VALUE AND INCOME TRUST PLC

HALF-YEARLY REPORT 2018

Interim Board Report

	30 September 2018	31 March 2018	30 September 2017
Group net asset value per share (valuing debt at market)	330.5p	309.2p	332.0p
Group net asset value per share (valuing debt at par)	349.7p	330.5p	355.9p
Share price (mid)	265.5p	262.0p	267.0p
Dividend per share	5.6p (first and second quarterly)	11.4p (total)	5.4p (first and second quarterly)

Value and Income Trust PLC ('VIT') is a specialist investment trust whose shares are traded on the London Stock Exchange. VIT invests in higher yielding, less fashionable areas of the UK commercial property and equity markets, particularly in medium and smaller sized companies. VIT aims for long-term real growth in dividends and capital values without undue risk. Figures for net asset values shown in the tables above and below are calculated after deducting dividends declared but not yet paid, as in previous years.

Over the six months ended 30 September 2018, VIT's share price rose by 1.3% while the net asset value per share, valuing debt at par, increased by 5.8%. The FTSE All-Share Index (the "Index") rose by 6.0% over the half year. VIT's property portfolio was revalued independently at 30 September 2018.

The Company announced on 11 September 2018 the dates of the quarterly dividends for the year to 31 March 2019. The first quarterly dividend of 2.8p per share was paid on 26 October 2018 to all shareholders on the register on 28 September 2018. The second quarterly dividend of 2.8p per share will be paid on 25 January 2019 to those shareholders on the register on 28 December 2018. The ex-dividend date will be 27 December 2018.

The third quarterly dividend of 2.8p per share will be paid on 26 April 2019 to those shareholders on the register on 29 March 2019. The ex-dividend date will be 28 March 2019. The Board will announce in due course the proposed fourth and final payment for the year, which subject to shareholder approval, will be paid on or around 26 July 2019.

SUMMARY OF PORTFOLIO

	30 September 2018		31 March 2018		30 September 2017	
	£m	%	£m	%	£m	%
UK Equities	135.7	65	128.9	65	140.4	66
UK Property	67.9	32	68.7	34	67.6	32
Net current assets	5.6	3	2.8	1	4.0	2
	209.2	100	200.4	100	212.0	100

Investment Managers' Reports

UK Equities

The Market

Over the six month period to end September, the FTSE All-Share Index of UK equities rose by 6.0% and, including dividends, the total return was 8.2%. Our half-year began with a strong rebound after the weakness seen in the first quarter of 2018, when the market fell by nearly 8%, depressed by severe weather and a very weak performance by the UK economy. In the quarter to end June, the first of our current year, all the losses of the first quarter were recovered and the All-Share Index recorded a rise of 7.9%. In August and September the market declined modestly, influenced by rising interest rates here and in America.

Within the UK market, large companies, measured by the FTSE 100 Index, rose by 6.4%, driven by the Oil & Gas sector and the Pharmaceutical sector, whose components are mainly denominated in dollars. The more domestically focussed FTSE 250 Index of mid-sized companies rose by 4.4%. Worldwide, equity markets rose by 4.3%, led by Japan and America, where the relevant indices rose by 12.4% and 10.3%. Elsewhere in the world market performances were more subdued, with a rise of 1.2% in Germany and a fall of 11.2% in the FTSE All Emerging Markets index.

Interest rates have risen in America and in the UK during the half-year with a consequent effect on bond yields. In the US, ten year bond yields closed September at 3.1%, forty basis points higher than at the end of March and in the same period ten year UK Gilt yields rose by twenty basis points to 1.6%. In the currency markets the pound fluctuated against the dollar during the half-year but closed September at $1.30, a fall of 7.0% compared to the end March rate of $1.40. Against the euro, it fell by 1.3% in the half-year to a closing level of €1.12. In commodity markets, copper and iron ore both fell by 7%, depressed by the threat of trade wars between America and China, but the oil price rose by 18%, driven by pressures on the supply of oil.

Economically, the background to these market movements has been continuing strong growth in global GDP, though expectations have recently been modestly downgraded due to the US/China trade tensions. UK growth picked up strongly in the second quarter of 2018 helped by England's performance in the World Cup and the prolonged spells of hot weather.

VIT's Portfolio

We made significant changes to the portfolio in the half-year. Sales and purchases totalled £22.0m and many of the transactions were motivated by the Board's wish to increase the equity income. We reduced the lower yielding holdings of Beazley, Halma, Informa and Rotork. We sold the entire holding in Daily Mail and General Trust in order to reinvest in ITV, which has a significantly higher yield and an attractive valuation. In the insurance sector, we reduced the holding in Legal and General and started a holding in Phoenix Group. Phoenix is a specialist closed life and pension fund consolidator. Its recent acquisition of Standard Life Aberdeen's life insurance assets, funded by a rights issue, is a transformative deal that extends its dividend profile and de-risks by product type. We sold the holding of Wood Group, where we were concerned about the balance sheet following the acquisition of AmecFosterWheeler.

In addition to Phoenix, we bought new holdings in Lloyds Bank, ITV, referred to above, and Devro, all with well above average yields. ITV's sales are becoming less dependent on advertising revenue, with more than half now derived from its archive and streaming services. Devro is the second largest manufacturer of food casings, mainly for sausages, in the world. After a heavy programme of capital investment, we believe it will deliver strong returns, due to its cash flow and market position, combined with a below average valuation. We added to our higher yielding holdings of Marstons, BHP Billiton, Rio Tinto, Centrica and N Brown.

We made net sales of £763,000 but were fully invested at the end of September.

Investment Managers' Reports

Performance

VIT's equity portfolio outperformed over the half-year with a total return of +8.5% compared to the FTSE All-Share Index Return of +8.2%. In sector allocations, the absence of Tobacco holdings was positive and our underweight allocation to the Bank sector was also helpful. Our underweight holdings in the Oil & Gas and Pharmaceutical sectors were negative factors in relative performance. In stock selection our holdings in Cineworld (+34%), Restaurant Group (+17%), Croda (+16%) and Halma (+23%) were strongly positive factors to relative performance. These positives were partially offset by the negative movements in Spectris (-12%), Crest Nicholson (-23%) and N Brown (-23%).

Outlook

Globally, economic growth remains strong but the threats to future growth prospects have increased. President Trump's policies have raised the risks in the world economy, with particular anxiety about his trade wars, though so far they are not extensive. GDP growth in America has accelerated to an annual rate of 4.2% as a result of his tax incentives, but the Federal Reserve is trying to contain the inflationary consequences by raising interest rates again and guiding to further raises later in the year. So far there have been eight raises to the current rate of 2.0% to 2.25%.

The labour market in the USA and in the UK continues to be tight, with unemployment in both areas at the lowest levels for more than 40 years. The consequence of rising US interest rates has been a strong dollar and increasing problems for highly borrowed emerging economies which have dollar denominated debt. The Turkish Lira has collapsed and interest rates there now are 24% and in Argentina inflation has rocketed to 34%. Nevertheless, despite the increasing threats to world stability, forecasts for global growth in 2019 remain above 3.5% and are similar to the expectation for 2018. In the UK, there was a strong rebound in GDP growth in the second quarter of this year. After a weather affected first quarter sluggish statistic of +0.1%, GDP grew by 0.6% in the second quarter, with helpful factors including the World Cup and the hottest summer since 1976. Current expectations for 2018 remain fairly subdued at 1.3% but may follow the trend of recent years with an upgrade towards the end of the year. The faster rate of GDP growth in the second quarter enabled the Bank of England to raise Base Rate in August to 0.75%, the first raise above 0.5% since it was reduced to that level in 2009. Brexit is currently the predominate topic of politics and journalism and, with now less than six months to go, is heightening debates and differences, especially following the season of political party conferences.

If the Chequers proposal does become the eventual deal, we do not expect a significant short term effect on the UK economy, as our relationship with Europe in future will not be greatly changed. If we exit without a deal there could be a prolonged negotiation concerning the future terms of trade with Europe but, despite alarming newspaper headlines, the sensible course would be to leave trading terms unchanged until negotiations have been concluded. Politically, there is much uncertainty and if Labour, under its present leadership, were to win a future general election the consequences are likely to be severe. Inflation in the UK has at times exceeded wage growth, leading to renewed pressure on consumer spending but recent statistics have demonstrated real growth in wages. Changes in consumer spending habits have caused carnage on high streets with many well-known retailers appointing administrators or significantly reducing their property estates.

In summary, the valuation of the UK equity market at 13.7x earnings and with an average yield of 3.8% still looks compelling compared to gilt yields and cash returns, which have risen slightly since August but remain well below the current rate of inflation. To the overseas investor the UK looks particularly cheap compared to overseas markets, with the pound still at a severely reduced exchange rate since the result of the EU Referendum in June 2016. Until the Brexit deal is determined, much uncertainly will overhang our market but we do believe that investors will take advantage of our cheap valuation once the future of our relationship with Europe has been determined.

OLIM Limited

30 October 2018

Property

The Market

Capital value growth in UK commercial property has ground to a halt, and is starting to turn down as squeezed real incomes and Brexit uncertainty take their toll. After a total return of 9.6% in 2017 as measured by the IPD Annual Index, average property capital values are up by 2% so far in 2018. But the serious pain in retail property is only just starting to be reflected in valuations and shorter and weaker let property in all sectors will follow retail property downwards if there is a disorderly Brexit and economic disruption. A flight to safety is developing right across the property market.

Industrial/warehouse and the newer alternative types of institutional investment property (such as leisure, hotels, petrol filling stations/convenience stores, car showrooms and medical and student accommodation) are substantially outperforming office and retail property, as capital and rental values of shopping centres, high street shops, retail warehouses, and shorter-let London offices have come under increasing pressure this year. Rental values are now flat on average across the property market as a whole, with retail rents collapsing, residential slipping, offices flat and rental growth concentrated in the industrial/warehouse and alternatives sectors.

UK Commercial Property – Average Annual % Growth to September 2018

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Capital Values	+1.6	+2.6	+4.4	+2.2	+5.6	+0.9
Rental Values	+0.4	+0.8	+1.4	+1.9	+2.6	+0.1
Total Returns	+6.8	+7.8	+9.9	+7.8	+11.6	+7.4

Source: IPD Monthly Index – Annualised

Average capital values of commercial property may be flat over 2018 as a whole, with rental values just up. Income will provide most of a total return around 5%. Retail capital values will be well down, offices up slightly and industrials and alternatives well ahead over 2018 as a whole. 2019 may be similar if there is a relatively smooth (or no) Brexit, but worse with a disorderly Brexit putting serious downward pressure on weaker property values.

The deep structural cracks running through British retailing are now producing a string of outright failures and CVAs. House of Fraser, Poundworld, Toys R Us, Maplin, New Look, Carpetright, Coast, Conviviality and The Original Factory Shop in retail, along with restaurateurs like Carluccios, Gaucho, Jamie's Italian, Prezzo, Bella Italia, Strada and the posh burger chains have all torn up their leases or cut the rents they pay on over two thousand properties. Supermarket sales have held up well with consumers having had to spend more on their basic supermarket shop, cutting back more discretionary areas of retail spending, especially high-ticket purchases like cars, white goods, carpets and furniture. Annual consumer price inflation has now peaked and fallen back into the 2% - 3% range, so real consumer incomes have stabilised, with the mid-summer heatwave and World Cup giving a welcome short-term boost to drink and food sales, especially in pubs. But any net growth in overall retail spending will be online rather than through bricks and mortar retail properties. Many shopping centres and high streets outside the most attractive and prosperous towns and cities are now in terminal decline, hastened by a crippling burden of business rates while online retailers like Amazon pay less than 1% of their UK turnover in UK corporation tax.

In the office sector, rising business rates and Brexit uncertainty are stopping many London office tenants signing new leases to increase the net space they occupy; instead they are using serviced office suppliers like We Work to keep their options open. But provincial office rents are more resilient and industrial/warehouse rents are growing well, especially in Southern England where much industrial land has been lost to housing. Rents are also growing, often helped by inflation-linked leases, across the alternatives sectors, (which accounted for about 30% of all property investment transactions in 2017 and 2018 to date, against only 10% in the retail sector). Safe property with long, preferably index-linked leases, to strong covenants, is enjoying another year of strong real returns. Institutional property investors are waking up fast to the excellent investment value such property offers in a yield-hungry world, in comparison with conventional and index-linked gilt yields not far from their historic lows, as the following table shows:

Comparative Yields – End December

		2018	2017	2016	2015	2014	2011	2008	2006
Property (Equivalent Yield) End December (except 2018 September)		5.4	5.5	5.7	5.6	5.9	6.8	8.1	5.4
Gilts *	Conventional	1.6	1.4	1.5	2.2	2.0	2.5	3.7	4.6
	Index Linked	-1.6	-1.8	-1.8	-0.6	-0.8	-0.2	0.8	1.1
UK Equities		3.8	3.6	3.5	3.7	3.4	3.5	4.5	2.9
R.P.I (Annual Rate)		3.3	4.1	2.5	1.1	2.0	4.8	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	3.8	4.1	4.2	3.4	3.9	4.3	4.4	0.8
	less Index Linked Gilts	7.0	7.3	7.5	6.2	6.7	7.0	7.3	4.4
	less Equities	1.6	1.9	2.2	1.9	2.5	3.3	3.6	2.5

Source: IPD (RPI: ONS)

* 10 year

The UK economy is still growing, but only at just over 1% a year, against the Eurozone and U.S. economies at 2% - 3%. Weak consumer spending and business confidence are holding back investment decisions, with growing labour shortages in construction, hospitality and agriculture in particular. The greatest threat to the World economy is the escalating tariff war between the U.S and China, in particular.

Consumer Price Inflation and Retail Price Inflation in the UK have both peaked at 3% and 4% respectively and are now rising at annual rates of around 2½% and 3½%. The public sector deficit has come down from almost 10% of GDP to 2%, but the strains of successive cuts are growing on local authorities, social care and the NHS, with the 1% public sector pay cap now scrapped, and rising pressure on the Treasury to relax austerity. The Bank of England has raised base rate from 0.25% to 0.75% over the past year. Longer term interest rates are clearly on the way up with U.S. bond yields now rising and signs of overseas investors starting to price in the rising risks of a hard Brexit or far-left Labour government in the U.K.

There have been many more transactions in 2017 and 2018 in the safer parts of the UK property market than in shorter-let retail property in particular. Valuations of property in the strongest areas, and the IPD indices overall, are therefore still too optimistic, but they are starting to be marked to market, which should make capital values turn down on the IPD Index before the end of 2018. Private investors are still hungry for safe yields at the smaller (typically sub £2 million) end of the market, but are seeking longer leases and finding it hard to borrow on retail property.

Safety first should stay the watchword for property investors targeting strong real returns again at relatively low risk. This approach has paid off since the 2016 Referendum, and property portfolios with weighted average unexpired lease lengths above the IPD average of 7 years, and void rates below IPD's 7.6%, should continue to deliver strong relative and absolute real returns over the next year.

VIT's Portfolio

VIT's property portfolio is independently valued by Savills at the end of March and September each year. The latest valuation total was £67,850,000 as at 30 September 2018.

Since the end of March, the sales of three properties have completed, a short-let shop in Bedford and two public houses in Lancaster, for £2.25 million, just above valuation and at a net initial yield of 8.0%. There is now £1.8 million available for reinvestment in VIT's property portfolio. There have been no purchases over the last six months.

Over the six months the capital value of the existing portfolio rose by 2.1% and the total return was 5.3%, against 3.9% on the IPD Index of commercial property. Rental income and underlying rental values both rose by 2.5%. Thirteen properties gained in value, eight declined and four were unchanged. Industrial and motor trade properties, the index-linked pubs and the caravan park performed best with capital growth of 5%. The four shops remaining in the portfolio slipped back by 8%. The running yield on valuation was 6.2% at end September (IPD: 4.9%) against 6.3% at the end of March. There are no empty properties, against an IPD void rate of 7.6%. All properties are let on full repairing and insuring leases with upward only rent reviews and a weighted average unexpired lease length of 14 years. 42% of rental income now has rent reviews with R.P.I.-linked increases, and a further 21% has fixed increases. This 63% index-related share of rental income is up from 62% at end March and 39% five years ago.

VIT's property portfolio is partly funded from three fixed rate loans – £15 million of VIT 11% Debenture Stock repayable in 2021 and £35 million repayable in 2026, comprising £20m of historic 9 3/8% Debenture Stock and a £15 million bank loan drawn down in mid-2016 at an average fixed rate of 4.4%. Because the Debenture Stocks were issued at a premium, our effective average annual interest cost is 7.5% compared to the 13% p.a. long-term total return on VIT's properties, and 9% on the IPD Index.

OLIM Property Limited

30 October 2018

Management and Administration of VIT

Value and Income Services Limited (VIS), a wholly owned subsidiary of the Company, is the Company's Alternative Investment Fund Manager (AIFM). As AIFM, VIS has responsibility for the overall portfolio management and risk management of the assets of the Company. VIS has delegated its portfolio management responsibilities for the equity portfolio to OLIM Limited (OLIM) and for the property portfolio to OLIM Property Limited (OLIMP) (collectively the Investment Managers). The delegation by VIS of its portfolio management responsibilities is in accordance with the delegation requirements of the Alternative Investment Fund Managers Directive (AIFMD). The Investment Managers remain subject to the supervision and direction of VIS. The Investment Managers are responsible to VIS and ultimately to the Company in regard to the management of the investment of the assets of the Company in accordance with the Company's investment objectives and policies. VIS has a risk committee which reviews the effectiveness of the Company's internal controls and risk management systems and procedures and identifies, measures, manages and monitors the risks identified as affecting the Company's business.

BNP Paribas Securities Services is the Company's Depositary and oversees the Company's custody and cash arrangements.

Principal Risks and Uncertainties

The Board carries out a regular review and robust assessment of the principal risks and uncertainties which have been identified as affecting the Company's business. These risks and uncertainties are summarised below and are considered equally applicable to the second half of the financial year as for the period under review. Policies are in place for the management of each of these risks and uncertainties.

- Discount volatility: The Company's shares may trade at a price which represents a discount to its underlying net asset value.

- Regulatory risk: The Group operates in a complex regulatory environment and therefore faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including but not limited to, the Companies Act 2006, the FCA Listing Rules or the FCA Disclosure, Guidance and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company could also lead to reputational damage or loss. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and the Investment Managers.

- Market risk: The fair value of, or future cash flows from, a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk.

  Price risk: Changes in market prices other than those arising from interest rate or currency risk may affect the value of the Group's investments. 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 a particular sector. For equities, asset allocation and stock selection both act to reduce market risk. The Investment Managers actively monitor market prices throughout the year and report to VIS and to the Board, which meets regularly in order to review investment strategy. The equity investments held by the Group are listed on the UK Stock Exchange and all investment properties held by the Group are commercial properties located in the UK with long, strong income streams.

  Interest rate risk: Interest rate movements may affect the fair value of the investments in property and the level of income receivable on cash deposits. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. The Board imposes borrowing limits to ensure that gearing levels are appropriate to market conditions and reviews these on a regular basis. Current borrowings comprise debenture stock and the ten year secured term loan, providing secure long-term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%.

Currency risk: A small proportion of the Group's investment portfolio is invested in securities whose fair value and dividend stream are affected by movements in foreign exchange rates. It is not the Board's policy to hedge this risk.

- Liquidity risk: This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's assets comprise readily realisable securities which can be sold to meet commitments, if required, and investment properties which, by their nature, are less readily realisable.

- Credit risk: This is the failure of a counterparty to a transaction to discharge its obligations under that transaction which could result in the Group suffering a loss. The risk is not significant and is managed as follows:

  - investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by OLIM (who report to VIS) and limits are set on the amount that may be due from any one broker.

  - the risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis to ensure that discrepancies are picked up on a timely basis. VIS carries out periodic reviews of the Depositary's operations and reports its findings to the Company. This review also includes checks on the maintenance and security of investments held.

  - cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.

  None of the Group's equity investments is secured by collateral or other credit enhancements.

- Property risk: The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market. Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews. None of the Group's financial assets is impaired.

- Political risk: In a referendum held on 23 June 2016, the UK voted to leave the European Union (informally known as "Brexit"). The political, economic and legal consequences of the referendum vote are not yet known.

Interim Board Report

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of Financial Statements within the Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'; and

- the Interim Board Report includes a true and fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure, Guidance and Transparency Rules.

For and on behalf of the Board of Value and Income Trust PLC

James Ferguson
Chairman
30 October 2018

Group Statement of Financial Position

as at 30 September 2018

	Notes	As at 30 September 2018 (Unaudited) £'000	£'000	As at 31 March 2018 (Audited) £'000	£'000	As at 30 September 2017 (Unaudited) £'000	£'000
ASSETS							
NON CURRENT ASSETS							
Investments held at fair value through profit or loss			135,706		128,925		140,465
Investment properties			67,850		68,700		67,545
	8		203,556		197,625		208,010
Deferred tax asset			248		287		—
			203,804		197,912		208,010
CURRENT ASSETS							
Cash and cash equivalents		6,043		3,639		4,519	
Receivables		717		711		787	
			6,760		4,350		5,306
TOTAL ASSETS			210,564		202,262		213,316
CURRENT LIABILITIES							
Payables			(1,371)		(1,845)		(1,312)
TOTAL ASSETS LESS CURRENT LIABILITIES			209,193		200,417		212,004
NON-CURRENT LIABILITIES							
Borrowings			(49,905)		(49,898)		(49,891)
NET ASSETS			159,288		150,519		162,113
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS							
Called up share capital			4,555		4,555		4,555
Share premium			18,446		18,446		18,446
Retained earnings	6		136,287		127,518		139,112
TOTAL EQUITY			159,288		150,519		162,113
NET ASSET VALUE PER ORDINARY SHARE (Pence)			349.70p		330.45p		355.90p

Group Statement of Comprehensive Income
for the 6 months ended 30 September 2018

	Notes	6 months ended 30 September 2018 (Unaudited) Revenue £'000	Capital £'000	Total £'000
INCOME				
Dividend income		3,626	—	3,626
Other operating income	2	2,143	—	2,143
		5,769	—	5,769
GAINS AND LOSSES ON INVESTMENTS				
Realised gains/(losses) on held at fair value investments and investment properties		—	4,178	4,178
Unrealised gains/(losses) on held at fair value investments and investment properties		—	4,649	4,649
TOTAL INCOME		5,769	8,827	14,596
EXPENSES				
Investment management fees		(175)	(407)	(582)
Other operating expenses		(389)	—	(389)
FINANCE COSTS		(2,084)	—	(2,084)
TOTAL EXPENSES		(2,648)	(407)	(3,055)
PROFIT/(LOSS) BEFORE TAX		3,121	8,420	11,541
TAXATION		(116)	77	(39)
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF PARENT COMPANY		3,005	8,497	11,502
EARNINGS PER ORDINARY SHARE (Pence)	3	6.60	18.65	25.25

The total column of this statement represents the Statement of Comprehensive Income of the Group, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance issued 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 Board has declared a first quarterly dividend of 2.80p per share (2018 - 2.70p) which was paid on 26 October 2018 to those shareholders on the register on 28 September 2018 with an ex-dividend date of 27 September 2018 and a second quarterly dividend of 2.80p per share (2018 - 2.70p) which will be paid on 25 January 2019 to those shareholders on the register on 28 December 2018 with an ex-dividend date of 27 December 2018. The third quarterly dividend of 2.80p (2018 - 2.70p) will be paid on 26 April 2019 to those shareholders on the register on 29 March 2019. The ex-dividend date will be 28 March 2019.

6 months ended 30 September 2017 (Unaudited)			Year ended 31 March 2018 (Audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3,439	—	3,439	5,732	—	5,732
2,201	—	2,201	4,337	—	4,337
5,640	—	5,640	10,069	—	10,069
—	(1,653)	(1,653)	—	(563)	(563)
—	6,524	6,524	—	(5,270)	(5,270)
5,640	4,871	10,511	10,069	(5,833)	4,236
(212)	(494)	(706)	(427)	(995)	(1,422)
(345)	—	(345)	(691)	—	(691)
(2,084)	—	(2,084)	(4,168)	—	(4,168)
(2,641)	(494)	(3,135)	(5,286)	(995)	(6,281)
2,999	4,377	7,376	4,783	(6,828)	(2,045)
—	—	—	(256)	543	287
2,999	4,377	7,376	4,527	(6,285)	(1,758)
6.58	9.61	16.19	9.94	(13.80)	(3.86)

Group Statement of Changes in Equity

for the 6 months ended 30 September 2018

		6 months ended 30 September 2018 (Unaudited)			
	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2018		4,555	18,446	127,518	150,519
Net profit for the period		—	—	11,502	11,502
Dividends paid	4	—	—	(2,733)	(2,733)
NET ASSETS AT 30 SEPTEMBER 2018		4,555	18,446	136,287	159,288
		Year ended 31 March 2018 (Audited)			
Net assets at 31 March 2017		4,555	18,446	134,378	157,379
Net loss for the period		—	—	(1,758)	(1,758)
Dividends paid	4	—	—	(5,102)	(5,102)
NET ASSETS AT 31 MARCH 2018		4,555	18,446	127,518	150,519
		6 months ended 30 September 2017 (Unaudited)			
Net assets at 31 March 2017		4,555	18,446	134,378	157,379
Net profit for the period		—	—	7,376	7,376
Dividends paid	4	—	—	(2,642)	(2,642)
NET ASSETS AT 30 SEPTEMBER 2017		4,555	18,446	139,112	162,113

Group Cash Flow Statement

for the 6 months ended 30 September 2018

	6 months ended 30 September 2018 (Unaudited)		6 months ended 30 September 2017 (Unaudited)		Year ended 31 March 2018 (Audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Dividend income received		3,811		3,659		5,804
Rental income received		1,582		1,462		4,179
Interest received		1		—		—
Operating expenses paid		(1,079)		(1,388)		(2,271)
NET CASH INFLOW FROM OPERATING ACTIVITIES		4,315		3,733		7,712
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(10,713)		(3,253)		(11,890)	
Sale of investments	13,609		4,463		12,780	
NET CASH INFLOW FROM INVESTING ACTIVITIES		2,896		1,210		890
CASH FLOW FROM FINANCING ACTIVITIES						
Interest paid	(2,074)		(2,074)		(4,153)	
Dividends paid	(2,733)		(2,642)		(5,102)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(4,807)		(4,716)		(9,255)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,404		227		(653)
Cash and cash equivalents at the start of the period		3,639		4,292		4,292
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,043		4,519		3,639

Notes to the Financial Statements

1 Accounting policies

(a) The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

The functional and presentational currency of the Group is pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Financial Statements and the accompanying notes are presented in pounds sterling and rounded to the nearest thousand pounds except where otherwise indicated.

The Financial Statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial assets. Where presentational guidance set out in the Statement of Recommended Practice '*Financial Statements of Investment Trust Companies and Venture Capital Trusts*' (the SORP) issued by the Association of Investment Companies (AIC) in November 2014 and updated in February 2018 with consequential amendments is consistent with the requirements of IFRSs, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP, except for the allocation of finance costs to revenue as explained below.

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is charged with setting the Group's investment strategy. The Board has delegated the day to day implementation of this strategy to the Investment Managers but the Board retains responsibility to ensure that adequate resources of the Group are directed in accordance with its decisions. The Board is of the view that the Group is engaged in a single segment of business, being investments in quoted UK equities and UK commercial properties. The view that the Group is engaged in a single segment of business is based on the fact that one of the key financial indicators received and reviewed by the Board is the total return from the investment portfolio taken as a whole. A review of the investment portfolio is included in the Investment Managers' Reports on pages 3 to 10.

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 and in accordance with the SORP, the investment management fees are allocated 30% to revenue and 70% to capital to reflect the Board's expectations of long term investment returns.

It is normal practice and in accordance with the SORP for investment trust companies to allocate finance costs to capital on the same basis as the investment management fee allocation. However as the Group has a significant exposure to property, and property companies allocate finance costs to revenue to match rental income, the Directors consider that, contrary to the SORP, it is inappropriate to allocate finance costs to capital.

The Group's Financial Statements have been prepared using the same accounting policies as those applied for the Financial Statements for the year ended 31 March 2018 which received an unqualified audit report.

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Interim Board Report on pages 11 to 14. The financial position of the Group as at 30 September 2018 is shown in the Statement of Financial Position on page 16. The cash flows of the Group for the half year to 30 September 2018, which are not untypical, are set out on page 20. The Group had fixed debt totalling £49,905,000 as at 30 September 2018; none of the borrowings is repayable before 2021. The Group had no short term borrowings. As at 30 September 2018, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over four.

The assets of the Group consist mainly of securities and investment properties that are held in accordance with the Group's investment policy, as set out on page 1. Most of these securities are readily realisable, even in volatile markets. The Directors, who have reviewed carefully the Group's forecasts for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's Financial Statements.

(c) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and the entity controlled by the Company (its subsidiary). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Company consolidates the investee that it controls. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Value and Income Services Limited is a private limited company incorporated in Scotland under company number SC467598. It is a wholly owned subsidiary of the Company and has been appointed to act as the Alternative Investment Fund Manager of the Company.

(d) Presentation of Statement of Comprehensive Income

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 Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles, net capital returns may be distributed by way of dividend however the Board has no intention of exercising this authority at present.

(e) 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.

(f) Investments

Equity 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 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 Statement of Comprehensive Income and are ultimately recognised in the retained earnings.

Investment properties

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in the Statement of Comprehensive Income.

The Group leases out all of its properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rental, capital appreciation or both. Any such property leased under an operating lease is carried at fair value. Fair value is established by half-yearly professional valuation on an open market basis by Savills (UK) Limited, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation - Professional Standards issued in July 2017 (the 'RICS Red Book') by reference to the Investment Method whereby the net annual income derived from a property is capitalised by an appropriate capitalisation rate or Years' Purchase figure to arrive at the present Capital Value of the property after an allowance for the purchaser's costs. The relevant capitalisation rate is chosen, based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned and taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the property.

2 Other operating income

	6 months ended September 2018 £'000	6 months ended September 2017 £'000	Year ended March 2018 £'000
Rental income	2,142	2,201	4,337
Interest receivable on short term deposits	1	—	—
	2,143	2,201	4,337

3 Return per ordinary share

The return per ordinary share is based on the following figures:

	6 months ended September 2018 £'000	6 months ended September 2017 £'000	Year ended March 2018 £'000
Revenue return	3,005	2,999	4,527
Capital return	8,497	4,377	(6,285)
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975
Return per share - revenue	6.60p	6.58p	9.94p
Return per share - capital	18.65p	9.61p	(13.80p)
Total return per share	25.25p	16.19p	(3.86p)

4 Dividends paid

	6 months ended 30 September 2018 £'000	6 months ended 30 September 2017 £'000	Year ended 31 March 2018 £'000
Dividends on ordinary shares:			
Third quarterly dividend of 2.70p per share (2017- 2.60p) paid 27 April 2018	1,230	1,184	1,184
Final dividend of 3.30p per share (2017 - 3.20p) paid 27 July 2018	1,503	1,458	1,458
First quarterly dividend of 2.70p per share (2017- 2.60p) paid 27 October 2017 *	—	—	1,230
Second quarterly dividend of 2.70p per share (2017- 2.60p) payable 26 January 2018 *	—	—	1,230
Dividends paid in the period	2,733	2,642	5,102

* First and second quarterly dividends for the year to 31 March 2019 have been declared with pay dates falling after 30 September 2018. These have not been included as liabilities in these Financial Statements.

5 Interim dividend

The Directors have declared a first quarterly dividend of 2.80p per ordinary share, paid on 26 October 2018 to shareholders registered on 28 September 2018, with an ex-dividend date of 27 September 2018 (2018 - 2.70p) and a second interim dividend of 2.80p per share, payable on 25 January 2019 to shareholders registered on 28 December 2018, with an ex-dividend date of 27 December 2018 (2018 - 2.70p). The third quarterly dividend of 2.80p (2018 - 2.70p) will be paid on 26 April 2019 to those shareholders on the register on 29 March 2019. The ex-dividend date will be 28 March 2019.

6 Retained earnings

The table below shows the movement in retained earnings analysed between revenue and capital items.

	Revenue £'000	Capital £'000	Total £'000
At 31 March 2018	4,305	123,213	127,518
Movement during the period:-			
Profit for the period	3,005	8,497	11,502
Dividends paid on ordinary shares	(2,733)	—	(2,733)
At 30 September 2018	4,577	131,710	136,287

7 Transaction costs

During the period, 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 and losses on investments in the Statement of Comprehensive Income.

The total costs are as follows:-

	6 months ended 30 September 2018 £'000	6 months ended 30 September 2017 £'000	Year ended 31 March 2018 £'000
Purchases	61	2	17
Sales	11	4	11
	72	6	28

8 Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 Fair Value hierarchy:-

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 September 2018 (unaudited)				
Equity investments	135,706	—	—	135,706
Investment properties	—	—	67,850	67,850
	135,706	—	67,850	203,556
Borrowings	—	(58,764)	—	(58,764)
	135,706	(58,764)	67,850	144,792
At 31 March 2018 (audited)				
Equity investments	128,925	—	—	128,925
Investment properties	—	—	68,700	68,700
	128,925	—	68,700	197,625
Borrowings	—	(59,685)	—	(59,685)
	128,925	(59,685)	68,700	137,940
At 30 September 2017 (unaudited)				
Equity investments	140,465	—	—	140,465
Investment properties	—	—	67,545	67,545
	140,465	—	67,545	208,010
Borrowings	—	(60,874)	—	(60,874)
	140,465	(60,874)	67,545	147,136

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:-

Level 1 - valued using quoted prices in an active market for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

The fair values of the debentures are determined by comparison with the fair values of equivalent gilt edged securities, discounted to reflect the differing levels of credit worthiness of the borrowers. The fair value of the loans are determined by a discounted cash flow calculation based on the appropriate inter-bank rate plus the margin per the loan agreement. All other assets and liabilities of the Group are included in the balance sheet at fair value.

There were no transfers between Levels during the period.

9 Relationship with the Investment Managers and other Related Parties

Angela Lascelles is a Director of OLIM Limited which has an agreement with the Group to provide investment management services.

Matthew Oakeshott is a Director of OLIM Property Limited which has an agreement with the Group to provide property management services.

OLIM and OLIM Property each receives an investment management fee of 0.60% of the capital assets that they manage.

With effect from 1 April 2018, there is no performance fee.

OLIM Limited received an investment management fee of £388,000 (half year to 30 September 2017: £494,000 and year to 31 March 2018: £995,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Limited was £91,000 (31 March 2018: £82,000) comprising management fees for the month of September 2018, subsequently paid in October 2018.

OLIM Property Limited received an investment management fee of £194,000 (half year to 30 September 2017: £212,000 and year to 31 March 2018: £427,000 including a performance fee of £nil). At the period end, the balance owed by the Group to OLIM Property Limited was £32,000 (31 March 2018: £35,000) comprising management fees for the month of September 2018, subsequently paid in October 2018.

Value and Income Services Limited is a wholly owned subsidiary of Value and Income Trust PLC and all costs and expenses are borne by Value and Income Trust PLC. Value and Income Services Limited has not traded during the period.

10 Half-Yearly Report

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2018 and 30 September 2017 has not been audited.

The figures and financial information for the year ended 31 March 2018 has been extracted and abridged from the latest published audited Financial Statements and do not constitute the statutory accounts for that year. Those Financial Statements have been filed with the Registrar of Companies and included the Report of the Independent Auditor, which contained no qualification or statement under section 498 (2), (3) or (4) of the Companies Act 2006.

This Half-Yearly Report was approved by the Board on 30 October 2018.

How to Invest in Value and Income Trust

Direct

Investors can buy and sell shares in Value and Income Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

Keeping you Informed

The net asset value per ordinary share of the Company is calculated at each month end and published on the London Stock Exchange where the latest ordinary share price is also displayed, subject to a delay of 15 minutes. "VIN" is the code for the ordinary shares which may be found at www. londonstockexchange. com. Additional data on the Company and other investment trusts may be found at www.trustnet.co.uk.

Customer Services

For enquiries in relation to ordinary shares held in certificated form, please contact the Company's registrars:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 703 0168

www.investorcentre.co.uk/contactus

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, may be changed by future legislation.

Contact Information

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M A Oakeshott
D A Smith

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Registered Number
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Legal Entity Identifier
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Legal Entity Identifier
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Depositary and Custodian
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London Branch
10 Harewood Avenue
London NW1 6AA

Unsolicited Offers for Shares (Boiler Room Scams)

Shareholders in a number of UK registered companies have received unsolicited calls from organisations, usually based overseas or using false UK addresses or phone lines routed abroad, offering to buy shares at prices much higher than their current market values or to sell non-tradeable, overpriced, high-risk or even non-existent securities. Whilst the callers may sound credible and professional, Shareholders should be aware that their intentions are often fraudulent and high pressure sales techniques may be applied, often involving a request for an indemnity or a payment to be provided in advance.

If you receive such a call, you should exercise caution and, based on advice from the FCA, the following precautions are suggested:

- obtain the name of the individual or organisation calling;
- check the FCA register to confirm if the caller is authorised;
- call back using the details on the FCA register to verify the caller's identity;
- discontinue the call if you are in any doubt about the intentions of the caller, or if calls persist; and
- report any individual or organisation that makes unsolicited calls with an offer to buy or sell shares to the FCA and the City of London Police.

Useful contact details:
ACTION FRAUD
Telephone: 0300 123 2040
Website: www.actionfraud.police.uk

FCA
Telephone: 0800 111 6768 (freephone)
E-mail: consumer.queries@fca.org.uk
Website: www.fca.org.uk