092 | 1,328 |
| | | <u>5,963</u> | <u>4,225</u> | <u>4,760</u> |
| TOTAL ASSETS | | <u>143,610</u> | <u>135,858</u> | <u>121,075</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accruals | | (2,041) | (1,449) | (2,207) |
| | | <u>141,569</u> | <u>134,409</u> | <u>118,868</u> |
| NON-CURRENT LIABILITIES | | | | |
| | | <u>(35,504)</u> | <u>(35,515)</u> | <u>(35,527)</u> |
| | | <u>106,065</u> | <u>98,894</u> | <u>83,341</u> |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS | | | | |
| Ordinary called up share capital | | 4,555 | 4,555 | 4,555 |
| Share premium | | 18,446 | 18,446 | 18,446 |
| Retained earnings | 4 | 83,064 | 75,893 | 60,340 |
| | | <u>106,065</u> | <u>98,894</u> | <u>83,341</u> |
| NET ASSET VALUE PER ORDINARY SHARE | | | | |
| | 5 | <u>232.85p</u> | <u>217.11p</u> | <u>182.97p</u> |

JW Ferguson

GROUP CASH FLOW STATEMENT

(unaudited)

| | 6 months ended 30 September 2005 £'000 | 6 months ended 30 September 2004 (restated) £'000 | Year ended 31 March 2005 (restated) £'000 |
|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Dividend income received | 2,655 | 2,042 | 4,001 |
| Rental received | 1,752 | 1,437 | 2,677 |
| Interest received | 78 | 49 | 124 |
| Other income | — | 1 | 1 |
| Operating expenses paid | <u>(1,239)</u> | <u>(1,092)</u> | <u>(1,725)</u> |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | <u>3,246</u> | <u>2,437</u> | <u>5,078</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (7,296) | (5,751) | (20,907) |
| Sale of investments | <u>7,200</u> | <u>5,962</u> | <u>21,307</u> |
| NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES | <u>(96)</u> | <u>211</u> | <u>400</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Interest paid | (1,763) | (1,763) | (3,525) |
| Dividends paid | <u>(1,457)</u> | <u>(1,366)</u> | <u>(2,733)</u> |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | <u>(3,220)</u> | <u>(3,129)</u> | <u>(6,258)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (70) | (481) | (780) |
| Cash and cash equivalents at the start of the period | <u>3,133</u> | <u>3,913</u> | <u>3,913</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>3,063</u> | <u>3,432</u> | <u>3,133</u> |

NOTES TO THE ACCOUNTS

1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect, and to the extent that they have been adopted by the European Union. The disclosures required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS1) concerning the transition from UK GAAP to IFRSs are given in note 7.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Trust Companies (AITC) in January 2003 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on the basis compliant with the recommendations of the SORP.

The financial statements have been prepared on the basis of IFRSs currently in issue and the Group's current understanding of how these standards should be applied. The standards in issue are subject to ongoing discussion, review and interpretation by the European Union, the investment trust industry, and the accountancy profession. Their application continues to be subject to review by the International Financial Reporting Interpretations Committee (IFRIC). Further adjustments to the restated figures may therefore be required prior to their inclusion in the final accounts for the year to 31 March 2006 as a result of subsequent revisions to IFRS or guidance and generally-accepted best practice on the application and interpretation of IFRS.

(a) Segmental reporting

The Directors are of the opinion that the company is engaged in a single segment of business being investment business.

NOTES TO THE ACCOUNTS

(b) Presentation of income statement

The total column of the Group Income Statement represents the Group's Income Statement prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Trust Companies. In accordance with the company's status as a UK investment company under section 266 Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally the net revenue is the measure that the directors believe appropriate in assessing the company's compliance with certain requirements set out in section 842 Income and Corporation Taxes Act 1988.

All items in the Group Income Statement derive from continuing operations. All income is attributable to the equity holders of the parent company. There are no minority interests.

(c) Dividends payable

Interim dividends are recognised as a liability in the period in which they are declared by the board of directors and paid as no further approval is required in respect of such dividends. Final dividends are recognised as a liability only after they have been approved by shareholders.

(d) Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

All investments are designated upon initial recognition as fair value through profit or loss.

Investments designated as at fair value are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

NOTES TO THE ACCOUNTS

In respect of property investments, fair value is established by annual professional valuation on an open market basis by King Sturge and Co, Chartered Surveyors and Valuers and in accordance with the RICS Appraisal and Valuation Manual.

Where financial assets are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item.

The directors consider that no other accounting policies have changed since the annual report and accounts for the year ended 31 March 2005.

| | Half-year ended September 2005 | Half-year ended September 2004 | Year ended March 2005 |
|---|-----------------------------------|-----------------------------------|--------------------------|
| | £'000 | £'000 | £'000 |
| 2. Dividends paid | | | |
| Ordinary dividends on equity shares deducted from reserves are as follows:- | | | |
| DIVIDENDS ON ORDINARY SHARES: | | | |
| Final dividend of 3.2p per share (2004 – 3.0p) paid 13 July 2005 | 1,457 | 1,366 | 1,366 |
| Interim dividend of 3.0p per share paid 7 January 2005 | — | — | 1,367 |
| | <u>1,457</u> | <u>1,366</u> | <u>2,733</u> |

3. Interim dividend

The directors have declared an interim dividend of 3.1p (2004 3.0p) per ordinary share, payable 6 January 2006 to shareholders registered on 9 December 2005. The shares will be quoted ex dividend on 7 December 2005.

NOTES TO THE ACCOUNTS

4. Net asset value per equity share

The net asset value per ordinary share is based on the net assets attributable to the equity shareholders of £106,065,000 (year ended 31 March 2005: £98,894,000 as restated and half year ended 30 September 2004: £83,341,000 as restated) and on 45,549,975 ordinary shares in issue at each period end.

5. Comparative information

The financial information contained in this interim report does not constitute statutory accounts as defined in s240 of the Companies Act 1985.

The financial information for the half-years ended 30 September 2005 and 30 September 2004 has not been audited.

The financial information for the year ended 31 March 2005 has been extracted from the latest published audited financial statements, as restated to comply with IFRS (see note 7). The audited financial statements for the year ended 31 March 2005 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified.

6. Restatement of opening balances

At 1 April 2005, the group adopted International Financial Reporting Standards.

In accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards the following is a reconciliation of the figures previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice.

NOTES TO THE ACCOUNTS

| | Previously reported 31 March 2004 £'000 | Adjustments | Restated 31 March 2004 £'000 |
|--|---|-------------|------------------------------------|
| NON CURRENT ASSETS | | | |
| Investments held at fair value | 73,333 | (25) | 73,308 |
| Investment properties | 40,400 | | 40,400 |
| CURRENT ASSETS | 5,047 | | 5,047 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN | | | |
| ONE YEAR | <u>(5,397)</u> | 1,366 | <u>(4,031)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 113,383 | | 114,724 |
| CREDITORS: AMOUNTS FALLING DUE AFTER | | | |
| ONE YEAR | <u>(35,539)</u> | | <u>(35,539)</u> |
| | <u>77,844</u> | | <u>79,185</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital/Share capital | 4,555 | | 4,555 |
| Share premium account/Share premium | 18,446 | | 18,446 |
| Capital reserve – realised | 33,216 | (33,216) | — |
| Capital reserve – unrealised/Revaluation reserve | 20,588 | (20,588) | — |
| Revenue reserve/Accumulated reserves | 1,039 | 55,145 | 56,184 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | <u>77,844</u> | | <u>79,185</u> |
| EFFECT OF ADJUSTMENTS | | | £'000 |
| Revaluation of portfolio from mid market pricing to bid market pricing | | | (25) |
| Final dividend no longer accrued as at 31 March 2004 or 2005 | | | 1,366 |
| Realised capital reserves to date now included with revenue reserves | | | — |
| | | | <u>1,341</u> |
| Previously reported Total Equity Shareholders' Funds | | | <u>77,844</u> |
| TOTAL EQUITIES AND LIABILITIES | | | <u>79,185</u> |

NOTES TO THE ACCOUNTS

Notes to the restatement

1. Investments are classified as held at fair value under IFRS and are carried at bid prices which equates to their fair value of £73,308,000. These were previously carried at mid prices. The resultant difference of £25,000 is included in retained earnings.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2004 of £1,366,000 as this was not declared until after the balance sheet date. Under IFRS, the dividend is not recognised until it becomes payable. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/(losses). The previous headings of Capital Reserves - Realised and Capital Reserves - Unrealised are now included as Retained Earnings.

NOTES TO THE ACCOUNTS

| | Previously reported 30 September 2004 £'000 | Adjustments | Restated 30 September 2004 £'000 |
|---|--|--------------|---|
| NON CURRENT ASSETS | | | |
| Investments held at fair value | 75,966 | (26) | 75,940 |
| Investment properties | 40,375 | | 40,375 |
| CURRENT ASSETS | 4,760 | | 4,760 |
| CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR | (3,573) | 1,366 | (2,207) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 117,528 | | 118,868 |
| CREDITORS:AMOUNTS FALLING DUE AFTER ONE YEAR | (35,527) | | (35,527) |
| | <u>82,001</u> | | <u>83,341</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital/Share capital | 4,555 | | 4,555 |
| Share premium account/Share premium | 18,446 | | 18,446 |
| Capital reserve – realised | 34,259 | (34,259) | — |
| Capital reserve – unrealised/Revaluation reserve | 23,806 | (23,806) | — |
| Revenue reserve/Accumulated reserves | 935 | 59,405 | 60,340 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | <u>82,001</u> | | <u>83,341</u> |
| EFFECT OF ADJUSTMENTS | | | £'000 |
| Revaluation of portfolio from mid market pricing to bid market pricing. | | | (26) |
| Final dividend no longer accrued as at 31 March 2004 or 2005 | | | 1,366 |
| Realised capital reserves to date now included with revenue reserves | | | — |
| | | | <u>1,340</u> |
| Previously reported Total Equity Shareholders' Funds | | | <u>82,001</u> |
| TOTAL EQUITIES AND LIABILITIES | | | <u>83,341</u> |

NOTES TO THE ACCOUNTS

Notes to the restatement

1. Investments are classified as held at fair value under IFRS and are carried at bid prices which equates to their fair value of £75,940,000. These were previously carried at mid prices. The resultant difference of £26,000 is included in retained earnings.
2. No provision has been made for the interim dividend on ordinary shares for the half-year ended 30 September 2004 of £1,366,000 as this was not declared until after the balance sheet date. Under IFRS, the dividend is not recognised until it becomes payable. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/(losses). The previous headings of Capital Reserves - Realised and Capital Reserves - Unrealised are now included as Retained Earnings.

NOTES TO THE ACCOUNTS

| | Previously reported 31 March 2005 £'000 | Adjustments | Restated 31 March 2005 £'000 |
|--|---|-------------|------------------------------------|
| NON CURRENT ASSETS | | | |
| Investments held at fair value | 85,770 | (12) | 85,758 |
| Investment properties | 45,875 | | 45,875 |
| CURRENT ASSETS | 4,225 | | 4,225 |
| CREDITORS:AMOUNTS FALLING DUE WITHIN | | | |
| ONE YEAR | <u>(2,906)</u> | 1,457 | <u>(1,449)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 132,964 | | 134,409 |
| CREDITORS:AMOUNTS FALLING DUE AFTER | | | |
| ONE YEAR | <u>(35,515)</u> | | <u>(35,515)</u> |
| | <u>97,449</u> | | <u>98,894</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital/Share capital | 4,555 | | 4,555 |
| Share premium account/Share premium | 18,446 | | 18,446 |
| Capital reserve – realised | 33,873 | (33,873) | — |
| Capital reserve – unrealised/Revaluation reserve | 39,434 | (39,434) | — |
| Revenue reserve/Accumulated reserves | 1,141 | 74,752 | 75,893 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | <u>97,449</u> | | <u>98,894</u> |
| EFFECT OF ADJUSTMENTS | | | £'000 |
| 1. Revaluation of portfolio from mid market pricing to bid market pricing. | | | (12) |
| 2. Final dividend no longer accrued as at 31 January 2004 or 2005 | | | 1,457 |
| 3. Realised capital reserves to date now included with revenue reserves | | | — |
| | | | <u>1,445</u> |
| Previously reported Total Equity Shareholders' Funds | | | <u>97,449</u> |
| TOTAL EQUITIES AND LIABILITIES | | | <u>98,894</u> |

NOTES TO THE ACCOUNTS

Notes to the restatement

1. Investments are classified as held at fair value under IFRS and are carried at bid prices which equates to their fair value of £85,758,000. These were previously carried at mid prices. The resultant difference of £12,000 is included in retained earnings.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2005 of £1,457,000 as this was not declared until after the balance sheet date. Under IFRS, the dividend is not recognised until it becomes payable. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/(losses). The previous headings of Capital Reserves - Realised and Capital Reserves - Unrealised are now included as Retained Earnings.

Reconciliation of the Income Statement to the Statement of Total Return for the year to 31 March 2005

Under IFRS, the Income Statement is the equivalent of the Statement of Total Return reported previously

| | £'000 |
|---|---------------|
| Total transfer from reserve per Statement of Total Return | 19,605 |
| Add back dividends on ordinary shares | 2,824 |
| Change from mid to bid basis at 31 March 2004 | 25 |
| Change from mid to bid basis at 31 March 2005 | (12) |
| Net profit per Income Statement | <u>22,442</u> |

Notes to the reconciliation

1. All dividends authorised and paid during the year are dealt with in the Statement of Changes in Equity.
2. The portfolio valuations at 31 March 2004 and 2005 require to be valued at fair value under IFRS. These values differ from the previous valuations by £25,000 and £12,000 respectively.

NOTES TO THE ACCOUNTS

Reconciliation of the Cash Flow Statement for the year to 31 March 2005

| | Previously Reported £'000 | Effect of IFRS Transition £'000 | Adjusted Cash Flows £'000 |
|--|---------------------------------|---------------------------------------|---------------------------------|
| Net cash inflow from operating activities | 5,078 | | 5,078 |
| Net cash outflow from servicing of finance | (3,525) | 3,525 | — |
| Net cash inflow from financial investment | 400 | | 400 |
| Ordinary dividends paid | (2,733) | 2,733 | — |
| Net cash outflow before financing | (780) | 6,258 | 5,478 |
| Financing | — | (6,258) | (6,258) |
| Decrease in cash | (780) | — | (780) |

Notes to the reconciliation

1. Cash flows from financing activities under IFRS includes interest paid which were previously shown under the heading of servicing of finance.
2. Dividends paid are classified as a financing cash flow because they are a cost of obtaining financial resources.

INDEPENDENT REVIEW REPORT TO VALUE AND INCOME TRUST PLC

Introduction

We have been engaged by the company to review the financial information for the six months ended 30 September 2005 set out on pages 6 to 25. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4, *Review of interim financial information*, issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of the group's management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

CHIENE & TAIT CA
61 Dublin Street
Edinburgh
EH3 6NL
28 October 2005

VIT SAVINGS SCHEME AND ISA

The Savings Scheme provides a simple, low cost way for regular savers to invest £100 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 2005/06 completely free of income tax and capital gains tax. You can choose between subscribing as little as £100 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: 0800 028 6789
(Authorised and regulated by the Financial Services Authority)

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