VALUE AND INCOME TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Contents

Financial Calendar

27 October 2017	First quarterly dividend of 2.7p per share paid for year ended 31 March 2018
26 January 2018	Second quarterly dividend of 2.7p per share paid for year ended 31 March 2018
27 April 2018	Third quarterly dividend of 2.7p per share paid for year ended 31 March 2018
25 May 2018	Announcement of Annual Financial Report for year ended 31 March 2018
6 July 2018	Annual General Meeting, Edinburgh (12.30pm)
27 July 2018	Proposed final dividend of 3.3p per share payable for year ended 31 March 2018
26 October 2018	First quarterly dividend payable for year to 31 March 2019
November 2018	Announcement of Half-Yearly Financial Report for six months ending 30 September 2018
25 January 2019	Second quarterly dividend payable for year to 31 March 2019

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

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

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

Investment Aims

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

Investment Policy

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

Capital Structure

As at 31 March 2018, VIT's share capital consisted of 45,549,975 Ordinary Shares of 10p nominal value in issue. Each Ordinary Share entitles the holder to one vote on a show of hands and, on a poll, to one vote for every share held.

Share Dealing

Shares in VIT can be purchased and sold in the market through a stockbroker, or indirectly through a lawyer, accountant or other professional adviser. Further information on how to invest in VIT is detailed on page 80.

Recommendation of Non-Mainstream Investment Products

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

Alternative Investment Fund Managers Directive

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

Financial Highlights and Long-Term Record

Highlights of the Year

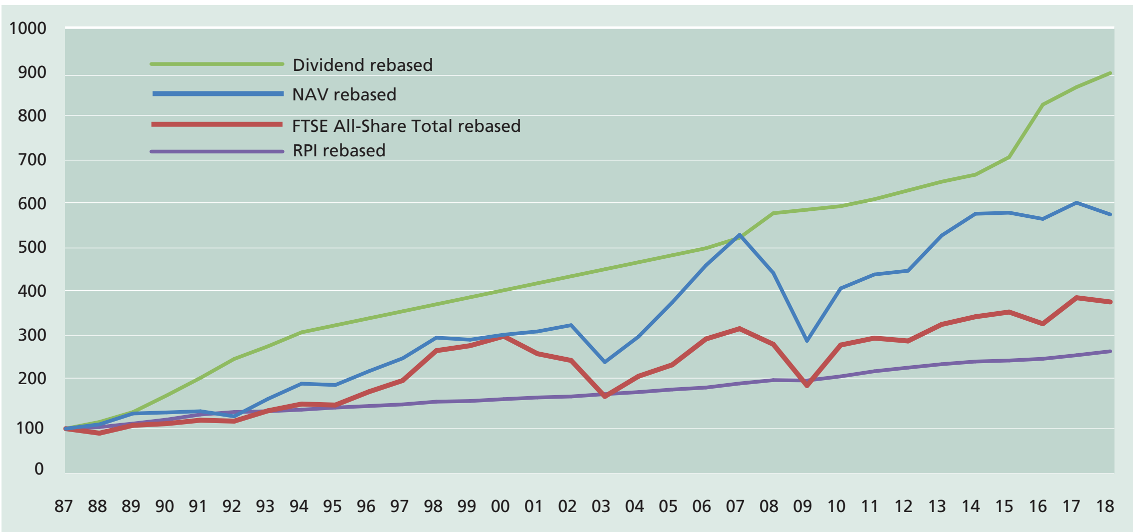
- Net Asset Value total return (with debt at par) of -1.6% over one year and 9.3% over three years.
- Share price total return of 7.1% over one year and 15.5% over three years.
- FTSE All-Share Index total return of 1.3% over one year and 18.6% over three years.
- Dividends for year up 3.6% - increased for the 31st consecutive year.

Financial Record

	30 Sept 1986*	31 Mar 1987	31 Mar 2005	31 Mar 2006	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	31 Mar 2018
NAV (valuing debt at par) (p)	44.0	55.1	213.9	260.6	299.0	251.0	165.6	231.8	249.1	253.8	298.2	325.5	326.9	319.0	345.5	330.5
NAV (valuing debt at market) (p)**	N/A	N/A	189.0	226.9	271.1	222.7	129.6	218.3	233.7	227.6	269.8	304.3	299.5	299.2	318.1	309.2
Ordinary share price (p)	42.0	52.0	181.0	227.0	253.0	166.0	88.5	169.0	186.0	181.5	210.8	265.0	254.3	221.8	255.0	262.0
Discount of share price to NAV (valuing debt at market) (%)	–	–	4.2	0.0	6.7	25.5	31.7	22.5	20.4	20.3	21.9	12.9	15.1	25.9	19.8	15.3
Dividend per share (p)	N/A	1.25	6.20	6.40	6.70	7.40	7.50	7.60	7.80	8.05	8.30	8.50	9.00	10.50	11.00	11.40
Total assets less current liabilities (£m)	17.4	24.8	133.0	156.8	174.8	151.8	111.5	141.8	149.4	151.3	171.2	183.6	189.0	185.5	207.3	200.4

* Date from which the current Investment Managers were appointed.
** This is an alternative performance measure and has been explained in Note 17 to the Financial Statements.

Growth In Net Asset Value*



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

James Ferguson*

Chairman

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

John Kay*

John Kay is an economist specialising in the application of economics to business issues. He has been chairman of London Economics, has held chairs at the London Business School and Oxford University and is currently a visiting Professor of Economics at the London School of Economics. He is a director of Scottish Mortgage Investment Trust PLC and was formerly a director of The Law Debenture Corporation PLC. He was appointed as a Director on 4 February 1994.

David Smith*

David Smith retired from the legal firm Shepherd and Wedderburn LLP in 2008 where he was a partner for 34 years, specialising in commercial property. He was appointed as a Director on 10 July 2009. David was appointed Chair of the Audit and Management Engagement Committee in October 2017.

Dominic Neary*

Dominic Neary was appointed as a Director on 26 January 2018. Dominic was previously Head of the Global Income Growth team at Baillie Gifford & Co. until August 2017 where he was also the manager of The Scottish American Investment Company PLC (SAINTS). He previously held various fund management roles at Stewart Ivory & Co., Henderson Global Investors and Insight Investment and holds an MSc and PhD in Statistics.

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 Limited since 1986. She was appointed as a Director on 6 March 2008.

Matthew Oakeshott

Chairman OLIM Property Limited

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

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

Chairman's Statement

The Board is recommending an increase in the final dividend which would make total dividends of 11.4p for the year to 31 March 2018 compared to 11p in the previous year, an increase of 3.6%. This would be the 31st year of real dividend increases following the reconstruction of Value and Income Trust in 1986.

Over the year, the net asset value performance of the Trust was mixed. Our property portfolio had a good year. The equity portfolio was less successful in a difficult year for income focussed investors. Overall VIT's net asset value total return was -1.6% and the share price total return was 7.1%.

The traditional accounting approach that used to distinguish clearly between income and capital has been replaced to an increasing extent by the notion of total return, which takes income and capital together. We have so far resisted the opportunity to distribute our capital profits as dividends. However, recent UK legislation to prevent the exploitation of tax relief for borrowing had a consequence for investment trusts which was probably unintended. This has reduced our income account in accounting terms, but made no difference to the cash available to pay dividends. As a result our income account appears more stretched than it would have been otherwise. In these circumstances we may consider in future, given the level of our revenue reserve which is shown on page 16, using capital profits to maintain the growth of our dividend in future.

I would remind Shareholders that new Articles of Association were adopted in July 2016. These included a requirement for the Board to put an Ordinary Resolution to Shareholders in 2024 in relation to the future direction of the Company, including proposals that provide an opportunity for Shareholders to realise their investment in full at net asset value (NAV), less costs, by March 2027 at the latest. Further details are shown on pages 19 and 24.

No performance fee is payable in respect of last year and we have agreed with our two Investment Managers that this arrangement has ended. We have also agreed a reduction in the investment management fee from 0.66% of the Company's total assets less current liabilities to 0.6% of the Group's gross assets.

VIT has two debentures and one bank loan which, in the Group's Financial Statements, are valued at cost, adjusted annually over their lives to write off the issue premium and issue expenses. These numbers are used to calculate the year end NAV of 330.5p. We also show in Note 17 to the Financial Statements on page 70, a NAV of 309.19p which is adjusted for borrowings at fair value, being amounts greater than their respective nominal values. This restatement is calculated by reference to the market.

The first of our debentures is repayable for £15,000,000 in 2021 and has a fair value of £17.764m whilst the second debenture is repayable for £20,000,000 in 2026 and has a fair value of £26.663m. The bank loan of £15,000,000 is repayable in 2026 and has a fair value of £15.258m. All these figures are shown in Note 21 to the Financial Statements on pages 71 to 77. The differences between the two values of each of our debentures and loan will reduce until each instrument is repaid at its nominal value, thus increasing the NAV with borrowings at fair value over the period. Our two debentures have covenants attached to them. Information about these is included in Note 12 to the Financial Statements on pages 67 and 68; there is plenty of headroom in terms of both capital and income.

Dominic Neary was appointed to the Board in January 2018. His recent experience as the successful investment manager of an income oriented investment trust is already proving to be very helpful.

We remain fully invested and at the year end the portfolio yield was 5.0%. Our property portfolio was fully let with leases which have an average unexpired length of 14 years and of which 62% are index-related. Both of the portfolios continue to provide good value when compared to the remarkably low yields available from UK gilts.

I hope that we shall see as many Shareholders as possible at the Annual General Meeting on Friday 6 July which is to be held in Edinburgh this year. Our Investment Managers will give a brief presentation on the outlook.

James Ferguson
Chairman
29 May 2018

Summary of Portfolio

	31 March 2018		31 March 2017	
	£m	%	£m	%
UK Equities	128.9	64.3	137.6	66.4
UK Property	68.7	34.3	66.8	32.2
Cash	2.8	1.4	2.9	1.4
	200.4	100.0	207.3	100.0

UK Equities

Market Background

For the first nine months of VIT's year to the end of March 2018, equities continued to rise on a global basis, encouraged by increasing rates of global growth. However, in the first quarter of 2018 there were considerable falls from the high levels at the end of 2017. Over the year as a whole the FTSE All-Share Index fell by 2.4% and, including income, the total return was +1.3%. The MSCI World Index, which is measured in dollars, rose by 11.8%, but to sterling based investors the capital value rose by less than 1%, as the pound strengthened from $1.26 to $1.40 during the year. Within the UK market, high yielding companies gave the weakest performance with a fall of 6.0%. The FTSE 100 Index of largest companies, which fell by 3.6%, underperformed the 250 Index of mid-sized companies, which rose by 2.6%. In bond markets, ten year gilt yields rose from 1.1% to 1.4% but longer term gilt yields were unchanged. The total return on the FTSE All-Stocks Gilt Index was +0.5%.

There were again many uncertainties and unexpected events during VIT's year, beginning with the UK General Election which took place in early June. Despite expectations of a comfortable Conservative win, Labour voters, encouraged by a skilful Corbyn-led campaign, nearly overturned the expected result. Since then, Mrs May has been forced to lead a minority government, with the support of the Democratic Unionist Party of Northern Ireland. As the summer progressed international tensions grew between President Trump and North Korea's dictator, Kim Jong-Un, due to the testing of North Korean nuclear missiles close to Japan. Despite all these uncertainties markets were remarkably stable. In the first half of VIT's year the UK market rose by 1.4%.

In the second half of our year, markets were more volatile. In the three months to the end of December, UK equities rose by 4.2%, encouraged by upgraded forecasts for economic growth in the UK and in global markets. After the euphoria at the beginning

Simon Jaffé, Angela Lascelles and Andrew Impey

of January, however, fear of rising interest rates and generally tighter monetary policy caused a sharp setback in almost all equity markets around the world. US interest rates were raised twice during our year, and in the UK base rate was increased by 0.25% to 0.5%, reversing the post Brexit reduction of the same amount. In America, the Federal Reserve has guided towards further rises in interest rates and Mark Carney at the Bank of England has also made a similar statement. Unemployment levels in America and in the UK have fallen to just over 4%, the lowest levels for several decades, putting pressure on wage inflation in both countries. In the UK, the fall in sterling after the Brexit vote caused the Consumer Prices Index to rise to 3.2% during the winter, though the gradual recovery of the sterling/dollar rate has eased the most recent inflationary figures.

UK economic growth in 2017 was greater than expected after the Brexit vote in 2016, but nevertheless trailed most developed markets with growth of 1.7%, which was lower than the Eurozone, which grew by 2.5% and America which grew by 2.2%. The UK economy grew fastest of the developed nations in 2016 making longer term comparisons more aligned. Eurozone growth benefitted from negative interest rates and Quantitative Easing of €90m per month, which has now been reduced. Despite the weak political position and the antagonism of the press, Mrs May finally made satisfactory progress in the negotiations surrounding our trading agreements after we leave the EU. Her government is further encouraged by the figures for public spending, which are currently less than the government income.

Performance

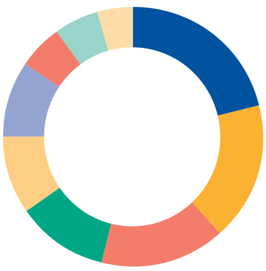
At the end of VIT's year, performance was affected by the collapse of Conviviality, which was 2.4% of our equity portfolio at the beginning of our year. We bought it originally as a way of investing in the changing habits of consumer spending, as shoppers switched their bulk food and drink purchases from out of town superstores to on-line orders, with frequent local top ups at convenience stores. After the transformative acquisition of Matthew Clark, the financial system ultimately proved inadequate, credit insurance was withdrawn and administrators appointed. This holding caused the loss of 3 percentage points in relative performance against the FTSE All-Share Index. The total return on VIT's portfolio over the year was -1.7% compared to the index return of +1.3%.

Otherwise in our portfolio our overweighting in the sectors of non-life insurance, electronics and chemicals benefitted relative performance, as did the absence of tobacco holdings. Our underweighting in oils and overweighting in utilities were negative factors over the year. In stock selection, our holding in Beazley, our largest at the end of our year, returned 37% and Croda in the chemical sector returned 31%. The engineering company Rotork (+19%) and Informa (+14%) also significantly outperformed. Negative relative performance came from Carillion (-44%% to the sale price), Babcock (-21%), which was affected by negative sentiment about outsourcing companies, and Marstons (-20%) which suffered from caution on consumer spending and snow-affected sales during the winter.

Portfolio

Sales and purchases of equities over the year totalled £13.64m, with net sales of £563,000. Our policy was to be as fully invested as possible in the equity portfolio throughout the year, in line with the Board's policy to receive maximum dividend income. During the year we sold the holding in John Laing Infrastructure, which we considered overvalued in an increasingly competitive world for infrastructure funds and we sold Carillion immediately after its profit warning in July. We reduced the holdings in Spectris and Beazley after strong outperformance and we reduced the holding in the old shares in Cineworld, in order to take up the rights on the new shares issued to fund the acquisition of Regal, the second largest operator of cinemas in America. At the end of March 2018 we held investments in 35 companies with an average yield of 4.3%.

Distribution of Securities
At 31 March



	2018 %	2017 %
Financials	**21.1**	**20.2**
Industrials	**17.5**	**17.1**
Consumer Services	**15.4**	**17.6**
Consumer Goods	**11.5**	**10.9**
Basic Materials	**9.7**	**7.9**
Oil and Gas	**9.3**	**7.7**
Utilities	**5.7**	**7.6**
Telecommunications	**5.6**	**6.3**
Health Care	**4.2**	**4.7**
	100.0	**100.0**

Outlook

After the euphoria at the beginning of 2018, when rising global synchronised growth was dominating investment thinking, sentiment abruptly turned negative, after the release of data in the US which showed a marked move up in pay growth in January, which was followed by the warnings on further increases in interest rates in both America and the UK. More recent indications that Germany's economic growth is slowing in 2018, after its buoyant performance in 2017, suggest that global growth may not be as fast as expected at the beginning of the year. The UK has the extra concern about the terms of Brexit, which will have taken place before the end of VIT's current year, though there will be a prolonged transition period afterwards to finalise trading agreements. Recent reports suggest that the Government is making progress in agreeing principles with our EU counterparts.

During April, when this report was writen, the pound recovered almost all of its post Brexit fall against the dollar. This would have been helpful in lessening the inflationary pressures on consumers, and would have encouraged the Bank of England to soften its intentions towards further raises of interest rates. Dividends declared in dollars on UK quoted companies would suffer the translation effect of the recovery in the pound and reduce the overall yield on UK equity investments. Against the euro, the pound is continuing to recover modestly and is close to the level of March 2017, though still well below the pre-Brexit level. With all these factors in mind, we believe that the valuation of UK quoted equities, on an average yield more than twice the yield on long dated gilts, offers a reasonable balance between macro-economic and political risks and the attractive income returns.

Angela Lascelles
OLIM Limited
29 May 2018

List of Equity Holdings as at 31 March 2018

Holding		Description	Market Value (£)
1,600,000	Beazley UK	A specialist international insurance company, primarily operating in Lloyds.	9,168,000
208,000	Unilever	The global food, home and personal care company.	8,227,440
517,000	Halma	Operating in 22 countries, the company makes products to protect buildings and the environment.	6,095,430
1,246,000	BP	One of the world's largest energy companies, providing fuel, retail services and petrochemicals.	5,971,455
2,285,000	Legal & General	One of the UK's leading financial services companies, specialising in life assurance and pensions.	5,890,730
121,944	Croda International	A world leader in natural based speciality chemicals which are sold to virtually every type of industry.	5,570,401
389,000	GlaxoSmithKline	The UK's largest pharmaceutical company.	5,422,660
196,000	Spectris	Leading supplier of instrumentation and controls.	5,280,240
222,221	Royal Dutch Shell	A global group of energy and petrochemical companies.	5,059,972
687,500	Informa	Provider of specialist information to the academic, scientific, professional and commercial communities through multiple distribution channels.	4,940,375
2,430,454	Vodafone	The leading mobile telecommunications company.	4,720,428
1,600,000	Rotork	The world's leading manufacturer of actuators serving particularly the oil, gas and water management industries.	4,548,800
255,500	Prudential	Insurance and fund management company with interests in UK, North America and Asia	4,544,068
660,000	HSBC	The banking group.	4,391,640
1,750,000	Cineworld	The UK'S leading cinema operator.	4,126,500
892,000	Crest Nicholson	A UK housebuilder, operating mainly in Southern England with one of the longest land banks in the industry.	4,053,248
475,000	Babcock International	An engineering support services group; the main customer is the Ministry of Defence.	3,176,800
391,772	United Utilities	The UK's largest listed water company.	2,802,737
431,500	British Land	One of Europe's largest publicly listed real estate investment trusts (REIT)	2,770,230
90,709	Johnson Matthey	A leader in speciality chemicals and sustainable technologies.	2,759,368
411,400	Pennon	Operates and invests in water, sewerage services and waste management operating in the UK and North Africa.	2,646,948
150,000	Go-Ahead Group	Operator of trains and buses.	2,631,000
800,000	SThree	A staffing company, both permanent and temporary.	2,584,000
375,000	Britvic	Manufacturer and distributor of soft drinks in the UK and Ireland.	2,559,375
2,530,000	Marstons	The regional brewer and pub company.	2,552,770
1,120,000	BT	The fixed-line telecommunications company.	2,548,000
61,700	Rio Tinto	One of the world's largest mining companies	2,227,987
816,500	Restaurant Group	The company owns chains of restaurants in airports and leisure parks.	2,072,277
140,000	BHP Billiton	The world's largest mining company.	1,965,040
1,363,000	Centrica	An integrated gas and electricity company.	1,938,186
293,000	Daily Mail & General Trust	Newspaper publisher, majority interest in Euromoney, minority interest in Zoopla	1,892,780
935,000	N Brown Group	An on-line and catalogue retailer.	1,650,275
175,500	John Wood Group	A UK-based energy services company.	947,700
645,000	Eddie Stobart Logistics	Provides leading supply chain transport and logistics across Europe.	793,350
500,000	Hansard Global	Provides, supports and services life assurance products for financial institutions and independent financial intermediaries globally.	395,000
			128,925,210

Property Portfolio

The Market

UK commercial property delivered a total return of 9.6% in 2017 as measured by the IPD Annual Index. This was well above the returns on UK equities and gilts, as well as market expectations at the start of the year. But the rising tide has not lifted all boats – industrial/warehouse and the newer alternative types of property (such as leisure, hotels, car showrooms, medical and student accommodation) have substantially outperformed office and retail property. Capital and rental values of shopping centres, high street shops and shorter-let London offices have been slipping since the autumn. In all sectors there has been a flight to safety, with longer-let, particularly index-linked property outperforming stock with short leases or weak tenants. Rental values rose by 2% in 2017 on average across the property market as a whole, with retail rents under pressure and the growth coming from the industrial/ warehouse and alternatives sectors.

UK Commercial Property – Average Annual % Growth to March 2018

	3 Months	1 Year	3 Years	5 Years	10 Years
Capital Values	+3.1	+5.0	+3.5	+5.1	+0.4
Rental Values	+1.2	+2.0	+2.6	+2.6	+0.3
Total Returns	+7.7	+10.0	+8.5	+11.2	+6.2

Source: IPD Quarterly Index – Annualised

Average capital and rental growth will be lower in 2018, with rental income providing most of 5% - 7% total returns. Two props for parts of the investment market have been cut back, with the long overdue introduction of capital gains tax for overseas investors in commercial property (which has affected some central London investments) and restrictions on local authorities borrowing from the Public Works Loan Board to buy commercial property outside their own area.

Cyclical and structural pressures on many retailers and restaurant operators, both in and out of town, have now combined to push many retailers and restaurant operators into difficulties. Toys R Us, Maplin, New Look, Carpetright, House of Fraser, Select, and Jamie's Italian, Prezzo and Byron Burgers have all torn up their leases or cut the rents they pay on over a thousand properties. Rising food prices resulting from the post-referendum devaluation of sterling have meant consumers have had to spend more on their basic supermarket shop, thus squeezing more discretionary areas of consumer spending, often savagely. Although annual consumer price inflation has now peaked and is falling back into the 2% - 3% range, so real consumer incomes have stabilised, any growth in overall retail spending will be online rather than through bricks and mortar shops, shopping centres and retail warehouses.

Matthew Oakeshott and Louise Cleary

Commercial property rental values may show little overall growth in 2018, with retail faring worst, and rising business rates and Brexit concerns making it necessary to offer London office tenants ever bigger incentives to sign new leases. But these falls should be offset by further growth in industrial/warehouse rents, especially in Southern England where much industrial land has been lost to housing, and in the fast growing alternatives sectors, (which accounted for almost a third of all property investment transactions in 2017). Safe property with long, preferably index-related, leases to strong covenants, should enjoy another year of strong real returns; institutional property investors are only just waking up to the excellent investment value such properties still offer in a yield-hungry world, in comparison with conventional and index-linked gilt yields still near their historic lows, as the following table shows:

COMPARATIVE YIELDS – END DECEMBER

(Equivalent Yield) End December (except 2018 March)		2018	2017	2016	2015	2014	2008	2006
Property		5.4	5.5	5.7	5.6	5.9	8.1	5.4
Long Gilts	Conventional	1.4	1.3	1.5	2.2	2.0	3.7	4.6
	Index Linked	-1.7	-1.8	-1.8	-0.6	-0.8	0.8	1.1
UK Equities		3.8	3.6	3.5	3.7	3.4	4.5	2.9
R.P.I (Annual Rate)		3.3	4.1	2.5	1.1	2.0	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	4.0	4.2	4.2	3.4	3.9	4.4	0.8
	less Index Linked Gilts	7.1	7.3	7.5	6.2	6.7	7.3	4.4
	less Equities	1.6	1.9	2.2	1.9	2.5	3.6	2.5

Source: IPD (RPI: ONS)

The UK economy continues to grow, but at the slowest rate of any of the G7 major world economies. The world economy is estimated to have grown by 3.7% in 2017, with a slight acceleration in 2018 and 2019, and with both the Eurozone and U.S. economies growing steadily at around 2.5% in each of those three years. At around 1.5% a year, the UK economy is being helped by improving exports and higher overseas growth. But it is held back by weak consumer spending (representing two-thirds of GDP) and business confidence, deferred investment decisions and growing labour shortages, especially in construction, hospitality and agriculture, with net migration for the EU halved as the Brexit decision date approaches. The UK service sector and construction had both been resilient for most of 2017, but were already weakening over the winter even before the recent adverse weather. The smaller manufacturing and export sectors, however, are still performing well.

Consumer Price Inflation and Retail Price Inflation have both peaked at 3% and 4% respectively and may fall back to between 2% and 3% this year. The “wedge” effect – the difference between the annual growth rate of the RPI and the CPI - looks likely to stay near to 1%, partly for technical method of calculation reasons, but also because housing depreciation (a proxy for house prices), mortgage interest payments and council tax payments are all included in the RPI but not the CPI. Investors in index-linked property should therefore continue to pay a significant premium for RPI-linked over CPI-linked rental income. The Minimum Wage has risen by 4.3% to £7.83 per hour, helping consumer incomes to stabilize in 2018 after a 1% real cut in 2017. Public sector net borrowing is down from almost 10% of GDP to 2.2% now, but the strains of successive cuts are growing in local authorities (especially funding social care, education and the NHS), with the 1% public sector pay cap now scrapped. The Bank of England has raised base rate from 0.25% to 0.5%, but further rises may be small and slow. Longer term interest rates may rise significantly if overseas investors start to price in the risks of a hard Brexit or far-Left Labour government.

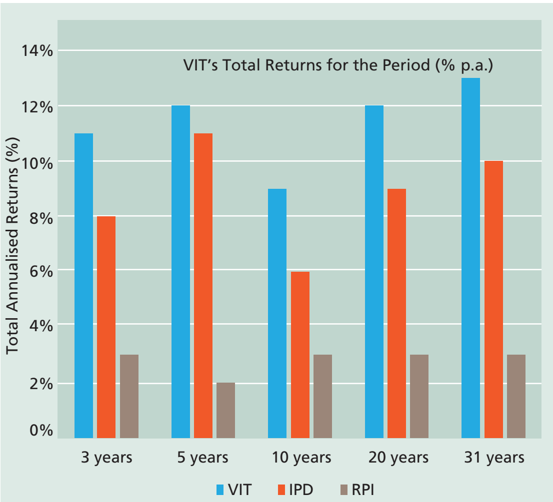
Over the past two years, there have been many more transactions in the safer sectors of the UK property market than in shorter-let offices and shopping centres. Those parts of the market are still in limbo, with many frustrated sellers, especially U.S. distressed debt and hedge funds, while buyers are few and far between. So valuations of property in those sectors, and the IPD indices overall, are still too optimistic. When more properties change hands in the weaker sectors they will gradually be marked to market, cutting capital growth right back in the overall IPD market indices in 2018.

“Safety first” should stay the slogan for property investors targeting strong real returns again at relatively low risk. This approach paid off in 2017, and property portfolios with weighted average unexpired lease lengths (WAULTs) above the IPD average of 7 years, and void rates below IPD’s 7%, should continue to deliver strong relative and absolute real returns over 2018.

THE PORTFOLIO

VIT's property portfolio produced a total return of 11% over the year to March, against 10% for the IPD Index, the main benchmark for commercial property performance. VIT's long term property record is shown in the table on page 12.

We concentrate on properties with long, strong income streams to cover the fixed interest payments on our debt and deliver long-term income and capital growth. The total return on our property portfolio has been between 11% and 13% a year over the past 3, 5, 20 years and 31 years since the start. Over 10 years the average return was 9%. These returns are 1 to 2% a year above the IPD averages over 1, 3 and 5 years and 3% a year over longer periods. Real returns above the RPI from VIT's property portfolio were 6% a year over the past 10 years and 8-10% a year over all other periods.



We bought two new properties with index-related rent reviews in Southampton and Stafford in the past year for £5.4 million at an average net initial yield on purchase of 7.0%; their average unexpired lease length was 18 years. We sold four over-rented shop properties in Caerphilly, Lytham St Anne's, Poole and Stratford, for £5.7 million (2% below valuation) at a net initial yield of 8.7%, falling to below 7.0% on their current rental values. Their average unexpired lease length was 4 years. The property portfolio was fully invested at the year end.

The capital value of properties held throughout the year rose by 4%, rental income rose by 1% and rental values by 2%. Industrial properties, pubs, supermarkets and the caravan park performed best, with capital growth of 7%, but shops and motor trade properties were flat. 17 properties gained in value, 5 fell and 4 were unchanged, with 2 new purchases.

All properties are let on full repairing and insuring leases, with upward-only rent reviews and an average unexpired lease length now of 14 years. The portfolio has been fully let and income-producing throughout the year. A third of rental income is reviewed annually, with two-thirds five yearly. 62% of the portfolio's rental income comes from index-related leases (up from 39% five years ago).

The property portfolio has been funded for many years by 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 repayable in 2021. Because these Debenture Stocks were issued at a premium, their effective interest cost averaged 9%, against the 13% p.a. long-term return from VIT's properties. We borrowed a further £15 million in 2015-2016 at a fixed interest rate of 4.4%, including all costs, also until 2026 and invested the proceeds in properties at a net initial yield of 6.9%.

Purchase - Southampton

Applegreen convenience store and petrol filling station, lease guaranteed by Co-operative Group Food, at £140,184 a year on a 9 year lease with 2% annual rent increases. Bought for £2,075,000 in July 2017 at a net initial yield of 6.5%. Valued at £2,250,000.

Purchase - Stafford

Bowling centre let to Tenpin Limited at £235,000 subject to annual RPI uplifts (min 1%, max 3%). Unexpired term 24 years. Bought for £2,944,000 in January 2018 at a net initial yield of 7.5%. Valued at £2,950,000.

Results of Independent Revaluation

The VIT property portfolio was subject to an independent professional revaluation at 31 March 2018 by Savills. The revaluation showed a value of £68,700,000. Our properties are revalued every six months, at 30 September and 31 March.

Capital values rose by 4% over the year and rental income by 2% on a like for like basis. Twenty-six of the properties valued at 31 March 2018 were freehold and two are long leasehold with 40 years and 87 years to run.

Matthew Oakeshott and Louise Cleary
OLIM Property Limited
29 May 2018

VIT's Property Record

31 March	Rental Income £000	Capital Value £000	Yield on Valuation %	Total Return VIT %	Total Return IPD Quarterly Index*
2018	4,329	68,700	6.3	11	10
2017	4,480	66,775	6.7	13	4
2016	3,940	55,125	7.2	10	11
2015	4,019	54,500	7.4	13	17
2014	3,552	46,475	7.6	11	14
2013	3,543	46,225	7.7	4	3
2012	3,537	48,250	7.3	7	6
2011	3,552	49,075	7.2	9	11
2010	3,463	48,750	7.1	18	17
2009	3,278	44,850	7.3	-11	-25
2008	3,261	51,000	6.4	0	-9
2007	3,116	54,525	5.7	15	16
2006	3,219	52,250	6.2	21	21
2005	3,124	45,875	6.8	21	17
2004	3,052	40,375	7.5	15	12
2003	3,089	40,550	7.6	12	9
2002	3,013	38,800	7.8	13	7
2001	3,117	39,825	7.8	10	10
2000	3,054	39,800	7.7	15	15
1999	3,410	41,055	8.3	25	11
1998	3,141	34,800	9.0	15	17
1997	3,111	32,805	9.5	10	12
1996	2,840	29,440	9.6	9	5
1995	2,948	31,125	9.5	10	6
1994	2,806	29,835	9.4	23	26
1993	2,773	26,415	10.5	12	-1
1992	2,709	25,880	10.5	10	-3
1991	2,331	23,800	9.8	2	-10
1990	2,050	24,390	8.4	15	15*
1989	1,915	23,475	8.2	30	30*
1988	1,329	14,939	8.9	24	26*
1987	1,155	11,375	10.2	N.A.	N.A

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

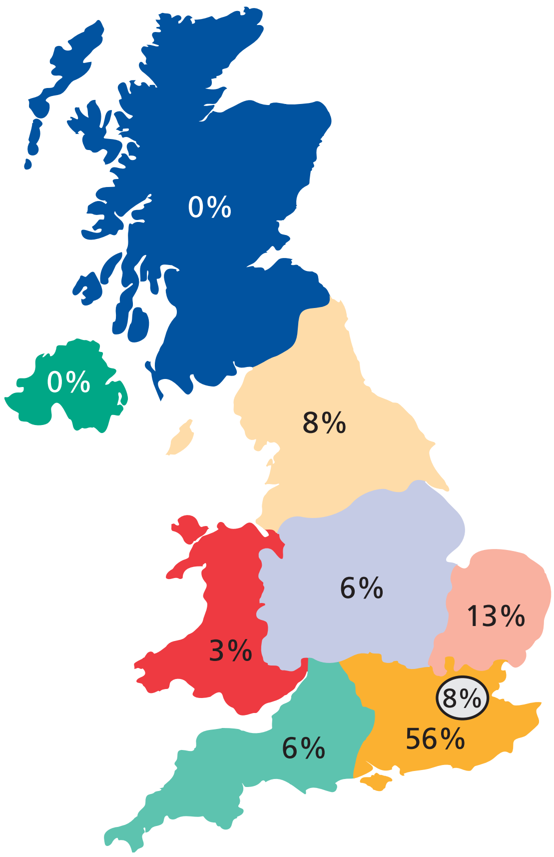
Property Portfolio By Sector

Pubs & Restaurants	33%
Industrial	17%
Shops	16%
Roadside	14%
Caravan Park	11%
Supermarkets	5%
Bowling Centre	4%
Total	100%

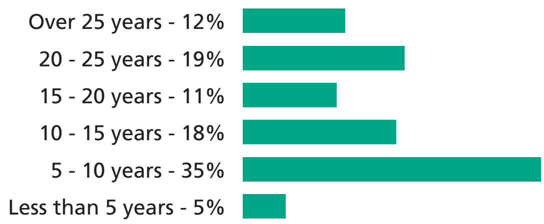
Top Fifteen Tenants By Rental Income

Stonegate	12%
Park Resorts	11%
Marshalls	8%
Co-operative Food	8%
Hampshire County Council	8%
Shepherd Neame	7%
Adelie Foods	7%
Tenpin	5%
Iceland	4%
Poundland	4%
Greene King	3%
Mitchells & Butlers	3%
WH Smith	3%
Mitchells of Lancaster	3%
Toolspec	3%
Total	89%

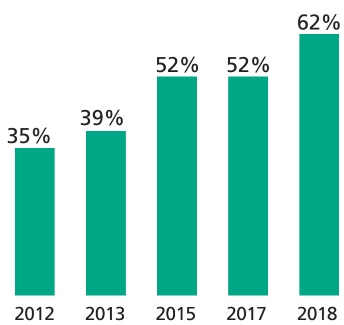
Portfolio By Region



Income By Lease Expiry



Index-Related Share of Rental Income



List of Properties as at 31 March 2018

ADDRESS	TENANTS
Pubs & Restaurants	
Bedford – The Rose, 45 High Street*	Stonegate
Bournemouth – Yates, 2 Dean Park Crescent*	Stonegate
Brentwood – 129-129A High Street*	Prezzo
Canterbury – The Bishops Finger, 13 St Dunstan St*	Shepherd Neame
Cheltenham – The Spectre, 73-75 High Street	Stonegate
Coventry –Castle Grounds, 7 Little Park Street*	Stonegate
Lancaster – Fibber McGees, 8 James Street*	Mitchells of Lancaster
Lancaster – 1725, Market Square*	Mitchells of Lancaster
London – The Bishop's Finger, West Smithfield*	Shepherd Neame
London – The Prince of Wales, 48 Cleaver Square*	Shepherd Neame
Oxted – The Old Bell, 18 High Street**	Greene King
Selby – The George Inn, Market Place*	Stonegate
Thornton-Cleveleys – The Tramway, 165-169 Victoria Street West	Mitchells & Butlers
Industrial	
Fareham – Mitchells Close, Segensworth East	Hampshire County Council
Luton – Sedgwick Road*	Toolspec Manufacturing
Milton Keynes – Wimblington Drive**	Adelie Foods
Shops	
Bedford – 23-25 Midland Road	Bodycare
Godalming – 80-82 High Street	W H Smith
Lymington– 78-80 High Street	Poundland
Risca – 77 Tredegar Street*	Caerphilly Council, Tesco
Sevenoaks - 87-93 High Street	Santander, Oxfam, Specsavers, FMS South Park
Roadside	
Horsham – Buck Barn, Worthing Road, West Grinstead	Co-operative Food and McDonald's
Oxford – 171/173 Cumnor Hill	Marshalls, assigned from Sytners
Southampton – Applegreen, Swaythling Road**	Co-operative Food
Caravan Park	
Dover – St Margaret's Holiday Park, Reach Road*	Park Resorts
Supermarkets	
Harrogate – Skipton Road*	Co-operative Food
Sudbury – 94-95 North Street**	Iceland
Bowling Centre	
Stafford – Tenpin, Greyfriars Place*	Ten Entertainment Group

* RPI-linked rent reviews
** Fixed rent reviews


Selby


Oxted


Harrogate


Dover


Fareham

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

The Group

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

Investment Aims

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

Investment Policy

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

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

The Company has, since 1986, had a long-standing policy of increasing its exposure to equities and to property through the judicious use of borrowings. Until recently, all borrowings have been long-term debentures to provide secure long-term funding, avoiding the risks associated with short-term funding of having to sell illiquid assets at a low point in markets if loans have to be repaid. On 26 February 2015, a five year secured term loan facility of £5m was arranged with Santander UK plc at a five year fixed interest rate of 4% p.a. including all costs. This loan was refinanced on 13 May 2016 and a new ten year secured term loan facility of £15m was arranged with Santander UK plc at a ten year interest rate of 4.4% p.a. including all costs to replace the original £5m loan arranged in February 2015.

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

No material changes may be made to the Company's investment policy described above without the prior approval of Shareholders by the passing of an Ordinary Resolution. In the year to 31 March 2018, no material changes were made to the Company's investment policy.

Performance, Results and Dividend

The first quarterly dividend for the year to 31 March 2018 of 2.7p per share was paid on 27 October 2017, the second quarterly dividend of 2.7p per share was paid on 26 January 2018 and the third quarterly dividend of 2.7p per share was paid on 27 April 2018.

A review of the performance of the equity and property portfolios is detailed in the Chairman's Statement on page 4 and in the Investment Managers' Reports on pages 5 to 14. The Directors recommend that a final dividend of 3.3p per Ordinary Share (2017: 3.2p) is paid on 27 July 2018 to Shareholders on the register on 29 June 2018. The ex-dividend date is 28 June 2018.

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

Company Revenue Reserves

	£'000	Pence per share
Revenue reserve at 31 March 2017	1,053	2.31
Net revenue earned in the year	4,527	9.94
Dividends paid and payable	(5,193)	(11.40)
Revenue reserve at 31 March 2018	387	0.85

Principal Risks and Uncertainties

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

Market risk

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

Price risk

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

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

Interest rate risk

Interest rate movements may affect:

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

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

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

Currency risk

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

Liquidity risk

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

The Group's assets comprise readily realisable securities which can be sold to meet commitments, if required, and investment properties which, by their nature, are less readily realisable. The maturity of the Company's existing borrowings is set out in the interest rate risk profile section of Note 21 of the Financial Statements.

Credit risk

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

The risk is not significant and is managed as follows:

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

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

Property risk

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

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 14 years (2017: 13½ years). Details of the tenant and geographical spread of the portfolio are set out on page 13. The long-term record of performance through the varying property cycles since 1987 is set out on page 12. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

Political risk

In a referendum held on 23 June 2016, the UK voted to leave the European Union (a process informally known as "Brexit"). The formal process of implementing this decision exists in Article 50 of the Lisbon Treaty which was invoked on 29 March 2017. The full political, economic and legal consequences of the referendum vote are not yet known.

It is possible that investments in the UK may be more difficult to value and assess for suitability of risk, harder to buy or sell and may be subject to greater or more frequent rises and falls in value. In the longer term there is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the UK.

The Board regularly reviews the political situation, together with any associated changes to the economic, regulatory and legislative environment, to ensure that any risks arising are mitigated as effectively as possible.

An explanation of certain economic and financial risks and how they are managed is contained in Note 21 to the Financial Statements.

Additional risks and uncertainties include:

- **Discount volatility:** The Company's shares may trade at a price which represents a discount to its underlying net asset value.

- **Regulatory risk:** The Group operates in a complex regulatory environment and therefore faces a number of regulatory risks. A breach of Section 1158 of the Corporation Tax Act 2010 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including but not limited to, the Companies Act 2006, the FCA Listing Rules and the FCA Disclosure, Guidance and Transparency Rules, could lead to a number of detrimental outcomes and reputational damage. Breaches of controls by service providers to the Company could also lead to reputational damage or loss. The Audit and Management Engagement Committee monitors compliance with regulations by reviewing internal control reports from the Administrator and from the Investment Managers.

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

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

  In January 2018 two new pieces of legislation were introduced. The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and the Second Markets in Financial Instruments Directive (MiFID II) came into force on 1 and 3 January 2018 respectively. PRIIPs required that a Key Information Document (KID) be published for the Company. A copy of the Company's KID is available to view on the Managers' websites www.olim.co.uk and www.olimproperty.co.uk.

  It should be noted that the form and content of the KID is strictly prescribed and includes specific information on investment risks, performance and costs, which must be provided to all potential investors before they can purchase shares in the Company to enable them to compare the performance of different investment companies. In addition, there is a new requirement under MiFID II, for the Investment Managers to report all transactions in quoted shares (for buy backs as well as those in underlying investments) to the Financial Conduct Authority (FCA) to assist in its continued efforts to combat market abuse.

  The General Data Protection Regulation came into force on 25 May 2018, replacing the Data Protection Act 1998. This regulation enforces the principle of 'privacy by design and by default' and enshrines new rights for individuals, including the right to be forgotten and to data portability. The Directors have been working with the third parties that process Shareholders' personal data to ensure that their rights under the new regulation are respected and the Company's privacy policy is now available to view on the Managers' websites www.olim.co.uk and www.olimproperty.co.uk.

Key Performance Indicators

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

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

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

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

Statement of Compliance with Investment Policy

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

Employee, Environmental and Human Rights Policy

As an investment trust company, the Company has no direct employee or environmental responsibilities, nor is it responsible for the emission of greenhouse gases. Its principal responsibility to Shareholders is to ensure that the investment portfolio is properly managed and invested. The Company has no employees and accordingly, has no requirement to report separately on employment matters.

Management of the investment portfolio is undertaken by the Investment Managers through members of their portfolio management teams. In light of the nature of the Company's business, there are no relevant human rights issues and, therefore, the Company does not have a human rights policy.

Future Strategy

The Board and the Investment Managers intend to maintain the strategic policies set out above for the year ending 31 March 2019 as it is believed that these are in the best interests of Shareholders.

At the Annual General Meeting of the Company held in July 2016, Shareholders approved an amendment to the Company's Articles of Association. The amended Articles now require the Board to put an Ordinary Resolution to Shareholders in 2024 in relation to the future direction of the Company, including proposals that provide an opportunity for Shareholders to realise their investment in full at Net Asset Value, less costs, by 31 March 2027 at the latest. The reason for doing this in 2024 is to give sufficient time for refinancing the debt or for selling properties as required.

Approval

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

James Ferguson
Chairman
29 May 2018

Directors' Report

The Directors submit their report together with the Financial Statements of the Group and the Company for the year ended 31 March 2018. A summary of the financial results for the year can be found in the Financial Highlights and Long-Term Record on page 2. Details of the proposed final dividend for the year are set out in the Chairman's Statement and in the Business Review sections within the Strategic Report.

Principal Activity and Status

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

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

Regulatory Status

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

Other Regulatory Matters

With effect from 1 January 2016, new tax legislation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced. The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. The Company will provide information annually to the local tax authority on the tax residency of a number of non-UK based certified Shareholders and corporate entities. All new Shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016, are sent a certification form for the purposes of collecting this information. For further information please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders https://www.gov.uk/government/publications/exchange-of-information-accountholders.

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in this Directors' Report, and the financial position of the Company is described in the Chairman's Statement within the Strategic Report. In addition, Note 21 to the Financial Statements includes: the Company's objectives, policies and processes for managing its financial risks; details of its financial instruments; and its exposures to market price risk, interest rate risk, liquidity risk, credit risk and price risk sensitivity. The Directors believe that the Company is well-placed to manage its business risks.

Having made suitable enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future, being at least 12 months from approval of the Financial Statements, and accordingly, they have continued to adopt the going concern basis (as set out in Note 1(b) on page 56) when preparing the Annual Report and Financial Statements.

Viability Statement

In accordance with Provision C.2.2 of the UK Corporate Governance Code published in April 2016 and Principle 21 of the AIC Code of Corporate Governance published in July 2016, the Board has assessed the Company's prospects for the five year period to 31 March 2023. The Board consider that this five year period is appropriate for an investment trust company of its size and based on the financial position of the Company as detailed in the Chairman's Statement, the Investment Managers' Reports and the Business Review of this Annual Report.

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

a) The Company's equity investments are traded on a major stock exchange and there is a spread of investments held. The Directors are of the opinion that the bulk of the equity portfolio could be liquidated within 5 trading days and there is no expectation that the nature of investments held would be materially different in the future.
b) The Company's property portfolio is valued at £68.7m, of which £67.2m against a required £47.5m is securing a debenture stock expiring in 2021 and a loan facility expiring in 2026.
c) The Company is closed ended in nature and therefore does not require to sell investments when Shareholders wish to sell their shares.
d) The Board has considered the risks faced by the Company as detailed in the Business Review and referred to in Note 21 of the Financial Statements on pages 71 to 77 and have concluded that the Company would be able to take appropriate action to protect the value of the Company.
e) Due to the nature of the business of the Company and the nature of its investments and to the Company's long history, the Board are able to conclude that expenses are predictable and modest in relation to asset values. There is a significant proportion of expenses on an ad valorem basis (management fees to 31 March 2018 are 67% of total expenses) which reduces as NAV declines, expenses including interest were covered 1.6 times by income in the year.
f) There are no capital commitments currently foreseen that would alter the Board's view.
g) Details of the financial covenants which the Company complies with are detailed in Note 12 of the Financial Statements on pages 67 and 68.

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

Accordingly, given the above, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five years ending 31 March 2023.

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 21 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 29 to 33.

Share Capital

As at 31 March 2017 and 31 March 2018, and as at the date of approval of this Annual Report, the Company had 45,549,975 Ordinary Shares of 10p nominal value in issue. Each Ordinary Share entitles the holder to one vote on a show of hands and, on a poll, to one vote for every share held.

Directors

Biographies of the Directors who held office at the year end are shown in the Directors' Details section of this Annual Report on page 3. The Directors' interests in the shares of the Company at the year end are shown in the table on page 28.

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

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

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

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

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

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

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

Following a recommendation by the Nomination Committee, Dominic Neary, was appointed to the Board in January 2018 and will offer himself for election as a Director at the 2018 AGM to be held on 6 July 2018. Further details about Dominic Neary can be found in the Directors' Details section on page 3.

Investment Management

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

Under the terms of the updated and restated investment management agreements and in respect of the year to 31 March 2018, OLIM and OLIM Property received an investment management fee of 2/3 of 1% of the Company's total assets less current liabilities (VIT total assets), which is currently allocated 70% to OLIM and 30% to OLIM Property.

Accordingly, during the year ended 31 March 2018, OLIM received an annual investment management fee of £995,000 excluding VAT, and OLIM Property received an annual investment management fee of £427,000 excluding VAT. No performance fee was paid to OLIM or to OLIM Property in the period.

The Directors, together with VIS, review the performance of the Investment Managers and review the terms and conditions of their appointment on a regular basis. Following the most recent review, agreement has been reached with the Investment Managers that the commercial terms of the investment management agreements currently in place with OLIM and OLIM Property will be revised to provide for a new fee structure. Accordingly, from 1 April 2018, the investment management fee will be charged applying the rate of 0.6% on the gross assets of the Group with no performance fee.

Following this review, the Directors are satisfied that the continuing appointment of OLIM and OLIM Property as Investment Managers, on the revised 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.

The costs and expenses of VIS are also met by the Company.

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

Substantial Interests

In addition to the Directors' Interests indicated in the table on page 28, the only persons known to the Company who, directly or indirectly, were interested in 3% or more of the issued ordinary share capital of the Company as at 31 March 2018 are listed in the table below:

Shareholder	Number of Ordinary Shares	% held
Alliance Trust Savings Nominees Limited	4,473,735	9.8
Hargreaves Lansdown (Nominees) Limited (HLNOM)	1,385,790	3.0

At 24 May 2018, being the last practicable date prior to the publication of this Annual Report, the only persons known to the Company who, directly or indirectly, were interested in 3% or more of the Company's issued Share Capital were as follows:

Shareholder	Number of Ordinary Shares	% held
Alliance Trust Savings Nominees Limited	4,618,137	10.1
Hargreaves Lansdown (Nominees) Limited (15942)	1,401,388	3.1
Hargreaves Lansdown (Nominees) Limited (HLNOM)	1,371,664	3.0

Independent Auditor

The Company's Independent Auditor, Grant Thornton UK LLP, is willing to continue in office and Resolutions 9 and 10 will be proposed at the 2018 Annual General Meeting (AGM) to propose its re-appointment and to authorise the Directors to fix its remuneration. Fees for non-audit services amounting to £10,000 were paid to Grant Thornton UK LLP during the year under review in relation to services provided in the preceeding year (2017: £7,000). The Directors have received assurances from the Auditor that they remain independent and objective. The Directors have also reviewed the Auditor's procedures in connection with the provision of non-audit services and remain satisfied that objectivity and independence is being safeguarded by Grant Thornton UK LLP.

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

Additional Information

Information relating to dividends, likely future developments and important events since the year end are detailed in the Chairman's Statement on page 4 and in the Business Review on pages 15 to 19. 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.

Under the Articles of Association, the Company has a fixed life until 31 March 2027 save that the Board may propose a continuation vote in 2024 that would release the Board from its obligation to propose the liquidation resolution if the Shareholders approve the continuation of the Company and the Board implement the alternative proposals that include a cash exit at close to Net Asset Value.

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

Annual General Meeting

The Notice of the Annual General Meeting (AGM), which will be held on Friday, 6 July 2018 at 12.30pm at the offices of Shepherd and Wedderburn LLP, 1 Exchange Crescent, Edinburgh EH3 8UL, and related notes may be found on pages 82 to 87 of this Annual Report.

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

Among the Resolutions being put to the AGM, the following is a more detailed explanation of Resolutions 11 to 14.

Resolutions 1 to 10 are self-explanatory and require no further explanation.

Issue of Ordinary Shares by the Company

Resolution 11, which is an Ordinary Resolution, will, if passed, renew the Directors' authority to allot new Ordinary Shares up to a nominal value of £455,499. This will allow the Directors to allot up to 4,554,997 Ordinary Shares (being approximately 10% of the total ordinary issued share capital of the Company as at the date of the Notice of Annual General Meeting set out on pages 82 to 87 of this Annual Report) (excluding treasury shares).

Limited Disapplication of Pre-emption rights

Resolution 12, which is a Special Resolution, will, if passed, renew the Directors' existing authority to allot new shares or sell treasury shares for cash without the shares first being offered to existing Shareholders in proportion to their existing holdings. This will give Directors authority to make limited allotments or sell shares from treasury of up to a nominal value of £455,499, being up to 4,554,997 Ordinary Shares, representing approximately 10% of the total ordinary issued share capital. The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by Resolution 11. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them.

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

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

Purchase of the Company's Ordinary Shares
The Company's buy back authority was last renewed at the AGM on 7 July 2017. Special Resolution 13 renews the Board's authority to make market purchases of the Company's Ordinary Shares in accordance with the provisions contained in the Companies Act 2006 and the FCA Listing Rules. Accordingly, the Company will seek the authority to purchase up to a maximum of 14.99% of the issued ordinary share capital (excluding treasury shares) at the date of passing of Resolution 13 (being approximately 6,827,941 Ordinary Shares as at the latest practicable date prior to the publication of this Annual Report) at a minimum price of not less than 10 pence per share (being the nominal value). Under the FCA Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The authorities being sought under Resolutions 11, 12 and 13 shall expire at the conclusion of the next AGM in 2019 or, if earlier, on the expiry of 15 months from the date of the passing of Resolutions 11, 12 and 13, unless such authority is renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of Shareholders and would result in an increase in the net asset value per share. Any Ordinary Shares purchased shall either be cancelled or held in treasury.

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

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where considered to be in the interests of all Shareholders. If Resolution 14 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2019 or, if earlier, on the expiry of 15 months from the date of passing of Resolution 14, unless renewed prior to such time.

Recommendation

Your Board considers Resolutions 1 to 11 inclusive, which are all Ordinary Resolutions, and Resolutions 12 to 14 inclusive, which are all Special Resolutions, to be in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that Shareholders vote in favour of Resolutions 1 to 14 inclusive to be proposed at the AGM on 6 July 2018.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
29 May 2018

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 39 to 48.

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

At 31 March 2018, the Company had six 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 28.

Remuneration Policy

The Company's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be fair and comparable with that of other investment trust companies that are similar in size, have a similar capital structure and a similar investment objective. Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him or her. The fees for the Directors are determined within the limits set out in the Company's Articles of Association, which limit the aggregate of the fees payable to the Directors to £200,000 and the approval of Shareholders in general meeting would be required to change this limit. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. The Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

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

It is the Board's intention that the above Remuneration Policy be put to a Shareholders' vote at least once every three years and, as a resolution was approved at the AGM held in 2017, an Ordinary Resolution for its approval will be proposed at the 2020 AGM.

At the AGM held on 7 July 2017, the result in respect of the Ordinary Resolution to approve the Directors' Remuneration Policy for the three-years to 31 March 2020 was as follows:

	Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
Remuneration Policy	99.2	0.8	47,099

During the year ended 31 March 2018, the Board was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration. However, in the application of the Board's policy on Directors' remuneration, as defined above, the Committee expects, from time to time, to review the fees paid to the directors of other investment trust companies.

During the year ended 31 March 2018, the Nomination Committee carried out a review of the remuneration policy and the level of Directors' fees and recommended that the level of Directors' fees payable for the year ending 31 March 2019 should remain unchanged and at the level that was agreed from 1 April 2017 being £27,500 for the Chairman and £20,000 for each other Director.

At the AGM held on 7 July 2017, the result in respect of the Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 March 2017 was as follows:

	Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
Remuneration Report	99.1	0.9	56,776

Directors' Fees and Total Remuneration

The Company does not have any employees and Directors' remuneration comprises solely Directors' fees. The current and projected Directors' fees for the year ended 31 March 2018 and the year ending 31 March 2019 are shown below.

	Directors' Fees 2019 £	Directors' Fees 2018 £
James Ferguson (Chairman)	27,500	27,500
John Kay	20,000	20,000
Dominic Neary	20,000	3,656
David Smith	20,000	20,000
OLIM Limited (for Angela Lascelles' services)	20,000	20,000
OLIM Property Limited (for Matthew Oakeshott's services)	20,000	20,000
Total	**127,500**	**111,156**

The Directors' fees payable to OLIM and OLIM Property for the services of Angela Lascelles and Matthew Oakeshott respectively are included in the fees paid to OLIM and OLIM Property in respect of investment management services for the year. Further details of the fees payable to OLIM and OLIM Property are set out on pages 22 and 23.

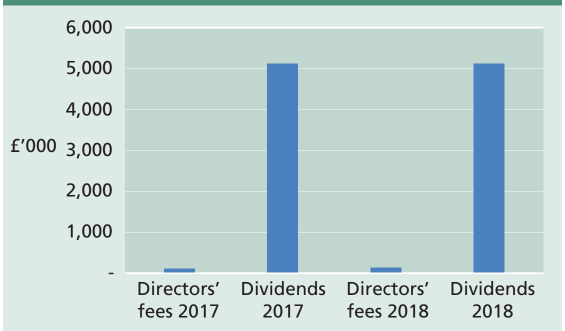
Directors do not have service contracts, but new Directors are provided with a letter of appointment. The terms of appointment provide that Directors should retire and be subject to re-election at the first AGM after their appointment. The Company's Articles of Association require all Directors to retire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

During the year ended 31 March 2018, no communication had been received from Shareholders regarding Directors' remuneration.

Relative Cost of Directors' Remuneration

The chart below shows, for the years ended 31 March 2017 and 31 March 2018, the cost of Directors' fees compared with the level of dividend distribution.

Relative Cost of Directors' Remuneration (£'000)



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

Directors' and Officers' Liability Insurance

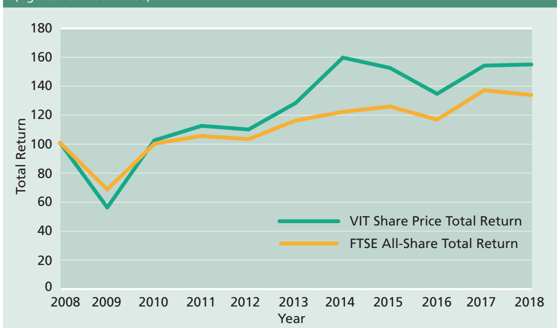
The Company purchases and maintains liability insurance covering the Directors and Officers of the Company. This insurance is not a benefit in kind, nor does it form part of the Directors' remuneration.

Company Performance

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

The graph below compares the total returns on an investment of £100 in the Ordinary Shares of the Company, for each annual accounting period for the ten years to 31 March 2018, assuming all dividends are reinvested, with the total shareholder return on a notional investment of £100 made up of shares of the same kinds and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes as it is the most relevant to the Company's investment portfolio.

Cumulative total return for the ten year period ended 31 March 2018 (figures rebased to 100)



(Source: London Stock Exchange)

Directors' Remuneration (audited)

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
James Ferguson (Chairman)	27,500	25,000
John Kay	20,000	18,000
Dominic Neary	3,656	–
David Smith	20,000	18,000
OLIM (for Angela Lascelles' services)	20,000	18,000
OLIM Property (for Matthew Oakeshott's services)	20,000	18,000
Total	**111,156**	**97,000**

The Directors' fees payable to OLIM and OLIM Property for the services of Angela Lascelles and Matthew Oakeshott respectively are included in the fees paid to OLIM and OLIM Property in respect of investment management services for the year. Further details of the fees payable to OLIM and OLIM Property are set out on pages 22 and 23.

The above amounts exclude any employers' national insurance contributions, if applicable. No other form of remuneration was 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 2018 (2017: £nil).

Directors' Interests (audited)

The Directors' Interests in the share capital of the Company as at 31 March 2018 and as at the date of this report are shown below. There is no requirement for Directors to hold shares in the Company.

	31 March 2018 Ordinary Shares of 10p each	1 April 2017 Ordinary Shares of 10p each
James Ferguson	635,500	668,500
John Kay	198,114	198,114
John Kay – Family	19,274	19,274
John Kay – as Trustee	74,830	67,830
Dominic Neary	–	–
David Smith	19,320	19,320
Angela Lascelles	554,999	554,999
Angela Lascelles – Family	250,000	250,000
Angela Lascelles – as Trustee	12,000	12,000
Matthew Oakeshott	4,900,000	4,116,043
Matthew Oakeshott – Family	2,650,000	2,546,042

Approval

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

James Ferguson
Chairman
29 May 2018

The Company is committed to, and is accountable to the Company's Shareholders for, a high standard of corporate governance. The Board has put in place a framework for corporate governance that it believes is appropriate for an investment trust company and which enables it to comply with the UK Corporate Governance Code (the Code), published in April 2016. The Code is available from the website of the Financial Reporting Council at www.frc.org.uk.

The AIC has published its own code on Corporate Governance (the AIC Code) and the AIC Corporate Governance Guide for Investment Companies (the AIC Guide), both revised in July 2016 and which provide a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts or venture capital trusts suggest alternative approaches to those set out in the Code. Both the AIC Code and AIC Guide are available from the AIC website at www.theaic.co.uk.

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

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

This statement describes how the main principles identified in the Code and the AIC Code (the Codes) have been applied by the Company throughout the year as is required by the FCA Listing Rules. In instances where the Code and the 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); 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 six Directors, five male Directors and one female Director. Biographies of the current Directors are shown on page 3 and indicate their high level and range of investment, industrial, commercial and professional experience. John Kay is the Company's Senior Independent Director.

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

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

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

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

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

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

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

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

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

David Smith was appointed Chair of the Audit and Management Engagement Committee on 27 October 2017 as the other Directors consider that he has the skills and experience relevant to that role.

During the year ended 31 March 2018, the Board held four quarterly Board Meetings. The primary focus of quarterly Board Meetings is a review of investment performance and related matters including asset allocation, peer group information and industry issues. Between meetings, the

Board maintains contact with the Investment Managers and has access to senior members of the management teams and to the company secretarial team.

Directors have attended Board and Committee Meetings during the year ended 31 March 2018 as follows:

Director	Board	Audit and Management Engagement Committee	Nomination Committee
James Ferguson	4 (4)	2 (2)	2 (2)
John Kay	4 (4)	2 (2)	2 (2)
Angela Lascelles	4 (4)	n/a	2 (2)
Dominic Neary	1 (1)	–	–
Matthew Oakeshott	4 (4)	n/a	2 (2)
David Smith	4 (4)	2 (2)	2 (2)

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

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

Dominic Neary was appointed to the Board on 26 January 2018

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

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

Directors' Terms of Appointment and Policy on Tenure

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

Committees

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

Audit and Management Engagement Committee

Information regarding the composition, responsibilities and activities of the Audit and Management Engagement Committee is detailed in the Report of the Audit and Management Engagement Committee on pages 35 to 38.

Nomination Committee

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

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

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

External Agencies

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

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

Corporate Governance, Stewardship and Proxy Voting

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

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

Socially Responsible Investment Policy

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

Communication with Shareholders

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

In addition, both the Chairman and Senior Independent Director are available to meet major shareholders. Shareholders may contact the Directors by writing to the Chairman at the Registered Office. The address for the Registered Office can be found on page 81.

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

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Financial Statements is on page 34 and the Statement of Going Concern and the Viability Statement are included in the Directors' Report on pages 20 and 21. The Independent Auditor's Report is on pages 39 to 48.

By order of the Board
Maven Capital Partners UK LLP
Company Secretary
29 May 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Directors' Responsibility Statement

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

- the Financial Statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its undertakings as at 31 March 2018 and for the year to that date; and that
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

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

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

James Ferguson

Chairman

29 May 2018

Report of the Audit and Management Engagement Committee

The Audit and Management Engagement Committee was chaired for part of the year under review by James Ferguson, until October 2017 when David Smith was appointed Chair. The Committee comprises all of the independent Directors. Angela Lascelles and Matthew Oakeshott are not members of the Committee. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

Responsibilities

The principal responsibilities of the Committee include:

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

Internal Control and Risk Management

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

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

- Financial;
- Operational; and
- Compliance.

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

- Forecasts and management accounts are prepared which allow the Directors to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;

- OLIM and OLIM Property regularly report to VIS and to the Directors on the investment portfolio;
- OLIM's Compliance Officer keeps OLIM's operations under review;
- OLIM Property's Compliance Officer keeps OLIM Property's operations under review;
- VIS regularly reports to the Directors on compliance with the AIFMD;
- written agreements are in place which specifically define the roles and responsibilities of VIS, OLIM, OLIM Property and other third party service providers; and
- at its meeting in May 2018, the Audit and Management Engagement Committee carried out an annual assessment of internal controls and risk management for the year ended 31 March 2018 by considering documentation from OLIM, OLIM Property and Maven Capital Partners UK LLP and by taking account of events since 31 March 2018.

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

Assessment of Key Risks

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

Valuation, Existence and Ownership of the Investment Portfolio – How the Risk was Addressed

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

The reconciliation of the records held by the Depositary and Custodian (and by the Company's lawyers in the case of the title deeds) to the records maintained by the Company's administrator is reviewed and tested by the Independent Auditor. The equity portfolio is reviewed by OLIM regularly and the property portfolio is reviewed by OLIM

Property regularly. Management accounts including full portfolio listings are prepared quarterly and considered at the quarterly meetings of the Board.

The valuation of the equity and property portfolios is undertaken in accordance with the Company's stated accounting policy as set out in note 1(j) to the Financial Statements on pages 58 and 59.

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

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

DIVIDEND AND RENTAL INCOME RECOGNITION – HOW THE RISK WAS ADDRESSED

The recognition of dividend and rental income is undertaken in accordance with accounting policy note 1(e) to the Financial Statements on page 57. The management accounts are reviewed by the Board on a quarterly basis and discussion takes place with the Investment Managers at the quarterly Board Meetings regarding the revenue generated from dividend and rental income. The Directors are satisfied that the levels of income recognised are in line with revenue estimates. The Committee concluded that there were no issues associated with dividend and rental recognition which required to be addressed.

REVIEW OF RISK REPORTING

The Committee met twice during the year under review, on 8 May 2017 and 27 October 2017, and at each meeting considered the key risks detailed above and the corresponding internal control and risk reports provided by the Investment Managers and the Company Secretary. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Auditor and that the Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

At its meeting in May 2017, the Committee also reviewed, for recommendation to the Board, the Audit Report from the Independent Auditor and the draft Annual Report and Financial Statements for the year ended 31 March 2017, along with the amount of the final dividend for the year then ended. At its meeting in October 2017, the Committee reviewed the Half Yearly Report for the period to 30 September 2017 and also considered the performance of Grant Thornton UK LLP as Auditor, and its independence and tenure. The Committee concluded that it was satisfied with the performance of Grant Thornton UK LLP and that there was no requirement to put the provision of audit services out to tender at that time. The Committee agreed that this matter would be reviewed annually.

Subsequent to 31 March 2018, the Committee considered the draft Annual Report and Financial Statements for the year ended 31 March 2018, and provided advice to the Board that it considered that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Committee also reviewed the performance of the Investment Managers and the terms and conditions of their appointment and recommended that revisions be made to the investment management agreements as detailed in the Directors' Report on page 23. The Committee concluded that the performance of the Investment Managers was satisfactory and that the continued appointment of the Investment Managers on the commercially revised terms was in the continued best interests of Shareholders as a whole.

Report of the Audit and Management Engagement Committee

Review of Effectiveness of External Auditor

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

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

The Company appointed Grant Thornton UK LLP as Auditor on 31 January 2014. The Independent Auditor's Report is on pages 39 to 48. It should be noted that Christopher Smith of Grant Thornton UK LLP is the Senior Statutory Auditor responsible for the audit and that Grant Thornton UK LLP will rotate the Senior Statutory Auditor every five years. Chris Smith was appointed as Senior Statutory Auditor for the Company on 31 January 2014 and will be rotated for the audit for the year to 31 March 2019. Details of the amounts paid to Grant Thornton UK LLP during the year for audit and other services are set out in Note 4 to the Financial Statements.

The Company has in place a policy governing and controlling the provision of non-audit services by the external Auditor, so as to safeguard their independence and objectivity. Shareholders are asked to approve the re-appointment, and the Directors' responsibility for the remuneration, of the Auditor at each AGM. Any non-audit work requires the specific approval of the Committee in each case. Non-audit work where independence may be compromised or conflicts arise, is prohibited. There are currently no contractual obligations which restrict the Committee's choice of Auditor.

Grant Thornton UK LLP did not provide any tax services to the Company for the year ended 31 March 2018 and will not provide such services going forward.

Non-audit services amounting to £10,000 (2017: £7,000) were provided relating to annual debenture covenant compliance review and periodic debenture covenant compliance review following substitution of investment properties charged on the debenture. The ratio of non-audit fees to audit fees is 38%. The Committee believes that it is appropriate for the Company's Auditor to provide these services to the Company.

The Audit Committee have received assurances from the Auditor that their independence is not compromised by the supply of these services.

In light of recent EU regulation and FRC guidance on audit tenders, the Board is mindful that the audit will require to be put out to tender in the future. The Committee will continue to keep the matter of tenure of the Auditor under review. The Board has concluded that Grant Thornton UK LLP is independent of the Company and that a Resolution for the re-appointment of Grant Thornton UK LLP as external Auditor should be put to the 2018 AGM.

David Smith
Director
29 May 2018

Independent Auditor's Report to the Members of Value and Income Trust PLC

Opinion

Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Value and Income Trust PLC (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 March 2018, 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 notes to the Financial Statements, including a summary of significant accounting policies. 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.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's loss and the Parent Company's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Financial Statements 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 16 to 18 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 16 of the Annual Report, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement, set out on page 20 of the Annual Report and page 56 of the Financial Statements, about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 21 of the Annual Report, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall Group and Parent Company materiality: £1,505,000 and materiality: £1,486,000 which represents 1% of the Group's and Parent Company's net assets respectively.
- Key audit matters were identified as valuation, existence and ownership of equity investments; valuation, existence and ownership of investment properties; and accuracy, occurrence and completeness of dividend and rental income.
- We performed full scope audit procedures on the Parent Company and the subsidiary.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Valuation, existence and ownership of equity investments One of the Group's investment aims is investing in quoted equity markets and it aims for long-term real growth in dividends and capital value without undue risk. The equity investment portfolio at £129m is a significant material balance in the statement of financial position at the year-end and the main driver of the Group's performance. We therefore identified the valuation, existence and ownership of the investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the Group's accounting policy for the valuation of investments is in accordance with IFRSs as adopted by the European Union and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') and testing whether management have accounted for valuation in accordance with that policy; • confirming the existence and ownership of investments through agreeing the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Group's custodian; • independently pricing 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on the Group's investment holdings, which were agreed to Group records; and • extracting a report of trading volumes in the five trading days before and after the year end from an independent market source for the equity investments held to ensure that investments were actively traded. The Group's accounting policy on equity investments, including their valuation, is shown in Note 1(j) to the Financial Statements and related disclosures are included in Note 9. The Audit Committee identified valuation, existence and ownership of the investment portfolio as a principal matter in its report on pages 36 and 37, where the Audit Committee also described the action that it has taken to address this matter. **Key observations** Our audit work did not identify any material misstatements concerning the valuation, existence and ownership of equity investments.

KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
VALUATION, EXISTENCE AND OWNERSHIP OF INVESTMENT PROPERTIES One of the Group's investment aims is investing in higher-yielding, less fashionable areas of the UK commercial property and aims for long-term real growth in capital value without undue risk. The Group has a significant property portfolio of £69m classified as investment properties for financial reporting purposes in accordance with International Accounting Standard (IAS) 40 'Investment Property'. Measurement of investment property. This valuation includes significant management assumptions and judgements. The investment property portfolio at £69m is a significant material balance in the Statement of Financial Position at the year-end and an important driver of the Group's performance. We therefore identified the valuation, existence and ownership of the investment portfolio as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining an understanding of management's processes over the valuation of investment properties and the work of the Group's external valuer in determining the fair value by assessing the terms of engagement for the provision of valuation advice between the Group and the valuer; • confirming the existence and ownership of the investment properties by agreeing title deeds ownership in the name of the Company to independent third party confirmation received from external lawyers; • agreeing the year end property valuations recorded in the Financial Statements to the professional valuation reports. We assessed the competence and capability of the Group's external valuer and the appropriateness of their work in respect of our audit by checking the qualifications of the valuer; • discussing and challenging the external valuers on key inputs and assumptions used in the valuation such as yields, voids, security of income, and asset specific considerations. The Group's accounting policy on investment properties is shown in Note 1(j) to the Financial Statements and related disclosures are included in Note 9. The Audit Committee identified valuation, existence and ownership of the investment portfolio as a principal matter in its report on pages 36 and 37, where the Committee also described the action that it has taken to address this matter. **Key observations** Our audit work did not identify any material misstatements concerning the valuation, existence and ownership of investment properties.

KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
ACCURACY, OCCURRENCE AND COMPLETENESS OF DIVIDEND AND RENTAL INCOME Under ISA (UK) 240 'The auditor's responsibilities relating to fraud in an audit of Financial Statements' there is a presumed risk that revenue may be misstated due to improper recognition of revenue. We have not rebutted this presumed risk. Investment income is the Group's major source of revenue and a significant material balance in the Statement of Comprehensive Income. Accordingly, we identified the accuracy, occurrence and completeness of dividend and rental income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the Group's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union and the AIC SORP; • obtaining an understanding of the Group's process for recognising revenue in accordance with the Group's stated accounting policy; • testing that dividend income transactions were recognised in accordance with the policy by selecting a sample of quoted investments and obtaining the respective dividend rate entitlements for those quoted equities from an independent source. Also, developing an expectation of dividend income based on investment holdings and checking against the amounts recorded in the Group's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; • testing that income recorded had actually occurred by selecting a sample of dividend income recorded in the income ledger and agreeing the relevant income receivable for those quoted equities to the respective dividend rate entitlements from independent sources and agreeing the investments held to Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income recorded to bank statements;

Key audit matters	How the matter was addressed in the audit
	• performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts; • testing that rental income had been recognised in accordance with the stated policy. We selected a sample of underlying lease agreements and tested whether income that should have been recognised was properly recorded at the appropriate amount and in the correct accounting period; and • testing on a sample basis that rental income recognised in the ledger was valid by agreeing them to the terms of the lease agreements. The Group's accounting policy on income is shown in Note 1(e) on page 57 and related disclosures are included in Note 2. The Audit Committee identified dividend and rental income recognition as a principal matter in its report on page 37, where the Committee also described the action that it has taken to address this matter. **Key observations** Our audit work did not identify any material misstatements concerning the accuracy, occurrence and completeness of investment income.

OUR APPLICATION OF MATERIALITY

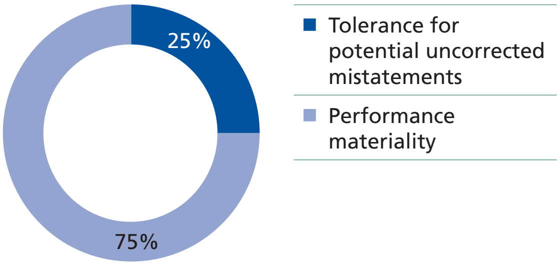
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work, and in evaluating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

Materiality was determined as follows:

MATERIALITY MEASURE	GROUP	PARENT COMPANY
Financial Statements as a whole	£1,505,000 which is 1% of Group's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Group's investment portfolio, is considered to be the key driver of the Group's total return performance. Materiality for the current year is lower than the level we determined for the year ended 31 March 2018 reflecting the decrease in the Group's net assets in the current year.	£1,486,000 which is 1% of Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. Materiality for the current year is lower than the level we determined for the year ended 31 March 2018 reflecting the decrease in the Company's net assets in the current year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	Rental income and dividend income, management fees and related party transactions based on 5% of total revenue. Directors' fees were tested 100%.	Rental income and dividend income, management fees and related party transactions based on 5% of total revenue. Directors' fees were tested 100%.
Communication of misstatements to the audit committee	£75,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£74,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY



AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. 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. Therefore our audit work was focused on:

- Obtaining an understanding of, and evaluating, relevant internal controls at both the Group and third-party service providers. This included an evaluation of the internal control reports prepared by a third party auditor detailing the description, design, and operating effectiveness of internal controls implemented by the Group and at other relevant third-party service providers; and
- Performing substantive testing by obtaining direct confirmations on existence, ownership, and valuation of the investments; and agreeing the investment income to an independent source and bank for accuracy, occurrence, and completeness.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 34 – the statement given by the Directors that they consider 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 Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 35 to 38 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 29 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure, Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent-Company to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

We are responsible for obtaining reasonable assurance that the Financial Statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the Financial Statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our Audit Report.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 5 June 2014 to audit the Financial Statements for the year ending 31 March 2014 and subsequent financial periods.

The period of total uninterrupted engagement is 5 years, covering the years ending 31 March 2014 to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group or the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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

London

29 May 2018

Group Statement of Comprehensive Income

For the year ended 31 March

	Note	Revenue £'000	Year ended 31 March 2018 Capital £'000	Total £'000	Revenue £'000	Year ended 31 March 2017 Capital £'000	Total £'000
INCOME							
Investment income		5,732	–	5,732	5,912	–	5,912
Rental income		4,337	–	4,337	4,233	–	4,233
Other income		–	–	–	1	–	1
	2	10,069	–	10,069	10,146	–	10,146
GAINS AND LOSSES ON INVESTMENTS							
Realised (losses)/gains on held-at-fair-value investments and investment properties	9	–	(563)	(563)	–	4,170	4,170
Unrealised (losses)/gains on held-at-fair-value investments and investment properties	9	–	(5,270)	(5,270)	–	8,848	8,848
TOTAL INCOME		10,069	(5,833)	4,236	10,146	13,018	23,164
EXPENSES							
Investment management fees	3	(427)	(995)	(1,422)	(401)	(935)	(1,336)
Other operating expenses	4	(691)	–	(691)	(573)	–	(573)
FINANCE COSTS	5	(4,168)	–	(4,168)	(4,083)	–	(4,083)
TOTAL EXPENSES		(5,286)	(995)	(6,281)	(5,057)	(935)	(5,992)
(LOSS)/PROFIT BEFORE TAXATION		4,783	(6,828)	(2,045)	5,089	12,083	17,172
TAXATION	6	(256)	543	287	–	–	–
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF PARENT COMPANY		4,527	(6,285)	(1,758)	5,089	12,083	17,172
EARNINGS PER ORDINARY SHARE (PENCE)	7	9.94	(13.80)	(3.86)	11.17	26.53	37.70

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.

The Group does not have any other comprehensive income and so the total profit, as disclosed above, is the same as the Group's total comprehensive income. 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 56 to 77 form part of these Financial Statements.

The Board is proposing a final dividend of 3.30p per share, making a total dividend of 11.40p per share for the year ended 31 March 2018 (2017: 11.00p per share) which, if approved, will be payable on 27 July 2018 (see note 8).

Company Statement of Comprehensive Income

For the year ended 31 March

	Note	Year ended 31 March 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 31 March 2017 Revenue £'000	Capital £'000	Total £'000
INCOME							
Investment income		5,732	–	5,732	5,912	–	5,912
Rental income		4,337	–	4,337	4,233	–	4,233
Other income		–	–	–	1	–	1
	2	10,069	–	10,069	10,146	–	10,146
GAINS AND LOSSES ON INVESTMENTS							
Realised (losses)/gains on held-at-fair-value investments and investment properties	9	–	(563)	(563)	–	4,170	4,170
Unrealised (losses)/gains on held-at-fair-value investments and investment properties	9	–	(4,639)	(4,639)	–	9,478	9,478
TOTAL INCOME		10,069	(5,202)	4,867	10,146	13,648	23,794
EXPENSES							
Investment management fees	3	(427)	(995)	(1,422)	(401)	(935)	(1,336)
Other operating expenses	4	(691)	–	(691)	(573)	–	(573)
FINANCE COSTS	5	(4,168)	–	(4,168)	(4,083)	–	(4,083)
TOTAL EXPENSES		(5,286)	(995)	(6,281)	(5,057)	(935)	(5,992)
(LOSS)/PROFIT BEFORE TAXATION		4,783	(6,197)	(1,414)	5,089	12,713	17,802
TAXATION	6	(256)	543	287	–	–	–
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS		4,527	(5,654)	(1,127)	5,089	12,713	17,802
EARNINGS PER ORDINARY SHARE (PENCE)	7	9.94	(12.42)	(2.48)	11.17	27.92	39.09

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.

The Company does not have any other comprehensive income and so the total profit, as disclosed above, is the same as the Company's total comprehensive income. 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 56 to 77 form part of these Financial Statements.

Group Statement of Financial Position

As at 31 March

	Note	As at 31 March 2018 £'000	£'000	As at 31 March 2017 £'000	£'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9		128,925		137,573
Investment properties	9		68,700		66,775
			197,625		204,348
Deferred tax asset	6		287		–
			197,912		204,348
CURRENT ASSETS					
Cash and cash equivalents		3,639		4,292	
Receivables	10	711		744	
			4,350		5,036
TOTAL ASSETS			202,262		209,384
CURRENT LIABILITIES					
Payables	11		(1,845)		(2,122)
TOTAL ASSETS LESS CURRENT LIABILITIES			200,417		207,262
NON-CURRENT LIABILITIES					
Borrowings	12		(49,898)		(49,883)
NET ASSETS			150,519		157,379
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		127,518		134,378
TOTAL EQUITY			150,519		157,379
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17		330.45		345.51

These Financial Statements were approved by the Board on 29 May 2018 and were signed on its behalf by:

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The Notes on pages 56 to 77 form part of these Financial Statements.

Company Statement of Financial Position

As at 31 March

	Note	As at 31 March 2018 £'000	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 31 March 2017 £'000
ASSETS					
NON CURRENT ASSETS					
Investments held at fair value through profit or loss	9		129,125		137,773
Investment properties	9		68,700		66,775
			197,825		204,548
Deferred tax asset	6		287		–
			198,112		204,548
CURRENT ASSETS					
Cash and cash equivalents		3,439		4,092	
Receivables	10	711		744	
			4,150		4,836
TOTAL ASSETS			202,262		209,384
CURRENT LIABILITIES					
Payables	11		(1,845)		(2,122)
TOTAL ASSETS LESS CURRENT LIABILITIES			200,417		207,262
NON-CURRENT LIABILITIES					
Borrowings	12		(51,791)		(52,407)
NET ASSETS			148,626		154,855
EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS					
Called up share capital	14		4,555		4,555
Share premium	15		18,446		18,446
Retained earnings	16		125,625		131,854
TOTAL EQUITY			148,626		154,855
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	17		326.29		339.97

These Financial Statements were approved by the Board on 29 May 2018 and were signed on its behalf by:

JAMES FERGUSON, CHAIRMAN
MATTHEW OAKESHOTT, DIRECTOR

The Notes on pages 56 to 77 form part of these Financial Statements.

	Note	Year ended 31 March 2018 Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
GROUP					
Net assets at 31 March 2017		4,555	18,446	134,378	157,379
Loss for the year		–	–	(1,758)	(1,758)
Dividends paid	8	–	–	(5,102)	(5,102)
Net assets at 31 March 2018		4,555	18,446	127,518	150,519
COMPANY					
Net assets at 31 March 2017		4,555	18,446	131,854	154,855
Loss for the year		–	–	(1,127)	(1,127)
Dividends paid	8	–	–	(5,102)	(5,102)
Net assets at 31 March 2018		4,555	18,446	125,625	148,626

	Note	Year ended 31 March 2017 Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
GROUP					
Net assets at 31 March 2016		4,555	18,446	122,307	145,308
Profit for the year		–	–	17,172	17,172
Dividends paid	8	–	–	(5,101)	(5,101)
Net assets at 31 March 2017		4,555	18,446	134,378	157,379
COMPANY					
Net assets at 31 March 2016		4,555	18,446	119,153	142,154
Profit for the year		–	–	17,802	17,802
Dividends paid	8	–	–	(5,101)	(5,101)
Net assets at 31 March 2017		4,555	18,446	131,854	154,855

The Notes on pages 56 to 77 form part of these Financial Statements.

Group Statement of Cashflows

For the year ended 31 March

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Dividend income received			5,804		5,847
Rental income received			4,179		4,976
Interest received			–		1
Operating expenses paid			(2,271)		(1,692)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		7,712		9,132
Cash flows from investing activities					
Purchase of investments		(11,890)		(21,767)	
Sale of investments		12,780		12,828	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			890		(8,939)
Cash flow from financing activities					
Loans drawn down		–		9,702	
Interest paid		(4,153)		(3,983)	
Dividends paid	8	(5,102)		(5,101)	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES			(9,255)		618
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			(653)		811
Cash and cash equivalents at 1 April 2017			4,292		3,481
CASH AND CASH EQUIVALENTS AT 31 MARCH 2018			3,639		4,292

The Notes on pages 56 to 77 form part of these Financial Statements.

Company Statement of Cashflows

For the year ended 31 March

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Dividend income received			5,804		5,847
Rental income received			4,179		4,976
Interest received			–		1
Operating expenses paid			(2,271)		(1,692)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		7,712		9,132
Cash flows from investing activities					
Purchase of investments		(11,890)		(21,767)	
Sale of investments		12,780		12,828	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			890		(8,939)
Cash flow from financing activities					
Loans drawn down		–		9,702	
Interest paid		(4,153)		(3,983)	
Dividends paid	8	(5,102)		(5,101)	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES			(9,255)		618
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			(653)		811
Cash and cash equivalents at 1 April 2017			4,092		3,281
CASH AND CASH EQUIVALENTS AT 31 MARCH 2018			3,439		4,092

The Notes on pages 56 to 77 form part of these Financial Statements.

1 Accounting policies

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

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

(a) Basis of preparation

The Financial Statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial assets. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice *Financial Statements of Investment Trust Companies and Venture Capital Trusts* (the SORP) issued by the Association of Investment Companies (AIC) in November 2014 and updated in February 2018 with consequential amendments is consistent with the requirements of IFRSs, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP, except for the allocation of finance costs to revenue as explained in Note 1(f).

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

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 2 to 19. The financial position of the Group as at 31 March 2018 is shown in the Statement of Financial Position on page 51. The cash flows of the Group for the year ended 31 March 2018, which are not untypical, are set out on page 54. The Group had fixed debt totalling £49,898,000 as at 31 March 2018, as set out in Note 12 on pages 67 to 68; none of the borrowings is repayable before 2021. The Group had no short term borrowings. Note 21 on pages 71 to 77 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 2018, the Group's total assets less current liabilities exceeded its total non current liabilities by a factor of over four. The assets of the Group consist mainly of securities and investment properties that are held in accordance with the Group's investment policy, as set out on page 15. Most of these securities are readily realisable, even in volatile markets. The Directors, who have reviewed carefully the Group's forecasts for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

1 Accounting policies – continued

(c) Basis of consolidation

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

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

(d) Presentation of Statement of Comprehensive Income

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

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

(e) Income

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

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

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

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

(f) Expenses and Finance Costs

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

1 Accounting policies – continued

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

(g) Receivables and Payables

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

(h) Taxation

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

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

This is subject to deferred tax assets only being recognised if it is considered more probable than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

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

(i) Dividends payable

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

(j) Investments

Equity investments

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

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

1 Accounting policies – continued

Investment property

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

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

As disclosed in Note 21, the group leases out all of its properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the group holds it to earn rental, capital appreciation or both. Any such property leased under an operating lease is carried at fair value. Fair value is established by half-yearly professional valuation on an open market basis by Savills (UK) Limited, Chartered Surveyors and Valuers, and in accordance with the RICS Valuation - Professional Standards July 2017 (the 'RICS Red Book'). The determination of fair value by Savills is supported by market evidence. These valuations are disclosed in Note 9 on pages 65 to 66.

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

(k) Cash and cash equivalents

Cash and cash equivalents comprises deposits held with banks.

(l) Non - current liabilities

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

(m) Critical accounting judgements and key estimates

The preparation of the Financial Statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The critical accounting area involving a higher degree of judgement or complexity comprises the determination of fair value of the investment properties. The Group engages independent professional qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining fair value as at 31 March 2018 is disclosed in Note 9 to the Financial Statements on pages 65 to 66.

(n) Adoption of new and revised Accounting Standards

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

At the date of authorisation of these Financial Statements, the following Standards and interpretations, which have not been applied to these financial statements, were in issue but were not yet effective.

1 Accounting policies – continued

IFRS 9: Financial Instruments (2014) (effective 1 January 2018) - EU adopted

IFRS 16: Leases (effective 1 January 2019) - EU adopted

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

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
2 Income				
Investment income				
Dividends from listed investments in UK	5,732	5,732	5,912	5,912
Other operating income				
Rental income	4,337	4,337	4,233	4,233
Interest receivable on short term deposits	–	–	1	1
Total income	10,069	10,069	10,146	10,146

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
3 Investment management fee						
Group						
Investment management fee	427	995	1,422	401	935	1,336
Performance fee	–	–	–	–	–	–
	427	995	1,422	401	935	1,336
Company						
Investment management fee	427	995	1,422	401	935	1,336
Performance fee	–	–	–	–	–	–
	427	995	1,422	401	935	1,336

A summary of the terms of the management agreement is given on pages 22 and 23 of the Directors' Report.

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
4 Other operating expenses				
Fee payable to the Company's auditor for the audit of the Company's accounts	26	26	26	26
Fee payable to the Company's auditor for other services				
- audit of the Subsidiary's accounts	3	3	3	3
- other assurance services	10	10	7	7
Directors' fees	71	71	61	61
NIC on directors' fees	(4)	(4)	5	5
Fees for company secretarial services	187	187	179	179
Direct property costs	49	49	(16)	(16)
Other expenses	349	349	308	308
	691	691	573	573

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

Directors' fees comprise the Chairman's fees of £27,500 (2017 - £25,000) and fees of £20,000 (2017 - £18,000) per annum paid to each other Director. The Directors' fees of £20,000 each (2017 - £18,000) 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 £995,000 (2017 - £935,000) and a performance fee of £nil (2017 - £nil), the basis of calculation of which is given on pages 22 and 23.

Matthew Oakeshott is a director of OLIM Property Limited which received an investment management fee of £427,000 (2017 - £401,000) and a performance fee of £nil (2017 - £nil), the basis of calculation of which is given on pages 22 and 23.

Additional information on Directors' fees is given in the Directors' Remuneration Report on pages 26 to 28.

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
5 Finance costs				
Interest payable on:				
11% First Mortgage Debenture Stock 2021	1,650	1,650	1,650	1,650
9.375% Debenture Stock 2026	1,875	1,875	1,875	1,875
Less amortisation of issue premium	(24)	(24)	(24)	(24)
Loan interest payable	628	628	545	545
Amortisation of loan expenses	39	39	37	37
	4,168	4,168	4,083	4,083

	2018 Revenue £000	2018 Capital £000	2018 Total £000	2017 Revenue £000	2017 Capital £000	2017 Total £000
6 Taxation						
a) Analysis of the tax credit/(charge) for the year:						
Group						
Current tax	(256)	256	–	–	–	–
Deferred tax	–	287	287	–	–	–
	(256)	543	287	–	–	–

	2018 Total £000	2017 Total £000
Factors affecting the total tax credit/(charge) for year:		
(Loss)/profit before tax	(2,045)	17,172
Tax (credit)/charge thereon at 19% (2017 - 20%)	(389)	3,434
Effects of:		
Non taxable dividends	(1,065)	(1,182)
Losses/(gains) on investments not taxable	1,108	(2,604)
Unrelieved finance costs	412	352
Losses brought forward now utilised	(66)	–
Deferred tax	(287)	–
	(287)	–

	2018 Revenue £000	2018 Capital £000	2018 Total £000	2017 Revenue £000	2017 Capital £000	2017 Total £000
Company						
Current tax	(256)	256	–	–	–	–
Deferred tax	–	287	287	–	–	–
	(256)	543	287	–	–	–

	2018 Total £000	2017 Total £000
Factors affecting the total tax credit/(charge) for year:		
(Loss)/profit before tax	(1,414)	17,802
Tax (credit)/charge thereon at 19% (2017 - 20%)	(269)	3,560
Effects of:		
Non taxable dividends	(1,065)	(1,182)
Losses/(gains) on investments not taxable	988	(2,730)
Unrelieved finance costs	412	352
Losses brought forward now utilised	(66)	–
Deferred tax	(287)	–
	(287)	–

b) Factors affecting the tax charge for the year

The Company and Group have profits for tax purposes arising in the year of £352,000 (2017 - losses of £1,758,000) as a result of the new corporate interest restriction legislation effective from 1 April 2017 that limits the amount of finance costs that can be offset.

	2018			2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000

6 Taxation – continued

c) Factors affecting future tax charges

	2018	2017
Unutilised tax losses	30,190	28,373
Potential tax benefit at 19% and 17% (2017 - 17%)	5,736	4,823
Recognised as a deferred tax non-current asset	287	–
Not recognised as a deferred tax asset	5,449	4,823
	5,736	4,823

The Company and Group have deferred tax assets of £5,736,000 (2017 - £4,823,000) at 31 March 2018 relating to total accumulated unrelieved tax losses carried forward of £30,190,000 (2017 - £28,373,000). The Company and Group have recognised deferred tax assets of £287,000 (2017 - nil) but have not recognised deferred tax assets of £5,449,000 (2017 - £4,823,000) arising as a result of losses carried forward. These losses do not have an expiry date but it is considered too uncertain that the Group will generate profits against which these losses would be available to offset and, on that basis, the deferred tax asset in respect of these losses has not been recognised.

7 Return per ordinary share

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
The return per ordinary share is based on the following figures:				
Revenue return	4,527	4,527	5,089	5,089
Capital return	(6,285)	(5,654)	12,083	12,713
Weighted average ordinary shares in issue	45,549,975	45,549,975	45,549,975	45,549,975
Return per share - revenue	9.94p	9.94p	11.17p	11.17p
Return per share - capital	(13.80p)	(12.42p)	26.53p	27.92p
Total return per share	(3.86p)	(2.48p)	37.70p	39.09p

8 Dividends

	2018 £000	2017 £000
Dividends on ordinary shares:		
Third quarterly dividend of 2.60p per share (2017- nil) paid 28 April 2017	1,184	–
Final dividend of 3.20p per share (2017 - 6.00p) paid 28 July 2017	1,458	2,733
First quarterly dividend of 2.70p per share (2017- 2.60p) paid 27 October 2017	1,230	1,184
Second quarterly dividend of 2.70p per share (2017- 2.60p) paid 26 January 2018	1,230	1,184
Dividends paid in the period	5,102	5,101

The third interim dividend of 2.70p (2017 - 2.60p), paid on 27 April 2018, has not been included as a liability in these Financial Statements.

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

Set out below is the total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158 - 1159 of the Corporation Tax Act 2010 are considered. The current year's revenue available for distribution by way of dividend is £4,527,000 (2017 - £5,089,000).

	2018 £000	2017 £000
First quarterly dividend of 2.70p per share (2017- 2.60p) paid 27 October 2017	1,230	1,184
Second quarterly dividend of 2.70p per share (2017- 2.60p) paid 26 January 2018	1,230	1,184
Third quarterly dividend of 2.70p per share (2017- 2.60p) paid 27 April 2018	1,230	1,184
Proposed final dividend for the year ended 31 March 2018 - 3.30p (2017 - 3.20p) payable 27 July 2018	1,503	1,458
	5,193	5,010

9 Investments

	Equities £000	Investment properties £000	Total £000
Group			
Cost at 31 March 2017	90,260	47,570	137,830
Unrealised appreciation	47,313	19,205	66,518
Valuation at 31 March 2017	137,573	66,775	204,348
Purchases	6,536	5,354	11,890
Sales proceeds	(7,099)	(5,681)	(12,780)
Realised losses on sales	(357)	(206)	(563)
Movement in unrealised appreciation in year	(7,728)	2,458	(5,270)
Valuation at 31 March 2018	128,925	68,700	197,625

	Equities £000	Investment in Subsidiary £000	Investment properties £000	Total £000
Company				
Cost at 31 March 2017	90,260	200	55,899	146,359
Unrealised appreciation	47,313	–	10,876	58,189
Valuation at 31 March 2017	137,573	200	66,775	204,548
Purchases	6,536	–	5,354	11,890
Sales proceeds	(7,099)	–	(5,681)	(12,780)
Realised losses on sales	(357)	–	(206)	(563)
Movement in unrealised appreciation in year	(7,728)	–	2,458	(5,270)
Valuation at 31 March 2018	128,925	200	68,700	197,825

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:-

	2018 £000	2017 £000
Purchases	17	31
Sales	11	10
	28	41

The fair values of the investment properties were established by professional valuation on an open market basis for existing use by Savills (UK) Limited, Chartered Surveyors. These valuations were carried out in accordance with the RICS Valuation - Professional Standards July 2017 (the 'RICS Red Book') by reference to the Investment Method whereby the net annual income derived from a property is capitalised by an appropriate capitalisation rate or Years' Purchase figure to arrive at the present Capital Value of the property after an allowance for the purchaser's costs. The relevant capitalisation rate is chosen, based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned and taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the property.

Investment in subsidiary

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

10 Receivables

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Amounts falling due within one year:				
Dividends receivable	637	637	709	709
Prepayments and accrued income	74	74	35	35
	711	711	744	744

11 Payables

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Amounts due to OLIM Limited	82	82	77	77
Amounts due to OLIM Property Limited	35	35	33	33
Accruals and other creditors	1,530	1,530	1,624	1,624
Value Added Tax payable	198	198	388	388
	1,845	1,845	2,122	2,122

The amounts due to OLIM Limited and OLIM Property Limited comprise the monthly management fee for March 2018, subsequently paid in April 2018.

12 Non-current liabilities

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Bank loan	15,000	15,000	15,000	15,000
Balance of costs incurred	(347)	(347)	(384)	(384)
Add : Debit to income for the year	39	39	37	37
	14,692	14,692	14,653	14,653
11% First Mortgage Debenture Stock 2021	15,000	15,000	15,000	15,000
Fair value adjustment	–	1,893	–	2,524
	15,000	16,893	15,000	17,524
9.375% Debenture Stock 2026	20,000	20,000	20,000	20,000
Add:- Balance of premium less issue expenses	230	230	254	254
Less : Credit to income for the year	(24)	(24)	(24)	(24)
	20,206	20,206	20,230	20,230
	49,898	51,791	49,883	52,407

The Company has an agreement with Santander UK plc to provide a fixed term loan facility for up to £15,000,000 for a period of up to ten years to 31 March 2026 (2017 - £15,000,000). At 31 March 2018, £11,893,750 was drawn down at a rate of 4.344% and £3,106,250 was drawn down at a rate of 3.60%. The terms of the loan facility contain financial covenants that require the Company to ensure that:-

- in respect of each 3 month period ending on 31 March and 30 September (the Half Year dates), net rental income shall be at least 200 per cent of interest costs;
- in respect of each 12 month period beginning immediately after 31 March and 30 September, net rental income shall be at least 200 per cent of interest costs; and
- at all times, the loan shall not exceed 60 per cent of the value of the properties that have been charged to Santander UK plc.

12 Non-current liabilities – continued

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

The 11% First Mortgage Debenture Stock 2021, now issued by VIT, is repayable at par on 31 March 2021 and is secured over specific assets of the Company. Under IAS 39, this debenture required to be recorded initially at fair value of £19,417,000, rather than its nominal value of £15,000,000 in the Company's financial statements. The amortised cost of the debenture as at 31 March 2018 was £16,893,000 (2017 - £17,524,000). The amortisation of the fair value adjustment is presented as a capital item within gains/losses on investments as it relates to the reversal of a previously recognised loss on the Company's investment in its subsidiary. In the Group Financial Statements, the fair value adjustment is eliminated on consolidation.

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

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

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

The Trust Deed of the 9.375% Debenture Stock contains restrictions and events of default. The restrictions require that the aggregate group borrowings, £50 million, must not at any time exceed the total group capital and reserves (equivalent to net assets of £150.52 million as at 31 March 2018).

The fair values of the loan and the debentures are disclosed in Note 21 on pages 71 to 77 and the net asset value per share, calculated with the debentures at fair value, is disclosed in Note 17 on page 70.

13 Deferred tax

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

As disclosed in Note 6 on pages 62 and 63, a deferred tax asset has been recognised to reflect the estimated value of tax losses carried forward which are likely to be capable of offset against future profits.

14 Share capital

	2018 £000	2017 £000
Authorised:		
56,000,000 Ordinary Shares of 10p each (2017 - 56,000,000)	5,600	5,600
Called up, issued and fully paid: 45,549,975 Ordinary Shares of 10p each (2017 - 45,549,975)	4,555	4,555

15 Share premium

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Opening balance	18,446	18,446	18,446	18,446

16 Retained earnings

	2018 Group £000	2018 Company £000	2017 Group £000	2017 Company £000
Opening balance at 31 March 2017	134,378	131,854	122,307	119,153
(Loss)/profit for the year	(1,758)	(1,127)	17,172	17,802
Dividends paid (see Note 8)	(5,102)	(5,102)	(5,101)	(5,101)
Closing balance at 31 March 2018	127,518	125,625	134,378	131,854

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

	2018 Revenue £000	2018 Capital £000	2018 Total £000	2017 Revenue £000	2017 Capital £000	2017 Total £000
Group						
Opening balance at 31 March 2017	4,880	129,498	134,378	4,892	117,415	122,307
(Loss)/profit for the year	4,527	(6,285)	(1,758)	5,089	12,083	17,172
Dividends paid (see Note 8)	(5,102)	–	(5,102)	(5,101)	–	(5,101)
Closing balance at 31 March 2018	4,305	123,213	127,518	4,880	129,498	134,378
Company						
Opening balance at 31 March 2017	3,694	128,160	131,854	3,706	115,447	119,153
(Loss)/profit for the year	4,527	(5,654)	(1,127)	5,089	12,713	17,802
Dividends paid (see Note 8)	(5,102)	–	(5,102)	(5,101)	–	(5,101)
Closing balance at 31 March 2018	3,119	122,506	125,625	3,694	128,160	131,854

17 Net asset value per equity share

The net asset values per ordinary share are based on the Group's net assets attributable of £150,519,000 (2017 - £157,379,000) and on the Company's net assets attributable of £148,626,000 (2017 - £154,855,000) and on 45,549,975 (2017 - 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 and the Company adjusted for borrowings at fair value (see Note 21) of £140,834,000 (2017 - £144,891,000) is 309.19p (2017 - 318.09p)

	2018		2017	
	Group	Company	Group	Company
Net assets at 31 March	150,519	148,626	157,379	154,855
Fair value adjustments	(9,685)	(7,792)	(12,488)	(9,964)
Net assets with borrowings at fair value	140,834	140,834	144,891	144,891
Number of shares in issue	45,549,975	45,549,975	45,549,975	45,549,975
Net asset value per share	330.45p	326.29p	345.51p	339.97p
Net asset value per share with borrowings at fair value	309.19p	309.19p	318.09p	318.09p

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

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Income from operations before tax	4,236	4,867	23,164	23,794
Losses/(gains) on investments	5,833	5,202	(13,018)	(13,648)
Investment management fee	(1,422)	(1,422)	(1,336)	(1,336)
Other operating expenses	(691)	(691)	(573)	(573)
Decrease in receivables	33	33	11	11
(Decrease)/increase in other payables	(277)	(277)	884	884
Net cash from operating activities	7,712	7,712	9,132	9,132

19 Reconciliation of non-current liabilities arising from financing activities

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Cash flows:				
Drawdown of bank loans	–	–	(9,702)	(9,702)
Non cash:				
Amortisation of loan premium and expenses and fair value adjustment	(15)	616	(14)	616
Change in debt in the year	(15)	616	(9,716)	(9,086)
Opening debt at 31 March 2017	(49,883)	(52,407)	(40,167)	(43,321)
Closing debt at 31 March 2018	(49,898)	(51,791)	(49,883)	(52,407)

20 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 22 to 23 and in Note 3 on page 60.

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 22 and 23 and in Note 3 on page 60.

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

21 Financial instruments and investment property risks

Risk management

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

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

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

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

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

(ii) liquidity risk

(iii) credit risk

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

(i) Market risk

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

Price risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. For equities, asset allocation and stock selection, as set out in the Investment Policy on page 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 London Stock Exchange.

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

21 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 2018 would have increased/decreased by £19,763,000 (2017 - increase/decrease of £20,435,000) and equity reserves would have increased/ decreased by the same amount.

Interest rate risk

Interest rate movements may affect:

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

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

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise debenture stock and ten year bank loans, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%. Details of borrowings at 31 March 2018 are shown in Note 12 on pages 67 to 68.

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 2018				
Assets				
Sterling	–	–	–	3,639
Total assets	–	–	–	3,639
At 31 March 2018				
Liabilities				
Sterling	6.8	8.31	50,000	–
Total liabilities	6.8	8.31	50,000	–
At 31 March 2017				
Assets				
Sterling	–	–	–	4,292
Total assets	–	–	–	4,292
At 31 March 2017				
Liabilities				
Sterling	7.8	8.31	50,000	–
Total liabilities	7.8	8.31	50,000	–

21 Financial instruments and investment property risks – continued

The weighted average interest rate on borrowings is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Group's loans are shown in Note 12 on pages 67 to 68.

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 2018 would increase/decrease by £41,000 (2017 - increase / decrease by £35,000). 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.

21 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.

As at 31 March 2018	Carrying value	Expected cashflows	Due within 3 months	Due between 3 months and 1 year	Due after 1 year
Borrowings	50,727	76,958	1,091	3,063	72,804
Other payables	485	485	485	–	–
Total	51,212	77,443	1,576	3,063	72,804
As at 31 March 2017					
Borrowings	50,727	84,868	1,191	3,367	80,310
Other payables	652	652	652	–	–
Total	51,379	85,520	1,843	3,367	80,310

(iii) Credit risk

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

The risk is not significant and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by OLIM and limits are set on the amount that may be due from any one broker.
- the risk of counterparty exposure due to failed trades causing a loss to the Group is mitigated by the review of failed trade reports on a daily basis. In addition, a stock reconciliation to third party administrators' records is performed on a daily basis to ensure that discrepancies are picked up on a timely basis.
- 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.

21 Financial instruments and investment property risks – continued

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:

	2018		2017	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Current assets				
Cash and cash equivalents	3,639	9,891	4,292	11,375
Other receivables	711	1,249	744	1,237
	4,350	11,140	5,036	12,612

(iv) Property risk

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

Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases. All leases are on full repairing and insuring terms, with upward only rent reviews and the average unexpired lease length is 13.7 years (2017 - 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 12. OLIM Property is responsible for property investment management, with surveyors, solicitors and managing agents acting on the portfolio under OLIM Property's supervision.

The Group leases out its investment property to its tenants under operating leases. At 31 March 2018, the future minimum lease receipts under non-cancellable leases are as follows:-

	2018 £000	2017 £000
Due within 1 year	4,329	4,336
Due between 2 and 5 years	16,641	16,273
Due after more than 5 years	40,083	39,039
	61,053	59,648

This amount comprises the total contracted rent receivable as at 31 March 2018.

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

Fair values of financial assets and financial liabilities

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

21 Financial instruments and investment property risks – continued

(i) Fair value hierarchy disclosures

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

At 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	128,925	–	–	128,925
Investment properties	–	–	68,700	68,700
	128,925	–	68,700	197,625
At 31 March 2017				
Equity investments	137,573	–	–	137,573
Investment properties	–	–	66,775	66,775
	137,573	–	66,775	204,348

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

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

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

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

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

There were no transfers between levels during the year.

(ii) Borrowings

The fair value of borrowings has been calculated at £59,685,000 as at 31 March 2018 (2017 - £62,488,000) compared to a balance sheet value in the financial statements of £49,898,000 (2017 - £49,883,000) per Note 12.

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

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

21 Financial instruments and investment property risks – continued

	Fair Value		Balance Sheet Value	
	2018	2017	2018	2017
	£000	£000	£000	£000
11% First Mortgage Debenture Stock 2021	17,764	19,010	15,000	15,000
9.375% Debenture Stock 2026	26,663	27,939	20,206	20,230
	44,427	46,949	35,206	35,230
Bank loan	15,258	15,539	14,692	14,653
	59,685	62,488	49,898	49,883

There were no transfers between Levels during the year.

22 Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

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

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

Details of the Group's gearing and financial covenants are disclosed in Note 12 on pages 67 to 68.

23 Events after the Balance Sheet Date

There are no significant subsequent events for the Group or the Company.

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

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

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

DISCLOSURES

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

Other than to provide details of the new loan facility agreed in February 2015 and refinanced in May 2016; the appointment of Savills plc in April 2015; and clarification of the maximum AIFMD leverage limit of 200%, there have not been any material changes to the disclosures contained in the investor disclosure document since it was first made available in July 2014.

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

- ***Investment Management:*** Details of the investment objective, strategy and policy of the Company are included in the Strategic Report. A list of all holdings is included on page 8 (equities) and page 14 (properties).
- ***Valuation of illiquid assets:*** None of the Company's assets is subject to special arrangements arising from their illiquid nature.
- ***Liquidity management:*** There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the Company.
- ***Risk Management:*** VIS has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. Further details of the risk profile and risk management systems of the Company are set out in the Strategic Report and in Note 21 to the Financial Statements. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- ***AIFM Remuneration:*** All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The expenses which VIS incurs in the provision of AIFM services are met by the Company. During the year ended 31 March 2018 all of the directors of VIS were the same as the Directors of the Company and no additional staff were employed by VIS. The Directors of the Company do not receive a separate fee in respect of being directors of VIS and details of the

remuneration of the Directors is set out in the Directors' Remuneration Report on pages 26 to 28. The Investment Managers receive remuneration separately (as set out on pages 22 to 23). The Investment Managers are bound by regulatory requirements on remuneration that are equally as effective as those applicable to VIS under the AIFMD Remuneration Code.

LEVERAGE

Circumstances when the Company may use leverage

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

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

Types and sources of leverage permitted

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

On 26 February 2015, a five year secured term loan facility of £5 million was arranged with Santander UK plc at a five year fixed interest rate of 4% including all costs. This facility was used to fund further property acquisitions. This loan was refinanced on 13 May 2016 and a new ten year secured term loan facility of £15 million was arranged with Santander UK plc at a ten year interest rate of 4.4% including all costs and replaced the original £5 million loan arranged in February 2015.

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

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

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

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

	Gross Method (%)	Commitment Method (%)
Limit	200	200
Actual level at 31 March 2018	128	131

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

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

How to Invest in Value and Income Trust PLC

Direct

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

Keeping you Informed

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

Customer Services

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

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

Note

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

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

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

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

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

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Glasgow G2 2LW
Registered in Scotland
Registration Number: SC50366
Legal Entity Identifier: 213800CU1PIC7GAER820
ISIN: GB0008484718
TIDM: VIN

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

Independent Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Investment Manager – Equities
OLIM Limited
1 King's Arms Yard
London EC2R 7AF
Telephone: 020 7367 5660
Website: www.olim.co.uk
(Authorised and regulated by the Financial Conduct Authority)

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

Property Managers
Workman LLP
Alliance House
12 Caxton Street
London SW1H 0QS

Alternative Investment Fund Manager
Value and Income Services Limited
c/o Maven Capital Partners UK LLP
Kintyre House
205 West George Street
Glasgow G2 2LW
Registered in Scotland
Registration Number: SC467598
Legal Entity Identifier: 213800D7AEDHGXDAM208
(Authorised and regulated by the Financial Conduct Authority)

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Value and Income Trust PLC (the "Company") will be held at the offices of Shepherd and Wedderburn LLP, 1 Exchange Crescent, Edinburgh EH3 8UL on Friday, 6 July 2018 at 12.30pm, for the following purposes:

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 11 inclusive will be proposed as Ordinary Resolutions and Resolutions 12 to 14 inclusive will be proposed as Special Resolutions:

Ordinary Business

1. To receive the Directors' Report and audited Financial Statements for the year ended 31 March 2018.

2. To approve the Directors' Remuneration Report for the year ended 31 March 2018.

3. To approve the final dividend for the year ended 31 March 2018 of 3.3p per Ordinary Share.

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

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

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

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

8. To elect Dominic Neary as a Director of the Company.

9. To re-appoint Grant Thornton UK LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

10. To authorise the Directors to fix the remuneration of the Independent Auditor for the year to 31 March 2019.

11. Authority to Allot Shares
    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £455,499 (being approximately 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of this Notice) provided that such authorisation expires (unless previously extended or renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company in 2019 or on the expiry of 15 months from the passing of this Resolution, (whichever is earlier) save that the Company may, at any time prior to the expiry of this authority, make offers or agreements which would or might require such Securities to be allotted or granted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

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

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

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

(ii) in connection with an offer of such equity securities by way of rights issue, open offer or other pre-emptive offer in favour of all holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them on a record date fixed by the Directors (subject to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company in 2019, or on the expiry of 15 months from the passing of this Resolution (whichever is earlier), save that the Company may, at any time prior to the expiry of such authority, make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

13. Authority to Make Market Purchases of Shares.

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

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

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

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

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

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

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2019 or on the expiry of 15 months from the passing of this Resolution (whichever is the earlier) save that the Company may at any time prior to such expiry, enter into a contract or arrangement to purchase Ordinary Shares under this authority which will or might be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares pursuant to any such contract or arrangement; and

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

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:
Kintyre House
205 West George Street
Glasgow G2 2LW

29 May 2018

NOTES:

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

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

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

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

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

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

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

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

(ix) The right to vote at a meeting is determined by reference to the Company's register of members as at close of business on 4 July 2018 or if this meeting is adjourned, by close of business on the day two days (excluding non-working days) prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

(x) As at 24 May 2018 (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 24 May 2018 was 45,549,975. Following Resolution 13 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 6,827,941 Ordinary Shares in issue immediately prior to the passing of Resolution 13.

(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, Guidance 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 election and re-election are set out on page 3 of this Annual Report.

(xiv) Members who have general queries about the Annual General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this notice of

Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

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

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

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

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