

**VALUE AND INCOME TRUST PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2017**

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## FINANCIAL CALENDAR

28 October 2016	First quarterly dividend of 2.6p per share paid for year ended 31 March 2017
27 January 2017	Second quarterly dividend of 2.6p per share paid for year ended 31 March 2017
28 April 2017	Third quarterly dividend of 2.6p per share paid for year ended 31 March 2017
25 May 2017	Announcement of Annual Financial Report for year ended 31 March 2017
7 July 2017	Annual General Meeting, London (12.30pm)
28 July 2017	Proposed final dividend of 3.2p per share payable for year ended 31 March 2017
27 October 2017	First quarterly dividend payable for year to 31 March 2018
November 2017	Announcement of Half-Yearly Financial Report for six months ending 30 September 2017
26 January 2018	Second quarterly dividend payable for year to 31 March 2018

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 14.

## CAPITAL STRUCTURE

As at 31 March 2017, 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 74.

## 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 12.5% over one year and 17.6% over three years.
- Share price total return of 21.7% over one year and 8.2% over three years.
- FTSE All-Share Index total return of 21.5% over one year and 24.4% over three years.
- Dividends for year up 4.8% - increased for the 30<sup>th</sup> 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	31 Mar 2017
NAV (valuing debt at book value) (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	345.5
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	318.1
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	255.0
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	19.8
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	11.00
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	207.3

\* Date from which the current Investment Managers were appointed.

## 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 the senior independent 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

Last year we recommended a substantial increase in the final dividend and we also made a change so that dividends were paid quarterly. I am pleased to report that this year we are proposing a final dividend of 3.2p per share, making 11.0p per share for the year, an increase of 4.8%. This is the 30<sup>th</sup> annual increase since the Trust's objectives were changed in 1986. You will see from our Managers' reports that the outlook for continuing income growth is encouraging. The prospects for both portfolios are reasonably good: our equities are yielding 4.2% and the property portfolio is yielding 6.7% with no voids and 52% of the income coming from index-related leases and a weighted average unexpired length of lease of 13½ years.

Over the year to 31 March 2017, Value and Income Trust's net asset value total return per share (that is taking the growth in net asset value and dividend together) was 12.5%. Our property portfolio had a good year and produced a total return of 13%. The performance of our equity portfolio was behind the FTSE All-Share Index which increased by 17.5%, but this should be seen in the context of its longer term performance. No performance fee, which is based on share price total return over 3 years, was payable. Details of the investment management fee are shown on pages 21 and 22.

VIT has two debentures and one bank loan which, in the Group's Financial Statements, are valued at cost, adjusted annually over their lives to write off the issue premium and issue expenses. These numbers are used to calculate the year end net asset value (NAV) of 345.51p. We also show in Note 17 to the Financial Statements on page 65, a NAV of 318.09p which is adjusted for borrowings at fair value, being amounts greater than their respective nominal values. This restatement is calculated by reference to the market.

The first of our debentures is repayable for £15,000,000 in 2021 and has a fair value of £19,010,000 whilst the second debenture is repayable for £20,000,000 in 2026 and has a fair value of £27,939,000. The bank loan of £15,000,000 is repayable in 2026 and has a fair value of £15,539,000. All of these figures are shown in Note 20 to the Financial Statements on page 71. The differences between the two values of each of our debentures and loan will reduce until each instrument is repaid at its nominal value, thus increasing the NAV with borrowings at fair value over the period.

Our two debentures have covenants attached to them. Information about these is included in Note 12 to the Financial Statements on page 63; there is plenty of headroom in terms of both capital and income. In addition, in May 2016, we borrowed £15,000,000 for 10 years at a rate of 4.4% per annum including all costs which has been invested in the present property portfolio on attractive terms.

I wrote in 2016 that 'both of the portfolios provide good value when compared to the remarkably low yields available from UK gilts'. This is still the case and we remain fully invested.

I hope that we shall see as many Shareholders as possible at the Annual General Meeting on 7 July 2017, which is to be held in London this year. Our Managers will give a brief presentation on the outlook.

**James Ferguson**  
25 May 2017

## UK EQUITIES

### MARKET BACKGROUND

In a year of unexpected events on the global landscape, UK equities nevertheless rose strongly and recorded the highest returns of the last five years. The FTSE All-Share Index rose by 17.5% over the year to end March 2017 and recorded a total return of 21.5%. Ahead of the EU Referendum, the market was steady, trading in a narrow range, but after the result of the Referendum, it rose strongly after an initial sharp downward shock. The most significant effect of the Referendum result was the immediate fall in the value of sterling against the other main currencies, which improved the competitive position of UK companies operating overseas and enhanced the translational values of dollar and euro related earnings.

Predictions of an immediate recession if Brexit should be the Referendum outcome were proved wrong and our economy was steadily upgraded from June onwards. The Bank of England halved the base rate to 0.25% in August and announced a further programme of Quantitative Easing and ten year gilt yields fell to less than 1% during the autumn. Consumers were motivated to keep spending, with the cost of borrowings reducing even further. With falling borrowing rates and a growing economy, the market was set to rise.

Within the UK market the largest quoted companies benefitted most in the aftermath of the Referendum result and the fall in our currency. Oil, mining, pharmaceutical and global banks led the rise in the second half of 2016. The FTSE 100 Index rose by 18.6% over our year, whereas the more domestically focused FTSE 250 Index of mid-sized companies rose by 12.1%. Industrial sectors of our market outperformed the overall trend, encouraged by reports of higher industrial production figures and growing demand for exports.

Simon Jaffé, Angela Lascelles and Andrew Impey

Overseas markets also performed strongly. The FTSE World Index rose by 12.7%. American equities rose by 14.7%, the German Index rose by 23.6% and Emerging Markets also had a good year, with a rise of 14.8%. In fixed interest markets, UK Gilt yields fell over the year as a whole and the All Stocks Gilt Index gave a total return of 6.6%. Overseas bond yields rose and the US Treasury ten year bond yield ended our year at 2.3% compared with 1.8% a year earlier. US Federal Funds rate was raised in December by 0.25% to 0.75%.

The pound fell from \$1.44 at the start of our year to \$1.26 (-12.5%) and from €1.26 to €1.18 (-6.3%). In the oil and commodity markets, oil rose by 33.4% over the year and copper by 14.2%. Both prices had been severely depressed in the early months of 2016 by fears of slowing growth in China and the developing world.

### SUMMARY OF PORTFOLIO

	31 March 2017		31 March 2016	
	£m	%	£m	%
UK Equities	137.6	66.4	127.3	68.6
UK Property	66.8	32.2	55.1	29.7
Cash	2.9	1.4	3.1	1.7
	207.3	100.0	185.5	100.0

# INVESTMENT MANAGERS' REPORTS

## PERFORMANCE

With VIT's policy of focusing on mid and small sized companies it was a disappointing year for performance relative to the FTSE All-Share Index. The capital value of equities, adjusted for changes to the portfolio, rose by 8.3% and the total return, including income, was 12.9%. In the Travel and Leisure sector, the price of Go Ahead was affected by problems with industrial relations in Southern Rail and a slowdown in bus passengers in the North East. Restaurant Group continued to suffer from changing trends in consumer spending and increased competition. In Support Services, Babcock suffered fears of downgrades, following reports from other companies in that sector. Our underweight position in the Mining sector had an adverse effect on relative performance this year, though it has been a major contributor to outperformance in past years. These negative factors were counteracted somewhat by the positive effect of our overweight holdings in the Industrial Engineering and Electronics sectors. A further beneficial factor to performance was the absence of any companies in the Property sector, for almost all of the year. Over the last five years, the equity portfolio has recorded a total return of 68.3%, compared with the FTSE All-Share Index total return of 57.2%.

## PORTFOLIO

Sales and purchases of equities over the year totalled £10.02m, with net sales of just £40,000. Our policy was to be fully invested in the equity portfolio throughout the year. We reduced our

holdings in Halma and Spectris after strong performance, though they remain amongst our largest holdings. We also reduced Rotork, after recovery in its price from lower levels. We reduced the holding in Informa in order to fund the cost of the new shares issued in connection with its acquisition of Penton, a US based exhibitions' company. We increased the holdings in Carillion, Crest Nicholson, GlaxoSmithKline and Vodafone. Towards the end of our year we started a holding in British Land, which manages a high quality portfolio split evenly between retail and office properties. The share price was hit hard in the aftermath of the EU Referendum and was trading on a 30% discount to historic Net Asset Value and a yield of 5%.

## OUTLOOK

Since writing VIT's equity report a year ago, prospects for the UK economy and the global economy have improved. In this country we have the benefit of a lower sterling exchange rate, which has resulted in higher demand for our exports and improved competitiveness for UK manufacturers serving both overseas markets and those trading here but with competition from overseas. A year ago, forecasts for UK GDP growth in 2017 were considerably less than 1%, but a year later the Bank of England's forecast has risen to 2%. The other significant change resulting from the fall in sterling, is increasing inflation, now moving above the Bank of England's targeted rate of 2%. We do not expect a rise in interest rates to counter the rise in inflation. Article 50 has recently been triggered to take the UK out of the EU and it is very unlikely that any action might be taken which could upset the pace of economic activity. Rising economic growth and rising inflation are both factors which favour investment in equities rather than in bonds. Dividends have continued to rise modestly across the market and the overall yield on the FTSE All-Share Index is 3.5%, which is very attractive compared to other asset classes. We believe that our equity portfolio, which yields 4.2%, is attractively valued at its current valuation.

Angela Lascelles

OLIM Limited  
25 May 2017

## DISTRIBUTION OF SECURITIES AT 31 MARCH

	2017 %	2016 %
Financials	20.2	16.7
Consumer Services	17.6	20.8
Industrials	17.1	19.7
Consumer Goods	10.9	9.5
Basic Materials	7.9	6.8
Oil and Gas	7.7	6.5
Utilities	7.6	7.9
Telecommunications	6.3	7.9
Health Care	4.7	4.2
	100.0	100.0

# INVESTMENT MANAGERS' REPORTS

List of Equity Holdings as at 31 March 2017

Holding	Description	Market Value (£)
208,000	Unilever The global food, home and personal care company.	8,194,160
1,650,000	Beazley UK A specialist international insurance company, primarily operating in Lloyds.	7,062,000
389,000	GlaxoSmithKline The UK's largest pharmaceutical company.	6,455,455
2,285,000	Legal & General One of the UK's leading financial services companies, specialising in life assurance and pensions.	5,650,805
214,000	Spectris Leading supplier of instrumentation and controls.	5,345,720
517,000	Halma Operating in 22 countries, the company makes products to protect buildings and the environment.	5,294,080
1,121,000	BP One of the world's largest energy companies, providing fuel, retail services and petrochemicals.	5,129,136
2,430,454	Vodafone The leading mobile telecommunications company.	5,057,775
687,500	Informa Provider of specialist information to the academic, scientific, professional and commercial communities through multiple distribution channels.	4,482,500
3,297,000	John Laing Infrastructure Fund A closed-end investment company investing in mature infrastructure projects	4,414,683
121,944	Croda International A world leader in natural based speciality chemicals which are sold to virtually every type of industry.	4,346,084
800,000	Crest Nicholson A UK housebuilder, operating mainly in Southern England with one of the longest land banks in the industry.	4,344,000
660,000	HSBC The banking group.	4,295,940
192,221	Royal Dutch Shell A global group of energy and petrochemical companies.	4,199,068
475,000	Babcock International An engineering support services group; the main customer is the Ministry of Defence.	4,189,500
1,600,000	Rotork The world's leading manufacturer of actuators serving particularly the oil, gas and water management industries.	3,892,800
391,772	United Utilities The UK's largest listed water company.	3,892,255
550,000	Cineworld The UK'S leading cinema operator.	3,643,750
411,400	Pennon Operates and invests in water, sewerage services and waste management operating in the UK and North Africa.	3,628,548
1,120,000	BT The fixed-line telecommunications company.	3,563,840
2,530,000	Marstons The regional brewer and pub company.	3,395,260
200,000	Prudential Insurance and fund management company with interests in UK, North America and Asia	3,372,000
1,220,399	Conviviality A wholesaler of drink and convenience food products.	3,325,587
1,363,000	Centrica An integrated gas and electricity company.	2,957,710
90,709	Johnson Matthey A leader in speciality chemicals and sustainable technologies.	2,793,837
816,500	Restaurant Group The company owns chains of restaurants in airports and leisure parks.	2,723,028
431,500	British Land One of Europe's largest publicly listed real estate investment trusts (REIT)	2,632,150
150,000	Go-Ahead Group Operator of trains and buses.	2,590,500
800,000	SThree A staffing company, both permanent and temporary.	2,518,000
375,000	Britvic Manufacturer and distributor of soft drinks in the UK and Ireland.	2,428,125
1,021,300	Carillion Support services in building contracts for the UK and Middle East.	2,277,499
293,000	Daily Mail & General Trust Newspaper publisher, majority interest in Euromoney, minority interest in Zoopla	2,109,600
61,700	Rio Tinto One of the world's largest mining companies	1,980,262
935,000	N Brown An on-line and catalogue retailer.	1,961,163
140,000	BHP Billiton The world's largest mining company.	1,727,600
234,000	Amec Foster Wheeler A supplier of consultancy, engineering and project management services to the natural resources environment and infrastructure markets.	1,243,710
500,000	Hansard Global Provides, supports and services life assurance products for financial institutions and independent financial intermediaries globally.	455,000
		137,573,130

## PROPERTY PORTFOLIO

### THE MARKET

Average capital values of UK commercial property bottomed out in September 2016 after a sharp post-Referendum fall over the summer and early autumn and have since been edging higher month by month. Values are still slightly down on balance since June, with offices and retail property underperforming and the industrial and alternative property sectors up. The IPD Annual Index for 2016 as a whole showed a positive total return of 4%, with average capital losses of 1% outweighed by rental income of 5%.

Matthew Oakeshott and Louise Cleary

Capital values of office and retail properties fell by 1½%-2%, on average, over 2016 as a whole with industrial and leisure property gaining about 3%. That divergence in sector performance has continued to widen in 2017. Rental values rose by about 2% in 2016 on average, with industrial/warehouse and office property outperforming retail over the year as a whole. But office rental growth has slowed right down since the Referendum, and has turned negative in London. Within all sectors there is an accelerating flight to safety, with property on long leases strongly outperforming shorter-let, riskier stock – in sharp contrast to the 2013-15 bull market. This trend has helped capital values of well-let supermarkets to grow again after a painful period of underperformance.

### UK COMMERCIAL PROPERTY – AVERAGE ANNUAL % GROWTH TO MARCH 2017

	6 Months	1 Year	3 Years	5 Years	10 Years
Capital Values	+2.0	-1.7	+5.1	+3.6	-2.4
Rental Values	+0.8	+1.6	+3.2	+2.1	+0.2
Total Returns	+4.9	+3.9	+10.9	+9.7	+3.6

Source: IPD Monthly Index – Annualised

It is still too early to form a firm view on the long-term effect of the June Referendum result on the commercial property market, as on the economy as a whole.

The devaluation of sterling gave a short-term boost to domestic tourism, manufacturing and exports, but the pain is only now coming through in import price rises and cuts in real incomes. Consumers are deeply in debt with the savings ratio down to a 50 year low, and they are now starting to retrench, probably quite hard. The sharp falls in medium and long-term interest rates in the third quarter, which have only been partly reversed, gave immediate support to the safer, long-leased types of property, which were also the most saleable by property unit trusts under severe short-term redemption pressures.

Since last June there has been far more evidence of transactions for valuers to analyse in some parts of the market than others. Parts of the commercial property market are still in limbo, with a wall of potential sellers, especially the U.S. distressed debt (“vulture”) funds, and buyers few and far between. So the IPD and agents’ indices are painting too optimistic a picture of the market – until more properties change hands – for most shopping centres, larger secondary shops and retail warehouses, and short-leased City and South-East offices (where property companies’ share prices are discounting further falls in values). Net effective rents are also coming under pressure in these sectors, with rent free periods growing and leases shortening; the evidence of this will feed through into valuations soon.

But commercial auction values and volumes have been buoyant. Private investors remain hungry for yield at the smaller (typically sub £2 million) end of the market, and are switching out of residential buy-to-let investments into commercial property following tax and regulatory changes. Local authorities are also active buyers of all sorts of provincial property, often outside their own areas, with taxpayers' money borrowed from the Public Works Loan Board. But they have no coherent investment strategy except raising short-term income to lessen the impact of public spending cuts, so this rush to spend will end in tears and the Treasury should close the PWLB funding window soon.

There is also growing upward pressure on capital values and a keen appetite for safe long-term, especially indexed, property income, from pension funds, insurance companies, charities, and risk-averse private investors. The penny has dropped at last with investors that safe property's unprecedentedly high yield margins over conventional and index-linked gilts cannot last, and that the 15% sterling devaluation is now feeding through fast into consumer prices. The Consumer Price Index rose by 2.3% over the twelve months to March, with the Retail Price Index up by 3.1% and likely to hit 4% later in 2017.

These conflicting pressures on different property types are making 2017 a fascinating year. On balance, capital values may rise by about 3%, in line with inflation, with the office and retail sectors down and the industrial/warehouse and the growing alternative sectors (leisure, pubs, hotels, student housing and motor trade) well ahead. Rental values may be flat on average, with the same sectors rising and falling as for capital values. Total returns on the IPD Annual Index may therefore average around 7%-8%, but with a much wider dispersion than usual. The best single predictor of relative performance this year may be a portfolio's weighted average unexpired lease length (WAULT), currently about 7 years on the IPD Monthly Index (11 years on the Annual). A low void rate against the IPD's 8% will also help portfolios to outperform.

In an unusually uncertain investment world, with significant inter-related geopolitical risks on top of Trump and Brexit, one of the safest havens must be UK commercial property on long, preferably index-related, leases with high yield premia over conventional and index-linked gilts. Safe property will rise in value in the UK in 2017, risky and over-rented property let on short leases or to shaky tenants will fall. Long-term property investment portfolios should stay heavily weighted to the safe side of that divide for the foreseeable future.

## COMPARATIVE YIELDS

(Equivalent Yield)		2017						
End December (except 2017 March)		March	2016	2015	2014	2011	2008	2006
Property		5.7	5.7	5.6	5.9	6.8	8.1	5.4
Long Gilts	Conventional	1.4	1.5	2.2	2.0	2.5	3.7	4.6
	Index Linked	-1.8	-1.8	-0.6	-0.8	-0.2	0.8	1.1
UK Equities		3.5	3.5	3.7	3.4	3.5	4.5	2.9
R.P.I (Annual Rate)		3.1	2.5	1.1	2.0	4.8	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	4.3	4.2	3.4	3.9	4.3	4.4	0.8
	less Index Linked Gilts	7.5	7.5	6.2	6.7	7.0	7.3	4.4
	less Equities	2.2	2.2	1.9	2.5	3.3	3.6	2.5

Source: IPD

## THE PORTFOLIO

VIT's property portfolio produced a total return of 13% over the year to March against 5% for the IPD Index, the main benchmark for property performance. VIT's long-term property record is shown in the table on page 11.

We concentrate on properties with long, 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 12% a year over the past 3 years, 10% over 5 years, 7% over 10 years, 12% over 20 years and 13% a year over the 30 years since the start. These returns are slightly above the IPD averages over 3 and 5 years and well above them over longer periods. Real returns above the RPI from VIT's property portfolio averaged 4% a year over the past 10 years and 8-10% a year over shorter and longer periods.

We have bought eight new properties over the past year: two South-Eastern industrials for £8 million in Fareham and Milton Keynes, three pubs in Cheltenham, Oxted and Thornton-Cleveleys, one shop in Bedford and two small supermarkets in Caerphilly and Harrogate. The average net initial yield on purchase was 6.9% and 43% of the income was index-related. The purchase prices totalled £16.2 million and they were valued at £17.5 million at end March (8% above

their purchase price excluding costs and 2% including costs). We sold seven, mainly over-rented, properties this year – shops in Ayr, Birmingham, Dundee, Elgin and Stratford-upon-Avon, a pub in Sherborne and an industrial in Rochford, for £8.4 million (6% above valuation) at a net initial yield of 7.9%, falling to 7.0% on their current rental values.

All properties are fully let on full repairing and insuring leases, with upward only rent reviews and an average unexpired lease length of 13½ years. The portfolio has been fully let and income-producing throughout the year. 25% of rental income is reviewed annually, with 75% five yearly. 52% of the portfolio's rental income comes from index-related leases (up from 35% five years ago).

The property portfolio was funded for many years by long-term fixed rate loans - £20 million of VIT 9¾% 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%, against 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 and increased and converted the loan in May 2016 to £15 million at a fixed interest rate of 4.4%, including all costs, until 2026 and invested the proceeds in properties at a net initial yield of 6.9% with good growth prospects.

## Purchase - Milton Keynes

Industrial unit let to Adelle Food Holdings at £296,800 a year on a 12 year lease with 2.5% p.a. minimum rent increases. Bought for £4,000,000 in July 2016 at a net initial yield of 7%.

## Purchase - Harrogate

Convenience store let to Co-operative Group Food at £65,000 a year on a 14 year lease with RPI-linked rent increases. Bought for £950,000 in March 2017 at a net initial yield of 6.5%.

## VIT'S PROPERTY RECORD

31 March	Rental Income £000	Capital Value £000	Yield on Valuation %	Total Return IPD Quarterly Index* - 12 months to March VIT %	
2017	4,480	66,775	6.7	13	5
2016	3,940	55,125	7.2	10	11
2015	4,019	54,500	7.4	13	17
2014	3,552	46,475	7.6	11	14
2013	3,543	46,225	7.7	4	3
2012	3,537	48,250	7.3	7	6
2011	3,552	49,075	7.2	9	11
2010	3,463	48,750	7.1	18	17
2009	3,278	44,850	7.3	-11	-25
2008	3,261	51,000	6.4	0	-9
2007	3,116	54,525	5.7	15	16
2006	3,219	52,250	6.2	21	21
2005	3,124	45,875	6.8	21	17
2004	3,052	40,375	7.5	15	12
2003	3,089	40,550	7.6	12	9
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	11
1998	3,141	34,800	9.0	15	17
1997	3,111	32,805	9.5	10	12
1996	2,840	29,440	9.6	9	5
1995	2,948	31,125	9.5	10	6
1994	2,806	29,835	9.4	23	26
1993	2,773	26,415	10.5	12	-1
1992	2,709	25,880	10.5	10	-3
1991	2,331	23,800	9.8	2	-10
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.

\*IPD Quarterly Index 12 months total returns to March, except 1988-1990, IPD Annual Index

## RESULTS OF INDEPENDENT REVALUATION

The VIT property portfolio was subject to an independent professional revaluation at 31 March 2017 by Savills. The revaluation showed a value of £66,775,000. Our properties are revalued every six months, at 30 September and 31 March.

Capital values rose by 5% over the year and rental income rose by 2% on a like for like basis. Twenty-eight of the properties valued at 31 March 2017 were freehold and two are long leasehold with 41 years and 88 years to run.

Matthew Oakeshott and Louise Cleary  
OLIM Property Limited  
25 May 2017

# INVESTMENT MANAGERS' REPORTS

## PROPERTY PORTFOLIO BY SECTOR

Shops	23%
Supermarkets	7%
Roadside	11%
Pubs & Restaurants	33%
Industrial	16%
Caravan Park	10%
Total	100%

## TOP FIFTEEN TENANTS BY INCOME

Stonegate	12%
Park Resorts	10%
Marshalls	9%
Adelie Foods	7%
Hampshire Country Council	6%
Iceland	6%
Shepherd Neame	6%
Co-operative Food	5%
Poundland	4%
Greene King	3%
Mitchells & Butlers	3%
Mitchells of Lancaster	3%
Prezzo	3%
Toolspec	3%
WH Smith	3%
Total	83%

## PROPERTY PORTFOLIO BY REGION

## INCOME BY LEASE EXPIRY

## INDEX-RELATED SHARE OF RENTAL INCOME

# INVESTMENT MANAGERS' REPORTS

List of Properties as at 31 March 2017

Address	Tenant
<b>Shops</b>	
Bedford - 23-25 Midland Road	Bodycare
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, Sportswift, National Council of YMCAs, TCCT Retail, Superdrug and TJ Morris.
Stratford upon Avon - 29 High Street	Robert Dyas
<b>Supermarkets</b>	
Caerphilly - 6-12, 15 & 20 Cardiff Road	Iceland
Harrogate - Skipton Road	Co-operative Group
Sudbury - 94-95 North Street	Iceland Stores
<b>Roadside</b>	
Horsham - Buck Barn, Worthing Road, West Grinstead	Co-operative and McDonalds
Oxford - 171-173 Cumnor Hill	Ridgeway Garages
<b>Pubs &amp; Restaurants</b>	
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
Cheltenham - The Spectre, 73-75 High Street	Stonegate Pub Company
Coventry - The Castle, 7 Little Park Street	Stonegate Pub Company
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
Oxted - The Old Bell, 68 High Street	Greene King
Selby - The Londesborough Hotel, Market Place	Stonegate Pub Company
Thornton-Cleveleys - 167-169 Victoria Road West	Mitchells & Butlers
<b>Industrial</b>	
Fareham - Mitchell Close, Segensworth East	Hampshire County Council
Luton - Sedgwick Road	Toolspec Manufacturing
Milton Keynes - Wimblington Drive	Adelie Foods
<b>Caravan Park</b>	
Dover - St. Margaret's Holiday Park, Reach Road	Park Resorts

# BUSINESS REVIEW

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 4.4% 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. In the year to 31 March 2017, no material changes were made to the Company's investment policy.

## PERFORMANCE, RESULTS AND DIVIDEND

The Company announced on 24 August 2016 that it intended to pay quarterly dividends in the future. The first quarterly dividend of 2.6p per share was paid on 28 October 2016; the second quarterly dividend of 2.6p per share was paid on 27 January 2017 and the third quarterly dividend of 2.6p per share was paid on 28 April 2017.

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 13. The Directors recommend that a final dividend of 3.2p per Ordinary Share (2016: 6.0p) is paid on 28 July 2017 to Shareholders on the register on 30 June 2017. The ex-dividend date is 29 June 2017.

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 2016	974	2.14
Net revenue earned in the year	5,089	11.17
Dividends paid and payable	(5,010)	(11.00)
Revenue reserve at 31 March 2017	1,053	2.31

## 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,

asset allocation and stock selection, as set out in the Investment Policy on page 14, both 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 Investment Managers) who actively monitor market prices throughout the year and report to VIS and to the Board, which meets regularly in order to review investment strategy. The equity investments held by the Group are listed on the UK Stock Exchange. 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.

# BUSINESS REVIEW

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 rate 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. VIS carries out periodic reviews of the Depositary's operations and reports its findings to the Company. This review also includes checks on the maintenance and security of investments held.
- cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.

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

## PROPERTY RISK

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

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13½ years (2016: 13 years). Details of the tenant and geographical spread of the portfolio are set out on page 12. The long-term record of performance through the varying property cycles since 1987 is set out on page 11. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

## POLITICAL RISK

In a referendum held on 23 June 2016, the UK voted to leave the European Union (informally known as "Brexit"). The formal process of implementing this decision exists in Article 50 of the Lisbon Treaty. The political, economic and legal consequences of the referendum vote are not yet known.

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 therefore faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including but not limited to, the Companies Act 2006, the FCA Listing Rules or the FCA Disclosure 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 from the Investment 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 13).

## 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 Investment 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.

# BUSINESS REVIEW

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## **FUTURE STRATEGY**

The Board and the Investment Managers intend to maintain the strategic policies set out above for the year ending 31 March 2018 as it is believed that these are in the best interests of Shareholders.

## **APPROVAL**

The Business Review, and the Strategic Report as a whole, was approved by the Board of Directors and signed on its behalf by:

**James Ferguson**  
*Chairman*  
25 May 2017

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2017. 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 in 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) was

introduced. The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. The Company will 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, are 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>.

The Company is also required to comply with tax legislation under the Foreign Account Tax Compliance Act.

## 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 July 2016, the Board has assessed the Company's prospects for the five year period to 31 March 2022. 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 equity 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 £66.8m, of which £63.9m against a required £47.5m is securing a debenture stock expiring in 2021 and a loan facility expiring in 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 65 to 71 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 2017 are 70% 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 62 and 63.

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 2022.

## 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 2016 and 31 March 2017, 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 Annual 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 Investment Managers and free of any material relationship with the Investment 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 has no hesitation in recommending to Shareholders his re-election as a Director 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.

David Smith, having retired at the 2016 Annual General Meeting and having been re-elected as a Director at that meeting, is not due to retire at this time.

## 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

# DIRECTORS' REPORT

agreement on giving one years' 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 70% to OLIM and 30% 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 Investment 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 70% to OLIM and 30% to OLIM Property. The fee is wholly charged to capital.

During the year ended 31 March 2017, OLIM received an annual investment management fee of £935,000 excluding VAT, and OLIM Property received an annual investment management fee of £401,000 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 only persons known to the Company who, directly or indirectly, were interested in 3% or more of the issued ordinary share capital of the Company as at 31 March 2017 are listed in the table below:

Shareholder	Number of Ordinary shares	% held
Alliance Trust Savings Nominees Limited	4,619,455	10.14%

At 25 May 2017, being the last practicable date prior to the publication of this Annual Report, the only persons known to the Company who, directly or indirectly, were interested in 3% or more of the Company's issued Share Capital were as follows:

Shareholder	Number of Ordinary shares	% held
Alliance Trust Savings Nominees Limited	4,563,117	10.02%

## 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 2017 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 £7,000 were paid to Grant Thornton UK LLP during the year under review in relation to services provided in the preceeding year (2016: £13,000). 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 14 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, 7 July 2017 at 12.30pm at the offices of Shepherd and Wedderburn LLP, Condor House, 10 St. Paul's Churchyard, London EC4M 8AL, and related notes may be found on pages 76 to 81 of this Annual Report.

The Notice of Annual General Meeting 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 13. 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 total issued share capital of the Company as at the date of the Notice of Annual General Meeting set out on pages 76 to 81 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 8 July 2016. 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 AGM in 2018 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 2018 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 13, unless renewed prior to such time.

## **RECOMMENDATION**

Your Board considers Resolutions 1 to 10 inclusive, which are all Ordinary Resolutions, and Resolutions 11 to 13, 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 13 inclusive to be proposed at the AGM on 7 July 2017.

By order of the Board  
**Maven Capital Partners UK LLP**  
*Company Secretary*  
25 May 2017

# DIRECTORS' REMUNERATION REPORT

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 2017, 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 £200,000 and the approval of Shareholders in 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.

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

It is the Board's intention that the above Remuneration Policy be put to a Shareholders' vote at least once every three years and, as a resolution was approved at the AGM held in 2014, an Ordinary Resolution for its approval will be proposed at the 2017 AGM.

At the AGM held on 11 July 2014, the result in respect of the Ordinary Resolution to approve the Directors' Remuneration Policy for the three-years to 31 March 2017 was as follows:

	Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
Remuneration Policy	99.29	0.71	22,928

During the year ended 31 March 2017, 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 2017, 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 2017 should be increased from £25,000 to £27,500 for the Chairman and from £18,000 to £20,000 for each other Director.

# DIRECTORS' REMUNERATION REPORT

At the AGM held on 8 July 2016, the result in respect of the Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 March 2016 was as follows:

	Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
Remuneration Report	99.68	0.32	23,359

## 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 2017 and the year ending 31 March 2018 are shown below.

	Directors' Fees 2018 £	Directors' Fees 2017 £
James Ferguson (Chairman)	27,500	25,000
John Kay	20,000	18,000
David Smith	20,000	18,000
OLIM Limited (for Angela Lascelles' services)	20,000	18,000
OLIM Property Limited (for Matthew Oakeshott's services)	20,000	18,000
<b>Total</b>	<b>107,500</b>	<b>97,000</b>

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 pages 21 and 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 2017, 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 2016 and 31 March 2017, 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.

# DIRECTORS' REMUNERATION REPORT

## 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 Investment 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 2017, 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.

(Source: London Stock Exchange)

## DIRECTORS' REMUNERATION (AUDITED)

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

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
James Ferguson (Chairman)	25,000	22,000
John Kay	18,000	16,000
David Smith	18,000	16,000
OLIM (for Angela Lascelles' services)	18,000	16,000
OLIM Property (for Matthew Oakeshott's services)	18,000	16,000
<b>Total</b>	<b>97,000</b>	<b>86,000</b>

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 pages 21 and 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 2017 (2016: £nil).

## DIRECTORS' INTERESTS (AUDITED)

The Directors' Interests in the share capital of the Company as at 31 March 2017 and as at the date of this report are shown below. There is no requirement for Directors to hold shares in the Company.

	31 March 2017 Ordinary shares of 10p each	1 April 2016 Ordinary shares of 10p each
James Ferguson	668,500	756,500
John Kay	198,114	148,114
John Kay – Family	19,274	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	4,116,043	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*

25 May 2017

# 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](http://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 July 2016 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](http://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 Investment Managers and free of any material relationship with the Investment 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

# STATEMENT OF CORPORATE GOVERNANCE

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 buy backs and share issues;
- succession planning including board appointments and removals and the related terms;
- appointment and removal of the AIFM, the Investment 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 Investment 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 2017, 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.

# STATEMENT OF CORPORATE GOVERNANCE

Directors have attended Board and Committee Meetings during the year ended 31 March 2017 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 Investment 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;

# STATEMENT OF CORPORATE GOVERNANCE

- 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 Investment Managers). The delegation by VIS of its investment management responsibilities is in accordance with the delegation requirements of the AIFMD. The Investment 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 Investment Managers, would wish to encourage companies in which investments are made to adhere to best practice in the area of corporate governance. The Investment 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 Investment 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 Annual General Meeting sets out the business of the AGM and the Resolutions are explained more fully in the Explanatory Notes to the Notice of Annual General Meeting 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 Investment Managers. The results of proxy voting are relayed to Shareholders after the Resolutions have 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 75.

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 Investment Managers and the Secretary. In order to ensure that the Directors develop an understanding of the views of Shareholders, correspondence between Shareholders and the Investment Managers 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*  
25 May 2017

# 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 judgements 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 Investment 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 2017 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*  
25 May 2017

# 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 and that the Committee as a whole has competence relevant to the sector in which the Company operates.

## 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 Investment 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 Investment 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 to the Directors on the investment portfolio;

# REPORT OF THE AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

- 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 2017, the Audit and Management Engagement Committee carried out an annual assessment of internal controls and risk management for the year ended 31 March 2017 by considering documentation from OLIM, OLIM Property and Maven Capital Partners UK LLP and by taking account of events since 31 March 2017.

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 Investment Managers at the quarterly Board Meetings regarding the revenue generated from dividend and rental income. The Directors are satisfied 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 13 May 2016 and 28 October 2016, and at each meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Investment 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 2016, 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 2016, along with the amount of the final dividend for the year then ended. At its meeting in October 2016, 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 2017, the Committee considered the draft Annual Report and Financial Statements for the year ended 31 March 2017, and provided advice to the Board that it considered that 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. The Committee also reviewed the performance of the Investment Managers and concluded that this was satisfactory and that the continued appointment of the Investment 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.

# REPORT OF THE AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

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 Thornton 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.

Grant Thornton UK LLP did not provide any tax services to the Company for the year ended 31 March 2017 and will not provide such services going forward.

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 2017 AGM.

**James Ferguson**

*Chairman*

25 May 2017

# INDEPENDENT AUDITOR'S REPORT

## 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 2017 and of the Group's and the parent Company'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 2017 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: £1,574,000, 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:

# INDEPENDENT AUDITOR'S REPORT

## AUDIT 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 £138m is a significant, material item in the Financial Statements. The valuation, existence and ownership of equity investments are therefore risks that require particular audit attention.

## HOW WE RESPONDED TO THE RISK

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 £67m 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;
- confirming 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 and challenging the external valuers on key inputs and assumptions used in the valuation.

# INDEPENDENT AUDITOR'S REPORT

AUDIT RISK	HOW WE RESPONDED TO THE RISK
	<p>The Group's accounting policy on investment property is included in <b>Note 1(j)</b> to the Financial Statements and related disclosures are included in <b>Note 9</b>. 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.</p>
<p><b>ACCURACY AND COMPLETENESS OF DIVIDEND AND RENTAL INCOME</b></p> <p>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.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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;</li><li>• 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</li><li>• 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.</li></ul> <p>The Group's accounting policy on income is shown in <b>Note 1(e)</b> to the Financial Statements and related disclosures are included in <b>Note 2</b>. 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.</p>

## 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 £1,574,000, 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 higher than we determined for the year ended 31 March 2016 to reflect the increase in net asset value in the year from £145m to £157m.

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 £79,000. 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](http://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. We performed full scope audit procedures on Value and Income Trust PLC and its only subsidiary, Value and Income Services Limited. 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.

# INDEPENDENT AUDITOR'S REPORT

## OTHER REPORTING REQUIRED BY REGULATIONS

### OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the Group and parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

### 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;

# INDEPENDENT AUDITOR'S REPORT

- 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 Statement of Directors' Responsibilities 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*

25 May 2017

# GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	Year ended 31 March 2017			Year ended 31 March 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>INCOME</b>							
Investment income		5,912	–	5,912	5,898	–	5,898
Rental income		4,233	–	4,233	3,937	–	3,937
Other income		1	–	1	1	–	1
	2	10,146	–	10,146	9,836	–	9,836
<b>GAINS AND LOSSES ON INVESTMENTS</b>							
Realised gains on held-at-fair-value investments and investment properties	9	–	4,170	4,170	–	1,759	1,759
Unrealised gains/(losses) on held-at-fair-value investments and investment properties	9	–	8,848	8,848	–	(5,295)	(5,295)
<b>TOTAL INCOME</b>		10,146	13,018	23,164	9,836	(3,536)	6,300
<b>EXPENSES</b>							
Investment management fees	3	(401)	(935)	(1,336)	(361)	(843)	(1,204)
Other operating expenses	4	(573)	–	(573)	(777)	–	(777)
<b>FINANCE COSTS</b>	5	(4,083)	–	(4,083)	(3,702)	–	(3,702)
<b>TOTAL EXPENSES</b>		(5,057)	(935)	(5,992)	(4,840)	(843)	(5,683)
<b>PROFIT BEFORE TAX</b>		5,089	12,083	17,172	4,996	(4,379)	617
<b>TAXATION</b>	6	–	–	–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		5,089	12,083	17,172	4,996	(4,379)	617
<b>EARNINGS PER ORDINARY SHARE (PENCE)</b>	7	11.17	26.53	37.70	10.97	(9.61)	1.36

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 71 form part of these Financial Statements.

The Board is proposing a final dividend of 3.20p per share, making a total dividend of 11.00p per share for the year ended 31 March 2017 (2016: 10.50p per share) which, if approved, will be payable on 28 July 2017 (see note 8).

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	Year ended 31 March 2017			Year ended 31 March 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>INCOME</b>							
Investment income		5,912	–	5,912	5,898	–	5,898
Rental income		4,233	–	4,233	3,937	–	3,937
Other income		1	–	1	1	–	1
	2	<u>10,146</u>	<u>–</u>	<u>10,146</u>	<u>9,836</u>	<u>–</u>	<u>9,836</u>
<b>GAINS AND LOSSES ON INVESTMENTS</b>							
Realised gains on held-at-fair-value investments and investment properties	9	–	4,170	4,170	–	1,759	1,759
Unrealised gains/(losses) on held-at-fair-value investments and investment properties	9	–	9,478	9,478	–	(4,663)	(4,663)
		<u>–</u>	<u>9,478</u>	<u>9,478</u>	<u>–</u>	<u>(4,663)</u>	<u>(4,663)</u>
<b>TOTAL INCOME</b>		<u>10,146</u>	<u>13,648</u>	<u>23,794</u>	<u>9,836</u>	<u>(2,904)</u>	<u>6,932</u>
<b>EXPENSES</b>							
Investment management fees	3	(401)	(935)	(1,336)	(361)	(843)	(1,204)
Other operating expenses	4	(573)	–	(573)	(777)	–	(777)
		<u>(4,083)</u>	<u>–</u>	<u>(4,083)</u>	<u>(3,702)</u>	<u>–</u>	<u>(3,702)</u>
<b>TOTAL EXPENSES</b>		<u>(5,057)</u>	<u>(935)</u>	<u>(5,992)</u>	<u>(4,840)</u>	<u>(843)</u>	<u>(5,683)</u>
<b>PROFIT BEFORE TAX</b>		<u>5,089</u>	<u>12,713</u>	<u>17,802</u>	<u>4,996</u>	<u>(3,747)</u>	<u>1,249</u>
<b>TAXATION</b>	6	–	–	–	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>5,089</u>	<u>12,713</u>	<u>17,802</u>	<u>4,996</u>	<u>(3,747)</u>	<u>1,249</u>
<b>EARNINGS PER ORDINARY SHARE (PENCE)</b>	7	11.17	27.92	39.09	10.97	(8.23)	2.74

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 71 form part of these Financial Statements.

# GROUP STATEMENT OF FINANCIAL POSITION

At 31 March

	Note	As at 31 March 2017		As at 31 March 2016	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Investments held at fair value through profit or loss	9		137,573		127,266
Investment properties	9		66,775		55,125
			<u>204,348</u>		<u>182,391</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		4,292		3,481	
Other receivables	10	<u>744</u>		<u>755</u>	
			5,036		4,236
<b>TOTAL ASSETS</b>			<u>209,384</u>		<u>186,627</u>
<b>CURRENT LIABILITIES</b>					
Other payables	11		(2,122)		(1,152)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>207,262</u>		<u>185,475</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12		(49,883)		(40,167)
<b>NET ASSETS</b>			<u>157,379</u>		<u>145,308</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		134,378		122,307
<b>TOTAL EQUITY</b>			<u>157,379</u>		<u>145,308</u>
<b>NET ASSET VALUE PER ORDINARY SHARE (PENCE)</b>	17		345.51		319.01

These financial statements were approved by the Board on 25 May 2017 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN  
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 51 to 71 form part of these Financial Statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March

		As at 31 March 2017		As at 31 March 2016	
	Note	£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Investments held at fair value through profit or loss	9		137,773		127,466
Investment properties	9		66,775		55,125
			<u>204,548</u>		<u>182,591</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		4,092		3,281	
Other receivables	10	744		755	
			<u>4,836</u>		<u>4,036</u>
<b>TOTAL ASSETS</b>			<u>209,384</u>		<u>186,627</u>
<b>CURRENT LIABILITIES</b>					
Other payables	11		(2,122)		(1,152)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>207,262</u>		<u>185,475</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12		(52,407)		(43,321)
<b>NET ASSETS</b>			<u>154,855</u>		<u>142,154</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		131,854		119,153
<b>TOTAL EQUITY</b>			<u>154,855</u>		<u>142,154</u>
<b>NET ASSET VALUE PER ORDINARY SHARE (PENCE)</b>	17		339.97		312.08

These financial statements were approved by the Board on 25 May 2017 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN  
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 51 to 71 form part of these Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March

	Note	Year ended 31 March 2017			Total £'000
		Share capital £'000	Share premium £'000	Retained earnings £'000	
<b>GROUP</b>					
Net assets at 31 March 2016		4,555	18,446	122,307	145,308
Total comprehensive income for the year		–	–	17,172	17,172
Dividends paid	8	–	–	(5,101)	(5,101)
Net assets at 31 March 2017		<u>4,555</u>	<u>18,446</u>	<u>134,378</u>	<u>157,379</u>
<b>COMPANY</b>					
Net assets at 31 March 2016		4,555	18,446	119,153	142,154
Total comprehensive income for the year		–	–	17,802	17,802
Dividends paid	8	–	–	(5,101)	(5,101)
Net assets at 31 March 2017		<u>4,555</u>	<u>18,446</u>	<u>131,854</u>	<u>154,855</u>
<b>GROUP</b>					
Year ended 31 March 2016					
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2015		4,555	18,446	125,881	148,882
Total comprehensive income for the year		–	–	617	617
Dividends paid	8	–	–	(4,191)	(4,191)
Net assets at 31 March 2016		<u>4,555</u>	<u>18,446</u>	<u>122,307</u>	<u>145,308</u>
<b>COMPANY</b>					
Net assets at 31 March 2015		4,555	18,446	122,095	145,096
Total comprehensive income for the year		–	–	1,249	1,249
Dividends paid	8	–	–	(4,191)	(4,191)
Net assets at 31 March 2016		<u>4,555</u>	<u>18,446</u>	<u>119,153</u>	<u>142,154</u>

The notes on pages 51 to 71 form part of these Financial Statements.

# GROUP STATEMENT OF CASHFLOWS

For the year ended 31 March

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Dividend income received			5,847		5,608
Rental income received			4,976		3,374
Interest received			1		1
Operating expenses paid			(1,692)		(1,830)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18</b>		<u>9,132</u>		<u>7,153</u>
Cash flows from investing activities					
Purchase of investments		(21,767)		(8,935)	
Sale of investments		<u>12,828</u>		<u>8,462</u>	
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>			<u>(8,939)</u>		<u>(473)</u>
Cash flow from financing activities					
Loans drawn down		9,702		–	
Interest paid		(3,983)		(3,701)	
Dividends paid	8	<u>(5,101)</u>		<u>(4,191)</u>	
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>			<u>618</u>		<u>(7,892)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			<u>811</u>		<u>(1,212)</u>
Cash and cash equivalents at 1 April 2016			<u>3,481</u>		<u>4,693</u>
<b>Cash and cash equivalents at 31 March 2017</b>			<u><u>4,292</u></u>		<u><u>3,481</u></u>

The notes on pages 51 to 71 form part of these Financial Statements.

# COMPANY STATEMENT OF CASHFLOWS

For the year ended 31 March

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Dividend income received			5,847		5,608
Rental income received			4,976		3,374
Interest received			1		1
Operating expenses paid			(1,692)		(1,830)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18</b>		<u>9,132</u>		<u>7,153</u>
Cash flows from investing activities					
Purchase of investments		(21,767)		(8,935)	
Sale of investments		<u>12,828</u>		<u>8,462</u>	
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>			<u>(8,939)</u>		<u>(473)</u>
Cash flow from financing activities					
Loans drawn down		9,702		–	
Interest paid		(3,983)		(3,701)	
Dividends paid	8	<u>(5,101)</u>		<u>(4,191)</u>	
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>			<u>618</u>		<u>(7,892)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			<u>811</u>		<u>(1,212)</u>
Cash and cash equivalents at 1 April 2016			3,281		4,493
<b>Cash and cash equivalents at 31 March 2017</b>			<u><b>4,092</b></u>		<u><b>3,281</b></u>

The notes on pages 51 to 71 form part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (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 and updated in January 2017 with consequential amendments is consistent with the requirements of IFRSs, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP, except for the allocation of finance costs to revenue as explained 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 13.

### (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 2017 is shown in the Statement of Financial Position on page 46. The cash flows of the Group for the year ended 31 March 2017, which are not untypical, are set out on page 49. The Group had fixed debt totalling £49,883,000 as at 31 March 2017, as set out in Note 12 on page 62; none of the borrowings is repayable before 2021. The Group had no short-term borrowings. Note 20 on pages 65 to 71 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 2017, 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 14. 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.

# NOTES TO 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 Alternative Investment Fund Manager of the Company.

### (d) Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles, net capital returns may be distributed by way of dividend however the Board has no intention of exercising this authority at present.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies – continued

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.

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 more probable than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to 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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies – continued

FTSE 250 constituents along with some other securities. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the retained earnings.

### Investment 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 January 2014 (the 'RICS Red Book') and revised in April 2015. 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 60 and 61.

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 estimations of uncertainty

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 uncertainty 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 2017 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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)

IFRS 16: Leases (effective 1 January 2019)

Amendments to IAS 7: Disclosure initiative - Statement of Cash Flows (effective 1 January 2017)

Amendments 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.

	2017		2016			
	Group £'000	Company £'000	Group £'000	Company £'000		
<b>2 Income</b>						
<b>Investment income</b>						
Dividends from listed investments in UK	5,912	5,912	5,898	5,898		
<b>Other operating income</b>						
Rental income	4,233	4,233	3,937	3,937		
Interest receivable on short-term deposits	1	1	1	1		
<b>Total income</b>	<b>10,146</b>	<b>10,146</b>	<b>9,836</b>	<b>9,836</b>		
	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000

## 3 Investment management fee

### Group

Investment management fee	401	935	1,336	361	843	1,204
Performance fee	–	–	–	–	–	–
	<u>401</u>	<u>935</u>	<u>1,336</u>	<u>361</u>	<u>843</u>	<u>1,204</u>

### Company

Investment management fee	401	935	1,336	361	843	1,204
Performance fee	–	–	–	–	–	–
	<u>401</u>	<u>935</u>	<u>1,336</u>	<u>361</u>	<u>843</u>	<u>1,204</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>4 Other operating expenses</b>				
Fees payable to the Group's/Company's auditor for:				
- the audit of the Company's annual accounts	29	29	30	30
- other assurance services	7	7	7	7
- taxation compliance services	-	-	6	6
Directors' fees	61	61	54	54
NIC on Directors' fees	5	5	4	4
Fees for company secretarial services	179	179	176	176
Direct property costs	(16)	(16)	11	11
Other expenses	308	308	489	489
	<u>573</u>	<u>573</u>	<u>777</u>	<u>777</u>

Other assurance services provided by the Auditor comprise review of compliance with covenants.

Directors' fees comprise the Chairman's fees of £25,000 (2016 - £22,000) and fees of £18,000 (2016 - £16,000) per annum paid to each other Director. The Directors' fees of £18,000 each (2016 - £16,000) in respect of the qualifying services provided by Matthew Oakeshott and Angela Lascelles 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 £935,000 (2016 - £873,000) and a performance fee of £nil (2016 - £nil), 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 £401,000 (2016 - £331,000) and a performance fee of £nil (2016 - £nil), 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.

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>5 Finance costs</b>				
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)	(24)	(24)
Loan interest payable	545	545	179	179
Amortisation of loan expenses	37	37	22	22
	<u>4,083</u>	<u>4,083</u>	<u>3,702</u>	<u>3,702</u>

# NOTES TO THE FINANCIAL STATEMENTS

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>6 Taxation</b>						
<b>a) Analysis of the tax charge for the year:</b>						
<b>Group</b>						
Corporation tax payable	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Factors affecting the current tax charge for year:</b>						
Revenue / capital return on ordinary activities before tax			17,172			617
			<u>17,172</u>			<u>617</u>
Tax thereon at 20% (2016 - 20%)			3,434			123
Effects of:						
Non taxable dividends			(1,182)			(1,180)
(Gains)/losses on investments not taxable			(2,604)			707
Excess expenses not utilised			352			350
			<u>—</u>			<u>—</u>
			<u>—</u>			<u>—</u>
<b>Company</b>						
Corporation tax payable	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Factors affecting the current tax charge for year:</b>						
Revenue / capital return on ordinary activities before tax			17,802			1,249
			<u>17,802</u>			<u>1,249</u>
Tax thereon at 20% (2016 - 20%)			3,560			250
Effects of:						
Non taxable dividends			(1,182)			(1,180)
(Gains)/losses on investments not taxable			(2,730)			581
Excess expenses not utilised			352			349
			<u>—</u>			<u>—</u>
			<u>—</u>			<u>—</u>

**b) Factors affecting the tax charge for the year**

The Company and Group have losses for tax purposes arising in the year of £1,758,000 (2016 - £1,838,000). 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 £4,823,000 (2016 - £4,791,000) at 31 March 2017 relating to total accumulated unrelieved tax losses carried forward of £28,373,000 (2016 - £26,616,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>7 Return per ordinary share</b>				
The return per ordinary share is based on the following figures:				
Revenue return	5,089	5,089	4,996	4,996
Capital return	12,083	12,713	(4,379)	(3,747)
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975	45,549,975
Return per share - revenue	11.17p	11.17p	10.97p	10.97p
Return per share - capital	26.53p	27.92p	(9.61p)	(8.23p)
Total return per share	<u>37.70p</u>	<u>39.09p</u>	<u>1.36p</u>	<u>2.74p</u>
		2017 £'000		2016 £'000
<b>8 Dividends</b>				
Dividends on ordinary shares:				
Final dividend of 6.00p per share (2016- 4.70p) paid 15 July 2016		2,733		2,141
First quarterly dividend of 2.60p per share (2016- nil) paid 28 October 2016		1,184		–
Second quarterly dividend of 2.60p per share (2016- nil) paid 27 January 2017		1,184		–
Interim dividend of nil per share (2016- 4.50p)		–		2,050
Dividends paid in the period		<u>5,101</u>		<u>4,191</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 8 Dividends – continued

The third interim dividend of 2.60p (2016 - nil), being payable on 28 April 2017, has not been included as a liability in these Financial Statements.

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.

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 £5,089,000 (2016 - £4,996,000).

	2017 £'000	2016 £'000
First quarterly dividend of 2.60p per share (2016- nil) paid 28 October 2016	1,184	–
Second quarterly dividend of 2.60p per share (2016- nil) paid 27 January 2017	1,184	–
Third quarterly dividend of 2.60p per share (2016- nil) payable 28 April 2017	1,184	–
Interim dividend of nil per share (2016 - 4.50p)	–	2,050
Proposed Final dividend for the year ended 31 March 2017 of 3.20p per share (2016 - 6.00p) payable 28 July 2017	1,458	2,733
	<u>5,010</u>	<u>4,783</u>

# NOTES TO THE FINANCIAL STATEMENTS

	Equities £'000	Investment properties £'000	Total £'000	
<b>9 Investments</b>				
<b>Group</b>				
Cost at 31 March 2016	86,488	38,233	124,721	
Unrealised appreciation	40,778	16,892	57,670	
Valuation at 31 March 2016	127,266	55,125	182,391	
Purchases	4,989	16,778	21,767	
Sales proceeds	(5,029)	(7,799)	(12,828)	
Realised gains on sales	3,812	358	4,170	
Movement in unrealised appreciation in year	6,535	2,313	8,848	
Valuation at 31 March 2017	137,573	66,775	204,348	
	Equities £'000	Investment in Subsidiary £'000	Investment properties £'000	Total £'000
<b>Company</b>				
Cost at 31 March 2016	86,488	200	46,562	133,250
Unrealised appreciation	40,778	–	8,563	49,341
Valuation at 31 March 2016	127,266	200	55,125	182,591
Purchases	4,989	–	16,778	21,767
Sales proceeds	(5,029)	–	(7,799)	(12,828)
Realised gains on sales	3,812	–	358	4,170
Movement in unrealised appreciation in year	6,535	–	2,313	8,848
Valuation at 31 March 2017	137,573	200	66,775	204,548

# NOTES TO THE FINANCIAL STATEMENTS

## 9 Investments – continued

### Transaction costs

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

	2017 £'000	2016 £'000
Purchases	31	32
Sales	10	4
	<u>41</u>	<u>36</u>

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 January 2014 (the 'RICS Red Book') and revised in April 2015 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

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000

## 10 Other receivables

Amounts falling due within one year:

Dividends receivable	709	709	644	644
Prepayments and accrued income	35	35	111	111
	<u>744</u>	<u>744</u>	<u>755</u>	<u>755</u>

# NOTES TO THE FINANCIAL STATEMENTS

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>11 Other payables</b>				
Amounts due to OLIM Limited	77	77	72	72
Amounts due to OLIM Property Limited	33	33	27	27
Accruals and other creditors	1,624	1,624	870	870
Value Added Tax payable	388	388	183	183
	<u>2,122</u>	<u>2,122</u>	<u>1,152</u>	<u>1,152</u>

The amounts due to OLIM Limited and OLIM Property Limited comprise the monthly management fee for March 2017, subsequently paid in April 2017.

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>12 Non-current liabilities</b>				
Bank loan	15,000	15,000	5,000	5,000
Balance of costs incurred	(384)	(384)	(109)	(109)
Add : Debit to income for the year	37	37	22	22
	<u>14,653</u>	<u>14,653</u>	<u>4,913</u>	<u>4,913</u>
11% First Mortgage Debenture Stock 2021	15,000	15,000	15,000	15,000
Fair value adjustment	-	2,524	-	3,154
	<u>15,000</u>	<u>17,524</u>	<u>15,000</u>	<u>18,154</u>
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add:- Balance of premium less issue expenses	254	254	278	278
Less : Credit to income for the year	(24)	(24)	(24)	(24)
	<u>20,230</u>	<u>20,230</u>	<u>20,254</u>	<u>20,254</u>
	<u>49,883</u>	<u>52,407</u>	<u>40,167</u>	<u>43,321</u>

The Company has an agreement with Santander UK plc to provide a fixed term loan facility for up to £15,000,000 for a period of up to ten years to 31 March 2026 (2016 - £5,000,000). At 31 March 2017, £11,893,750 was drawn down at a rate of 4.344% and £3,106,250 was drawn down at a rate of 3.60%. 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% 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% 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 Non-current liabilities – continued

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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 2017 was £17,524,000 (2016 - £18,154,000). 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% of the total value of the assets should be attributable to a single property; and finally, not more than 10% 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, £50 million, must not at any time exceed the total Group capital and reserves (equivalent to net assets of £157.38 million as at 31 March 2017).

The fair values of the loan and the debentures are disclosed in Note 20 on pages 65 to 71 and the net asset value per share, calculated with the debentures at fair value, is disclosed in Note 17 on page 65.

## 13 Deferred tax

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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.

# NOTES TO THE FINANCIAL STATEMENTS

	2017 £'000	2016 £'000
<b>14 Share capital</b>		
Authorised:		
56,000,000 ordinary shares of 10p each (2016 - 56,000,000)	<u>5,600</u>	<u>5,600</u>
Called up, issued and fully paid:		
45,549,975 ordinary shares of 10p each (2016 - 45,549,975)	<u>4,555</u>	<u>4,555</u>

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>15 Share premium</b>				
Opening balance	<u>18,446</u>	<u>18,446</u>	<u>18,446</u>	<u>18,446</u>

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>16 Retained earnings</b>				
Opening balance at 31 March 2016	122,307	119,153	125,881	122,095
Profit for the year	17,172	17,802	617	1,249
Dividends paid (see note 8)	(5,101)	(5,101)	(4,191)	(4,191)
Closing balance at 31 March 2017	<u>134,378</u>	<u>131,854</u>	<u>122,307</u>	<u>119,153</u>

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

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Group</b>						
Opening balance at 31 March 2016	4,892	117,415	122,307	4,087	121,794	125,881
Profit for the year	5,089	12,083	17,172	4,996	(4,379)	617
Dividends paid (see note 8)	(5,101)	–	(5,101)	(4,191)	–	(4,191)
Closing balance at 31 March 2017	<u>4,880</u>	<u>129,498</u>	<u>134,378</u>	<u>4,892</u>	<u>117,415</u>	<u>122,307</u>
<b>Company</b>						
Opening balance at 31 March 2016	3,706	115,447	119,153	2,901	119,194	122,095
Profit for the year	5,089	12,713	17,802	4,996	(3,747)	1,249
Dividends paid (see note 8)	(5,101)	–	(5,101)	(4,191)	–	(4,191)
Closing balance at 31 March 2017	<u>3,694</u>	<u>128,160</u>	<u>131,854</u>	<u>3,706</u>	<u>115,447</u>	<u>119,153</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 17 Net asset value per equity share

The net asset value per ordinary share is based on the Group's net assets attributable of £157,379,000 (2016 - £145,308,000) and on 45,549,975 (2016 - 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 318.09p (2016 - 299.17p).

The net asset value per ordinary share is based on the Company's net assets attributable of £154,855,000 (2016 - £142,154,000) and on 45,549,975 (2016 - 45,549,975) ordinary shares in issue at the year end.

	2017		2016	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>18 Reconciliation of income from operations before tax to net cash inflow from operating activities</b>				
Income from operations before tax	23,164	23,794	6,300	6,932
Gains and losses on investments	(13,018)	(13,648)	3,536	2,904
Investment management fee	(1,336)	(1,336)	(1,204)	(1,204)
Other operating expenses	(573)	(573)	(777)	(777)
Decrease/(increase) in receivables	11	11	(130)	(130)
Increase/(decrease) in other payables	884	884	(572)	(572)
Net cash from operating activities	<u>9,132</u>	<u>9,132</u>	<u>7,153</u>	<u>7,153</u>

## 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 Notes 3 and 11 on pages 55 and 62.

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 Notes 3 and 11 on pages 55 and 62.

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.

Directors' fees are disclosed in the Directors' Remuneration Report.

## 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 14 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 20 Financial instruments and investment property risks – continued

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

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.

### (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 14, 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 2017 would have increased/decreased by £20,435,000 (2016 - increase/decrease of £18,239,000) 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 ten 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 2017 are shown in Note 12 on pages 62 and 63.

# NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>At 31 March 2017</b>				
Assets				
Sterling	–	–	–	4,292
Total assets	–	–	–	4,292
<b>At 31 March 2017</b>				
Liabilities				
Sterling	7.8	8.31	50,000	–
Total liabilities	7.8	8.31	50,000	–
<b>At 31 March 2016</b>				
Assets				
Sterling	–	–	–	3,481
Total assets	–	–	–	3,481
<b>At 31 March 2016</b>				
Liabilities				
Sterling	7.7	9.26	40,000	–
Total liabilities	7.7	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 62 and 63.

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 2017 would increase/decrease by £35,000 (2016 - increase / decrease by £47,000). This is mainly attributable 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 tables below detail 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
<b>As at 31 March 2017</b>					
Borrowings	50,727	84,868	1,191	3,367	80,310
Other payables	652	652	652	–	–
<b>Total</b>	<b>51,379</b>	<b>85,520</b>	<b>1,843</b>	<b>3,367</b>	<b>80,310</b>
<b>As at 31 March 2016</b>					
Borrowings	40,640	69,587	980	2,722	65,885
Other payables	432	432	432	–	–
<b>Total</b>	<b>41,072</b>	<b>70,019</b>	<b>1,412</b>	<b>2,722</b>	<b>65,885</b>

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## 20 Financial instruments and investment property risks – continued

- 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.
- 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 at 31 March was as follows:

	2017		2016	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Current assets</b>				
Cash and cash equivalents	4,292	11,375	3,481	6,428
Other receivables	744	1,237	755	1,191
	<u>5,036</u>	<u>12,612</u>	<u>4,236</u>	<u>7,619</u>

### (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 13½ years (2016 - 13 years). Details of the tenant and geographical spread of the portfolio are set out on page 12. The long-term record of performance through the varying property cycles since 1987 is set out on page 11. 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:-

	2017 £'000	2016 £'000
Due within 1 year	4,336	3,933
Due between 2 and 5 years	16,273	13,830
Due after more than 5 years	39,039	33,093
	<u>59,648</u>	<u>50,856</u>

This amount comprises the total contracted rent receivable as at 31 March 2017.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 20 Financial instruments and investment property risks – continued

### 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.

#### (i) Fair value hierarchy disclosures

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 March 2017</b>				
Equity investments	137,573	–	–	137,573
Investment properties	–	–	66,775	66,775
	<u>137,573</u>	<u>–</u>	<u>66,775</u>	<u>204,348</u>
<b>At 31 March 2016</b>				
Equity investments	127,266	–	–	127,266
Investment properties	–	–	55,125	55,125
	<u>127,266</u>	<u>–</u>	<u>55,125</u>	<u>182,391</u>

Company and Group numbers per the above fair value disclosures are the same except for £200,000 investment the Company has in its subsidiary.

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 for the Company and Group has been calculated at £62,488,000 as at 31 March 2017 (2016 - £52,190,000) compared to a balance sheet value in the Financial Statements of £49,883,000 (2016 - £40,167,000) per note 12.

# NOTES TO THE FINANCIAL STATEMENTS

## 20 Financial instruments and investment property risks – continued

The fair values of the debentures are determined by comparison with the fair values of equivalent gilt edged securities, discounted to reflect the differing levels of credit worthiness of the borrowers. The fair value of the loans are determined by a discounted cash flow calculation based on the appropriate inter-bank rate plus the margin per the loan agreement. These instruments are therefore considered to be Level 2 as defined above. There were no transfers between Levels during the year.

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

	Fair Value		Balance Sheet Value	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
11% First Mortgage Debenture Stock 2021	19,010	19,463	15,000	15,000
9.375% Debenture Stock 2026	27,939	27,567	20,230	20,254
	<u>46,949</u>	<u>47,030</u>	<u>35,230</u>	<u>35,254</u>
Bank loan	15,539	5,160	14,653	4,913
	<u>62,488</u>	<u>52,190</u>	<u>49,883</u>	<u>40,167</u>

## 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, borrowings 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 62 and 63.

## 22 Events after the Balance Sheet Date

There are no significant subsequent events for the Company to disclose.

# 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 Investment Managers). The delegation by VIS of its management responsibilities is in accordance with the delegation requirements of the AIFMD. The Investment 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](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk).

Other than to provide details of the new loan facility agreed in February 2015 and refinanced in May 2016; 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 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 7 (equities) and page 13 (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 2017 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

# ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

remuneration of the Directors is set out in the Directors' Remuneration Report on pages 25 to 27. The Investment Managers receive remuneration separately (as set out on pages 21 to 22). The Investment 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 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 was 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 4.4% including all costs and replaced 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 2017	127	129

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

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## 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](http://www.londonstockexchange.com). Additional data on the Company and other investment trusts may be found at [www.trustnet.co.uk](http://www.trustnet.co.uk).

The net asset value (with debt at market value) and share price are quoted daily in The Financial Times.

## CUSTOMER SERVICES

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

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS99 6ZZ  
Telephone: 0370 703 0168  
[www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

## NOTE

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

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

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

## CONTACT INFORMATION

### Directors

James Ferguson (Chairman)  
John Kay  
Angela Lascelles  
Matthew Oakeshott  
David Smith

### Secretary

Maven Capital Partners UK LLP  
Kintyre House  
205 West George Street  
Glasgow G2 2LW  
Telephone: 0141 306 7400  
Website: [www.mavencp.com](http://www.mavencp.com)  
(Authorised and regulated by the  
Financial Conduct Authority)

### Registered Office

c/o Maven Capital Partners UK LLP  
Kintyre House  
205 West George Street  
Glasgow G2 2LW  
Registered in Scotland  
Registration Number: SC50366

### Registrars

Computershare Investor  
Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
Telephone: 0370 703 0168  
Website: [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

### Independent Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

### Investment Manager – Equities

OLIM Limited  
15 Berkeley Street  
London W15 8DY  
Telephone: 020 7367 5660  
Website: [www.olim.co.uk](http://www.olim.co.uk)  
(Authorised and regulated by the  
Financial Conduct Authority)

### Investment Manager – Property

OLIM Property Limited  
5th Floor  
2 Queen Anne's Gate Buildings  
Dartmouth Street  
London SW1H 9BP  
Telephone: 020 7647 6701  
Website: [www.olimproperty.co.uk](http://www.olimproperty.co.uk)  
(Authorised and regulated by the  
Financial Conduct Authority)

### Property Managers

Workman LLP  
Alliance House  
12 Caxton Street  
London SW1H 0QS

### Alternative Investment Fund Manager

Value and Income Services Limited  
c/o Maven Capital Partners UK LLP  
Kintyre House  
205 West George Street  
Glasgow G2 2LW  
Registered in Scotland  
Registration Number: SC467598  
(Authorised and regulated by the  
Financial Conduct Authority)

### Depository and Custodian

BNP Paribas Securities Services  
London Branch  
10 Harewood Avenue  
London NW1 6AA

# NOTICE OF ANNUAL GENERAL MEETING

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, Condor House, 10 St. Paul’s Churchyard, London EC4M 8AL on Friday, 7 July 2017 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 13 will be proposed as Special Resolutions:

## ORDINARY BUSINESS

1. To receive the Directors’ Report and audited Financial Statements for the year ended 31 March 2017.
2. To approve the Directors’ Remuneration Report for the year ended 31 March 2017.
3. To approve the Directors’ Remuneration Policy for the three-year period ending 31 March 2020.
4. To approve the final dividend for the year ended 31 March 2017 of 3.20p per Ordinary Share.
5. To re-elect James Ferguson as a Director of the Company.
6. To re-elect John Kay as a Director of the Company.
7. To re-elect Angela Lascelles as a Director of the Company.
8. To re-elect Matthew Oakeshott 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 2018.
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 2018 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

# NOTICE OF ANNUAL GENERAL MEETING

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 2018, 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

# NOTICE OF ANNUAL GENERAL MEETING

conclusion of the Annual General Meeting of the Company to be held in 2018 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.

By order of the Board

**Maven Capital Partners UK LLP**

*Company Secretary*

Registered Office:

Kintyre House

205 West George Street

Glasgow G2 2LW

25 May 2017

## 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.

## NOTICE OF ANNUAL GENERAL MEETING

- (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](http://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,

# NOTICE OF ANNUAL GENERAL MEETING

- 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 close of business on 5 July 2016 or if this meeting is adjourned, by close of business 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 25 May 2017 (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 25 May 2017 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

# NOTICE OF ANNUAL GENERAL MEETING

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 Investment Managers, at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://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.

