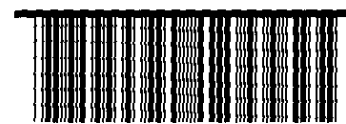


VALUE AND INCOME TRUST PLC

ANNUAL REPORT 2001



SCT S015Q31G 0093
COMPANIES HOUSE 08/08/01



CONTENTS

Aims of the Trust – 2
Highlights of the Year -- 2
Long Term Record – 2
Chairman's Review – 3
Directors and Advisers – 4
Investment Directors' Report – 5
Directors' Report – 16
Consolidated Statement of Total Return – 18
Company Statement of Total Return – 19
Consolidated Balance Sheet – 20
Company Balance Sheet – 21
Consolidated Cash Flow Statement – 22
Notes on the Accounts – 23
Statement of Directors' Responsibilities – 29
Report of the Auditors – 30
Analysis of Shareholdings, Financial Diary – 31
VIT Savings Scheme and ISA – 32
Notice of Meeting – 33

AIMS OF THE TRUST

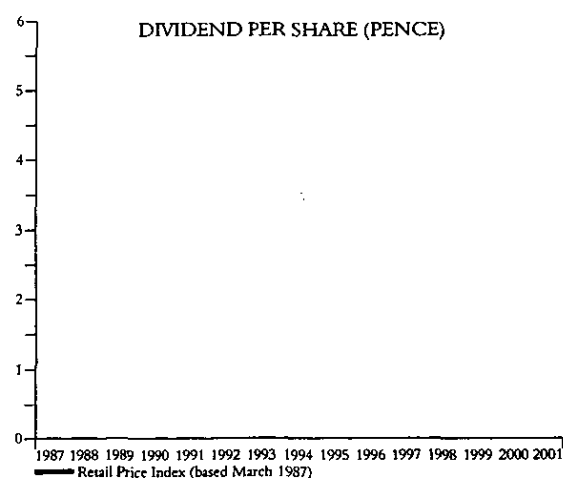
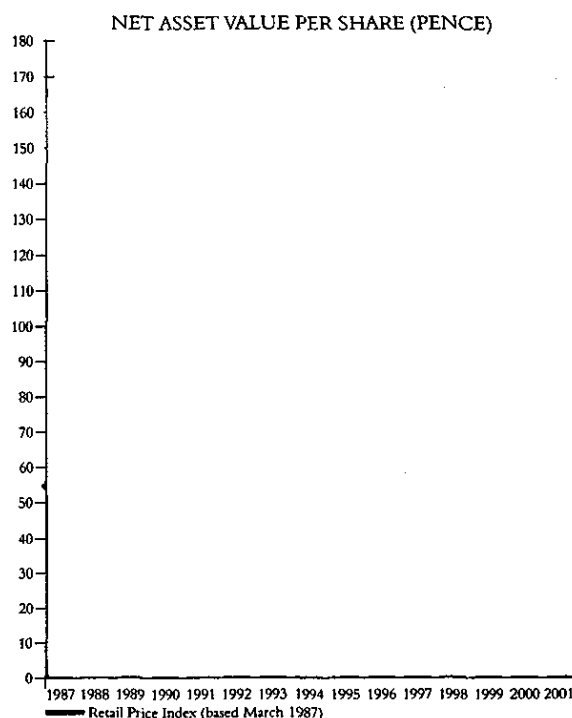
Value and Income Trust (VIT) is a specialist United Kingdom investment trust designed for both institutional and private investors. It invests in higher-yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in medium and smaller sized companies. Its aim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

HIGHLIGHTS OF THE YEAR

- Share price up 4.2%, total return including net dividends 8.3%.
- Net asset value total return 5.5%.
- Net dividend up 3.8% – fourteenth 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 also quote the share price.



LONG TERM RECORD

		30 Sept 1986	31 March 1987	31 March 1988	31 March 1989	31 March 1990	31 March 1991	31 March 1992	31 March 1993	31 March 1994	31 March 1995	31 March 1996	31 March 1997	31 March 1998	31 March 1999	31 March 2000	31 March 2001
Net Asset Value per share p		44.0	55.1	60.5	74.2	75.5	77.0	70.6	92.5	111.7	110.0	127.4	143.6	169.6	167.0	173.3	177.4
Ordinary Share Price	p	42.0	52.0	54.0	63.0	57.0	68.5	61.0	89.5	113.5	116.5	129.0	150.0	159.8	116.5	131.0	136.5
Dividend per Share	p	N/A	1.25	1.44	1.725	2.2	2.7	3.24	3.6	4.0	4.2	4.4	4.6	4.8	5.0	5.2	5.4
Portfolio Total	£m	17.4	24.8	39.2	45.6	46.5	47.2	49.4	59.0	68.4	69.0	82.4	90.0	112.9	111.7	114.6	116.4

CHAIRMAN'S REVIEW

Value and Income Trust has had a good year. The proposed final dividend gives a total increase of 3.8% for the year. The net asset value per share rose by 2.4% over the twelve months to 31 March 2001. The FTSE All-Share Index fell by 12.8 per cent. This was a very creditable result and more than makes up for the disappointing period in 1998 and 1999 when higher yielding and smaller companies underperformed the UK equity market.

As you will see from the Investment Directors' report, two notable features of the year were the end of the boom in technology, media and telecommunications shares and the good performance of property investments. Both of these factors benefited VIT as investors turned away from fashionable equity sectors with negligible dividends towards the sort of shares that meet VIT's criteria of a safe yield and the prospect of dividend growth.

It is likely that this increased interest in yield will continue, because over long periods in the UK equity market, dividends have been a very important part of the total return to investors. The very high capital gains in recent years have been an exception and the outlook for the next few years makes it probable that once again the income part of total return will be important for UK investors.

VIT is well placed for these circumstances: it has the great advantage of very experienced

managers who operate without the distractions that exist in many larger organisations; also it provides an interesting mixture of a carefully chosen property portfolio, yielding 7.8% at the year end valuation, and an equity portfolio that yields approximately twice the yield on the FTSE All-Share Index. As we noted in last year's Annual Report, it is difficult to rate VIT shares in relation to their net asset value. The reason for this is that the current market value of VIT's debentures exceeds their par value and early repayment would reduce the net asset value per share. These debentures provide long term fixed finance for the property portfolio, which has long term leases to first class tenants that should provide a growing stream of rental income. Consequently we have no intention of repaying the debentures until the due date. Analysts disagree as to what deduction, if any, should be made from the net asset value to reflect this position. Details of the debentures are shown on page 27.

You will see from this Report that there have been a number of changes during the year. The change of secretary from Stewart Ivory to Edinburgh Fund Managers took place smoothly and we are grateful to both firms for all the work that went into this. George Thomson and John Murray retired from the Board of VIT at the Annual General Meeting last year, having served with great distinction for over thirteen years as Chairman and Chairman of the Audit Committee respectively. David Back has joined the Board. He retired recently from SBC Warburg where he specialised for many years in the UK equity market, particularly in medium sized and smaller companies.

We expect to pay a total net dividend of 5.6p for the current year. This would be an increase of 3.7%.

James Ferguson.

11 May 2001

DIRECTORS AND ADVISERS

DIRECTORS

JAMES FERGUSON*

(Chairman – Non-executive)

James Ferguson, aged 53, is a former 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 also a director of The Independent Investment Trust. He is a former Deputy Chairman of the Association of Investment Trust Companies.

DAVID BACK*

(Non-executive)

David Back, aged 62, was appointed a director of the company on 7 July 2000, has worked within the investment sector since 1960 with a leading London based stockbroker. David Back retired from SBC Warburg in 1998.

JOHN KAY*

(Non-executive)

John Kay, aged 52, is an economist specialising in the application of economics to business issues. He has been chairman of London Economics, a director of several other companies, has held classes at the London Business School and Oxford University and is currently a visiting Professor of Economics at the London School of Economics.

ANGELA LASCELLES

(Joint Investment Director)

Angela Lascelles, aged 53, has been professionally engaged in investment business since graduating in philosophy from London University. She spent four years in stockbroking before becoming a fund manager, first of an investment trust, then at the Associated British Foods Pension Fund and at Courtaulds Pension Fund from 1979 until 1986. She has been an executive director of OLIM since 1986.

MATTHEW OAKESHOTT

(Joint Investment Director)

Matthew Oakeshott, aged 54, after studying economics at Oxford University and a period as special adviser to Mr Roy Jenkins as Home Secretary, 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

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

SECRETARY AND REGISTERED OFFICE

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

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

Our year began just after the peak of the speculative froth surrounding the technology related sectors, when the valuation of UK equities had become very unbalanced, with a ridiculous overrating of companies making little or no profits. Since the peak of the FTSE All-Share Index early in 2000, UK equities have overall fallen steadily with an unprecedented Index decline in five successive quarters. In VIT's year to end March, the Index fell by 12.8%. It was, however, a tale of two opposing trends, reversing the pattern of the previous year. The technology, media and telecommunications sectors fell sharply through the period and the traditional areas of the economy, represented mainly in the higher yielding quoted companies, came back into fashion.

The economic background became more difficult as the year progressed. Higher interest rates and an uncompetitive exchange rate restrained consumer spending and made international trading difficult for manufacturing companies in the first half of the year. The second half was also affected by soaring oil prices, widespread flooding, severe transport problems and finally foot and mouth disease, all of which restrained economic activity. In America, a sharp downturn in the technology and telecommunications sectors quickly slowed the growth in GNP to almost zero with an adverse effect on some UK companies trading in America.

The Bank of England recognised the growing pressure on our economy and twice reduced base rates by 1/4 % in VIT's final quarter. The rate of inflation remained low throughout the year and bond yields were steady.

INVESTMENT POLICY

We continued to find attractive opportunities in the 'old' economy and increased our exposure to the oil, engineering, food, utility, financial and property sectors. We also slightly

increased our holdings in telecommunications in dull markets. We reduced our investments in chemicals, packaging, leisure and media, and we took a sizeable profit on our holding of Close Brothers. We converted the Marshalls preference shares into ordinary shares and three of our companies underwent significant corporate re-structuring: Granada Compass, Williams and United News and Media. Mid-Kent Water and Stat Plus were taken over. At the end of the year we held 43 separate companies with a market value of £72.6m and a yield of 4.9% (including a 10% tax credit).

PERFORMANCE

VIT's equity portfolio performed well this year giving a total return of +6.4% compared with -10.8% returned by the FTSE All-Share Index. We benefited from the outperformance of higher yielding equities, and a very low weighting in the telecommunications, media and technology sectors.

Summary	31 March 2001		31 March 2000	
	£m	%	£m	%
UK Equities	72.6	62	72.0	63
UK Property	39.8	34	39.8	35
Cash & Bonds	4.0	4	2.8	2
Total	116.4	100	114.6	100

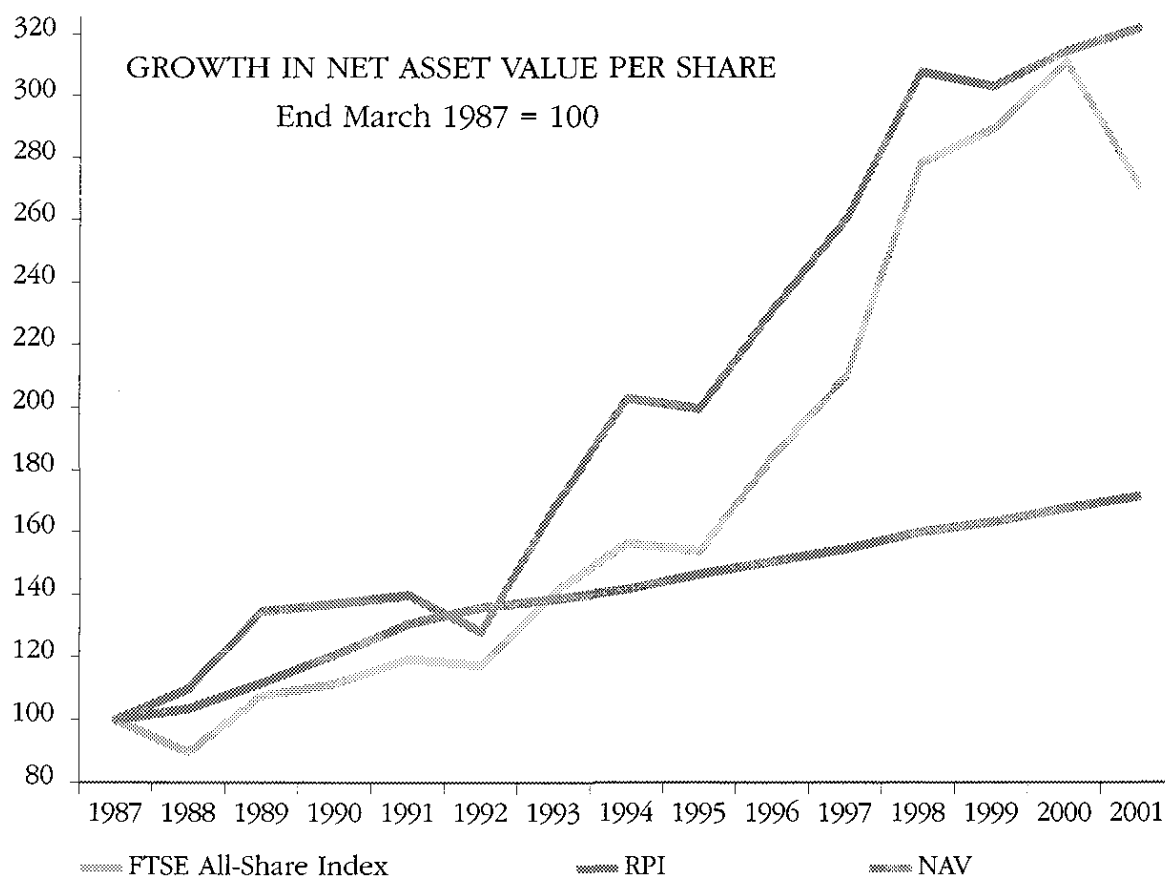
INVESTMENT DIRECTORS' REPORT

OUTLOOK

We still expect economic growth this year of 2% in the United Kingdom despite recent extreme uncertainties which include the effect of foot and mouth disease. We expect inflation and interest rates to remain subdued and public finances to grow tighter as economic growth slows down. We think that the market turbulence seen in the last eighteen months has largely run its course and that there is good value appearing in parts of the market. We believe that VIT's portfolio will continue to perform robustly over the coming year.

11 May 2001

Britannic plc



INVESTMENT DIRECTORS' REPORT

LIST OF EQUITY HOLDINGS

Holding	Description	Market Value £
600,000	Scottish & Southern Energy. The merged Scottish Hydro-Electric (supplying electricity in Northern Scotland) and Southern Electricity (supplying south central England).	3,729,000
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.	3,536,000
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.	3,372,600
550,000	AWG. It provides water and sewage to the area from the Thames to the Humber and has recently acquired Morrison Construction.	3,176,250
1,481,000	AMEC 6.5% Conv. Preference. An international engineering, construction and development group, a growing proportion of its revenues arise from contracted out services.	2,906,463
300,000	Britannic. An old-established life insurance company which is rapidly developing its asset management and specialist insurance subsidiaries.	2,826,000
150,000	GlaxoSmithKline. The UK's largest pharmaceutical company.	2,761,500
334,000	Bank of Scotland. A leading Scottish bank, its activities are also extending steadily into England. It has announced merger talks with the Halifax.	2,338,000
400,000	BP. The leading international oil company.	2,328,000
200,000	Abbey National. The bank and former building society.	2,248,000
1,750,000	Northern Foods. The leading food manufacturer and supplier of prepared and convenience foods to supermarkets.	2,244,375
250,000	Land Securities. The leading UK property investment company. It is building up a property outsourcing business.	2,200,000
335,600	United Business Media. Following the sale of its media interests, it has exhibitions and other 'business to business' services including Line One, the internet service provider.	2,157,908
450,000	Kingfisher. A retail company, it owns Woolworths, B&Q, Superdrug and Comet in the UK, and Castorama and Darty in France.	2,047,500
700,000	Johnson Service Group. Its largest business is textile rentals and it has a chain of dry cleaning shops.	2,047,500
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.	2,046,000
350,000	Whitbread Holdings. Following the sale of its pubs, the company has hotels, restaurants and health club businesses.	2,017,750
1,000,000	Innogy Holdings. It holds the de-merged UK electricity generating interests of National Power and has recently acquired Yorkshire Electricity. It is to de-merge its Regenesys power storage business.	1,900,000
300,000	United Utilities. The combined NorthWest Water and Norweb electricity undertaking.	1,836,000
500,000	Safeway. The eponymous supermarket chain.	1,641,250
309,000	Compass Group. De-merged from Granada Compass, the company operates hotels and catering businesses.	1,551,180

INVESTMENT DIRECTORS' REPORT

LIST OF EQUITY HOLDINGS

Holding	Description	Market Value £
291,000	WH. Smith. A major UK retailing company, it has acquired publishing companies and established a successful book selling business on the Internet.	1,542,300
750,000	Reckitt & Colman 9.5% Conv. Bond. The widely spread manufacturer of household goods.	1,436,250
750,000	Mucklow (A & J) Group. An old established, mainly industrial property company based in the Midlands.	1,417,500
800,000	Laing (John) 6.4% Conv. Preference. The company has interests in construction and house building.	1,386,000
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.	1,341,250
250,000	Mersey Docks & Harbour. Operates the Port of Liverpool.	1,331,250
400,000	Rotork. The world leader in manufacturer of actuators serving particularly the oil and gas industries.	1,314,000
1,075,000	Capital & Regional 6.75% Conv. Bond. An actively managed property investment company specializing in secondary shopping centers.	1,252,375
750,000	BAE Systems 7.75% Conv. Preference. An aircraft manufacturer, the company acquired Marconi Electronic Systems.	1,226,250
750,000	Cookson Group. The main business supplies material and services to assemblers of printed circuit boards. They also supply ceramics to the steel industry and have a precious metals business.	1,106,250
2,550,000	Express Dairies. A leading supplier of milk to supermarkets and through doorstep deliveries.	1,071,000
432,000	Marshalls. The company is a manufacturer of concrete blocks and a quarry owner.	967,680
1,000,000	Perry Group. It has a chain of Crash Repair Centres and an Accident Management Service for insurance companies.	875,000
125,000	Lloyds TSB Group. The UK banking group.	864,375
150,000	British Telecommunications. The former public utility supplying wireline telephony.	765,000
1,000,000	Body Shop International. Has 1,760 shops in Europe, America and the Far East. Its business has been transformed following management changes.	735,000
150,000	Cable & Wireless. One of the world's leading telecommunications companies.	712,500
450,000	Heywood Williams. The principal activities are the manufacture and distribution of component products for the building industry.	645,750
750,000	Corporate Services Group 7.5% Conv. Bond. The training and supply of skilled personnel for the contract labour market.	517,500
346,153	Chubb. De-merged from Williams Holdings, the company supplies security products.	493,268
166,666	De Vere Group. Owns De Vere Hotels. It was formerly Greenalls Group until it sold its pubs and restaurants.	483,331
346,153	Kidde. De-merged from Williams Holdings, the company supplies fire-fighting products.	222,403
Total Holdings		72,617,508

INVESTMENT DIRECTORS' REPORT

PROPERTY PORTFOLIO

THE MARKET

Institutional property has produced a total return of 9% over the past year. Offices showed the highest return, at 14% as rental values rose by 9%, led by Central London. This was, however, the first year that the office sector had outperformed the IPD average since 1989 and its long term record of both capital and rental growth remains poor. Industrial property returned 12%, as its higher income and a beneficial shift in valuation yields offset below average growth in rental values. Property in London easily outperformed the rest of the UK in all three sectors as both the local economy and tenant demand boomed. The return on retail property was 5% and unit shops generally underperformed shopping centres and retail warehouses. "Prime" standard shops were particularly weak, but higher yielding shops held their value better. Capital and rental growth have been slowing considerably in recent months, with valuation yields rising.

ANNUALISED COMMERCIAL PROPERTY GROWTH RATES TO MARCH 2001

Capital Values

	Quarter	1 Year	3 Years	5 Years	10 Years
Retail	-2.2	-1.7	2.4	4.0	2.8
Office	2.4	5.7	5.7	4.5	-0.3
Industrial	1.6	3.8	5.2	4.3	1.6
All Property	0.0	1.7	4.0	4.2	1.5

Rental Values

	Quarter	1 Year	3 Years	5 Years	10 Years
Retail	2.8	3.2	4.1	4.4	1.7
Office	6.0	9.3	7.4	6.6	-1.5
Industrial	3.6	4.3	4.3	3.5	-0.8
All Property	4.0	5.5	5.2	4.9	0.0

Source: IPD Monthly Index

Property is much the highest yielding asset class, at almost 6 percentage points above UK equities and 3½ above long gilts. Property yields are very attractive; even after allowing for depreciation and the lower marketability of property, these yield levels are effectively discounting a fall in property rents. In the London office market that looks likely, since the demand side shows many of the classic signs of overheating which were apparent in 1990. Elsewhere, tenant demand remains reasonable and rental growth should at least match inflation. Capital values should edge ahead with well-let provincial property in all sectors outperforming as the overheated London and South-East economy cools rapidly towards the year-end.

Equivalent Yields

	end March 01	end Dec 00	end Dec 99	end Dec 95	end Dec 90
Retail	7.5	7.5	7.3	8.0	8.6
Office	8.8	8.9	8.7	9.0	9.1
Industrial	9.0	8.9	9.1	10.7	11.2
All Property	8.3	8.3	8.1	8.8	9.4
UK Equities	2.5	2.2	2.1	3.8	5.5
Long Gilts	4.8	4.7	4.8	7.7	10.7
RPI (Annual Rate)	2.3	2.9	1.8	3.2	9.3
Yield Gap (Property – Long Gilts)	3.5	3.6	3.3	1.1	-1.3

INVESTMENT DIRECTORS' REPORT

THE VIT PORTFOLIO

VIT's property portfolio produced a total return of 10% over the year to March, compared with the IPD Monthly Index return of 9%. Capital growth was 2% plus an 8% income return.

Twelve smaller properties were sold during the year for £4.0 million (3% over valuation and at a 7.5% net yield). Their average unexpired lease length was twelve years. Three properties were bought for £3.25 million at a net initial yield of 8.7%. Their average unexpired lease length is 25 years and their valuation showed a 11% uplift over their purchase prices excluding costs (+5% including costs).

We focus on long, strong income streams to meet the fixed interest payments on our long term debt. Over half of the total rent is from FTSE-100 companies, with only 12% from unquoted companies, mainly national multiples and charities. The weighted average unexpired lease length is 25 years. All leases are on full repairing and insuring terms, with upward only rent reviews. 97% of income is reviewed five yearly and 45% of rental income is now subject to guaranteed minimum increases. The portfolio has been fully let for the past six years.

Over the past three years, shops have been cut from 63% to 44% of the total portfolio by value and leisure property (pubs, restaurants and a caravan park) raised from 9% to 24%. We own no office or industrial property at present. All 35 properties owned at 31 March were freehold or the Scottish equivalent. The average property value is now £1,138,000 against £905,000 last year end.

11 May 2001

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	3,054	39,800	7.7	15
2001	3,117	39,825	7.8	10

INVESTMENT DIRECTORS' REPORT

TOP 12 TENANTS – % OF TOTAL RENT	
Sainsburys	18%
Kingfisher	13%
Old Monk	8%
Sytner Group	8%
Leisure Group GB	7%
Lloyds TSB	6%
Greene King	5%
W H Smith	5%
Clydesdale Bank	4%
Diageo	3%
Magnet	3%
Whitbread	3%
	<u>83%</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 King Sturge and Co. at 31 March 2001.

The revaluation showed a value of £39,825,000; properties within VIT were valued at £14,900,000 while Audax properties totalled £24,925,000.

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

INVESTMENT DIRECTORS' REPORT

LIST OF PROPERTIES

ADDRESS

TENANT

SHOPS

Aberdeen - 221-227 Union Street	Diageo, Jaeger, Scholl
Airdrie - 20-26 Graham Street	Woolworths
Caernarfon - 3 Poolside	Argos
Dundee - 261 Brook Street, Broughty Ferry	Mackays and Superdrug
Edinburgh - 30 North Bridge	Clydesdale Bank
Elgin - 163 High Street	Woolworths
Glasgow - 412-418 Dumbarton Road, Patrick	Woolworths
Gloucester - 18-20 Northgate Street	Signet
Godalming - 80-82 High Street	W H Smith
Haddington - 54-56 Court Street	Clydesdale Bank
Kelso - 8-16 Horsemarket	Mackays and W H Smith
Lymington - 78-80 High Street	Woolworths
Melton Mowbray - 29-29B Market Place	W H Smith
Montrose - 114-116 High Street	Clydesdale Bank and Scottish Hydro
Northallerton - 118 High Street	Lloyds TSB
Oban - 42 George Street	Edinburgh Woollen Mill
Selby - 36 Gowthorpe	Halifax
Sevenoaks - 87-93 High Street	Abbey National, Oxfam and QS Holdings
St. Andrews - 76 South Street	Clydesdale Bank
Stowmarket - 21 Ipswich Street	Boots
Thame - 13/14 Cornmarket	Lloyds TSB
Worcester - 4 The Cross	Lloyds TSB

RETAIL WAREHOUSES

Belfast - Longwood Road, Newtonabbey	Sainsburys
Castle Bromwich - Chester Road	Blockbuster
Galashiels - Tweedbank Industrial Estate	Magnet
Hereford - Harrow Road	Magnet
Oxford - 171/173 Cumnor Hill	Sytner Group

LEISURE

Derby - 17/18 Cornmarket	Pizza Hut
Dover - St. Margarets Holiday Park, Reach Road	Leisure Group GB
Highclere - The Yew Tree, Andover Road	Old Monk
Norwich - Cafe Rouge, 29 Exchange Street	Whitbread
Sherborne - The Cross Keys, 88 Cheap Street	Eldridge Pope
Solihull - 600 Stratford Road, Shirley (The Exchange Bar Diner)	Greene King
Stratford-on-Avon - 1 Guild Street (Bar Humbug)	Old Monk
Whitstable - Chestfield Barn	Old Monk

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the consolidated accounts for the year ended 31 March 2001.

	2001	2000 (restated)
	£'000	£'000
Results		
Income available for Ordinary Shareholders	2,162	2,252
Dividends –		
Interim of 2.7p – paid 5 January 2001	1,230	1,185
Recommended final of 2.7p – payable 3 July 2001	1,230	1,184
Transfer (from)/to Revenue Reserve	(298)	60

Principal Activity and Status

The Company is an investment company within the meaning of the Companies Act 1985. The Inland Revenue has approved the Company's status as an investment trust for the purposes of the Income and Corporation Taxes Act 1988 for the year ended 31 March 1999. However, under Corporate Tax Self Assessment, the Inland Revenue are no longer obliged to give written approval. The Company will continue to seek such approval each year via the corporation tax return. In the opinion of the directors, the Company subsequently conducted its affairs so as to enable it to continue to meet the conditions for 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 Matthew Oakeshott will retire from office at the Annual General Meeting and will be proposed for re-election. David Back, who was appointed a director of the Company on 7 July 2000, also retires at the Annual General Meeting and will be proposed for re-election.

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

	31 March 2001	31 March 2000
J G D Ferguson	315,000	225,000
J G D Ferguson – Family	166,000	50,000
D H Back (appointed 7 July 2000)	5,000	–
J A Kay	104,110	4,110
J A Kay – as Trustee	52,330	52,330
Mrs A M Lascelles	350,000	300,000
Mrs A M Lascelles – Family	250,000	250,000
Mrs A M Lascelles – as Trustee	12,000	12,000
J H Murray (retired 6 July 2000)	–	50,000
M A Oakeshott	1,129,500	879,500
M A Oakeshott – Family	1,428,500	1,173,500
Lord Thomson of Monifieth (retired 6 July 2000)	–	23,768
Lord Thomson of Monifieth – Family	–	122,000
Lord Thomson of Monifieth – as Trustee	–	42,241

In addition Angela Lascelles and Matthew Oakeshott had a beneficial interest in the 229,736 Ordinary shares (2000 –

229,736) held by The OLIM Limited Retirement and Death Benefit Scheme at 31 March 2001.

There were no changes to these holdings between 31 March and 11 May 2001.

The directors had no interest in either the 9½% 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) Angela Lascelles and Matthew Oakeshott are directors and shareholders of OLIM Limited, which received a fee of £781,000 (2000 – £742,000) in respect of investment management services for the year. Details of the investment management agreement are given below.

(ii) James Ferguson was a director of Stewart Ivory & Company Limited until 25 May 2000. The company received a fee of £56,000 (2000 – £102,498) in respect of secretarial services for the period to 30 September 2000.

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. Close Brothers plc acquired a majority shareholding in OLIM in November 2000. Angela Lascelles and Matthew Oakeshott continue as the executive directors of OLIM and investment managers of VIT. Since 1 October 2000, OLIM receives a half-yearly fee of ½% of the VIT Group of Companies' total assets less current liabilities. An additional fee is payable to Edinburgh Fund Managers plc for secretarial services. Prior to 1 October 2000, OLIM received a half-yearly fee, from which was deducted the fee payable for secretarial services, of ¾% 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 their investment in VIT exceed the total return on the FTSE All-Share Index by more than 10 percentage points in any three-year period. The objective of the performance bonus is to give the 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 11 May 2001 the Company was aware of the following interests exceeding 3% of the issued Ordinary shares:

	No of shares	%
The Scottish American Investment Company plc	3,500,000	7.7
The Equitable Life Assurance Society	2,240,000	4.9

Savings Scheme

As at 31 March 2001, there were 1,171,270 shares held on behalf of the participants in the VIT Savings Scheme.

Individual Savings Accounts

An Individual Savings Account (ISA) is a tax-efficient investment product which was introduced on 6 April 1999 to replace

DIRECTORS' REPORT

PEPs. Like the PEP, any capital returns or income received within an ISA Scheme are free from all taxation.

The VIT ISA is a Maxi ISA offering the stocks and shares element only. 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 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

The Board confirms that the Company has (with the following exception) complied with all material aspects of the Combined Code on Corporate Governance relevant to an Investment Trust throughout the year, the exception is that there is no separate Remuneration Committee. During the period 1 April to 6 July 2000, there were only two members of the Audit Committee. On 7 July 2000, Messers Ferguson, Back and Kay were appointed to the Audit Committee. In view of the composition of the Board and other relevant circumstances, the Board considers these matters to be satisfactory. The Company's Articles of Association require that one-third of the directors retire by rotation each year and seek re-election at the annual general meeting. In addition, all directors are required to submit themselves for re-election at least every three years. 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 controls of the Group which aim to ensure good governance and 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 mis-statement 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 following items of special business will be proposed at the forthcoming annual general meeting:

(i) Authority to allot ordinary shares

Ordinary resolution 7 will be proposed to renew the authority of the directors to allot unissued ordinary shares up to an aggregate nominal amount of £1,045,002, representing 22.9% of the current issued ordinary share capital, in accordance with section 80 of the Companies Act 1985.

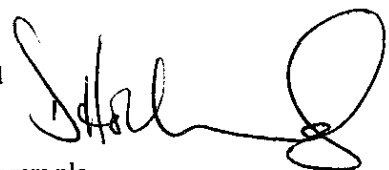
(ii) Limited Disapplication of the pre-emption provisions

Special resolution 8 will be proposed to give directors power to allot a maximum of £227,750 of unissued ordinary share capital for cash without first being required to offer such shares to existing shareholders. Under this authority, such shares would only be issued for cash at a price not less than the net asset value.

(iii) Repurchase of the Company's own shares

Special resolution 9 will be proposed to authorise the Company to make market purchases of its own shares. This authority, if conferred, will only be exercised if to do so would enhance the net asset value and is in the best interests of shareholders generally.

By Order of the Board



Edinburgh Fund Managers plc
Secretary
11 May 2001

CONSOLIDATED STATEMENT OF TOTAL RETURN

(INCORPORATING THE INCOME ACCOUNT*) FOR THE YEAR ENDED 31 MARCH 2001

		2001			2000 (restated)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
<i>Securities:</i>	(2)						
Dividends from UK Companies		3,051	–	3,051	3,109	–	3,109
Dividends from Overseas Companies		–	–	–	11	–	11
Interest from UK Companies		151	–	151	77	–	77
<i>Properties:</i>							
Rents		3,051	–	3,051	3,113	–	3,113
Interest on deposits		334	–	334	357	–	357
Underwriting commission		8	–	8	3	–	3
Other income		13	–	13	13	–	13
		6,608	–	6,608	6,683	–	6,683
Expenses							
Investment management fee	(3)	(568)	(302)	(870)	(539)	(268)	(807)
Administration expenses	(4)	(377)	–	(377)	(391)	–	(391)
		5,663	(302)	5,361	5,753	(268)	5,485
Capital profits/(losses)							
Net realised gains on investments in the year		–	4,567	4,567	–	2,426	2,426
Movement in unrealised appreciation in the year		–	(2,087)	(2,087)	–	826	826
Net return before interest payment and tax							
		5,663	2,178	7,841	5,753	2,984	8,737
Interest payable	(5)	(3,501)	–	(3,501)	(3,501)	–	(3,501)
Return on ordinary activities before tax							
		2,162	2,178	4,340	2,252	2,984	5,236
Tax on ordinary activities	(6)	–	–	–	177	(177)	–
Return attributable to equity shareholders							
		2,162	2,178	4,340	2,429	2,807	5,236
Dividends in respect of ordinary shares	(7)	(2,460)	–	(2,460)	(2,369)	–	(2,369)
Transfer (from)/to reserves							
		(298)	2,178	1,880	60	2,807	2,867
Return per ordinary share							
	(8)	4.75p	4.78p	9.53p	5.34p	6.15p	11.49p

*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 2001

		2001			2000 (restated)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
<i>Securities:</i>	(2)						
Dividends from UK Companies		3,051	–	3,051	3,109	–	3,109
Dividends from Overseas Companies		–	–	–	11	–	11
Interest from UK Companies		151	–	151	77	–	77
<i>Properties:</i>							
Rents		1,183	–	1,183	1,378	–	1,378
Interest on deposits		228	–	228	151	–	151
Other income		3	–	3	7	–	7
		4,616	–	4,616	4,733	–	4,733
Expenses							
Investment management fee	(3)	(302)	(302)	(604)	(268)	(268)	(536)
Administration expenses	(4)	(272)	–	(272)	(274)	–	(274)
		4,042	(302)	3,740	4,191	(268)	3,923
Capital profits/(losses)							
Net realised gains on investments in the year		–	4,558	4,558	–	1,086	1,086
Movement in unrealised appreciation in the year		–	(2,511)	(2,511)	–	893	893
Net return before interest payment and tax							
		4,042	1,745	5,787	4,191	1,711	5,902
Interest payable	(5)	(1,851)	–	(1,851)	(1,851)	–	(1,851)
Return on ordinary activities before tax							
		2,191	1,745	3,936	2,340	1,711	4,051
Tax on ordinary activities	(6)	–	–	–	152	–	152
Return attributable to equity shareholders							
		2,191	1,745	3,936	2,492	1,711	4,203
Dividends in respect of ordinary shares	(7)	(2,460)	–	(2,460)	(2,369)	–	(2,369)
Transfer (from)/to reserves		(269)	1,745	1,476	123	1,711	1,834
Return per ordinary share	(8)	4.81p	3.83p	8.64p	5.48p	3.75p	9.23p

*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 2001

		2001		2000 (restated)	
	Notes	£'000	£'000	£'000	£'000
Investments	(9)				
Listed in UK			74,382		71,961
			74,382		71,961
Investment Properties			39,825		39,800
			114,207		111,761
Current Assets					
Debtors	(10)	2,352		1,498	
Cash and short term deposits		2,547		4,542	
		4,899		6,040	
Current Liabilities (due within one year)					
Creditors	(11)	1,448		2,045	
Dividend payable	(12)	1,230		1,184	
		2,678		3,229	
Net Current Assets			2,221		2,811
Total Assets less Current Liabilities			116,428		114,572
Creditors (due after one year)	(13)		35,611		35,635
Total Net Assets			80,817		78,937
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		34,631		30,366	
Capital Reserve – unrealised		10,823		12,959	
Revaluation Reserve		11,245		11,196	
Revenue Reserve		1,117		1,415	
			76,262		74,382
Equity Shareholders' Funds	(16)		80,817		78,937
Net Asset Value per Ordinary share	(17)	177.4p		173.3p	

These accounts were approved by the Board on 11 May 2001 and were signed on its behalf by:

James Ferguson, Director

Angela Lascelles, Director

J.Ferguson
Angela Lascelles

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

COMPANY BALANCE SHEET

AS AT 31 MARCH 2001

		2001	2000 (restated)
	Notes	£'000	£'000
Investments	(9)		
Listed in UK		74,382	71,961
Subsidiaries		25	25
		74,407	71,986
Investment Properties		14,900	17,425
		89,307	89,411
Current Assets			
Debtors	(10)	2,494	1,634
Cash and deposits		1,638	1,236
		4,132	2,870
Current Liabilities (due within one year)			
Creditors	(11)	827	1,167
Dividend payable	(12)	1,230	1,184
		2,057	2,351
Net Current Assets		2,075	519
Total Assets less Current Liabilities		91,382	89,930
Creditors (due after one year)	(13)	20,611	20,635
Total Net Assets		70,771	69,295
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		31,074	26,818
Capital Reserve – unrealised		10,823	12,959
Revaluation Reserve		4,656	5,031
Revenue Reserve		1,217	1,486
		66,216	64,740
Equity Shareholders' Funds	(16)	70,771	69,295

These accounts were approved by the Board on 11 May 2001 and were signed on its behalf by:

James Ferguson, Director

Angela Lascelles, Director

James Ferguson
Angela Lascelles

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2001

		2001	2000
	Note	£'000	£'000
Operating activities:			
Dividends received from investments		3,195	3,635
Rental income		3,020	3,010
Interest received		333	357
Other income		21	15
Investment management fees paid		(881)	(830)
Administration fees paid		(115)	(102)
Directors' fees paid		(25)	(26)
Other cash payments		(121)	(88)
Net cash inflow from operating activities	18	5,427	5,971
Returns on investments and servicing of finance:			
Interest paid		(3,526)	(3,525)
Taxation:			
Tax (paid)/received		(34)	122
Capital expenditure and financial investment:			
Purchases of investments		(34,630)	(38,708)
Sales of investments		33,182	39,475
Net cash (outflow)/inflow from capital expenditure and financial investment		(1,448)	767
Equity dividends paid		(2,414)	(2,323)
Net cash (outflow)/inflow before financing		(1,995)	1,012
(Decrease)/increase in cash	18	(1,995)	1,012

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of Preparation

These accounts have been prepared in accordance with applicable accounting standards, under the historical cost convention modified to include the revaluation of investments and the Investment Trust Statement of Recommended Practice (SORP), except that investment properties, as indicated in Note 9, are not depreciated and finance costs have not been allocated between revenue and capital in the same proportion as the investment management fee (see 1(c) (iv) below).

(b) Basis of Consolidation

The Group accounts consolidate the accounts of Value and Income Trust plc and its wholly-owned subsidiaries made up to 31 March 2001. Audax Properties plc and VIT Securities Limited, both subsidiaries of the company, charge expenses wholly to income and no adjustment has been made to charge any of these expenses to capital on consolidation.

(c) Income and Expenses

- (i) Dividends are brought into account on the date on which the shares are quoted 'ex-dividend' on the Stock Exchange. Interest on securities has been accounted for gross and on a time apportioned basis, as recommended by the SORP.
- (ii) Dividends are included without the tax credit.
- (iii) Rents from investment properties and interest receivable are dealt with on an accruals basis.
- (iv) With effect from 1 April 2000, 50% of the investment management fee paid by the company has been charged to capital. This change reflects the Board's decision that this cost should be charged to capital and income in line with the expected long term split of returns from investments. The 2000 figures have been restated to reflect the change in accounting policy. Had the accounting policy remained unchanged for the year ended 31 March 2001, the revenue and capital return on ordinary activities after tax would have been £1,860,000 and £2,480,000 respectively. The allocation has no effect on the total return of the company.

The SORP states that finance costs should be allocated to capital on the same basis as the investment management fee allocation. However, as the company has a significant exposure to property, and property companies do not charge finance costs to capital, the directors consider it inappropriate to allocate finance costs to capital.

- (v) Distributions which are deemed to be of a capital nature are included in the Capital Reserve.
- (vi) Performance fees, payable to the Investment Managers in accordance with the Investment Management Agreement, are charged to Capital Reserve – realised less appropriate tax relief.
- (vii) Interest payable and administration expenses are dealt with on an accruals basis and are charged in full to income.

(d) Deferred Tax

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

(e) Investments

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

(f) Borrowings

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

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES (Cont.)

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.

2. INCOME FROM SECURITIES

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
Listed in UK	3,202	3,202	3,197	3,197

3. INVESTMENT MANAGEMENT FEE

	2001		2000 (restated)	
	Group £'000	Company £'000	Group £'000	Company £'000
Investment Management Fee	781	538	742	493
Irrecoverable VAT thereon	89	66	65	43
	870	604	807	536
Charged against Capital Reserve – realised (see note 1(c) (iv))	(302)	(302)	(268)	(268)
	568	302	539	268

4. ADMINISTRATION EXPENSES

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
Auditors' remuneration – audit	8	5	8	5
– non audit	3	3	9	9
Directors' Fees	22	22	26	26
Fee for Secretarial Services	106	70	103	66
Property management, irrecoverable VAT and other expenses	238	172	245	168
	377	272	391	274
Chairman and highest paid director's emoluments	10	10	11	11

Non-executive directors' fees comprise the chairman's fee of £11,000 (2000 – £11,000) per annum and £5,000 (2000 – £5,000) per annum to each other director.

Neither executive director received any emoluments directly from the Company (2000 – same).

The executive directors are shareholders and directors of OLIM Limited which received an investment management fee of £781,000 (2000 – £742,000) the basis of calculation of which is given on page 16.

5. INTEREST PAYABLE

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
11% First Mortgage Debenture Stock 2021	1,650	–	1,650	–
9%% Debenture Stock 2026	1,851	1,851	1,851	1,851
	3,501	1,851	3,501	1,851

NOTES ON THE ACCOUNTS

6. TAX	2001			2000		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
A. GROUP						
Corporation tax	-	-	-	(177)	177	-
B. COMPANY						
Corporation tax	-	-	-	(152)	-	(152)

The Company has excess management expenses available for group relief. In the year to 31 March 2000, 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	2001 £'000	2000 £'000
Interim – 2.70p (2000 – 2.60p) paid 5 January 2001	1,230	1,185
Final – 2.70p (2000 – 2.60p) payable 3 July 2001	1,230	1,184
	2,460	2,369

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 (2000 – 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 (2000 – same) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9. INVESTMENTS	Equities £'000	Other Securities with equity element £'000	Bonds £'000	Investment Properties £'000	Total £'000
A. GROUP					
Cost at 31 March 2000	52,686	6,316	-	28,604	87,606
Unrealised appreciation	9,273	3,686	-	11,196	24,155
Valuation at 31 March 2000	61,959	10,002	-	39,800	111,761
Purchases	26,516	458	3,626	3,364	33,964
Sales proceeds	(26,774)	(1,319)	(1,860)	(4,045)	(33,998)
Realised gains/(losses) on sales	3,389	524	(3)	657	4,567
Movement in unrealised appreciation in year	(1,197)	(940)	1	49	(2,087)
Valuation at 31 March 2001	63,893	8,725	1,764	39,825	114,207
Cost at 31 March 2001	55,817	5,979	1,763	28,581	92,140

NOTES ON THE ACCOUNTS

9. INVESTMENTS (Cont.)

	Equities £'000	Other Securities with equity element £'000	Bonds £'000	Investment Properties £'000	Total £'000
B. COMPANY					
Cost at 31 March 2000	52,711	6,316	–	12,394	71,421
Unrealised appreciation	9,273	3,686	–	5,031	17,990
Valuation at 31 March 2000	61,984	10,002	–	17,425	89,411
Purchases	26,516	458	3,626	113	30,713
Sales proceeds	(26,774)	(1,319)	(1,860)	(2,911)	(32,864)
Realised gains/(losses) on sales	3,389	524	(3)	648	4,558
Movement in unrealised appreciation in year	(1,197)	(940)	1	(375)	(2,511)
Valuation at 31 March 2001	63,918	8,725	1,764	14,900	89,307
Cost at 31 March 2001	55,842	5,979	1,763	10,244	73,828

The weighted average rate of interest received in the year from other securities with an equity element amounted to 7.2% (2000 – 7.2%). Fixed interest securities including convertible preference shares, with a market value of £3,718,000 (2000 – £1,545,750), have a weighted average period for which the rate is fixed of 3 years (2000 – 5 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 King Sturge 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 £39,825,000 – cost £28,581,000 (2000 – £39,800,000 – cost £28,604,000).

	2001		2000	
10. DEBTORS	Group £'000	Company £'000	Group £'000	Company £'000
Sales of investments	1,815	1,815	999	999
Amount due from subsidiaries	–	169	–	152
Prepayments and accrued income	537	510	499	483
	2,352	2,494	1,498	1,634

11. CREDITORS (due within one year)

Purchases of investments	–	–	666	241
Amount due to subsidiaries	–	–	–	67
Tax payable	296	27	167	2
Accruals and other creditors	1,152	800	1,212	857
	1,448	827	2,045	1,167

At the year end the balance owed by the Group to OLIM Limited was £64,500 (2000 – £77,023) and the amount owed by the Company was £42,664 (2000 – £50,349).

NOTES ON THE ACCOUNTS

	2001		2000	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
12. DIVIDEND PAYABLE				
Ordinary shares – payable 3 July 2001	1,230	1,230	1,184	1,184
13. CREDITORS	Group	Company	Group	Company
(due after one year)	£'000	£'000	£'000	£'000
9%% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add: Balance of premium less issue expenses	635	635	658	658
Less: Credit to income for the year	(24)	(24)	(23)	(23)
	20,611	20,611	20,635	20,635
11% First Mortgage Debenture Stock 2021	15,000	–	15,000	–
	35,611	20,611	35,635	20,635

The weighted average period for which the Group's debentures are fixed is 23 years (2000 – 24years). The weighted average interest rate on the Group's debentures is 10.1% (2000 – same), they were issued at an average Gross Redemption Yield of 9.1% (2000 – 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 9%% 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 2001 have been reported by the Group's stockbrokers as follows:–

Audax Properties 11% First Mortgage Debenture Stock 2021: £135.5625 per £100 (£20.334m).
2000 – £146.531 per £100 (£21.980m).

Value & Income Trust 9%% Debenture Stock 2026: £136.750 per £100 (£27.35m). 2000 – £143.469 per £100 (£28.694m).

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

	Authorised		Issued and fully paid	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
14. SHARE CAPITAL				
Ordinary shares of 10p	5,600	5,600	4,555	4,555
6%% 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 2000	18,446	30,634	12,959	11,196	1,147
Prior year adjustment (see note 3)	–	(268)	–	–	268
	18,446	30,366	12,959	11,196	1,415
Realised gains on disposals	–	4,567	–	–	–
Management fee charged to capital	–	(302)	–	–	–
Movement in unrealised appreciation on assets	–	–	(2,136)	49	–
Transfer from Income Account	–	–	–	–	(298)
Balance at 31 March 2001	18,446	34,631	10,823	11,245	1,117
B. COMPANY					
Balance at 31 March 2000	18,446	27,086	12,959	5,031	1,218
Prior year adjustment (see note 3)	–	(268)	–	–	268
	18,446	26,818	12,959	5,031	1,486
Realised gains on disposals	–	4,558	–	–	–
Management fee charged to capital	–	(302)	–	–	–
Movement in unrealised appreciation on assets	–	–	(2,136)	(375)	–
Transfer from Income Account	–	–	–	–	(269)
Balance at 31 March 2001	18,446	31,074	10,823	4,656	1,217

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
Total net assets attributable at the beginning of the year	78,937	69,295	76,070	67,461
Total recognised gains and losses in the year	4,340	3,936	5,236	4,203
Dividends paid in the year	(2,460)	(2,460)	(2,369)	(2,369)
Total net assets attributable at the end of the year	80,817	70,771	78,937	69,295

17. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is based on net assets attributable of £80,817,000 (2000 – £78,937,000) and on 45,549,975 (2000 – same) Ordinary shares in issue at the year end.

18. CONSOLIDATED CASH FLOW STATEMENT	2001	2000
A.Reconciliation of total income to net cash inflow from operating activities	£'000	£'000
Income	6,608	6,683
Investment Management Fee	(870)	(807)
Administration expenses	(377)	(391)
Decrease in other debtors	63	629
Increase/(decrease) in other creditors	3	(143)
Net cash inflow from operating activities	5,427	5,971

NOTES ON THE ACCOUNTS

B. Analysis of changes in net debt	Balance at 31 March 2000 £'000	Cash Flows £'000	Movement in Net Premium £'000	Balance at 31 March 2001 £'000
Cash	4,542	(1,995)	–	2,547
9% Debiture Stock 2026	(20,635)	–	24	(20,611)
11% First Mortgage Debiture Stock 2021	(15,000)	–	–	(15,000)
Net Debt	(31,093)	(1,995)	24	(33,064)

19. COMMITMENTS AND CONTINGENT LIABILITIES	2001 Group £'000	Company £'000	2000 Group £'000	Company £'000
There are liabilities in respect of:				
Commitments and partly paid investments	–	25	–	25
Underwritings and contingent liabilities	–	–	516	–
	–	25	516	25

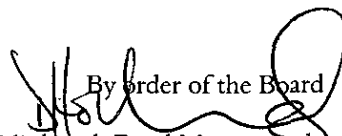
20. POST BALANCE SHEET EVENTS

At the balance sheet date a contract had been exchanged for the sale of a property for £437,000. The sale has now been completed.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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


 By order of the Board
 Edinburgh Fund Managers plc
 Secretary
 11 May 2001

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 covers 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.

As noted on page 23, the treatment of finance costs does not comply with the 1995 Statement of Recommended Practice for Investment Trust Companies. Our opinion is not qualified in this respect.

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 2001 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

Chiene & Tait, C.A.

11 May 2001

ANALYSIS OF SHAREHOLDINGS

	2001			2000		
	Number	Holding	%	Number	Holding	%
Individuals	1,884	19,236,219	42.2	2,304	19,377,562	42.5
Banks & Nominees	655	17,303,658	38.0	669	13,087,714	28.8
Investment & Unit Trusts	16	3,710,718	8.1	16	7,457,731	16.4
Insurance Companies	10	2,404,102	5.3	15	2,470,928	5.4
Other Companies	128	2,333,917	5.1	130	2,395,214	5.3
Pension Funds	7	133,341	0.3	5	335,806	0.7
Universities, Schools & Other Corporate Bodies	7	428,020	1.0	7	425,020	0.9
	<u>2,707</u>	<u>45,549,975</u>	<u>100.0</u>	<u>3,146</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 £30 a month or more in VIT shares.

It can also be used for one-off lump sum investments of at least £250 and offers a dividend reinvestment facility.

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

You may subscribe any amount as a lump sum from £1,000 up to £7,000 in the tax year 2001/2002.

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

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

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

Edinburgh Fund Managers plc, (Regulated by IMRO),
Donaldson House,
97 Haymarket Terrace,
Edinburgh EH12 5HD.

Tel: 0131 313 1000.

e-mail: response@edfd.com

Website: www.edfd.com

NOTICE OF MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of Value and Income Trust plc will be held in Donaldson House, 97 Haymarket Terrace, Edinburgh on 2 July 2001 at 12.30 p.m. The following resolutions will be proposed:

ORDINARY BUSINESS

1. To receive the Report of the Directors and the Accounts for the year ended 31 March 2001;
2. To declare a final dividend;
3. To re-elect Matthew Oakeshott as a Director of the company;
4. To elect David Back as a Director of the company;
5. To re-appoint Chiene & Tait, CA, as auditor of the company;
6. To authorise the Directors to fix the remuneration of the auditors for the year to 31 March 2002.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the Resolutions 7 as an ordinary resolution and Resolutions 8 and 9 as special resolutions.

Ordinary Resolution

7. That the Directors of the company be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 as amended ("the Act") to exercise all the powers of the company and to make offers and agreements to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal value of £1,045,002 during the period commencing on the date of the passing of this resolution and expiring on the day preceding the fifth anniversary of the passing of this resolution but so that this authority shall allow the company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

8. That the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ('the Act') to allot equity securities (within the meaning of Section 94(2) of the Act) for cash at a price not below the net asset value per share, pursuant to any general authority conferred upon them for the purposes of Section 80 of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with any rights issue in favour of the holders of ordinary shares on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all the holders of ordinary shares are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date, provided that the Directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and
 - (b) to the allotment (otherwise than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal amount of £227,750;

and will expire on the day preceding the fifth anniversary of the passing of this Resolution save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.
9. That the company be and it is hereby authorised in accordance with section 166 of the Act to make purchases (within the meaning of section 163 of the Act) of ordinary shares of 10p each in the company ('shares') provided that:
 - (a) the maximum number of shares hereby authorised to be purchased is 6,827,941;

NOTICE OF MEETING

- (b) the minimum price which may be paid for a share shall be 10p;
- (c) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than 5% above the average of the middle market quotation (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and
- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company to be held in 2002 save that the company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

By Order of the Board
Edinburgh Fund Managers plc
Secretary
30 May 2001

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

Notes:

1. Holders of ordinary shares are entitled to attend and vote at the meeting.

Members must be entered on the company's register of members 48 hours before the time appointed for the meeting. If the meeting is adjourned for more than 48 hours then, for members to be entitled to vote, they must be entered on the company's register of members 48 hours prior to the time fixed for the adjourned meeting. Any such holder may appoint another person (whether a member of the company or not) as his proxy to attend and vote on a poll in his stead. Proxies must be lodged at the company's registrar, Computershare Services plc, Owen House, 8 Bankhead Crossway North, Edinburgh not less than 48 hours before the time appointed for the meeting. Completion of a form of proxy will not prevent a holder of ordinary shares from attending or voting in person should he so wish.

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

FORM OF PROXY

Value and Income Trust PLC

(For use by Ordinary Shareholders only)

I/We

(Block letters please)

of

being a member(s) of the above-named Company, hereby appoint the Chairman of the Meeting or (see note 1)

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 2 July 2001 and at any adjournment thereof. My/our proxy is to vote as indicated by an "X" below in respect of the resolutions set out in the Notice of Meeting (see note 2):

Annual General Meeting		
Resolutions	For	Against
1. To receive the Report and Accounts for the year ended 31 March 2001.		
2. To declare a final dividend.		
3. To re-elect Matthew Oakeshott as a Director.		
4. To re-elect David Back as a Director.		
5. To re-appoint Chiene & Tait, CA, as auditors.		
6. To authorise the Directors to fix the auditors' remuneration.		
7. To authorise the Directors to allot a limited amount of Ordinary Shares.		
8. To empower the Directors pursuant to the foregoing authority to allot a limited amount of Ordinary Shares free of pre-emption rights.		
9. To authorise the Directors to buyback Ordinary Shares.		

Dated this..... day of..... 2001

Signed or sealed (see note 3)

Notes:

1. If it is desired to appoint any other person(s) as proxy, the words "the Chairman of the Meeting or" should be struck out and the name and address of the other person(s) inserted in block letters in the space provided. A proxy need not be a member of the Company. Any alteration or deletion must be signed or initialled.
2. The manner in which the proxy is to vote should be indicated by inserting an "X" in the box marked "For" or "Against"; if no such indication is given, the proxy will vote or abstain at his discretion. The proxy will act at his discretion in relation to any other business arising at the meeting (including any resolution to adjourn the meeting).
3. In the case of a corporation this Form of Proxy should either be given under its seal or be signed on its behalf by an attorney or a duly authorised officer. In the case of joint holders, the signature of the one of them who stands first on the Register will suffice, but the names of the joint holders should be shown.
4. Use of this Form of Proxy does not preclude a member from attending the meeting and voting in person.
5. To be valid this Form of Proxy must be lodged with the power of attorney (if any) under which it is signed, or a notarially certified copy thereof, at **Computershare plc, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG**, not later than 48 hours before the time of the meeting.