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VALUE
AND
INCOME
TRUST PLC



ANNUAL
REPORT
2000

AIMS OF THE TRUST

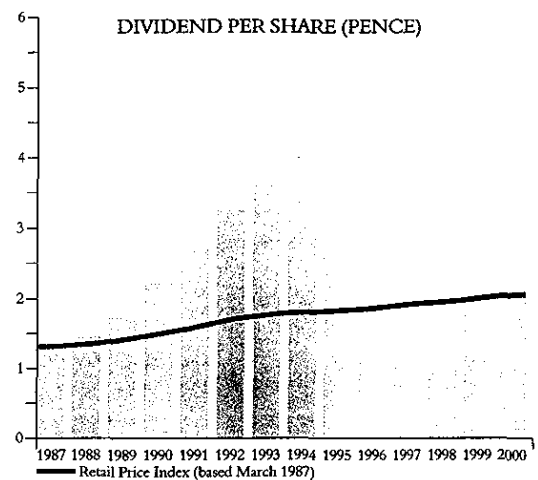
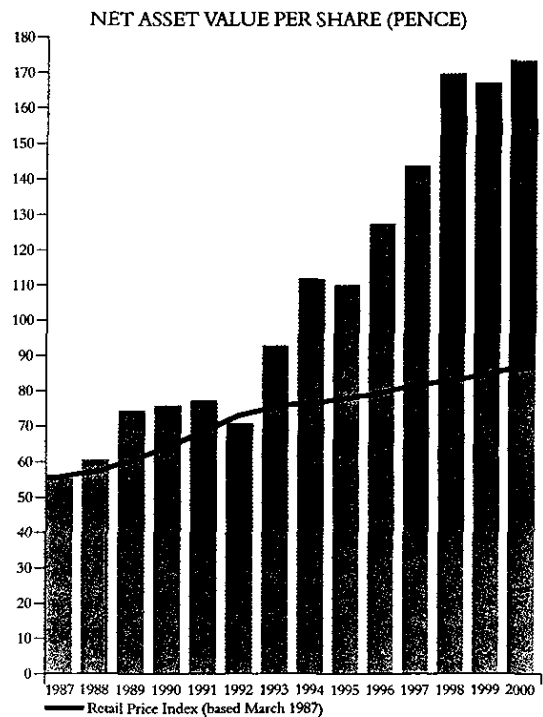
Value and Income Trust (VIT) is a specialist United Kingdom investment trust designed for both institutional and private investors. It invests in higher-yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in smaller companies. Its aim is above average long-term growth in dividends and capital values without undue risk.

HIGHLIGHTS OF THE YEAR

- Share price up 12%, total return including net dividends 17%.
- Net asset value total return 7%.
- Net dividend up 4% - thirteenth consecutive increase above inflation.

PRICE QUOTATIONS

The share price and estimated net asset value are quoted daily under "Investment Trusts" in *The Daily Telegraph* and *Financial Times*. *The Herald*, *Scotsman* and *Times* quote the share price.



LONG TERM RECORD

		31 March 2000	31 March 1999	31 March 1998	31 March 1997	31 March 1996	31 March 1995	31 March 1994	31 March 1993	31 March 1992	31 March 1991	31 March 1990	31 March 1989	31 March 1988	31 March 1987	30 Sept 1986
Net Asset Value per share p		173.3	167.0	169.6	143.6	127.4	110.0	111.7	92.5	70.6	77.0	75.5	74.2	60.5	55.1	44.0
Ordinary Share Price	p	131.0	116.5	159.8	150.0	129.0	116.5	113.5	89.5	61.0	68.5	57.0	63.0	54.0	52.0	42.0
Dividend per Share	p	5.2	5.0	4.8	4.6	4.4	4.2	4.0	3.6	3.24	2.7	2.2	1.725	1.44	1.25	N/A
Portfolio Total	£m	114.6	111.7	112.9	90.0	82.4	69.0	68.4	59.0	49.4	47.2	46.5	45.6	39.2	24.8	17.4

CHAIRMAN'S REVIEW

Higher yielding shares, and investment trusts specialising in them, have had a hard year. The total return (capital growth plus net dividends) on the FTSE All Share Index was 10%, but investment trusts in our UK Income Growth Sector produced an average net asset value total return of 2% and a share price total return of -3%. The average discount to net assets widened from 10% to 16%. VIT's performance was relatively good in its sector; its net asset value total return was 7% and its share price total return was 17%. VIT's share price is still at a substantial discount to its asset value, although that discount has narrowed over the year. One reason for the discount is that some analysts are concerned that the current market value of the company's debentures exceed their par value. The market value of these debentures, which mainly finance the company's property holdings, fluctuates with the level of interest rates. As the company does not intend to repay these debentures until the due dates, for repayment, at par, these fluctuations do not affect the potential returns for a long term investor in the company's shares or the ability of the managers to achieve its objectives of sustained growth of income and capital.

VIT's equities performed well for most of our year but were badly left behind in the strong market before Christmas, which saw dramatic gains in the technology, media and telecommunications sectors. Many of the stocks in these sectors pay negligible or nil dividends. We continued to restructure the portfolio away from the smallest companies and took advantage of the undervaluation of the 'old economy' by buying new holdings in a spread of mid size and large companies. We have upgraded the quality of the investments and reduced the number of holdings.

Property gave a 15% return after substantial restructuring. Many smaller low-growth properties were sold and new portfolios were bought by way of sale and leasebacks from WH Smith and Clydesdale Bank. The average unexpired lease length has risen to 24 years, matching the maturity on our mortgage debentures, and

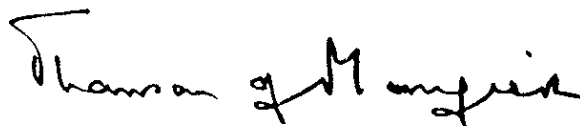
two-fifths of rental income now has guaranteed fixed increases. The move towards properties with lower initial yields, but better prospects of income and capital growth, led to a small revenue deficit last year. This still leaves revenue reserves of £1.1 million available to maintain VIT's real dividend growth. We expect to pay a total net dividend of 5.4 pence for the current year.

This is my final review since I became VIT's first Chairman thirteen and a half years ago with a new investment policy and management team. The net assets have since risen from £7.4 million to £79 million and the total portfolio to £115 million. Net asset value per share has risen during these years from 44 to 173 pence and the share price from 42 to 131 pence. The net dividend has risen from 1.25 pence to 5.2 pence. Investors who backed VIT at the start have had 48 pence per share back in net dividends and saw a 12% net income yield last year on their original investment. VIT has also delivered the best net asset value and dividend growth in our sector, which now has £5 billion of assets in 19 trusts managed by the leading names in London and Edinburgh.

These results have been achieved despite the 90's property crash and unprecedented upheavals in financial markets and institutions. The constantly changing patterns of ownership have now affected our long-standing company secretaries, Stewart Ivory, who have just become part of an Australian group. They have served VIT conscientiously and well, but we now have to look for a replacement. We are in discussion with several possible successors and are confident of a smooth handover in due course.

This provides an opportunity to reshape the Board of VIT and reduce its average age. John Murray our longest serving director will not seek re-election at the AGM. His wide experience predates VIT's reconstruction in 1986 and he has played a key role as Chairman of our Audit Committee. I will retire as Chairman at the AGM, and the Board will find in James Ferguson an ideal – and much younger – successor with great experience and a safe pair of hands. He has been a director of VIT from the beginning. He is a leading respected figure in Scottish fund management and in the UK investment industry. We are fortunate that his retirement from Stewart Ivory frees him to become our independent chairman.

I have enjoyed a long, happy and fruitful partnership with my fellow directors and shareholders and express my gratitude for their patient support. I pay particular tribute to the skill and zeal of our executive investment team of Angela Lascelles and Matthew Oakeshott.



Lord Thomson of Monifieth K.T.

12 May 2000

DIRECTORS

The Rt. Hon. LORD THOMSON OF MONIFIETH, KT*

(Chairman – Non-executive) Former Chairman of the Independent Broadcasting Authority, Cabinet Minister, Commissioner of the European Communities, Chancellor of Heriot-Watt University, First Crown Estates Commissioner, Deputy Chairman of the Woolwich Building Society and non-executive director of ICI and The Royal Bank of Scotland Group. He was a member of the Nolan Committee on Standards of Conduct in Public Life.

JAMES FERGUSON

(Non-executive) Chairman of Stewart Ivory. He is a graduate in economics and political science from Trinity College, Dublin. He joined Stewart Ivory in 1970 and became a director in 1975, and chairman in 1989, retiring in July 2000. He is a former Deputy Chairman of the Association of Investment Trust Companies.

JOHN KAY

(Non-executive) Director of London Economics, a specialist economic consulting group. He is the author of many books and articles on economic and management issues and is a director of Halifax plc and several other companies.

ANGELA LASCELLES

(Joint Investment Director) She has been professionally engaged in investment business since graduating in philosophy from London University. She spent four years in stock-broking 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.

JOHN MURRAY*

(Non-executive) He has been engaged in investment and finance since 1957, first as a financial journalist, then as a director of a merchant bank, then a divisional director of a clearing bank.

MATTHEW OAKESHOTT

(Joint Investment Director) After studying economics at Oxford University and a period as special adviser to Mr Roy Jenkins as Home Secretary, he joined S.G. Warburg & Co Ltd in 1976 and became a director of Warburg Investment Management Ltd 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.

*Member of the Audit Committee.

INVESTMENT MANAGER

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London W1X 1PD
020 7439 4400

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45 Charlotte Square,
Edinburgh EH2 4HW
0131 226 3271

REGISTRARS AND TRANSFER OFFICE

Computershare Services PLC,
P. O. Box 435, Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 4BR
0131 556 8555

AUDITORS

Chiene & Tait, C.A.,
61 Dublin Street, Edinburgh EH3 6NL

PROPERTY MANAGERS

Workman & Partners,
Marble Arch House,
66/68 Seymour Street, London W1H 5AF

INVESTMENT DIRECTORS' REPORT

EQUITY PORTFOLIO

THE MARKET

The UK equity market, measured by the FT-SE All-Share Index, rose by 7.5% over VIT's year as a whole. Higher yielding shares, as measured by the FTSE 350 Higher Yield Index, fell by 4.8%.

Prices were little changed in the first five months of the year, but took a tumble in September when interest rates were unexpectedly raised. At the half year end the All-Share Index had fallen by 2.4%. There was a sharp recovery in the third quarter of the year when the Index rose by 14.7%, though rises were very concentrated into the low yielding technology related sectors. In the final quarter, technology related companies fell significantly and the Index overall fell by 4.1%.

The economic background strengthened during the year, particularly in the South East, where unemployment statistics fell to historically low levels and house prices rose substantially. These potentially inflationary factors caused the Bank of England to raise interest rates from 5½ to 6% during the latter part of VIT's year. Longer dated interest rates rose in the first half of VIT's year, but were stable in the second half.

Within the overall economy, there was a substantial shift in investment towards the technology, media and telecommunications sectors, as excitement grew about the growth in business transacted via the internet. This trend was especially strong in the third quarter of VIT's year when the Index as a whole rose by 14.7% but the high yielding component of it (largely excluding the technology related stocks) rose by only 3.3%. The 'new' economy soared but the 'old' economy stagnated; most of the stocks in the 'new' sectors are not expected to earn profits or pay dividends in the foreseeable future and would not therefore qualify for inclusion in our portfolio. In the last months of VIT's year, the indiscriminate enthusiasm for technology stocks abated and the steadily growing income flows from the 'old' economy were again appreciated by investors.

INVESTMENT POLICY

We found attractive opportunities to invest in the 'old' economy, particularly in the second half of the year and overall we were net investors of £1.5m during the year.

Our policy was to shift the portfolio out of the smallest companies operating in an increasingly hostile trading environment, into larger companies which were trading comfortably, but overlooked by technology hungry investors. In the first half year we sold ten complete holdings, mainly of small companies and reinvested in large and mid sized companies across the industrial sectors. In the second half we sold three investments and bought new holdings in Anglian Water, Burmah Castrol, Cable & Wireless, Land Securities, Reckitt Benckiser convertible and Whitbread. Eight of our holdings received takeover bids during the year. At the year end we held 47 companies with a total value of £72m and an overall yield of 4.8%(gross of 10% tax).

Summary of Portfolio	31 March 1999	
	£m	%
UK Equities	69.2	62
UK Property (at valuation)	41.0	37
Cash	1.5	1
Total	111.7	100

PERFORMANCE

During the first half year we outperformed the All-Share Index by 1.5%, but VIT's performance was badly hit in the third quarter when

INVESTMENT DIRECTORS' REPORT

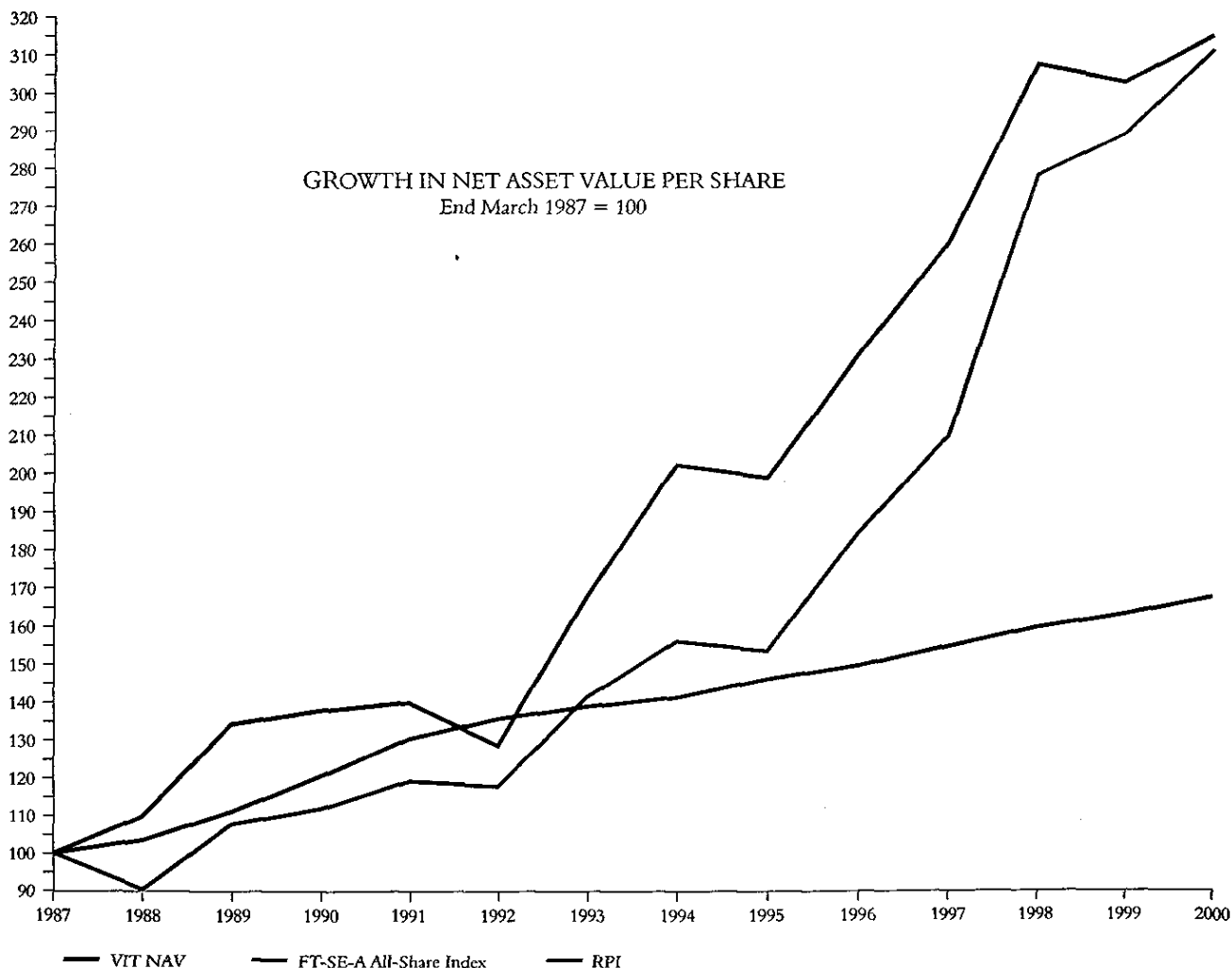
high yielding shares rose only slightly in a market which rose by 14.7% overall. We had a good final quarter, but underperformed in the second half overall. Over the year as a whole the total return on VIT's portfolio was 5.7% compared with a return on the All-Share Index of 10.0%.

OUTLOOK

There are still signs of overheating in the economy in the South East and bank lending rates may well rise further. We think that stocks at the sharp end of the technology boom are overvalued, but that there are opportunities to invest profitably in companies supplying the "new" economy. Real value has appeared in other neglected sectors, particularly in retailing and brewing. Out in the real world, people are still shopping in real shops and drinking in real pubs. We believe that the companies represented in our portfolio are undervalued.

22 April 2000

Reckitt Benckiser



INVESTMENT DIRECTORS' REPORT

INVESTMENT DIRECTORS' REPORT

LIST OF HOLDINGS

Holdings	Description	Value
650,000	Shell Transport & Trading. It has a 40% holding in one of the largest integrated oil and gas groups in the world. It has vigorously restructured and cut costs in recent years.	3,380,000
308,000	Vosper Thornycroft. Traditionally a manufacturer of minesweepers and other warships, it has growing interests in non defence marine activities, and activities 'contracted out' by the MOD and other institutions.	3,195,500
310,000	Volex Group. Manufactures a wide range of electrical and electronic interconnect products and has operations in Europe, the Americas and South East Asia.	3,061,250
1,850,000	Dawson Holdings. The third largest UK newspaper and magazine wholesaler, it also has book supply businesses in the UK and USA and is developing its logistics and distribution activities.	2,849,000
335,600	United News & Media. Has a broad range of media interests, particularly in television and newspapers. It also has exhibitions and other 'business to business' services including Line One, the internet service provider.	2,767,022
600,000	Granada Group 7½% Conv. Preference. Television contracting and hotels are the main business, with other interests in leisure and computer maintenance. It has a half share in On Digital television.	2,694,000
150,000	Glaxo Wellcome. The UK's largest pharmaceutical company.	2,692,500
190,000	SMG (formerly Scottish Media). It holds a dominant media position in Scotland with Scottish and Grampian Television and The Herald, Sunday Herald and Evening Times newspapers. During the year it also acquired Primesight outdoor advertising, Pearl & Dean, Ginger Media (mainly radio) and raised its stake in GMTV to 25%.	2,446,250
225,000	Close Brothers Group. The only major British merchant bank.	2,396,250
334,000	Bank of Scotland. A leading Scottish bank, its activities are also extending steadily into England. Recently it narrowly failed to acquire National Westminster Bank.	2,371,400
450,000	Anglian Water. It provides water and sewage to the area from the Thames to the Humber and to Oxfordshire in the West. It operates overseas as A.W. International.	2,332,125
150,000	Burmah Castrol. Markets specialised lubricant and chemical products throughout the world. It has received a take-over bid from BP-Amoco.	2,316,750
500,000	Reed International. The UK listed parent of Reed Elsevier, a leading business, scientific and professional publisher in Europe and North America.	2,288,750
400,000	Kingfisher. A retail company, it owns Woolworths, B&Q, Superdrug and Comet in the UK, and Castorama and Darty in France.	2,060,000
400,000	Scottish & Southern Energy. The merged Scottish Hydro-Electric (supplying electricity in Northern Scotland) and Southern Electricity (supplying south central England).	2,052,000
700,000	Johnson Service Group. Its largest business is textile rentals and it has a chain of dry cleaning shops.	1,963,500
250,000	Land Securities. The leading UK property investment company. It is now selling many of its smaller properties and using the proceeds to buy back its shares.	1,872,500
300,000	Whitbread. Brewing beer produces a quarter of sales; pubs, restaurants and leisure are the main interests.	1,820,250
200,000	Abbey National. The bank and former building society.	1,650,000
400,000	Royal & Sun Alliance. The largest quoted general insurer in the UK. It also operates in the USA and many other countries and has a substantial life assurance business.	1,576,000
1,400,000	AMEC 6½% Conv. Preference. An international engineering, construction and development group, 25% of its revenues arise from contracted out services.	1,435,000
300,000	Mid Kent Holdings. It supplies water in this area. It has received a take-over approach.	1,425,000

INVESTMENT DIRECTORS' REPORT

LIST OF HOLDINGS

Holdings	Description	Market Value
120,000	Cable & Wireless. One of the world's leading telecommunications companies.	1,413,600
850,000	Marshall's 6% Conv. Preference. The company is a manufacturer of concrete blocks and a quarry owner.	1,402,500
750,000	British Aerospace 7% Conv. Preference. An aircraft manufacturer, the company recently acquired Marconi Electronic Systems.	1,316,250
275,000	Prism Rail. The company operates four passenger rail franchises and recently announced it had received a take-over approach.	1,141,250
346,153	Williams Holdings. Supplies products systems and services for security and fire protection.	1,099,036
750,000	Mucklow (A&J) Group. An old established, mainly industrial property company based in the Midlands. Last year they took advantage of strong demand for older industrial property to upgrade their portfolio.	1,095,000
250,000	Mersey Docks & Harbour Company. Operates the Port of Liverpool.	1,078,750
300,000	WH Smith Group. A major UK retailing company, it has acquired publishing companies and established a successful book selling business on the Internet.	1,056,750
1,570,000	Stat-Plus Group. A retailer of legal stationery and office supplies, a publisher of law forms, both conventionally and on the internet.	1,044,050
750,000	Reckitt Benckiser 9.5% CV 2005. The widely spread manufacturer of household goods.	993,750
900,000	Body Shop International. Has 1,760 shops in Europe, America and the Far East. Its business has been transformed following management changes.	958,500
500,000	Safeway Group. The eponymous supermarket chain.	951,250
1,000,000	Perry Group. A motor distributor; it has a rapidly growing chain of Crash Repair Centres and an Accident Management Service for insurance companies.	915,000
450,000	Heywood Williams. Glass manufacturers for the automotive industry and building industries in Europe and USA.	893,250
1,000,000	Express Dairies. A leading supplier of milk to supermarkets and through doorstep deliveries.	880,000
800,000	Goodhead Group. 7% Conv. Preference. A printer and publisher; the company was taken over in April 2000.	880,000
400,000	REXAM. Its main activities are in packaging in the UK, mainland Europe and North America.	856,000
800,000	John Laing 6.4% Conv. Preference. The company has interests in construction and house building.	728,000
450,000	Rank Group. A wide spread of interests in the leisure sector.	675,000
750,000	Corporate Services Group 7.5% Conv. Bond 2005. The training and supply of skilled personnel for the contract labour market.	552,000
166,666	De Vere Group. Owns De Vere Hotels. It was formerly Greenalls Group until it sold its pubs and restaurants.	406,665
375,000	Carr's Milling Industries. Its main activities are as feed and agricultural merchants, flour millers and in engineering.	384,375
175,000	Ellis & Everard. The UK market leader in the distribution of chemicals and polymers. It also has extensive US interests.	296,625
100,000	Chanter. An engineering group, the main activity is the manufacture of welding equipment.	217,500
230,000	Ferguson International Holdings. Formerly a label manufacturer. Its businesses are being sold and the proceeds returned to shareholders.	80,500
TOTAL		71,960,648

PROPERTY PORTFOLIO

THE MARKET

UK institutional property portfolios produced a 15.2% total return in 1999, as measured by the Investment Property Databank (IPD). Capital growth was just over 8%, plus an income yield of 7%. Industrial property beat retail and offices; property in London and the South-East generally outperformed the rest of the UK. The market has turned cooler in the past month after yet another increase in Stamp Duty in the Budget at the end of March.

ANNUALISED COMMERCIAL PROPERTY GROWTH RATES TO MARCH 2000

Capital Values

	Quarter	1 Year	3 Years	5 Years	10 Years
Retail	4.2	6.5	6.1	3.6	1.7
Office	6.1	7.7	5.6	2.5	-2.6
Industrial	7.2	9.0	5.6	2.5	0.0
All Property	5.3	7.4	5.8	3.0	-0.2

Rental Values

	Quarter	1 Year	3 Years	5 Years	10 Years
Retail	5.6	5.5	5.1	4.0	1.7
Office	7.6	7.1	7.0	4.5	-2.3
Industrial	5.7	5.2	4.2	2.4	-0.7
All Property	6.2	5.9	5.5	3.8	-0.3

Source: IPD Monthly Index

The UK economy is growing strongly again, but in a very lopsided way. The service sector and house prices in the South-East have been booming, but manufacturing is suffering from an overvalued pound, producing a rising trade deficit. Over the past year some institutions have invested aggressively in risky property with short leases and weak tenants, particularly in the industrial sector, forcing yields down to levels which do not make proper allowance for voids and management costs. Meanwhile they have grown fearful of the internet undermining high street and shopping centres.

We believe, however, that tried and trusted brand names in the retail and leisure sectors will capture much of the benefit of e-commerce, rather than the recently fashionable "dot com" companies. Property yields on safe property let on long leases to strong tenants are attractive in comparison with gilts and equities; such property has many of the defensive attractions of corporate bonds, with extra income potential and a lower default risk, since a property should retain some value even if the tenant goes bankrupt. These properties should continue to produce high real returns.

Equivalent Yields

	end March 00	end Dec 99	end Dec 98	end Dec 94	end Dec 89
Retail	7.1	7.3	7.4	7.5	7.3
Office	8.6	8.7	8.9	8.7	7.7
Industrial	9.0	9.1	9.7	10.2	9.4
All Property	7.9	8.1	8.2	8.4	7.9
UK Equities	2.1	2.1	2.9	4.0	4.2
Long Gilts	4.7	4.8	4.5	8.8	10.0
Yield Gap (Property - Long Gilts)	3.2	3.3	3.7	-0.4	-2.1

THE VIT PORTFOLIO

VIT's property portfolio produced a total return of 15% in the year to March, in line with the IPD Monthly Index. Capital growth was 7% and the income yield 8%.

We have substantially restructured and upgraded the portfolio this year, selling thirty-two properties for £13.7 million, 4% over last year's valuation. Their average unexpired lease length was eleven years and a third of the rent was from unquoted tenants. Sixteen properties have been bought or were under contract for purchase at the year end for £11.4 million in total. They have average lease lengths of twenty-one years and 95% of their rent is from quoted companies, including four WH Smith branches in Cirencester, Godalming, Melton Mowbray and Kelso and seven Clydesdale Banks in the East of Scotland. We also used the first major Scottish commercial auction in Edinburgh last November to sell other smaller properties acquired from the Clydesdale Bank, mainly to Scottish and Irish private investors.

We focus on long, strong income streams to meet the fixed interest payments on our long term debt. A third of rental income comes from three tenants, Sainsburys, The Kingfisher Group and Lloyds TSB. 45% of the total is from FTSE-100 companies, 45% from other quoted companies and the other 10% from unquoted

retailers, mainly national multiples and charities. The weighted average unexpired lease length is 24 years.

All leases are on full repairing and insuring terms, with upward only rent reviews. 97% of income is reviewed five yearly and two-fifths of rental income is subject to guaranteed minimum increases. The portfolio has been fully let for the past five years.

Over the year, shops fell from 57% to 48% of the total portfolio by value and leisure property (pubs, restaurants and a caravan park) was up from 9% to 20%. We own no office or industrial property at present. All 45 properties owned or under contract for purchase at 31 March were freehold or the Scottish equivalent. The average property value is now £907,000 against £673,000 last year end.

North Bridge, Edinburgh – Bought at 9% and let to Clydesdale Bank for 15 years

22nd April 2000

VIT'S PROPERTY RECORD

YEAR END	RENTAL INCOME £'000	CAPITAL VALUE £'000	YIELD ON VALUATION %	TOTAL RETURN %
March 87	1,155	11,375	10.2	-
88	1,329	14,939	8.9	24
89	1,915	23,475	8.2	30
90	2,050	24,390	8.4	15
91	2,331	23,800	9.8	2
92	2,709	25,880	10.5	10
93	2,773	26,415	10.5	12
94	2,806	29,835	9.4	23
95	2,948	31,125	9.5	10
96	2,840	29,440	9.6	9
97	3,111	32,805	9.5	10
98	3,141	34,800	9.0	15
99	3,410	41,055	8.3	25
2000*	3,149	40,825	7.7	15

*Including property under contract for purchase at the year-end at cost.

INVESTMENT DIRECTORS' REPORT

PERFORMANCE - % OF TOTAL RENT

Sainsburys	16%
Kingfisher	9%
Lloyds TSB	8%
W H Smith	6%
Clydesdale Bank	6%
Leisure Group GB	6%
Greene King	5%
Old Monk	5%
Sytner Group	5%
Magnet	4%
	<u>70%</u>

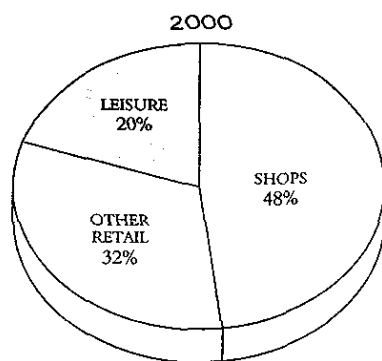
RESULTS OF INDEPENDENT REVALUATION

The VIT property portfolio, including properties held within our subsidiary Audax Properties plc, was subject to an independent professional revaluation by Messrs Allsop and Co. at 31 March 2000.

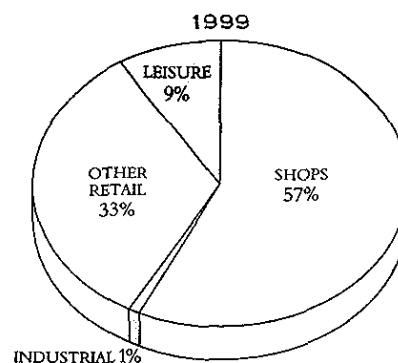
The revaluation showed a value of £39,800,000; properties within VIT were valued at £17,425,000 while Audax properties totalled £22,375,000.

We intend to commission an independent revaluation of properties at 31 March each year.

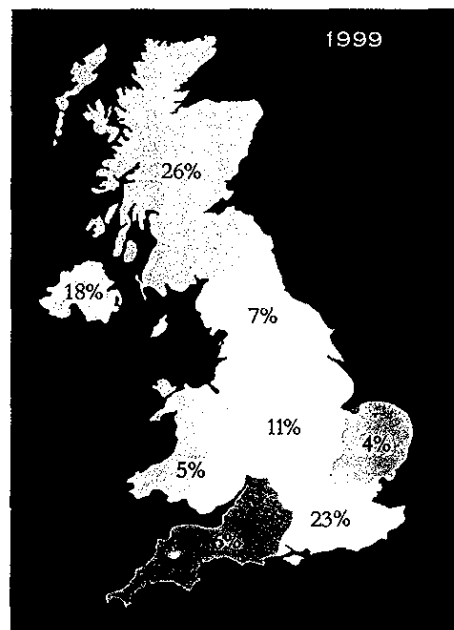
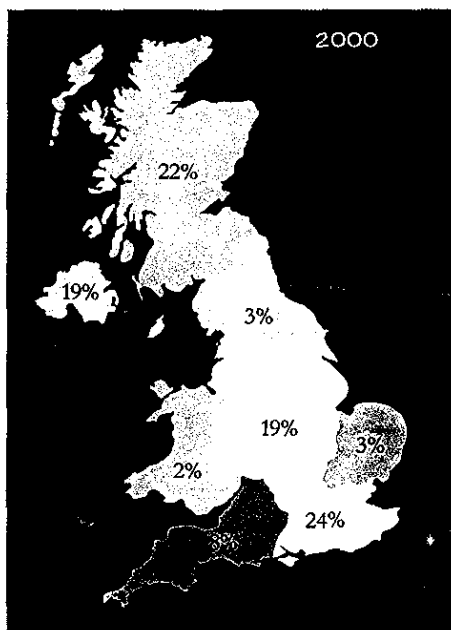
PROPERTY PORTFOLIO



BY TYPE



BY REGION



INVESTMENT DIRECTORS' REPORT

LIST OF PROPERTIES

ADDRESS

TENANT

SHOPS

Aberdeen – 221-7 Union Street
 Bathgate – 8 George Street
 Caernarfon – 3 Poolside
 Cirencester – 19-21 Castle Street
 Dawlish – 5 The Strand
 Dundee – 261 Brook Street, Broughty Ferry
 Edinburgh – 30 North Bridge
 Elgin – 163 High Street
 Glasgow – 412-418 Dumbarton Road, Partick
 Gloucester – 18-20 Northgate Street
 Godalming – 80-82 High Street
 Haddington – 54-56 Court Street
 Harpenden – 18 High Street
 Kelso – 8-16 Horsemarket
 Kirkcaldy – 216 High Street
 Llangollen – 26-38 Castle Street
 Lymington – 78-80 High Street
 Melton Mowbray – 29-29B Market Place
 Montrose – 114-116 High Street
 Northallerton – 118 High Street
 Oban – 42 George Street
 Penicuik – 28 High Street
 Prestatyn – 26 High Street
 Selby – 36 Gowthorpe
 Selby – 46 Gowthorpe
 Sevenoaks – 87-93 High Street
 St. Andrews – 76 South Street
 Stowmarket – 21 Ipswich Street
 Thame – 13-14 Cornmarket
 Totnes – 33 High Street
 Wishaw – 83 Main Street
 Worcester – 4 The Cross

Diageo, Jaeger, Scholl.
 Clydesdale Bank.
 Argos.
 W H Smith.
 Lloyds TSB.
 Mackays and Superdrug.
 Clydesdale Bank.
 Woolworths.
 Woolworths.
 Signet.
 W H Smith.
 Clydesdale Bank.
 Lloyds TSB.
 Mackays and W H Smith.
 Clydesdale Bank.
 Blakemore trading as Spar.
 Woolworths.
 W H Smith.
 Clydesdale Bank and Scottish Hydro.
 Lloyds TSB.
 Edinburgh Woollen Mill.
 Clydesdale Bank.
 Blakemore trading as Spar.
 Halifax.
 British Heart Foundation.
 Abbey National, Oxfam and QS Holdings.
 Clydesdale Bank.
 Boots.
 Lloyds TSB.
 Three Cooks.
 Greggs.
 Lloyds TSB.

OTHER RETAIL

Ayr – Old Farm Road
 Belfast – Longwood Road, Newtownabbey
 Castle Bromwich – Chester Road
 Galashiels – Tweedbank Industrial Estate
 Hereford – Harrow Road
 Oxford – 171/173 Cumnor Hill

Magnet.
 Sainsburys.
 Blockbuster.
 Magnet.
 Magnet.
 Sytner and TWR Groups.

LEISURE

Derby – 17/18 Cornmarket
 Dover – St. Margarets Holiday Park, Reach Road
 Norwich – Cafe Rouge, 29 Exchange Street
 Sherborne – The Cross Keys, 88 Cheap Street
 Solihull – 600 Stratford Road, Shirley
 Stratford-on-Avon – 1 Guild Street (Bar Humbug)
 Whitstable – Chestfield Barn

Pizza Hut.
 Leisure Group GB.
 Whitbread.
 Eldridge Pope.
 Greene King.
 Old Monk.
 Old Monk.

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the consolidated accounts for the year ended 31 March 2000.

	2000 £'000	1999 £'000
Results		
Income available for Ordinary Shareholders	2,161	2,251
Dividends –		
Interim of 2.60p (2.889p gross) – paid 5 January 2000.	1,185	1,138
Recommended final of 2.60p (2.889p gross) – payable 17 July 2000.	1,184	1,139
Transfer from Revenue Reserve	(208)	(26)

Principal Activity and Status

The Company is an investment company within the meaning of the Companies Act 1985. Inland Revenue approval as an investment trust for the purposes of the Income and Corporation Taxes Act 1988 has been given for the year ended 31 March 1999 and in the opinion of the directors the Company has subsequently directed its affairs so as to enable it to continue to seek such approval.

The principal activity of the Group is an investment trust company specialising in UK equities and properties.

A review of the business is to be found in the Chairman's Review on page 3 and the Investment Directors' Report on pages 5 to 15.

Directors

In accordance with the Company's Articles of Association John Murray, John Kay and James Ferguson will retire from office at the Annual General Meeting. Mr Murray will not be seeking re-election. The Board recommend the re-election of John Kay and James Ferguson. Lord Thomson will be retiring as Chairman and as a director at the conclusion of the Annual General Meeting.

The directors who served during the year had the following interests in the Ordinary share capital of the Company at:

	31 March 2000	31 March 1999
J G D Ferguson	225,000	100,000
J G D Ferguson – Family	50,000	50,000
J A Kay	4,110	4,110
J A Kay – as Trustee	52,330	32,330
Mrs A M Lascelles	300,000	250,000
Mrs A M Lascelles – Family	250,000	281,052
Mrs A M Lascelles – as Trustee	12,000	12,000
J H Murray	50,000	50,000
M A Oakeshott	879,500	675,000
M A Oakeshott – Family	1,173,500	825,000
Lord Thomson of Monifieth	23,768	23,768
Lord Thomson of Monifieth – Family	122,000	122,000
Lord Thomson of Monifieth – as Trustee	42,241	42,241

In addition Mrs Lascelles and Mr Oakeshott had a beneficial

interest in the 229,736 Ordinary shares (1999 – 229,736) held by The OLIM Limited Retirement and Death Benefit Scheme at 31 March 2000.

There were no changes to these holdings between 31 March and 12 May 2000.

The directors had no interest in either the 9%% Debenture Stock 2026 issued by Value & Income Trust plc or the 11% First Mortgage Debenture Stock 2021 issued by Audax Properties plc.

Directors are interested in contracts entered into by the Company and Group as follows:

(i) Mrs Lascelles and Mr Oakeshott are the sole directors and shareholders of OLIM Limited, which received a fee of £742,344 (1999 – £682,587) in respect of investment management services for the year. Details of the investment management agreement are given below.

(ii) Mr Ferguson is a director of Stewart Ivory & Company Limited which received a fee of £102,498 (1999 – £100,541) in respect of secretarial services for the year.

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

Management

OLIM Limited is employed as investment manager under a contract which may be terminated by either party on giving one year's notice. It receives a half-yearly fee, from which is deducted the fee payable for secretarial services to Stewart Ivory, of ⅓% of the VIT Group of Companies' total assets less current liabilities. OLIM is also entitled to a performance fee, if the total returns to shareholders from an investment in VIT exceed the total return on the FT-SE All-Share Index by more than 10 percentage points in any three-year period.

The objective of the performance bonus is to give the management company 10% of the additional value generated for shareholders by such outperformance. A performance fee was not payable this year.

Substantial Shareholders

In addition to the directors' interests indicated above at 12 May 2000 the Company was aware of the following interests exceeding 3% of the issued Ordinary shares:

The Scottish American Investment Company P.L.C.	6,256,605
The Equitable Life Assurance Society	2,240,000

Savings Scheme

During the year 310,695 Ordinary shares were bought at a discount to net asset value, on behalf of participants in the VIT Savings Scheme.

Individual Savings Accounts

An Individual Savings Account (ISA) is a new tax-efficient investment product which was introduced on 6 April 1999 to replace PEPs. Like the PEP, any capital returns or income received within an ISA Scheme are free from all taxation.

DIRECTORS' REPORT

The VIT ISA is a Maxi ISA offering the stock and shares element only. Under the present regulations you can invest up to £7,000 in VIT shares in 2000/2001 and £5,000 each year thereafter. The Government has guaranteed that ISAs will continue in existence at least until 2009.

Investors can choose between lump sum investment, minimum £1,000, and regular monthly savings, minimum £50.

Creditor Payment Policy

The Company's payment policy for the year to 31 March 2001 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.

Finance Risk Management

The Company's financial instruments comprise long-term borrowings, investments, some 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 risk, market price and liquidity risk. Interest rate risk is covered in Note 13. 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.

Corporate Governance

Following the publication of Internal Control Guidance for Directors on the Combined Code in September 1999, by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales (The Turnbull Report), the Board can state that the Company has (with the following exceptions) complied with all material aspects of the Combined Code on Corporate Governance relevant to an Investment Trust throughout the year. The exceptions are the fact that the Audit Committee has two members, and that there is no separate Remuneration Committee. In view of the composition of the Board and other relevant circumstances, the Board considers that these matters are satisfactory. A majority of the Board is independent of the Management Company and matters concerning the appointment and remuneration of directors are dealt with by the Board rather than by Committees of the Board. The executive directors do not receive any remuneration directly from the Company, and accordingly no additional report on executive directors' remuneration is required. They are remunerated by OLIM Limited which received investment management fees from the Company as noted on page 24.

The directors are responsible for the internal financial controls of the Group which aim to ensure that proper accounting records are maintained, the assets are safeguarded and the financial information used within the business and for publication is reliable.

The Board has a number of procedures in place which follow

the principles set out in the Combined Code. It has delegated by contract the management of the investment portfolio, custody, which includes the safeguarding of the assets, accounting and company secretarial services. The Board monitors the quality and cost of the services provided. The non-executive directors of the Board review the terms and conditions of the Manager's appointment on a regular basis. The Company's Audit Committee assesses the quality and effectiveness of the accounting records and management information maintained on behalf of the Group.

In addition, operational and reporting systems are in place to identify, evaluate and monitor the operational risks potentially faced by the Group and to ensure that effective internal controls have been maintained throughout the period covered by these accounts.

These include reports at regular Board Meetings of all security and property transactions effected on the Group's behalf. A full review of all internal controls is undertaken annually. These systems can, however, only provide reasonable and not absolute assurance against material misstatement or loss.

On the basis of these procedures, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Auditors

A resolution to re-appoint Chiene & Tait, C.A., as auditors of the Company will be proposed at the Annual General Meeting.

Annual General Meeting – Special Business

The Notice convening the AGM together with a letter from the Chairman explaining the special business to be dealt with at the Meeting is enclosed with this report.

By Order of the Board



James S Ayling
for Stewart Ivory & Company Limited
Secretary

12 May 2000

CONSOLIDATED STATEMENT OF TOTAL RETURN

(INCORPORATING THE INCOME ACCOUNT*) FOR THE YEAR ENDED 31 MARCH 2000

		2000			1999(Restated)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
<i>Securities:</i>	(2)						
Dividends from UK Companies		3,109	—	3,109	3,089	—	3,089
Dividends from Overseas Companies		11	—	11	26	—	26
Interest from UK Companies		77	—	77	81	—	81
<i>Properties:</i>							
Rents		3,113	—	3,113	3,238	—	3,238
Interest on deposits		357	—	357	387	—	387
Underwriting commission		3	—	3	3	—	3
Other income		13	—	13	26	—	26
		6,683	—	6,683	6,850	—	6,850
Expenses							
Investment management fee	(3)	(807)	—	(807)	(743)	—	(743)
Administration expenses	(4)	(391)	—	(391)	(376)	—	(376)
		5,485	—	5,485	5,731	—	5,731
Capital profits/losses							
Net realised gains on investments in the year		—	2,426	2,426	—	5,154	5,154
Movement in unrealised appreciation in the year		—	826	826	—	(6,294)	(6,294)
Net return before interest payment and tax		5,485	3,252	8,737	5,731	(1,140)	4,591
Interest payable	(5)	(3,501)	—	(3,501)	(3,501)	—	(3,501)
Return on ordinary activities before tax		1,984	3,252	5,236	2,230	(1,140)	1,090
Tax on ordinary activities	(6)	177	(177)	—	21	(17)	4
Return attributable to Ordinary shareholders		2,161	3,075	5,236	2,251	(1,157)	1,094
Ordinary dividends 5.2p per share (1999: 5.0p per share)	(7)	(2,369)	—	(2,369)	(2,277)	—	(2,277)
Transfer (from)/to reserves after aggregate dividends paid and proposed of £2,368,599 (1999 – £2,277,499)		(208)	3,075	2,867	(208)	(1,157)	(1,183)
Return per Ordinary share	(8)	4.74p	6.75p	11.49p	4.96p	(2.54)p	2.40p

*The Revenue column of this statement is the Income Account of the Group.
The notes on pages 23 to 29 form part of these accounts.

COMPANY STATEMENT OF TOTAL RETURN

(INCORPORATING THE INCOME ACCOUNT*) FOR THE YEAR ENDED 31 MARCH 2000

		2000			1999(Restated)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
<i>Securities:</i>	(2)						
Dividends from UK Companies		3,109	–	3,109	3,089	–	3,089
Dividends from Overseas Companies		11	–	11	26	–	26
Dividends from Subsidiary Companies		–	–	–	422	–	422
Interest from UK Companies		77	–	77	81	–	81
<i>Properties:</i>							
Rents		1,378	–	1,378	1,435	–	1,435
Interest on deposits		151	–	151	162	–	162
Other income		7	–	7	6	–	6
		4,733	–	4,733	5,221	–	5,221
Expenses							
Investment management fee	(3)	(536)	–	(536)	(493)	–	(493)
Other expenses	(4)	(274)	–	(274)	(309)	–	(309)
		3,923	–	3,923	4,419	–	4,419
Capital profits/losses							
Net realised gains on investments in the year		–	1,086	1,086	–	4,557	4,557
Movement in unrealised appreciation in the year		–	893	893	–	(6,761)	(6,761)
Net return before interest payment and tax		3,923	1,979	5,902	4,419	(2,204)	2,215
Interest payable	(5)	(1,851)	–	(1,851)	(1,851)	–	(1,851)
Return on ordinary activities before tax		2,072	1,979	4,051	2,568	(2,204)	364
Tax on ordinary activities	(6)	152	–	152	29	–	29
Return attributable to Ordinary shareholders		2,224	1,979	4,203	2,597	(2,204)	393
Ordinary dividends 5.2p per share (1999: 5.0p per share)	(7)	(2,369)	–	(2,369)	(2,277)	–	(2,277)
Transfer (from)/to reserves after aggregate dividends paid and proposed of £2,368,599 (1999 – £2,277,499)		(145)	1,979	1,834	320	(2,204)	(1,884)
Return per Ordinary share	(8)	4.88p	4.35p	9.23p	5.70p	(4.84)p	0.86p

*The Revenue column of this statement is the Income Account of the Company.
The notes on pages 23 to 29 form part of these accounts.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2000

		2000		1999	
	Notes	£'000	£'000	£'000	£'000
Investments	(9)				
Equities					
Listed in U.K.			71,961		69,196
			71,961		69,196
Investment Properties			39,800		41,055
			111,761		110,251
Current Assets					
Debtors	(10)	1,498		1,250	
Cash and deposits		4,542		3,530	
		6,040		4,780	
Current Liabilities (due within one year)					
Creditors	(11)	2,045		2,164	
Dividend payable	(12)	1,184		1,139	
		3,229		3,303	
Net Current Assets			2,811		1,477
Total Assets less Current Liabilities			114,572		111,728
Creditors (due after one year)	(13)		35,635		35,658
Total Net Assets			78,937		76,070
Represented by:					
Capital and Reserves					
Share Capital	(14)				
Ordinary			4,555		4,555
Reserves	(15)				
Share Premium Account		18,446		18,446	
Capital Reserve – realised		30,634		28,385	
Capital Reserve – unrealised		12,959		11,383	
Revaluation Reserve		11,196		11,946	
Revenue Reserve		1,147		1,355	
			74,382		71,515
Equity Shareholders' Funds	(16)		78,937		76,070
Net Asset Value per Ordinary share	(17)	173.3p		167.0p	

These accounts were approved by the Board on 12 May 2000 and were signed on its behalf by:

Thomson of Monifieth, Director

Thomson of Monifieth

Angela Lascelles, Director

Angela Lascelles

The notes on pages 23 to 29 form part of these accounts.

COMPANY BALANCE SHEET

AS AT 31 MARCH 2000

		2000		1999	
	Notes	£'000	£'000	£'000	£'000
Investments	(9)				
Equities					
Listed in U.K.			71,961		69,196
Subsidiaries			25		25
			71,986		69,221
Investment Properties			17,425		18,060
			89,411		87,281
Current Assets					
Debtors	(10)	1,634		1,267	
Cash and deposits		1,236		1,818	
		2,870		3,085	
Current Liabilities					
(due within one year)					
Creditors	(11)	1,167		1,108	
Dividend payable	(12)	1,184		1,139	
		2,351		2,247	
Net Current Assets			519		838
Total Assets less Current					
Liabilities			89,930		88,119
Creditors (due after one year)	(13)		20,635		20,658
Total Net Assets			69,295		67,461
Represented by:					
Capital and Reserves					
Share Capital	(14)				
Ordinary			4,555		4,555
Reserves	(15)				
Share Premium Account		18,446		18,446	
Capital Reserve – realised		27,086		26,000	
Capital Reserve – unrealised		12,959		11,383	
Revaluation Reserve		5,031		5,714	
Revenue Reserve		1,218		1,363	
			64,740		62,906
Equity Shareholders' Funds	(16)		69,295		67,461

These accounts were approved by the Board on 12 May 2000 and were signed on its behalf by:

Thomson of Monifieth, Director

Thomson of Monifieth

Angela Lascelles, Director

Angela Lascelles

The notes on pages 23 to 29 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2000

	2000		1999	
	£'000	£'000	£'000	£'000
Operating activities:				
Cash received from investments	3,635		2,729	
Rental income	3,010		3,309	
Interest received	357		387	
Other income	15		36	
Investment management fees paid	(830)		(669)	
Administration fees paid	(102)		(101)	
Directors' fees paid	(26)		(26)	
Other cash payments	(88)		(121)	
Net cash inflow from operating activities		5,971		5,544
Returns on investments and servicing of finance:				
Interest paid		(3,525)		(3,524)
Taxation:				
Tax received		122		—
Capital expenditure and financial investment:				
Purchases of investments	(38,708)		(23,665)	
Sales of investments	39,475		20,147	
Net cash inflow/(outflow) from capital expenditure and financial investment		767		(3,518)
Equity dividends paid		(2,323)		(2,232)
Net cash inflow/(outflow) before financing		1,012		(3,730)
Increase/(Decrease) in cash		1,012		(3,730)

The notes to the Consolidated Cash Flow Statement are contained in note 18.

1. ACCOUNTING POLICIES

Basis of Preparation

These accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention modified to include the revaluation of investments, the Investment Trust Statement of Recommended Practice (SORP), and the Companies Act 1985, except that investment properties, as indicated in Note 9, are not depreciated. Following the publication of FRS16, Current Tax, dividends from UK companies are included without the addition of the tax credit. Comparative figures for 1999 have been restated on this basis.

Basis of Consolidation

The Group accounts consolidate the accounts of Value and Income Trust plc and its wholly-owned subsidiaries made up to 31 March 2000.

Income and Expenses

- (a) Dividends are brought into account on the date on which the shares are quoted 'ex-dividend' on the Stock Exchange. Interest on securities has been accounted for gross and on a time apportioned basis, as recommended by the SORP.
- (b) Dividends are included without the tax credit.
- (c) Rents from investment properties and interest receivable are dealt with on an accruals basis.
- (d) The investment management fee and interest payable are charged in full to income.
- (e) Distributions which are deemed to be of a capital nature are included in the Capital Reserve.
- (f) Performance fees, payable to the Investment Managers in accordance with the Investment Management Agreement, are charged to Capital Reserve – realised less appropriate tax relief.
- (g) Interest payable and administration expenses are dealt with on an accruals basis.

Deferred Tax

Provision is made for tax deferred because of timing differences between profits as stated in the accounts and profits as computed for tax purposes to the extent it is expected tax will be payable in the foreseeable future.

Investments

- (a) Listed investments are valued on the basis of middle market prices. Unlisted investments are valued by the directors on the basis of market prices, or other independent information. These valuations also represent the fair value of the investments. Unrealised gains and losses are included in Capital Reserve – unrealised.
- (b) Investment properties are revalued annually by independent surveyors, and the surplus or deficit transferred to Revaluation Reserve. No depreciation or amortisation is provided on investment properties.
- (c) Realised gains and losses on the sale of investments and investment properties are transferred to Capital Reserve – realised.
- (d) Subsidiary companies are included at cost.

Borrowings

The Audax Properties 11% First Mortgage Debenture Stock 2021 and the initial £5,000,000 of the Company's 9%% Debenture Stock 2026 are stated in the Balance Sheet at repayment value on maturity.

The 9%% Debenture Stock 2026 is shown in the Balance Sheet inclusive of the premium received on issue, and after deduction of issue expenses. The premium, less expenses, is offset against the interest payable over the life of the stock.

Interest payable on borrowings is charged in full to income.

NOTES ON THE ACCOUNTS

6. TAX	2000			1999(Restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
A. GROUP						
Corporation tax	(177)	177	–	(25)	17	(8)
Overseas tax	–	–	–	4	–	4
	(177)	177	–	(21)	17	(4)
B. COMPANY						
Corporation tax	(152)	–	(152)	(33)	–	(33)
Overseas tax	–	–	–	4	–	4
	(152)	–	(152)	(29)	–	(29)

The Company has excess management expenses available for group relief. A proportion of these has been used to offset the tax charge of the subsidiaries, giving rise to the above corporation tax credit.

7. ORDINARY DIVIDENDS	2000 £'000	1999 £'000
Interim – 2.60p (1999– 2.50p) paid 5 January 2000	1,185	1,138
Final – 2.60p (1999 – 2.50p) payable 17 July 2000	1,184	1,139
	2,369	2,277

8. RETURN PER ORDINARY SHARE

Income return per Ordinary share is based on the net income on ordinary activities after taxation and on 45,549,975 (1999 – same) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year. Capital return per Ordinary share is based on net capital gains for the financial year and on 45,549,975 (1999– same) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9. INVESTMENTS

A. GROUP	Equities £'000	Other Securities with equity element £'000	Investment Properties £'000	Total £'000
Cost at 31 March 1999	50,604	7,209	29,109	86,922
Unrealised appreciation	7,882	3,501	11,946	23,329
Valuation at 31 March 1999	58,486	10,710	41,055	110,251
Purchases	23,355	1,565	13,812	38,732
Sales	(20,564)	(2,828)	(17,082)	(40,474)
Realised gains	(709)	370	2,765	2,426
Movement in unrealised appreciation in year	1,391	185	(750)	826
Valuation at 31 March 2000	61,959	10,002	39,800	111,761
Cost at 31 March 2000	52,686	6,316	28,604	87,606

NOTES ON THE ACCOUNTS

9. INVESTMENTS (Cont.)

	Equities £'000	Other Securities with equity element £'000	Investment Properties £'000	Total £'000
B. COMPANY				
Cost at 31 March 1999	50,629	7,209	12,346	70,184
Unrealised appreciation	7,882	3,501	5,714	17,097
Valuation at 31 March 1999	58,511	10,710	18,060	87,281
Purchases	23,355	1,565	4,812	29,732
Sales	(20,564)	(2,828)	(6,189)	(29,581)
Realised gains	(709)	370	1,425	1,086
Movement in unrealised appreciation in year	1,391	185	(683)	893
Valuation at 31 March 2000	61,984	10,002	17,425	89,411
Cost at 31 March 2000	52,711	6,316	12,394	71,421

The weighted average rate of interest received in the year from other securities with an equity element amounted to 7.2%. (1999 – 7.1%) Fixed interest securities including convertible preference shares, with a market value of £1,545,750 (1999 – £1,025,000), have a weighted average period for which the rate is fixed of 21 years.

The Company has the following wholly owned subsidiary undertakings:-

	Principal Country of Operation	Class of shares and percentage held
Audax Properties plc (property investment)	England & Wales	Ordinary 100.0
V.I.T. Securities Limited (investment dealing)	England & Wales	Ordinary 100.0

Audax Properties plc has a wholly owned subsidiary, Audax Securities Limited which is non-trading and is registered in England & Wales.

Investment properties were valued at the year end on an open market basis by Allsop and Co., Chartered Surveyors and Valuers. No depreciation or amortisation as required by the Companies Act 1985 is provided on these properties. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The directors consider that the policy adopted is necessary in order to show a true and fair view. Freehold investment properties were valued at £39,800,000 – cost £28,604,948 (1999 – £37,680,000 – cost £26,503,456) and long leasehold properties at £Nil – cost £Nil (1999 – £3,375,000 – cost £2,606,943).

	2000		1999	
10. DEBTORS	Group £'000	Company £'000	Group £'000	Company £'000
Sales of investments	999	999	–	–
Amount due from subsidiaries	–	152	–	34
Prepayments and accrued income	499	483	1,250	1,233
	1,498	1,634	1,250	1,267

11. CREDITORS (due within one year)

Purchases of investments	666	241	142	142
Amount due to subsidiaries	–	67	–	–
Tax payable	167	2	167	2
Accruals	455	148	556	228
Other creditors	757	709	1,299	736
	2,045	1,167	2,164	1,108

At the year end the balance owed by the Group to OLIM Limited was £77,023 (1999 – £98,509) and the amount owed by the Company was £50,349 (1999 – £64,673).

NOTES ON THE ACCOUNTS

	2000		1999	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
12. DIVIDEND PAYABLE				
Ordinary shares – payable 17 July 2000	1,184	1,184	1,139	1,139
13. CREDITORS				
(due after one year)	£'000	£'000	£'000	£'000
9½% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add: Balance of premium less issue expenses	658	658	682	682
Less: Credit to income for the year	(23)	(23)	(24)	(24)
	20,635	20,635	20,658	20,658
11% First Mortgage Debenture Stock 2021	15,000	–	15,000	–
	35,635	20,635	35,658	20,658

The weighted average period for which the Group's debentures are fixed is 24 years (1999 – 25years). The weighted average interest rate on the Group's debentures is 10.1% (1999 same), they were issued at an average Gross Redemption Yield of 9.1% (1999 same).

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

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

The Group has no intention of redeeming either of its debenture stocks before their due dates, when each is repayable at par. Gilt edged yields would be used to calculate the price, if the debt were to be repaid earlier. Fluctuations in their market prices therefore have no effect on the Group's cash flows or repayment liabilities. The market prices and market capitalisation at 31 March 2000 have been reported by the Group's stockbrokers as follows:–

Audax Properties 11% First Mortgage Debenture Stock 2021: £146.531 per £100 (£21.980m). 1999 – £149.125 per £100 (£22.369m).

Value & Income Trust 9½% Debenture Stock 2026: £143.469 per £100 (£28.694m). 1999 – £144.781 per £100 (£28.956m).

No disclosure is required under FRS13 for short-term debtors and creditors and no disclosure is given.

	Authorised		Issued and fully paid	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
14. SHARE CAPITAL				
Ordinary shares of 10p	5,600	5,600	4,555	4,555
6¼% Convertible Redeemable Preference shares of £1	13,000	13,000	–	–
	18,600	18,600	4,555	4,555

NOTES ON THE ACCOUNTS

15. RESERVES	Share Premium Account £'000	Capital Reserve Realised £'000	Capital Reserve Unrealised £'000	Revaluation Reserve £'000	Revenue Reserve £'000
A. GROUP					
Balance at 31 March 1999	18,446	28,385	11,383	11,946	1,355
Realised gains on disposals	–	2,426	–	–	–
Movement in unrealised appreciation on assets	–	–	1,576	(750)	–
Taxation	–	(177)	–	–	–
Transfer to Income Account	–	–	–	–	(208)
	18,446	30,634	12,959	11,196	1,147
B. COMPANY					
Balance at 31 March 1999	18,446	26,000	11,383	5,714	1,363
Realised gains on disposals	–	1,086	–	–	–
Movement in unrealised appreciation on assets	–	–	1,576	(683)	–
Transfer from Income Account	–	–	–	–	(145)
	18,446	27,086	12,959	5,031	1,218

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Total net assets attributable at the beginning of the year	76,070	67,461	77,253	69,345
Total recognised gains and losses in the year	5,236	4,203	1,094	393
Dividends paid in the year	(2,369)	(2,369)	(2,277)	(2,277)
Total net assets attributable at the end of the year	78,937	69,295	76,070	67,461

17. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is based on net assets attributable of £78,937,000 (1999 – £76,070,000) and on 45,549,975 (1999 – same) Ordinary shares in issue at the year end.

18. CONSOLIDATED CASH FLOW STATEMENT

18. CONSOLIDATED CASH FLOW STATEMENT		2000	1999 (Restated)
a. Reconciliation of total income to net cash inflow from operating activities		£'000	£'000
Income		6,683	6,850
Investment Management Fee		(807)	(743)
Other Expenses		(391)	(376)
Decrease/(Increase) in other debtors		629	(548)
(Decrease)/Increase in other creditors		(143)	365
Tax on franked and overseas income		—	(4)
Net cash inflow from operating activities		5,971	5,544
b. Analysis of changes in net debt			
	Balance at 31 March 1999 £'000	Cash Flows £'000	Movement in Net Premium £'000
			Balance at 31 March 2000 £'000
Cash	3,530	1,012	4,542
9% Debenture Stock 2026	(20,658)	—	(20,635)
11% First Mortgage Debenture Stock 2021	(15,000)	—	(15,000)
Net Debt	(32,128)	1,012	(31,093)

NOTES ON THE ACCOUNTS

19. COMMITMENTS AND CONTINGENT LIABILITIES	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
There are liabilities in respect of:				
Commitments and partly paid investments	–	25	–	25
Underwritings and contingent liabilities	516	–	–	–
	516	25	–	25

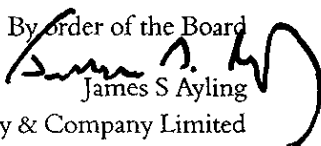
20. POST BALANCE SHEET EVENTS

At the balance sheet date a contract had been exchanged for the purchase of a property for approx £1m. Completion of the purchase is expected to be concluded in the near future.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year and of the income surplus or deficit of the Company and of the Group for that year. The directors are also responsible for ensuring that adequate accounting records are maintained, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts and that applicable accounting standards have been followed.

By order of the Board

James S Ayling
for Stewart Ivory & Company Limited
Secretary
12 May 2000

REPORT OF THE AUDITORS

To the members of Value and Income Trust plc

We have audited the accounts on pages 18 to 29, which have been prepared under the historical cost convention as modified to include the revaluation of the investments, and on the basis of the accounting policies set out on page 23.

Respective responsibilities of directors and auditors

As described on page 29, the directors are responsible for preparing the Annual Report and Accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the corporate governance statement on page 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal controls 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, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of Audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2000 and of the total return of the Company and of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chiene & Tait, C.A.

Registered Auditors

61 Dublin Street

Edinburgh EH3 6NL

 C.A.

12 May 2000

ANALYSIS OF SHAREHOLDINGS

	2000			1999		
	Number	Holding	%	Number	Holding	%
Individuals	2,304	19,377,562	42.5	2,368	16,743,834	36.8
Banks & Nominees	669	13,087,714	28.8	926	17,141,249	37.6
Insurance Companies	15	2,470,928	5.4	2	2,566,100	5.6
Investment & Unit Trusts	16	7,457,731	16.4	11	7,359,950	16.2
Other Companies	130	2,395,214	5.3	65	791,000	1.7
Pension Funds	5	335,806	0.7	10	365,756	0.8
Universities, Schools & Other Corporate Bodies	7	425,020	0.9	28	582,086	1.3
	<u>3,146</u>	<u>45,549,975</u>	<u>100.0</u>	<u>3,410</u>	<u>45,549,975</u>	<u>100.0</u>

FINANCIAL DIARY

The normal timetable for the Company's financial year, which ends on 31 March will be as follows:

May:	Final dividend and preliminary results for year announced. Annual Report and Accounts published.
July:	Annual General Meeting. Final dividend paid.
October:	Interim results announced.
January:	Interim dividend paid.

Interest on the Value and Income Trust plc Debenture is payable on 30 November and 31 May. Interest on the Audax Properties plc Debenture is payable on 30 September and 31 March.

VIT SAVINGS SCHEME AND ISA

The Savings Scheme provides a simple, low cost way for regular savers to invest £50 a month or more in VIT shares.

It can also be used for one-off lump sum investments of at least £1,000 and offers a dividend reinvestment facility.

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

You may subscribe any amount as a lump sum from £1,000 up to £7,000 in the tax year 2000/2001 (thereafter a maximum of £5,000).

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

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

Savings Scheme and ISA brochures and application forms are available from: Penny Marchant,

Stewart Ivory & Company Limited, (Regulated by IMRO),
45 Charlotte Square,
Edinburgh EH2 4HW.

Tel: 0131 226 3271.

e-mail: enquiries@csii.co.uk

Website: www.csii.co.uk

Stewart Ivory is a division of Colonial Ltd.