

SC 50366



VALUE AND INCOME TRUST PLC
ANNUAL REPORT 2007

CONTENTS

Company Summary	1
Chairman's Review	2
Directors and Advisers	3
Investment Managers' Report	4
Directors' Report	14
Directors' Remuneration Report	21
Financial Statements	23
Statement of Directors' Responsibilities	42
Independent Auditors' Report	43
Analysis of Shareholders	45
Financial Diary	45
How to Invest in Value and Income Trust	46
Notice of Annual General Meeting	48
Form of Proxy	51

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 +14.7% (FTSE All Share Index +10.9%)
- VIT's share price total return over the last three years was +95.1% (FTSE All Share Index total return +63.1%)
- Net dividend up 4.7% – 20th consecutive year of increase

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, The Independent, The Scotsman and The Times also quote the share price.

LONG TERM RECORD

	30 Sept 1986*	31 Mar 1987	31 Mar 1998	31 Mar 1999	31 Mar 2000	31 Mar 2001	31 Mar 2002	31 Mar 2003	31 Mar 2004	31 Mar 2005	31 Mar 2006	31 Mar 2007
NAV (valuing debt at par) (p)#	44.0	55.1	169.6	167.0	173.3	177.4	185.3	138.8	170.9	213.7	260.6	299.0
NAV (valuing debt at market) (p)#	n/a	n/a	n/a	132.6	140.3	150.9	166.3	118.8	151.9	188.7	226.9	271.1
Ordinary share price (p)	42.0	52.0	159.8	116.5	131.0	136.5	152.5	114.0	143.3	181.0	227.0	253.0
Dividend per share (p)	n/a	1.3	4.8	5.0	5.2	5.4	5.6	5.8	6.0	6.2	6.4	6.7
Total assets less current liabilities (£m)	17.4	24.8	112.9	111.7	114.6	116.4	120.0	98.8	113.4	134.4	156.8	175.0

* Date from which the current investment managers were appointed

The figures for net asset values for 2005, 2006 and 2007 reflect the restatement of the financial statements under International Financial Reporting Standards including the effect of a deduction for a potential deferred tax liability relating to the Group's investment properties

CHAIRMAN'S REVIEW

Value and Income Trust has had another good year. Over the twelve months to 31 March 2007 the net asset value per share increased by 19.5% with debt valued at market price and by 14.8% with debt valued at par. The FTSE All Share Index rose by 7.7% in capital terms over the same period. The proposed final dividend of 3.5p would make total dividends for the year of 6.7p, an increase of 4.7%. The cover for the proposed dividend and the transfers to and from revenue reserves are shown in Table 1 on page 14.

You will see from the Investment Managers' Report on page 4 that the equity portfolio had a particularly successful year when compared to the FTSE All Share Index. Over the longer term, OLIM's blend of equities and long term investment in property has earned a performance fee for the fourth year in succession, this is a fine achievement. As I have noted before, the formula for the fee, which is based on VIT's share price total return (that is taking the share price and dividends together) over three years, provides a testing target.

For the benefit of new shareholders I would like to repeat two comments from previous years. First, we are still compelled by the Listing Rules of the Financial Services Authority to have only one director of VIT who is also an employee of OLIM, the consequence of this is that Angela Lascelles left the Board on 31 March 2007 but continues to be responsible for the management of VIT's equity portfolio while Matthew Oakeshott rejoined the Board on 1 April 2007. OLIM's own business continues to grow and, reflecting this, Dominic Fisher and Patrick Harrington were appointed as directors of OLIM during the year.

Secondly, we are also compelled, on this occasion by International Financial Reporting Standards, to provide in our Balance Sheet for a deferred tax charge of £3.3 million which is caused by a potential liability to capital gains within our subsidiary company, Audax. It is unlikely that the tax will have to be paid in the foreseeable future because of our policy of long term investment in property. This provision reduces the net asset value per share that is announced to the Stock Exchange. For example, on 31 March 2007, the net asset value per share was reduced by 7.4p to 299.0p per share (valuing debt at par).

The outlook in our view is for strong real growth in dividends from our equity investments. These were yielding 3.6% on average at 31 March 2007 and seemed to provide better opportunities for new investment than property. The proceeds of the sale of the property in Aberdeen have been reinvested in equities and VIT is fully invested.

I hope that we shall see as many shareholders as possible at the Annual General Meeting which is to be held in Edinburgh on Friday 6 July 2007.

James Ferguson
22 May 2007

DIRECTORS AND ADVISERS

James Ferguson

*Chairman – non executive**

James Ferguson was appointed a non executive director in 1986 and chairman in 1994. 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 Scottish Oriental Smaller Companies Trust, and The Monks Investment Trust. He is a director of The Independent Investment Trust, Northern 3 VCT, Edinburgh US Tracker Trust and Lloyds TSB Scotland. He is a former deputy chairman of the Association of Investment Companies.

David Back

*Non-executive Director**

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

John Kay

*Non-executive Director**

John Kay 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

Joint Investment Manager

Matthew Oakeshott, 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. He was appointed an executive director in 1986, resigned on 31 March 2006, and was reappointed an executive director on 1 April 2007. He is also a director of VIT's subsidiary, Audax Properties PLC.

Angela Lascelles

Joint Investment Manager

Angela Lascelles has been professionally engaged in investment business since graduating in philosophy from London University. She spent four years in stockbroking before becoming a fund manager, first of an investment trust, then at the Associated British Foods Pension Fund and at Courtaulds Pension Fund from 1979 until 1986. She has been an executive director of OLIM since 1986. She resigned as an executive director of VIT on 31 March 2005, rejoined the Board on 1 April 2006 and resigned on 31 March 2007.

Investment Manager

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London W15 3NP

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Secretary and Registered Office

Edinburgh Fund Managers plc

Donaldson House

97 Haymarket Terrace

Edinburgh EH12 5HD

Tel 0131 313 1000

Registered in Scotland SC 50366

Registrars

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Auditors

Chiene + Tait

Chartered Accountants

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 MANAGERS' REPORT

EQUITY PORTFOLIO

MARKET BACKGROUND

Over the year as a whole the UK equity market, measured by the FTSE All Share Index, rose by 7.7% and gave a total return of 10.9%. All the market gains occurred in the second half of our year. The first half of our year saw considerable market turbulence but was overall unchanged at the end of September. Steep falls were seen in May and the first half of June, triggered by a sharp decline in the dollar against the other main currencies and concerns about rising inflation caused by the rises in the prices of energy and raw materials. By mid June the fall in the market had resulted in a very attractive opportunity for long term investors to buy and all of the fall in the Index was recovered by the end of the half year. In the second half of our year, the market advanced steadily, despite three raises in bank base rates, from 4.5% to 5.25%. Continuing growth in the economy, both here and abroad, fed through into rising profits and dividends. In the calendar year 2006 dividends on companies in the All Share Index rose by more than 11%, and for the two years to the end of 2006 they rose by more than 29%.

Inflationary pressures on the consumer built up during the year, particularly in the cost of utilities and in council tax bills. The official measure of inflation, however, rose only marginally to 3% at the end of 2006. Since the beginning of this year, the Consumer Price Index, which excludes mortgage costs and council tax, has risen again slightly but is expected to ease by the end of 2007. Though they have risen again recently, oil and commodity prices are still significantly below the peaks of last summer.

SUMMARY OF PORTFOLIO

	31 March 2007		31 March 2006	
	£m	%	£m	%
UK equities	118.7	68	103.8	66
UK property	54.5	31	52.3	34
Cash	1.8	1	0.7	—
	175.0	100	156.8	100

Matthew Oakeshott and Angela Lascelles

Bond yields rose in the UK and Europe, and 20 year gilt yields rose by 40 basis points to 4.6%. In the currency markets, the dollar and the yen both fell by 12% against the pound. The euro was more resilient but during the year it weakened slightly, from 1.43 to the pound at the start of our year to 1.47 at the end.

PERFORMANCE

VIT'S equity portfolio had a good year compared with the Index. It rose by 14% and gave a total return of 17.9% compared with the Index returns of 7.7% and 10.9% respectively. This was despite the relatively poor performance of high yielding shares which rose on average by 3.5% over our year. We had very strong rises in some of our mid and smaller sized companies such as Restaurant Group (+142%) and Marston's (+48%). Compass (+57%) continued to recover under its revitalized management and the utilities were again strong with BT Group (+48%) and Scottish and Southern Energy (+34%) performing particularly well.

INVESTMENT POLICY

Our policy was to remain fully invested throughout the year and to keep upgrading the quality of the portfolio. In the first half we switched within the utility sectors, from AWG to National Grid.

Later in the year we reduced the holding in Scottish and Southern Energy and increased

INVESTMENT MANAGERS' REPORT

the holdings in the oil sector. We sold complete holdings in Alliance Boots, Diageo, Go Ahead Group and BPP Group (in the company buy in) in the first half, and AMEC, Compass, KESA Electricals (switched into Kingfisher) and St Ives in the second half. We bought and later sold Intertek, the quality testing company. Two companies in our portfolios received cash bids during the year, BOC Group and J Laing, where we held convertible preference shares. New holdings in the first half were Arriva, EMAP, Inspace and Yule Catto. Descriptions of these companies are shown in the list of investments. In the second half we reinvested the proceeds of sales in existing companies and bought a new holding in Paragon. Sales and purchases over the year as a whole totalled £55.6m. At the end of March 2007 we were holding investments in 32 companies with an average yield of 3.6%.

OUTLOOK

Investors with short memories are aware of the rising market trends of the last four years and worry that UK equities must be expensive in view of the annual growth rate since March 2003 (+21% per annum total return). Those with longer memories will remember that the market peaked seven years ago at only 2% lower than the current level. Since then the UK economy has grown consistently and dividends have risen by more than 50%. We expect UK economic growth to continue this year

just below last year's figure of 3% and for further real growth of company earnings and dividends. There is strong technical support for equities, companies with ungeared balance sheets and healthy cash flows are still paying capital back to shareholders and private equity funds have plentiful cash to invest in quoted companies. Bond and equity yields are more in balance than they were but the current ratio of 1.6 between long gilts and equities still favours equities by historic standards. The price earnings ratio of 13.5 is also undemanding with earnings growing close to 10% per annum. We continue to think that UK equities will deliver higher returns than bonds or cash or hedge funds. We expect to remain fully invested in these circumstances.

22 May 2007

INVESTMENT MANAGERS' REPORT

List of Equity Holdings as at 31 March 2007

Holding	Description	Market Value (£)
1,540,000	VT Group Traditionally a manufacturer of minesweepers and other warships, more than half its business is now in support services in defence, education and communications	7,569,100
4,500,000	Legal & General Group A leading UK life assurance company It has increased its market share in life business steadily and built a dominant position in index fund management	7,155,000
343,276	Royal Dutch Shell It is one of the world's largest integrated oil and gas groups with a growing portfolio of alternative energy products	5,804,797
994,000	BP The largest UK oil company with oil fields from Alaska to Russia	5,486,880
1,500,000	Restaurant Group The company owns chains of restaurants in airports and leisure parks	5,475,000
643,800	National Grid Transco The U K 's largest utility with sizable U S operations	5,134,305
600,000	Rotork The world's leading manufacturer of actuators serving particularly the oil and gas industries	5,085,000
800,000	Scottish & Newcastle The UK's largest brewing company, it also has subsidiaries in France and Russia	4,812,000
1,500,000	BT Group The fixed line telecommunications company	4,556,250
470,000	Kelda The main water supplier in Yorkshire, winner of Utility Company of the Year for last three years	4,408,600
385,000	HBOS UK Banking group including Halifax and Bank of Scotland	4,030,950
911,524	Marstons The regional brewer and pub operator (formerly Wolverhampton & Dudley Breweries)	4,024,378
716,000	Lloyds TSB Group The UK banking group	4,009,600
2,925,000	Vodafone The leading mobile telecommunications company	3,963,375
480,000	Provident Financial The largest provider of home-collected credit in the UK, it also has fast growing operations in Central Europe and now in Mexico	3,859,200
1,200,000	Premier Foods A food manufacturing company, the company owns a number of the UK's most well known food brands, such as Ambrosia, Branston, Crosse and Blackwell and Hovis	3,513,000
225,500	Scottish & Southern Energy The merged Scottish Hydro Electric (supplying electricity in Northern Scotland) and Southern Electricity (supplying south central England)	3,474,955
675,000	Interserve The company designs, constructs and maintains buildings for the public and private sectors	3,285,563
225,000	GlaxoSmithKline The UK's largest pharmaceutical company	3,143,250
350,000	HSBC The banking group	3,113,250
1,100,000	Kingfisher A retail company, it owns B&Q in the UK, and Castorama and BUT in France and has growing operations in China	3,060,750
485,000	Headlam The UK's largest independent wholesale distributor of floor coverings, including carpets and vinyl flooring The company also has operations in Continental Europe	2,895,450

INVESTMENT MANAGERS' REPORT

List of Equity Holdings as at 31 March 2007

Holding	Description	Market Value (£)
1,100,000	Yule Catto A speciality chemicals company which manufactures a wide range of chemical intermediates	2,623,500
775,000	Johnson Service Group Its largest business is textile rentals and it has a chain of dry cleaning shops, and a facilities management division	2,480,000
300,000	EMAP A magazine publisher, it also operates commercial radio stations	2,269,500
600,000	Wincanton A leading European supply chain management company	2,233,500
1,000,000	BAE Systems 7 75p Pref Manufacturer of equipment for the Ministry of Defence	2,155,000
1,200,000	Inspace The company builds and maintains accommodation for Registered Social Landlords	2,076,000
325,000	Paragon A specialist provider of buy to let mortgages	1,889,875
525,000	Marshalls The company is a manufacturer of landscape, driveway and garden products	1,820,438
230,000	Arriva Operator of train and bus services in the U K and Europe	1,711,200
300,000	Trinity Mirror The company publishes the Mirror Group's national newspapers and several regional newspapers	1,596,000
	Total group holdings	118,715,666

INVESTMENT MANAGERS' REPORT

VIT PROPERTY PORTFOLIO

THE MARKET

Commercial property gave a total return of 18% in 2006, as measured by the Investment Property Databank (IPD). It outperformed UK equities and UK gilts for the third successive year. As well as an income yield of 5%, average capital values rose by 13%. Rental values rose on average by 4% (6% for offices, 3% for retail property and 1% for industrials), and weight of money forced capital values up and valuation yields down across the board. But yields have now stabilised in the spring of 2007 as rising interest rates have spoiled the appetite of highly indebted buyers.

Office rents rose rapidly in London after four dull years. Retail rents across Britain kept broadly in line with inflation but lagged behind offices' cyclical recovery. Industrial/warehouse rents keep rising at about 1% a year, as they have for the past five years.

UK economic growth may approach 3% again in 2007. Although real disposable

income is only growing slowly because of tax rises, rising asset values have encouraged the Bank of England to continue raising short term interest rates. Retail price inflation, at its highest for 15 years, is now running well ahead of the officially targeted Consumer Price Index, which ignores housing costs and interest rates will rise further. Inflation, however, is generally under control in most developed economies, with stronger economic activity, notably in the Eurozone improving demand for British exports and manufacturing output. The Budget imposed a significant further burden, estimated at £1 billion a year, on property owners and occupiers by limiting exemption from rates for empty offices and retail property to 3 months and on industrials to 6 months. This could reduce returns on the IPD Index by 0.2% a year. Industrial building allowances are also being phased out, which will increase property companies' tax bills.

Office rents have outperformed the IPD average for the first time since 2001. London's West End is booming, and the City of London is strong, but rental growth is slow in provincial office markets. Speculative office development is rising rapidly in London and office yields have now fallen to their lowest levels since the early 1970's and are below the IPD average for the first time since 1982. These low yields make no allowance for the cyclical swings in the office market and depreciation and refurbishment costs which office property inevitably incurs, even in Central London where land values are higher than elsewhere in Britain.

Despite a steady stream of casualties among retailers where private equity deals have removed the safety cushion from balance sheets, retail sales are still growing and there are few vacant shops in multiple trading positions in most high streets and shopping centres. Out of town, however, vacancies are rising and rental values are under pressure, with properties vacated by failed retailers often standing empty for years. Town centre retail

PROPERTY RENTAL VALUES ANNUALISED GROWTH RATES % TO END MARCH 2007

	3 months	6 months	1 Year	5 Years	10 Years
Retail	2.0	2.6	2.8	3.2	3.7
Office	6.8	7.8	7.1	0.7	2.7
Industrial	1.2	1.8	1.5	0.9	2.3
All Property	3.2	4.0	2.8	1.5	3.1

Table 1 Source: IPD

PROPERTY CAPITAL VALUES ANNUALISED GROWTH RATES % TO END MARCH 2007

	3 months	6 months	1 Year	5 Years	10 Years
Retail	2.0	4.6	7.8	10.8	6.9
Office	8.8	13.2	15.3	6.0	5.1
Industrial	2.8	5.2	9.1	9.2	5.6
All Property	4.0	7.2	10.1	8.3	6.1

Table 2 Source: IPD

INVESTMENT MANAGERS' REPORT

property should outperform out of town over the next three years

Industrial and warehouse property is producing, as it traditionally does, a higher initial yield but slower rental growth than the other main property sectors. Vacancy rates are rising gently and an important part of industrial property's long term returns comes from change of use to higher value alternatives, such as residential and retail warehousing.

Average rental values on commercial property portfolio measured by IPD may rise by 3% 4% in 2007 – say offices +6%, retails +2% and industrial +1%

Valuation yields on UK commercial property are now at 30 year lows. Since the Bank of England took control of interest rates in 1997, the outlook for inflation and interest rates is now more settled than in the 70's, 80's and 90's and long term index linked gilt yields around 1.5% real make property's virtually index linked long term income stream very valuable. Property is now fairly valued against bonds, but fully valued in comparison with UK equities, where dividends are growing twice as fast as property rents although property yields only 2.6% more than equities.

In absolute terms, property should still deliver another solid real return in 2007, based on running yield and rental growth rather than further falls in valuation yields. The IPD Annual Index may record a capital gain of 3% 5%, and a total return of 8% 10%, including income, with offices ahead of retail and industrials in the short term as their cycle peaks.

THE PORTFOLIO

VIT's property portfolio produced a total return of 15% over the year to March, compared with the IPD Annual Index return of 18%. The average capital gain of 9% was due to both a further favourable shift in valuation yields and to growth of 2% in net rental income and 5% in underlying rental values.

EQUIVALENT YIELDS

Equivalent yields - end December (except March 2007)	2007	2006	2005	1995
Retail	5.1	5.1	7.1	8.1
Office	5.3	5.4	8.2	8.7
Industrial	6.2	6.2	8.6	10.4
All Property	5.4	5.4	7.7	8.6
UK Equities	2.8	2.9	2.2	3.8
15 Year Gilts	4.8	4.7	5.0	7.7
Yield Gap Property Less Gilts	0.6	0.7	2.7	0.9
Property Less Equities	2.6	2.5	5.5	4.8

Table 3 Source IPD

VIT'S PROPERTY RECORD

31 March	Rental income £000	Capital value £000	Yield on valuation %	Capital Total Return growth %	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
2006	3,219	52,250	6.2	14	21	19
2007	3,116	54,525	5.7	9	15	18

INVESTMENT MANAGERS' REPORT

Four rent reviews were concluded. One retail property was sold at Aberdeen, where leases were due to expire shortly. At Sevenoaks, one shop tenant paying £36,000 rent per year went into administration and the shop has been re let to Specsavers at a rent of £42,500 per year on a 15 year lease.

We have invested in properties with long, strong income streams to meet the fixed interest payments on our long term debt. These have also produced good long term capital performance. The total return on our property portfolio has averaged 17% a year over the past 5 years, 16% over 10 years, and 15% over the 20 years since the start. These returns are 2% 3% a year above the IPD averages. 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, and 99% of income is reviewed five yearly.

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 31st March 2007.

The revaluation showed a value of £54,525,000, properties within VIT were valued at £18,800,000 while Audax properties totalled £35,725,000. Our properties are now revalued independently every six months, at 30th September and 31st March as set out in accounting policy 1(h) on page 34. The portfolio showed a capital gain of 3.9% over the past six months. Twenty five of the properties valued at 31 March were freehold or the Scottish equivalent and one is held on a long lease with 50 years to run.

22 May 2007

INVESTMENT MANAGERS' REPORT

List of Properties as at 31 March 2007

Address	Tenant
Shops	
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
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, Specsavers and insurance brokers
St Andrews – 76 South Street	Clydesdale Bank
St Anne's-on Sea – The Burlington Centre, St Anne's Road West	Thomas Cook, Julian Graves, New Look, Signet, Stead and Simpson and Superdrug
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 financial statements for the year ended 31 March 2007. In respect of the requirement for the Company to prepare its financial statements in accordance with International Financial Reporting Standards, the directors have noted that dividends are not recognised as liabilities until they are paid and accordingly, the final dividend for the year ended 31 March 2007 is not accrued in these financial statements.

Table 1 shows the revenue position and dividends paid and payable by the Group and the Company under the former basis of accounting, subject to shareholders' approval at the Annual General Meeting of the proposed final dividend of 3.5 pence per

share to be paid on 12 July 2007. An interim dividend of 3.2 pence per share was paid on 5 January 2007.

PRINCIPAL ACTIVITY, STATUS AND BUSINESS REVIEW

The principal activity of the Company 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 2006. The directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2007 so as to be able to continue to obtain such approval.

The directors have considered the additional reporting requirements within the 2003 EU Accounts Modernisation Directive. In their view, the description of the Company's development over the year and the identification of its key performance indicators, which comprise the Business Review, are contained in the Long Term Record, Chairman's Review and Investment Managers' Report. Significant risks to the business relating to financial, operational or compliance issues are covered in the Internal Controls section of this Report and in Note 19 to the Financial Statements.

The directors keep the Company's aims and the achievement of its investment objectives under review. In view of its successful record, they have no plans to change the Company's present investment objectives or to amend the Company's investment strategy.

	Group £000	Pence per share	Company £000	Pence per share
Revenue reserve at 31 March 2006	1,205	2.65	522	1.15
Net revenue earned in the year	3,103	6.81	2,912	6.39
Dividends paid and payable	(3,052)	(6.70)	(3,052)	(6.70)
Revenue reserve at 31 March 2007	1,256	2.76	382	0.84

Table 1 Group and Company revenue reserves

	31 March 2007	31 March 2006
J G D Ferguson	517,500	500,000
J G D Ferguson – Family	202,500	100,000
D H Back	30,000	30,000
J A Kay	104,110	104,110
J A Kay – as Trustee	64,830	64,830
Mrs A M Lascelles	454,999	400,000*
Mrs A M Lascelles – Family	250,000	250,000
Mrs A M Lascelles – as beneficiary	12,000	12,000
M A Oakeshott	2,307,299	1,345,207*
M A Oakeshott – Family	1,907,298	1,345,207

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

* Angela Lascelles and Matthew Oakeshott had a beneficial interest in 229,736 ordinary shares held by The OLIM Limited Retirement and Death Benefit scheme as at 31 March 2006 (2007 nil)

DIRECTORS' REPORT

DIRECTORS

The directors are shown on page 3 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 2007 and the date of this report.

Angela Lascelles resigned from the Board on 31 March 2007 and Matthew Oakeshott was appointed a director on 1 April 2007.

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.

Angela Lascelles remains, alongside Matthew Oakeshott, a director and shareholder of OLIM, which received a total fee (excluding VAT) of £1,539,000 (2006: £1,330,000) in respect of investment management services for the year ended 31 March 2007. Further details of the investment management agreement are found below.

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 and John Kay will retire and, being eligible, offer themselves for re-election at the next Annual General Meeting. As Matthew Oakeshott was appointed as director on 1 April 2007, he will offer himself for election at the 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. 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 quarterly fee of 1/6% 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 ten percentage points in any three year period. The objective of the performance bonus is to give the Managers ten per cent of the additional value generated for shareholders by such outperformance. A performance fee of £450,000 (excluding VAT) was payable this year and has been charged wholly to capital (2006: £335,000).

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 on the current terms as investment manager is in the best interests of shareholders as the Company benefits from the expertise of OLIM's specialised team of investment professionals.

In the event of termination on less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board is accordingly accountable to the Company's shareholders.

DIRECTORS' REPORT

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide') published in February, 2006. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), would provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and in the Preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Chairman of the Company was a member of the Audit and Management Engagement Committee during the year ended 31 March 2007, further information may be found in the section below entitled "Accountability and Audit".

The Board consists of a non executive Chairman, two non executive directors and one executive director. John Kay has been appointed Senior Independent Director. 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 Angela Lascelles until 31 March 2007, and, from 1 April 2007, Matthew Oakeshott, 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, and has no hesitation in recommending to shareholders their re election as directors at the Annual General Meeting. The Board has also reviewed the skills and experience of Matthew Oakeshott and has no hesitation in recommending to shareholders his election as a director at the Annual General Meeting.

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.

DIRECTORS' REPORT

Matthew Oakeshott and Angela Lascelles are remunerated by OLIM which received investment management fees and performance fees from the Company as detailed in Note 3 to the Financial Statements

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. Table 3 shows, for the year under review, the number of Board and Committee meetings attended by each director against the total number of meetings that each director was entitled to attend.

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.

PROXY VOTING AS AN INSTITUTIONAL SHAREHOLDER

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

	Board	Audit and Management Engagement Committee	Nomination Committee
J G D Ferguson (Chairman)	4(4)	2(2)	1(1)
D H Back	4(4)	2(2)	1(1)
J A Kay	4(4)	2(2)	1(1)
A M Lascelles	4(4)	—	—

Table 3 Board and Committee meetings Director eligibility and attendance(in brackets)

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 Financial Statements, 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, the Board has 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 19 to the Financial Statements.

DIRECTORS' REPORT

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, and
- at its meeting on 9 May 2007, the Audit and Management Engagement Committee of the Board carried out an annual assessment of internal controls for the year ended 31 March 2007 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 2007

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 42 and 43

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

- to review and monitor the internal control systems and risk management systems on which the Company is reliant,
- 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 2007 these amounted to £3,300 (excluding VAT) 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,
- to monitor and review annually the external Auditors' independence, objectivity, effectiveness, resources and qualification

GOING CONCERN

The Board believes 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

In addition to the directors' interests indicated in Table 2, the Company has been notified that the shareholder listed in Table 4 is interested in 3% or more of the issued ordinary share capital of the Company as at 30 April 2007, being the latest practicable date prior to the signing of this Report,

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, which is included within the Annual Report and Financial Statements, is sent out at least 20 working days in advance of the meeting.

Shareholder	Number of shares	% held
Legal & General Group PLC	1,475,777	3.2

Table 4 Substantial interests in the Company

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 SHARE PLAN AND VIT ISA AND PEP TRANSFER

Further details regarding how to invest in the Company via the VIT Share Plan and VIT ISA and PEP Transfer may be found on pages 46 and 47 of this Annual Report.

INDEPENDENT AUDITORS

A resolution to re-appoint Chiene + Tait, Chartered Accountants, as Independent Auditors of the Company will be proposed at the Annual General Meeting.

The directors confirm that as far as they are aware, as at the date of this Report, there is no relevant audit information of which the Company's Independent Auditors are unaware and that each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditors are aware of that information.

DIRECTORS' REPORT

SOCIALLY RESPONSIBLE INVESTMENT

The directors are aware of their duty to act in the interests of the Company. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner.

ANNUAL GENERAL MEETING SPECIAL BUSINESS

The following items of Special Business will be proposed at the forthcoming Annual General Meeting (see pages 48 to 50)

(i) Authority to allot Ordinary Shares

Ordinary resolution 10 will be proposed to renew the authority of the directors to allot unissued ordinary shares up to an aggregate nominal amount of 10% of the current ordinary share capital.

(ii) Limited Disapplication of the pre-emption provisions

Special resolution 11 will be proposed to renew the authority of the directors to allot a maximum of an additional 10% of the ordinary shares without being required to offer these to existing shareholders.

(iii) Repurchase of the Company's own Shares

Special resolution 12 will be proposed to authorise the Company to make market purchases of up to 14.99% 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, 22 May 2007

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 Independent Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditors' opinion is included in their report on pages 43 and 44.

REMUNERATION COMMITTEE

The Company has three non executive directors 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 2008 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 level of directors' fees was last set in May 2004 and the triennial review was carried out by the Board in May 2007. With effect from 1 April 2007, it was agreed to increase the Chairman's fees to £17,000 (formerly £15,000) and to £12,000 (formerly £10,000) for each other non executive director.

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' REMUNERATION REPORT

	2007 £	2006 £
J G D Ferguson (Chairman)	15,000	15,000
D H Back	10,000	10,000
J A Kay	10,000	10,000
A M Lascelles*	—	—
	35,000	35,000

Table 1 Directors' Fees


* A M Lascelles is a director and shareholder in OLIM, which received a fee (excluding VAT) of £1,539,000 (2006—£1,330,000) in respect of investment management services for the year

DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The directors who served in the year received emoluments in the form of fees, as described in Table 1

APPROVAL

The Directors' Remuneration Report on pages 21 and 22 was approved by the Board of directors on 22 May 2007 and signed on its behalf by



By order of the Board,
Edinburgh Fund Managers plc
Secretary
Edinburgh, 22 May 2007

GROUP INCOME STATEMENT

For the year ended 31 March

	Notes	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
INVESTMENT INCOME							
Dividend income	2	4,010	–	4,010	3,577	–	3,577
Rental income		3,196	–	3,196	3,259	–	3,259
Interest income on short term deposits		174	–	174	154	–	154
OTHER OPERATING INCOME		3,370	–	3,370	3,413	–	3,413
TOTAL INCOME	2	7,380	–	7,380	6,990	–	6,990
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held at fair value investments	9	–	9,073	9,073	–	8,237	8,237
Unrealised gains on investments	9	–	10,363	10,363	–	15,435	15,435
TOTAL REVENUE		7,380	19,436	26,816	6,990	23,672	30,662
EXPENSES							
Investment management fees	3	(366)	(1,361)	(1,727)	(335)	(1,156)	(1,491)
Other operating expenses	4	(409)	–	(409)	(367)	–	(367)
FINANCE COSTS	5	(3,502)	–	(3,502)	(3,501)	–	(3,501)
TOTAL EXPENSES		(4,277)	(1,361)	(5,638)	(4,203)	(1,156)	(5,359)
PROFIT BEFORE TAX		3,103	18,075	21,178	2,787	22,516	25,303
TAXATION	6	–	(713)	(713)	–	(1,075)	(1,075)
PROFIT FOR THE PERIOD		3,103	17,362	20,465	2,787	21,441	24,228
EARNINGS PER ORDINARY SHARE	7	6 81p	38 12p	44 93p	6 12p	47 07p	53 19p

The total column of this statement represents the Income Statement of the Group, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Value and Income Trust PLC, the parent company. There are no minority interests.

The notes on pages 30 to 41 form part of these financial statements.

The Board is proposing a final dividend of 3.5p per share, making a total dividend of 6.7p per share for the year ended 31 March 2007 (2006: 6.4p per share) which, if approved, will be payable on 12 July 2007 (see note 8).

COMPANY INCOME STATEMENT

For the year ended 31 March

	Notes	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
INVESTMENT INCOME							
Dividend income	2	4,010	–	4,010	3,590	–	3,590
Rental income		1,138	–	1,138	1,163	–	1,163
Interest income on short term deposits		135	–	135	120	–	120
OTHER OPERATING INCOME		1,273	–	1,273	1,283	–	1,283
TOTAL INCOME	2	5,283	–	5,283	4,873	–	4,873
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held at fair value investments	9	–	8,183	8,183	–	8,237	8,237
Unrealised gains on investments	9	–	10,477	10,477	–	14,385	14,385
TOTAL REVENUE		5,283	18,660	23,943	4,873	22,622	27,495
EXPENSES							
Investment management fees	3	(257)	(1,107)	(1,364)	(235)	(923)	(1,158)
Other operating expenses	4	(262)	–	(262)	(267)	–	(267)
FINANCE COSTS	5	(1,852)	–	(1,852)	(1,851)	–	(1,851)
TOTAL EXPENSES		(2,371)	(1,107)	(3,478)	(2,353)	(923)	(3,276)
PROFIT BEFORE TAX		2,912	17,553	20,465	2,520	21,699	24,219
TAXATION	6	–	–	–	9	–	9
PROFIT FOR THE PERIOD		2,912	17,553	20,465	2,529	21,699	24,228
EARNINGS PER ORDINARY SHARE	7	6.39p	38.54p	44.93p	5.55p	47.64p	53.19p

The total column of this statement represents the Income Statement of the Company prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Value and Income PLC, the parent company. There are no minority interests.

The notes on pages 30 to 41 form part of these financial statements.

GROUP BALANCE SHEET

At 31 March

	Notes	2007 £000	2006 £000
ASSETS			
NON CURRENT ASSETS			
Investments held at fair value through profit or loss	9	118,716	103,750
Investment properties held at fair value through profit or loss	9	54,525	52,250
		<u>173,241</u>	<u>156,000</u>
CURRENT ASSETS			
Cash and cash equivalents		2,266	2,105
Other receivables	10	<u>1,556</u>	<u>540</u>
		3,822	2,645
TOTAL ASSETS		<u>177,063</u>	<u>158,645</u>
CURRENT LIABILITIES			
Other payables	11	(2,051)	(1,827)
		<u>175,012</u>	<u>156,818</u>
NON CURRENT LIABILITIES			
Debenture stock	12	(35,468)	(35,491)
Deferred tax	13	<u>(3,354)</u>	<u>(2,641)</u>
		(38,822)	(38,132)
		<u>136,190</u>	<u>118,686</u>
EQUITY			
Ordinary share capital	14	4,555	4,555
Share premium	15	18,446	18,446
Retained Earnings	16	113,189	95,685
		<u>136,190</u>	<u>118,686</u>
NET ASSET VALUE PER ORDINARY SHARE	17	298 99p	260 56p

These financial statements were approved by the Board on 22 May 2007 and were signed on its behalf by

JAMES FERGUSON, DIRECTOR
MATTHEW OAKESHOTT, DIRECTOR

J.Ferguson

Matthew Oakeshott

The notes on pages 30 to 41 form part of these financial statements

COMPANY BALANCE SHEET

At 31 March

	Notes	2007 £000	2006 £000
ASSETS			
NON CURRENT ASSETS			
Investments held at fair value through profit or loss	9	139,206	121,776
Investment properties held at fair value through profit or loss	9	18,800	17,525
		<u>158,006</u>	<u>139,301</u>
CURRENT ASSETS			
Cash and cash equivalents		1,780	1,506
Other receivables	10	<u>1,543</u>	<u>535</u>
		3,323	2,041
TOTAL ASSETS		<u>161,329</u>	<u>141,342</u>
CURRENT LIABILITIES			
Other payables	11	(4,671)	(2,165)
		<u>156,658</u>	<u>139,177</u>
NON CURRENT LIABILITIES			
Debenture stock	12	(20,468)	(20,491)
Deferred tax	13	<u>-</u>	<u>-</u>
		(20,468)	(20,491)
		<u>136,190</u>	<u>118,686</u>
EQUITY			
Ordinary share capital	14	4,555	4,555
Share premium	15	18,446	18,446
Retained Earnings	16	113,189	95,685
		<u>136,190</u>	<u>118,686</u>
NET ASSET VALUE PER ORDINARY SHARE	17	298 99p	260 56p

These financial statements were approved by the Board on 22 May 2007 and were signed on its behalf by

JAMES FERGUSON, DIRECTOR
MATTHFW OAKESHOTT, DIRECTOR

J Ferguson

Matth Oakeshott

The notes on pages 30 to 41 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

	Notes	2007			Total £000
		Share capital £000	Share Premium £000	Retained earnings £000	
GROUP					
Net assets at 31 March 2006		4,555	18,446	95,685	118,686
Net profit for the year		–	–	20,465	20,465
Dividends paid	8	–	–	(2,961)	(2,961)
		<u>4,555</u>	<u>18,446</u>	<u>113,189</u>	<u>136,190</u>
COMPANY					
Net assets at 31 March 2006		4,555	18,446	95,685	118,686
Net profit for the year		–	–	20,465	20,465
Dividends paid	8	–	–	(2,961)	(2,961)
		<u>4,555</u>	<u>18,446</u>	<u>113,189</u>	<u>136,190</u>
GROUP					
Net assets at 31 March 2005		4,555	18,446	74,327	97,328
Net profit for the year		–	–	24,228	24,228
Dividends paid	8	–	–	(2,870)	(2,870)
		<u>4,555</u>	<u>18,446</u>	<u>95,685</u>	<u>118,686</u>
COMPANY					
Net assets at 31 March 2005		4,555	18,446	74,327	97,328
Net profit for the year		–	–	24,228	24,228
Dividends paid	8	–	–	(2,870)	(2,870)
		<u>4,555</u>	<u>18,446</u>	<u>95,685</u>	<u>118,686</u>

The notes on pages 30 to 41 form part of these financial statements

GROUP CASHFLOW STATEMENT

For the year ended 31 March

	Notes	2007 £000	2006 £000
Cash flows from operating activities			
Dividend income received		3,903	4,008
Rental received		3,117	3,788
Interest received		174	161
Other income		–	–
Operating expenses paid		(2,020)	(1,839)
NET CASH FROM OPERATING ACTIVITIES	18	5,174	6,118
Cash flows from investing activities			
Purchase of investments		(28,207)	(22,490)
Sale of investments		29,680	21,739
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		1,473	(751)
Cash flow from financing activities			
Interest paid		(3,525)	(3,525)
Dividends paid		(2,961)	(2,870)
NET CASH FROM FINANCING ACTIVITIES		(6,486)	(6,395)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		161	(1,028)
Cash and cash equivalents at 1 April 2006		2,105	3,133
Cash and cash equivalents at 31 March 2007		2,266	2,105

The notes on pages 30 to 41 form part of these financial statements

COMPANY CASHFLOW STATEMENT

For the year ended 31 March

	Notes	2007		2006	
		£000	£000	£000	£000
Cash flows from operating activities					
Dividend income received			3,903		4,020
Rental received			1,176		1,398
Interest received			136		125
Other income			-		-
Operating expenses paid			(1,496)		(1,454)
NET CASH FROM OPERATING ACTIVITIES	18		3,719		4,089
Cash flows from investing activities					
Purchase of investments		(28,207)		(22,490)	
Sale of investments		27,439		21,739	
Increase in loan to subsidiary		2,159		-	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			1,391		(751)
Cash flow from financing activities					
Interest paid		(1,875)		(1,875)	
Dividends paid		(2,961)		(2,870)	
NET CASH FROM FINANCING ACTIVITIES			(4,836)		(4,745)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			274		(1,407)
Cash and cash equivalents at 1 April 2006			1,506		2,913
Cash and cash equivalents at 31 March 2007			1,780		1,506

The notes on pages 30 to 41 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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) together with interpretations of the International Accounting Standards and Standing Interpretations Committee 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

(a) Basis of preparation

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 Companies (AIC) in January 2003 (and revised in December 2005) is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The directors are of the opinion that the Group is engaged in a single segment of business, being investment business.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra group transactions, balances, income and expenses are eliminated on consolidation.

Audax Properties plc and VIT Securities Limited, both wholly owned subsidiaries of the Company, charge expenses wholly to income. On consolidation, however, an adjustment is 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. VIT Securities Limited was subsequently dissolved on 13 April 2007.

(c) Presentation of income statement

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 266 of the 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 to be appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(d) Income

Dividend income from investments is recognised as revenue for the period on an ex dividend basis. Where no ex dividend date is available, dividends receivable on or before the period end are treated as revenue for the period.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies – continued

(d) Income – continued

Where the Group has elected to receive dividend income in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the income statement.

Interest receivable from cash and short term deposits and interest payable is accrued to the end of the period.

Rental and other income is recognised as earned.

(e) Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis. Expenses are presented as capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect, the investment management fees are allocated 30% to revenue and 70% to capital to reflect the Board's expectations of long term investment returns. Performance fees payable are allocated to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely to capital performance.

It is normal practice for investment trust companies to allocate finance costs 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.

(f) Taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

This is not the case for the subsidiary companies and hence the Group where such provision is made, calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Dividends payable

Interim dividends are recognised as a liability in the period in which they are 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 in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies – continued

(h) Investments

All investments have been designated upon initial recognition as fair value through profit or loss. 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. Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and the most liquid FTSE 250 constituents along with some other securities. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the income statement and are ultimately recognised in the retained earnings.

In respect of investment properties, fair value is established by half yearly 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.

(i) Cash and cash equivalents

Cash and cash equivalents comprises deposits held with banks.

(j) Non-current liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. The costs of arranging any interest bearing loans are capitalised and amortised over the life of the loan.

	Group £000	2007 Company £000	Group £000	2006 Company £000
2 Income				
Investment income				
Dividends from listed investments in UK	4,010	4,010	3,577	3,590
Other operating income				
Rental income	3,196	1,138	3,259	1,163
Interest receivable on short term deposits	174	135	154	120
Total income	7,380	5,283	6,990	4,873

NOTES TO THE FINANCIAL STATEMENTS

	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
3 Investment management fee						
Group						
Investment management fee (including irrecoverable VAT)	366	834	1,220	335	780	1,115
Performance fee (including irrecoverable VAT)	–	507	507	–	376	376
	366	1,361	1,727	335	1,156	1,491
Company						
Investment management fee (including irrecoverable VAT)	257	600	857	235	547	782
Performance fee (including irrecoverable VAT)	–	507	507	–	376	376
	257	1,107	1,364	235	923	1,158

	Group £000	2007 Company £000	Group £000	2006 Company £000
4 Other operating expenses				
Auditors' remuneration				
audit	15	12	10	7
review of interim statements	–	–	3	3
other non audit services	1	1	3	3
taxation services	1	1	1	1
out of pocket expenses	1	1	1	1
Directors' fees	35	35	35	35
Fees for secretarial services	122	81	115	77
Other expenses	234	131	199	140
	409	262	367	267

Non executive directors' fees comprise the chairman's fees of £15,000 (2006 £15,000) and fees of £10,000 (2006 £10,000) per annum paid to each other non executive director

The executive director who served during the year received no emoluments directly from the Company (2006 nil)

The executive director is a shareholder and director of OLIM which received an investment management fee (excluding VAT) of £1,089,000 (2006 £995,000) and a performance fee (excluding VAT) of £450,000 (2006 £335,000), the basis of calculation of which is given on page 15

Additional information on directors' fees is given in the directors' remuneration report on pages 21 and 22

NOTES TO THE FINANCIAL STATEMENTS

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
5 Finance costs				
11% First Mortgage Debenture Stock 2021	1,650	-	1,650	-
9 375% Debenture Stock 2026	1,875	1,875	1,875	1,875
Less amortisation of issue premium	(23)	(23)	(24)	(24)
	<u>3,502</u>	<u>1,852</u>	<u>3,501</u>	<u>1,851</u>

	2007		2006		Total £000
	Revenue £000	Capital £000	Revenue £000	Capital £000	

6 Taxation

a) Analysis of the tax charge for the year

Group

Corporation tax payable	-	-	-	-	-
Increase in deferred tax provision	-	713	713	-	1,075
	<u>-</u>	<u>713</u>	<u>713</u>	<u>-</u>	<u>1,075</u>

Factors affecting the current tax charge for year

Revenue / capital return on ordinary activities before tax		21,178		25,303
Tax thereon at 30%		6,353		7,591
Effects of				
Non taxable UK dividends		(1,203)		(1,073)
Gains on investments not taxable		(5,118)		(6,027)
Excess expenses not utilised		681		584
		<u>713</u>		<u>1,075</u>

Company

Corporation tax payable	-	-	-	(9)	(9)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(9)</u>

Factors affecting the tax charge for year

Revenue / capital return on ordinary activities before tax		20,465		24,219
Tax thereon at 30%		6,139		7,266
Effects of				
Non taxable UK dividends		(1,203)		(1,077)
Gains on investments not taxable		(5,598)		(6,787)
Excess expenses not utilised		662		598
Group relief		-		(9)
		<u>-</u>		<u>(9)</u>

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation - continued

b) Factors affecting the tax charge for the year

The Group has losses for tax purposes arising in the year of £2,268,000 (2006 £1,946,000). Under current legislation, it is unlikely that these losses will be capable of offset against the Group's future taxable profits.

Audax Properties plc revalues its property portfolio on a half yearly basis and is required to recognise a deferred tax liability in respect of all unrealised gains recognised. Any movement in this provision is recognised within taxation in the Group's Income Statement.

c) Factors affecting future tax charges

Both the Company and Audax Properties plc have deferred tax assets of £3,724,000 (2006 £3,062,000) and £66,000 (2006 £47,000) respectively at 31 March 2007 relating to total accumulated unrelieved tax losses carried forward. These have not been recognised in the accounts as it is unlikely that they will be capable of offset against the Group's future taxable profits.

		2007		2006	
	Group £000	Company £000	Group £000	Company £000	Company £000
7 Return per ordinary share					
The return per ordinary share is based on the following figures					
Revenue return	3,103	2,912	2,787	2,529	
Capital return	17,362	17,553	21,441	21,699	
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975	45,549,975	
Return per share - revenue	6.81p	6.39p	6.12p	5.55p	
Return per share - capital	38.12p	38.54p	47.07p	47.64p	
Total return per share	<u>44.93p</u>	<u>44.93p</u>	<u>53.19p</u>	<u>53.19p</u>	
		2007 £000		2006 £000	

8 Dividends

Dividends on ordinary shares

Final dividend of 3.3p per share (2006 3.2p) paid 13 July 2006	1,503	1,457
Interim dividend of 3.2p per share (2006 3.1p) paid 5 January 2007	1,458	1,413
Dividends paid in the period	<u>2,961</u>	<u>2,870</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

8 Dividends – continued

We note below the total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Section 842 ('s842') of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £2,912,000 (2006 £2,529,000).

	2007 £000	2006 £000
Interim dividend for the year ended 31 March 2007 3 2p (2006 3 1p) paid 5 January 2007	1,458	1,413
Proposed final dividend for the year ended 31 March 2007 3 5p (2006 3 3p) payable 12 July 2007	1,594	1,503
	<u>3,052</u>	<u>2,916</u>

9 Investments

	Equities £000	Other securities with equity element £000	Investment properties £000	Total £000
Group				
Cost at 31 March 2006	70,477	1,133	29,534	101,144
Unrealised appreciation	30,927	1,213	22,716	54,856
Valuation at 31 March 2006	<u>101,404</u>	<u>2,346</u>	<u>52,250</u>	<u>156,000</u>
Purchases	28,382	–	–	28,382
Sales proceeds	(27,992)	(345)	(2,240)	(30,577)
Realised gains on sales	8,050	133	890	9,073
Movement in unrealised appreciation in year	6,717	21	3,625	10,363
Valuation at 31 March 2007	<u>116,561</u>	<u>2,155</u>	<u>54,525</u>	<u>173,241</u>
Company				
Cost at 31 March 2006	70,502	1,133	11,300	82,935
Unrealised appreciation	48,928	1,213	6,225	56,366
Valuation at 31 March 2006	<u>119,430</u>	<u>2,346</u>	<u>17,525</u>	<u>139,301</u>
Purchases	28,382	–	–	28,382
Sales proceeds	(27,992)	(345)	–	(28,337)
Realised gains on sales	8,050	133	–	8,183
Movement in unrealised appreciation in year	9,181	21	1,275	10,477
Valuation at 31 March 2007	<u>137,051</u>	<u>2,155</u>	<u>18,800</u>	<u>158,006</u>

NOTES TO THE FINANCIAL STATEMENTS

9 Investments – continued

Transaction costs

During the year expenses were incurred in acquiring and disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	2007 £000	2006 £000
Purchases	181	150
Sales	50	37
	231	187

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
10 Other receivables				
Amounts falling due within one year				
Dividends receivable	595	595	488	488
Amounts due from brokers	929	929	31	31
Prepayments and accrued income	32	19	21	16
	1,556	1,543	540	535

11 Other payables

Amounts due to brokers	175	175	–	–
Value Added Tax payable	101	32	112	33
Amounts due to subsidiaries	–	3,000	–	841
Amounts due to OLIM Limited	543	512	414	388
Accruals and other creditors	1,232	952	1,301	903
	2,051	4,671	1,827	2,165

The amounts due to OLIM Limited comprise management fees for the month of March and performance fees for the years to 31 March 2006 and 31 March 2007 respectively, subsequently paid in April 2006 and April 2007 respectively.

NOTES TO THE FINANCIAL STATEMENTS

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
12 Non-current liabilities				
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add Balance of premium less issue expenses	491	491	515	515
Less Credit to income for the year	(23)	(23)	(24)	(24)
	<u>20,468</u>	<u>20,468</u>	<u>20,491</u>	<u>20,491</u>
11% First Mortgage Debenture Stock 2021	15,000	–	15,000	–
	<u>35,468</u>	<u>20,468</u>	<u>35,491</u>	<u>20,491</u>

The weighted average period for which the Group's debentures are fixed is 17 years (2006 18 years) The weighted average interest rate on the Group's debentures is 10.1% (2006 10.1%) and they were issued at an average gross redemption yield of 9.1% (2006 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

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
13 Deferred tax				
Opening balance at 31 March 2006	2,641	–	1,566	–
Increase in deferred tax provision (see note 6)	713	–	1,075	–
Closing balance at 31 March 2007	<u>3,354</u>	<u>–</u>	<u>2,641</u>	<u>–</u>
Calculated as follows				
Unrealised gains subject to tax on realisation	11,574	–	9,197	–
Less capital losses previously realised	(395)	–	(395)	–
	<u>11,179</u>	<u>–</u>	<u>8,802</u>	<u>–</u>
Whereof 30%	<u>3,354</u>	<u>–</u>	<u>2,641</u>	<u>–</u>

Under IFRS, provision must be made for any potential tax liability on revaluation surpluses. As an investment trust, the Company does not incur capital gains tax. However, some properties are owned by Audax Properties plc, a subsidiary of the Company, either to ensure that the investment trust status tests are not breached or for other commercial reasons. Provision for capital gains tax has therefore been made for the revaluation surpluses on property assets held by the subsidiary to the extent that the gain cannot be sheltered by capital losses brought forward or non trade losses.

NOTES TO THE FINANCIAL STATEMENTS

	2007 £000	2006 £000
14 Ordinary share capital		
Authorised		
56,000,000 ordinary shares of 10p each (2006 56,000,000)	5,600	5,600
13,000,000 6.25% convertible redeemable preference shares of £1	13,000	13,000
	18,600	18,600
Allotted, called up and fully paid		
45,549,975 ordinary shares of 10p each (2006 45,549,975)	4,555	4,555

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
15 Share premium				
Opening balance	18,446	18,446	18,446	18,446

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
16 Retained Earnings				
Opening balance at 31 March 2006	95,685	95,685	74,327	74,327
Profit for the year	20,465	20,465	24,228	24,228
Dividends paid (see note 8)	(2,961)	(2,961)	(2,870)	(2,870)
Closing balance at 31 March 2007	113,189	113,189	95,685	95,685

The table below shows the movement in Retained Earnings analysed between revenue (distributable) and capital (non distributable) items

	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
Group						
Opening balance at 31 March 2006	2,708	92,977	95,685	2,791	71,536	74,327
Profit for the year	3,103	17,362	20,465	2,787	21,441	24,228
Dividends paid (see note 8)	(2,961)	-	(2,961)	(2,870)	-	(2,870)
Closing balance at 31 March 2007	2,850	110,339	113,189	2,708	92,977	95,685

NOTES TO THE FINANCIAL STATEMENTS

	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
16 Retained Earnings – continued						
Company						
Opening balance at 31 March 2006	2,025	93,660	95,685	2,366	71,961	74,327
Profit for the year	2,912	17,553	20,465	2,529	21,699	24,228
Dividends paid (see note 8)	(2,961)	–	(2,961)	(2,870)	–	(2,870)
Closing balance at 31 March 2007	1,976	111,213	113,189	2,025	93,660	95,685

17 Net asset value per equity share

The net asset value per ordinary share is based on net assets attributable of £136,190,000 (2006 £118,686,000) and on 45,549,975 (2006 45,549,975) ordinary shares in issue at the year end

The net asset value per ordinary share, based on the net assets of the Group adjusted for borrowings at market value (see note 19) is 271 11p (2006 226 93p)

	2007		2006	
	Group £000	Company £000	Group £000	Company £000
18 Reconciliation of income from operations before tax to net cash inflow from operating activities				
Income from operations before tax	26,816	23,943	30,662	27,495
Gains and losses on investments	(19,436)	(18,660)	(23,672)	(22,622)
Investment management fee	(1,727)	(1,364)	(1,491)	(1,158)
Administration expenses	(409)	(262)	(367)	(267)
(Decrease)/increase in accrued income	(118)	(110)	583	488
Increase in creditors	48	172	403	153
Net cash from operating activities	5,174	3,719	6,118	4,089

19 Risk management, financial assets and liabilities

Risk management

The Group's financial instruments comprise

- equity and non equity investments that are held in accordance with the Group's investment aims as set out on page 1
- cash and liquid resources that arise directly from the Group's operations
- debenture stocks issued by the Company and its subsidiary Audax Properties plc, the main purpose of which is to raise finance for the Group's operations

The main risks arising from the Group's financial instruments are market price risk, gearing risk, credit risk and liquidity risk

NOTES TO THE FINANCIAL STATEMENTS

19 Risk management, financial assets and liabilities – continued

The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below

These policies have remained constant throughout the year under review

Market price risk

Market risk arises from changes in interest rates, valuations accorded to financial instruments and movements thereof, and the liquidity of financial instruments. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to any particular sector. Market price risk is managed through investment guidelines agreed by the Board with the Manager and is discussed at each Board meeting.

Gearing risk

The Group's policy is to increase its exposure to equity and property markets through the judicious use of borrowings.

When borrowings are invested in such markets, the effect is to magnify the impact on shareholders' funds of changes, both positive and negative, in the value of the portfolio.

During the year, the Group's borrowings providing secure long term funding were long term debentures, details of which can be found in note 12.

The debenture stocks are valued at amortised cost in the financial statements. The Board regulates the overall level of gearing by raising or lowering cash balances.

Credit risk

The Group places funds with authorised deposit takers from time to time and is therefore potentially at risk from the failure of any such institution of which it is a creditor. Amounts of such funds at the balance sheet date are shown on the balance sheet as 'Cash and cash equivalents'.

Liquidity risk

The Group's assets comprise of readily realisable securities which can be sold to meet commitments if required and investment properties which, by their nature, are rather less readily realisable. The maturity of the Group's existing borrowings is set out in note 12.

Financial assets and liabilities

The Group's financial instruments comprise equity investments, investment properties, cash balances, debenture stocks and debtors and creditors that arise directly from operations.

Investments (see note 1h) are designated as fair value through profit or loss and are valued at closing market prices which equate to their fair values. The fair values of all other assets and liabilities other than the debenture stocks, as detailed in note 12, are represented by their carrying values in the balance sheet.

Set out below is a comparison of carrying values and fair values of the Group's non current liabilities, calculated by reference to the market values of the respective debenture stocks as at 31 March 2007 and 2006. These values are provided by the Group's stockbroker, J P Morgan Cazenove.

	Fair value		Carrying value	
	2007 £000	2006 £000	2007 £000	2006 £000
11% First Mortgage Debenture Stock 2021	20,983	22,128	15,000	15,000
9.375% Debenture Stock 2026	27,183	28,684	20,468	20,491
	<u>48,166</u>	<u>50,812</u>	<u>35,468</u>	<u>35,491</u>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance, and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board,
Edinburgh Fund Managers plc
Secretary
Edinburgh, 22 May 2007

INDEPENDENT AUDITORS' REPORT

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

We have audited the Group and parent Company financial statements (the "financial statements") of Value and Income Trust plc for the year ended 31 March 2007 which comprise the group and parent company income statements, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statement of changes in equity and the related notes. These financial statements have been prepared under 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 as a body, 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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities on page 42.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements Article 4 of the IAS Regulations. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined 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 the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements.

INDEPENDENT AUDITORS' REPORT

This other information comprises only the Corporate Summary, the Chairman's Review, the Directors and Advisers, the Investment Managers' Report, the Directors' Report (including Corporate Governance) 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 financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements 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 financial statements, and of whether the accounting policies are, appropriate to the Group's and 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 financial statements 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 financial statements and the part of the Directors' Remuneration Report to be audited.

In forming our opinion on the financial statements, which is not qualified, we note the treatment of finance costs as detailed in note 1(e), as this does not comply with the 2003 (and revised in December 2005) Statement of Recommended Practice for Investment Trust Companies.

OPINION

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS regulation, and
- the information given in the Directors' Report is consistent with the financial statements.

CHIENE + TAIT

Chartered Accountants and Registered Auditors

61 Dublin Street

Edinburgh EH3 6NL

31 May 2007

ANALYSIS OF SHAREHOLDERS

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

June – Annual report and financial statements 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 Stock is payable on 30 November and 31 May

Interest on the Audax Properties plc Debenture Stock is payable on 30 September and 31 March

HOW TO INVEST IN VALUE AND INCOME TRUST PLC

VALUE AND INCOME TRUST SHARE PLAN

Value and Income Trust PLC runs a Share Plan (the "Plan") which provides regular savers with a route to invest in the ordinary shares of the Trust. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid offer spread, which can, on some occasions, be a significant amount.

Regular Savings. These start at just £30 per month rising in multiples of £1. Once a Plan has been opened, monthly contributions may be increased at any time.

Lump Sum. These start at £250, with subsequent lump sums of a minimum £250.

Each purchase of shares attracts Government Stamp Duty (currently 0.5%).

Selling costs are £10 + VAT. There is no restriction on how long a saver need invest in a Plan, and regular savers may stop or suspend participation by instructing the Administrators at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

VALUE AND INCOME TRUST INDIVIDUAL SAVINGS ACCOUNT

The Value and Income Trust Maxi ISA (the "ISA") aims to allow investors generate income and/or capital growth within a tax efficient environment. The ISA does not have a cash or life insurance component. An investment of up to £7,000 may be made in the tax year 2007/2008.

Regular Savings. These start at just £30 per month rising in multiples of £1. The maximum monthly contribution into a Maxi ISA for 2007/08 is £583. If you invest by regular monthly contributions, an ISA will automatically be opened for subsequent tax years unless you have terminated contributions prior to that new tax year beginning.

Lump Sum. The minimum lump sum investment into the ISA is £1,000. Once you have opened an ISA, lump sums may be invested at any time as long as you do not exceed the Maxi ISA limit of £7,000. Should you wish to make additional subscriptions to your ISA in a tax year subsequent to that in which you opened your plan you need only send a cheque and letter of instruction. If however, a full tax year of subscriptions have been missed, a further completed application form is required. Application forms can be obtained by calling our Investor Helpline or by writing to us.

PERSONAL EQUITY PLAN TRANSFER AND INDIVIDUAL SAVINGS ACCOUNT TRANSFER

Personal Equity Plans ("PEPs") are an easy way to make medium and long term tax efficient investments in stock markets. All income and capital gains are free of tax. Since 5 April 1999 no further subscriptions may be made into a PEP. You may however, transfer existing PEPs and ISAs using the Value and Income Trust PEP Transfer or ISA Transfer. The minimum lump sum for both a PEP transfer and an ISA transfer is £1,000 and both are subject to a minimum additional lump sum per Transfer of £250.

HOW TO INVEST IN VALUE AND INCOME TRUST PLC

HOW WILL MY DIVIDENDS BE PAID OR REINVESTED?

A dividend reinvestment facility is available

HOW DO I OBTAIN FURTHER INFORMATION?

Key Features and Application Forms for the VIT Share Plan, VIT ISA and ISA or PEP Transfer may be obtained by calling the Literature Helpline on 0800 027 9558. Alternatively, an email including in its Subject line, "Value and Income Trust" may be sent to aam@litrequest.com. It is not possible for either Value and Income Trust or the Administrator to offer financial advice regarding the suitability or otherwise of these products for individual circumstances.

WHAT IF I HAVE AN ADMINISTRATIVE QUERY?

If you have an administrative query regarding an existing plan you should write to the Administrators at

Value and Income Trust
Aberdeen Investment Trust Administration
Block C
Western House
Lynchwood Business Park
Peterborough PE2 6BP

You may also contact the Administrator by calling the Investor Helpline on 0500 00 00 40 between Monday and Friday, 9 00a m to 5 00p m. Telephone calls will normally be recorded.

NOTICE OF MEETING

Notice is hereby given that the thirty fifth Annual General Meeting of Value and Income Trust plc will be held in Donaldson House, 97 Haymarket Terrace, Edinburgh on Friday 6 July 2007 at 12 30pm The following resolutions will be proposed

ORDINARY BUSINESS

- 1 To receive the reports of the directors and auditors and the financial statements for the year ended 31 March 2007,
- 2 To approve the directors' remuneration report for the year ended 31 March 2007,
- 3 To declare a final dividend of 3 50 pence per Ordinary share,
- 4 To elect Matthew Oakeshott as a Director of the Company,
- 5 To re elect James Ferguson as a Director of the Company,
- 6 To re elect David Back as a Director of the Company,
- 7 To re elect John Kay as a Director of the Company,
- 8 To re appoint Chiene + Tait, Chartered Accountants, as auditor of the Company,
- 9 To authorise the directors to fix the remuneration of the auditors for the year to 31 March 2008

SPECIAL BUSINESS

To consider and, if thought fit, to pass Resolution 10 as an Ordinary Resolution and Resolution 11 and 12 as Special Resolutions

ORDINARY RESOLUTION

10 That, in substitution for any existing power under section 80 of the Companies Act 1985 (the "Act"), but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £455,499, such authority to expire on 5 October 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired

SPECIAL RESOLUTION

11 That, subject to the passing of resolution numbered 10 in the Notice of Meeting and in substitution for any existing power under section 95 of the Companies Act 1985 (the "Act"), the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of sections 94(2) to 94 (3A) of the Act) for cash at a price not below the net asset value per share, pursuant

NOTICE OF MEETING

to the authority under section 80 of the Act conferred by the resolution numbered 10 in the notice of meeting as if section 89(1) of the Act did not apply to any such allotment, up to an aggregate nominal amount of £455,499, provided that this power shall be limited


- (i) to the allotment of equity securities in connection with any issue in favour of the holders of ordinary shares on the register on a date fixed by the directors where the equity securities respectively attributable to the interests of all the holders of ordinary shares are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date, provided that the directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange, and
- (ii) to the allotment (otherwise than pursuant to paragraph (i) of this Resolution) of equity securities up to an aggregate nominal amount of £455,499 being 10% of the nominal value of the existing issued share capital of the Company, and such power shall expire on 5 October 2008 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held in 2008, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors

may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

- 12 That, in substitution for any existing authority under section 166 of the Companies Act 1985 (the "Act"), the Company be generally and unconditionally authorised, in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of fully paid Ordinary shares of 10p each in the capital of the Company ("Ordinary shares"), provided that –
- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution,
 - (b) the minimum price which may be paid for an Ordinary share shall be 10p (exclusive of expenses),
 - (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary shares for the five business days immediately preceding the date of purchase, and
 - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 5 October 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary shares under such authority

NOTICE OF MEETING

which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract or contracts


By order of the Board
Edinburgh Fund Managers plc
Secretary

8 June 2007

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

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 financial statements. 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 4 July 2007 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 4 July 2007 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 Share 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 6 July 2007 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	Vote Withheld
1 To receive the reports of the directors and auditors and financial statements for the year ended 31 March 2007			
2 To approve the directors' report on remuneration for the year ended 31 March 2007			
3 To declare a final dividend of 3 50 pence per Ordinary Share			
4 To elect Matthew Oakeshott as a Director			
5 To re elect James Ferguson as a Director			
6 To re elect David Back as a Director			
7 To re-elect John Kay 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 allot a limited number of Ordinary Shares			
11 To authorise the directors, pursuant to Resolution 10, to disapply pre-emption rights			
12 To authorise the directors to buy back Ordinary Shares			

Dated this _____ day of _____ 2007

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
- The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. It should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution
- 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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COMPUTERSHARE INVESTOR SERVICES PLC
PO BOX 1075
BRISTOL BS99 3ZZ

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