VALUE AND INCOME TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

Contents

Financial Calendar

4 January 2016	Interim ordinary dividend of 4.5p per share paid for year ended 31 March 2016
2 June 2016	Announcement of annual results for year ended 31 March 2016
8 July 2016	Annual General Meeting Edinburgh (12.30pm)
15 July 2016	Proposed final ordinary dividend of 6.0p per share payable for year ended 31 March 2016
November 2016	Announcement of Half-Yearly Financial Report for six months ending 30 September 2016
January 2017	Interim ordinary dividend payable for year to 31 March 2017

This document is important and requires your immediate attention. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Value and Income Trust PLC, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Value and Income Trust PLC (VIT or the Company) is an investment trust company and its Ordinary shares are listed on the Premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is registered as a public limited company in Scotland under company number SC50366. VIT is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has one class of share. VIT is a member of the Association of Investment Companies (AIC).

Investment Aims

VIT invests in higher-yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in medium and smaller sized companies. VIT aims for long term real growth in dividends and capital value without undue risk.

Investment Policy

VIT's policy is to invest in quoted UK equities, UK commercial property and cash or near cash securities. It is not normally VIT's policy to invest in overseas shares or in unquoted companies. Further information on VIT's investment policy is detailed in the Business Review on page 15.

Capital Structure

As at 31 March 2016, VIT's share capital consisted of 45,549,975 Ordinary shares of 10p nominal value in issue. Each Ordinary share entitles the holder to one vote on a show of hands and, on a poll, to one vote for every share held.

Share Dealing

Shares in VIT can be purchased and sold in the market through a stockbroker, or indirectly through a lawyer, accountant or other professional adviser. Further information on how to invest in VIT is detailed on page 73.

Recommendation of Non-Mainstream Investment Products

VIT currently conducts its affairs so that the shares issued by it can be recommended by independent financial advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products and intends to do so for the foreseeable future. VIT's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust company and the returns to investors are based on investments in publicly quoted securities and directly held property.

Alternative Investment Fund Managers Directive

In accordance with the Alternative Investment Fund Managers Directive (AIFMD), VIT has appointed its wholly owned subsidiary, Value and Income Services Limited (VIS), as its Alternative Investment Fund Manager (AIFM) and has appointed BNP Paribas Securities Services as its Depositary.

Financial Highlights and Long Term Record

Highlights of the Year

- Net Asset Value total return (with debt at par) of 0.2% over one year and 14.8% over three years.
- Share price total return of -9.6% over one year and 15.3% over three years.
- FTSE All-Share Index total return of -3.9% over one year and 11.4% over three years.
- Dividends for year up 16.7% - increased for the 29th consecutive year.

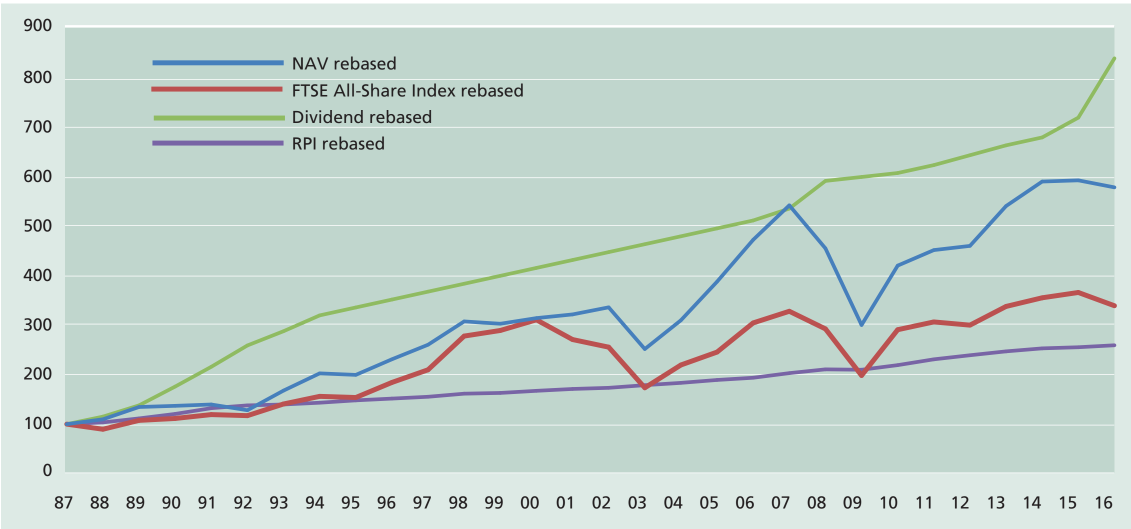
Financial Record

	30 Sept 1986*	31 Mar 1987	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016
NAV (valuing debt at par) (p)	44.0	55.1	213.9	260.6	299.0	251.0	165.6	231.8	249.1	253.8	298.2	325.5	326.9	319.0
NAV (valuing debt at market) (p)	N/A	N/A	189.0	226.9	271.1	222.7	129.6	218.3	233.7	227.6	269.8	304.3	299.5	299.2
Ordinary share price (p)	42.0	52.0	181.0	227.0	253.0	166.0	88.5	169.0	186.0	181.5	210.8	265.0	254.3	221.8
Discount of share price to NAV (valuing debt at market) (%)	–	–	4.2	0.0	6.7	25.5	31.7	22.5	20.4	20.3	21.9	12.9	15.1	25.9
Dividend per share (p)	N/A	1.25	6.20	6.40	6.70	7.40	7.50	7.60	7.80	8.05	8.30	8.50	9.00	10.50
Total assets less current liabilities (£m)	17.4	24.8	133.0	156.8	174.8	151.8	111.5	141.8	149.4	151.3	171.2	183.6	189.0	185.5

* Date from which the current investment managers were appointed.

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

Growth In Net Asset Value*



* Net Asset Value calculated with debt valued at par; 31 March 1987= 100.
(Source: Maven Capital Partners UK LLP, London Stock Exchange & Office for National Statistics)

James Ferguson*
Chairman
James Ferguson was appointed as a Director in 1986 and as Chairman in 1994. He joined Stewart Ivory in 1970, became chairman in 1989 and retired in 2000. He is chairman of The Scottish Oriental Smaller Companies Trust PLC, The North American Income Trust PLC (formerly Edinburgh US Tracker Trust PLC), Northern 3 VCT PLC and The Monks Investment Trust PLC. He is a director of The Independent Investment Trust PLC. He is a former deputy chairman of the Association of Investment Companies.

John Kay*

John Kay is an economist specialising in the application of economics to business issues. He has been chairman of London Economics, has held chairs at the London Business School and Oxford University and is currently a visiting Professor of Economics at the London School of Economics. He is a director of Scottish Mortgage Investment Trust PLC and was formerly a director of The Law Debenture Corporation PLC. He was appointed as a Director in 1994.

David Smith*

David Smith retired from the legal firm Shepherd and Wedderburn LLP in 2008 where he was a partner for 34 years, specialising in commercial property. He was appointed as a Director on 10 July 2009.

Angela Lascelles
Managing Director OLIM Limited
Angela Lascelles has been professionally engaged in investment business since graduating in philosophy from London University. She spent four years in stockbroking before becoming a fund manager, first of an investment trust, then at the Associated British Foods Pension Fund and at Courtaulds Pension Fund from 1979 until 1986. She has been a director of OLIM since 1986. She was appointed as a Director on 6 March 2008.

Matthew Oakeshott
Chairman OLIM Property Limited
Matthew Oakeshott, after studying economics at Oxford University and a period as special adviser to Mr Roy Jenkins as Home Secretary, joined S.G. Warburg & Co in 1976 and became a director of Warburg Investment Management in 1978. He was Investment Manager of Courtaulds Pension Fund from 1981 to 1985. He was a director of OLIM Limited from 1986 to April 2012 and is now chairman of OLIM Property Limited which he controls. He is a Life Peer and was appointed as a Director on 1 April 2007.

*Member of the Audit and Management Engagement Committee.
All Directors are members of the Nomination Committee.
All Directors are also directors of Value and Income Services Limited.

Chairman's Statement

The Board is recommending a substantial increase in the final dividend, which would make total dividends of 10.5p for the year to 31 March 2016, compared to 9p in the previous year, an increase of 16.7%. We hope that this will help to draw attention to the fact that this is Value and Income Trust's 29th year of dividend increases. The table on page 16 shows the position of the revenue reserve after the payment of the proposed final dividend. It is our intention to pay dividends quarterly in future.

We have been concerned for some time about the persistently high discount to Net Asset Value (NAV) on VIT shares. It is 21% (excluding income) as this is written. The increased dividend would put the shares on a dividend yield of 4.7% with the prospect of further increases, especially after the first debenture, which carries an interest rate well above current levels, is repaid. We are proposing that Shareholders should have an opportunity to realise their investment at NAV less costs after November 2026, when the second of our two debentures will be repaid.

We are therefore putting a proposal to Shareholders at our Annual General Meeting in July for an amendment to the Articles of Association which requires the Board to put an Ordinary Resolution to Shareholders in 2024 in relation to the future direction of the Company, including proposals that provide an opportunity for any Shareholder to realise their investment in full at NAV, less costs, by 31 March 2027 at the latest. The reason for doing this in 2024 is to give sufficient time for refinancing the debt or for selling properties as required. We are also proposing to take the opportunity to reflect other recent legislative changes in the Articles. Full details of the amendments are set out on page 24.

To take advantage of the low rates for long term money, we have borrowed £15 million from Santander UK plc for ten years at a rate of 4.5% p.a. including all costs. The money is being invested in properties with yields well above this, and it replaces the original £5 million loan arranged in February 2015. It enables us to look forward to our dividend prospects in the current year with some confidence, although at the moment it is too early to make a forecast.

Debentures are measured at amortised cost in the Financial Statements. The first of our two debentures is repayable for £15,000,000 in 2021 at par (100). In order to calculate our NAV with borrowings at fair value, we value these debentures by reference to the market, which means that the 2021 debenture is valued at £19,463,000. This value will reduce to par by the time that it is repaid and so will increase the NAV over the period, as will the second debenture which is repayable in 2026 for £20,000,000 (currently valued at £27,567,000) (as per note 20 to the Financial Statements). Our two debentures have covenants attached to them. Information about these is included in note 12 to the Financial Statements; there is plenty of headroom in terms of both capital and income.

James Ferguson

Over the year to 31 March 2016, the net asset value of the Trust performed well in difficult markets. The performance of our equity portfolio was well ahead of the FTSE All-Share Index. Our property portfolio had a good year and delivered a total return of 10%. However, as a result of the widening of the discount, the share price total return over the year was -9.6%. I have described above the steps which the Board is taking to address this discount. The longer term performance of the Trust continues to be strong: over three years, the share price total return has been 15.3% compared with a total return on the FTSE All-Share Index of 11.4%. No performance fee is payable.

We remain fully invested in equities; as at the year end the portfolio yield was 4.6% and the prospects for dividend growth are reasonably encouraging. Our property portfolio was fully let before the new borrowing referred to above, with leases that have an average unexpired length of 13 years and of which 51% are index-related. Both of the portfolios provide good value when compared to the remarkably low yields available from UK gilts.

I hope that we will see as many Shareholders as possible at the Annual General Meeting on Friday 8 July 2016, which is to be held in Edinburgh. Our Managers will give a brief presentation on the outlook.

James Ferguson
2 June 2016

UK Equities

Market Background

VIT's year began with the uncertainty of the impending UK General Election, but after the clear result was delivered, the UK equity market rose. The removal of this major issue was quickly followed by a further crisis over Greek debt repayments, which dominated the news until it was resolved in early July. Concerns regarding economic growth in China then took over the headlines and simultaneously the news channels were reporting the migration crisis affecting Europe. Oil and commodity prices fell heavily and in the first half of VIT's year equity prices everywhere fell. In the second half of our year some recovery was seen but not enough to recover the losses of the first half. Over the year as a whole the FTSE All-Share Index fell by 7.3% and recorded a total return of -3.9%.

During the year sterling weakened against both the US dollar and the euro. The US dollar strengthened in the second half of 2015 when it became clear that the US economy was strengthening and interest rates would begin to rise. Federal Funds' rate rose by 0.25% in December. The euro was particularly weak against sterling in March 2015 at €1.38 and when modest economic growth returned to the Eurozone during 2015, some recovery was seen in the currency, which closed VIT's year end at €1.26. Overseas equity returns, measured in US dollars and euro, were therefore enhanced by the weakness of sterling. The FTSE World Index fell by 5.6%. The USA was strongest with a fall of 0.4% but Germany was very weak, registering a fall of 16.7%.

Within the UK equity market there was a sharp divergence in performance between the various indices. The FTSE High Yield Index fell by 11.7% but the FTSE 250 Index of mid-sized companies fell by just 1.0%. The High Yield Index is heavily dominated by banks, oils and mining companies, which all suffered from the slowdown in global growth and several of the large companies have forecast dividend cuts. The 250 Index has more exposure to the UK economy, which is

Simon Jaffé, Angela Lascelles and Andrew Impey

still growing faster than the Eurozone, though inevitably affected somewhat by the slower growth in the emerging economies.

In fixed interest markets, the FTSE Gilts All Stocks Index recorded a total return of +3.3%. Ten year gilt yields fell from 1.6% at end March 2015 to 1.4% at end March 2016. In times of great anxiety, there is often a flight to the perceived quality of the gilt market, and we expect this movement to reverse in calmer conditions. The oil price dominated sentiment during the second half of our year. Opening our year at $55 it fell dramatically in the beginning of 2016 and recorded a low price of only $27 in January before partially recovering to $40 by the end of our year. At its nadir, rumours began to circulate about the financial health of the banking sector and several major banks had to issue statements to reassure the financial community of the adequacy of their reserves. Investors' nerves were somewhat steadier after this and in the last six weeks of our final quarter equity markets recovered, though many investors remain concerned about the extreme volatility experienced so far in 2016.

Summary of Portfolio

	31 March 2016		31 March 2015	
	£m	%	£m	%
UK Equities	127.3	68.6	132.1	69.9
UK Property	55.1	29.7	54.5	28.8
Cash	3.1	1.7	2.4	1.3
	185.5	100.0	189.0	100.0

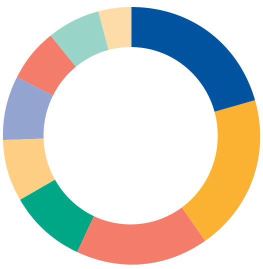
Performance

VIT's equity performance was significantly ahead of the FTSE All-Share Index. In capital terms it fell by 4.0%, compared with the fall of 7.3% in the Index and its total return was +0.5% compared to the Index total return of -3.9%. Over the last three years our equity portfolio return has been +17.8% compared to the Index return of +11.4%.

Our underweight allocations to the Bank, Pharmaceutical and Mining sectors continued to make a positive contribution to performance. Our overweighting in Non-Life Insurance and Personal Goods also benefitted the portfolio. In stock selection our holding of Conviviality rose by 66% and Amlin, the specialist insurer, was taken over at a price 32% higher than at the beginning of our year. The housebuilder Crest Nicholson rose by 32% and, in the Electronics sector, Halma rose by 30%. Negative performance in our portfolio came from Rotork (-26%) and Amec Foster Wheeler (-50%) which were both affected by the fall in the oil price, which reduced demand for actuators and oil services.

Distribution of Securities

At 31 March



	2016 %	2015 %
Consumer Services	**20.8**	**18.8**
Industrials	**19.7**	**20.1**
Financials	**16.7**	**16.6**
Consumer Goods	**9.5**	**7.7**
Telecommunications	**7.9**	**8.1**
Utilities	**7.9**	**8.0**
Basic Materials	**6.8**	**8.0**
Oil and Gas	**6.5**	**8.3**
Health Care	**4.2**	**4.4**
	100.0	**100.0**

Portfolio

Sales and purchases of equities over the year totalled £9.96m, with net sales of £0.2m. We sold the holding in Sanne Group after a strong price rise following its initial placing as a public company. We reinvested in Daily Mail and General Trust. We reduced our holdings in Restaurant Group, Unilever and BT Group and we increased the holding in Crest Nicholson, the housebuilder mainly operating in the South of England. We sold the small holding in South32, which had been demerged from BHP Billiton and our holding in Amlin was acquired for cash by Japan's Mitsui Sumitomo Insurance Company. We reinvested in Prudential, again in the insurance sector.

Outlook

In the UK, the Office of Budgetary Responsibility (OBR) downgraded its forecast for UK economic growth in 2016 from 2.4% to 2.0%. The reduction partly reflects the impact of slower growth in China and other export markets. The reduction in forecast growth caused the Chancellor to revise upwards his forecast of borrowing by £38bn. The OBR estimates that government debt has now reached 82% of GDP. The UK government now predicts this will only fall from 2017-18 onwards, two years later than previously estimated. In Europe the political strains caused by the refugee crisis remain acute and economic growth continues to lag behind the US and UK. However investor sentiment was boosted by the ECB's decision to expand its monthly programme of bond purchases from €60bn to €80bn. In addition the ECB signalled that, for the first time, it would purchase non-bank corporate bonds. In the US, sentiment was also helped by comments from Janet Yellen indicating that the Federal Reserve would proceed cautiously in raising interest rates partly due to the risks posed to the US economy from global developments.

The major issues facing investors in the next few months will be the referendum on the UK's EU membership and the stability of the Chinese economy. Mr Cameron returned from his negotiations to reform the European Community with nothing of significance, so voters are faced with the choice of the status quo at best, with less negotiating power going forward, or the journey into the unknown, though with some comfort from our close links with America and our Commonwealth. Currently, the market seems less worried over the outcome of the vote than the Prime Minister. Concerning the Chinese economy, the lower price of oil, which is still 28% lower in the last year, should encourage growth at a later stage. Currently, forecasts for growth in China seem to be settling above 6% for the next two years. The UK market's yield of 3.8% remains nearly three times the gilt yield and we believe it discounts the concerns about Brexit and the slower growth overseas.

Angela Lascelles

OLIM Limited
2 June 2016

List of Equity Holdings as at 31 March 2016

Holding		Description	Market Value (£)
208,000	Unilever	The global food, home and personal care company.	6,557,200
685,000	Halma	Operating in 22 countries, the company makes products to protect buildings and the environment.	6,243,775
1,650,000	Beazley	A specialist international insurance company, primarily operating in Lloyds.	5,936,700
2,285,000	Legal & General Group	One of the UK's leading financial services companies, specialising in life assurance and pensions.	5,374,320
375,000	GlaxoSmithKline	The UK's largest pharmaceutical company.	5,295,000
2,355,454	Vodafone	The leading mobile telecommunications company.	5,210,264
275,000	Spectris	Leading supplier of instrumentation and controls.	5,071,000
1,120,000	BT Group	The fixed-line telecommunications company.	4,933,600
650,000	Informa	Provider of specialist information to the academic, scientific, professional and commercial communities through multiple distribution channels.	4,511,000
475,000	Babcock International	An engineering support services group; the main customer is the Ministry of Defence.	4,510,125
3,297,000	John Laing Infrastructure Fund	A closed-end investment company investing in mature infrastructure projects.	3,979,479
150,000	Go-Ahead Group	Operator of trains and buses.	3,975,000
1,121,000	BP	One of the world's largest energy companies, providing fuel, retail services and petrochemicals.	3,925,182
2,530,000	Marstons	The regional brewer and pub company.	3,845,600
2,100,000	Rotork	The world's leading manufacturer of actuators serving particularly the oil, gas and water management industries.	3,838,800
126,300	Croda International	A world leader in natural based speciality chemicals which are sold to virtually every type of industry.	3,838,257
391,772	United Utilities	The UK's largest listed water company.	3,616,056
411,400	Pennon	Operates and invests in water, sewerage services and waste management operating in the UK and North Africa.	3,336,454
192,221	Royal Dutch Shell	A global group of energy and petrochemical companies.	3,267,757
816,500	Restaurant Group	The company owns chains of restaurants in airports and leisure parks.	3,205,579
1,363,000	Centrica	An integrated gas and electricity company.	3,103,551
935,000	N Brown Group	An on-line and catalogue retailer.	3,055,580
550,000	Cineworld	The UK'S leading cinema operator.	2,956,250
981,300	Carillion	Support services in building contracts for the UK and Middle East.	2,886,003
510,000	Crest Nicholson	A UK housebuilder, operating mainly in Southern England with one of the longest land banks in the industry.	2,871,300
1,220,399	Conviviality	Drinks wholesaler and operator of convenience stores	2,867,938
660,000	HSBC	The banking group.	2,863,740
375,000	Britvic	Manufacturer and distributor of soft drinks in the UK and Ireland.	2,664,375
200,000	Prudential	Insurance and fund management company with interests in UK, North America and Asia.	2,602,000
800,000	SThree	A staffing company, both permanent and temporary.	2,510,000
90,709	Johnson Matthey	A leader in speciality chemicals and sustainable technologies.	2,489,055
293,000	Daily Mail & General Trust	Newspaper publisher, majority interest in Euromoney, minority interest in Zoopla.	2,039,280
61,700	Rio Tinto	One of the world's largest mining companies.	1,206,544
140,000	BHP Billiton	The world's largest mining company.	1,095,920
234,000	Amec Foster Wheeler	A supplier of consultancy, engineering and project management services to the natural resources environment and infrastructure markets.	1,053,000
500,000	Hansard Global	Provides, supports and services life assurance products for financial institutions and independent financial intermediaries globally.	530,000
			127,265,684

Property Portfolio

The Market

UK commercial property delivered its third consecutive year of double digit returns in 2015, at 13% nominal and 12% real after Retail Price Inflation. Average capital values have now risen by 40% from the depths of the 2008-9 crash but are still 20% below their 2007 peak. Rental values are also growing across the country, but valuation yields have generally bottomed out and have started to edge up again and put prices under pressure in the riskier and overheated parts of the market.

2016 has started slowly with capital values slightly down on average over the first quarter. Larger properties took a 1% Stamp Duty hit in a market where some institutional investors were already getting concerned that the property cycle had peaked and they might suffer further capital outflows after February's high redemptions. Commercial property auctions, however, have been buoyed up by low interest rates and private investors switching from residential buy to let investments which have been hammered by tax, stamp duty and mortgage regulation changes.

Commercial Property Values – Annual % Growth to March 2016

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Capital	-0.9	+3.0	+5.9	+8.1	+3.9	-1.3
Rental	+2.7	+2.3	+4.1	+2.9	+1.6	+0.3
Total Return	+4.3	+8.4	+11.7	+14.6	+10.5	+5.0

Source: IPD Monthly Index – Annualised

Three years of economic recovery are now feeding through into rising rents. Office and industrial/warehouse rents and tenant demand are growing, especially in Southern England. Retail rental growth is slow and patchy, but rents are growing across the South and in some prosperous smaller towns, suburban high streets and edge of town locations throughout the United Kingdom. Medium term rental growth outside London, especially in high streets but also to some extent in industrial, office and other properties, will benefit from the long delayed rates revaluation, which will take effect in April 2017, based on realistic 2015 rents rather than the peak in 2008.

Matthew Oakeshott and Louise Cleary

The internet continues to increase its share of shopping spend, but savvier retailers are benefitting from click and collect, while new openings by convenience and discount stores, cafes and bar/restaurants are soaking up surplus space in many high streets and pushing rental values up again in the most prosperous. Prêt à Manger, for example, is now expanding fast outside London into towns like Cheltenham, Salisbury, Milton Keynes, Stratford-upon-Avon and Taunton. Capital and rental values are also rising for leisure property such as pubs, restaurants, cinemas, bowling centres and health and fitness, if they are let to strong established operators or well backed new entrants competing for new units both in and out of town. Leisure property is one of the few property sectors where capital values are still rising and yields falling because it offers long leases and sustainable index-linked rents, with sluggish investors now struggling to increase their weightings and catch up.

Motor trade investments remain in strong demand, as they also offer long leases, often with indexed rents. A record 2.63 million new cars were sold in the UK in 2015. New car retailing has been transformed by cheap manufacturer-backed financing, so it operates much more like the mobile phone market, with customers returning their cars to the dealer for an upgrade every two or three years. Over three quarters of new cars are now financed by lease or hire purchase, against under half seven years ago.

The out of town retail market is more subdued for both occupiers and investors, with B&Q, Homebase (pre the Bunnings takeover), Argos, Morrisons and Tesco shedding space but discounters such as Aldi, Lidl, B&M, Home Bargains and The Range growing aggressively. The main casualties from the new National Living Wage will be in the care home and health sectors, where operators who are heavily reliant on low paid staff and public funding will find cost increases even harder to recoup, with the 2% extra annual Council Tax increase for care funding clearly inadequate across most of the country.

Long term pension fund and insurance company investors are competing to buy "matched investments" with long index-linked leases to cover their annuity and inflation-linked liabilities with realistic returns from well-let property. These are far better value than index-linked gilts at painfully negative real yields, now down to -1%, or conventional gilts with yields near 300 year lows. But capital and rental values are still falling for large supermarkets, in view of the structural shift in demand away from visits to traditional large food stores.

After a satisfactory year of 2% growth, the UK economy has hit a soft patch, with GDP growth slipping to 0.4% in the first quarter and forecasts progressively downgraded. The public sector and trade deficits are still obstinately high, with the oil and commodity markets fragile. The British economy has grown every quarter for three years, but in a rather unbalanced way, with consumer spending and the service sector providing the main stimulus, productivity flat and manufacturing and the balance of payments now deteriorating again. Disappointing world GDP growth is depressing exports and manufacturing output – bright spots such as aerospace, cars and pharmaceuticals are offset by weakness in metals and energy-related industries, while construction is still running well below the demand for new homes and its historic highs.

The speculative bubble in luxury Central London residential developments has now burst, and the stampede to beat the end-March stamp duty increase by buy-to-let investors has left some indigestion. But ultra-low interest rates and chronic supply shortages should support house building and prices in the more affordable regions and price brackets.

Inflation in most developed economies remains subdued, with low energy and food prices boosting real incomes. But price inflation ticked up a little in Britain in March as oil prices stabilised and sterling came under pressure.

UK property offers outstanding value at a yield premium of 4 points above long-dated conventional gilts and almost 7 points over long-dated index-linked. As an each-way bet offering a high initial yield with some longer term inflation protection, it is likely to stay in demand for the next few years. UK property yields are also attractive against UK equities, because dividends earned from overseas in particular are under pressure but UK domestic rent payers are in reasonable health and real rents are recovering well since they tend to lag rather than lead economic recovery.

Individual properties and small portfolios for sale between £2m and £10m offer the best investment value now, as they are too large for most private investors but below most institutional and overseas investors' radar. Only 5% of properties in the IPD Monthly Index are now let at above current market rents, an 8 year low, with reversionary potential at an 8 year high, pointing to continued rental growth.

Comparative Yields

Equivalent Yield (End Dec. except 2016 – end March)		2016	2015	2014	2013	2008	2006	1990
Property		5.7	5.7	6.0	6.6	8.1	5.4	9.9
Long Gilts	Conventional	1.7	2.2	2.0	3.3	3.7	4.6	10.7
	Index Linked	-1.0	-0.6	-0.8	0.0	0.8	1.1	4.5
UK Equities		3.8	3.7	3.4	3.3	4.5	2.9	5.5
R.P.I (Annual Rate)		1.6	1.2	2.0	2.7	0.9	4.4	9.3
Yield Gaps:	Property less Conventional Gilts	4.0	3.5	4.0	3.3	4.4	0.8	-1.0
	less Index Linked Gilts	6.7	6.3	6.8	6.6	7.3	4.4	5.2
	less Equities	1.9	2.0	2.6	3.3	3.6	2.5	4.2

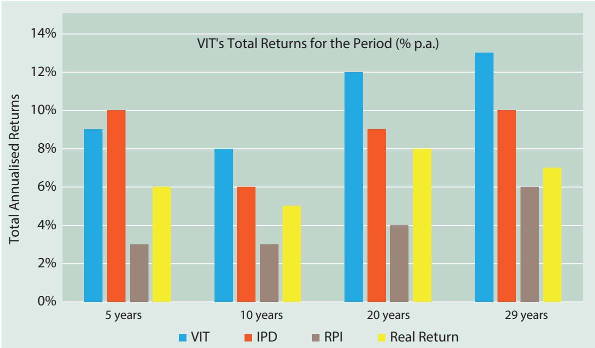
Source: IPD

The main downside risk to UK property values would be a vote to withdraw in the European Referendum. Central London offices, valued off very low yields and very high rents, are now priced for paradise but face a perfect storm of Brexit, rates revaluation and transparency as the crackdown on money laundering and tax haven secrecy gathers pace. If the vote were Leave, their rents could easily fall by a tenth and valuation yields rise by a point, cutting capital values by a quarter. But the damage should be much more limited across the provincial property market, which has stickier tenants than the City of London or Canary Wharf, and a much thicker yield cushion against rising interest rates.

THE PORTFOLIO

VIT's property portfolio produced a total return of 5% over the past 6 months, and 10% over the year to March. Our index-related properties produced a total return of 13% last year, against 7% for non-indexed properties. VIT's property record over the past 29 years against the main property benchmark, the IPD Annual Index, which covers calendar years, is shown in the table on page 12.

We concentrate on properties with strong income streams to cover the fixed interest payments on our debt and deliver long-term income and capital growth. The total return on our property portfolio has averaged 9% a year over the past 5 years, 8% over 10 years, 12% over 20 years and 13% a year over the 29 years since the start. These returns are below the IPD average over 5 years but above over longer periods. Real returns over the R.P.I. from VIT's property portfolio have averaged 5-6% a year over the past 5 and 10 years and 7-8% a year over longer periods.



Five mainly overrented shops were sold for £3.5 million at a net yield of 8% during the year, in Ayr, Kelso and Oban in Scotland and Lynton and Melton Mowbray in England. £2.8 million of the sale proceeds were re-invested in two shops in High Street, Stratford-upon-Avon at a net initial yield of 8.7% after the sale of the upper parts.

Since our year end we have also sold three more small properties in Ayr, Dundee and Sherborne for £2.6 million at a net yield of 5.7% and bought a shop in Bedford and a pub/restaurant in Thornton-Cleveleys for £2.8 million in total at a net yield of 7.7%. All properties are fully let on full repairing and insuring leases, with upward only rent reviews and an average unexpired lease length of 13 years. The portfolio has been fully let and income-producing throughout the year apart, briefly, the vacant upper parts above the shops at Stratford-upon-Avon. 25% of rental income is reviewed annually, with 75% five yearly. 51% of the portfolio's rental income comes from index-related leases (up from 35% four years ago).

The property portfolio has been funded for many years by long term fixed rate loans - £20 million of VIT 9³/₈% Debenture Stock repayable in 2026 and £15 million of VIT 11% Debenture Stock repayable in 2021. Because these Debenture Stocks were issued at a premium, their effective interest cost averaged 9%, which compares with the 13% p.a. long-term return from VIT's properties. Interest rates have now fallen so low compared to property yields that we borrowed £5 million in March 2015 for five years at a fixed interest rate of 4% p.a. and invested it in property let to good covenants, at an average yield of 7% increasing VIT's net income by over £100,000 a year. We increased this loan on 13 May to £15 million at a fixed interest rate of 4.5% until 2026 and intend to invest the net additional funds of £10 million in suitable properties over the next few months.

Purchases & Sales – Stratford-Upon-Avon

17/18 High Street

- Shop let to Blacks Outdoor at £100,000 a year with vacant restaurant above. Bought for £1,350,000 in December 2015. The restaurant sold for £200,000 in April 2016, giving an ongoing net yield of 8.1%.

29/29A High Street

- Shop let to Robert Dyas at £100,000 a year with vacant flat above. Bought for £1,275,000 in March 2016 and flat resold for £261,000 in April 2016, giving an ongoing net yield of 9.1%.

VIT'S PROPERTY RECORD

31 March	Rental Income £000	Capital Value £000	Yield on Valuation %	Total Return VIT %	Total Return IPD Annual Index %
2016	3,940	55,125	7.2	10	13
2015	4,019	54,500	7.4	13	18
2014	3,552	46,475	7.6	11	11
2013	3,543	46,225	7.7	4	4
2012	3,537	48,250	7.3	7	8
2011	3,552	49,075	7.2	9	15
2010	3,463	48,750	7.1	18	3
2009	3,278	44,850	7.3	-11	-22
2008	3,261	51,000	6.4	0	-2
2007	3,116	54,525	5.7	15	18
2006	3,219	52,250	6.2	21	19
2005	3,124	45,875	6.8	21	17
2004	3,052	40,375	7.5	15	11
2003	3,089	40,550	7.6	12	10
2002	3,013	38,800	7.8	13	7
2001	3,117	39,825	7.8	10	10
2000	3,054	39,800	7.7	15	15
1999	3,410	41,055	8.3	25	12
1998	3,141	34,800	9.0	15	17
1997	3,111	32,805	9.5	10	10
1996	2,840	29,440	9.6	9	4
1995	2,948	31,125	9.5	10	12
1994	2,806	29,835	9.4	23	20
1993	2,773	26,415	10.5	12	-2
1992	2,709	25,880	10.5	10	-3
1991	2,331	23,800	9.8	2	-8
1990	2,050	24,390	8.4	15	15
1989	1,915	23,475	8.2	30	30
1988	1,329	14,939	8.9	24	26
1987	1,155	11,375	10.2	N.A.	N.A

Lease Extension - Lymington

78-80 High Street

- Assigned from 99p Stores to Poundland and lease extended by 7 years in exchange for 6 months' rent.

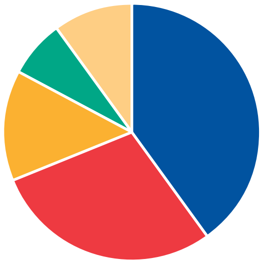
RESULTS OF INDEPENDENT REVALUATION

The VIT property portfolio was subject to an independent professional revaluation at 31 March 2016 by Savills. The revaluation showed a value of £55,125,000. Our properties are revalued every six months, at 30 September and 31 March.

Capital values rose by 3% over the year and rental income rose by 1% on a like for like basis. Twenty-eight of the properties valued at 31 March 2016 were freehold or the Scottish equivalent and one is leasehold with 42 years to run.

Matthew Oakeshott and Louise Cleary
OLIM Property Limited
2 June 2016

PROPERTY PORTFOLIO BY SECTOR

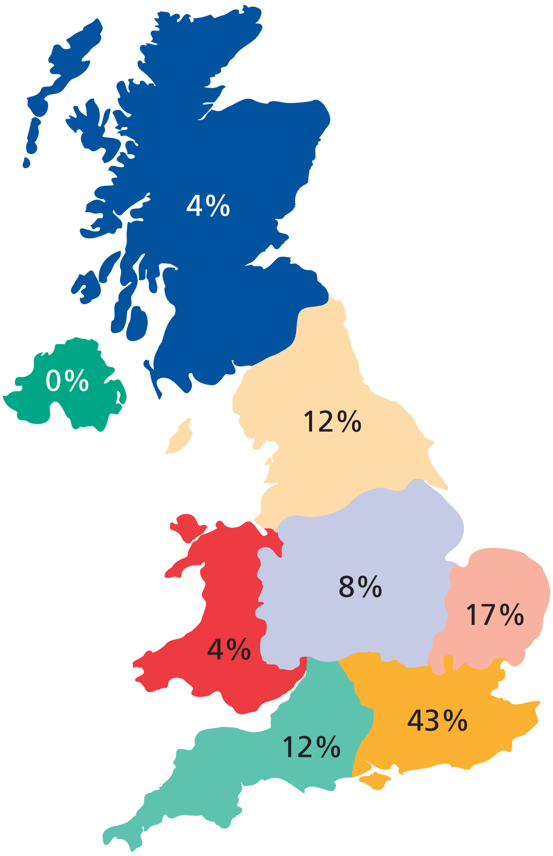


High Street Retail	40%
Pubs & Restaurants	29%
Roadside	14%
Industrial	7%
Caravan Park	10%
Total	100%

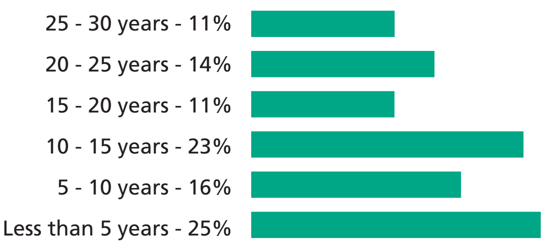
TOP FIFTEEN TENANTS BY INCOME

Stonegate	12%
Park Resorts	11%
Ridgeway Garages	10%
Shepherd Neame	7%
KLX Aerospace	6%
Poundland	6%
Co-op	6%
Iceland	4%
Toolspec	3%
Robert Dyas	3%
Blacks	3%
WH Smith	3%
Mitchells of Lancaster	3%
Prezzo	3%
New Look	3%
Total	83%

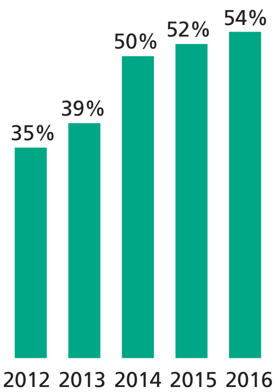
PROPERTY PORTFOLIO BY REGION



INCOME BY LEASE EXPIRY



INDEX-RELATED SHARE OF RENTAL INCOME



Address	Tenant
Shops	
Ayr - 138 - 140 High Street*+	Tesco
Birmingham - 155 High Street, King's Heath	New Look
Dundee - 261 Brook Street, Broughty Ferry+	Holland & Barrett and Superdrug
Elgin - 163 High Street	Poundland
Godalming - 80-82 High Street	WH Smith
Lymington - 78-80 High Street	Poundland
Poole - 140 High Street	A - Plan Insurance
Risca - 77 Tredegar Street*	Tesco and Caerphilly Council
Sevenoaks - 87-93 High Street	Santander, Oxfam, Specsavers and insurance brokers
St. Anne's-on-Sea - The Burlington Centre, St. Anne's Road West**	New Look, Shoe Zone, Card Factory, YMCA, TCCT Retail, Superdrug and Home Bargains.
Stratford upon Avon - 18 High Street	Blacks Outdoor
Stratford upon Avon - 29 High Street	Robert Dyas
Sudbury - 94-95 North Street*	Iceland Foods
Out of Town Retail	
Horsham - Buck Barn, Worthing Road, West Grinstead	Co-operative and McDonald's
Oxford - 171-173 Cumnor Hill	Ridgeway Garages, assigned from Sytners
Leisure	
Bedford - The Rose, 45 High Street*	Stonegate Pub Company
Bournemouth - Yate's, 2 Dean Park Crescent*	Stonegate Pub Company
Brentwood - 129-129a High Street*	Prezzo
Canterbury - The Bishop's Finger, 13 St. Dunstan Street*	Shepherd Neame
Coventry - The Castle, 7 Little Park Street*	Stonegate Pub Company
Dover - St. Margaret's Holiday Park, Reach Road*	Park Resorts
Lancaster - Fibber McGees, 8 James Street*	Mitchells of Lancaster
Lancaster - 1725, Market Square*	Mitchells of Lancaster
London - The Bishop's Finger, West Smithfield*	Shepherd Neame
London - The Prince of Wales, 48 Cleaver Square*	Shepherd Neame
Selby - The Londesborough Hotel, Market Place*	Stonegate Pub Company
Sherborne - The Cross Keys, 88 Cheap Street+	Eldridge Pope
Industrial	
Luton - Sedgwick Road*	Toolspec Manufacturing
Rochford - 8 Purdeys Way	KLX Aerospace

* indexed rent reviews
** indexed rent review on part
\+ sold since 31 March 2016


Brentwood


Bournemouth


Horsham


Dover


Rochford


London

This Business Review is intended to provide an overview of the strategy and business model of the Company as well as the key measures used by the Directors in overseeing its management. The Company is an investment trust company which invests in accordance with the investment aims and investment policy below.

The Group

Value and Income Services Limited (VIS), a wholly owned subsidiary of the Company, is authorised by the Financial Conduct Authority to act as the Company's Alternative Investment Fund Manager (AIFM).

Investment Aims

The Company invests in higher yielding, less fashionable areas of the UK commercial property and quoted equity markets, particularly in medium and smaller sized companies. The Company aims to achieve long term real growth in dividends and capital value without undue risk.

Investment Policy

The Company's policy is to invest in quoted UK equities, UK commercial property and cash or near cash securities. It is not normally the Company's policy to invest in overseas shares or in unquoted companies. UK equities usually account for between half and three-quarters of the total portfolio and property for a quarter to a half but the asset allocation may go outside these ranges if relative market levels and investment value, or a desired increase in cash or near cash securities, make it appropriate.

The Company focuses on the fundamental values and incomes of businesses in which it invests – their profitability, cash flows, balance sheets, management and products or services - and the location, tenants and leases of its property investments. The equity portfolio has generally yielded more than the FTSE All-Share Index. The Group has held between 30 and 40 individual shareholdings and between 20 and 32 individual properties in recent years. These ranges may change as market conditions or the size of each portfolio vary in future. In order to limit the risk to the equity portfolio that is derived from any particular investment, no individual shareholding will account for more than 10% of the equity portfolio at the time of purchase.

The Company has, since 1986, had a long standing policy of increasing its exposure to equities and to property through the judicious use of borrowings. Until recently, all borrowings have been long term debentures to provide secure long term funding, avoiding the risks associated with short term funding of having to sell illiquid assets at a low point in markets if loans have to be repaid. On 26 February 2015, a five year secured term loan facility of £5m was arranged with Santander UK plc at a five year fixed interest rate of 4% p.a. including all costs. This loan was refinanced on 13 May 2016 and a new ten year secured term loan facility of £15m was arranged with Santander UK plc at a ten year interest rate of 4.5% p.a including all costs to replace the original £5m loan arranged in February 2015.

Gearing has varied between 25% and 40% of the total portfolio. The Company will not raise new borrowings if total net borrowings would then represent more than 50% of the total assets.

No material changes may be made to the Company's investment policy described above without the prior approval of Shareholders by the passing of an Ordinary Resolution.

Performance, Results and Dividend

A review of the performance of the equity and property portfolios is detailed in the Chairman's Statement on page 4 and in the

Investment Managers' Reports on pages 5 to 14. The Directors recommend that a final dividend of 6.0p per share (2015: 4.7p) is paid on 15 July 2016 to Shareholders on the register on 17 June 2016. The ex-dividend date is 16 June 2016.

An interim dividend of 4.5p per share (2015: 4.3p) was paid to Shareholders on 4 January 2016.

The table below shows the revenue reserve position and dividends paid and payable by the Company, subject to Shareholder approval of the proposed final dividend at the forthcoming Annual General Meeting.

Company Revenue Reserves

	£'000	Pence per share
Revenue reserve at 31 March 2015	761	1.67
Net revenue earned in the year	4,996	10.97
Dividends paid and payable	(4,783)	10.50
Revenue reserve at 31 March 2016	974	2.14

Principal Risks and Uncertainties

The Board carries out a regular review and robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties which affect the Group's business are:

Market risk

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

Price risk

Changes in market prices (other than those arising from interest rate or currency risk) may affect the value of the Group's investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. For equities, both asset allocation and stock selection as set out in the Investment Policy on page 15, act to reduce market risk. VIS delegates its portfolio management responsibilities to the Investment Managers, OLIM Limited (OLIM) and OLIM Property Limited (OLIM Property) (collectively, the Managers) who monitor market prices throughout the year and report to VIS and the Board, who meet regularly in order to review investment strategy. The equity investments held by the Group are listed on the UK Stock Exchange. All investment properties held by the Group are commercial properties located in the UK with long, strong income streams.

Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in property; and
- the level of income receivable on cash deposits.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board imposes borrowing limits to ensure that gearing levels are appropriate to market conditions and reviews these on a regular basis. Current borrowings comprise debenture stock and the ten year secured term loan, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%.

Currency risk

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

Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

The Group's assets comprise readily realisable securities which can be sold to meet commitments, if required, and investment properties which, by their nature, are less readily realisable. The maturity of the Company's existing borrowings is set out in the interest risk profile section of note 20 of the Financial Statements.

CREDIT RISK

This is the failure of a counterparty to a transaction to discharge its obligations under that transaction that could result in the Group suffering a loss.

The risk is not significant and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by OLIM (who report to VIS) and limits are set on the amount that may be due from any one broker.
- the risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis to ensure that discrepancies are picked up on a timely basis. OLIM's Compliance Officer (together with VIS) carry out periodic reviews of the Depositary's operations and report their findings to the OLIM and VIS Risk Committees. This review will also include checks on the maintenance and security of investments held.
- cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.

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

PROPERTY RISK

The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market.

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13 years (2015: 13½ years). Details of the tenant and geographical spread of the portfolio are set out on page 13. The long term record of performance through the varying property cycles since 1987 is set out on page 12. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

Additional risks and uncertainties include:

- **Discount volatility:** The Company's shares may trade at a price which represents a discount to its underlying net asset value;
- **Regulatory risk:** The Group operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 (Section 1158) would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the FCA Listing Rules or the FCA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers

to the Company could also lead to reputational damage or loss. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and the Managers.

The Alternative Investment Fund Managers Directive (AIFMD) introduced a new authorisation and supervisory regime for all managers of authorised investment funds in the European Union.

In accordance with the requirements of the AIFMD, the Company appointed VIS as its AIFM and BNP Paribas Securities Services as its Depositary. The Board has controls in place in the form of regular reporting from the AIFM and the Depositary to ensure that both are meeting their regulatory responsibilities in relation to the Company.

Key Performance Indicators

The Directors have identified the three key performance indicators below to determine the performance of the Company:

- Share price total return relative to the FTSE All-Share Index (total return);
- Net asset value total return relative to the FTSE All-Share Index (total return); and
- Dividend growth relative to the Retail Prices Index

At each Board Meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

A historical record of these measures, with comparatives is shown in the Financial Highlights and Long Term Record on page 2.

Statement of Compliance with Investment Policy

The Company is adhering to its stated investment policy and managing the risks arising from it. This can be seen in various tables and charts throughout this Annual Report, and from the information provided in the Chairman's Statement (page 4), and the Investment Managers' Reports (pages 5 to 14).

Employee, Environmental and Human Rights Policy

As an investment trust company, the Company has no direct employee or environmental responsibilities, nor is it responsible for the emission of greenhouse gases. Its principal responsibility to Shareholders is to ensure that the investment portfolio is properly managed and invested. The Company has no employees and accordingly, has no requirement to report separately on employment matters. Management of the investment portfolio is undertaken by the Managers through members of their portfolio management teams. In light of the nature of the Company's business, there are no relevant human rights issues and, therefore, the Company does not have a human rights policy.

Future Strategy

The Board and the Managers intend to maintain the strategic policies set out above for the year ending 31 March 2017 as it is believed that these are in the best interests of Shareholders.

James Ferguson
Chairman
2 June 2016

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2016. A summary of the financial results for the year can be found in the Financial Highlights and Long Term Record on page 2. Details of the proposed final dividend for the year are set out in the Chairman's Statement and the Business Review sections within the Strategic Report.

Principal Activity and Status

The Company has applied for and been accepted as an approved investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2, Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval. The Company intends to manage its affairs so that its Ordinary shares continue to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

The Company is a member of the AIC and its Ordinary shares are listed on the London Stock Exchange. Further details are provided in the Corporate Summary on page 1.

Regulatory Status

As an investment trust company pursuant to Section 1158 of the Corporation Tax Act 2010, the rules of the FCA in relation to non-mainstream investment products do not apply to the Company.

Other Regulatory Matters

With effect from 1 January 2016, new tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) is being introduced. The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As a result, the Company will have to provide information annually to the local tax authority on the tax residency of a number of non-UK based certified Shareholders and corporate entities. All new Shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016, will be sent a certification form for the purposes of collecting this information. For further information please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders https://www.gov.uk/government/publications/exchange-of-information-accountholders. As part of the amendments to the Articles more fully described at pages 80 to 82 the Articles will be amended to provide the Company with the ability to require Shareholders to co-operate with it in ensuring compliance with its obligations.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in this Directors' Report, and the financial position of the Company is described in the Chairman's Statement within the Strategic Report. In addition, Note 20 to the Financial Statements includes: the Company's objectives, policies and processes for managing its financial risks; details of its financial instruments; and its exposures to market price risk, interest rate risk, liquidity risk, credit risk and price risk sensitivity. The Directors believe that the Company is well placed to manage its business risks.

Having made suitable enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future, being at least 12 months from approval of the financial statements, and accordingly, they have continued to adopt the going concern basis (as set out in Note 1(b) on page 51) when preparing the Annual Report and Financial Statements.

Viability Statement

In accordance with Provision C.2.2 of the UK Corporate Governance Code published in September 2014 and Principle 21 of the AIC Code of Corporate Governance published in February 2015, the Board has assessed the Company's prospects for the five year period to 31 March 2021. The Board consider that this five year period is appropriate for an Investment Trust company of its size and based on the financial position of the Company as detailed in the Chairman's Statement, the Investment Managers' Reports and the Business Review of this Annual Report.

The Board has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities and draws attention to the following points which the Board took into account in its assessment of the Company's future viability:-

a) The Company's equity investments are traded on a major stock exchange and there is a spread of investments held. The Directors are of the opinion that the bulk of the portfolio could be liquidated within 5 trading days and there is no expectation that the nature of investments held would be materially different in the future.
b) The Company's property portfolio is valued at £55m against secured borrowings over the property of £40m representing a loan facility expiring in 2026 and debenture stocks maturing in 2021 and 2026.
c) The Company is closed ended in nature and therefore does not require to sell investments when Shareholders wish to sell their shares.
d) the Board has considered the risks faced by the Company as detailed in the Business Review and referred to in Note 20 of the Financial Statements on pages 64 to 69 and have concluded that the Company would be able to take appropriate action to protect the value of the Company.
e) Due to the nature of the business of the Company and the nature of its investments and to the Company's long history, the Board are able to conclude that expenses are predictable and modest in relation to asset values. There are a significant proportion of expenses on an ad valorem basis (management fees to 31 March 2016 are 60.8% of total expenses) which reduces as NAV declines, expenses including interest were covered 1.7 times by income in the year.
f) There are no capital commitments currently foreseen that would alter the Board's view.
g) Details of the financial covenants which the Company complies with are detailed in Note 12 of the Financial Statements on pages 61 and 62.

In assessing the Company's future viability, the Board have assumed that investors will wish to continue to have exposure to the Company's activities, in the form of a closed ended entity; performance will continue to be satisfactory; and the Company will continue to have access to sufficient capital.

Accordingly, given the above, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five years ending 31 March 2021.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations, including accrued income and purchases and sales awaiting settlement. The main risks that the Company faces arising from its financial instruments are disclosed in Note 20 to the Financial Statements.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Corporate Governance

The Statement of Corporate Governance, which forms part of this Directors' Report, is shown on pages 28 to 32.

Share Capital

As at 31 March 2015 and 31 March 2016, and as at the date of approval of this Annual Report, the Company had 45,549,975 Ordinary shares of 10p nominal value in issue. Each Ordinary share entitles the holder to one vote on a show of hands and, on a poll, to one vote for every share held.

Directors

Biographies of the Directors who held office at the year-end are shown in the Directors' Details section of this Annual Report on page 3. The Directors' interests in the shares of the Company are shown in the table on page 27.

The Directors' interests were unchanged at the date of this Report.

The Company's Articles of Association require that each Director shall retire and seek re-election at every third Annual General Meeting. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by Shareholders at the next Annual General Meeting.

The Directors take the view, in line with the AIC Code on Corporate Governance (AIC Code), that independence is not compromised by length of service on the Board and that experience can add significantly to the Board's strength.

Accordingly, with the exception of Angela Lascelles and Matthew Oakeshott, all Directors who served during the year are considered by the Board to be independent of the Company and the Managers and free of any material relationship with the Managers. Angela Lascelles, as a Director of OLIM, and Matthew Oakeshott, as a Director of OLIM Property, are not considered to be independent under the FCA Listing Rules and accordingly submit themselves annually for re-election. The Board has determined that Directors may serve for more than nine years but that any such Director should be subject to annual re-election.

The Chairman has reviewed the skills, experience and independence of John Kay and David Smith and has no hesitation in recommending to Shareholders their individual re-election, as Directors, at the Annual General Meeting. The Chairman has also reviewed the skills and experience of Angela Lascelles and Matthew Oakeshott and has no hesitation in recommending to Shareholders their individual re-election, as Directors, at the Annual General Meeting.

John Kay, as Senior Independent Director, has led the Board in reviewing the skills, experience and independence of James Ferguson as Chairman and has no hesitation in recommending to Shareholders his re-election as a Director at the Annual General Meeting.

Investment Management

The Company complies with the AIFMD which came into force on 22 July 2014. An investment management agreement was entered into by the Company (effective from 22 July 2014) in which the Company appointed VIS, a wholly owned subsidiary of the Company, as its AIFM. Under two separate updated and restated investment management agreements entered into by the Company and VIS on 15 May 2015, VIS has contractually delegated its management responsibilities for the equity and property portfolios to OLIM and OLIM Property respectively.

Under the terms of the updated and restated investment management agreements (both of which may be terminated by the parties to the agreement on giving one year's notice) OLIM and OLIM Property receive an investment management fee of 2/3 of 1% of the Company's total assets less current liabilities (VIT total assets), which is currently allocated 72.5% to OLIM and 27.5% to OLIM Property.

OLIM and OLIM Property are also entitled to a performance fee subject to the achievement of certain criteria. The objective is to give the

Managers a performance fee of 10% of any outperformance of the VIT share price total return (VIT SPTR) over the FTSE All-Share Index share price total return (FTSE SPTR).

The performance fee is paid annually in respect of performance over the preceding three years. The fee is payable only if the VIT SPTR has been positive over the period and, in addition, the NAV total return has been positive and has exceeded the FTSE SPTR over the period.

The maximum performance fee payable in any year is 1/3 of 1% of VIT total assets and is divided 72.5% to OLIM and 27.5% to OLIM Property. The fee is wholly charged to capital.

During the year ended 31 March 2016, OLIM received an annual investment management fee of £873,000 excluding VAT, and OLIM Property received an annual investment management fee of £331,000 excluding VAT. No performance fee was paid to OLIM or to OLIM Property in the period. The costs and expenses of VIS are also met by the Company.

An additional fee is payable to the Company Secretary, Maven Capital Partners UK LLP, in respect of company secretarial and administrative services.

The Directors, together with VIS, review the terms and conditions of the appointment of OLIM and OLIM Property on a regular basis. Following the most recent review, the Directors are satisfied that the continuing appointment of OLIM and OLIM Property as investment managers, on the current terms, is in the best interests of Shareholders as a whole as the Company benefits from the specialised teams of investment professionals at OLIM and OLIM Property. In the event of termination on less than the agreed notice period, compensation is payable in lieu of the unexpired notice period.

Substantial Interests

In addition to the Directors' Interests indicated in the table on page 27, the Company has been notified that the Shareholders listed in the table below were interested in 3% or more of the issued ordinary share capital of the Company as at 31 March 2016.

Shareholder	Number of Ordinary shares	% held
Alliance Trust Savings Nominees Limited	4,510,666	9.90
Smith & Williamson Nominees Limited	1,525,932	3.35
Barclayshare Nominees Limited	1,398,301	3.07

The Board is aware of the following changes in the substantial interests as at 30 May 2016 being the latest practicable date before approval of this Annual Report.

Shareholder	Number of Ordinary shares	% held
Alliance Trust Savings Nominees Limited	4,532,590	9.95%
Smith & Williamson Nominees Limited	1,519,432	3.34%
Barclayshare Nominees Limited	1,407,313	3.09%

Independent Auditor

The Company's Independent Auditor, Grant Thornton UK LLP, is willing to continue in office and Resolution 9 will be proposed at the 2016 Annual General Meeting (AGM) to propose its re-appointment and to authorise the Directors to fix its remuneration. Fees for non-audit services amounting to £13,000 were paid to Grant Thornton UK LLP during the year under review (2015: £18,000). The Directors have received assurances from the Auditor that they remain independent and objective. The Directors have also reviewed the Auditor's procedures in connection with the provision of non-audit services and remain satisfied that objectivity and independence is being safeguarded by Grant Thornton UK LLP.

The Directors confirm that as far as they are each aware, as at the date of this Annual Report, there is no relevant audit information of which the Company's Independent Auditor is unaware, and that each Director has taken all the steps that they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditor was aware of that information.

Additional Information

Information relating to dividends, likely future developments and important events since the year end are detailed in the Chairman's Statement on page 4 and in the Business Review on pages 15 to 18. Where not provided elsewhere in the Directors' Report, the following additional information is required to be disclosed by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example insider trading law). The Company is not aware of any agreements between Shareholders that may result in a transfer of securities and/or voting rights.

The Company's Articles of Association may only be amended by a Special Resolution at a General Meeting of Shareholders.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM"), which will be held on Friday, 8 July 2016 at 12.30pm at the offices of Shepherd and Wedderburn LLP, 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL, and related notes may be found on pages 75 to 82 of this Annual Report.

The Notice of AGM is normally sent out at least 20 working days in advance of the meeting.

Among the Resolutions being put to the AGM, the following is a more detailed explanation of Resolutions 10 to 14. Resolutions 1 to 9 are self-explanatory and require no further explanation.

Issue of Ordinary shares by the Company

Resolution 10, which is an Ordinary Resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to a nominal value of £455,499. This will allow the Directors to allot up to 4,554,997 Ordinary shares (being approximately 10% of the issued share capital of the Company as at the date of the Notice of AGM set out on pages 75 to 82 of this Annual Report) (excluding treasury shares).

Limited Disapplication of pre-emption rights

Resolution 11, which is a Special Resolution, will, if passed, renew the Directors' existing authority to allot new shares or sell treasury shares for cash without the shares first being offered to existing Shareholders in proportion to their existing holdings. This will give Directors authority to make limited allotments or sell shares from treasury of up to a nominal value of £455,499, being up to 4,554,997 Ordinary shares, representing approximately 10% of the total Ordinary issued share capital. The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by Resolution 10. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them.

New Ordinary shares will only be issued at prices representing a premium to the last published net asset value per share.

As at the date of the approval of this Annual Report, there were no Ordinary shares held in treasury.

Purchase of the Company's Ordinary shares

The Company's buy back authority was last renewed at the AGM on 10 July 2015. Special Resolution 12 renews the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek the authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of Resolution 12 (being approximately 6,827,941 Ordinary shares as at the latest practicable date prior to the publication of this Annual Report) at a minimum price of not less than 10 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The authorities being sought under Resolutions 10, 11 and 12 shall expire at the conclusion of the next Annual General Meeting in 2017 or, if earlier, on the expiry of 15 months from the date of the passing of Resolutions 10, 11 and 12, unless such authority is renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of Shareholders and would result in an increase in the net asset value per share. Any shares purchased shall either be cancelled or held in treasury.

Notice of Meeting
Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless Shareholders agreed to a shorter notice period and certain other conditions are met. Resolution 13, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where considered to be in the interests of all Shareholders. If Resolution 13 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2017 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 13, unless renewed prior to such time.

Adoption of new Articles of Association:
Special Resolution 14 will be proposed to adopt amended Articles. The principal changes introduced by the new Articles are: (i) to increase the aggregate annual amount payable to Directors from £100,000 to £200,000; (ii) to allow for a continuation vote in 2024 for the reasons outlined in the Chairman's Statement on page 4; and (iii) to update the Articles to reflect other recent legislative changes.

Full details of the additional proposed amendments, and their effect, are set out in the appendix to the Notice of the AGM on pages 80 to 82. A copy of the existing Articles and the proposed new Articles marked to show the changes will be available for inspection as set out in note (xix) of the Notice of the AGM on page 80.

RECOMMENDATION

Your Board considers Resolutions 1 to 10 inclusive, which are all Ordinary Resolutions, and Resolutions 11 to 14, which are all Special Resolutions, to be in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that Shareholders vote in favour of Resolutions 1 to 14 inclusive to be proposed at the AGM on 8 July 2016.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
2 June 2016

This report has been prepared, in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this Report will be put to the Members of the Company at the forthcoming AGM. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report on pages 38 to 43.

The Nomination Committee of the Board fulfils the functions of a remuneration committee in relation to setting the level of Directors' fees and the Remuneration Policy. As none of the Directors is an executive director, the Company is not required to comply with the Principles of the UK Corporate Governance Code in respect of executive directors' remuneration.

At 31 March 2016, the Company had five Directors and their biographies are shown on page 3 of this Annual Report. The names of the Directors who served during the year together with the fees paid during the year are shown in the table on page 27.

Remuneration Policy

The Company's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be fair and comparable with that of other investment trust companies that are similar in size, have a similar capital structure and a similar investment objective. Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him or her. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £100,000 and the approval of Shareholders in a General Meeting would be required to change this limit. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. The Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

During the year ended 31 March 2016, the Board was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration. However, in the application of the Board's policy on Directors' remuneration, as defined above, the Committee expects, from time to time, to review the fees paid to the directors of other investment trust companies.

During the year ended 31 March 2016, the Nomination Committee carried out a review of the remuneration policy and the level of Directors' fees and recommended that the level of Directors' fees payable with effect from 1 April 2016 should be increased from £22,000 to £25,000 for the Chairman and from £16,000 to £18,000 for each other Director.

As referred to on page 24 of the Director's Report, Resolution 14 will be proposed at the forthcoming AGM to amend the Company's Articles to increase the annual aggregate limit of the fees payable to the Directors to £200,000.

At the AGM held on 10 July 2015, the results in respect of the Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 March 2015 was as follows:

	Percentage of votes cast for	Percentage of votes cast against	Number of votes witheld
Remuneration Report	99.74	0.26	15,638

As there have been no changes to the Remuneration Policy which was approved at the 2014 AGM for the three years ending

31 March 2017, there is no requirement to include a resolution for the approval of this policy until 31 March 2017.

A copy of the Remuneration Policy may be inspected by the members of the Company at its registered office.

Directors' Fees and Total Remuneration

The Company does not have any employees and Directors' remuneration comprises solely Directors' fees. The current and projected Directors' fees for the year ended 31 March 2016 and the year ending 31 March 2017 are shown below.

	Directors' Fees 2017 £	Directors' Fees 2016 £
James Ferguson (Chairman)	25,000	22,000
John Kay	18,000	16,000
David Smith	18,000	16,000
OLIM Limited (for Angela Lascelles' services)	18,000	16,000
OLIM Property Limited (for Matthew Oakeshott's services)	18,000	16,000
Total	**97,000**	**86,000**

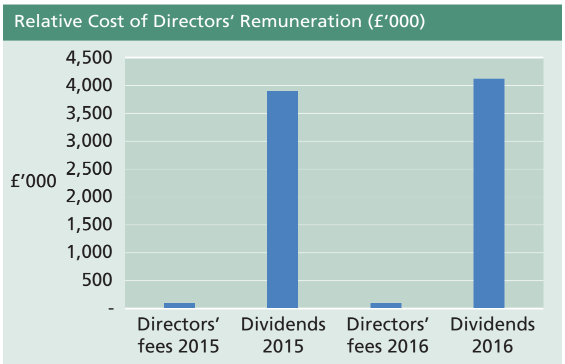
The Directors' fees payable to OLIM and OLIM Property for the services of Angela Lascelles and Matthew Oakeshott respectively are included in the fees paid to OLIM and OLIM Property in respect of investment management services for the year. Further details of the fees payable to OLIM and OLIM Property are set out on page 22.

Directors do not have service contracts, but new Directors are provided with a letter of appointment. The terms of appointment provide that Directors should retire and be subject to re-election at the first AGM after their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years. As noted in the Directors' Report, the Board has decided that every Director with an excess of nine years' service should stand for annual re-election. In addition, as Angela Lascelles and Matthew Oakeshott are not considered independent, they submit themselves annually for re-election. There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.

During the year ended 31 March 2016, no communication had been received from Shareholders regarding Directors' remuneration.

Relative Cost of Directors' Remuneration

The chart below shows, for the years ended 31 March 2015 and 31 March 2016, the cost of Directors' fees compared with the level of dividend distribution.



As noted in the Strategic Report, none of the Directors is executive and therefore the Company does not have a chief executive officer, nor does it have any employees. In the absence of a chief executive officer or employees, there is no related information to disclose.

Directors' and Officers' Liability Insurance

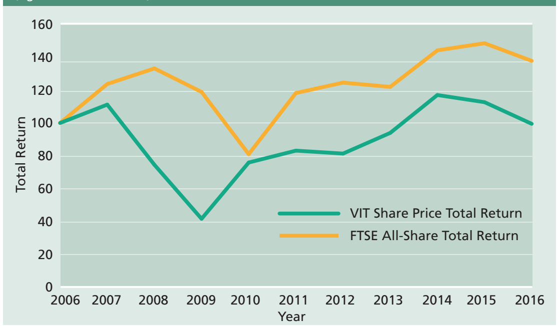
The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreements, as referred to in the Directors' Report.

The graph below compares the total returns on an investment of £100 in the Ordinary shares of the Company, for each annual accounting period for the ten years to 31 March 2016, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.

Cumulative total return for the ten year period ended 31 March 2016 (figures rebased to 100)



Directors' Remuneration (Audited)

The Directors who served during the year received the following total emoluments in the form of fees:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
James Ferguson (Chairman)	22,000	22,000
John Kay	16,000	16,000
David Smith	16,000	16,000
OLIM (for Angela Lascelles' services)	16,000	16,000
OLIM Property (for Matthew Oakeshott's services)	16,000	16,000
Total	**86,000**	**86,000**

The Directors' fees payable to OLIM and OLIM Property for the services of Angela Lascelles and Matthew Oakeshott respectively are included in the fees paid to OLIM and OLIM Property in respect of investment management services for the year. Further details of the fees payable to OLIM and OLIM Property are set out on page 22.

The above amounts exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and no Director has received any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 31 March 2016 (2015: £nil).

Directors' Interests (Audited)

The Directors' Interests in the share capital of the Company are shown below. There is no requirement for Directors to hold shares in the Company.

	31 March 2016 Ordinary shares of 10p each	1 April 2015 Ordinary shares of 10p each
James Ferguson	756,500	756,500
James Ferguson – Family	63,000	63,000
John Kay	148,114	139,110
John Kay – Family	9,274	–
John Kay – as Trustee	67,830	67,830
David Smith	19,320	18,599
Angela Lascelles	554,999	554,999
Angela Lascelles – Family	250,000	250,000
Angela Lascelles – as Trustee	12,000	12,000
Matthew Oakeshott	2,741,043	2,741,043
Matthew Oakeshott – Family	2,546,042	2,546,042

Approval

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

James Ferguson
Chairman
2 June 2016

Statement of Corporate Governance

The Company is committed to, and is accountable to the Company's Shareholders for, a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for an investment trust company and which enables it to comply with the UK Corporate Governance Code (the Code), published in September 2014. The Code is available from the website of the Financial Reporting Council at www.frc.org.uk.

The AIC has published its own code on Corporate Governance (the AIC Code) and the AIC Corporate Governance Guide for Investment Companies (the AIC Guide), both revised in February 2015 and which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts or venture capital trusts suggest alternative approaches to those set out in the Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

This Statement of Corporate Governance forms part of the Directors' Report.

Application of the Main Principles of the Governance Code and the AIC Code

This statement describes how the main principles identified in the Code and the AIC Code (the "Codes") have been applied by the Company throughout the year as is required by the FCA Listing Rules. In instances where the Code and AIC Code differ, an explanation will be given as to which governance code has been applied, and the reason for that decision.

The Board is of the opinion that the Company has complied fully with the main principles identified in the Codes, except as set out below:

- provision A2.1 (dual role of Chairman and Chief Executive);
- provision B1.1(tenure of directors);
- provision C3.1 (Chairman of Audit Committee); and
- provisions D2.2 (remuneration of executive directors) and D2.4 (long term incentive plans).

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

The Board

The Board currently consists of five Directors, four male Directors and one female Director. Biographies of the current Directors are shown on page 3 and indicate their high level and range of investment, industrial, commercial and professional experience. John Kay has been appointed Senior Independent Director.

With the exception of Angela Lascelles and Matthew Oakeshott, all Directors who served during the year are considered by the Board to be independent of the Managers and free of any material relationship with the Managers. Angela Lascelles is a Director of OLIM. Matthew Oakeshott is a Director of OLIM Property, and was a Director of OLIM up to 5 April 2012. Neither Angela Lascelles nor Matthew Oakeshott is considered to be independent under the FCA Listing Rules.

The Board sets the Company's values and objectives and ensures that its obligations to Shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company including investment performance and revenue budgets;
- Companies Act requirements such as the approval of the periodic financial statements and approval and recommendation of any dividends;
- major changes relating to the Company's structure, including any share buybacks and share issues;
- succession planning including board appointments and removals and the related terms;
- appointment and removal of the AIFM, the Managers and the terms and conditions of the investment management agreements relating thereto;
- terms of reference and membership of Board Committees; and
- Stock Exchange/UK Listing Authority/ Financial Conduct Authority matters, including responsibility for approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board.

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

The Directors have access to the advice and services of the Company Secretary, Maven Capital Partners UK LLP, through its appointed representatives who are responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows within the Board and its Committees; and
- for advising on corporate governance matters.

An induction meeting will be arranged on the appointment of any new Director, covering details about the Company, the AIFM, the Managers, legal responsibilities and investment trust industry matters. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

James Ferguson is Chairman of the Company. He is also Chairman of the Audit and Management Engagement and Nomination Committees as the other Directors consider that he has the skills and experience relevant to these roles. There is no Remuneration Committee as the Nomination Committee is responsible for considering appointments to the Board and reviewing the level of Directors' fees.

During the year ended 31 March 2016, the Board held four quarterly Board Meetings. The primary focus of quarterly Board Meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues. Between meetings, the Board maintains contact with the Investment Managers and has access to senior members of the management teams and to the company secretarial team.

Directors have attended Board and Committee Meetings during the year ended 31 March 2016 as follows:

Director	Board	Audit and Management Engagement Committee	Nomination Committee
James Ferguson	4 (4)	2 (2)	2 (2)
John Kay	4 (4)	2 (2)	2 (2)
Angela Lascelles	4 (4)	n/a	2 (2)
Matthew Oakeshott	4 (4)	n/a	2 (2)
David Smith	4 (4)	2 (2)	2 (2)

The number of meetings which the Directors were eligible to attend is in brackets.

Angela Lascelles and Matthew Oakeshott being non-independent are not members of the Audit and Management Engagement Committee.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board Meetings, this consists of a comprehensive set of papers, including the Managers' reviews and discussion documents regarding specific matters. The Directors make further enquiries when necessary.

The Board has undertaken appraisals of the Chairman, the other Directors and the Board as a whole. The evaluation of the Chairman is led by the Senior Independent Director John Kay.

Directors' Terms of Appointment and Policy on Tenure

All Directors are appointed for an initial period of three years, subject to re-election and Companies Act provisions and, in accordance with the Articles of Association, stand for election at the first annual general meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. In addition, as neither Angela Lascelles nor Matthew Oakeshott is considered independent under the FCA Listing Rules, they submit themselves annually for re-election. The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his ability to act independently and believes that experience can add significantly to the Board's strength. The Board has determined that Directors may serve for more than nine years but that any such Director should be subject to annual re-election.

Committees

Each of the Committees has been established with written terms of reference. The terms of reference of each of the Committees, which are available on request from the Registered Office of the Company, are reviewed and re-assessed for their adequacy at least annually.

Audit and Management Engagement Committee

Information regarding the composition, responsibilities and activities of the Audit and Management Engagement Committee is detailed in the Report of the Audit and Management Engagement Committee on pages 34 to 37.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by James Ferguson. As the Board has not established a Remuneration Committee, the Nomination Committee fulfils the functions of a remuneration committee in relation to setting the level of Directors' fees and the remuneration policy. The Nomination Committee met twice during the year. The Committee makes recommendations to the Board on the following matters:

- the evaluation of the performance of the Board and its Committees;

- reviewing the Board structure, size, composition and age profile (including the skills, knowledge, experience and diversity (including gender);
- succession planning;
- the identification and nomination of candidates to fill Board vacancies, as and when they arise, for the approval of the Board;
- the re-appointment of any non-executive Director at the conclusion of their specified term of office;
- the re-election by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- the continuation in office of any Director at any time;
- the appointment of any Director to another office, such as Chairman of the Audit Committee, other than to the position of Chairman; and
- reviewing the level of Directors' fees.

Although the Company does not have a formal policy on diversity, as detailed above, consideration of Board diversity forms part of the responsibilities of the Committee.

External Agencies

The Board has contractually delegated to external agencies, certain services: the depositary and custodial services (which include the safeguarding of assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers reports from the external agencies on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

As the AIFM, VIS has responsibility for the overall investment management and risk management of the assets of the Company. VIS has contractually delegated its day to day investment management responsibilities for the equity portfolio to OLIM and for the property portfolio to OLIM Property (collectively, the Managers). The delegation by VIS of its investment management responsibilities is in accordance with the delegation requirements of the AIFMD. The Managers remain subject to the supervision and direction of VIS and are responsible to VIS and ultimately to the Company in regard to the management of the investment of the assets of the Company in accordance with the Company's investment aims and policy. VIS has established a Risk Committee to keep under review the effectiveness of the Company's internal control and risk management systems and procedures and to identify, measure, manage and monitor the risks identified as affecting the Company's business.

Corporate Governance, Stewardship and Proxy Voting

The Financial Reporting Council (FRC) published the UK Stewardship Code (the Stewardship Code) for institutional shareholders on 2 July 2010 and this was revised in September 2012. The purpose of the Stewardship Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors in the efficient exercise of their governance responsibilities.

Statement of Corporate Governance

The Board is aware of its duty to act in the interests of the Company and the Directors believe that the exercise of voting rights lies at the heart of regulation and the promotion of good corporate governance. The Directors, through the Managers, would wish to encourage companies in which investments are made to adhere to best practice in the area of corporate governance. The Managers believe that, where practicable, this can best be achieved by entering into a dialogue with investee company management teams to encourage them, where necessary, to improve their governance policies. Therefore, the Board and VIS have delegated responsibility for monitoring the activities of portfolio companies to the Managers and have given discretionary powers to vote in respect of the holdings in the Company's investment portfolio.

Socially Responsible Investment Policy

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

Communication with Shareholders

The AGM is an event that all Shareholders are welcome to attend and participate in. The Notice of AGM sets out the business of the AGM and the Resolutions are explained more fully in the Explanatory Notes to the Notice of AGM as well as in the Directors' Report and in the Directors' Remuneration Report. Separate Resolutions are proposed for each substantive issue and Shareholders have the opportunity to put questions to the Board and to the Managers. The results of proxy voting are relayed to Shareholders after each Resolution has been voted on by a show of hands. Nominated persons, often the beneficial owners of shares held for them by nominee companies, may attend Shareholder Meetings and are invited to contact the registered shareholder, normally a nominee company, in the first instance in order to be nominated to attend the Meeting and to vote in respect of the shares held for them.

In addition, both the Chairman and Senior Independent Director are available to meet major shareholders. Shareholders may contact the Directors by writing to the Chairman at the Registered Office. The address for the Registered Office can be found on page 74.

The Annual Report is normally posted to Shareholders at least twenty business days before the AGM. Annual and Interim Reports and Financial Statements are distributed to Shareholders and other parties who have an interest in the Company's performance. Shareholders and potential investors may obtain up-to-date information on the Company through the Managers and the Secretary. In order to ensure that the Directors develop an understanding of the views of Shareholders, correspondence between Shareholders and the Manager or the Chairman is copied to the Board.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is on page 33 and the Statement of Going Concern and the Viability Statement are included in the Directors' Report on pages 19 and 20. The Independent Auditor's Report is on pages 38 to 43.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
2 June 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the EU and Article 4 of the EU IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with adequate accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites hosted by the Managers. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors are also responsible for ensuring that the Annual Report and Financial Statements, taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

Directors' Responsibility Statement

Each Director confirms, to the best of his or her knowledge, that:

- the Financial Statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its undertakings as at 31 March 2016 and for the year to that date; and that
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors confirm that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

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

James Ferguson
Chairman
2 June 2016

Report of the Audit and Management Engagement Committee

The Audit and Management Engagement Committee is chaired by James Ferguson and comprises all of the independent Directors. Angela Lascelles and Matthew Oakeshott are not members of the Committee. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience.

Responsibilities

The principal responsibilities of the Committee include:

- the review of the effectiveness of the internal control environment of the Company, including the receipt of reports from the AIFM, the Managers and the Auditor on a regular basis;
- the integrity of the Interim and Annual Reports and Financial Statements and reviewing any significant financial reporting judgements contained therein;
- the review of the terms of appointment of the Auditor, together with its remuneration, including any non-audit services provided by the Auditor;
- the review of the scope and results of the audit and the independence and objectivity of the Auditor;
- the review of the Auditor's Board Report and any required response;
- meetings with representatives of the Managers;
- the review of the AIFM agreement and management agreements;
- providing advice on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy; and
- making appropriate recommendations to the Board.

Internal Control and Risk Management

The Directors are ultimately responsible for the Company's system of internal controls and risk management and for reviewing its effectiveness. Following publication by the FRC of "Guidance on Risk Management, Internal Control and Related Financial Business Reporting" (the FRC Guidance), the Directors confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements, is regularly reviewed by the Board and accords with the FRC Guidance.

The Directors have, in tandem with VIS, reviewed the effectiveness of the system of internal controls and risk management. In particular, the Directors have reviewed and updated the process for identifying and evaluating the principal risks affecting the Company and the policies by which these risks are managed. The significant risks faced by the Company are as follows:

- Financial
- Operational; and
- Compliance.

The key components designed to provide effective internal control are outlined below:

- Forecasts and management accounts are prepared which allow the Directors to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- OLIM and OLIM Property regularly report to VIS and the Directors on the investment portfolio;
- OLIM's Compliance Officer keeps OLIM's operations under review;

- OLIM Property's Compliance Officer keeps OLIM Property's operations under review;
- VIS regularly reports to the Directors on compliance with the AIFMD;
- written agreements are in place which specifically define the roles and responsibilities of VIS, OLIM, OLIM Property and other third party service providers; and
- at its meeting in May 2016, the Audit and Management Engagement Committee carried out an annual assessment of internal controls and risk management for the year ended 31 March 2016 by considering documentation from OLIM, OLIM Property and Maven Capital Partners UK LLP and by taking account of events since 31 March 2016.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Assessment of Key Risks

As one of the focuses of the Company is to generate long term growth in dividends and capital value from quoted UK equities, the equity portfolio is a significant element of the financial statements and the recognition and valuation of the equity portfolio is therefore a key risk that requires the particular attention of the Committee. Specifically, the risk is that investments are not recognised and measured in line with the Company's stated accounting policy on the valuation of quoted investments. Similarly, as dividend income is a major source of revenue for the Company and a significant element of the Statement of Comprehensive Income, the recognition of dividend income is a further risk that requires the particular attention of the Committee. Specifically, the risk is that dividend income is not recognised in line with the Company's stated policy on income recognition and/or that dividend income is incorrectly allocated as revenue/capital. Further risks relate to the property portfolio. As the property portfolio accounts for a quarter to a half of the total investment portfolio, it is a significant item in the financial statements and the recognition and valuation of the property portfolio and the recognition of rental income are risks that require the attention of the Committee.

Valuation, existence and ownership of the investment portfolio – how the risk was addressed

The Company uses the services of an independent depositary and custodian, BNP Paribas Securities Services, to hold the equity investments of the Company (the title deeds for the property portfolio are held by the Company's lawyers to the order of the Company), and for the safekeeping of the Company's assets. An annual internal control report is received from the Depositary and Custodian which provides details of the Depositary and Custodian's control environment.

The reconciliation of the records held by the Depositary and Custodian (and by the Company's lawyers in the case of the title deeds) to the records maintained by the Company's administrator is reviewed and tested by the Independent Auditor. The equity portfolio is reviewed by OLIM regularly and the property portfolio is reviewed by OLIM Property regularly. Management accounts including full portfolio listings are prepared quarterly and considered at the quarterly meetings of the Board.

Report of the Audit and Management Engagement Committee

The valuation of the equity and property portfolios is undertaken in accordance with the Company's stated accounting policy as set out in note 1(j) to the Financial Statements on pages 53 and 54.

The Committee reviews and challenges the valuation of the investments especially the investment properties. This includes review of the valuation report prepared by independent professional valuers. In addition, the Committee reviews the financial statements disclosures in line with the reporting framework.

The Committee satisfied itself that there were no issues associated with the existence and ownership of the Company's investments which required to be addressed.

Dividend and Rental recognition – how the risk was addressed

The recognition of dividend and rental income is undertaken in accordance with accounting policy note 1(e) to the Financial Statements on page 52. The management accounts are reviewed by the Board on a quarterly basis and discussion takes place with the Managers at the quarterly Board Meetings regarding the revenue generated from dividend and rental income. The Directors are satisfied that that the levels of income recognised are in line with revenue estimates. The Committee concluded that there were no issues associated with dividend and rental recognition which required to be addressed.

Review of Risk Reporting

The Committee met twice during the year under review, on 15 May 2015 and 30 October 2015, and at each meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Managers and the Company Secretary. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Auditor and that the Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

At its meeting in May 2015, the Committee also reviewed, for recommendation to the Board, the Audit Report from the independent Auditor and the draft Annual Report and Financial Statements for the year ended 31 March 2015, along with the amount of the final dividend for the year then ended. At its meeting in October 2015, the Committee reviewed the Half Yearly Report and also considered the performance of Grant Thornton UK LLP as Auditor, and its independence and tenure. The Committee concluded that it was satisfied with the performance of Grant Thornton UK LLP and that there was no requirement to put the provision of audit services out to tender at that time. The Committee agreed that this matter would be reviewed annually.

Subsequent to 31 March 2016, the Committee considered the draft Annual Report and Financial Statements for the year ended 31 March 2016, and provided advice to the Board that it considered that the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Committee also reviewed the performance of the Managers and concluded that this was satisfactory and that the continued appointment of the Managers on the present terms was in the continued best interests of Shareholders as a whole.

Review of Effectiveness of External Auditor

As part of its annual review of auditor services, the Committee reviews the performance, cost effectiveness and general relationship with the external Auditor.

In addition, the Committee reviews the independence and objectivity of the external Auditor. Key elements of these reviews include separate meetings with the Independent Auditor and consideration of the completeness and accuracy of Grant Thornton UK LLP's reporting.

The Company appointed Grant Thornton UK LLP as Auditor on 31 January 2014. The Independent Auditor's Report is on pages 38 to 43. It should be noted that Chris Smith of Grant Thornton UK LLP is the Senior Statutory Auditor responsible for the audit and that Grant Thorton UK LLP will rotate the Senior Statutory Auditor every five years. Chris Smith was appointed as Senior Statutory Auditor for the Company on 31 January 2014. Details of the amounts paid to Grant Thornton UK LLP during the year for audit and other services are set out in Note 4 to the Financial Statements.

The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditor, so as to safeguard their independence and objectivity. Shareholders are asked to approve the re-appointment, and the Directors' responsibility for the remuneration, of the Auditor at each AGM. Any non-audit work requires the specific approval of the Committee in each case. Non-audit work where independence may be compromised or conflicts arise, is prohibited. There are currently no contractual obligations which restrict the Committee's choice of Auditor. In light of recent EU regulation and FRC guidance on audit tenders, the Board is mindful that the audit will require to be put out to tender in the future. The Committee will continue to keep the matter of tenure of the Auditor under review. The Board has concluded that Grant Thornton UK LLP is independent of the Company and that a Resolution for the reappointment of Grant Thornton UK LLP as external Auditor should be put to the 2016 AGM.

James Ferguson
Chairman
2 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALUE AND INCOME TRUST PLC

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

WHO WE ARE REPORTING TO

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

WHAT WE HAVE AUDITED

Value and Income Trust PLC's Financial Statements for the year ended 31 March 2016 comprise the Group and Company Statements of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

OVERVIEW OF OUR AUDIT APPROACH

- Overall Group materiality: £1,453,000, which represents 1% of the Group's net assets;
- We performed full scope audit procedures on Value and Income Trust PLC and Value and Income Services Limited; and
- Key audit risks were identified as:
  - Valuation, existence and ownership of equity investments;
  - Valuation, existence and ownership of property investments; and
  - Accuracy and completeness of dividend and rental income.

OUR ASSESSMENT OF RISK

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Valuation, existence and ownership of equity investments The Group's investment aim is investing in higher-yielding, less fashionable areas of the UK commercial property and quoted equity markets and aims for long term real growth in dividends and capital value without undue risk. Accordingly, the equity portfolio of £127m is a significant, material item in the Financial Statements. The valuation, existence and ownership of equity investments are therefore risks that require special and particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Group's accounting policy for the valuation of investments is in accordance with IFRSs as adopted by the European Union and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'AIC SORP') and testing whether management have accounted for valuation in accordance with that policy as explained below; • confirming the existence and completeness of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Group's custodian; • independently pricing 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on the Group's investment holdings, which was agreed to the Group's records; and • to test that investments are actively traded, extracting a report of trading volumes in the week before and after the year end from an independent market source for the equity investments held. The Group's accounting policy on investments is shown in note 1(j) to the Financial Statements and related disclosures are included in note 9. The Audit and Management Engagement Committee identified valuation, existence and ownership of the investment portfolio as a key risk in its report on pages 35 and 36, where the Committee also described the action that it has taken to address this risk.
Valuation, existence and ownership of property investments The Group has a significant property portfolio of £55m classified as investment properties for financial reporting purposes in accordance with International Accounting Standard (IAS) 40 'Investment Property'. Measurement of investment property values includes significant assumptions and judgements and we therefore identified the valuation, existence and ownership of property investments as risks requiring special and particular audit attention	Our audit work included, but was not restricted to: • obtaining an understanding of management's processes over the valuation of investment properties and the work of the Group's external valuer in determining the fair value by assessing the terms of engagement for the provision of valuation advice between the Group and the valuer; • We confirmed the existence and ownership of the investment properties by agreeing title deeds ownership in the name of the Company to independent third party confirmation received from external lawyers; • agreeing the year end property valuations recorded in the Financial Statements to the professional valuation reports. We assessed the competence and capability of the Group's external valuer and the appropriateness of their work in respect of our audit by checking the qualifications of the valuer and the valuation guidelines used; and • discussing with the external valuers and challenged key inputs and assumptions used in the valuation. The Group's accounting policy on investment property is included in note 1(j) to the Financial Statements and related disclosures are included in note 9. The Audit and Management Engagement Committee identified valuation, existence and ownership of the investment portfolio as a key risk in its report on pages 35 and 36, where the Committee also described the action that it has taken to address this risk.

Audit risk	How we responded to the risk
Accuracy and completeness of dividend and rental income Dividend and rental income is a major source of revenue for the Group and a significant, material item in the Group statement of comprehensive income. Accordingly, the accuracy and completeness of dividend and rental income are risks that require particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Group's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union and the AIC SORP; • testing that dividend income was recognised in accordance with the accounting policy by selecting a sample of quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Company's records. Also, for the selected investments, we obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; • performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts; and • testing that rental income had been recognised in accordance with the stated policy, we selected a sample of underlying lease agreements and tested whether income that should have been received was received and that it was recorded at the appropriate amount and in the correct accounting period. The Group's accounting policy on income is shown in note 1(e) to the Financial Statements and related disclosures are included in note 2. The Audit and Management Engagement Committee identified dividend and rental income recognition as a key risk in its report on page 36, where the Committee also described the action that it has taken to address this risk.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group Financial Statements as a whole to be £1,453,000, which is 1% of the Group's net assets. This benchmark is considered the most appropriate because net assets are fundamental to the performance and financial position of the business.

Materiality for the current year is lower level that we determined for the year ended 31 March 2015 to reflect the decrease in net asset value in the year from £149m to £145m.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group Financial Statements. We also determine a lower level of specific materiality for certain areas such as the revenue column of the Group Statement of Comprehensive Income, Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £72,500. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Group's business and is risk based. The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records is outsourced to third-party service providers. Accordingly, our audit work included:

- obtaining an understanding of, and evaluating, relevant internal controls at both the Group and third-party service providers;
- obtaining and reading the internal control reports on the description, design, and operating effectiveness of internal controls at both the Group and third-party service providers; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls and the management specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on pages 19 and 20 respectively; and
- the part of the Statement of Corporate Governance relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable; or
- the Annual Report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and

- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

What the Directors are responsible for:
As explained more fully in the Directors' Responsibilities Statement set out on page 33, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

What we are responsible for:
Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London

2 June 2016

Group Statement of Comprehensive Income

For the year ended 31 March

	Note	Year ended 31 March 2016 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2015 Revenue £'000	Capital £'000	Total £'000
INCOME							
Dividend income		5,898	–	5,898	5,207	–	5,207
Rental income		3,937	–	3,937	3,636	–	3,636
Other income		1	–	1	14	–	14
	2	9,836	–	9,836	8,857	–	8,857
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held-at-fair-value investments and investment properties	9	–	1,759	1,759	–	4,857	4,857
Unrealised losses on held-at-fair-value investments and investment properties	9	–	(5,295)	(5,295)	–	(3,431)	(3,431)
Net currency losses		–	–	–	–	(3)	(3)
TOTAL INCOME		9,836	(3,536)	6,300	8,857	1,423	10,280
EXPENSES							
Investment management fees	3	(361)	(843)	(1,204)	(363)	(1,153)	(1,516)
Other operating expenses	4	(777)	–	(777)	(660)	–	(660)
FINANCE COSTS	5	(3,702)	–	(3,702)	(3,516)	–	(3,516)
TOTAL EXPENSES		(4,840)	(843)	(5,683)	(4,539)	(1,153)	(5,692)
PROFIT BEFORE TAX		4,996	(4,379)	617	4,318	270	4,588
TAXATION	6	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,996	(4,379)	617	4,318	270	4,588
EARNINGS PER ORDINARY SHARE (PENCE)	7	10.97	(9.61)	1.36	9.48	0.59	10.07

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

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

The notes on pages 51 to 70 form part of these financial statements.

The Board is proposing a final dividend of 6.0p per share, making a total dividend of 10.5p per share for the year ended 31 March 2016 (2015: 9.0p per share) which, if approved, will be payable on 15 July 2016 (see note 8).

Company Statement of Comprehensive Income

For the year ended 31 March

	Note	Year ended 31 March 2016 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2015 Revenue £'000	Capital £'000	Total £'000
INCOME							
Dividend income		5,898	–	5,898	5,207	–	5,207
Rental income		3,937	–	3,937	3,636	–	3,636
Other income		1	–	1	14	–	14
	2	9,836	–	9,836	8,857	–	8,857
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held-at-fair-value investments and investment properties	9	–	1,759	1,759	–	4,857	4,857
Unrealised losses on held-at-fair-value investments and investment properties	9	–	(4,663)	(4,663)	–	(2,803)	(2,803)
Net currency losses		–	–	–	–	(3)	(3)
TOTAL INCOME		9,836	(2,904)	6,932	8,857	2,051	10,908
EXPENSES							
Investment management fees	3	(361)	(843)	(1,204)	(363)	(1,153)	(1,516)
Other operating expenses	4	(777)	–	(777)	(657)	–	(657)
FINANCE COSTS	5	(3,702)	–	(3,702)	(3,516)	–	(3,516)
TOTAL EXPENSES		(4,840)	(843)	(5,683)	(4,536)	(1,153)	(5,689)
PROFIT BEFORE TAX		4,996	(3,747)	1,249	4,321	898	5,219
TAXATION	6	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,996	(3,747)	1,249	4,321	898	5,219
EARNINGS PER ORDINARY SHARE (PENCE)	7	10.97	(8.23)	2.74	9.48	1.97	11.45

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

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

The notes on pages 51 to 70 form part of these financial statements.

Group Statement of Financial Position

At 31 March

	Note	As at 31 March 2016 £'000	£'000	As at 31 March 2015 £'000	£'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9		127,266		132,133
Investment properties	9		55,125		54,500
			182,391		186,633
CURRENT ASSETS					
Cash and cash equivalents		3,481		4,693	
Other receivables	10	755		625	
			4,236		5,318
TOTAL ASSETS			186,627		191,951
CURRENT LIABILITIES					
Other payables	11		(1,152)		(2,900)
TOTAL ASSETS LESS CURRENT LIABILITIES			185,475		189,051
NON-CURRENT LIABILITIES					
Borrowings	12		(40,167)		(40,169)
NET ASSETS			145,308		148,882
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		122,307		125,881
TOTAL EQUITY			145,308		148,882
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17		319.01		326.85

These financial statements were approved by the Board on 2 June 2016 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 51 to 70 form part of these financial statements.

Company Statement of Financial Position

At 31 March

	Note	As at 31 March 2016 £'000	As at 31 March 2016 £'000	As at 31 March 2015 £'000	As at 31 March 2015 £'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9		127,466		132,333
Investment properties	9		55,125		54,500
			182,591		186,833
CURRENT ASSETS					
Cash and cash equivalents		3,281		4,493	
Other receivables	10	755		625	
			4,036		5,118
TOTAL ASSETS			186,627		191,951
CURRENT LIABILITIES					
Other payables	11		(1,152)		(2,900)
TOTAL ASSETS LESS CURRENT LIABILITIES			185,475		189,051
NON-CURRENT LIABILITIES					
Borrowings	12		(43,321)		(43,955)
NET ASSETS			142,154		145,096
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		119,153		122,095
TOTAL EQUITY			142,154		145,096
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17		312.08		318.54

These financial statements were approved by the Board on 2 June 2016 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 51 to 70 form part of these financial statements.

Statements of Changes in Equity

For the year ended 31 March

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
		Year ended 31 March 2016			
GROUP					
Net assets at 31 March 2015		4,555	18,446	125,881	148,882
Net profit for the year		–	–	617	617
Dividends paid	8	–	–	(4,191)	(4,191)
Net assets at 31 March 2016		4,555	18,446	122,307	145,308
COMPANY					
Net assets at 31 March 2015		4,555	18,446	122,095	145,096
Net profit for the year		–	–	1,249	1,249
Dividends paid	8	–	–	(4,191)	(4,191)
Net assets at 31 March 2016		4,555	18,446	119,153	142,154

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
		Year ended 31 March 2015			
GROUP					
Net assets at 31 March 2014		4,555	18,446	125,256	148,257
Net profit for the year		-	-	4,588	4,588
Dividends paid	8	-	-	(3,963)	(3,963)
Net assets at 31 March 2015		4,555	18,446	125,881	148,882
COMPANY					
Net assets at 31 March 2014		4,555	18,446	120,839	143,840
Net profit for the year		-	-	5,219	5,219
Dividends paid	8	-	-	(3,963)	(3,963)
Net assets at 31 March 2015		4,555	18,446	122,095	145,096

The notes on pages 51 to 70 form part of these financial statements.

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Dividend income received			5,608		5,151
Rental income received			3,374		3,567
Interest received			1		7
Other income received			–		8
Operating expenses paid			(1,830)		(2,495)
Taxation received			–		73
NET CASH FROM OPERATING ACTIVITIES	18		7,153		6,311
Cash flows from investing activities					
Purchase of investments		(8,935)		(17,267)	
Sale of investments		8,462		14,943	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(473)		(2,324)
Cash flow from financing activities					
Loans drawn down		–		4,889	
Interest paid		(3,701)		(3,525)	
Dividends paid	8	(4,191)		(3,963)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES			(7,892)		(2,599)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			(1,212)		1,388
Cash and cash equivalents at 1 April 2015			4,693		3,308
Foreign exchange movements			–		(3)
Cash and cash equivalents at 31 March 2016			3,481		4,693

The notes on pages 51 to 70 form part of these financial statements.

Company Statement of Cashflows

For the year ended 31 March

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Dividend income received			5,608		5,151
Rental income received			3,374		3,958
Interest received			1		7
Other income received			–		8
Operating expenses paid			(1,830)		(2,678)
Taxation received			–		73
NET CASH FROM OPERATING ACTIVITIES	18		7,153		6,519
Cash flows from investing activities					
Purchase of investments		(8,935)		(17,467)	
Sale of investments		8,462		28,197	
Decrease in loan to subsidiary		–		(12,248)	
NET CASH OUTFLOW FROM FROM INVESTING ACTIVITIES			(473)		(1,518)
Cash flow from financing activities					
Loans drawn down		–		4,889	
Interest paid		(3,701)		(3,525)	
Dividends paid	8	(4,191)		(3,963)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES			(7,892)		(2,599)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			(1,212)		2,402
Cash and cash equivalents at 1 April 2015			4,493		2,094
Foreign exchange movements			–		(3)
Cash and cash equivalents at 31 March 2016			**3,281**		**4,493**

The notes on pages 51 to 70 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, and to the extent that they have been adopted by the European Union.

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial assets. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts* (the SORP) issued by the Association of Investment Companies (AIC) in November 2014 is consistent with the requirements of IFRSs, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP, except for the allocation of finance costs to revenue as explained in note 1(f).

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is charged with setting the Group's investment strategy. The Board has delegated the day to day implementation of this strategy to the Investment Managers but the Board retains responsibility to ensure that adequate resources of the Group are directed in accordance with its decisions. The Board is of the view that the Group is engaged in a single segment of business, being investments in quoted UK equities and UK commercial properties. The view that the Group is engaged in a single segment of business is based on the fact that one of the key financial indicators received and reviewed by the Board is the total return from the investment portfolio taken as a whole. A review of the investment portfolio is included in the Investment Managers' Reports on pages 5 to 14.

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 2 to 18. The financial position of the Group as at 31 March 2016 is shown in the Statement of Financial Position on page 46. The cash flows of the Group for the year ended 31 March 2016, which are not untypical, are set out on page 49. The Group had fixed debt totalling £40,167,000 as at 31 March 2016, as set out in Note 12 on pages 61 and 62; none of the borrowings is repayable before 2020. The Group had no short term borrowings. Note 20 on pages 64 to 69 sets out the Group's risk management policies and procedures, including those covering market price risk, liquidity risk and credit risk. As at 31 March 2016, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over four. The assets of the Group consist mainly of securities and investment properties that are held in accordance with the Group's investment policy, as set out on page 15. Most of these securities are readily realisable, even in volatile markets. The Directors, who have reviewed carefully the Group's forecasts for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

1 Accounting policies – continued

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Company consolidates the investee that it controls. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The investment in the subsidiary is recognised at fair value in the financial statements of the Company. This is considered to be the net asset value of the shareholders' funds, as shown in its Statement of Financial Position.

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

(d) Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles, net capital returns may not be distributed by way of dividend.

Additionally the net revenue is the measure that the Directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in sections 1158-1160 of the Corporation Tax Act 2010.

(e) Income

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

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

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

Rental receivable and lease incentives, where material, from investment properties under operating leases are recognised in the Statement of Comprehensive Income over the term of the lease on a straight line basis. Other income is recognised on an accruals basis.

(f) Expenses and Finance Costs

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

1 Accounting policies – continued

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

(g) Other Receivables and Payables

Other receivables do not carry any interest and are stated at their nominal value, as reduced by appropriate allowances for any estimated irrecoverable amounts. Other payables are not interest bearing and are stated at their nominal value.

(h) Taxation

The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the date of the Statement of Financial Position.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the date of the Statement of Financial Position, where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the date of the Statement of Financial Position.

This is subject to deferred tax assets only being recognised if it is considered probable that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to maintain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(i) Dividends payable

Interim dividends are recognised as a liability in the period in which they are paid as no further approval is required in respect of such dividends. Final dividends are recognised as a liability only after they have been approved by Shareholders in general meeting.

(j) Investments

Equity investments

All investments have been designated upon initial recognition as held at fair value through profit or loss. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

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

1 Accounting policies – continued

Investment Property

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

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

As disclosed in Note 20, the Group leases out all of its properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the group holds it to earn rental, capital appreciation or both. Any such property leased under an operating lease is carried at fair value. Fair value is established by half-yearly professional valuation on an open market basis by Savills (UK) Limited, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation - Professional Standards (9th edition as updated). The determination of fair value by Savills is supported by market evidence. It is not more heavily based on other factors because of the nature of the properties and the availability of comparable market data. These valuations are disclosed in Note 9 on pages 59 and 60.

The Company accounts for its investment in its subsidiary at fair value. All fair value adjustments in relation to the subsidiary are eliminated on consolidation.

(k) Cash and cash equivalents

Cash and cash equivalents comprises deposits held with banks.

(l) Non - current liabilities

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

(m) Critical accounting judgements and key estimates

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The critical accounting area involving a higher degree of judgement or complexity comprises the determination of fair value of the investment properties. The Group engages independent professional qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining fair value as at 31 March 2016 is disclosed in note 9 to the financial statements.

(n) Adoption of new and revised Accounting Standards

New and revised standards and interpretations that became effective during the year had no significant impact on the amounts reported in these financial statements but may impact accounting for future transactions and arrangements.

1 Accounting policies – continued

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied to these financial statements, were in issue but were not yet effective (and in some cases, had not yet been adopted by the EU).

- IFRS 9: Financial Instruments (2014) (effective 1 January 2018).
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2016).
- Amendments to IAS 7: Disclosure initiative – Statement of Cash Flows (effective 1 January 2017).
- Amendment to IAS 12: Income Taxes – Recognition of deferred tax assets for unrealised losses (effective 1 January 2017).

The Directors do not expect the adoption of these standards and interpretations (or any other standards and interpretations which are in issue but not effective) will have a material impact on the financial statements of the Group in future periods.

2 Income

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Investment income				
Dividends from listed investments in the UK	5,898	5,898	5,207	5,207
Other operating income				
Rental income	3,937	3,937	3,636	3,636
Interest receivable on short term deposits	1	1	6	6
Underwriting commission	–	–	8	8
Total income	9,836	9,836	8,857	8,857

3 Investment management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Group						
Investment management fee	361	843	1,204	363	848	1,211
Performance fee	–	–	–	–	305	305
	361	843	1,204	363	1,153	1,516
Company						
Investment management fee	361	843	1,204	363	848	1,211
Performance fee	–	–	–	–	305	305
	361	843	1,204	363	1,153	1,516

A summary of the terms of the management agreement is given on pages 21 and 22 of the Directors' Report.

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
4 Other operating expenses				
Auditors' remuneration				
- audit	30	30	30	30
- other non-audit services	7	7	11	11
- taxation compliance services	6	6	7	7
Directors' fees	54	54	54	54
NIC on Directors' fees	4	4	4	4
Fees for Company Secretarial services	176	176	190	190
Direct property costs	11	11	(38)	(38)
Other expenses	489	489	402	399
	777	777	660	657

Other non-audit services provided by the Auditor comprise review of compliance with covenants and the liquidation of a subsidiary.

Directors' fees comprise the Chairman's fees of £22,000 (2015 - £22,000) and fees of £16,000 (2015 - £16,000) per annum paid to each other Director. The Directors' fees of £16,000 each (2015 - £16,000) in respect of the qualifying services provided by Angela Lascelles and Matthew Oakeshott are included in the investment management fees payable to OLIM Limited and OLIM Property Limited as detailed below.

Angela Lascelles is a director of OLIM Limited which received an investment management fee of £873,000 (2015 - £878,000) and a performance fee of £nil (2015 - £215,000), the basis of calculation of which is given on pages 21 and 22.

Matthew Oakeshott is a director of OLIM Property Limited which received an investment management fee of £331,000 (2015 - £333,000) and a performance fee of £nil (2015 - £90,000), the basis of calculation of which is given on pages 21 and 22.

Additional information on Directors' fees is given in the Directors' Remuneration Report on pages 25 to 27.

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
5 Finance costs				
Interest payable on:				
11% First Mortgage Debenture Stock 2021	1,650	1,650	1,650	1,650
9.375% Debenture Stock 2026	1,875	1,875	1,875	1,875
Less amortisation of issue premium	(24)	(24)	(23)	(23)
Loan interest payable	179	179	12	12
Amortisation of loan expenses	22	22	2	2
	3,702	3,702	3,516	3,516

6 Taxation

a) Analysis of the tax charge for the year:

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Group						
Corporation tax payable	–	–	–	–	–	–
	–	–	–	–	–	–
Factors affecting the current tax charge for year:						
Revenue / capital return on ordinary activities before tax			617			4,588
Tax thereon at 20% (2015 - 21%)			123			963
Effects of:						
Non taxable dividends			(1,180)			(1,093)
Losses/(gains) on investments not taxable			707			(299)
Excess expenses not utilised			350			429
			–			–

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Company						
Corporation tax payable	–	–	–	–	–	–
	–	–	–	–	–	–
Factors affecting the current tax charge for year:						
Revenue / capital return on ordinary activities before tax			1,249			5,219
Tax thereon at 20% (2015 - 21%)			250			1,096
Effects of:						
Non taxable dividends			(1,180)			(1,093)
Losses/(gains) on investments not taxable			581			(431)
Excess expenses not utilised			349			428
			–			–

6 Taxation – continued

b) Factors affecting the tax charge for the year

The Company and Group have losses for tax purposes arising in the year of £1,838,000 (2015 - £3,508,000). Under current legislation, it is unlikely that these losses will be capable of offset against the Group's future taxable profits.

c) Factors affecting future tax charges

The Company and Group have deferred tax assets of £4,791,000 (2015 - £5,174,000) at 31 March 2016 relating to total accumulated unrelieved tax losses carried forward of £26,616,000 (2015 - £24,871,000). These have not been recognised in the financial statements as it is unlikely that they will be capable of offset against the Group's future taxable profits.

7 Return per ordinary share

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
The return per ordinary share is based on the following figures:				
Revenue return	4,996	4,996	4,318	4,321
Capital return	(4,379)	(3,747)	270	898
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975	45,549,975
Return per share - revenue	10.97p	10.97p	9.48p	9.48p
Return per share - capital	(9.61p)	(8.23p)	0.59p	1.97p
Total return per share	1.36p	2.74p	10.07p	11.45p

8 Dividends

	2016 £'000	2015 £'000
Dividends on ordinary shares:		
Final dividend of 4.70p per share (2015 - 4.40p) paid 17 July 2015	2,141	2,004
Interim dividend of 4.50p per share (2015 - 4.30p) paid 4 January 2016	2,050	1,959
Dividends paid in the period	4,191	3,963

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

8 Dividends – continued

Set out below is the total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158 - 1159 of the Corporation Tax Act 2010 are considered. The current year's revenue available for distribution by way of dividend is £4,996,000 (2015 - £4,321,000).

	2016 £'000	2015 £'000
Interim dividend for the year ended 31 March 2016 - 4.50p (2015 - 4.30p) paid 4 January 2016	2,050	1,959
Proposed final dividend for the year ended 31 March 2016 - 6.00p (2015 - 4.70p) payable on 15 July 2016	2,733	2,141
	4,783	4,100

9 Investments

	Equities £'000	Investment properties £'000	Total £'000
Group			
Cost at 31 March 2015	84,752	38,916	123,668
Unrealised appreciation	47,381	15,584	62,965
Valuation at 31 March 2015	132,133	54,500	186,633
Purchases	4,877	2,878	7,755
Sales proceeds	(5,079)	(3,382)	(8,461)
Realised gains/(losses) on sales	1,938	(179)	1,759
Movement in unrealised appreciation in year	(6,603)	1,308	(5,295)
Valuation at 31 March 2016	127,266	55,125	182,391

	Equities £'000	Investment in Subsidiary £'000	Investment properties £'000	Total £'000
Company				
Cost at 31 March 2015	84,752	200	47,245	132,197
Unrealised appreciation	47,381	–	7,255	54,636
Valuation at 31 March 2015	132,133	200	54,500	186,833
Purchases	4,877	–	2,878	7,755
Sales proceeds	(5,079)	–	(3,382)	(8,461)
Realised gains/(losses) on sales	1,938	–	(179)	1,759
Movement in unrealised appreciation in year	(6,603)	–	1,308	(5,295)
Valuation at 31 March 2016	127,266	200	55,125	182,591

9 Investments – continued

Transaction costs

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

	2016 £'000	2015 £'000
Purchases	32	69
Sales	4	24
	36	93

The fair values of the investment properties were established by professional valuation on an open market basis for existing use by Savills (UK) Limited, Chartered Surveyors. These valuations were carried out in accordance with the RICS Valuation - Professional Standards 9th edition (as updated) effective from January 2014 (published by the Royal Institute of Chartered Surveyors) by reference to the Investment Method whereby the net annual income derived from a property is capitalised by an appropriate capitalisation rate or Years' Purchase figure to arrive at the present Capital Value of the property after an allowance for the purchaser's costs. The relevant capitalisation rate is chosen, based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned and taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the property.

Investment in subsidiary

Name	Country of incorporation	Date of acquisition	% ownership	Principal activity
Value and Income Services Limited	UK	16 January 2014	100	AIFM

10 Other receivables

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Amounts falling due within one year:				
Dividends receivable	644	644	354	354
Prepayments and accrued income	111	111	271	271
	755	755	625	625

11 Other payables

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Amounts due to brokers	–	–	1,180	1,180
Amounts due to OLIM Limited	72	72	215	215
Amounts due to OLIM Property Limited	27	27	90	90
Accruals and other creditors	870	870	1,415	1,415
Value Added Tax payable	183	183	–	–
	1,152	1,152	2,900	2,900

The amounts due to OLIM Limited and OLIM Property Limited comprise the monthly management fee for March 2016, subsequently paid in April 2016.

12 Non-current liabilities

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Bank loan	5,000	5,000	5,000	5,000
Balance of costs incurred	(109)	(109)	(111)	(111)
Add : Debit to income for the year	22	22	2	2
	4,913	4,913	4,891	4,891
11% First Mortgage Debenture Stock 2021	15,000	15,000	15,000	15,000
Fair value adjustment	–	3,154	–	3,786
	15,000	18,154	15,000	18,786
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add:- Balance of premium less issue expenses	278	278	301	301
Less : Credit to income for the year	(24)	(24)	(23)	(23)
	20,254	20,254	20,278	20,278
	40,167	43,321	40,169	43,955

The Company has an agreement with Santander UK plc to provide a fixed term loan facility for up to £5,000,000 for a period of up to five years to 27 February 2020 (2015 - £5,000,000). At 31 March 2016, £3,000,000 was drawn down at a rate of 3.644% and £2,000,000 was drawn down at a rate of 3.44%. The terms of the loan facility contain financial covenants that require VIT to ensure that:-

- in respect of each 3 month period ending on 31 March and 30 September (the Half Year dates), net rental income shall be at least 200 per cent of interest costs;
- in respect of each 12 month period beginning immediately after 31 March and 30 September, net rental income shall be at least 200 per cent of interest costs; and
- at all times, the loan shall not exceed 60 per cent of the value of the properties that have been charged to Santander UK plc (The Bishop's Finger, 13 Dunstan Street, Canterbury; The Castle, 7 Little Park Street, Coventry; 80/82 High Street, Godalming, Surrey; The Prince of Wales, 48 Cleaver Square, London; and 79 High Street, Lymington).

12 Non-current liabilities – continued

The 11% First Mortgage Debenture Stock 2021, previously issued by Audax Properties plc, was, on 28 March 2014, transferred to Value and Income Trust PLC (VIT) following the approval of the substitution of VIT as issuer of the Debentures by the holders on 11 March 2014. Applications were made to the UK Listing Authority and the London Stock Exchange for the Debentures to be admitted in the name of VIT to the Official List and to trading on the main market of the London Stock Exchange from 28 March 2014.

The 11% First Mortgage Debenture Stock 2021, now issued by VIT, is repayable at par on 31 March 2021 and is secured over specific assets of the Company. Under IAS 39, this debenture required to be recorded initially at fair value of £19,417,000, rather than its nominal value of £15,000,000 in the Company's financial statements. The amortised cost of the debenture as at 31 March 2016 was £18,154,000 (2015 - £18,786,000). The amortisation of the fair value adjustment is presented as a capital item within gains/losses on investments as it relates to the reversal of a previously recognised loss on the Company's investment in its subsidiary. In the Group financial statements, the fair value adjustment is eliminated on consolidation.

The Trust Deed of the 11% Debenture Stock contains four covenants with which the Company has complied.

Firstly, the value of the assets should not be less than one and one-half times the amount of the Debenture Stock; secondly, the rental income from the assets should not be less than one and one-half times the annual interest of the Debenture Stock (£1.65 million); thirdly, not more than 20 per cent. of the total value of the assets should be attributable to a single property; and finally, not more than 10 per cent. of the assets should be attributable to leaseholds having an unexpired term of less than 50 years.

The 9.375% Debenture Stock 2026 issued by VIT is repayable at par on 30 November 2026 and is secured by a floating charge over the property and assets of the Company.

The Trust Deed of the 9.375% Debenture Stock contains restrictions and events of default. The restrictions require that the aggregate group borrowings, £40 million, must not at any time exceed the total group capital and reserves (equivalent to net assets of £145.31 million as at 31 March 2016).

The fair values of the loan and the debentures are disclosed in Note 20 on pages 64 to 69 and the net asset value per share, calculated with the debentures at fair value, is disclosed in Note 17 on page 63.

13 Deferred tax

Under IAS 12, provision must be made for any potential tax liability on revaluation surpluses. As an investment trust, the Company does not incur capital gains tax and no provision for deferred tax is therefore required.

14 Share capital	2016 £'000	2015 £'000
Authorised:		
56,000,000 ordinary shares of 10p each (2015: 56,000,000)	5,600	5,600
Called up, issued and fully paid: 45,549,975 ordinary shares of 10p each (2015: 45,549,975)	4,555	4,555

15 Share premium

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Opening balance	18,446	18,446	18,446	18,446

16 Retained earnings

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Opening balance at 31 March 2015	125,881	122,095	125,256	120,839
Profit for the year	617	1,249	4,588	5,219
Dividends paid (see note 8)	(4,191)	(4,191)	(3,963)	(3,963)
Closing balance at 31 March 2016	122,307	119,153	125,881	122,095

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

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Group						
Opening balance at 31 March 2015	4,087	121,794	125,881	3,732	121,524	125,256
Profit for the year	4,996	(4,379)	617	4,318	270	4,588
Dividends paid (see note 8)	(4,191)	–	(4,191)	(3,963)	–	(3,963)
Closing balance at 31 March 2016	4,892	117,415	122,307	4,087	121,794	125,881
Company						
Opening balance at 31 March 2015	2,901	119,194	122,095	2,543	118,296	120,839
Profit for the year	4,996	(3,747)	1,249	4,321	898	5,219
Dividends paid (see note 8)	(4,191)	–	(4,191)	(3,963)	–	(3,963)
Closing balance at 31 March 2016	3,706	115,447	119,153	2,901	119,194	122,095

17 Net asset value per equity share

The net asset value per ordinary share is based on the Group's net assets attributable of £145,308,000 (2015 - £148,882,000) and on 45,549,975 (2015 - 45,549,975) ordinary shares in issue at the year end.

The net asset value per ordinary share, based on the net assets of the Group adjusted for borrowings at fair value (see note 20) is 299.17p (2015 - 299.53p).

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000

18 Reconciliation of income from operations before tax to net cash inflow from operating activities

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Income from operations before tax	6,300	6,932	10,280	10,908
Gains and losses on investments	3,536	2,904	(1,423)	(2,051)
Foreign exchange movements	–	–	(3)	(3)
Investment management fee	(1,204)	(1,204)	(1,516)	(1,516)
Other operating expenses	(777)	(777)	(660)	(657)
Increase/(decrease) in receivables	(130)	(130)	59	(185)
Decrease/(increase) in other payables	(572)	(572)	(426)	23
Net cash from operating activities	7,153	7,153	6,311	6,519

19 Relationship with the Investment Manager and other Related Parties

Angela Lascelles is a director of OLIM Limited which has an agreement with the Company to provide investment management services, the terms of which are outlined on pages 21 and 22 and in Note 3 on page 55.

Matthew Oakeshott is a director of OLIM Property Limited which has an agreement with the Company to provide investment property management services, the terms of which are outlined on pages 21 and 22 and in Note 3 on page 55.

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

20 Financial instruments and investment property risks

Risk management

The Group's and the Company's financial instruments and investment property comprise securities, property and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement or debtors for accrued income.

The Managers have dedicated investment management processes which ensures that the Investment Policy set out on page 15 is achieved. For equities, stock selection procedures are in place based on active portfolio management and the identification of stocks. The portfolio is reviewed on a periodic basis by a senior investment manager and also by OLIM's Investment Committee.

Additionally, the Managers' Compliance Officers continually monitor the Group's investment and borrowing powers and report to their respective Manager's Risk Management Committee.

The main risks that the Group faces from its financial instruments are:

(i) market risk (comprising price risk, interest rate risk and currency risk)

(ii) liquidity risk

(iii) credit risk

The Board regularly reviews and agrees policies for managing each of these risks. The Managers' policies for managing these risks are summarised below and have been applied throughout the year.

20 Financial instruments and investment property risks – continued

(i) Market risk

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

Price risk

Price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the Group's investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. For equities, asset allocation and stock selection, as set out in the Investment Policy on page 15, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on the UK Stock Exchange.

All investment properties held by the Group are commercial properties located in the UK with long strong income streams.

Price risk sensitivity

If market prices at the date of the Statement of Financial Position had been 10% higher or lower, while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 31 March 2016 would have increased/decreased by £18,239,000 (2015 - increase/decrease of £18,663,000) and equity reserves would have increased/ decreased by the same amount.

Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in property; and
- the level of income receivable on cash deposits

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise debenture stock and five year bank loans, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%. Details of borrowings at 31 March 2016 are shown in note 12 on pages 61 and 62.

20 Financial instruments and investment property risks – continued

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the balance sheet date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 March 2016				
Assets				
Sterling	–	–	–	3,481
Total assets	–	–	–	3,481
At 31 March 2016				
Liabilities				
Sterling	7.7	9.26	40,000	–
Total liabilities	7.7	9.26	40,000	–
At 31 March 2015				
Assets				
Sterling	–	–	–	4,693
Total assets	–	–	–	4,693
At 31 March 2015				
Liabilities				
Sterling	8.7	9.26	40,000	–
Total liabilities	8.7	9.26	40,000	–

The weighted average interest rate on borrowings is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Group's loans are shown in note 12 on pages 61 and 62.

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates. The Group's equity and property portfolios and short term receivables and payables are non interest bearing and have been excluded from the above tables. All financial liabilities are measured at amortised cost.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- profit for the year ended 31 March 2016 would increase/decrease by £47,000 (2015 - increase / decrease by £33,000). This is mainly attributable to the Group's exposure to interest rates on its floating rate cash balances.
- the Group holds no financial instruments that will have an equity reserve impact.

20 Financial instruments and investment property risks – continued

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Group's objectives.

Currency risk

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

Currency sensitivity

There is no sensitivity analysis included as the Group has no outstanding foreign currency denominated monetary items. Where the Group's equity investments (which are non-monetary items) are affected, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

(ii) Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

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

The table below details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash outflows, including both interest and principal cash flows, and on the earliest date upon which the Group can be required to make payment.

	Carrying value	Expected cashflows	Due within 3 months	Due between 3 months and 1 year	Due after 1 year
Borrowings	40,640	69,587	980	2,722	65,885
Other payables	432	432	432	–	–
Total	41,072	70,019	1,412	2,722	65,885

(iii) Credit risk

This is the failure of a counterparty to a transaction to discharge its obligations under that transaction that could result in the Group suffering a loss.

The risk is not significant and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by OLIM and limits are set on the amount that may be due from any one broker.
- the risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis to ensure that discrepancies are picked up on a timely basis. OLIM's Compliance Officer carries out periodic reviews of the Custodian's operations and reports its findings to OLIM's and VIS' Risk Committees. This review will also include checks on the maintenance and security of investments held.

20 Financial instruments and investment property risks – continued

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

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

Credit risk exposure

In summary, compared to the amounts on the group statement of financial position, the maximum exposure to credit risk during the year and at 31 March was as follows:

	2016		2015	
	Balance Sheet £'000	Maximum exposure during the year £'000	Balance Sheet £'000	Maximum exposure during the year £'000
Current assets				
Cash and cash equivalents	3,481	6,428	4,693	5,593
Other receivables	755	1,191	625	1,013
	4,236	7,619	5,318	6,606

(iv) Property risk

The Group's commercial property portfolio is subject to both market and specific property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market.

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13 years (2015 - 13 1/2 years). Details of the tenant and geographical spread of the portfolio are set out on page 13. The long term record of performance through the varying property cycles since 1987 is set out on page 12. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

The Group leases out its investment property to its tenants under operating leases. At 31 March, the future minimum lease receipts under non-cancellable leases are as follows:-

	2016 £'000	2015 £'000
Due within 1 year	39	81
Due between 2 and 5 years	3,286	3,667
Due after more than 5 years	47,531	49,122
	50,856	52,870

This amount comprises the total contracted rent receivable as at 31 March 2016.

None of the Group's financial assets is past due or impaired.

Fair values of financial assets and financial liabilities

All assets and liabilities of the Group other than receivables and payables and the borrowings are included in the balance sheet at fair value.

20 Financial instruments and investment property risks – continued

(i) Fair value hierarchy disclosures

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

At 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	127,266	–	–	127,266
Investment properties	–	55,125	–	55,125
	127,266	55,125	–	182,391
At 31 March 2015				
Equity investments	132,133	–	–	132,133
Investment properties	–	54,500	–	54,500
	132,133	54,500	–	186,633

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

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

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

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

There were no transfers between levels during the year.

(ii) Borrowings

The fair value of borrowings has been calculated at £52,190,000 as at 31 March 2016 (2015 - £52,445,000) compared to a balance sheet value in the financial statements of £40,167,000 (2015 - £40,169,000) per note 12.

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

	Fair Value		Balance Sheet Value	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
11% First Mortgage Debenture Stock 2021	19,463	19,874	15,000	15,000
9.375% Debenture Stock 2026	27,567	27,483	20,254	20,278
	47,030	47,357	35,254	35,278
Bank loan	5,160	5,088	4,913	4,891
	52,190	52,445	40,167	40,169

There were no transfers between levels during the year.

21 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern;
- to maximise the return to its equity Shareholders in the form of long term real growth in dividends and capital value without undue risk through the optimisation of the debt and equity balance.

The capital of the Group consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Group's capital. This review includes:

- the planned level of gearing which takes into account the Managers' views on the market and the extent to which revenue in excess of that which requires to be distributed should be retained.

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

Details of the Group's gearing and financial covenants are disclosed in note 12 on pages 61 and 62.

22 Events after the Balance Sheet Date

The following property transactions are scheduled to complete after 31 March 2016:-

Purchases
23-25 Midland Road, Bedford (completed 9 May 2016)
The Tramway, 167-169 Victoria Road West, Thornton-Cleveleys (completed 3 May 2016)

Sales
138-140 High Street, Ayr (completion scheduled for 14 June 2016)
261 Brook Street, Broughty Ferry, Dundee (completed 27 April 2016)
88 Cheap Street, Sherborne (completed 29 April 2016)
17-18 High Street, Stratford-upon-Avon - Upper parts (completed 7 April 2016)
29A High Street, Stratford-upon-Avon - Upper parts (completed 29 April 2016)

Non-current liabilities
On 26 February 2015, a five year secured term loan facility of £5m was arranged with Santander UK Plc at a five year interest rate of 4% p.a including all costs. This loan was refinanced in May 2016 and a new ten year secured term loan facility of £15m was arranged with Santander UK Plc at a ten year interest rate of 4.5% p.a. including all costs to replace the original £5m loan arranged in February 2015. Of the £15m, £11,893,750 was drawn down on 13 May 2016.

Alternative Investment Fund Managers Directive

Value and Income Trust PLC (the Company) is an alternative investment fund (AIF) for the purposes of the EU Alternative Investment Fund Managers Directive (AIFMD). The Company has appointed its wholly owned subsidiary, Value and Income Services Limited (VIS), to act as its alternative investment fund manager (AIFM). VIS is authorised and regulated by the FCA.

As the AIFM, VIS has responsibility for the portfolio management and risk management of the assets of the Company. VIS has delegated its portfolio management responsibilities for the equity portfolio to OLIM and for the property portfolio to OLIM Property (collectively the Managers). The delegation by VIS of its management responsibilities is in accordance with the delegation requirements of the AIFMD. The Managers remain subject to the supervision and direction of VIS and the Board.

An additional requirement of the AIFMD is to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed BNP Paribas Securities Services, London Branch to act as the Company's Depositary.

Disclosures

The Company and VIS are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures which require to be made prior to investment are contained in an investor disclosure document which can be found on the Company's websites at www.olim.co.uk and www.olimproperty.co.uk.

Other than to provide details of the new loan facility agreed in February 2015; the appointment of Savills plc in April 2015 and clarification of the maximum AIFMD leverage limit of 200%, there have not been any material changes to the disclosures contained in the investor disclosure document since it was first made available in July 2014.

The Company and VIS also wish to make the following periodic disclosures to investors in accordance with the requirements in the AIFMD:

- ***Investment Management:*** Details of the investment objective, strategy and policy of the Company are included in the Strategic Report. A list of all holdings is included on page 8 (equities) and page 14 (properties).
- ***Valuation of illiquid assets:*** None of the Company's assets is subject to special arrangements arising from their illiquid nature.
- ***Liquidity management:*** There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the Company.
- ***Risk Management:*** VIS has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. Further details of the risk profile and risk management systems of the Company are set out in the Strategic Report and in note 20 to the Financial Statements. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- ***AIFM Remuneration:*** All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The expenses which VIS incurs in the provision of AIFM services are met by the Company. During the year ended 31 March 2016 all of the directors of VIS were the same as the Directors of the Company and no additional staff were employed by VIS. The Directors of the Company do not receive a separate fee in respect of

being directors of VIS and details of the remuneration of the Directors is set out on pages 25 to 27. The Managers receive remuneration separately (as set out on pages 21 and 22). The Managers are bound by regulatory requirements on remuneration that are equally as effective as those applicable to VIS under the AIFMD Remuneration Code.

LEVERAGE

Circumstances when the Company may use leverage

Leverage may be used where it is believed that that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing.

In a rising market gearing will tend to enhance returns because of the increased exposure to the markets but it will tend to increase losses in the event of a falling market. Leverage is therefore consistently monitored.

Types and sources of leverage permitted

The Company has, since 1986, had a long standing policy of funding its exposure to property and partly to equities through long term debentures. Until recently, all borrowings have been debentures to provide secure long term funding, avoiding the risks associated with short term funding of having to sell illiquid assets at a low point in markets if loans have to be repaid. Gearing has varied between 25% and 40% of the total portfolio. The Company will not raise new borrowings if total net borrowings would then represent more than 50% of the total assets.

On 26 February 2015, a five year secured term loan facility of £5 million was arranged with Santander UK plc at a five year fixed interest rate of 4% including all costs. This facility has been used to fund further property acquisitions. This loan was refinanced on 13 May 2016 and a new ten year secured term loan facility of £15 million was arranged with Santander UK plc at a ten year interest rate of 4.5% including all costs to replace the original £5 million loan arranged in February 2015.

The maximum level of leverage which the AIFM is entitled to employ on behalf of the Company

Under the AIFMD, the Company is required to calculate leverage under the two methodologies specified by the AIFMD, the ‘Gross Method’ and the ‘Commitment Method’, the difference being that the Commitment Method allows some netting and hedging arrangements to reduce exposures.

VIS has set a maximum leverage limit of 200% under both the Gross Method and Commitment Method. As noted above, these leverage limits are subject to a long-standing policy not to raise new borrowings if total net borrowings would represent more than half of total assets.

The table below sets out the current maximum permitted range and the actual level of leverage for the Company, as a percentage of adjusted Shareholders’ funds:

	Gross Method (%)	Commitment Method (%)
Limit	200	200
Actual level at 31 March 2016	123	126

There have been no changes to the maximum level of leverage that the Group has employed and no changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements.

The Company’s leveraging arrangements are collateralised through the granting of charges over the properties in the property portfolio to the Trustee of the Debenture Stock and to Santander UK plc.

How to Invest in Value and Income Trust PLC

Direct

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

Keeping you Informed

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

The net asset value (with debt at market value) and share price are quoted daily in The Financial Times. The Daily Telegraph, The Herald, The Independent, The Scotsman and The Times also quote the share price.

Customer Services

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

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ
Telephone: 0370 703 0168
www-uk.computershare.com/investor

For email, select 'Contact Us', via the above website.

Note

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

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

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

Contact Information

Directors
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John Kay
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Notice is hereby given that the Annual General Meeting of Value and Income Trust PLC (the "Company") will be held at the offices of Shepherd and Wedderburn LLP, 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL on Friday 8 July 2016 at 12.30pm, for the following purposes:

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 10 inclusive will be proposed as Ordinary Resolutions and Resolutions 11 to 14 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1. To receive the Directors' Report and audited Financial Statements for the year ended 31 March 2016.

2. To approve the Directors' Remuneration Report for the year ended 31 March 2016.

3. To approve a final dividend for the year ended 31 March 2016 of 6.0p per Ordinary share.

4. To re-elect James Ferguson as a Director of the Company.

5. To re-elect John Kay as a Director of the Company.

6. To re-elect Angela Lascelles as a Director of the Company.

7. To re-elect Matthew Oakeshott as a Director of the Company.

8. To re-elect David Smith as a Director of the Company.

9. To re-appoint Grant Thornton UK LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the remuneration of the Independent Auditor for the year to 31 March 2017.

10. Authority to Allot Shares
    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £455,499 (being approximately 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of this Notice) provided that such authorisation expires (unless previously extended or renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company in 2017 or on the expiry of 15 months from the passing of this Resolution, (whichever is earlier) save that the Company may, at any time prior to the expiry of this authority, make offers or agreements which would or might require such Securities to be allotted or granted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

11. Disapplication of Pre-emption Rights
    That, subject to the passing of Resolution 10 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and are hereby generally empowered, pursuant to Sections 570 and 573 of the Companies Act 2006 ("the Act"), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred on them by Resolution

10 or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act) as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(i) (otherwise than pursuant to sub-paragraph (ii) below) up to an aggregate nominal value of £455,499 (being 10% of the nominal value of the issued share capital as at the date of this Notice); and

(ii) in connection with an offer of such equity securities by way of rights issue, open offer or other pre-emptive offer in favour of all holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of ordinary shares held by them on a record date fixed by the Directors (subject to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2017, or on the expiry of 15 months from the passing of this Resolution (whichever is earlier), save that the Company may, at any time prior to the expiry of such authority, make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

12. Authority to Make Market Purchases of Shares

That, the Directors be and are hereby generally and unconditionally authorised, for the purposes of Section 701 of the Companies Act 2006 (the "Act"), to make one or more market purchases (within the meaning of Section 693(4) of the Act) of fully paid ordinary shares of 10p each in the capital of the Company ("ordinary shares") on such terms as the Directors of the Company think fit, either for retention as treasury shares for future reissue, resale, transfer or cancellation, provided that:

(i) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 6,827,941 Ordinary shares, representing 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 10p (exclusive of expenses);

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of:

(a) 105% of the average of the middle market quotations of the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and

(b) the higher of the price of the last independent trade in ordinary shares and the highest current independent bid for ordinary shares on the London Stock Exchange; and

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General

Meeting of the Company to be held in 2017 or on the expiry of 15 months from the passing of this Resolution (whichever is the earlier) save that the Company may at any time prior to such expiry, enter into a contract or arrangement to purchase ordinary shares under this authority which will or might be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares pursuant to any such contract or arrangement; and

(v) any ordinary shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Act and any applicable regulations of the United Kingdom Listing Authority, be held or otherwise dealt with as permitted by the Companies Act 2006 as Treasury Shares.

13. Notice of General Meeting
That, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

SPECIAL BUSINESS

14. Articles of Association
That, the draft regulations produced to the Meeting and, for the purpose of identification initialled by the Chairman of the Meeting be accepted as the Articles of Association of the Company in substitution for, and to the entire exclusion of the existing Articles of the Company.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
Registered Office:
Kintyre House
205 West George Street
Glasgow G2 2LW

2 June 2016

NOTES:

(i) A member entitled to attend and vote at the meeting may appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms or would like to appoint more than one proxy, please contact the Company's Registrars, Computershare Investor Services PLC on 0370 703 0168. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.

(ii) A personalised form of proxy, and reply-paid envelope, is enclosed for ordinary shareholders. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to arrive not less than forty eight hours (excluding non-working days) before the time fixed for the meeting.

(iii) The return of a completed proxy form or other such instrument of proxy will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so.

(iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

(viii) The "vote withheld" option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.

(ix) The right to vote at a meeting is determined by reference to the Company's register of members as at 6pm. on 6 July 2016 or if this meeting is adjourned, at 6pm. on the day two days (excluding non-working days) prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

(x) As at 2 June 2016 (being the latest practicable date prior to the publication of this document) the Company's issued share capital comprised 45,549,975 ordinary shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 2 June 2016 was 45,549,975.

Following Resolution 12 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 6,827,941 Ordinary shares in issue immediately prior to the passing of Resolution 12.

(xi) Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

(xii) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.

(xiii) Biographical details of the Directors standing for re-election are set out on page 3 of this Report.

(xiv) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

(xv) Members should note that, it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

(xvi) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.

(xvii) Information regarding the Annual General Meeting is available from the Company's websites, hosted by the Managers, at www.olim.co.uk and www.olimproperty.co.uk.

(xviii) Pursuant to Section 319A of the Companies Act 2006, as a member, you have the right to put questions at the meeting relating to business being dealt with at the meeting.

(xix) A copy of the existing Articles and the proposed new Articles marked to show the changes will be available for inspection at the Registered Office of the Company and at the offices of Dickson Minto W.S. at Broadgate Tower, 20 Primrose Street, London EC2A 2EW during normal business hours (Saturdays, Sundays and public holiday excepted) up to and including close of business on 8 July 2016 and at the venue of the AGM for at least 15 minutes prior to the start of the Meeting and up to the close of the Meeting.

APPENDIX

ADDITIONAL AMENDMENTS TO THE ARTICLES

In addition to the proposed amendments to the Articles in connection with increase in the aggregate annual limit on Directors' fees and the introduction of a continuation vote, following a recent review of the Articles, the Board is taking the opportunity to amend other parts of the Articles to reflect recent legislative changes. A summary of the principal changes proposed to be introduced in the Articles in this regard, and their effect, are set out below.

*The Alternative Investment Fund Managers Directive ("**AIFMD**")*

The Board is also proposing to include provisions in the new Articles in response to the regulations implementing the AIFMD (the "**AIFMD Regulations**") coming into force as follows.

(i) The Articles will now provide that the NAV of the Company shall be calculated at least annually and be disclosed to Shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

(ii) The Articles will now provide that the Company's Annual Report and Financial Statements may be prepared either in accordance with generally acceptable accounting principles of the UK or such other international accounting standards as may be permitted under the law of the UK. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFMD Regulations.

(iii) The AIFMD Regulations require that prior to any new or existing investor making an investment in the Company certain prescribed information is to be made available to them. Therefore, the new Articles will include language with the effect that such information shall be made available to prospective and existing Shareholders from time to time in such manner as may be determined by the Board (including, in certain cases, on the Company's website or by electronic notice).

(iv) In line with guidance from the FCA, the new Articles will now provide that valuation of the Company's assets shall be performed in accordance with prevailing accounting standards.

Distributions out of capital

Certain statutory rules governing investment trusts and companies were amended in 2012. In particular, the rule which prohibited an investment trust from distributing any surplus arising from the realisation of its investments was repealed. In compliance with the previous statutory regime, the Company has a provision in its Articles which expressly prohibits the distribution of any surplus arising from the realisation of any investment. In light of the amended statutory rules, the Board no longer considers it appropriate to have such a prohibition in the Articles and therefore proposes that it is removed.

The Board believes that the removal of this restriction will give the Company greater flexibility in the long term as it will enable the Company to make distributions from any surplus arising from the realisation of any investment. However, the Board has no intention of exercising this authority at the current time.

International tax regimes requiring the exchange of information

Finally, the Board is proposing to include a provision in the new Articles to provide the Company with the ability to require Shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

The Hiring Incentives to Restore Employment Act 2010 of the United States of America commonly known as the Foreign Account Tax Compliance Act and all associated regulations and official guidance ("**FATCA**") imposes a system of information reporting on certain entities including foreign financial institutions such as the Company in accordance with the International Tax Compliance Regulations 2015 (the "**Regulations**").

The Articles have been amended to provide the Company with the ability to require Shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a "Non-participating Financial Institution" for the purposes of FATCA and consequently having to pay withholding tax to the IRS. The Articles have also been amended to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of the Company's Shareholders as a whole.

The Regulations also include the automatic exchange of information regimes being brought in by the Organisation for Economic Co-operation and Development and the European Union as more fully described on page 19 of the Annual Report. The Articles have therefore also been amended in order to provide the Company with the ability to require Shareholders to co-operate in respect of these broader obligations including its obligations under FATCA.