



VALUE AND INCOME TRUST PLC

ANNUAL REPORT 2014

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FINANCIAL CALENDAR

3 January 2014	Interim Ordinary dividend per share of 4.10p paid for year ended 31 March 2014
6 June 2014	Announcement of annual results for year ended 31 March 2014
11 July 2014	Annual General Meeting London (12.30pm)
18 July 2014	Proposed Final Ordinary dividend per share of 4.40p payable for year ended 31 March 2014
November 2014	Announcement of Half-Yearly Financial Report for six months ended 30 September 2014
January 2015	Interim Ordinary dividend payable for year to 31 March 2015

Value and Income Trust PLC (VIT) is an investment trust and its 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.

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 Strategic Report on page 15.

CAPITAL STRUCTURE

As at 31 March 2014, VIT's share capital consisted of 45,549,975 ordinary shares of 10p nominal 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 the Company can be purchased and sold in the market through a stockbroker, or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought through the VIT Share Plan or the VIT ISA. Further information on how to invest in VIT is detailed on pages 66 and 67.

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 and the returns to investors are based on investments in publicly quoted securities.

FINANCIAL HIGHLIGHTS AND LONG TERM RECORD

HIGHLIGHTS OF THE YEAR

- Net Asset Value total return (with debt at par) of 12.1% over one year and 40.6% over three years.
- Share price total return of 29.8% over one year and 62.0% over three years.
- FTSE All-Share Index total return of 8.7% over one year and 28.2% over three years.
- Dividends for year up 2.4% - increased for the 27th consecutive year.

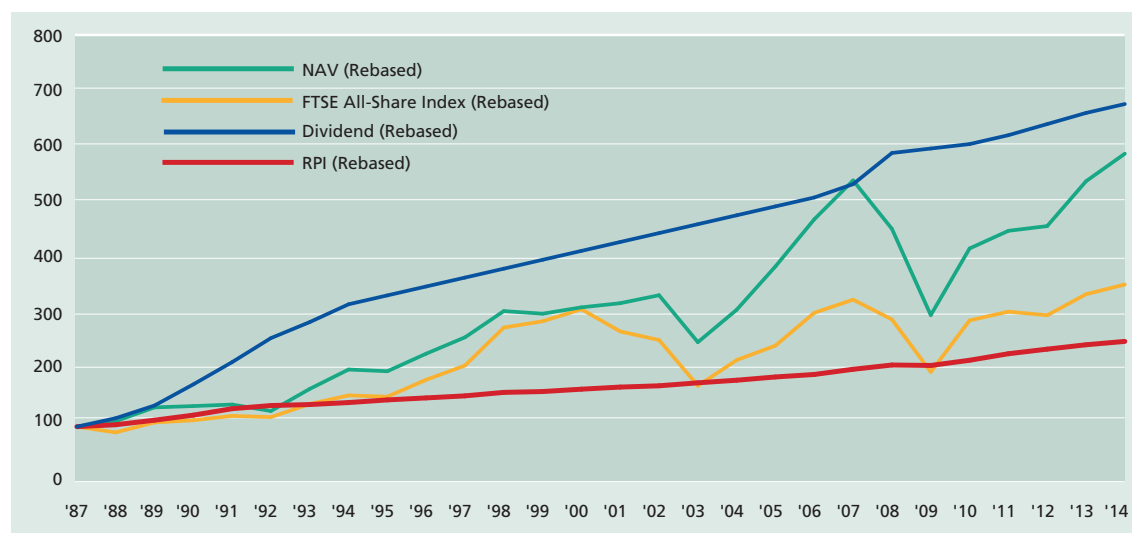
FINANCIAL RECORD

	30 Sept 1986*	31 Mar 1987	31 Mar 2003	31 Mar 2004	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
NAV (valuing debt at par) (p)	44.0	55.1	138.8	170.9	213.9	260.6	299.0	251.0	165.6	231.8	249.1	253.8	298.2	325.5
NAV (valuing debt at market) (p)	N/A	N/A	118.8	151.9	189.0	226.9	271.1	222.7	129.6	218.3	233.7	227.6	269.8	304.3
Ordinary share price (p)	42.0	52.0	114.0	143.3	181.0	227.0	253.0	166.0	88.5	169.0	186.0	181.5	210.8	265.0
Discount of share price to NAV (valuing debt at market) (%)	-	-	4.0	5.7	4.2	0.0	6.7	25.5	31.7	22.5	20.4	20.3	21.9	12.9
Dividend per share (p)	N/A	1.25	5.80	6.00	6.20	6.40	6.70	7.40	7.50	7.60	7.80	8.05	8.30	8.50
Total assets less current liabilities (£m)	17.4	24.8	98.8	113.4	133.0	156.8	174.8	151.8	111.5	141.8	149.4	151.3	171.2	183.6

* Date from which the current investment managers were appointed.

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

GROWTH IN NET ASSET VALUE*



* Net Asset Value calculated with debt valued at par; 31 March 1987= 100.

(Source: Maven Capital Partners UK LLP, London Stock Exchange & Office for National Statistics)

James Ferguson**Chairman*

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

John Kay*

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

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 from 1986 to April 2012 and is now Chairman of OLIM Property Limited which he controls. He is a Life Peer and was appointed a director on 1 April 2007.

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 a director on 10 July 2009.

*Member of the Audit and Management Engagement Committee.
All Directors are members of the Nomination Committee.

CHAIRMAN'S STATEMENT

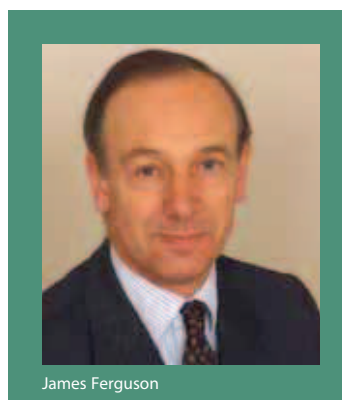
Our annual report looks different from those of recent years reflecting changes in the Companies Act, the UK Corporate Governance Code and the remuneration regulations. We are required to ensure that the annual report and financial statements are fair, balanced and understandable; you will see on page 35 that we believe that this is the case.

Towards the end of our financial year we took steps to wind up Audax. A change in taxation legislation means that a subsidiary is no longer required and so we have simplified the structure of Value and Income Trust. The debenture issued by Audax, which is repayable in 2021, has been transferred to VIT.

Our equity portfolio had another successful year with a total return of 13.4%. The property portfolio also did well with a total return of 10.5%; both of these were well ahead of the All Share Index with a total return of 8.7%. As you will see from the property report on pages 9 to 12, there were no voids in the portfolio and 50% of the leases are now index linked.

The share price total return over the twelve months was 29.8% while the FTSE All-Share Index total return was 8.7% over the same period. Over three years the share price total return was 62.0% compared to the increase of the Index of 28.2%. This result entitled OLIM to a performance fee of £419,116 and OLIM Property to a performance fee of £191,742. Details of the investment management agreements are shown on pages 20 and 21.

The proposed final dividend of 4.40p would make total dividends for the year of 8.50p, an increase of 2.4%. Subject to approval at the Annual General Meeting, the final dividend would be payable on 18th July 2014 to shareholders on the register on 20 June 2014. The ex dividend date is 18 June 2014. It is pleasing to report that the dividend has been increased every year since the change of investment policy in 1986. The table on page 16 shows the revenue reserve after the payment of the proposed final dividend.



Our two debentures have covenants attached to them. Information about these is included in note 12 to the financial statements; there is plenty of headroom in terms of both capital and income.

We have to implement the AIFM Directive by July 2014. Our preparations for this are well advanced with Value & Income Services Limited being set up as the Alternative Investment Fund Manager (AIFM) and BNP Paribas Securities Services appointed as depositary and custodian. This should have no repercussions for shareholders apart from some extra expense, an unfortunate result of European legislation which was not designed with investment trusts in mind.

Our auditors, Chiene + Tait, indicated to us during the year that they wished to resign following notification of an increase in regulation costs which made it difficult for them to audit quoted investment trusts. This was disappointing because the audit of VIT has been conducted efficiently for many years. We have appointed Grant Thornton UK LLP, who are responsible for the audit of these accounts.

As this is written we remain fully invested. The outlook for property is encouraging as investors search for income. The outlook for equities is also positive. Our equity portfolio yields 3.4% and is likely to be supported by continuing dividend growth.

I hope that we shall see as many shareholders as possible at the Annual General Meeting on Friday 11 July 2014, which is to be held in London this year. There will be a brief presentation on the investment outlook.

James Ferguson

6 June 2014

EQUITY PORTFOLIO

MARKET BACKGROUND

Over the year as a whole, UK equities rose by 5.2%, as measured by the FTSE All Share Index. The first quarter of our year began with further price rises but in June fears of 'tapering' of Quantitative Easing (QE) by the Federal Reserve in America caused sharp falls in asset values. Prices quickly recovered, however, and rose further, as investors realised that QE would not be tapered before economic growth becomes firmly established. From June onwards, economic statistics consistently improved and growth forecasts for the developed nations began to be upgraded for the first time in six years. Emerging economies by contrast were recording slower rates of growth as the year progressed. After June, UK equities rose steadily to the end of December, but declined marginally in the first quarter of 2014. Within the UK equity market, mid and small sized companies continued to outperform large companies and their respective indices rose by 17% and 18%. The FTSE 100 rose by just 3% and the Higher Yield Index rose by 4%.

Overseas, the FTSE World Index rose by 17%, calculated in dollars. This rise was dominated by America (+19%), Japan (+20% in yen and stimulated by QE), and Germany (+23% in euro). Emerging markets fell by 4% (in dollars). Interest rates remained at very low levels worldwide, with our base rate remaining at just 0.5%. Yields on ten year gilts hit their low point in March 2013 at 1.8%, and rose to 3.0% by the end of December, but eased again in the quarter to end March, closing our year at 2.7%. The same trend was seen in overseas bond yields. The pound rose by 20% against the yen, and 9% against the dollar. Against the euro it rose very marginally to €1.21 to the pound. In commodity markets, the copper price fell by 12% and the gold price by 19% over the year. The oil price fell by 2% ending our year at \$102 per barrel in the price of Brent crude oil.



Simon Jaffé, Angela Lascelles and Andrew Impey

The volatility of the early summer was caused by the tension between the expected winding down of the programmes of QE, which had stimulated asset prices, and the better economic news which allowed the tapering of QE to begin. Firstly the reaction was panic, but later in the year, when America began a rapid scale-down of its programme of bond buying, equity markets remained steady at the higher levels. The UK equity market was encouraged by a series of upgrades of GDP growth for 2013 and 2014, which have continued into and beyond the March Budget and have allowed the Chancellor to reduce his forecast of the fiscal deficit, though public sector debt remains at a very high level. Inflation statistics have shown a declining rate and are now rising below the rate of reported earnings growth, as well as now being within the Bank of England's target of 2%.

SUMMARY OF PORTFOLIO

	31 March 2014		31 March 2013	
	£m	%	£m	%
UK equities	135.2	73.6	123.8	72.3
UK property	46.5	25.3	46.2	27.0
Cash	1.9	1.1	1.2	0.7
	183.6	100.0	171.2	100.0

INVESTMENT MANAGERS' REPORTS

PERFORMANCE

VIT's equity performance over the year was again significantly ahead of the All Share Index. In capital terms the portfolio rose by 9.8%, which was 4.6 percentage points above the Index return. Including income, the total return was +13.4%, compared with the total return on the All Share Index of +8.7%. Over the last three years the performance of the portfolio has been +52.9% compared to the All Share Index return of +28.2%.

Our underweight allocations to banking and mining made a positive contribution to performance. Our overweighting in support services was also helpful, with our large holding of Babcock up by 24%, Carillion up by 33% and Sthree with a rise of 15%. In the chemical sector Johnson Matthey rose by 42%. Our mid-cap consumer holdings performed well, particularly Britvic (+67%), N Brown (+40%) Go Ahead Group (+27%) and Restaurant Group (+52%). Life insurance companies made a positive contribution with Amlin rising by 14% and Beazley by 26%. Negative movements in the portfolio were Tesco (-23%) hit by extremely competitive trading in the UK food retailing market, and both our large holdings of Rotork and Spectris fell over the year, affected by worries of slower growth in emerging economies.

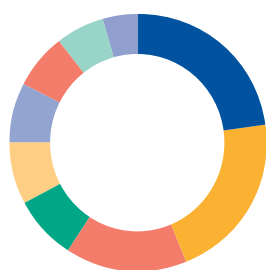
PORTFOLIO

We have continued to be fully invested all through the year. In stock selection we continued to overweight the sectors operating in the faster growing economies of the world, and the defensive areas of the UK economy. We continued to underweight the resource and financial sectors.

Transactions during the year totalled £17.1m, with net sales of £2.3m. We reduced our largest holding, Rotork, by £2.1m, and we also took partial profits on Restaurant Group, by sales totalling £1.7m, which we reinvested in Cineworld. This new holding is the largest cinema operator in the UK, and recently completed a rights issue to fund the acquisition of Cinema City, which has a chain of cinemas in Israel and Central Europe. We sold our holding in Dairy Crest, which had reached our target price, and we reduced BT after strong performance. We slightly increased our mining investments with an addition to our holding in BHP Billiton and we added to John Laing Infrastructure Fund. We bought a new holding in Conviviality which has a chain of convenience stores and off licences, mainly in the North of England, but also owns Wine Rack, which operates within the M25 around London. Late in our year Vodafone completed its restructuring after selling Verizon Wireless. The company repaid cash to shareholders and issued Verizon Communications shares, which we sold. We reinvested some of the proceeds back into Vodafone, where the yield was an attractive 5%, and we topped up our holdings in Unilever and GlaxoSmithKline. At the end of March 2014 we were holding investments in 37 companies with a total value of £135.2m and a net yield of 3.4%.

DISTRIBUTION OF SECURITIES

AT 31 MARCH



	2014 %	2013 %
■ Industrials	22.9	25.3
■ Consumer Services	21.1	18.4
■ Financials	15.3	14.1
■ Telecommunications	8.0	8.8
■ Oil and Gas	7.8	8.1
■ Utilities	7.6	7.8
■ Basic Materials	6.8	6.7
■ Consumer Goods	6.1	6.8
■ Health Care	4.4	4.0
	100.0	100.0

OUTLOOK

UK GDP growth gathered momentum in 2013, beginning with a rise of 0.3% in the first quarter, but strengthening as the year progressed. For the whole year it grew by 1.7% and the latest forecast for 2014 is for growth of 2.9%, the fastest rate of growth of any of the developed economies of the world. In the USA, faster growth expected for this year has allowed the Federal Reserve to wind down its programme of QE which is expected to fall to zero by the end of 2014; currently it is \$65m per month, having been reduced from \$85m, its level for most of 2013. In China, the growth in GDP continues to decline gently, but is still expected to be about 7.5% this year. Other emerging markets are growing more slowly with 2.0% expected in Brazil and about the same in Russia, though growth there will be threatened by the situation in Ukraine and Crimea. India continues to outpace the developed nations with growth of more than 5% but Japan is expected to lag despite its heavy programme of QE, in operation now for a year. The Eurozone trails the rest of the world with growth of just 1% forecast for this year.

Though the extreme undervaluation of UK equities has been removed by the rises in 2012 and 2013, our market remains attractive to investors compared to cash and gilt yields. The historic yield of 3.4% is still significantly higher than the yield on ten year gilts. The current price earnings ratio is close to the long term average of 14x. Earnings and dividends are expected to grow this year in high single digits, well above the current rate of inflation. With over half the capitalisation of our market represented by companies trading in global markets, investors gain exposure to investment in overseas economies combined with the advantage of UK corporate governance.

Angela Lascelles

OLIM Limited

6 June 2014

INVESTMENT MANAGERS' REPORTS

List of Equity Holdings as at 31 March 2014

Holding	Description	Market Value (£)
285,000 Rotork	The world's leading manufacturer of actuators serving particularly the oil, gas and water management industries.	7,543,950
475,000 Babcock International	An engineering support services group; the main customer is the Ministry of Defence.	6,398,250
275,000 Spectris Group	Leading supplier of instrumentation and controls.	6,374,500
3,000,000 Legal & General Group	One of the UK's leading financial services companies, specialising in life assurance and pensions.	6,141,000
1,600,000 BT Group	The fixed-line telecommunications company.	6,072,000
375,000 GlaxoSmithKline	The UK's largest pharmaceutical company.	5,968,125
214,000 Unilever	The global food, home and personal care company.	5,480,540
1,121,000 BP	One of the world's largest energy companies, providing fuel, retail services and petrochemicals.	5,380,800
750,000 Restaurant Group	The company owns chains of restaurants in airports and leisure parks.	5,347,500
935,000 N Brown Group	An on-line and catalogue retailer.	5,343,525
2,135,454 Vodafone	The leading mobile telecommunications company.	4,704,405
1,650,000 Beazley	A specialist international insurance company, primarily operating in Lloyds.	4,356,000
550,000 Pennon	Operates and invests in water, sewerage services and waste management operating in the UK and North Africa.	4,083,750
660,000 HSBC	The banking group.	4,009,500
685,000 Halma	Operating in 22 countries, the company makes products to protect buildings and the environment.	3,945,600
3,297,000 John Laing Infrastructure Fund	A closed-end investment company investing in mature infrastructure projects.	3,880,569
2,530,000 Marstons	The regional brewer and pub company.	3,643,200
981,300 Carillion	Support services in building contracts for the UK and Middle East.	3,548,381
650,000 Informa	Provider of specialist information to the academic, scientific, professional and commercial communities through multiple distribution channels.	3,435,250
141,000 Royal Dutch Shell	A global group of energy and petrochemical companies.	3,300,105
126,300 Croda International	A world leader in natural based speciality chemicals which are sold to virtually every type of industry.	3,215,598
350,000 Reed Elsevier	A publishing company specialising in professional journals, information and exhibitions.	3,206,000
800,000 SThree	A staffing company, both permanent and temporary.	3,200,000
391,772 United Utilities	The UK's largest listed water company.	3,087,163
931,500 Centrica	An integrated gas and electricity company.	3,071,155
150,000 Go-Ahead Group	Operator of trains and buses.	2,794,500
375,000 Britvic	Manufacturer and distributor of soft drinks in the UK and Ireland.	2,782,500
140,000 BHP Billiton	The world's largest mining company.	2,581,600
61,700 Rio Tinto	One of the world's largest mining companies.	2,059,238
620,000 Tesco	Food retailing and financial services.	1,831,480
370,000 Amlin	A specialist insurance and reinsurance underwriting group.	1,791,910
550,000 Cineworld	The UK's leading cinema operator	1,709,125
41,045 Johnson Matthey	A leader in speciality chemicals and sustainable technologies.	1,342,582
115,000 BG	A leading integrated natural gas company.	1,285,125
800,000 Conviviality Retail	Operator of off-licences and convenience stores	1,256,000
50,000 Amec	A supplier of consultancy, engineering and project management services to the natural resources environment and infrastructure markets.	561,000
500,000 Hansard Global	Provides, supports and services life assurance products for financial institutions and independent financial intermediaries globally.	497,500
		135,229,426

PROPERTY PORTFOLIO

THE MARKET

UK commercial property capital values turned upwards in mid-2013 after a roller coaster five years, and are now clearly set on a path of growth, which is broadening out from Central London. Over 2013 as a whole, the Investment Property Databank (IPD) Annual Universe, the main measure of institutional fund performance with portfolios totalling £155 billion, gave a total return of 11%, coming equally from capital growth and rental income. Rental values grew on average by 1%. Last year a property's region rather than sector was the main driver of performance – total returns for London properties averaged 14% (16% in Central London) with the rest of the U.K. averaging only 9%, and returns in Northern England, Scotland, Wales and Northern Ireland ranging from 6% to 8%, less than half the South East return, with a similar pattern for shops at 7% outside the South East. The industrial/warehouse distinction was less marked, at 14% against 12%, because there are virtually no industrial properties in Central London. Leisure properties and supermarkets both often let on long, index-linked leases, returned 10%-11%, but retail warehouses and shopping centres averaged 7% with continuing pressure on tenants and retail spending.

COMMERCIAL PROPERTY VALUES – ANNUALISED % GROWTH TO MARCH 2014

	3 Months	1 Year	3 Years	5 Years	10 Years
Capital	+9.0	+6.8	+0.8	+2.7	-0.6
Rental	+1.8	+1.2	+0.2	-1.2	+0.1
TOTAL RETURN	+15.5	+14.0	+7.6	+9.9	+5.8

Source: IPD Monthly Index – Annualised

Average rental values for U.K. commercial property also bottomed out in mid-2013, led by Central London offices, but with industrial warehouse values also starting to grow. Retail rental values have now just stabilised – there is still plenty of downward pressure on rents in weaker locations with declining local spending power or population, usually in conurbations outside Southern England. But

many prosperous smaller towns and suburban high streets throughout the United Kingdom are now seeing good demand for space from retailers of various types, especially discount and convenience store operators, as well as café, restaurant and other leisure users. Retail properties let to strong tenants off current market rents in these locations should deliver good long term capital and rental from initial yields of 6% - 8%. Retailers' covenant quality is also improving as private equity owned companies float on the Stock Exchange and as the squeeze on real incomes ends.



Matthew Oakeshott and Louise Cleary

Industrial and warehouse rents are also starting to rise in a number of stronger locations, especially near motorway junctions and in Southern England more generally where land supply is tight and there is strong demand for alternative use for housing. Meanwhile demand for investments of all types with long index-linked leases continues to grow, as large insurance companies and pension funds seek to match their long-term annuity and inflation-linked liabilities with returns less painful than the “return-free risk” index-linked gilts on zero real yields at best.

COMPARATIVE YIELDS

Equivalent Yields (End Dec. except 2014: end March)		2014	2013	2012	2008	2006	2001	1990
Property		6.5	6.6	7.0	8.2	5.4	7.8	9.9
Long Gilts	Conventional	3.1	3.3	2.3	3.7	4.6	5.0	10.7
	Index Linked	-0.1	0.0	0.1	0.8	1.1	2.3	4.5
UK Equities		3.4	3.3	3.5	4.5	2.9	2.6	5.5
R.P.I (Annual Rate)		2.6	2.7	3.1	0.9	4.4	0.7	9.3
Yield Gaps:	Property less Conventional Gilts	3.4	3.5	4.7	4.5	0.8	2.8	-1.0
	less Index Linked Gilts	6.6	6.6	6.9	7.4	4.4	5.5	5.2
	less Equities	3.1	3.3	3.5	3.7	2.5	5.2	4.2

Source: IPD

INVESTMENT MANAGERS' REPORTS

VIT'S PROPERTY RECORD

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

* The IPD Annual Index is to 31 December.

Property's yield premium over gilts remains far too high at 3 ½ points over conventional and 6 ½ points over long-dated index-linked gilts. Long term property investors still have the chance to lock in an average real yield premium less than 1 point below a 30 year high since index-linked gilts were first issued in the U.K. Property's prospects are also competitive with U.K. equities at almost double their running yield, with voids and tenant defaults declining and rental income from most property portfolios now growing again.

Britain's banks are speeding up disposals of property owned by distressed borrowers both by formal Receiverships and "consensual sales" under the threat of Receivership. Most banks are also lending more actively on commercial as well as residential property with the stimulus and subsidy of the Funding for Lending scheme. Reasonable quality property is still available from this source, but the prices are rising and the competition for larger lot sizes and portfolios is fierce. The best value is available in properties for sale below £5m and under most institutional investors' radar.

Average property capital values now look likely to rise by 8% - 10% over 2014, giving average total returns in the mid-teens. Average rental values should also grow in real terms, with an improving trend next year as employment continues to grow and the economic recovery gathers pace and spreads out away from London to the rest of the United Kingdom.

The economic recovery is now gathering pace, with consumer confidence boosted by rising house prices in Southern England. Real consumer incomes are just stabilising, with average earnings and transfer payments growing around 1½% a year in line with the Consumer Price Index, but still behind the Retail Price Index, which includes housing costs. The dominant service sector is now really motoring and construction is recovering rapidly. Manufacturing still presents a mixed picture, with investment improving but exports and the balance of payments still in deep deficit. The Funding for Lending and Help to Buy

programmes have clearly had a major impact on mortgage supply but are pushing up house prices. Net bank lending to small and medium sized businesses continues to fall. With recovery well under way in the USA and most Eurozone economies more stable, prospects for world economic growth have improved to at least 3% this year and next; the growing momentum in the U.K. economy implies similar growth here in both years.

The Bank of England Monetary Policy Committee's massive injections of Quantitative Easing are having uncomfortable side effects for pension funds and annuity rates. Larger businesses generally enjoy strong balance sheets, liquidity and rising confidence in future demand. As unemployment falls below 7%, the markets are increasingly sceptical about the Bank of England's forward guidance on interest rates and gilt yields will come under upward pressure before the Election in 2015. Short term interest rates may also start to rise next year. But the prospects remain good for commercial property because its high yield premium over current short and long-term interest rates provides a considerable built-in cushion against interest rate rises, and capital values are also beginning to feel the benefit of rising rents and tenant demand.

THE PORTFOLIO

VIT's property portfolio produced a total return of 10.5% over the year to March. The IPD Monthly Index return over the same period was 13%. Over the longer term, VIT's property record against the main benchmark IPD Annual Index, which covers calendar years and returned 11% in 2013, is shown in the table on page 10.



The Cask and Glass, Victoria, London

We concentrate on properties with strong income streams to meet the fixed interest payments on our long-term debt. These have also produced good long-term capital performance. The total return on our property portfolio has averaged 7% a year over the past 3 years, 5% over 5 years, 10% over 10 years, and 13% over the 27 years since the start. These returns are in line with the IPD average over 3 years but well above over longer periods. Real returns from VIT's property portfolio averaged 4% a year over the past three years and 6%-8% a year over longer periods.

Total Annualised Returns (%)	VIT	IPD	RPI
3 years	7	7	3
5 years	10	8	4
10 years	10	7	4
27 years	13	10	5

Two properties were sold for £4.3 million during the year, at Galashiels and Worcester, with the proceeds reinvested at higher yields in two pub/restaurants in Lancaster, and a foodstore in Sudbury, with long index-linked leases to Mitchell's Brewery and Iceland. They were bought for £3.2 million and valued at £3.3 million at our year end.



1725 Public House Lancaster (Mitchells of Lancaster)



Iceland Store 94-95 North Street Sudbury



Ridgeway Garages Cumnor Hill

All properties are fully let on full repairing and insuring leases, with upward only rent reviews and an average unexpired lease length of 13 years. The portfolio has been fully let and income-producing throughout the year. 99% of the rental income is reviewed five yearly, with 50% now index-linked (up from 39% last year and 35% two years ago).

The property portfolio is matched with £35 million of long term, fixed rate loans - £20 million of VIT 9 ³/₈% Debenture Stock repayable in 2026 and £15 million of VIT 11% Debenture Stock, originally issued by our subsidiary Audax Properties and repayable in 2021 and transferred to VIT on 28 March 2014. Because those Debenture Stocks were issued at a premium, their effective interest cost averaged 9%. We believe this is the right way to finance long-term property investment and we do not intend to replace it with shorter term bank debt. The upheavals in the property and banking markets since 2008 reinforce that view.

RESULTS OF INDEPENDENT REVALUATION

The VIT property portfolio, including properties previously held within our subsidiary Audax Properties plc, was subject to an independent professional revaluation by Jones Lang LaSalle at 31st March 2014.

The revaluation showed a value of £46,475,000. Our properties are revalued independently every six months, at 30th September and 31st March.

Capital values rose by 3% over the year and rental income by 1% on a like for like basis. Twenty-eight of the properties valued at 31 March 2014 were freehold or the Scottish equivalent and one is held on a long lease with 43 years to run.

Matthew Oakeshott

OLIM Property Limited
6 June 2014

INVESTMENT MANAGERS' REPORTS

PROPERTY PORTFOLIO BY TYPE



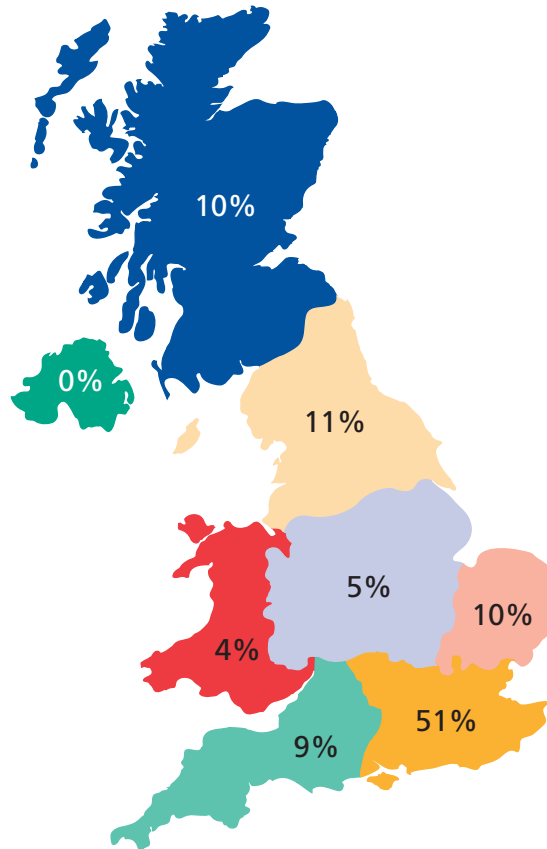
	%
In Town Retail	48
Out of Town Retail	16
Leisure	28
Industrial	8
	100

TOP TEN TENANTS – % OF TOTAL RENT



	%
Ridgeway/Sytners	11
Park Resorts	11
Shepherd Neame	10
B/E Aerospace	7
W H Smith	6
Co-op	6
Lloyds TSB	6
Iceland	5
New Look	4
99p Stores	4
	70

BY REGION



INVESTMENT MANAGERS' REPORTS

List of Properties as at 31 March 2014

Address	Tenant
Shops	
Ayr - 83 High Street	Card Factory
Ayr - 138 - 140 High Street	Tesco
Birmingham - 155 High Street, King's Heath	New Look
Dundee - 261 Brook Street, Broughty Ferry	Holland & Barrett and Superdrug
Elgin - 163 High Street	Poundland
Godalming - 80-82 High Street	WH Smith
Haddington - 54-56 Court Street	Clydesdale Bank and Clyde and Forth Press
Kelso - 8-16 Horsemarket	Mackays and WH Smith
Lymington - 78-80 High Street	99p Stores
Lynton - 15 - 16 Lee Road	Costcutter
Melton Mowbray - 29-29B Market Place	WH Smith
Oban - 42 George Street	Edinburgh Woollen Mill
Poole - 140 High Street	A - Plan Insurance
Risca - 77 Tredegar Street	Tesco and Caerphilly Council
Sevenoaks - 87-93 High Street	Santander, Oxfam, Specsavers and insurance brokers
St. Anne's-on-Sea - The Burlington Centre, St. Anne's Road West	New Look, Shoe Zone, Card Factory, National Council of YMCAs, TCCT Retail, Superdrug and TJ Morris.
Sudbury - 94-95 North Street	Iceland Foods
Out of Town Retail	
Horsham - Buck Barn, Worthing Road, West Grinstead	Co-op and McDonalds
Oxford - 171-173 Cumnor Hill	Ridgeway Garages assigned from Sytners
Leisure	
Canterbury - The Bishop's Finger, 13 St. Dunstan Street	Shepherd Neame
Dover - St. Margaret's Holiday Park, Reach Road	Park Resorts
Lancaster - James Street	Mitchells of Lancaster
Lancaster - Market Square	Mitchells of Lancaster
London - The Bishop's Finger, West Smithfield	Shepherd Neame
London - The Cask and Glass, 39/41 Palace Street	Shepherd Neame
London - The Prince of Wales, 48 Cleaver Square	Shepherd Neame
Sherborne - The Cross Keys, 88 Cheap Street	Eldridge Pope
Industrial	
Luton - Sedgwick Road	Toolspec Manufacturing
Rochford - 8 Purdeys Way	B/E Aerospace

This Strategic Report has been prepared by the Directors in accordance with Section 414C of the Companies Act 2006, as amended.

THE BOARD

The Board, which is responsible for setting and monitoring the Company's strategy, currently consists of five Directors, of whom four are male and one is female. The names and biographies, of the Directors as set out under Directors' Details on page 3, indicate their range of investment, commercial and professional experience.

THE GROUP

During the year, the investment properties owned and the debenture stock previously issued by Audax Properties PLC were transferred to the Company. Further details are provided in the Notes to the Financial Statements and in the Chairman's Statement. On 16th January 2014, a new wholly owned subsidiary company Value & Income Services Limited was incorporated. This company will be the AIFM for the Company.

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 always yielded more than the FTSE All-Share Index. The Company has held between 30 and 40 individual shareholdings and between 20 and 30 individual properties in recent years, but both 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 had a long standing policy, since 1986, of funding its exposure to property and partly to equities through long term debentures. 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.

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

PERFORMANCE, RESULTS AND DIVIDEND

A review of the performance of the equity and property portfolios is detailed in the Chairman's Statement on page 4 and the Investment Managers' Reports on pages 5 to 14. The Directors recommend that a final dividend of 4.40pence per share (2013- 4.30pence) is paid on 18 July 2014 to shareholders on the register on 20 June 2014. The ex-dividend date is 18 June 2014. An interim dividend of 4.10pence per share (2013- 4.00pence) was paid to shareholders on 3 January 2014.

The table below shows the revenue reserve position and dividends paid and payable by the Group and the Company, under the former basis of accounting (Pre IFRS), subject to shareholders' approval of the proposed final dividend at the forthcoming Annual General Meeting.

GROUP AND COMPANY REVENUE RESERVES

	Group £000	Group Pence per share	Company £000	Company Pence per share
Revenue reserve at 31 March 2013	1,826	4.02	712	1.56
Net revenue earned in the year	3,773	8.28	3,698	8.12
Dividends paid and payable	(3,871)	(8.50)	(3,871)	(8.50)
Revenue reserve at 31 March 2014	1,728	3.80	539	1.18

PRINCIPAL RISKS AND UNCERTAINTIES

The Board carries out a regular review of the risk environment in which the Group operates. 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 15, both act to reduce market risk. The Managers actively monitor market prices throughout the year and report to the Board, which meets regularly in order to review investment strategy. The

equity 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, most 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 gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise debenture stock, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%.

CURRENCY RISK

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

LIQUIDITY RISK

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

The Group's assets comprise 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 Company's existing borrowings is set out in the interest risk profile section of note 20 to 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 Company suffering a loss.

The risk is not significant and is managed as follows:

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

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

PROPERTY RISK

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

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the

end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13 years (2013 - 13.5 years). Details of the tenant and geographical spread of the portfolio are set out on page 13. The long term record of performance through the varying property cycles since 1987 is set out on page 10. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

Additional risks and uncertainties include:

- **Discount volatility:** The Company's shares may trade at a price which represents a discount to its underlying net asset value. The Company monitors the level of the Discount;
- **Regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 of the Corporation Taxes Act 2010 (Section 1158) would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including the Companies Act 2006, the UKLA Listing Rules or the UKLA Disclosure and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company could also lead to reputational damage or loss. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and the Investment Managers, OLIM Limited (OLIM) and OLIM Property Limited (OLIM Property), (collectively the Managers).

There is also a further regulatory risk in the form of the Alternative Investment Fund Managers Directive (AIFMD) which came into force in July 2013 and is due to be fully implemented in the UK by 22 July 2014. The AIFMD introduces a new

authorisation and supervisory regime for all fund managers and investment companies in the European Union. This will create some additional regulatory costs for the Company.

- **Referendum on Scottish Independence:** As a Scottish registered Company, the Directors are mindful that there is uncertainty arising in relation to the referendum on Scottish independence due on 18 September 2014. The Directors consider that should the vote be in favour of independence, there will be a transition period during which there will be an opportunity to assess the new situation and take any appropriate action.

KEY PERFORMANCE INDICATORS

The Directors have identified the three key performance indicators below to determine the progress 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 on page 4, and the Investment Managers' Reports on pages 5 to 14.

The management of the Company's investment portfolio has been delegated to the Managers and further information relating to this is detailed in the Directors' Report on pages 20 and 21.

EMPLOYEE, ENVIRONMENTAL AND HUMAN RIGHTS POLICY

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

FUTURE STRATEGY

The Board and the Managers intend to maintain the strategic policies set out above for the year ending 31 March 2015 as it is believed that these are in the best interests of Shareholders.

James Ferguson

Chairman

6 June 2014

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2014. Information pertaining to the business review (as was required under Section 417 of the Companies Act 2006, now repealed) is now included in the Strategic Report on pages 15 to 18.

INVESTMENT TRUST STATUS

The Company has applied for and been accepted as an approved investment trust under Sections 1158 and 1159 of the Corporation Taxes 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 Association of Investment Companies 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 pursuant to Section 1158 of the Corporation Taxes Act 2010, the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products do not apply to the Company.

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. 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 and credit risk. 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 Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future and, accordingly, they have continued to adopt the going concern basis when preparing the Annual Report and Financial Statements.

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 27 to 34.

SHARE CAPITAL

As at 31 March 2013 and 31 March 2014, and the date of approval of this Report, the Company had 45,549,975 ordinary shares of 10p nominal 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 during the year and at the year-end are shown on page 3 of this Annual Report. The Directors' interests in the shares of the Company are shown in the table on page 24. Subsequent to 31 March 2014 David Smith's beneficial holding increased following his purchase through the VIT ISA and Share Plan of a total of 183 Ordinary shares on 22 April and 22 May 2014 respectively.

With the exception of these changes to David Smith's holdings the Directors' interests were unchanged at the date of this Report.

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

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

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

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

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

INVESTMENT MANAGEMENT

Up to 5 April 2012, investment management of the Company's assets and responsibility for the Company's operations was delegated to OLIM. With effect from 5 April 2012, responsibility for providing property investment management services to the Company was transferred from OLIM to OLIM Property. OLIM continues to provide equity investment management services to the Company.

Under two separate investment management agreements entered into by the Company on 5 April 2012, both of which may be terminated by either party on giving one year's notice, OLIM and OLIM Property receive an investment management fee of 2/3 of 1% of VIT total assets less current liabilities ("VIT total assets"), which is allocated 72.5% to OLIM and 27.5% to OLIM Property.

OLIM and OLIM Property are also entitled to a performance fee subject to the achievement of certain criteria. The objective is to give the Managers' a performance fee of 10% of any outperformance of the VIT share price total return (VIT SPTR) over the FTSE All-Share Index share price total return (FTSE SPTR).

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

The maximum performance fee payable in any year is 1/3 of 1% of VIT total assets and is divided between OLIM Property and OLIM on the basis of the average of the management fee ratios over the preceding three years. The fee is wholly charged to capital.

During the year ended 31 March 2014 OLIM received an annual investment management fee of £886,000, excluding VAT, and OLIM Property received an annual investment management fee of £341,000 excluding VAT. A performance fee of £419,000, excluding VAT was paid to OLIM, and a performance fee of £192,000 excluding VAT was paid to OLIM Property. The performance fees payable were capped at the maximum level as described in the previous paragraph.

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

The Directors 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 24, the Company has been notified that the shareholders listed in the table below are interested in 3% or more of the issued ordinary share capital of the Company as at 30 May 2014 being the latest practicable date before approval of this Report.

Shareholder	Number of Ordinary Shares	% held
Alliance Trust Savings Limited	4,278,001	9.39
Company ISA and Share Plan	2,444,751	5.37
Brewin Dolphin Securities	2,089,419	4.59
Barclays Stockbrokers	1,726,824	3.79
Rathbones	1,667,575	3.66
Smith & Williamson Holdings Limited	1,573,441	3.45

THE VIT SHARE PLAN AND ISA TRANSFER

Further details regarding how to invest in the Company via the VIT Share Plan, VIT ISA or ISA Transfer may be found on pages 66 and 67.

INDEPENDENT AUDITOR

During the year under review, the Company's Independent Auditor Chiene + Tait notified the Company of its strategic decision to withdraw from the audit of listed company accounts. As a result, the Company carried out a review of possible audit service providers and decided to appoint Grant Thornton UK LLP (Grant Thornton) as its auditors with effect from 31 January 2014.

A resolution to appoint Grant Thornton UK LLP as Independent Auditor of the Company will be proposed at the forthcoming Annual General Meeting.

The Directors confirm that as far as they are each aware, as at the date of this 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 the Strategic Report on pages 15 to 18. Where not provided elsewhere in the Directors' Report, the following additional information is required to be disclosed by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12.30pm on Friday 11 July 2014 at the offices of Shepherd and Wedderburn LLP, Condor House, 10 St Paul's Churchyard, London EC4M 8AL. The Notice of Annual General Meetings is on pages 68 to 74 of this Annual Report.

The Notice of the Annual General Meeting, is normally sent out at least 20 working days in advance of the meeting.

Resolutions relating to the following five items of Special Business will be proposed at the forthcoming Annual General Meeting:-

- (a) Authority to allot Ordinary Shares
Ordinary resolution 10 will be proposed to renew the authority of the Directors to allot unissued ordinary shares up to an aggregate nominal amount of 10% of the current ordinary share capital;
- (b) Limited Disapplication of the pre-emption provisions

Special resolution 11 will be proposed to renew the authority of the Directors to allot a maximum of an additional 10% of the ordinary shares without first being required to offer these to existing shareholders;

- (c) Repurchase of the Company's own Shares
Special resolution 12 will be proposed to authorise the Company to make market purchases of up to 14.99% of its own ordinary shares. This authority, if conferred, will only be exercised if to do so would enhance the net asset value and is in the best interests of shareholders generally;
- (d) Amendment of the Company's Articles
Special resolution 13 will be proposed to amend the Company's Articles to increase the aggregate annual amount payable in Directors' fees to £100,000; and
- (e) Authority to convene a General Meeting
Special resolution 14 will be proposed to provide authority for the Directors to convene a General Meeting, other than an Annual General Meeting on not less than fourteen days' clear notice, although it is anticipated that such authority would only be exercised in exceptional circumstances.

The Directors consider that all of the Resolutions to be put to the Annual General Meeting are in the best interests of the Company and its Shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each resolution to be put to the AGM on 11 July 2014.

By order of the Board,
Maven Capital Partners UK LLP
Company Secretary
Glasgow, 6 June 2014

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 36 to 39. The Remuneration Policy Report on pages 25 and 26 forms part of this Report.

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 are executive directors, the Company is not required to comply with the Principles of the UK Code on Corporate Governance in respect of executive directors' remuneration.

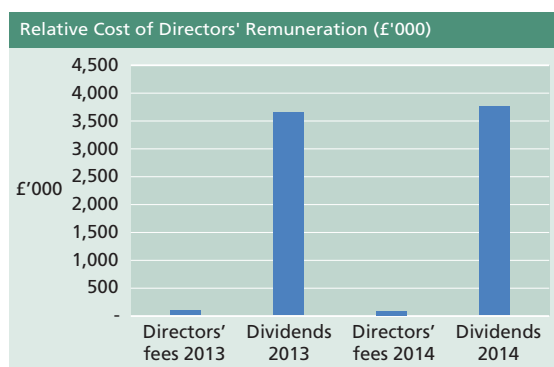
At 31 March 2014, the Company had five Directors and their biographies are shown on page 3 of this Annual Report. The names of the Directors who served during the year together with the fees paid during the year are shown in the table on page 24.

During the year ended 31 March 2014, 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 below, 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 2014, the Nomination Committee carried out a review of the remuneration policy and the level of Directors' fees and recommended that, with effect from 1 April 2014, the rates of remuneration should be revised to: £22,000 for the Chairman; and £16,000 for each other Director.

RELATIVE COST OF DIRECTORS' REMUNERATION

The chart below shows, for the years ending 31 March 2013 and 31 March 2014, 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.

At the Annual General Meeting held on 12 July 2013, the results in respect of an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 March 2013 were as follows:

Percentage of votes cast for	Percentage of votes cast against	Votes Withheld
99.63	0.37	86,875

As at the date of the 2013 AGM, a resolution to approve the Directors' remuneration policy was not required. However, at the 2014 AGM, separate Resolutions will be put to Shareholders to approve the Directors' Remuneration Report for the year ended 31 March 2014 and the remuneration policy for the three year period ending 31 March 2017.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

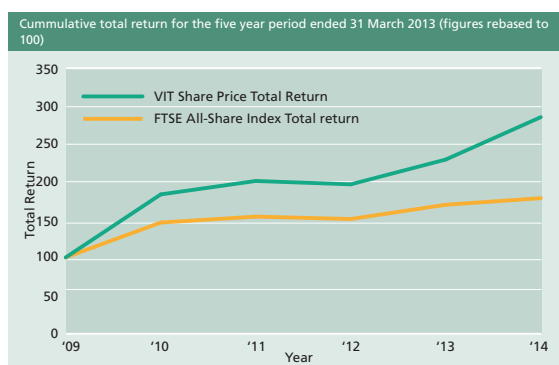
The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

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 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 five years to 31 March 2014, 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.



DIRECTORS' REMUNERATION (AUDITED)

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

	2014 £	2013 £
James Ferguson (Chairman)	20,000	20,000
David Back	n/a	3,989
John Kay	14,000	14,000
David Smith	14,000	14,000
OLIM Property Limited (for Matthew Oakeshott's services)	14,000	14,000
OLIM Limited (for Angela Lascelles' services)	14,000	14,000
Total	76,000	79,989

The Directors' fees payable to OLIM Property and OLIM for the services of Matthew Oakeshott and Angela Lascelles respectively are included in the fees paid to OLIM Property and OLIM in respect of investment management services for the year. Further details of the fees payable to OLIM Property and OLIM are set out on page pages 20 and 21.

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 2014 (2013: £nil).

DIRECTORS' INTERESTS (AUDITED)

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

	31 March 2014 Ordinary Shares of 10p each	1 April 2013 Ordinary Shares of 10p each
James Ferguson*	757,500	857,500
James Ferguson – Family	62,500	62,500
John Kay	139,100	139,110
John Kay – as Trustee	67,830	67,830
David Smith	16,892	15,179
Matthew Oakeshott	2,741,043	2,741,043
Matthew Oakeshott – Family	2,546,042	2,546,042
Matthew Oakeshott – (Coltstaple Charitable Trust)	100,000	100,000
Angela Lascelles	554,999	554,999
Angela Lascelles – Family	250,000	250,000
Angela Lascelles – as Trustee	12,000	12,000

*change in James Ferguson's holding is due to change in connected party status

APPROVAL

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

James Ferguson

Director

6 June 2014

REMUNERATION POLICY REPORT

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 to that of other investment trusts 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. A change to the Articles is being proposed at the forthcoming AGM to increase the annual aggregate limit for directors' fees to £100,000. Further information on this is set out on page 22. 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.

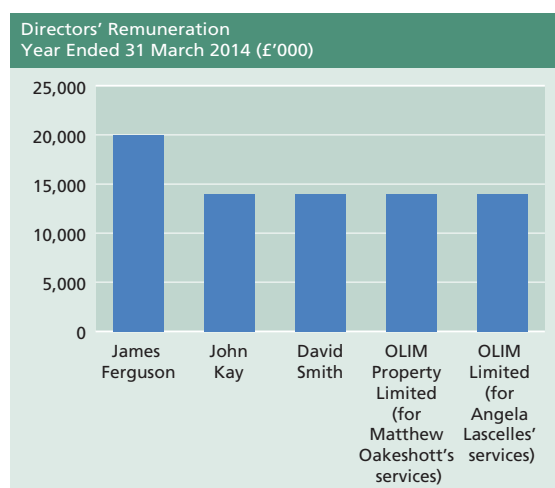
DIRECTORS' FEES AND TOTAL REMUNERATION

The Company does not have any employees and Directors' remuneration comprises solely of Directors' fees. The current and projected Directors' fees for the year ended 31 March 2014 and the year ending 31 March 2015 are shown below.

	Directors' Fees 2015 £	Directors' Fees 2014 £
James Ferguson (Chairman)	22,000	20,000
John Kay	16,000	14,000
David Smith	16,000	14,000
OLIM Property Limited (for Matthew Oakeshott's services)	16,000	14,000
OLIM Limited (for Angela Lascelles' services)	16,000	14,000
Total	86,000	76,000

The Directors' fees payable to OLIM Property Limited and OLIM Limited for the services of Matthew Oakeshott and Angela Lascelles respectively are included in the fees paid to OLIM Property Limited and OLIM Limited in respect of investment management services for the year. Further details of the fees payable to OLIM Property Limited and OLIM Limited are set out on pages 20 and 21.

DIRECTORS' FEES PAID YEAR ENDED 31 MARCH 2014



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 Annual General Meeting 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 in excess of nine years' service should stand for annual re-election. In addition, as Matthew Oakeshott and Angela Lascelles 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.

REMUNERATION POLICY REPORT

During the year ended 31 March 2014, no communication has been received from Shareholders regarding Directors' remuneration. The remuneration policy and the level of fees payable is reviewed annually by the Nomination Committee and it is intended that the current policy will continue for the year ended 31 March 2014 and for the three-year period ending 31 March 2017.

It is the Board's intention that the above remuneration policy will be put to a Shareholders' vote at least once every three years and, accordingly, an Ordinary Resolution for its approval will be proposed at the forthcoming AGM.

APPROVAL

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

James Ferguson
Director
6 June 2014

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 and which enables it to comply with the UK Code of Corporate Governance (the Code), published in September 2012 and which was first in effect for the Company's year ended 31 March 2013. The Code is available from the website of the Financial Reporting Council at www.frc.org.uk.

The Association of Investment Companies (the AIC) has published its own Code on Corporate Governance (the AIC Code) and the AIC Corporate Governance Guide for Investment Companies (the AIC Guide), both revised in February 2013 and which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts or venture capital trusts suggest alternative approaches to those set out in the Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

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

APPLICATION OF THE MAIN PRINCIPLES OF THE GOVERNANCE CODE AND THE AIC CODE

This statement describes how the main principles identified in the Code and the AIC Code (the Codes) have been applied by the Company throughout the year as is required by the Listing Rules of the UK Listing Authority. 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. Biographies of the current Directors are shown on page 3, indicating their high level and range of investment, industrial, commercial and professional experience. John Kay has been appointed Senior Independent Director.

With the exception of Matthew Oakeshott and Angela Lascelles, all Directors who served during the year are considered by the Board to be independent of the Managers and free of any material relationship with the Managers. Angela Lascelles is a Director of OLIM. Matthew Oakeshott is a Director of OLIM Property, and was a Director of OLIM up to 5 April 2012. Neither Angela Lascelles nor Matthew Oakeshott is considered to be independent under the UKLA 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 buybacks and share issues;
- Appointment and removal of the Managers and the terms and conditions of the investment management agreements relating thereto;
- Terms of reference and membership of Board Committees; and
- Stock Exchange/UK Listing Authority/ Financial Conduct Authority matters, including responsibility for approval of all circulars, listing particulars and approval of all releases concerning matters decided by the Board.

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

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

The Directors have access to the advice and services of the Company Secretary Maven Capital Partners UK LP 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 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 considers 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 2014, the Board held four quarterly Board Meetings and a meeting to discuss strategy. 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 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 2014* as follows:

Director	Board	Audit Committee	Nomination Committee
James Ferguson	5 (5)	2 (2)	2 (2)
John Kay	4 (5)	1 (2)	2 (2)
Angela Lascelles	5 (5)	n/a	2 (2)
Matthew Oakeshott	5 (5)	n/a	2 (2)
David Smith	5 (5)	2 (2)	2 (2)

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

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

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

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

DIRECTORS' TERMS OF APPOINTMENT AND POLICY ON TENURE

All Directors are appointed for an initial period of three years, subject to re-election and Companies Act provisions and, in accordance with the Articles of Association, stand for election at the first annual general meeting following their appointment. The Articles of Association state that Directors must offer themselves for re-election at least once every three years. In addition, as neither Angela Lascelles nor Matthew Oakeshott is considered independent under the UKLA 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

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

RESPONSIBILITIES

The principal responsibilities of the Committee include:

- the review of the effectiveness of the internal control environment of the Company, including the receipt of reports from the Manager and the Auditors 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 their remuneration, including any non-audit services provided by the Auditor;

STATEMENT OF CORPORATE GOVERNANCE

- 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 Manager;
- the review of the 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 performance, and strategy; and
- making appropriate recommendations to the Board.

IDENTIFICATION OF KEY RISKS RELATED TO FINANCIAL REPORTING

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 capital/revenue. 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. In addition, as the Company has contractually delegated specific services to external parties, another key risk relates to the performance of those service providers.

ASSESSMENT OF KEY RISKS RELATED TO FINANCIAL REPORTING

The Committee met twice during the year under review, on 17 May 2013 and 1 November 2013, and at each Meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Managers and the Company Secretary. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Auditor and that the Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

At its meeting in May 2013, the Committee also reviewed, for recommendation to the Board, the Audit Report from the independent Auditor and the draft Annual Report and Accounts for the year ended 31 March 2013, along with the amount of the final dividend for the year then ended. At its meeting in November 2013, the Committee reviewed the Half Yearly Report and also considered the performance of Chiene + Tait as Auditor. Subsequent to that meeting, in December 2013, Chiene + Tait notified the Company that as a result of a strategic decision to withdraw from the provision of audit services for listed companies, it was resigning as the Company's Independent Auditor. A review of possible auditors was undertaken and this resulted in

STATEMENT OF CORPORATE GOVERNANCE

the appointment of Grant Thornton UK LLP as the Company's Independent Auditor with effect from 31 January 2014. A resolution proposing the formal appointment of Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

Subsequent to 31 March 2014, the Committee reviewed the Company's risk framework in light of AIFMD and the related changes to the relationship between the Company, its appointed AIFM, Value & Income Services Limited and its Managers. In addition, the Committee reviewed the new requirements for the Annual Report in relation to narrative reporting, enhanced audit reporting and the 2012 Corporate Governance Code. The Committee considered the draft Annual Report and Financial Statements for the year ended 31 March 2014, and provided advice to the Board that it considered that the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance and strategy. The Committee also reviewed the performance of the Managers and concluded that this was satisfactory and that the continued appointment of the Managers on the present terms was in the continued best interests of shareholders as a whole.

AUDITOR REVIEW

As part of its annual review of auditor services, the Committee reviews the performance, cost effectiveness and general relationship with the external auditor. In addition, the Committee reviews the independence and objectivity of the external auditor. As noted above, during the year under review the Company appointed Grant Thornton UK LLP as Auditor on 31 January 2014 following the resignation of Chiene + Tait. The Independent Auditor's Report is on pages 36 to 39. It should be noted that Grant Thornton UK LLP will rotate the Senior Statutory Auditor responsible for the audit every five years. Details of the amounts paid to Chiene + Tait and Grant

Thornton UK LLP during the year for audit and other services are set out in Note 4 to the Financial Statements.

Following its review of auditor services the Committee concluded that it was satisfied with the effectiveness of the audit process.

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 Annual General Meeting. Any non-audit work, other than interim reviews, 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 no contractual obligations which restrict the Committee's choice of Auditor. The Board has concluded that Grant Thornton UK LLP is independent of the Company and that a Resolution for the appointment of Grant Thornton UK LLP as external Auditor should be put to the 2014 AGM.

NOMINATION COMMITTEE

The Nomination Committee comprises all of the Directors and is chaired by James Ferguson. The Committee met twice during the year. The Committee makes recommendations to the Board on the following matters:

- the evaluation of the performance of the Board and its Committees;
- reviewing the Board structure, size, composition and age profile (including the skills, knowledge, experience and diversity (including gender));
- succession planning;
- the identification and nomination of candidates to fill Board vacancies, as and when they arise, for the approval of the Board;

STATEMENT OF CORPORATE GOVERNANCE

- 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.

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 "Internal Control: Revised Guidance for Directors on the Combined Code" (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 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 significant 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 the Directors on the investment portfolio;
- OLIM's Compliance Officer keeps OLIM's operations under review;
- OLIM Property's Compliance Officer keeps OLIM Property's operations under review;
- written agreements are in place which specifically define the roles and responsibilities of OLIM, OLIM Property and other third party service providers; and
- at its meeting in May 2014, the Audit and Management Engagement Committee carried out an annual assessment of internal controls and risk management for the year ended 31 March 2014 by considering documentation from OLIM, OLIM Property, and Maven Capital Partners UK LLP and by taking account of events since 31 March 2014.

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.

STATEMENT OF CORPORATE GOVERNANCE

EXTERNAL AGENCIES

The Board has contractually delegated to external agencies, including the Managers, certain services: the management of the investment portfolio, the 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 Managers and other external agencies on a regular basis. In addition, ad hoc reports and information are supplied to the Board as requested.

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.

The Board is aware of its duty to act in the interests of the Company and the Directors believe that the exercise of voting rights lies at the heart of regulation and the promotion of good corporate governance. The Directors, through the Managers, would wish to encourage companies in which investments are made to adhere to best practice in the area of corporate governance. The Managers believe that, where practicable, this can best be achieved by entering into a dialogue with investee company management teams to encourage them, where necessary, to improve their governance policies. Therefore, the Board

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

In addition, both the Chairman and Senior Independent Director are available to meet major shareholders. Shareholders may contact the Directors by writing to the Chairman at the Registered Office. The address for the registered office may be found on page 75.

STATEMENT OF CORPORATE GOVERNANCE

The Annual Report is normally posted to Shareholders at least twenty business days before the Annual General Meeting. Annual and Interim Reports and Financial Statements are distributed to Shareholders and other parties who have an interest in the Company's performance. Shareholders and potential investors may obtain up-to-date information on the Company through the Managers and the Secretary. In order to ensure that the Directors develop an understanding of the views of Shareholders, correspondence between Shareholders and the 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 35 and the Statement of Going Concern is included in the Directors' Report on pages 19 to 22. The Independent Auditor's Report is on pages 36 to 39.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
6 June 2014

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

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

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

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

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

The Directors are also responsible for ensuring that the Annual Report and Financial Statements, taken as a whole are fair balanced and understandable and provide the information necessary to assess the Company's 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 2014 and for the year to that date;
- 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 they face; and that
- the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

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

James Ferguson
Chairman
6 June 2014

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Value and Income Trust plc ('the Company' and together with its subsidiary 'the Group') for the year ended 31 March 2014 which 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 cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

AUDITOR COMMENTARY

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group is comprised of the parent company, Value and Income Trust plc, and the subsidiaries, Audax Properties plc and Value & Income Services Limited. Our audit approach was based on a thorough understanding of the Group's business and is risk-based. The overall approach to the Group audit included the group audit team performing a full audit of the financial information of the parent company and its subsidiaries. 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 is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and relevant third party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at the third party service providers. We undertook substantive testing on significant transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material

misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £2,784,000 which is 1.5% of the Group's total assets. For the revenue column of the statement of comprehensive income we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the statement of comprehensive income to be £696,000.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £139,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

OUR ASSESSMENT OF RISK

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

INVESTMENTS – EQUITY PORTFOLIO

The Group's primary aim is investing in quoted UK equities with a view to achieving long term real growth in dividends and capital value. Accordingly, the equity portfolio is a significant, material item in the financial statements. The recognition and measurement of the equity portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of investments held at the year end directly from the independent custodian, testing the reconciliation of the custodian records to the records maintained by the Company's administrator and agreeing the valuation of quoted investments to an independent source of market prices.

The Company's accounting policy on the valuation of quoted investments is included in note 1(j), and disclosures about investments held at the year end are included in note 9.

INVESTMENTS – PROPERTY PORTFOLIO

The Group has a significant property portfolio classified as investment properties for financial reporting purposes in accordance with IAS 40 'Investment Property'. Measurement of investment property values includes significant assumptions and judgements and we therefore identified the fair value of investment properties as a risk requiring particular audit attention.

Our audit work included, but was not restricted to, understanding management's process over the valuation of investment properties and the work of the Group's external valuer in determining the fair value. We agreed the year end property valuations recorded in the financial statements to the professional valuation reports. For a sample of properties, we identified and challenged

INDEPENDENT AUDITOR'S REPORT

those assumptions that had the greatest impact on property valuations and re-performed calculations made by the external valuer in arriving at the year end valuations. We assessed the competence and capability of the Group's external valuer and the appropriateness of their work in respect of our audit.

The Group's accounting policy on the valuation of properties is included in note 1(j), and disclosures about investment properties held at the year end are included in note 9.

DIVIDEND AND RENTAL INCOME

Dividend and rental income is a major source of revenue for the Group and a significant, material item in the statement of comprehensive income. Accordingly, the recognition of dividend and rental income is a risk that requires particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Group's accounting policy for revenue recognition is in accordance with IFRSs, and obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy, which included a review of the Board and Property Manager meeting minutes.

For equity investments held in the period, we tested a sample of dividend income transactions to confirm that income that should have been received was received and that income was recorded at the appropriate amount and in the correct accounting period. We also assessed whether any of the dividends should have been treated as capital receipts.

For the rental income, we tested a sample of rental income and lease incentive transactions to check they had been recognised in accordance with the stated policy, and for a sample of underlying lease agreements, we

confirmed that income that should have been received was received and that it was recorded at the appropriate amount and in the correct accounting period.

The Group's accounting policy on the recognition of income is shown in note 1(e) and the components of that revenue are included in note 2.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2014 and of the Group's and the Company's profit for the year then ended;
- have been properly prepared in accordance with 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.

OTHER REPORTING RESPONSIBILITIES

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

INDEPENDENT AUDITOR'S REPORT

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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 consider whether 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, and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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' statement, set out on page 19, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Christopher Smith (Senior Statutory Auditor)

**for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants**

London

6 June 2014

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	Year ended 31 March 2014			Year ended 31 March 2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
Dividend income	2	4,834	–	4,834	4,669	–	4,669
Rental income		3,462	–	3,462	3,562	–	3,562
Interest income on short-term deposits		1	–	1	2	–	2
	2	8,297	–	8,297	8,233	–	8,233
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held-at-fair-value investments and investment properties	9	–	6,159	6,159	–	4,400	4,400
Unrealised gains on held-at-fair-value investments and investment properties	9	–	7,781	7,781	–	18,417	18,417
Net currency gains		–	2	2	–	–	–
TOTAL INCOME		8,297	13,942	22,239	8,233	20,515	28,748
EXPENSES							
Investment management fees	3	(368)	(1,470)	(1,838)	(312)	(854)	(1,166)
Other operating expenses	4	(655)	(5)	(660)	(513)	–	(513)
FINANCE COSTS	5	(3,501)	–	(3,501)	(3,501)	–	(3,501)
TOTAL EXPENSES		(4,524)	(1,475)	(5,999)	(4,326)	(854)	(5,180)
PROFIT BEFORE TAX		3,773	12,467	16,240	3,907	19,661	23,568
TAXATION	6	–	–	–	–	390	390
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,773	12,467	16,240	3,907	20,051	23,958
EARNINGS PER ORDINARY SHARE (PENNY)	7	8.28	27.37	35.65	8.58	44.02	52.60

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 47 to 65 form part of these financial statements.

The Board is proposing a final dividend of 4.40p per share, making a total dividend of 8.50p per share for the year ended 31 March 2014 (2013: 8.30p per share) which, if approved, will be payable on 18 July 2014 (see note 8).

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	Year ended 31 March 2014			Year ended 31 March 2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
INCOME							
Dividend income	2	4,834	–	4,834	4,669	–	4,669
Rental income		1,374	–	1,374	1,348	–	1,348
	2	6,208	–	6,208	6,017	–	6,017
GAINS AND LOSSES ON INVESTMENTS							
Realised gains on held-at-fair-value investments and investment properties	9	–	5,265	5,265	–	4,555	4,555
Unrealised gains on held-at-fair-value investments and investment properties	9	–	4,047	4,047	–	16,865	16,865
Net currency gains		–	2	2	–	–	–
TOTAL INCOME		6,208	9,314	15,522	6,017	20,978	26,995
EXPENSES							
Investment management fees	3	(246)	(1,184)	(1,430)	(208)	(610)	(818)
Other operating expenses	4	(397)	(5)	(402)	(386)	–	(386)
FINANCE COSTS	5	(1,867)	–	(1,867)	(1,851)	–	(1,851)
TOTAL EXPENSES		(2,510)	(1,189)	(3,699)	(2,445)	(610)	(3,055)
PROFIT BEFORE TAX		3,698	8,125	11,823	3,572	20,368	23,940
TAXATION	6	–	–	–	18	–	18
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,698	8,125	11,823	3,590	20,368	23,958
EARNINGS PER ORDINARY SHARE (PENCE)	7	8.12	17.84	25.96	7.88	44.72	52.60

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 47 to 65 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

At 31 March

	Note	As at 31 March 2014		As at 31 March 2013	
		£'000	£'000	£'000	£'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9	135,229		123,815	
Investment properties	9	46,475		46,225	
		<u>181,704</u>		<u>170,040</u>	
CURRENT ASSETS					
Cash and cash equivalents		3,308		2,140	
Other receivables	10	619		689	
		<u>3,927</u>		<u>2,829</u>	
TOTAL ASSETS		<u>185,631</u>		<u>172,869</u>	
CURRENT LIABILITIES					
Other payables	11	(2,073)		(1,701)	
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,558</u>		<u>171,168</u>	
NON-CURRENT LIABILITIES					
Debenture stock	12	(35,301)		(35,325)	
NET ASSETS		<u>148,257</u>		<u>135,843</u>	
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14	4,555		4,555	
Share premium	15	18,446		18,446	
Retained earnings	16	125,256		112,842	
TOTAL EQUITY		<u>148,257</u>		<u>135,843</u>	
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17	325.48		298.23	

These financial statements were approved by the Board on 6 June 2014 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 47 to 65 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March

	Note	As at 31 March 2014		As at 31 March 2013	
		£'000	£'000	£'000	£'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9	148,486		136,779	
Investment properties	9	46,475		17,850	
		<u>194,961</u>		<u>154,629</u>	
CURRENT ASSETS					
Cash and cash equivalents		2,094		2,038	
Other receivables	10	440		673	
		<u>2,534</u>		<u>2,711</u>	
TOTAL ASSETS		<u>197,495</u>		<u>157,340</u>	
CURRENT LIABILITIES					
Other payables	11	(13,937)		(1,172)	
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,558</u>		<u>156,168</u>	
NON-CURRENT LIABILITIES					
Debenture stock	12	(39,718)		(20,325)	
NET ASSETS		<u>143,840</u>		<u>135,843</u>	
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14	4,555		4,555	
Share premium	15	18,446		18,446	
Retained earnings	16	120,839		112,842	
TOTAL EQUITY		<u>143,840</u>		<u>135,843</u>	
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17	315.79		298.23	

These financial statements were approved by the Board on 6 June 2014 and were signed on its behalf by:-

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The notes on pages 47 to 65 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March

	Note	Year ended 31 March 2014			Total £'000
		Share capital £'000	Share premium £'000	Retained earnings £'000	
GROUP					
Net assets at 31 March 2013		4,555	18,446	112,842	135,843
Net profit for the year		–	–	16,240	16,240
Dividends paid	8	–	–	(3,826)	(3,826)
Net assets at 31 March 2014		<u>4,555</u>	<u>18,446</u>	<u>125,256</u>	<u>148,257</u>
COMPANY					
Net assets at 31 March 2013		4,555	18,446	112,842	135,843
Net profit for the year		–	–	11,823	11,823
Dividends paid	8	–	–	(3,826)	(3,826)
Net assets at 31 March 2014		<u>4,555</u>	<u>18,446</u>	<u>120,839</u>	<u>143,840</u>
GROUP					
Year ended 31 March 2013					
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Net assets at 31 March 2012		4,555	18,446	92,596	115,597
Net profit for the year		–	–	23,958	23,958
Dividends paid	8	–	–	(3,712)	(3,712)
Net assets at 31 March 2013		<u>4,555</u>	<u>18,446</u>	<u>112,842</u>	<u>135,843</u>
COMPANY					
Net assets at 31 March 2012		4,555	18,446	92,596	115,597
Net profit for the year		–	–	23,958	23,958
Dividends paid	8	–	–	(3,712)	(3,712)
Net assets at 31 March 2013		<u>4,555</u>	<u>18,446</u>	<u>112,842</u>	<u>135,843</u>

The notes on pages 47 to 65 form part of these financial statements.

GROUP STATEMENT OF CASHFLOWS

For the year ended 31 March

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Dividend income received			5,117		4,346
Rental income received			3,497		3,427
Interest received			2		2
Operating expenses paid			(2,312)		(2,037)
Taxation paid			(63)		(9)
NET CASH FROM OPERATING ACTIVITIES	18		<u>6,241</u>		<u>5,729</u>
Cash flows from investing activities					
Purchase of investments		(11,711)		(12,315)	
Sale of investments		13,987		12,237	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			<u>2,276</u>		<u>(78)</u>
Cash flow from financing activities					
Interest paid		(3,525)		(3,525)	
Dividends paid	8	(3,826)		(3,712)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES			<u>(7,351)</u>		<u>(7,237)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			<u>1,166</u>		<u>(1,586)</u>
Cash and cash equivalents at 1 April 2013			2,140		3,726
Foreign exchange movements			2		-
Cash and cash equivalents at 31 March 2014			<u>3,308</u>		<u>2,140</u>

The notes on pages 47 to 65 form part of these financial statements.

COMPANY STATEMENT OF CASHFLOWS

For the year ended 31 March

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Dividend income received			5,117		4,346
Rental income received			1,393		1,287
Operating expenses paid			(1,339)		(1,557)
Taxation paid			(63)		(9)
NET CASH FROM OPERATING ACTIVITIES	18		<u>5,108</u>		<u>4,067</u>
Cash flows from investing activities					
Purchase of investments		(8,272)		(10,501)	
Sale of investments		9,719		10,738	
Increase in loan to subsidiary		25		1	
NET CASH INFLOW FROM INVESTING ACTIVITIES			<u>1,472</u>		<u>238</u>
Cash flow from financing activities					
Interest paid		(2,700)		(1,875)	
Dividends paid	8	(3,826)		(3,712)	
NET CASH OUTFLOW FROM FINANCING ACTIVITIES			<u>(6,526)</u>		<u>(5,587)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			<u>54</u>		<u>(1,282)</u>
Cash and cash equivalents at 1 April 2013			2,038		3,320
Foreign exchange movements			2		-
Cash and cash equivalents at 31 March 2014			<u>2,094</u>		<u>2,038</u>

The notes on pages 47 to 65 form part of these financial statements.

1 Accounting policies

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

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial assets. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts* (the SORP) issued by the Association of Investment Companies (AIC) in January 2009 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.

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

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 15 to 18. The financial position of the Group as at 31 March 2014 is shown in the Statement of Financial Position on page 42. The cash flows of the Group for the year ended 31 March 2014, which are not untypical, are set out on page 45. The Group had fixed debt totalling £35,301,000 as at 31 March 2014, as set out in Note 12 on pages 57 and 58; none of the borrowings is repayable before 2021. The Group had no short term borrowings. Note 20 on pages 60 to 65 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 2014, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over five. The assets of the Group consist mainly of securities and investment properties that are held in accordance with the Group's investment policy, as set out on page 15. Most of these securities are readily realisable, even in volatile markets. The directors, who have reviewed carefully the Group's forecasts for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

NOTES TO THE ACCOUNTS

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). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. 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, adjusted for the fair value of the debenture stock transferred during the year.

Audax Properties plc, a wholly owned subsidiary of the Company, charges expenses wholly to income. On consolidation, however, an adjustment is made to charge 70% of the investment management fee paid by Audax Properties plc to capital. The allocation has no effect on the total return of the Company or the Group.

On 28 March 2014, the investment properties then owned and the debenture stock previously issued by Audax Properties plc were transferred at fair value to its holding company, Value and Income Trust PLC. Further details are given in the Strategic Report, Chairman's Statement, and in Notes 9 and 11 to the Financial Statements

A new wholly owned subsidiary of the Company, Value & Income Services Limited was incorporated on 16 January 2014 but has not traded at any time since that date.

(d) Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. In accordance with the Company's Articles net capital returns may not be distributed by way of dividend. Additionally the net revenue is the measure that the directors believe to be appropriate in assessing the Company's compliance with certain requirements set out in sections 1158-1160 of the Corporation Tax Act 2010.

(e) Income

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

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

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

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

1 Accounting policies – continued

(f) Expenses and Finance Costs

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

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

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 obtain 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 fair value through profit or loss. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE 100 constituents and most liquid FTSE 250 constituents along with some other securities. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the retained earnings.

NOTES TO THE ACCOUNTS

1 Accounting policies – continued

Investment property

All investment properties have been designated upon initial recognition as fair value through profit or loss. Investment properties are recognised and derecognised on the date where a purchase or sale is legally completed, and are initially measured at fair value.

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 Jones Lang LaSalle, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation Professional Standards. The determination of fair value by Jones Lang LaSalle 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 55 and 56.

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) Adoption of new and revised Accounting Standards

Amendments to the following IFRSs were applicable for the year ended 31 March 2014. This did not have any impact on the financial position or performance of the Group.

IFRS 7 - Amendments to financial instruments disclosure

IFRS 10 - Amendments to accounting for investee companies in consolidated financial statements

IFRS 12 - Amendments to disclosures of Interest in Other Entities

IFRS 13 - Amendments to fair value measurement and disclosure

IAS 27 - Amendments to Separate Financial Statements

At the date of authorisation of these financial statements, various Standards, amendments to 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). These have not been applied to these financial statements.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company. The Company concludes however that certain additional disclosures may be necessary on their application.

NOTES TO THE ACCOUNTS

	2014			2013		
	Group £000	Company £000	Company £000	Group £000	Company £000	Company £000
2 Income						
Investment income						
Dividends from listed investments in UK - franked	4,200	4,200		4,131		4,131
Dividends from listed investments in UK - unfranked	634	634		538		538
	<u>4,834</u>	<u>4,834</u>		<u>4,669</u>		<u>4,669</u>
Other operating income						
Rental income	3,462	1,374		3,562		1,348
Interest receivable on short term deposits	1	–		2		–
	<u>8,297</u>	<u>6,208</u>		<u>8,233</u>		<u>6,017</u>
	Revenue £000	2014 Capital £000	Total £000	Revenue £000	2013 Capital £000	Total £000
3 Investment management fee						
Group						
Investment management fee	368	859	1,227	312	729	1,041
Performance fee	–	611	611	–	125	125
	<u>368</u>	<u>1,470</u>	<u>1,838</u>	<u>312</u>	<u>854</u>	<u>1,166</u>
Company						
Investment management fee	246	573	819	208	485	693
Performance fee	–	611	611	–	125	125
	<u>246</u>	<u>1,184</u>	<u>1,430</u>	<u>208</u>	<u>610</u>	<u>818</u>

A summary of the terms of the management agreements is given on pages 20 and 21 of the Directors' Report.

NOTES TO THE ACCOUNTS

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
4 Other operating expenses				
Auditors' remuneration				
- audit	23	15	18	13
- other non-audit services	-	-	1	1
- taxation compliance services	5	4	4	3
- out of pocket expenses	-	-	1	1
Directors' fees	48	48	52	52
NIC on directors' fees	3	3	4	4
Fees for company secretarial services	137	116	144	99
Direct property costs	(4)	(23)	(21)	(9)
Other expenses	443	234	310	222
	<u>655</u>	<u>397</u>	<u>513</u>	<u>386</u>
Capital costs	5	5	-	-
	<u>660</u>	<u>402</u>	<u>513</u>	<u>386</u>

Directors' fees comprise the chairman's fees of £20,000 (2013 - £20,000) and fees of £14,000 (2013 - £14,000) per annum paid to each other director. The Directors' fees of £14,000 each (2013 - £14,000) 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 £886,000 (2013 - £697,000) and a performance fee of £419,000 (2013 - £83,000), the basis of calculation of which is given on page 21.

Matthew Oakeshott is a director of OLIM Property Limited which received an investment management fee of £341,000 (2013 - £344,000) and a performance fee of £192,000 (2013 - £42,000), the basis of calculation of which is given on page 21.

Additional information on directors' fees is given in the Directors' Remuneration Report on pages 23 and 24 and in the Remuneration Policy Report on pages 25 and 26.

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
5 Finance costs				
Interest payable on:				
11% First Mortgage Debenture Stock 2021	1,650	16	1,650	-
9.375% Debenture Stock 2026	1,875	1,875	1,875	1,875
Less amortisation of issue premium	(24)	(24)	(24)	(24)
	<u>3,501</u>	<u>1,867</u>	<u>3,501</u>	<u>1,851</u>

NOTES TO THE ACCOUNTS

	2014			2013		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
6 Taxation						
a) Analysis of the tax (credit)/charge for the year:						
Group						
Corporation tax payable	-	-	-	-	-	-
Decrease in deferred tax provision	-	-	-	-	(390)	(390)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(390)</u>	<u>(390)</u>

Factors affecting the current tax (credit)/charge for year:

Revenue / capital return on ordinary activities before tax		16,240		23,568
Tax thereon at 23% (2013 - 23%)		3,735		5,421
Effects of:				
Non taxable dividends		(1,112)		(1,074)
Gains on investments not taxable		(3,207)		(4,718)
Excess expenses not utilised		584		10
Decrease in rate of deferred tax		-		(29)
		<u>-</u>		<u>(390)</u>

	2014			2013		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Company						
Group relief receivable	-	-	-	(18)	-	(18)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>(18)</u>

Factors affecting the current tax (credit)/charge for year:

Revenue / capital return on ordinary activities before tax		11,823		23,940
Tax thereon at 23% (2013 - 23%)		2,719		5,506
Effects of:				
Non taxable dividends		(1,112)		(1,074)
Gains on investments not taxable		(2,142)		(4,825)
Excess expenses not utilised		535		375
		<u>-</u>		<u>(18)</u>

NOTES TO THE ACCOUNTS

6 Taxation – continued

b) Factors affecting the tax charge for the year

The Company has losses for tax purposes arising in the year of £1,867,000 (2013 - £1,851,000). 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

Both the Company and Audax Properties plc have deferred tax assets of £5,251,000 (2013 - £4,739,000) and £37,000 (2013 - £nil) respectively at 31 March 2014 relating to total accumulated unrelieved tax losses carried forward of £22,831,000 (2013 - £20,604,000) and £161,000 (2013 - nil). These have not been recognised in the accounts as it is unlikely that they will be capable of offset against the Group's future taxable profits.

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
7 Return per ordinary share				
The return per ordinary share is based on the following figures:				
Revenue return	3,773	3,698	3,907	3,590
Capital return	12,467	8,125	20,051	20,368
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975	45,549,975
Return per share - revenue	8.28p	8.12p	8.58p	7.88p
Return per share - capital	27.37p	17.84p	44.02p	44.72p
Total return per share	<u>35.65p</u>	<u>25.96p</u>	<u>52.60p</u>	<u>52.60p</u>
		2014 £000		2013 £000

8 Dividends

Dividends on ordinary shares:

Final dividend of 4.30p per share (2013 - 4.15p) paid 19 July 2013	1,959	1,890
Interim dividend of 4.10p per share (2013- 4.00p) paid 3 January 2014	1,867	1,822
Dividends paid in the period	<u>3,826</u>	<u>3,712</u>

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.

NOTES TO THE ACCOUNTS

8 Dividends – continued

Set out below is the total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158 - 1159 of the Corporation Tax Act 2010 are considered. The current year's revenue available for distribution by way of dividend is £3,698,000 (2013 - £3,590,000).

	2014 £000	2013 £000
Interim dividend for the year ended 31 March 2014 - 4.10p (2013 - 4.00p) paid 3 January 2014	1,867	1,822
Proposed final dividend for the year ended 31 March 2014 - 4.40p (2013 - 4.30p) payable 18 July 2014	2,004	1,959
	<u>3,871</u>	<u>3,781</u>

9 Investments

Group	Equities £'000	Investment properties £'000	Total £'000
Cost at 31 March 2013	78,463	32,961	111,424
Unrealised appreciation	45,352	13,264	58,616
Valuation at 31 March 2013	<u>123,815</u>	<u>46,225</u>	<u>170,040</u>
Purchases	8,272	3,438	11,710
Sales proceeds	(9,719)	(4,267)	(13,986)
Realised gains on sales	5,264	895	6,159
Movement in unrealised appreciation in year	7,597	184	7,781
Valuation at 31 March 2014	<u>135,229</u>	<u>46,475</u>	<u>181,704</u>

Company	Equities £'000	Investment in Subsidiary £'000	Investment properties £'000	Total £'000
Cost at 31 March 2013	78,463	25	13,306	91,794
Unrealised appreciation	45,351	12,940	4,544	62,835
Valuation at 31 March 2013	<u>123,814</u>	<u>12,965</u>	<u>17,850</u>	<u>154,629</u>
Purchases	8,272	–	28,050	36,322
Investment in subsidiary	–	4,417	–	4,417
Sales proceeds	(9,719)	–	–	(9,719)
Realised gains on sales	5,265	–	–	5,265
Movement in unrealised appreciation/ (depreciation) in year	7,597	(4,125)	575	4,047
Valuation at 31 March 2014	<u>135,229</u>	<u>13,257</u>	<u>46,475</u>	<u>194,961</u>

NOTES TO THE ACCOUNTS

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:-

	2014 £'000	2013 £'000
Purchases	47	65
Sales	17	19
	<u>64</u>	<u>84</u>

As part of the Group's corporate reconstruction, all investment properties previously owned by Audax Properties PLC were transferred to the ownership of Value and Income Trust plc (VIT) with effect from 28 March 2014. The fair values of the investment properties, at which the transfers were made, were established by professional valuation, on the basis of market value, by Jones Lang LaSalle Limited, Real Estate Advisers. These valuations were carried out in accordance with the RICS Valuation – Professional Standards January 2014, (published by the Royal Institution of Chartered Surveyors) by reference to the Investment Method whereby the net annual income derived from a property is capitalised by an appropriate capitalisation rate or Years' Purchase figure to arrive at the present Capital Value of the property after an allowance for a 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 taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the property etc.

Following the transfer of the debenture from Audax Properties PLC to Value and Income Trust plc, the debenture is, in accordance with IAS 39, initially recorded at its fair value of £19,417,000, rather than its nominal value of £15,000,000. Given that this transfer took place between a parent and a subsidiary, the difference in value has been treated by the parent as an investment in its subsidiary.

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
10 Other receivables				
Amounts falling due within one year:				
Dividends receivable	298	298	581	581
Amounts due from subsidiary	–	–	–	18
Prepayments and accrued income	321	142	108	74
	<u>619</u>	<u>440</u>	<u>689</u>	<u>673</u>

NOTES TO THE ACCOUNTS

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
11 Other payables				
Value Added Tax payable	–	65	137	61
Amounts due to OLIM Limited	419	419	141	122
Amounts due to OLIM Property Limited	192	192	71	61
Accruals and other creditors	1,462	1,013	1,352	928
Amount due to subsidiary	–	12,248	–	–
	<u>2,073</u>	<u>13,937</u>	<u>1,701</u>	<u>1,172</u>

The amounts due to OLIM Limited and OLIM Property Limited comprise the performance fee for the year to 31 March 2014, subsequently paid in May 2014.

As part of the Group's corporate reconstruction which took effect on 28 March 2014, all investment properties then belonging to Audax Properties plc and the 11% First Mortgage Debenture Stock 2021 issued by Audax Properties plc were transferred to the ownership/issuance of Value and Income Trust PLC (VIT). As a result, a large inter company account balance of £12,248,000 has been created. It is envisaged that this balance will be extinguished soon after the year end.

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
12 Non-current liabilities				
11% First Mortgage Debenture Stock 2021	15,000	15,000	15,000	–
Fair value adjustment	–	4,417	–	–
	<u>15,000</u>	<u>19,417</u>	<u>15,000</u>	<u>–</u>
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add:- Balance of premium less issue expenses	325	325	349	349
Less : Credit to income for the year	(24)	(24)	(24)	(24)
	<u>35,301</u>	<u>39,718</u>	<u>35,325</u>	<u>20,325</u>

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. Following an application by Audax Properties PLC to the UK Listing Authority and the London Stock Exchange, conditional upon admission occurring, the admission to the Official List and to trading on the London Stock Exchange's main market for listed securities, the debentures were derecognised with effect 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 IFRS 39, this debenture requires to be initially recorded at fair value in the Company's accounts. This adjustment is eliminated on consolidation.

NOTES TO THE ACCOUNTS

16 Retained earnings – continued

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

	Revenue £000	2014 Capital £000	Total £000	Revenue £000	2013 Capital £000	Total £000
Group						
Opening balance at 31 March 2013	3,785	109,057	112,842	3,590	89,006	92,596
Profit for the period	3,773	12,467	16,240	3,907	20,051	23,958
Dividends paid (see note 8)	(3,826)	–	(3,826)	(3,712)	–	(3,712)
Closing balance at 31 March 2014	<u>3,732</u>	<u>121,524</u>	<u>125,256</u>	<u>3,785</u>	<u>109,057</u>	<u>112,842</u>
Company						
Opening balance at 31 March 2013	2,671	110,171	112,842	2,793	89,803	92,596
Profit for the period	3,698	8,125	11,823	3,590	20,368	23,958
Dividends paid (see note 8)	(3,826)	–	(3,826)	(3,712)	–	(3,712)
Closing balance at 31 March 2014	<u>2,543</u>	<u>118,296</u>	<u>120,839</u>	<u>2,671</u>	<u>110,171</u>	<u>112,842</u>

17 Net asset value per equity share

The net asset value per ordinary share is based on the Group's net assets attributable of £148,257,000 (2013 - £135,843,000) and on 45,549,975 (2013 - 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 market value (see note 20) is 304.30p (2013 - 269.78p)

	2014		2013	
	Group £000	Company £000	Group £000	Company £000
18 Reconciliation of income from operations before tax to net cash inflow from operating activities				
Income from operations before tax	22,239	15,522	28,748	26,995
Gains and losses on investments	(13,942)	(9,314)	(20,515)	(20,978)
Foreign exchange movements	2	2	–	–
Investment management fee	(1,838)	(1,430)	(1,166)	(818)
Other operating expenses	(660)	(402)	(513)	(386)
Decrease/(increase) in receivables	5	215	(411)	(380)
Increase/(decrease) in other payables	435	515	(414)	(366)
Net cash from operating activities	<u>6,241</u>	<u>5,108</u>	<u>5,729</u>	<u>4,067</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 20 and 21 and in Note 3 on page 51.

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 20 and 21 and in Note 3 on page 51.

NOTES TO THE ACCOUNTS

19 Relationship with the Investment Manager and other Related Parties – continued

Audax Properties plc is a wholly owned subsidiary of Value and Income Trust PLC and accordingly the latter is the ultimate controlling party. Details of the year end financial relationship between Audax Properties plc and Value and Income Trust PLC may be found in Note 11 on page 57.

As part of the Group's corporate reconstruction which took effect on 28 March 2014, all investment properties then belonging to Audax Properties plc with a total value of £28,050,000 and the 11% First Mortgage Debenture Stock 2021 issued by Audax Properties plc were transferred to the ownership/issuance of Value and Income Trust PLC. No properties were transferred between group companies during the previous year.

20 Financial instruments and investment property risks

Risk management

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

The Managers have dedicated investment management processes which ensures that the Investment Policy set out on pages 1 and 15 is achieved. For equities, stock selection procedures are in place based on active portfolio management and the identification of stocks. The portfolio is reviewed on a periodic basis by a senior investment manager and also by the Managers' Investment Committees.

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

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

- (i) market risk (comprising price risk, interest rate risk and currency risk)
- (ii) liquidity risk
- (iii) credit risk

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

(i) Market risk

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

Price risk

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

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

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

20 Financial instruments and investment property risks – continued

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 2014 would have increased/decreased by £18,170,000 (2013 - increase/decrease of £16,351,000) 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, 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 2014 are shown in note 12 on pages 57 and 58.

Interest risk profile

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

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
At 31 March 2014				
Assets				
Sterling	–	–	–	3,308
Total assets	–	–	–	3,308
At 31 March 2014				
Liabilities				
Sterling	10	10.07	35,000	–
Total liabilities	10	10.07	35,000	–
At 31 March 2013				
Assets				
Sterling	–	–	–	2,140
Total assets	–	–	–	2,140
At 31 March 2013				
Liabilities				
Sterling	11	10.07	35,000	–
Total liabilities	11	10.07	35,000	–

NOTES TO THE ACCOUNTS

20 Financial instruments and investment property risks – continued

The weighted average interest rate on debentures 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 57 and 58.

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 2014 would increase/decrease by £21,000 (2013 - increase / decrease by £37,000). 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.

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.

NOTES TO THE ACCOUNTS

20 Financial instruments and investment property risks – continued

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

	Carrying value	Expected cashflows	Due within 3 months	Due between 3 months and 1 year	Due after 1 year
Debentures	35,625	70,925	938	2,587	67,400
Other payables	725	725	725	–	–
Total	36,350	71,650	1,663	2,587	67,400

(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 the Manager 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. The Manager's Compliance Officer carries out periodic reviews of the Custodian's operations and reports its findings to the Manager's Risk Management Committee. This review will also include checks on the maintenance and security of investments held.
- cash is held only with reputable banks with high quality external credit ratings which are monitored on a regular basis.

None of the Group's 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:

	2014		2013	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Cash and cash equivalents	3,308	5,578	2,140	3,993
Other receivables	619	2,553	689	1,174
	<u>3,927</u>	<u>8,131</u>	<u>2,829</u>	<u>5,167</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.

NOTES TO THE ACCOUNTS

20 Financial instruments and investment property risks – continued

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13 years (2013 - 13.5 years). Details of the tenant and geographical spread of the portfolio are set out on page 13. The long term record of performance through the varying property cycles since 1987 is set out on page 10. 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:-

	2014 £000	2013 £000
Due within 1 year	19	8
Due between 2 and 5 years	2,652	1,790
Due after more than 5 years	41,894	43,218
	<u>44,565</u>	<u>45,016</u>

This amount comprises the total contracted rent receivable as at 31 March 2014.

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

Fair values of financial assets and financial liabilities

All assets and liabilities of the Group other than receivables and payables and the debenture stock 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 7 Fair Value hierarchy:-

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 March 2014				
Equity investments	135,229	–	–	135,229
Investment properties	–	46,475	–	46,475
	<u>135,229</u>	<u>46,475</u>	<u>–</u>	<u>181,704</u>
At 31 March 2013				
Equity investments	123,815	–	–	123,815
Investment properties	–	46,225	–	46,225
	<u>123,815</u>	<u>46,225</u>	<u>–</u>	<u>170,040</u>

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.

20 Financial instruments and investment property risks – continued

(ii) Borrowings

The fair value of the Group's borrowings has been calculated at £44,647,000 as at 31 March 2014 (2013 - £48,282,000) compared to a balance sheet value in the financial statements of £35,301,000 (2013 - £35,325,000) per note 12.

The fair values of the debentures are determined by comparison with the fair values of equivalent gilt edged securities, discounted to reflect the differing levels of credit worthiness of the borrowers. All other assets and liabilities of the Group are included in the balance sheet at fair value.

	Fair value		Balance Sheet Value	
	2014	2013	2014	2013
	£000	£000	£000	£000
11% First Mortgage Debenture Stock 2021	19,417	21,016	15,000	15,000
9.375% Debenture Stock 2026	25,230	27,266	20,301	20,325
	<u>44,647</u>	<u>48,282</u>	<u>35,301</u>	<u>35,325</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 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 57 and 58.

22 Events after the Balance Sheet Date

On 14 May 2014, the Company purchased a property at 7 Little Park Street, Coventry for £870,000.

HOW TO INVEST IN VALUE AND INCOME TRUST PLC

DIRECT

Investors can buy and sell shares in Value and Income Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought through the Value and Income Trust Share Plan or Value and Income Trust ISA.

VALUE AND INCOME TRUST SHARE PLAN

The Company offers a Share Plan (the Plan) through which shares in Value and Income Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250 while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchasing shares. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Plan, and regular savers can stop or suspend participation by instructing the Administrators in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

VALUE AND INCOME TRUST ISA

Through the Value and Income Trust ISA (the ISA), an annual investment of up to £11,880 in Value and Income Trust PLC may be made from 6 April 2014. However, from 1 July 2014 ISAs will be reformed and will have an annual allowance of £15,000.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT which is deducted annually from income. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA TRANSFER

Investors may choose to transfer previous tax year investments which can be invested in Value and Income Trust PLC while retaining the ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to an additional minimum lump sum of £250.

LITERATURE REQUEST SERVICE

Please download literature and application forms for the Plan and ISA from www.olim.co.uk or call 0500 00 40 00 and quote "Value and Income Trust". Alternatively, please email your request to the Administrator at aam@lit-request.com including in the Subject line, "Value and Income Trust".

It is not possible for either Value and Income Trust or the Administrator to offer financial advice regarding the suitability or otherwise of these products for individual circumstances.

HOW TO INVEST IN VALUE AND INCOME TRUST PLC

KEEPING YOU INFORMED

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

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

CUSTOMER SERVICES

For enquiries regarding an existing Plan or ISA, please contact the Administrators:

Value and Income Trust PLC
Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex, CM99 2DB

Telephone: 0500 00 00 40
(Monday - Friday, 9am - 5pm)

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: 0870 703 0168
www-uk.computershare.com/investor
(Calls to the above number cost 10 pence per minute plus network extras.)

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

NOTE

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

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

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

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 11 July 2014 at 12.30pm, for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 inclusive will be proposed as ordinary resolutions and resolutions 11 to 14 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive the Directors’ Report and audited financial statements for the year ended 31 March 2014.
2. To approve the Directors’ Remuneration Report for the year ended 31 March 2014.
3. To approve the Directors’ Remuneration Policy for the three-year period ending 31 March 2017.
4. To approve a final dividend for the year ended 31 March 2014 of 4.40p per Ordinary share.
5. To re-elect Angela Lascelles as a Director of the Company.
6. To re-elect Matthew Oakeshott as a Director of the Company.
7. To re-elect James Ferguson as a Director of the Company.
8. To re-elect John Kay as a Director of the Company.
9. To 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 2015.

SPECIAL BUSINESS

10. Authority to Allot Shares
That, the Directors 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 (such shares and rights together being “relevant securities”) up to an aggregate nominal amount of £455,499 (representing 10 per cent. of the ordinary share capital in issue as at the date of this Notice) provided that such authorisation expires (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company in 2015 or on 30 September 2015 (whichever is earlier) save that the Company may, at any time prior to the expiry of such authority, make offers or agreements which would or might require such relevant securities to be allotted 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 number 10 set out above, the Directors 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 number 10 or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act) as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
 - (i) (otherwise than pursuant to sub-paragraph (ii) below) up to an aggregate nominal value of £455,549 (representing 10 percent.

NOTICE OF ANNUAL GENERAL MEETING

- of the ordinary share capital in issue 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 2015, or on 30 September 2015 (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 provided that:

- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be 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) 5% above 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 2015 or on 30 September 2015 (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. Articles of Association

That, the draft regulations produced to the meeting and, for the purpose of identification initialled by the Chairman of the meeting be accepted as the articles of association of the Company in substitution for, and to the entire exclusion of the existing articles of association of the Company.

14. 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:

1st Floor

Kintyre House

205 West George Street

Glasgow G2 2LW

6 June 2014

NOTICE OF ANNUAL GENERAL MEETING

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 0870 703 0168 (calls to this number are charged at 10p per minute from a BT landline. Other telephony providers' costs may vary). In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the

most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.

- (ii) A personalised form of proxy, and reply-paid envelope, is enclosed for ordinary shareholders. For holders of shares in the Company via the VIT Share Plan or the VIT ISA, a personalised form of direction is enclosed. 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.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company’s Registrar (ID 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company’s Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) The “vote withheld” option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes “for” or “against” a particular resolution.

NOTICE OF ANNUAL GENERAL MEETING

- (ix) The right to vote at a meeting is determined by reference to the Company's register of members as at 6 p.m. on 9 July 2014 or if this meeting is adjourned, at 6 p.m. 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 6 June 2014 (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 6 June 2014 was 45,549,975.
- (xi) Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- (xii) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
- (xiii) Biographical details of the Directors standing for re-election are set out on page 3 of this Report.
- (xiv) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xv) Members should note that, it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies

NOTICE OF ANNUAL GENERAL MEETING

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 website, hosted by the Managers, at www.olim.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.

CONTACT INFORMATION

Directors

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

Investment Managers

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10/12 Cork Street
London W15 3NP
Telephone: 020 7439 4400
Websites: www.olim.co.uk
www.olimproperty.co.uk

Secretary

Maven Capital Partners UK LLP
Kintyre House
205 West George Street
Glasgow G2 2LW
Telephone: 0141 306 7400

Registered Office

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Kintyre House
205 West George Street
Glasgow G2 2LW
Registered in Scotland
Registration Number: SC 50366

Registrars

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Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 703 0168
Website:
[www-uk.computershare.com/
investor](http://www-uk.computershare.com/investor)

Independent Auditor

(Until 31 December 2013)
Chiene + Tait
61 Dublin Street
Edinburgh
EH3 6NL

Independent Auditor

(From 31 January 2014)
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Property Managers

Workman & Partners
Alliance House
12 Caxton Street
London SW1H 0QS



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