# Mobeus Income & Growth 4 VCT PLC

A VENTURE CAPITAL TRUST

**Annual Report & Accounts**
for the year ended 31 December 2013

mobeus
EQUITY PARTNERS

**Mobeus Income & Growth 4 VCT plc,** ("MIG4", the "Company" or the "Fund") is a Venture Capital Trust ("VCT") managed by Mobeus Equity Partners LLP ("Mobeus"), investing primarily in established, profitable, unquoted companies.

The objective of the Company is to provide investors with a regular income stream by way of tax free dividends and to generate capital growth through portfolio realisations which can be distributed by way of additional tax free dividends.

## Dividend Policy

The Company seeks to pay dividends at least annually out of income and capital as appropriate, and subject to fulfilling certain regulatory requirements.

# Contents

# Financial Highlights

## Annual results for the year ended 31 December 2013

- Net Asset Value ("NAV") Total Return per share of 8.6% for the year.
- Share Price Total Return per share of 9.6% for the year.
- An interim dividend in respect of 2013 of 2p has been paid. A final dividend of 4 pence per share is proposed, to be paid on 16 May 2014. This will bring dividends paid in respect of 2013, to 6 pence per share, a 9% increase over 2012.
- Strong liquidity has been further enhanced by two successful fundraisings. The first in 2013 raised £8.1 million, while the current fundraising has so far raised £5.0 million. This brings the current total of portfolio and liquid assets to £47.0 million.
- Investments of £6.9 million during the year, plus a further £4.3 million invested after the year-end.

Note: The above data does not reflect the benefit of income tax relief.

### The NAV per share as at 31 December 2013 was 119.92 pence

The table below shows the recent past performance of the original funds raised in 1999. The original subscription price was 200p per share before the benefit of income tax relief. Historic performance data from 2008 for this fundraising are shown on page 71 of this Annual Report and Accounts (the "Annual Report").

Performance data for all fundraising rounds are shown in tables on pages 70 and 71 of this Annual Report.

| As at | Net assets | Net asset value (NAV) per share | Share price (mid-market price) | Cumulative dividends paid per share | Cumulative total return per share to shareholders since launch | |
|---|---|---|---|---|---|---|
| | | | | | (NAV basis) | (Share price basis) |
| | (£m) | (p) | (p)[1] | (p) | (p)[2] | (p)[3] |
| 31 December 2013 | 42.1 | 119.9 | 104.8 | 34.2 | 154.1 | 139.0 |
| 31 December 2012 | 33.5 | 117.3 | 102.5 | 26.7 | 144.0 | 129.2 |
| 31 January 2012 | 29.4 | 116.7 | 102.0 | 21.7 | 138.4 | 123.7 |
| 31 January 2011 | 25.3 | 112.9 | 103.5 | 18.7 | 131.6 | 122.2 |

[1] Source: London Stock Exchange.

[2] NAV as at 31 December 2013 plus cumulative dividends paid since fund launch.

[3] Mid-market share price as at 31 December 2013 plus cumulative dividends paid since fund launch.

The data in the table above excludes the benefit of any income tax relief.

# Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 4 VCT plc for the year ended 31 December 2013.

## Overview

This has been another satisfactory year for the VCT. Many of the companies in the portfolio have continued to achieve strong growth in their niche markets in spite of continuing uncertainty in the UK and global economies. Our portfolio supports the view that well-managed and prudently financed businesses can succeed under testing market conditions. Several businesses are now well placed to take advantage of the more promising near term outlook for the UK economy.

## Performance

The NAV total return per share for the year was 8.6% and the share price total return was 9.6%. Portfolio activity increased, as new investments totalled £6.9 million and investment realisations totalled £2.5 million.

## Strategic Report

Shareholders may be aware that a number of significant changes have been introduced by recent legislation which affects the way in which companies are now required to present information in the narrative sections of their annual reports. In particular, you will see that this year's report contains a Strategic Report for the first time which complies with the new 2006 Companies Act requirements.

This Report sets out the Company's Objective, Business Model and Investment Policy. It provides information on how, and to what extent, by applying the Company's Investment and other key policies, the Company has met the Objective during the year. A section on performance includes key performance indicators used to measure this assessment. The Report also includes an Investment Review, containing key data on the top ten investments, and an analysis of the full investment portfolio. The Report goes on to provide context to this performance, giving information on what the Board regards as the key risks faced by the Company, how those risks are dealt with, and the Company's other key policies. In summary, this report is intended to give you an overview of your Company's progress in the year, supported by further detail that you can review as you wish, in other sections of the Annual Report.

Whilst every effort has been made to avoid duplication, the introduction of the Strategic Report means that there will inevitably be an element of repetition within the Annual Report.

## Dividends

Your Directors are pleased to recommend a final dividend in respect of 2013 of 4 pence per share comprising 2.75 pence per share from capital and 1.25 pence per share from income. Subject to shareholder approval, this dividend will be paid on 16 May 2014 to shareholders on the Register on 22 April 2014. This will bring dividends paid in respect of the year ended 31 December 2013 to 6.0 pence (2012: 5.5 pence) per share and cumulative dividends paid since inception to 38.2 pence (2012: 32.2 pence) per share.

The Company's target set in the second half of 2010 of paying a dividend of at least 4 pence per share in respect of each financial year has been met or exceeded in each of the last four years. A table showing the dividends paid in respect of each of the last five years and cumulative dividends paid is included in the Strategic Report on page 8.

## Changes to VCT legislation

There are two main developments that I wish to bring to your attention. The recent draft Finance Bill 2014 has proposed measures which, if enacted, will restrict the tax relief received if a Shareholder sells their existing shares in a VCT within six months before or after the date of making a new investment in the same VCT.

These changes will apply to investments in VCTs made with effect from the 2014/15 tax year when investors will only be able to claim income tax relief to the extent that the value of the new shares they subscribe for in respect of that VCT exceeds the proceeds from the shares which were sold. However, subscriptions in this Linked Offer for the 2013/14 tax year are NOT affected by this new regulation.

Secondly, the Budget Statement proposed measures to prevent dividends being paid out of capital, as opposed to realised profits and income. The detail is awaited. At the date of this Report, it is not anticipated that any such measures will significantly affect the Company's dividend policy. We will update Shareholders, if necessary, when full details are known.

## Share buybacks

During the year ended 31 December 2013, the Company bought back 2.0% (2012: 4.4%) (excluding enhanced buybacks) of its share capital in issue at the beginning of the year. Further details of the purchases are included on page 9 of the Strategic Report.

## Fundraising/Liquidity

The Company raised £8.3 million (£8.1 million after costs) in the Mobeus Linked VCT Offer launched on 29 November 2012, which closed on 30 June 2013.

The Company launched a further linked fundraising with the other three Mobeus VCTs on 28 November 2013 to raise up to £24 million across the four VCTs. The funds raised for the VCT will further improve the Company's liquidity, ensuring it can take part in the increased prospective deal flow and spread its fixed running costs over a larger asset base. They will provide a fund of new money which may be used to pay ongoing expenses, including dividends and share buybacks, thus preserving money raised prior to 6 April 2012 to support the Company's strategy of investing in MBO deals. Details of the Offer were posted to Shareholders in December 2013. This Offer has been well received and a total of £20.0 million of applications in total has been subscribed to date.

The Offer will remain open until 30 April 2014 (4 April 2014 in respect of the current tax year) although the Directors of the four VCTs reserve the right to extend the closing date at their discretion. It will close earlier if fully subscribed.

The Board is currently of the view that regular fundraisings are beneficial, providing adequate levels of capital to enable the Company to pursue its objective. Investment opportunities are increasing. The ability to provide mezzanine as well as equity finance is an advantage. Fundraising in the future might become more complex and expensive. Regular fundraising has moved the Company from being subscale to a size sufficient to achieve operating economies.

However, your Board is well aware that recent performance has been affected by the high cash levels, as the fund size has increased. This has not been helped by the very low returns currently available for the investment of cash. The Board, together with Mobeus, is actively searching for alternative cash deployment opportunities but these will only be implemented if the risk exposure is considered acceptable.

## Future prospects

The UK economy is in unchartered territory. Quantitative easing cannot continue for ever; at some point a normal interest rate situation must return. Government debt is still too high. However, after several years of marked recession, confidence is returning and a recovery is taking place. This is reflected in rising UK stock indices, the return of mergers and acquisitions activity, and a re-opening of the IPO market. All of this should be helpful to the Company's activities.

The Manager is of the view that there are many promising new opportunities to invest in established, profitable businesses on attractive terms. In addition there continue to be several opportunities to provide further finance to certain businesses in the portfolio in order to make acquisitions.

The Board continues to believe that its relatively low-risk investment strategy of investing only in profitable companies with strong cash flows mitigates some of the risks inherent when investing in smaller businesses and should continue to deliver attractive returns to Shareholders over the medium to long term.

Finally, I would like to express my thanks to all Shareholders for their continuing support of the Company.

Christopher Moore
*Chairman*

21 March 2014

# Strategic Report

### Introduction

The Directors present the Strategic Report of the Company for the year ended 31 December 2013. The Report has been prepared by the Directors in accordance with section 414 of the Companies Act 2006 (the "Act"). The purpose of the report is to provide Shareholders with sufficient information at a summary level to enable them to assess the extent to which the Company has met its Objective for the year and that the Directors have performed their duty to promote the success of the Company. Measurement of this is achieved by disclosing a number of key performance indicators. As an investment company, this is followed by an overview of the progress of the investment portfolio. Finally, the major risks it faced in its business and how the Board countered those risks, are both highlighted to Shareholders.

### Objective of Company

The Objective of the Company is to provide investors with a regular income stream by way of tax free dividends and to generate capital growth through portfolio realisations which can be distributed by way of additional tax free dividends.

## Summary of investment policy

The VCT's policy is to invest primarily in a diverse portfolio of UK unquoted companies in order to generate regular income from existing investments and capital gains from realisations. Investments are usually structured as part loan and part equity to reduce the risk of investing in smaller companies.

Risk is further spread by investing in a number of different businesses across different industry sectors. Investments are made selectively, primarily in management buyout transactions (MBOs) in companies that are established and profitable. The VCT aims to invest in larger, more mature, unquoted companies through investing alongside three other VCTs advised by Mobeus with similar investment policies. This enables the VCT to participate in combined investments by the Manager of up to £5 million in each business per year.

The Company aims to maintain around 80% of net funds raised in qualifying investments. Uninvested funds are held in a portfolio of readily realisable interest-bearing investments and deposits.

The full text of the Company's investment policy is available on page 20 of this Annual Report.

### Business Model

The Company is a Venture Capital Trust (VCT). Its Objective and its full investment policy above, are designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs (HMRC) whilst maximising returns to Shareholders from both income and capital returns. One of the rules to remain a VCT is that it must remain a fully listed company on the London Stock Exchange, and thus must also comply with the listing rules governing such companies.

The Company is an externally managed fund with a Board comprising non-executive Directors. The Board has overall responsibility for the Company's affairs including the determination of its investment policy. Investment and divestment proposals are originated, negotiated and recommended by the Manager and are then subject to review and approval by the Directors. Investment management and operational support are outsourced to external service providers (including registrars and brokers), with the key strategic and operational framework and key policies set and monitored by the Board.

Private individuals invest in the Company to benefit from both income and capital returns on good investment performance. By investing in a VCT they also receive immediate income tax relief (currently 30% of the amount subscribed by an investor), as well as tax-free dividends received from the Company, and no capital gains tax upon the eventual sale of the shares.

The Company's Investee Companies are primarily unquoted businesses and operate in the UK. These businesses fulfil the criteria and characteristics as set out in the Investment policy.

## Performance

### Key Performance Indicators used to measure performance*

The Board believes that the following indicators (Return per share; Benchmarking; Dividends; Buybacks; Compliance with VCT regulation and Costs), used in its own assessment of the Company, provide Shareholders with sufficient information to assess how the Company has performed in 2013 against its Objective and the application of its investment, dividend and Share buyback policies.

*Throughout this Strategic Report each financial year is for 12 months, except for the 11 months ended 31 December 2012, reflecting the change in the Company's year end in 2012.

- **Returns per share**

### Total returns per share

Net Asset Value (NAV) total return per share was 8.6% and share price total return was 9.6%, both for the year ended 31 December 2013, as shown below:

| | NAV basis (p) |
|---|---|
| Closing NAV per share | 119.9 |
| Plus: dividends paid in year | 7.5 |
| **Total for year** | **127.4** |
| Less: opening NAV per share | (117.3) |
| **Return for year** | **10.1** |
| Return for year | **8.6%** |

| | Share price basis (p) |
|---|---|
| Closing share price | 104.8 |
| Plus: dividends paid in year | 7.5 |
| **Total for year** | **112.3** |
| Less: opening share price | (102.5) |
| **Return for year** | **9.8** |
| Return for year | **9.6%** |

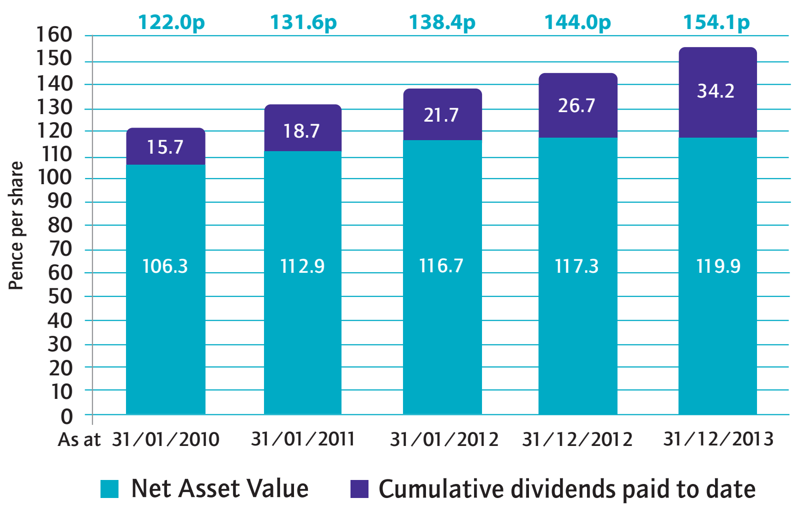
### Cumulative returns per share

| | NAV basis (p) |
|---|---|
| Closing NAV per share | 119.9 |
| Plus: cumulative dividends paid to date | 34.2 |
| Cumulative total return | 154.1 |
| Less: opening cumulative total return | (144.0) |
| **Increase in cumulative return for year** | **10.1** |

| | Share price basis (p) |
|---|---|
| Closing share price | 104.8 |
| Plus: cumulative dividends paid to date | 34.2 |
| Cumulative total return | 139.0 |
| Less: opening cumulative total return | (129.2) |
| **Increase in cumulative return for year** | **9.8** |

### Cumulative NAV total shareholder return (pence per share)+

The longer term trend of performance on this measure is shown in the chart below:-




**Cumulative NAV total shareholder return (pence per share)+**

+ Cumulative NAV total shareholder return is net asset value plus cumulative dividends paid (pence per share) since 1999 to date.

# Strategic Report

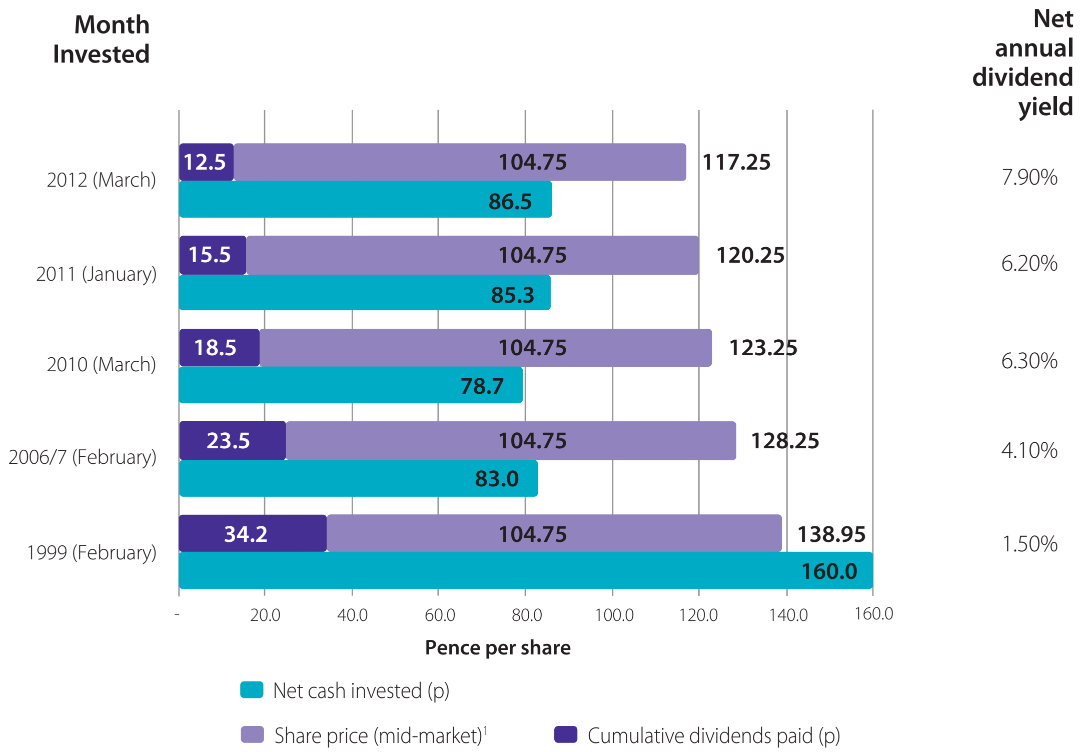
Taking into account initial income tax relief, founder shareholders who invested in 1999 have seen an overall loss on net investment cost of 3.7% (2012: 10.0%) since the launch of the Company, on a NAV return basis and on a net investment cost of 160 pence per share after initial income tax relief of 40 pence per share. For original Shareholders, that performance is clearly disappointing. It was caused by very poor performance from two former managers who the Board replaced in 2006. It was at this point that the current investment strategy was applied to the whole portfolio. Performance since then has stabilised and improved. Shareholders who invested in the 2006/07 offer have seen an overall return on a NAV basis, on net investment cost of 83.0 pence per share, of 72.8% (2012: 60.6%) taking into account initial income tax relief. This improved performance has benefitted founder Shareholders too. Cumulative NAV total return was 122.5 pence per share at 31 July 2006, which has increased by 25.8% since.

The figures quoted in the chart shown on page 5 are for the shares subscribed in the original offer for subscription in 1999/00. Both NAV and share price returns for the year are considered to be satisfactory by the Board, while the cumulative returns are now on an improving trend. This is demonstrated in the Shareholder returns chart below.

For performance data for each allotment in each fundraising since the inception of the Company, please see the Performance Data Appendix on pages 70 and 71of this report.

### Shareholder returns from fundraising rounds

The table below show the amounts that Shareholders, investing in each fundraising round, have received in dividends since investment plus the year-end share price that they would have realised, if they had sold their investment, compared with the amount invested (net of income tax relief also received).




The chart above compares the original investment per share made by a Shareholder with the returns per share received to date, for each fundraising undertaken by the Company.

The returns for shareholders are:

- Initial income tax relief received treated as a cash return at the time of the initial investment and deducted from the cash then invested. The amount returned was 20% of the initial investment (for the tax year 1999/2000) and 30% (for the tax years 2006/07 onwards);
- Tax-free dividends received as further cash returns since that initial investment;
- The closing share price which is an indication of what a Shareholder may obtain if they elected to sell their shares.

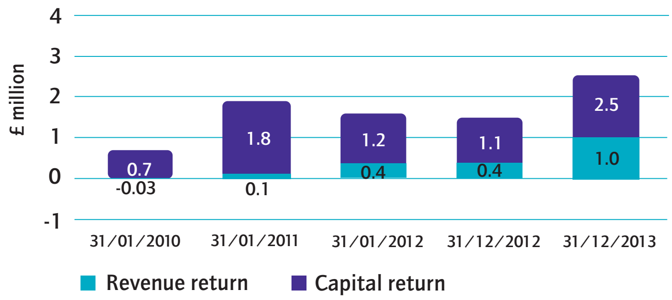
The net annual dividend yield shown above is obtained by dividing the total dividends received by the number of years since the month of fundraising to 31 December 2013. This figure is then expressed as a percentage of the cost of the investment, after deducting the benefit of the initial income tax relief.

[1] The mid-market price may be slightly higher than the bid-price, at which Shareholders could realise their investment, by around 0.5-1%.

## Review of financial results for the year

| For the year | 2013 £(m) | 2012 £(m) |
|---|---|---|
| Capital return | 2.5 | 1.1 |
| Revenue return | 1.0 | 0.4 |
| **Total profit** | 3.5 | **1.5** |

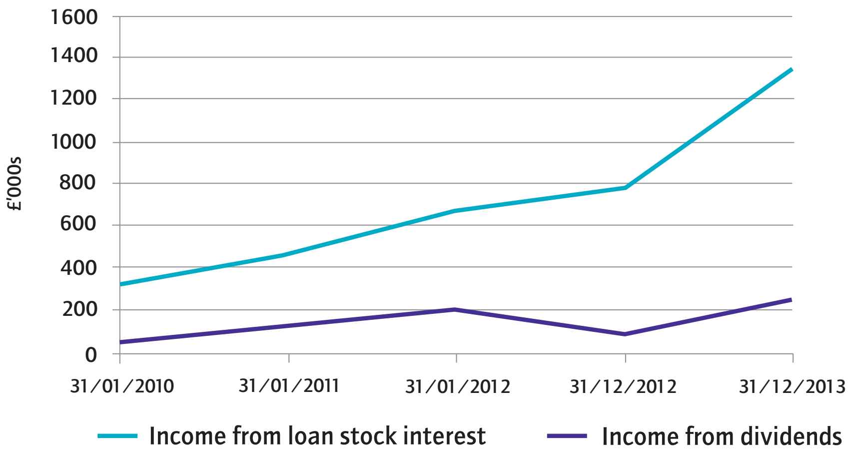
The results over the last five years are shown in the chart below.




The positive capital return of £2.5 million for the year is due to a healthy uplift in portfolio valuations of a net £2.8 million on investments held at the year-end, and gains realised in the year from disposals of £0.3 million. Management fees charged to capital returns were a net £0.6 million.

The increase in revenue return of £0.6 million is mainly due to a rise in income of £0.7 million from £1 million to £1.7 million, explained in the table below:

| | 2013 £'000 | 2012 £'000 | % Change | Reason |
|---|---|---|---|---|
| Loan interest from investee companies | 1,344 | 783 | +71.6 | Due to new loan stock investments, and an exceptional receipt from Newquay Helicopters, settling historic arrears. |
| Dividend income from investee companies | 220 | 93 | +136.6 | Higher and maiden dividends received, including preference dividend arrears from Newquay Helicopters. |
| Returns on cash | 174 | 90 | +93.3 | Higher amounts placed on bank deposit. |
| Other income | – | 7 | – | |
| Totals | 1,738 | 973 | +78.6 | |




In addition to capital returns from realisations of investee companies, the portfolio is structured to generate regular income from loan stocks and dividends from equity investments A five year history of these is shown here, which is marked by the rise in loan stock interest, as larger sums have been held in these instruments, alongside the increase in the size of the Company.

# Strategic Report

## • Benchmarking

### VCT Peer Group

The Board places emphasis on the Company's performance against a peer group of VCTs. Using the benchmark of NAV total return on an investment of £100, the VCT is ranked 22 out of 54 over three years, and 22 out of 42 over five years amongst generalist VCTs by the Association of Investment Companies (AIC) (based on statistics prepared by Morningstar) at 28 February 2014. The Board considers this performance to be satisfactory after taking account of the adverse short term consequences of increasing funds and liquidity.

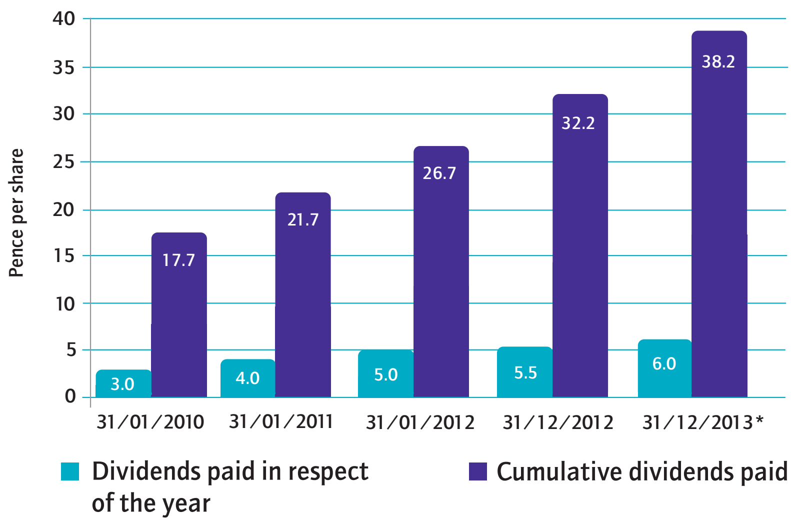
### Industry award for the Manager

Your Board is pleased to report to Shareholders that the performance of the Manager was recognised in the **unquote" British Private Equity Awards 2013**. Mobeus was named VCT House of the Year 2013 for the second consecutive year. The award recognised the high level of consistency achieved by the Manager during the year under consideration in maintaining high standards in all areas of its activity including deals, exits, portfolio management and fundraising.

## • Dividend policy

The Company has an annual target dividend of paying not less than 4 pence per share in respect of each financial year. It has met or exceeded this target in respect of its last four financial years.

However, the ability of the Company to pay dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.




- **Dividends per share in respect of the financial year are 6 pence for the year ended 31 December 2013, subject to shareholder approval.**
- **Cumulative dividends paid to date are 34.2 pence per share. Subject to approval of the payment of the final dividend of 4 pence per share at the AGM, cumulative dividends paid will increase to 38.2 pence per share.**

*The Company will have achieved its annual dividend target of 4 pence, once the proposed dividend of 4 pence per share, if approved, is paid on 16 May 2014. Dividends paid for the year will be 6 pence per share, as shown in the chart.

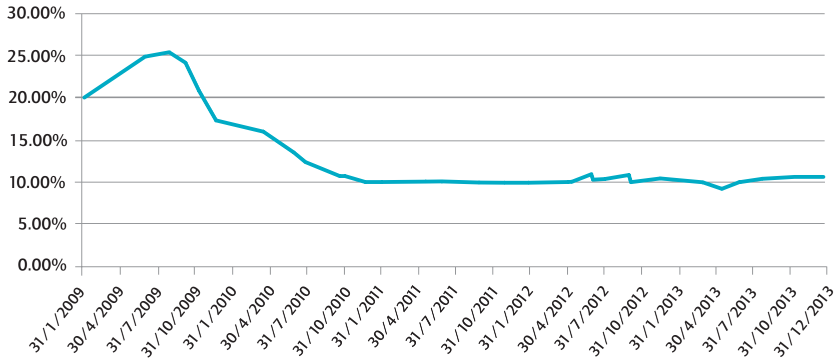
## Share buybacks and discount policy

Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy based on the objective of maintaining the discount to NAV at which the shares trade at approximately 10% or less. It has succeeded in carrying out this objective in the year.

The Board considers that a 10% discount represents a fair balance between assisting investors who wish to sell shares and the majority of investors who wish to continue to invest in a portfolio of investments in unquoted shares.

The Board intends to continue with the above buyback policy. Any future repurchases will be subject to the Company having appropriate authorities from Shareholders and sufficient funds available for this purpose. Share buybacks will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market are generally cancelled.

**Discount to NAV per share at which the Company's shares have been bought back throughout the last five years**




The table shows how the discount of the share price to the NAV per share has moved over the last five years. The discount of approximately 10% has been maintained for the last three years, since the Board stated its intent to pursue this policy.

During the year ended 31 December 2013, Shareholders holding 567,165 Shares expressed their desire to sell their investments. The Company instructed its brokers, Panmure Gordon, to purchase these Shares at prices representing discounts of approximately 10% to the previously announced NAV per share.

The Company subsequently purchased these Shares at prices ranging between 101.5 and 104.2 pence per share and cancelled them.

In total, the Company bought back 2.0% of the issued share capital of the Company, which excludes enhanced buyback shares, at the beginning of the year.

Continuing Shareholders benefit from the difference between the net asset value and the price at which the shares are bought back and cancelled.

## Costs

The Board monitors costs using the Ongoing Charges Ratio*, which is as follows:

| | 2013 | 2012 |
|---|---|---|
| Ongoing charges | 2.87% | 2.87% |
| Performance fee | 0.00% | 0.00% |
| Ongoing charges plus accrued performance fee | 2.87% | 2.87% |

* The Ongoing Charges Ratio has been calculated, using the Association of Investment Companies' (AIC) recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based upon historic information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

Shareholders should note that the 2012 figure reflected only 11 months of expenditure. If that expenditure had been annualised, last year's figure would have been over 3%.

The Ongoing Charges Ratio replaces the Total Expense Ratio previously reported, although the latter will still form the basis of any expense cap that may be borne by the Manager. There was no breach of the expense cap for the year ended 31 December 2013 (11 months ended 31 December 2012: £nil).

### Management fees and other expenses

In line with the rise in net assets, Investment Manager fees charged to both revenue and capital have increased from £703,000 to £916,000, whilst other expenses have risen from £363,000 to £374,000. The rise in other expenses is mainly due to a rise in Directors' fees and registrar's fees.

Further details of these are contained in the Financial Statements on pages 41-65.

## Compliance with VCT regulation

In order to comply with VCT tax legislation, the Company must meet a number of tests set by HMRC, as detailed on page 20 under VCT regulation within the Investment policy. At 31 December 2013, the Company continued to meet these tests.

# Strategic Report

## Investment Review

The strong deal flow reported at the half-yearly stage has continued in the second half of the year and the Manager is increasingly confident that the higher rate of new investments completing in 2014 will be sustained. The Manager believes that the positive deal flow reflects both improved business confidence and the continued perception that the UK banking industry remains unable to fund the needs of smaller businesses.

The valuation of the portfolio has increased by 14.0 % during the year on a like for like basis. This is due to the strong trading performance of a number of companies in the portfolio.

Investments remain diversified across a number of sectors primarily in support services, general retailers, media and engineering services.

### New investment

A total of £6.9 million was invested into new deals during the year under review, utilising cash of £4.7 million from five acquisition vehicles. This included significant new investments to support the MBOs of Gro-Group, Veritek and Virgin Wines.

The Manager has also focussed on opportunities for expansion by acquisition within the existing portfolio. As a result of this the VCT has funded two substantial strategic acquisitions by Motorclean and ATG Media, included in the figure above. The additional investment in Motorclean was provided to support its ambitions as a consolidator in its market, increasing its depth and range of geographical coverage. For ATG Media, the acquisition finance enabled it to acquire an established position in a major market and broaden its sector coverage.

### Principal new investments in the year

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| Motorclean | Vehicle cleaning and valet services | February | 0.7 |

Motorclean acquired Forward Valeting Services to create the UK's largest provider of car cleaning and valeting services to the motor industry with a turnover in excess of £35 million and around 450 dealership sites across the country. The VCT's total investment in this company is now £1.8 million.

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| Gro-Group | Baby sleep products | March | 1.5 |

Devon based Gro-Group created the original, and now internationally renowned, Gro-bag which has become the leading baby sleep bag brand in the UK and Australia. Market penetration of the product has increased to around 90% since the company was founded in 2000 and annual turnover has grown to £11.4 million.

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| ATG Media | Publisher and online auction platform operator | April | 1.0 |

ATG Media acquired Bidspotter Inc, a US based business engaged in providing live bidding and auction software to industrial and commercial liquidation auctioneers.

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| Veritek Global | Maintenance of imaging equipment | July | 1.6 |

Veritek Global provides technical service, support and maintenance of complex and valuable equipment to world-leading brands throughout the photo imaging, healthcare, digital cinema, digital print and graphics sectors across Europe. The company's latest full year accounts show annual sales of £24.7 million and profit before interest, tax and goodwill of £1.5 million.

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| Virgin Wines | Online wine retailer | November | 2.0 |

Virgin Wines is an online wine merchant and the Virgin Group Partner with the sole UK rights to use the Virgin brand to source and sell boutique, handcrafted wines from all over the world. The company's latest full year accounts show annual sales of £34.5 million and profit before interest, tax and goodwill of £2.0 million.

## Full realisation in the year

| | Company | Business | Original investment/ Realisation | Total proceeds over life of investment/ Multiple over cost |
|---|---|---|---|---|
| | Faversham House | Publisher, exhibition organiser and operator | December 2010 March-December | £0.32 million 0.93 times cost |

Faversham's progress had fallen short of expectations and we took the opportunity to agree with management a phased realisation of our holding. In March 2013, the VCT sold part of its loan stock and its entire equity investment. The residual loan stock investment was realised in two phases later in the year.

## Partial loan stock repayments

| | | | | |
|---|---|---|---|---|
| | Newquay Helicopters | Helicopter Service Operators | June 2006 Ongoing | £0.47 million 2.0 times cost |

Newquay sold its principal operating subsidiary, British International Helicopter Services, to Patriot Aerospace in May 2013 as part of its asset realisation strategy. This enabled Newquay to repay most of its loan stocks. The VCT has already received cash proceeds amounting to 1.4 times the total investment cost.

Positive cash flow resulting from profitable trading at a number of companies has led to a healthy level of loan stock repayments, including the two companies above, totalling £2.51m for the year, as summarised below: -

| Company | Business | Month | Amount (£m) |
|---|---|---|---|
| DiGiCo Global | Audio mixing desks | April/July/October | 0.51 |
| Focus Pharma | Licensing and distribution of pharmaceuticals | September/November | 0.49 |
| Newquay Helicopters | Helicopter service operator | May | 0.32 |
| Almsworthy Trading | Acquisition vehicle | February | 0.32 |
| EMaC | Provider of service plans to the motor trade | August | 0.26 |
| Faversham House | Publisher, exhibition organiser and operator | March-December | 0.25 |
| Westway | Installation and service of air conditioning | April/August | 0.15 |
| Blaze Signs | Signs and sign maintenance | October | 0.12 |
| Tessella | Consultancy | Quarterly | 0.07 |
| Monsal | Engineering services | July | 0.02 |
| **Total** | | | **2.51** |

In the cases of Focus and Blaze, these repayments represented full repayment of their loan stocks, leaving the VCT with an equity interest in those companies.

## Post year-end

In January 2014, the VCT invested £1.1 million in Bourn Bioscience Limited. In February 2014, the VCT also made a new investment to support the MBO of Entanet International Limited of £1.4 million including £1 million from Ackling Management Limited, an acquisition vehicle. It also invested a further £1.8 million into two new acquisition vehicle investments. The VCT also received £67k as a partial loan stock repayment from Westway.

## Investment outlook

The increase in the number and quality of investment opportunities that we have seen in recent months is encouraging. We see this as a result of the upturn in business confidence as the UK consolidates its emergence from recession. Our Manager is being approached by sellers with much more realistic expectations of the value of their businesses and the commitment to see deals through to completion. As a result of our prudent approach to new investment during the downturn, the Company still retains a strong level of liquidity which will enable it to take advantage of this more positive environment. We believe that the current encouraging performance of the portfolio, and the improved outlook for new investment should create value for Shareholders in the medium term.

# Top ten investments in the portfolio by valuation

## ATG Media Holdings Limited

www.antiquestradegazette.com

| | |
|---|---|
| **Cost** | £1,889,000 |
| **Valuation** | £4,094,000 |

Basis of valuation:
Earnings multiple

Equity % held
8.5%

Income receivable in year
£149,861

Business
Publisher and on-line auction platform operator

Location
London

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 30 September 2012 |
| Turnover | £10,900,000 |
| Operating profit | £2,704,000 |
| Net assets | £4,612,000 |
| Year ended | 30 September 2011 |
| Turnover | £8,927,000 |
| Operating profit | £1,831,000 |
| Net assets | £3,179,000 |

### Movements during the year

An additional investment of £1 million was made into ATG Media in April 2013.

## Fullfield Limited

www.motorclean.net

| | |
|---|---|
| **Cost** | £1,793,000 |
| **Valuation** | £2,063,000 |

Basis of valuation:
Earnings multiple

Equity % held
9.8%

Income receivable in year
£161,359

Business
Provider of vehicle cleaning and valet services

Location
Laindon, Essex

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2013 |
| Turnover | £25,156,000 |
| Operating profit | £1,234,000 |
| Net assets | £2,576,000 |
| Period ended | 31 March 2012 |
| Turnover | £17,320,000 |
| Operating profit | £1,210,000 |
| Net assets | £2,408,000 |

An additional investment of £683,000 was made into Motorclean in February 2013.

## Culbone Trading Limited

www.virginwines.co.uk

| | |
|---|---|
| **Cost** | £2,000,000 |
| **Valuation** | £2,000,000 |

Basis of valuation:
Cost

Equity % held
9.7%

Income receivable in year
£25,819

Business
Online wine retailer

Location
Norwich

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 28 June 2013[1] |
| Turnover | £34,475,000 |
| Operating profit | £2,010,000 |
| Net assets | £4,952,000 |
| Year ended | 28 June 2012[1] |
| Turnover | £37,390,000 |
| Operating profit | £2,404,000 |
| Net assets | £7,210,000 |

[1] The financial information quoted above relates to the operating subsidiary, Virgin Wine Online Limited and includes figures relating the performance of this company prior to the MBO which completed in November 2013.

New investment made in November 2013.

## Ingleby (1879) Limited

www.emac.co.uk

| | |
|---|---|
| **Cost** | £1,001,000 |
| **Valuation** | £1,701,000 |

Basis of valuation:
Earnings multiple

Equity % held
6.3%

Income receivable in year
£108,004

Business
Provider of service plans for the motor trade

Location
Crewe

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 31 December 2012[1] |
| Turnover | £6,047,000 |
| Operating profit | £2,347,000 |
| Net assets | £3,510,000 |
| Year ended | 31 December 2011[1] |
| Turnover | £4,990,000 |
| Operating profit | £867,000 |
| Net assets | £1,535,000 |

[1] The financial information quoted above relates to the operating subsidiary, EMaC Limited and includes figures relating the performance of this company prior to the MBO which completed in October 2011.

### Movements during the year

EMaC made loan stock repayments totalling £0.3 million in the year.

## Madacombe Trading Limited

www.veritekglobal.com

| | |
|---|---|
| **Cost** | £1,620,000 |
| **Valuation** | £1,620,000 |

Basis of valuation:
Cost

Equity % held
10.3%

Income receivable in year
£79,417

Business
Maintenance of imaging equipment

Location
Eastbourne, East Sussex

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2013[1] |
| Turnover | £24,684,000 |
| Operating profit | £1,500,000 |
| Net assets | £6,245,000 |
| Year ended | 31 March 2012[1] |
| Turnover | £25,412,000 |
| Operating profit | £1,561,000 |
| Net assets | £7,043,000 |

[1] The financial information quoted above is for Veritek Global Limited prior to the MBO which completed in July 2013.

New investment made in July 2013.

## Tessella Holdings Limited

www.tessella.com

| | |
|---|---|
| **Cost** | £1,178,000 |
| **Valuation** | £1,578,000 |

Basis of valuation:
Earnings multiple

Equity % held
5.4%

Income receivable in year
£122,561

Business
Provider of science powered technology and consulting services

Location
Abingdon, Oxfordshire

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2013[1] |
| Turnover | £20,870,000 |
| Operating profit | £3,021,000 |
| Net assets | £5,560,000 |
| Year ended | 31 March 2012[1] |
| Turnover | £18,533,000 |
| Operating profit | £278,000 |
| Net assets | £2,404,000 |

[1] The financial information quoted above relates to the operating subsidiary, Tessella Limited and includes figures relating the performance of this company prior to the MBO which completed in July 2012.

Tessella made quarterly loan stock repayments totalling £0.1 million in the year.

# Top ten investments in the portfolio by valuation

## Gro-Group Holdings Limited

www.gro.co.uk

| | |
|---|---|
| **Cost** | £1,540,000 |
| **Valuation** | £1,540,000 |

Basis of valuation:
Cost

Equity % held
8.4%

Income receivable in year
£91,360

Business
Manufacturer and distributor of baby sleep products

Location
Ashburton, Devon

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 30 June 2013[1] |
| Turnover | £11,444,000 |
| Operating profit | £775,000 |
| Net assets | £1,178,000 |
| Year ended | 30 June 2012[2] |
| Turnover | £10,945,000 |
| Operating profit | £663,000 |
| Net assets | £1,080,000 |

[1] The financial information quoted above is for Gro-Group Holdings Limited's prior to the MBO which completed in March 2013.

## DiGiCo Global Limited

www.digico.biz

| | |
|---|---|
| **Cost** | £830,000 |
| **Valuation** | £1,470,000 |

Basis of valuation:
Earnings multiple

Equity % held
2.4%

Income receivable in year
£118,593

Business
Designer and manufacturer of audio mixing desks

Location
Chessington, Surrey

History
Secondary buyout

### Audited financial information

| | |
|---|---|
| Period ended | 31 December 2012 |
| Turnover | £23,858,000 |
| Operating profit | £7,594,000 |
| Net assets | £2,945,000 |
| Year ended | 31 December 2011[1] |
| Turnover | £21,314,000 |
| Operating profit | £6,466,000 |
| Net assets | £7,932,000 |

[1] Relates to Digico Europe Limited prior to secondary buyout in 2011.

## EOTH Limited (trading as Equip)

www.equipuk.com

| | |
|---|---|
| **Cost** | £951,000 |
| **Valuation** | £957,000 |

Basis of valuation:
Earnings multiple

Equity % held
1.7%

Income receivable in year
£91,083

Business
Manufacturer and installer of signs

Location
Broadstairs, Kent

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 31 January 2013 |
| Turnover | £27,266,000 |
| Operating profit | £2,464,000 |
| Net assets | £7,657,000 |
| Year ended | 31 January 2012 |
| Turnover | £15,504,000 |
| Operating profit | £1,830,000 |
| Net assets | £6,173,000 |

### Movements during the year

Gro-Group: New investment made in March 2013.

DiGiCo: DiGiCo made loan stock repayments totaling £0.5 million in the year.

## ASL Technology Holdings Limited

www.asl-group.co.uk

| | |
|---|---|
| **Cost** | £1,257,000 |
| **Valuation** | £892,000 |

Basis of valuation:
Earnings multiple

Equity % held
6.8%

Income receivable in year
£nil

Business
Provider of printer and photocopier services

Location
Cambridge

History
Management buyout

### Audited financial information

| | |
|---|---|
| Year ended | 30 September 2012 |
| Turnover | £13,394,000 |
| Operating profit | £665,000 |
| Net assets | £204,000 |

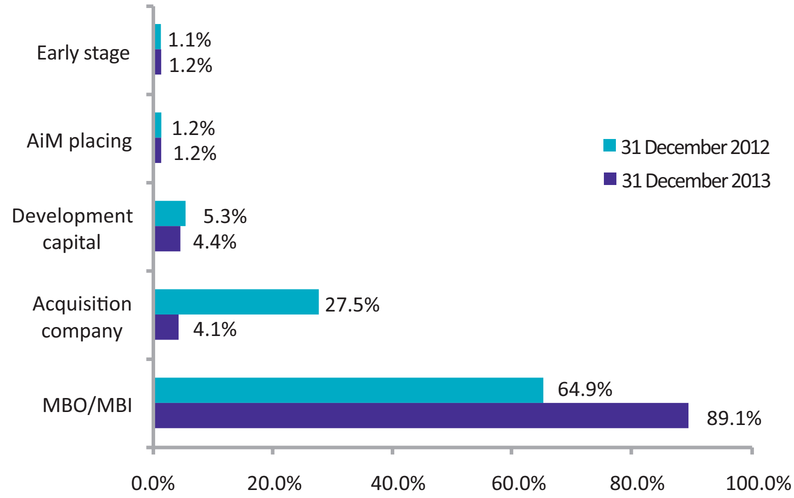
| | |
|---|---|
| Year ended | 30 September 2011 |
| Turnover | £9,613,000 |
| Operating profit | £662,000 |
| Net assets | £1,497,000 |

The remaining 23 investments in the portfolio had a current cost of £8.1 million and were valued at 31 December 2013 at £6.7 million.

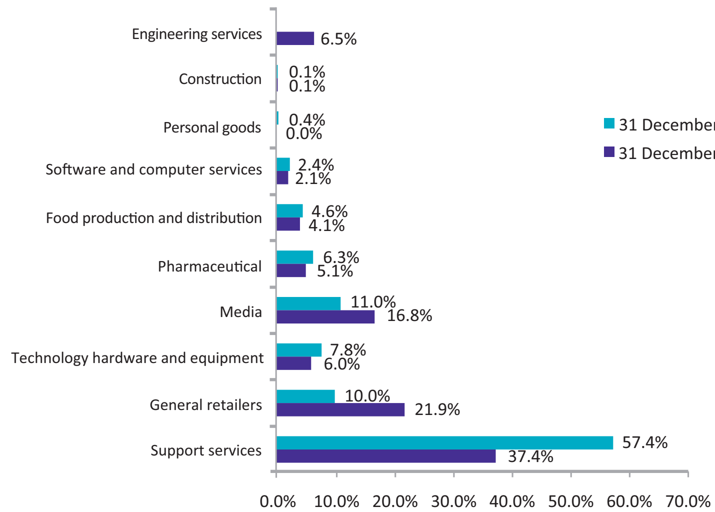
Further details of the investments in the portfolio may be found on the Mobeus website: www.mobeusequity.co.uk

## The whole portfolio can be analysed:

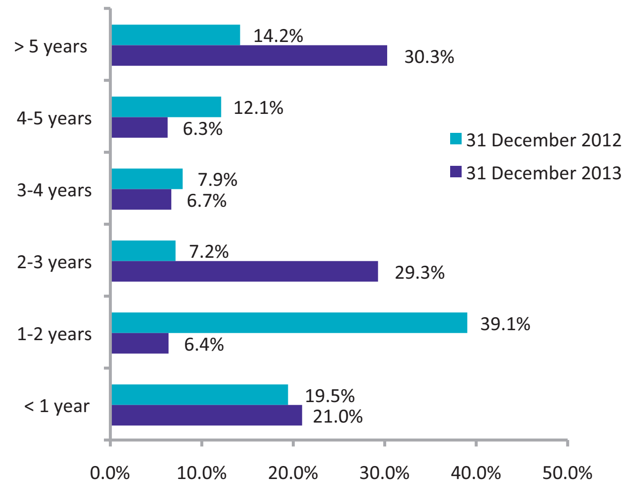
### – By stage of development




### – By market sector




### – By number of years held



# Investment Portfolio Summary
*as at 31 December 2013*

| | Ordinary Shares | | Other Investments (loan stock/preference shares) | |
|---|---|---|---|---|
| | Cost at 31-Dec-13 £ | Valuation at 31-Dec-13 £ | Cost at 31-Dec-13 £ | Valuation at 31-Dec-13 £ |
| **Mobeus Equity Partners Portfolio** | | | | |
| **ATG Media Holdings Limited**<br>Publisher and online auction platform operator | 356,827 | 2,453,839 | 1,532,179 | 1,639,790 |
| **Fullfield Limited (trading as Motorclean Limited)**<br>Vehicle cleaning and valet services | 462,184 | 273,296 | 1,331,047 | 1,789,509 |
| **Culbone Trading Limited (trading as Virgin Wine Online Limited)[3]**<br>Online wine retailer | 45,915 | 45,915 | 1,953,856 | 1,953,856 |
| **Ingleby (1879) Limited (trading as EMaC Limited)**<br>Provider of service plans for the motor trade | 379,146 | 691,508 | 621,376 | 1,009,578 |
| **Madacombe Trading Limited (trading as Veritek Global)[4]**<br>Engineering services | 43,527 | 43,527 | 1,576,559 | 1,576,559 |
| **Tessella Holdings Limited**<br>Consultancy | 212,045 | 439,197 | 965,532 | 1,138,612 |
| **Gro- Group Limited[5]**<br>Baby sleep products | 148,765 | 148,765 | 1,391,296 | 1,391,296 |
| **DiGiCo Global Limited**<br>Manufacturer of audio mixing desks | 2,391 | 642,693 | 827,378 | 827,378 |
| **Ackling Management Limited**<br>Food manufacturing, distribution and brand management | 400,000 | 400,000 | 600,000 | 600,000 |
| **EOTH Limited (trading as Equip Outdoor Technologies)**<br>Distributor of branded outdoor equipment and clothing | 95,147 | 24,689 | 856,324 | 932,228 |
| **ASL Technology Holdings Limited**<br>Printer and photocopier services | 297,099 | – | 960,034 | 891,775 |
| **CB Imports Group Limited**<br>Importer and distributor of artificial flowers, floral sundries and home décor products | 175,000 | – | 825,000 | 872,988 |
| **Focus Pharma Holdings Limited**<br>Licensor and distributor of generic pharmaceuticals | 270,359 | 839,051 | 1,207 | 1,207 |
| **Blaze Signs Holdings Limited**<br>Manufacturer and installer of signs | 183,005 | 712,151 | 7,626 | 7,626 |
| **Westway Services Holdings (2010) Limited**<br>Installation, service and maintenance of air conditioning systems | 38,688 | 543,516 | 91,610 | 133,207 |
| **RDL Corporation Limited**<br>Recruitment consultants for the pharmaceutical, business intelligence and IT industries | 173,932 | – | 826,068 | 461,401 |
| **The Plastic Surgeon Holdings Limited**<br>Snagging and finishing of domestic and commercial properties | 45,884 | – | 412,953 | 398,625 |
| **Youngman Group Limited**<br>Manufacturer of ladders and access towers | 50,027 | – | 449,999 | 349,983 |
| **Omega Diagnostics Group plc[6]**<br>In-vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases | 199,998 | 291,664 | – | – |
| **Machineworks Software Limited**<br>Provider of software for CAD and CAM vendors | 9,329 | 191,474 | – | – |
| **Higher Nature Limited**<br>Mail order distributor of vitamins and natural medicines | 500,127 | 133,013 | – | – |
| **Vectair Holdings Limited**<br>Designer and distributor of washroom products | 24,643 | 114,526 | 89 | 89 |
| **Duncary 8 Limited (trading as BG Consulting Limited)**<br>City-based provider of specialist technical training | 25,328 | 26,940 | 76,667 | 76,667 |
| **Newquay Helicopters (2013) Limited (formerly British International Holdings Limited)**<br>Helicopter service operator | 56,250 | 56,250 | 42,162 | 42,162 |
| **Monsal Holdings Limited**<br>Supplier of engineering services to the water and waste sectors | 216,313 | – | 461,987 | 42,287 |

| Cost at 31-Dec-13 £ | Total Valuation at 31-Dec-12 £ | Additional investments £ | Valuation at 31-Dec-13 £ | Unrealised gains/ (losses) in the year £ | Realised gains/losses in the year £ | Proceeds in the year £ | % of equity held | % of portfolio by value |
|---|---|---|---|---|---|---|---|---|
| 1,889,006 | 2,321,815 | 1,000,013[1] | 4,093,629 | 771,801 | – | – | 8.50% | 16.66% |
| 1,793,231 | 1,246,959 | 683,135[2] | 2,062,805 | 132,711 | – | – | 9.82% | 8.40% |
| 1,999,771 | – | 1,999,771 | 1,999,771 | – | – | – | 9.66% | 8.14% |
| 1,000,522 | 1,608,925 | – | 1,701,086 | 355,456 | – | 263,295 | 6.32% | 6.92% |
| 1,620,086 | – | 1,620,086 | 1,620,086 | – | – | – | 10.30% | 6.59% |
| 1,177,577 | 1,250,433 | – | 1,577,809 | 400,232 | – | 72,856 | 5.44% | 6.42% |
| 1,540,061 | – | 1,540,061 | 1,540,061 | – | – | – | 8.39% | 6.27% |
| 829,769 | 1,698,883 | – | 1,470,071 | 275,712 | – | 504,524 | 2.39% | 5.98% |
| 1,000,000 | 1,000,000 | – | 1,000,000 | – | – | – | 12.50% | 4.07% |
| 951,471 | 974,934 | – | 956,917 | (18,017) | – | – | 1.71% | 3.89% |
| 1,257,133 | 495,469 | – | 891,775 | 396,306 | – | – | 6.78% | 3.63% |
| 1,000,000 | 1,215,002 | – | 872,988 | (342,014) | – | – | 5.79% | 3.55% |
| 271,566 | 942,787 | – | 840,258 | 381,763 | – | 484,292 | 3.10% | 3.42% |
| 190,631 | 432,861 | – | 719,777 | 407,322 | – | 120,406 | 5.72% | 2.93% |
| 130,298 | 519,434 | – | 676,723 | 311,172 | – | 153,883 | 3.20% | 2.75% |
| 1,000,000 | 723,122 | – | 461,401 | (261,721) | – | – | 9.05% | 1.88% |
| 458,837 | 331,325 | – | 398,625 | 67,300 | – | – | 6.88% | 1.62% |
| 500,026 | 349,983 | – | 349,983 | – | – | – | 4.24% | 1.42% |
| 199,998 | 266,664 | – | 291,664 | 25,000 | – | – | 1.53% | 1.19% |
| 9,329 | 239,052 | – | 191,474 | (47,578) | – | – | 4.20% | 0.78% |
| 500,127 | 174,101 | – | 133,013 | (41,088) | – | – | 10.34% | 0.54% |
| 24,732 | 81,966 | – | 114,615 | 32,649 | – | – | 2.14% | 0.47% |
| 101,995 | 130,307 | – | 103,607 | (26,700) | – | – | 5.10% | 0.42% |
| 98,412 | 295,455 | 41,912 | 98,412 | – | 84,155 | 323,110 | 2.50% | 0.40% |
| 678,300 | 63,431 | – | 42,287 | – | – | 21,144 | 6.21% | 0.17% |

# Investment Portfolio Summary
*as at 31 December 2013*

| | Ordinary Shares Cost at 31-Dec-13 £ | Ordinary Shares Valuation at 31-Dec-13 £ | Other Investments (loan stock/preference shares) Cost at 31-Dec-13 £ | Other Investments (loan stock/preference shares) Valuation at 31-Dec-13 £ |
|---|---|---|---|---|
| **Lightworks Software Limited**<br>Provider of software for CAD and CAM vendors | 9,329 | 41,820 | – | – |
| **PXP Holdings Limited**<br>Designer, manufacturer and supplier of timber frames for buildings | 712,925 | 15,687 | – | – |
| **Racoon International Holdings Limited**<br>Supplier of hair extensions, hair care products and training | 122,043 | – | 284,762 | 1,000 |
| **Legion Group plc (in administration)**<br>Provider of manned guarding, patrolling and alarm response services | 150,102 | – | – | – |
| **Watchgate Limited**<br>Holding company | 1,000 | – | – | – |
| **Faversham House Holdings Limited**<br>Publlisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors | – | – | – | – |
| **Peddars Management Limited**[1]<br>Acquisition vehicle used to provide acquisition finance to ATG Media Limited | – | – | – | – |
| **Almsworthy Trading Limited**[2]<br>Acquisition vehicle used to provide acquisition finance to Fullfield Limited | – | – | – | – |
| **Culbone Trading Limited**[3]<br>Acquisition vehicle used to support the MBO of Virgin Wine Online Limited | – | – | – | – |
| **Madacombe Trading Limited**[4]<br>Acquisition vehicle used to support the MBO of Veritek Global Limited | – | – | – | – |
| **Fosse Management Limited**[5]<br>Acquisition vehicle used to support the MBO of Gro-Group Limited | – | – | – | – |
| **Letraset Limited**<br>Manufacturer and distributor of graphic art products | – | – | – | – |
| **Total** | **5,407,328** | **8,129,521** | **16,095,711** | **16,137,823** |
| **Former Elderstreet Private Equity Portfolio** | | | | |
| **Cashfac Limited**<br>Provider of virtual banking application software solutions to corporate customers | 260,101 | 189,692 | – | – |
| **Sparesfinder Limited**<br>Supplier of industrial spare parts online | 250,854 | 80,718 | – | – |
| **Sift Group Limited**<br>Developer of business-to-business internet communities | 135,391 | 32,015 | – | – |
| **Total** | **646,346** | **302,425** | **–** | **–** |
| **Investment Manager's Total** | **6,053,674** | **8,431,946** | **16,095,711** | **16,137,823** |

[1] - £1,000,000 of this investment into ATG Media Holdings Limited was provided by Peddars Management, one of the Company's acquisition vehicles.

[2] - £683,135 was further invested into Fullfield Limited (trading as Motorclean), This finance was provided by the acquisition vehicle Almsworthy Trading Limited and resulted in a net repayment to the Company of £316,865.

[3] - £1,000,000 of this investment into Culbone Trading Limited (trading as Virgin Wine Online Limited) was provided by Culbone Trading Limited, one of the Company's acquisition vehicles.

[4] - £1,000,000 of this investment into Madacombe Trading (trading as Veritek Global )was provided by Madacombe Trading Limited, one of the Company's acquisition vehicles.

[5] - £1,000,000 of this investment into Gro-Group Limited was provided by Fosse Management Limited, one of the Company's acquisition vehicles.

[6] - Quoted on AiM.

| Cost at 31-Dec-13 £ | Total Valuation at 31-Dec-12 £ | Additional investments £ | Valuation at 31-Dec-13 £ | Unrealised gains/ (losses) in the year £ | Realised gains/losses in the year £ | Proceeds in the year £ | % of equity held | % of portfolio by value |
|---|---|---|---|---|---|---|---|---|
| 9,329 | 36,530 | – | 41,820 | 5,290 | – | – | 4.20% | 0.17% |
| 712,925 | 15,687 | – | 15,687 | – | – | – | 4.39% | 0.06% |
| 406,805 | 94,890 | – | 1,000 | (93,890) | – | – | 5.70% | 0.00% |
| 150,102 | – | – | – | – | – | – | N/A | 0.00% |
| 1,000 | – | – | – | – | – | – | 33.33% | 0.00% |
| – | 79,560 | – | – | – | 181,010 | 260,570 | – | 0.00% |
| – | 1,000,000 | – | – | – | – | – | – | 0.00% |
| – | 1,000,000 | – | – | – | – | 316,865 | – | 0.00% |
| – | 1,000,000 | – | – | – | – | – | – | 0.00% |
| – | 1,000,000 | – | – | – | – | – | – | 0.00% |
| – | 1,000,000 | – | – | – | – | – | – | 0.00% |
| – | – | – | – | – | 469 | 469 | N/A | 0.00% |
| **21,503,039** | **21,589,575** | **6,884,978** | **24,267,344** | **2,731,706** | **265,634** | **2,521,414** | **–** | **98.74%** |
| 260,101 | 184,074 | – | 189,692 | 5,618 | – | – | 2.91% | 0.78% |
| 250,854 | 60,054 | – | 80,718 | 20,664 | – | – | 1.95% | 0.34% |
| 135,391 | 4,464 | – | 32,015 | 27,551 | – | – | 1.29% | 0.14% |
| **646,346** | **248,592** | **–** | **302,425** | **53,833** | **–** | **–** | **–** | **1.26%** |
| **22,149,385** | **21,838,167** | **6 ,884,978** | **24,569,769** | **2,785,539** | **265,634** | **2,521,414** | **–** | **100.00%** |

## Key policies

The Board has put in place the following policies to be applied to meet the Company's overall Objective and to cover specific areas of the Company's business.

- **Investment policy**

The Company's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are structured as part loan and part equity in order to receive regular income and to generate capital gains from trade sales and flotations of investee companies.

Investments are made selectively across a number of sectors, primarily in management buyout transactions (MBOs) i.e. to support incumbent management teams in acquiring the business they manage but do not yet own. Investments are primarily made in companies that are established and profitable.

The Company has a small legacy portfolio of investments in companies from the period prior to 1 August 2006, when it was a multi-manager VCT. This includes investments in early stage and technology companies.

Uninvested funds are held in cash and lower risk money market funds.

### VCT regulation

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC").

Amongst other conditions, the Company may not invest more than 15% of its investments in a single company or group of companies and must have at least 70% by value of its investments throughout the year in shares or securities comprised in VCT qualifying holdings, of which a minimum overall of 30% by value (70% for funds raised from 6 April 2011) must be in ordinary shares which carry no preferential rights. In addition, although the Company can invest less than 30% (70% for funds raised from 6 April 2011) of an investment in a specific company in ordinary shares it must have at least 10% by value of its total investments in each VCT qualifying company in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules).

### UK Companies

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment and £16 million immediately following the investment to be classed as a VCT qualifying holding.

### Asset Mix

The Company initially holds its funds in a portfolio of readily realisable interest-bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining around 80% of net funds raised in qualifying investments.

### Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured to maximise the amount which may be invested in loan stock.

### Co-investment

The Company aims to invest in larger, more mature unquoted companies through investing alongside three other VCTs advised by Mobeus with a similar investment policy. This enables the Company to participate in combined investments advised on by Mobeus of up to £5 million.

### Borrowing

The Company's articles permit borrowings of amounts up to 10% of the adjusted capital and reserves (as defined therein). The Company has never borrowed and the Board has no current plans to undertake any borrowing.

- **Cash available for investment and liquidity**

The Company's cash and liquid resources are held in a range of instruments of varying maturities including liquid, low risk Money Market Funds and bank deposits, subject to the overriding criterion that the risk of loss of capital be minimised. The Company has participated in the Mobeus VCTs' annual linked fundraising since 2010 in order to maintain a sufficient level of funds that can be deployed in meeting the day-to-day expenses of the Company and dividends distributions and purchases of the Company's own shares. This enables money raised prior to 6 April 2012 to be allocated for future MBO investment.

- **Diversity**

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender and breadth of experience. The Board comprises two men and one woman. The Company does not have any senior managers or employees. The Board has made a commitment to consider diversity in making future appointments.

## Further policies

In addition to the investment policy above and the policies on payment of dividends and share buybacks which were discussed earlier in this section, the Company has adopted a number of further policies relating to:

- Human rights
- Anti-bribery policy
- Environmental and social responsibility
- Global greenhouse gas emissions

These are set out in the Directors' Report on page 26.

## Principal risks, management and regulatory environment

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. Further details of these are contained in the section of the corporate governance section of the Director's Report on pages 32-37. The principal risks identified by the Board are set out below:

| Risk | Possible consequence | How the Board manages risk |
|---|---|---|
| **Economic risk** | Events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments. | • *The Board monitors the portfolio as a whole to (1) ensure that the Company invests in a diversified portfolio of companies and (2) ensure that developments in the macro-economic environment such as movements in interest rates are monitored.* |
| **Risk of loss of approval as a Venture Capital Trust** | The Company must comply with section 274 of the Income Tax Act 2007 ("ITA") which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a Venture Capital Trust (VCT), qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains. | • *The Company's VCT qualifying status is continually reviewed by the Investment Manager.*<br>• *The Board receives regular reports from PricewaterhouseCoopers LLP who has been retained to undertake an independent VCT status monitoring role.* |
| **Investment risk** | Investment in unquoted small companies involves a higher degree of risk than investment in fully listed companies. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. | • *The Board regularly reviews the Company's investment strategy.*<br>• *Careful selection and review of the investment portfolio on a regular basis.* |
| **Regulatory risk** | The Company is required to comply with the Companies Act, the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Changes to and breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. | • *Regulatory and legislative developments are kept under review by the Board.* |
| **Financial and operating risk** | Failure of the systems at any of the third party service providers that the Company has contracted with could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation or insecurity of assets. | • *The Board carries out an annual review of the Internal controls in place and reviews the risks facing the Company at each quarterly Board meeting.*<br>• *It reviews the performance of the service providers annually.* |
| **Market risk** | Movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices. | • *The Board receives quarterly valuation reports from the Manager.*<br>• *The Manager alerts the Board about any adverse movements.* |

| Risk | Possible consequence | How the Board manages risk |
| --- | --- | --- |
| **Asset liquidity risk** | The Company's investments may be difficult to realise. | • *The Board receives reports from the Manager and reviews the portfolio at each quarterly Board meeting. It carefully monitors investments where a particular risk has been identified.* |
| **Market liquidity risk** | Shareholders may find it difficult to sell their shares at a price which is close to the net asset value. | • *The Board has a share buyback policy which seeks to mitigate market liquidity risk. This policy is reviewed at each quarterly Board meeting.* |
| **Counterparty risk** | A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. | • *The Board regularly reviews and agrees policies for managing these risks. Further details can be found under 'credit risk' in Note 19 to the accounts on page 60.* |

**Future Prospects**

For a discussion of the Company's future prospects, please see the Chairman's Statement on pages 2 and 3 and the Investment Review on page 11.

**Christopher Moore**
*Chairman*

21 March 2014

# Board of Directors

## Christopher Moore

**Status:**
**Independent Non-Executive Chairman**
**Age: 69**

*Date of apppointment:* 1 April 2002

*Experience:* Christopher has considerable experience of the venture capital industry. After completing a law degree and qualifying as a chartered accountant with Price Waterhouse, he worked for Robert Fleming Inc., Lazards, Jardine Fleming and then Robert Fleming, latterly as a main board director from 1986 to 1995. During this period he was involved in various unquoted and venture capital investments and remained chairman of Fleming Ventures Limited, an international venture capital fund, until the fund's final distribution in 2003. His roles have included acting as senior adviser to the chairman of Lloyds and chairing the successful turnaround of a public industrial group. Until May 2010, he was a director of Matrix Income & Growth VCT ("MIG") and until September 2010 he was a director of The Income & Growth VCT ("I&G"). He was also a director of Matrix Income & Growth 3 VCT until it merged with MIG in 2010.

*Last re-elected to the Board:*
May 2013, standing for re-election at the forthcoming Annual General Meeting;

*Committee memberships:*
Audit Committee, Investment Committee, Nominations and Remuneration Committee

*Number of Board and Committee meetings attended 2013:* 10/10

*Remuneration 2013:* £33,500

*Relevant relationships with the Investment Manager or other service providers:*
None.

*Shareholding in the Company:*
34,826 Ordinary Shares as at the date of this Report.

## Andrew Robson

**Status:**
**Independent Non-Executive Director**
**Age: 55**

*Date of apppointment:* 1 August 2010

*Experience:* Andrew qualified as a Chartered Accountant in 1984. From 1984 to 1997, he worked in corporate finance at Robert Fleming & Co Limited, becoming a director. Following a four year term in charge of the finances of the National Gallery, he joined Société Générale as a director in the London M&A department. He subsequently became finance director of the eFinancial group, a group specialising in financial publishing and online recruitment. He now works as a business adviser to small companies. Andrew has over 13 years' experience as a non-executive director, including with investment companies. He is currently a non-executive director of First Integrity Limited (from December 2006), Brambletye School Trust Limited, British Empire Securities and General Trust plc (from August 2008), Peckwater Limited (from August 2008), Shires Income PLC (from May 2008) and JP Morgan Smaller Companies Investment Trust plc (from 2007). Andrew was a non-executive director of Edinburgh UK Smaller Companies Tracker Trust PLC from 1998 to 2006, a non-executive director of Gate Gourmet Group Holding LLC from 2006 to 2007 and a non-executive director of M&G Equity Investment Trust plc from 2007 until 2011.

*Last re-elected to the Board:*
May 2013, standing for election at the forthcoming Annual General Meeting;

*Committee memberships:*
Audit Committee (Chairman), Investment Committee, Nominations and Remuneration Committee

*Number of Board and Committee meetings attended 2013:* 10/10

*Remuneration 2013:* £28,500

*Relevant relationships with the Investment Manager or other service providers:*
None.

*Shareholding in the Company:*
9,536 Ordinary Shares as at the date of this Report.

## Helen Sinclair

**Status:**
**Non-Executive Director**
**Age: 48**

*Date of apppointment:* 1 February 2003

*Experience:* Helen has extensive experience of investing in a wide range of small and medium sized businesses. She graduated in economics from Cambridge University and began her career in banking. After an MBA at INSEAD business school, Helen worked from 1991 to 1998 at 3i plc, based in their London office. She was a founding director of Matrix Private Equity Limited when it was established in early 2000 and helped raise Mobeus Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc). After leaving Matrix in 2005 she was a non-executive director of Hotbed Fund Managers Limited from 2006 to 2008. She is a non-executive director of Downing ONE VCT plc, Spark Ventures plc, is chairman of British Smaller Companies VCT plc and is a director of Octopus Eclipse VCT 3 plc which recently completed a merger with Octopus Eclipse VCT plc (in liquidation). Helen also chairs the investment committees of the Third Sector Loan Fund and the Community Investment Fund which are part of Social and Sustainable Capital LLP. Helen is a director of both I&G and MIG 4 and, as both are managed by Mobeus, is deemed not to be an independent director under the Listing Rules.

*Last re-elected to the Board:*
May 2013, standing for re-election at the forthcoming Annual General Meeting;

*Committee memberships:*
Investment Committee (Chairman), Audit Committee, Nominations and Remuneration Committee

*Number of Board and Committee meetings attended 2013:* 10/10

*Remuneration 2013:* £28,500

*Relevant relationships with the Investment Manager or other service providers:*
Director of The Income & Growth VCT plc which is also managed by Mobeus Equity Partners LLP.

*Shareholding in the Company:*
12,425 Ordinary Shares as at the date of this Report.

# Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 December 2013.

## Business and principal activities

The principal activity of the Company during the year was the investment in unlisted or AiM-quoted companies in the United Kingdom.

The Company's Ordinary Shares in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 9 March 1999.

The Company has satisfied the requirements for full approval as a Venture Capital Trust by HM Revenue & Customs (HMRC) under section 274 of the Income Tax Act 2007 (the "ITA") throughout the year ended 31 December 2013. It is the Directors' intention to continue to manage the Company's affairs in such a manner so as to comply with section 274 and remain as a Venture Capital Trust.

To enable capital profit to be distributed by way of dividends, the Company revoked its status as an investment company as defined by section 833 of the Companies Act 2006 ("the Companies Act") on 28 July 2008.

All the businesses of the investee companies are within the United Kingdom.

## Business and performance review

For a review of the Company's development and performance during the year, please see the Chairman's Statement on pages 2 and 3 and the Investment Review and Investment Portfolio Summary on pages 10-19, within the Strategic Report. The Financial Highlights on page 1 and the appendix on pages 70 and 71 also provide data on two of the Company's key performance indicators.

The Company's Investment Policy on page 20 within the Strategic Report, and note 19 of the Financial Statements provide information on the Company's financial risk management processes.

The Board reviews performance by reference to various measures, taking account of the long term nature of the assets in which the Company invests, discussed within the Strategic Report.

## Results and dividends

| | Year ended 31 December 2013 | 11 months 31 December 2012 |
|---|---|---|
| Capital return before taxation | 2,357,331 | 1,052,171 |
| Taxation credit to capital | 133,343 | 75,182 |
| Capital return transferred to reserves | 2,490,674 | 1,127,353 |
| Revenue return, before taxation | 1,134,739 | 434,922 |
| Taxation debit to revenue | (133,343) | (75,182) |
| Revenue return for the year | 1,001,396 | 359,740 |

The revenue profit attributable to equity shareholders for the year ended 31 December 2013 was £1,001,396 (11 months ended 31 December 2012: £359,740) after taxation. An interim dividend of 2 pence per share for the year under review, comprising 1.25 pence from income and 0.75 pence from capital, was paid on 20 September 2013. Your Board proposes a final dividend of 4 pence per share comprising 1.25 pence from income and 2.75 pence from capital in respect of the year under review, payable on 16 May 2014 to Shareholders who are on the Register of Members on 22 April 2014. This will bring total cumulative dividends paid to 38.2 pence per share.

This dividend will be eligible for the Dividend Investment Scheme (see below for further information on how to join the Scheme).

## Share capital

*Share buybacks*

The Company currently has authority to purchase its own shares pursuant to section 701 of the Companies Act 2006 as approved by Shareholders on 10 May 2013. For further details please see Note 14 to the accounts on page 56 of this Report. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 9 May 2014 (see page 27). During the year the Company purchased 567,165 (2012: 1,095,385) Ordinary Shares for cancellation at a cost of £586,300 (2012: £1,117,828) (including expenses).

During the year under review the Company also used a buyback authority approved by Shareholders at a general meeting on 22 February 2013 to facilitate an enhanced buyback programme for Shareholders. Under this facility, a total of 5,902,280 Shares had been bought back during the year (2012: Nil) and 5,721,589 new Ordinary Shares were allotted. As referred to in the Strategic Report the recent draft Finance Bill 2014 has introduced measures which, if enacted, will restrict the tax relief received if a shareholder sells their existing shares in a VCT within six months before or after the date of making a new investment in the same VCT. In view of this regulatory change, your Board do not intend to offer enhanced buyback facilities in future.

*Linked Offer for Subscription 2012/2013*

The Company issued 6,951,240 new Ordinary Shares under the Linked Offer for Subscription with Mobeus Income & Growth VCT plc and The Income & Growth VCT plc launched on 29 November 2012. £8.3 million was subscribed under the Offer, for the Company, which closed on 30 June 2013.

As at 31 December 2013, the Company's issued share capital was £351,272 and the number of Ordinary Shares in issue was 35,127,218.

*Linked Offer for Subscription 2013/2014*

Since the year end, the Company has issued 2,755,916 new Ordinary Shares under the Linked Offer for Subscription with Mobeus Income & Growth VCT plc, Mobeus Income & Growth 2 VCT plc and The Income & Growth VCT plc launched on 28 November 2013, as set out below.

| Allotment date | No. of Ordinary Shares issued | Averaged issue price (p) |
|---|---|---|
| 9 January 2014 | 833,289 | 120.35969 |
| 11 February 2014 | 1,922,627 | 120.65806 |

The issued share capital at the date of this report is therefore £378,831 and the number of Ordinary Shares in issue is 37,883,134.

To date the Linked Offer has raised £20 million across all four VCTs and is expected to close on 30 April 2014.

## Right attaching to shares

Each Shareholder has one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares have been paid up in full. Any instrument of proxy must be deposited at the place specified by the directors no later than 48 hours before the time for holding the meeting.

Shareholders may, if they so wish, arrange for their shares to be held via a nominee or depository where they retain the financial rights carried by the Company's shares.

*Dividend Investment Scheme*

At the Annual General Meeting held on 20 June 2012, Shareholders approved the introduction of a Dividend Investment Scheme (the "Scheme"). The Annual General Meeting on 10 May 2013 authorised the Directors to allot new Ordinary Shares to participating Shareholders. The dividend payments made in the year were eligible for the Scheme and the following shares were allotted:

| Dividend payment date | Dividend amount (p) | No. of new Ordinary Shares issued under the Scheme | Allotment date | Issue price (p) |
|---|---|---|---|---|
| 10 May 2013 | 5.50 | 242,671 | 17 May 2013 | 101.50 |
| 20 September 2013 | 2.00 | 91,711 | 26 September 2013 | 104.75 |
| **Total** | **7.50** | **334,382** | | |

The Scheme will be available for the final dividend of 4 pence per share and Shareholders that have not already elected to participate in the Scheme should notify the Scheme Administrator, Capita Asset Services, by 1 May 2014 that they wish to participate in the Scheme. A personalised Mandate form for this purpose can be obtained by contacting Capita on 0871 664 0324 (calls cost 10p per minute plus network extras. Lines are open 9.00 am – 5.30 pm Mon – Fri. If calling from overseas please ring +44 203 170 0187).

A copy of the Scheme rules can be obtained from the Company's website, www.mig4vct.co.uk.

## Directors and their interests

The Directors who held office throughout the year under review and their interests (including those of their connected persons) in the issued Ordinary Shares of the Company were as follows:

| | Ordinary Shares held | |
|---|---|---|
| Director | 31 December 2013 | 31 December 2012 |
| Christopher Moore | 34,826 | 33,887 |
| Andrew Robson | 8,249 | 6,493 |
| Helen Sinclair | 12,425 | 12,425 |

Since the year-end, the Directors have been issued Shares in the Company as follows:

| Director | Holdings at 31 December 2013 | Shares issued since the year-end | Holding at date of this Report |
|---|---|---|---|
| Christopher Moore | 34,826 | – | 34,826 |
| Andrew Robson | 8,249 | 1,287 | 9,536 |
| Helen Sinclair | 12,425 | – | 12,425 |

There have been no further changes to the Directors' share interests between the period-end and the date of this Annual Report.

Biographical notes on the Directors are given on page 23 of this Annual Report.

All three directors will be subject to re-election by Shareholders at the forthcoming Annual General Meeting on 9 May 2014;

- In accordance with the AIC Code, Christopher Moore, who has served on the Board for 11 years, has agreed to retire annually from the Board and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. Following a review of his performance, the Board agreed that Christopher Moore continued to make a substantial contribution to the Board as its Chairman and that his length of service was an asset to the Company. The remaining Directors have no hesitation in recommending his re-election to Shareholders.
- In accordance with the Company's Articles of Association and the AIC Code, Andrew Robson will retire by rotation at the Annual General Meeting of the Company to be held on 9 May 2014 and being eligible offers himself for re-election on an annual basis in future. Following a review of his performance, the Board noted that Andrew Robson has considerable experience as a finance director, corporate finance adviser and consultant, working mainly with smaller companies and investment companies. As a senior director, he has shown himself to be a committed and independent director who continues to make a substantial contribution to the Board. The remaining Directors have no hesitation in recommending his re-election to Shareholders.
- With the exception of Helen Sinclair, all the Directors are considered to be independent of the Investment Manager. Helen Sinclair also sits on the Board of The Income & Growth VCT plc, which is also managed by Mobeus Equity Partners ("Mobeus"), and as such she is not considered to be independent of the Manager and has agreed to retire annually from the Board. In accordance with the AIC Code, and being eligible, she will offer herself for re-election at the forthcoming Annual General Meeting. Following a review of her performance, the Board noted that Helen Sinclair has considerable experience both of making investments in the types of companies in which the VCT invests and of being a VCT director. She has shown herself to be a committed and independently-minded director who continues to make a substantial contribution to the Board as Chairman of the Investment Committee. The remaining Directors have no hesitation in recommending her re-election to Shareholders.

The Board considers that each Director continues to offer valuable skills and experience and recommends Shareholders vote in favour of electing or re-electing each Director.

## Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP. Following this, the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. On 29 June 2012, Matrix Private Equity Partners LLP changed its name to Mobeus Equity Partners LLP. For further information please see Note 3 to the Financial Statements on page 48.

The Directors regularly monitor and annually review the performance of the Investment Manager. The Directors believe that the continuing appointment of Mobeus Equity Partners LLP ("Mobeus") on the terms agreed under the new agreement dated 12 November 2010 (as a

# Directors' Report

result of which Mobeus is also now the Company Secretary and Administrator) is in the interests of the Shareholders as a whole because they expect Mobeus to deliver a total NAV return in line with the Board's strategy.

The Company's arrangements with Mobeus, in particular its investment strategy and services remain unchanged.

## VCT Status monitoring

The Company has retained PricewaterhouseCoopers LLP as its VCT status adviser. PricewaterhouseCoopers LLP review at the request of the Investment Manager, for VCT status purposes, new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

## Going concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and is currently raising additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 19 on pages 58 to 64. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Auditor

With effect from 28 March 2013, the Company's auditor, PKF (UK) LLP entered into a business combination with BDO LLP. The Board has subsequently appointed BDO LLP as the Company's auditor to fill the casual vacancy arising as a result of the resignation of PKF (UK) LLP following the business combination. BDO LLP ("BDO") has expressed its willingness to continue in office.

Resolutions to re-appoint BDO and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## Auditor's right to information

So far as each of the Directors in office at 31 December 2013 are aware, there is no relevant audit information of which the auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Employees

The Company does not have any employees except for its directors.

### Human rights policy

The Board seeks to conduct the Company's affairs responsibly and gives full consideration to the human rights implications of its decisions, particularly with regard to investment decisions.

### Anti-bribery policy

The VCT has adopted a zero tolerance approach to bribery. The following is a summary of its policy:

- It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships where it operates.
- Directors and service providers must not promise, offer, give, request, agree to receive or accept a financial or other advantage in return for favourable treatment, to influence a business outcome or to gain any other business advantage on behalf of themselves or of the Company or encourage others to do so.
- The Company has communicated its anti-bribery policy to each of its service providers. It expects and requires each of its service providers to have policies in place which reflect the key principles of this policy and procedures and which demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

### Environmental, social and community matters

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when appropriate, particularly with regard to investment decisions. The Company uses mixed sources paper from well-managed forests and recycled wood and fibre as endorsed by the Forest Stewardship Council for the printing of its Annual and Half-Yearly Reports.

### Global greenhouse gas emissions for the year to 31 December 2013

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' Reports) Regulations 2013, (including those within the Company's underlying investment portfolio).

### Directors' conflicts of interest

In accordance with section 175 of the Companies Act 2006, the Directors have declared any existing conflicts of interest and, where appropriate, these have been authorised by the non-conflicted Directors. The Nomination and Remuneration Committees annually review authorisations approved by the Board.

### Substantial shareholdings

As far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this Report.

### Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 38 of this Annual Report.

The report of the independent Auditor is set out on pages 39 to 40 of this Annual Report.

### Related party transactions

Details of related party transactions can be found in Note 3 on page 48.

### Post balance sheet events

Details of any post balance sheet events can be found in Note 22 on page 65.

## Directors' indemnity and Directors & Officers Liability Insurance

The Company maintains a Directors' and Officers' liability insurance policy.

## Annual general meeting

The Notice of the Annual General Meeting (AGM), which will be held on 9 May 2014, is set out on pages 66 and 67 of this Annual Report. A Proxy Form for the AGM is enclosed with a Shareholder's copy of this Annual Report.

Resolutions 1 to 10 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be passed and resolutions 11 and 12 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting to be passed.

The following is an explanation of the business to be proposed at the meeting.

### Annual report and accounts (Resolution 1)

Shareholders will be asked to receive and adopt the annual report and accounts of the Company for the year ended 31 December 2013, including the Auditor's report thereon.

### Remuneration policy and report (Resolutions 2 and 3)

Following a change in legislation, Shareholders will have the opportunity to vote for the first time on the Company's Remuneration Policy which is set out on page 29 of this Report (resolution 2). The result of this resolution will be binding upon the Directors. A second resolution will be put to the meeting for the approval of the Annual Remuneration Report which describes how the policy will be implemented during the coming year (resolution 3).

### Independent Auditor (Resolutions 4 and 5)

With effect from 28 March 2013, the Company's Auditor, PKF (UK) LLP ("PKF") entered into a business combination with BDO LLP to become part of BDO LLP ("BDO"). The Board has subsequently appointed BDO as the Company's Auditor to fill the casual vacancy arising as a result of the resignation of PKF following the business combination. The Company wrote to Shareholders on 20 June 2013 informing them of this change. Resolution 4 proposes to appoint BDO LLP as Auditor to the Company and resolution 5 seeks authority for the Directors to determine the remuneration of the Auditor.

### Re-election of the Directors (Resolutions 6 to 8)

As referred to above on page 25, all three Directors will be standing for re-election at this year's AGM.

### Final dividend (Resolution 9)

Shareholders will be asked to approve a final dividend of 4 pence per share in respect of the year ended 31 December 2013. Further details of the final dividend are given above on page 24.

### Authorities for the Directors to allot shares (Resolution 10) and disapply pre-emption rights (Resolution 11) under sections 551 and 570(1) of the Companies Act 2006 ("the Act").

These two resolutions grant the Directors the authority to allot shares for cash to a limited and defined extent otherwise than pro rata to existing Shareholders.

Resolution 10 will authorise Directors to allot shares up to an aggregate nominal value of £56,786, representing approximately 14.99% of the Company's existing issued share capital at the date of the notice convening the AGM.

Under section 561(1) of the Act, if the Directors wish to allot new shares or sell treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by resolution 11 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate nominal value of up to £300,000 in connection with offer(s) for subscription;

(ii) with a nominal value of up to 10% of the issued share capital of the Company from time to time in respect of the Company's Dividend Investment Scheme; and

(iii) otherwise than pursuant to (i) and (ii) above, with a nominal value of up to 10% of the issued share capital of the Company from time to time

in each case where the proceeds may be used in whole or in part to purchase the Company's shares.

Both of these authorities, unless renewed, varied or revoked, will expire on the date falling fifteen months after the passing of the resolutions or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2015. The Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities.

The Directors have authority to allot Ordinary Shares under the Dividend Investment Scheme at either 70% of the then latest published net asset value or the mid-market share price averaged over the last 5 business days of an existing Ordinary Share, whichever is greater. Such authority will be used to allot shares under the Dividend Investment Scheme in respect of the final dividend.

The Directors launched a Linked Offer for subscription with The Income & Growth VCT plc, Mobeus Income & Growth VCT plc and Mobeus Income & Growth 2 VCT plc on 28 November 2013 to raise up to £6 million for each company and it is the Directors' intention that new Ordinary Shares may be issued pursuant to the offer under this authority (to the extent that existing authorities do not apply). The Directors have no further immediate intention of exercising the above powers.

Both resolutions replace previous authorities approved by Shareholders on 10 May 2013.

### Authority to purchase the Company's own shares (Resolution 12)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 5,265,569 shares or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital of the

# Directors' Report

Company at the date the resolution is passed. The resolution specifies the minimum and the maximum price which may be paid for a share.

Market liquidity in VCTs is normally very restricted. The passing of this resolution will enable the Company to purchase its own shares thereby providing a mechanism by which the Company may enhance the liquidity of its shares and seek to manage the level and volatility of the discount to NAV at which its shares may trade.

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless to do so would result in an increase in net assets per share which would be in the interests of Shareholders generally. This resolution will expire at the conclusion of the annual general meeting of the Company to be held in 2015 except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

**By order of the Board**

**Mobeus Equity Partners LLP**

*Company Secretary*

21 March 2014

# Directors' Remuneration Report

## Introduction

This year, for the first time, this Report reflects the recent changes in reporting requirements on remuneration matters for companies, particularly to Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority. The Directors' Remuneration Policy is outlined in detail in this Report and will be subject to a separate vote by Shareholders at our 2014 Annual General Meeting for the first time.

This Report has been prepared by the Directors in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority ("the Listing Rules"). The Company's independent Auditor is required to give its opinion on the specified information provided on Directors' emoluments and this is explained further in the Auditor's report to Shareholders on pages 39 and 40.

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 9 May 2014 for the approval of the Directors' Remuneration Policy and the Directors' Remuneration Report as set out below.

## Directors' Remuneration Policy

Directors' remuneration is reviewed annually by the Nominations and Remuneration Committee which makes recommendations to the Board on the amount of fees to be paid to the Directors and on any proposed changes. When considering the level of Directors' remuneration, the Committee takes account of the required workload and is aware of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. Consideration is given to the level and make-up of remuneration in order to attract, retain, and motivate Directors of sufficient quality. The Committee may choose to take independent advice where and when appropriate. However, it was not considered necessary to take such advice during the year under review.

Full details of the fees paid to Directors during the year are given on page 30 of this Report. Since all the Directors are non-executive, the Company is not required to comply with the provisions of the Listing Rules, the UK Corporate Governance Code and the AIC Code of Corporate Governance in respect of Directors' remuneration, except in so far as they relate specifically to non-executive directors.

This policy, which is subject to a binding vote, applied throughout the year ended 31 December 2013 and will continue to apply to the current year ending 31 December 2014. The Remuneration Policy will be put to a Shareholder vote every three years.

### Performance related remuneration

Whilst it is a key element of this policy to recruit Directors of the calibre required to lead the Company in achieving its Objective, no component of the fees paid is directly related to performance.

### Recruitment remuneration

Remuneration of any new Director who may subsequently be appointed to the Board will be in line with the above policy and the levels of remuneration stated therein.

### Additional benefits

The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to the Directors' fees. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company.

### Shareholders views on remuneration

The Board values Shareholder views on Directors' remuneration very highly and encourages a free and frank discussion on this issue at general meetings of the Company. Shareholders' views are taken into account, where appropriate, when formulating policy.

### Terms of appointment

The Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board, provided that a person appointed by the Board shall be subject to re-election at the first Annual General Meeting following their appointment. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Company's Articles of Association and the AIC Code, such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years. As required by the AIC Code, after nine years' service, a Director will be subject to annual re-election by Shareholders.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the remuneration pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each general meeting of the Company and on application to the Company Secretary. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

### Pensions

All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors.

## Annual Remuneration Implementation Report

The Company's Directors' Remuneration Policy as set out above will continue to be implemented throughout the year ending 31 December 2014 as described below.

## Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee within the framework set by the Board. The Committee is comprised of all three Directors, Andrew Robson (Chairman),

# Directors' Remuneration Report

Christopher Moore, and Helen Sinclair. The Committee meets at least once a year and is responsible for setting the remuneration policy for the Board and reviewing its ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on remuneration policy. The Committee may, at its discretion, recommend to the Board that individual Directors should be awarded additional payments in respect of extra-curricular work carried out on behalf of the Company. It is responsible for the appointment of remuneration consultants, if this should be considered necessary, including establishing the selection criteria and terms of reference for such an appointment. The Nominations and Remuneration Committee met once during the year under review with full attendance from all its members.

## Directors' emoluments *(audited information)*

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to the Directors' fees

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Christopher Moore | 33,500 | 28,417 |
| Andrew Robson | 28,500 | 23,833 |
| Helen Sinclair | 28,500 | 23,833 |
| **Total emoluments** | **90,500** | **76,083** |

Aggregate emoluments in respect of qualifying services amounted to £90,500 (31 December 2012: £76,083). No sums were paid to third parties in respect of any of the Director's services during the year under review.

£28,500 of Christopher Moore's annual fee was paid to his consultancy business, The Moore Corporation, under an agreement with the Company.

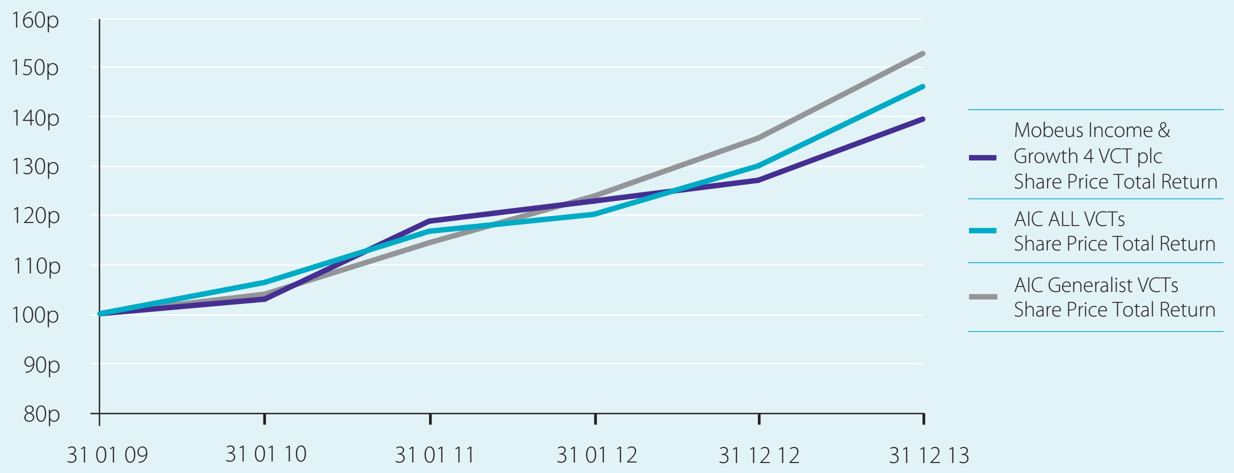
The table below displays the maximum payment receivable per annum by each Director for the current year together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

| Director | Role | Components of Pay Package | Maximum payment per annum | Performance conditions | Company Strategy | Remuneration Policy |
|---|---|---|---|---|---|---|
| **Christopher Moore** | **Chairman** | Directors' fee<br>Supplements:<br>For Investment and<br>Audit Committee membership | £25,000<br><br>£6,000<br>£2,500 | **None** | To provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments. | To ensure that the levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to manage the Company in order to achieve the Company's strategy. |
| | | **Total** | **£33,500** | | | |
| **Andrew Robson** | **Chairman, Audit and Nomination & Remuneration Committees** | Directors' fee<br>Supplements:<br>For Investment,<br>and Audit Committee membership | £20,000<br><br>£6,000<br>£2,500 | | | |
| | | **Total** | **£28,500** | | | |
| **Helen Sinclair** | **Chairman, Investment Committee** | Directors' fees<br>Supplements:<br>For Investment<br>and Audit Committee membership | £20,000<br><br>£6,000<br>£2,500 | **None** | | |
| | | **Total** | **£28,500** | | | |

## Total shareholder return

The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) over the past five years compared with the total cumulative returns of the AIC Generalist VCT and AIC All VCT indices provided by the Association of Investment Companies (AIC). The Board considers these benchmarks to be the most appropriate against which investors can measure the relative performance of the Company over the medium to long term. The total returns have each been re-based to 100 pence.

Share Price Total Return Performance Graph




An explanation of the recent performance of the Company is given in the Chairman's Statement on pages 2 and 3 and the Strategic Report on pages 4-22.

By order of the Board

**Mobeus Equity Partners LLP**

*Company Secretary*

21 March 2014

# Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2012 ("the AIC Code") for the financial year ended 31 December 2013. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide the most appropriate information to Shareholders.

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 22 January 2013. The FRC has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

## Statement of Compliance

This statement has been compiled in accordance with the FCA's Disclosure and Transparency Rule (DTR) 7.2 on Corporate Governance Statements.

The Board considers that the Company has complied with the AIC Code and the relevant provisions of the UK Code, except as explained below.

The UK Code includes provisions relating to:

– The role of the chief executive

– Executive directors' remuneration

– The requirement for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the preamble to the UK Code, the Board considers these provisions are not relevant to the Company, being an externally managed VCT.

As an externally managed investment company, the Company does not employ a chief executive nor any executive directors. The system and procedures of the Investment Manager, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the size of the Company's operations, give the Board full confidence that the internal audit function is not necessary. The Company is therefore not reporting further in respect of these areas.

The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. As recommended in the AIC Code, this role is fulfilled, as appropriate, by the Chairman of the Audit Committee.

As is common practice among Venture Capital Trusts, the Directors are not appointed for specific terms. A Director's appointment may be terminated on three months' notice being given by the Company. For further information please see the Directors' Remuneration Report on pages 29 to 31.

## The Board

The Company has a Board of three non-executive Directors. All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all the Company's Shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

### Director's independence and conflicts of interest

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Helen Sinclair remains a Director of The Income & Growth VCT plc and is therefore not considered to be independent of the Manager. With this exception, the Board has concluded that all three Directors are independent.

The Directors have declared any existing or potential conflicts of interest and these are reviewed and authorised by the Board as appropriate in accordance with the procedures under the Articles of Association and applicable rules and regulations. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nominations and Remuneration Committee undertakes an annual review of the authorisations given by the Board. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest.

No Directors currently hold a direct interest in any of the Company's investee companies.

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to Shareholders the independent nature of each individual Director in terms of both their character and judgment. Full biographical details on each Director as recommended in the AIC Code are included on pages 23.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the UK Code, as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions. The significant directorships and time commitments of the Chairman and the other Directors are considered by the Board and are disclosed on page 23.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment, and retire by rotation thereafter. The Directors are therefore not appointed for specific terms. For further details please see the Directors' Remuneration Report on page 29.

Christopher Moore and Helen Sinclair have both agreed to offer themselves for re-election annually.

### Recruitment and appointment of new Directors

Appointment letters for new directors include an assessment of the expected time commitment for each Board position and new directors are asked to give an indication of their other significant time commitments. The Board has adopted a formal process of recruitment for the appointment of new directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The Board will consider diversity, including gender, in making future appointments. The selection process involves interviews with the Board and meetings with Partners of the Manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Manager and the Administrator.

### Tenure

The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years or to set an age limit for the retirement of directors. The AIC Code does not explicitly make recommendations on the overall length of tenure for directors and has stated that it does not believe that there is any evidence that an individual director's lengthy service on a board may compromise his independence in the case of investment companies. It has specifically stated that investment company boards are perhaps more likely than most to benefit from having at least one Director with considerably longer than nine years' experience. As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhances its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board. In particular, the Board considers that the Chairman's service of twelve years as a Director of Company is an asset that he brings to the Board.

### Performance review

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the year ended 31 December 2013. As part of its review, the Directors consider the performance of each of the Directors and of the Board as a whole in relation to specific areas of their activity: composition, procedures, investment matters, shareholder value, individual performance and relationships with main service providers. The performance of the Chairman is assessed separately. The Board as a whole discusses the outcome of the performance evaluation, and led by the Chairman, considers and agrees a plan of action to rectify any shortfalls where appropriate.

A formal training programme has not been required during the year under review as all the Directors were experienced directors of listed companies. All of the Directors participate in continuing professional development and regularly attend conferences and workshops relevant to the VCT industry.

## Board committees

The Board has established three Committees with responsibilities for specific areas of its activity. Each of the Committees has written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website: www.mig4vct.co.uk.

The Board has satisfied itself that each of its Committees has sufficient resources to undertake its duties.

### Investment Committee

The Investment Committee comprises all three Directors, Helen Sinclair (Chairman), Christopher Moore, and Andrew Robson. The Committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Manager. Investment matters are discussed extensively at Board meetings and the Committee advises the Board on the development and implementation of the Investment Policy and leads the process for the ongoing monitoring of investee companies and the Company's investment therein. Investment guidelines have been issued to the Manager and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between Committee members and are subsequently ratified by the Board. Investment matters are discussed at Board meetings. During the year, the Committee formally approved all investment and divestment decisions and met informally on numerous occasions.

The Committee considers and agrees, on the advice of the Manager, for recommendation to the Board all unquoted investment valuations. Investments are valued in accordance with IPEVC Valuation Guidelines under which investment will be valued at the fair value as defined in those guidelines. Any AiM or other quoted investment will be valued at the closing bid price of its shares as at the relevant reporting date, in accordance with generally accepted accounting practice.

### Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprises of all three Directors, Andrew Robson (Chairman) Christopher Moore, and Helen Sinclair. The Committee meets at least once a year and is responsible for proposing candidates for appointment to the Board and for reviewing the remuneration policy of the Company.

In considering remuneration, it is responsible for reviewing the remuneration of the Directors and the Company's remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly. The Committee held one formal meeting during the year, which was fully attended by all the Directors, and met informally on other occasions. A full description of the work of the Committee is included within the Directors' Remuneration Report on pages 29 to 31.

# Corporate Governance Statement

In considering nominations, it is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and its Committees; the periodic review of the composition of the Board and its Committees; and the annual performance review of the Board, the Directors and the Chairman including the ongoing review of each Director's actual or potential conflicts of interest which may arise as a result of the external business activities of Board members. No appointments have been made during the year under review.

### Audit Committee

The Audit Committee comprises three Directors, Andrew Robson (Chairman), Christopher Moore, and Helen Sinclair. The Audit Committee meets at least twice a year to review the Half-Year and Annual Financial Statements before submission to the Board, including meeting with the independent auditor. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Audit Committee held four formal meetings during the year with full attendance from each of the Directors on each occasion. The Committee met informally on other occasions.

A summary of the Audit Committee's principal activities, which includes the key accounting and reporting issues considered by the Committee during the year, is provided below:

*Valuation of investments*
Investments are mainly in unquoted companies, valuations of which are agreed quarterly by the Investment Committee for recommendation to the Board. The Audit Committee monitors this process, and ensures that adequate controls operate over the preparation of these valuations throughout the year. Twice a year, it also reviews the valuation of the investments in the portfolio, prior to their inclusion in the Company's Half-Year and Annual Reports. The Committee focuses on ensuring that both the bases of the valuations and any assumptions used are reasonable and in accordance with International Private Equity and Venture Capital guidelines. Discussions were held with the external auditor, to review its own findings from the year-end audit, and from its review at the Half-Year, before recommendations are made to the Board upon the inclusion of the valuations in both reports to shareholders.

*Financial statements*
The Committee has also carefully reviewed the Half-Yearly and Annual Reports to Shareholders for the year under review, prior to submission to the Board for approval. Besides the subject of valuations referred to above, the Committee also considered whether the accounting policy in respect of revenue recognition had been satisfactorily applied, and whether all expenditure in the year had been included.

The Committee also reviewed the appropriateness and completeness of impairments against investments. If an investment has been impaired such that there is no realistic expectation that there will be a full return from the investment, the loss is treated as a permanent impairment and is recognised as a realised loss in the Financial Statements.

*Internal control and Key risks*
The Committee has monitored the system of internal controls throughout the year under review as described in more detail in this Statement on pages 36 to 37. It received a report on exceptions at its Annual and Half-Yearly results meetings. In a wider context, the Board has continued to identify the key risks faced by the Company and established appropriate controls. This is again explained further in the section on internal controls on page 21. The Committee also monitors these controls and reviews any incidences of non-compliance.

*Compliance with the VCT tests*
The Company engages the services of PwC to advise on its compliance with the legislative requirements relating to VCTs. A report on the Company's compliance with the tests is produced by PwC on a bi-annual basis and reviewed by the Committee for recommendation to the Board.

*Going concern*
The Board and the Committee monitored the Company's liquidity to satisfy themselves that the Company has an adequate level of resources for the foreseeable future. Cash flow projections, and the assumptions on, amongst others, the levels of investment purchases and disposals, dividends and share buybacks used in preparing them, were reviewed.

*Counterparty risk*
The Committee has given careful consideration to the credit worthy status of the banks with whom the Company's cash resources have been placed. The Committee took into account factors such as maturity, interest rate and credit rating across a number of financial institutions.

### Relationship with the external auditor

The Committee is responsible for overseeing the relationship with the external auditor, assessing the effectiveness of the external audit process and making recommendations on the appointment and removal of the external auditor. It makes recommendations to the Board on the level of audit fees and the terms of engagement for the auditor. The external auditor is invited to attend Audit Committee meetings, where appropriate, and also meets with the Committee and its Chairman without representatives of the Manager being present.

The Audit Committee undertakes a review of the external auditor and the effectiveness of the audit process on an annual basis. When assessing the effectiveness of the process, the Committee considers whether the auditor has:

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raising any significant issues in advance of the audit process commencing;
- an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process and engaging with the Committee chairman and other key individuals within the business;
- provided a clear explanation of the scope and strategy of the audit;
- the ability to communicate clearly and promptly with the members of the Committee and the Manager and produce comprehensive reports on its findings;

- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

The Auditor prepares an audit strategy document on an annual basis. This provides information on the audit team and timetable, audit scope and objectives, evaluation of materiality, initial assessment of key audit and accounting risks, confirmation of independence and proposed fees. This is reviewed and approved by the Audit Committee and provides the Committee with an opportunity to consider the audit approach and to raise any queries with the Auditor. The Chairman holds discussions with the Auditor at the audit planning stage.

The outcome of the review together with any actions that have arisen are formally minuted and a summary is submitted to the Board for consideration.

The Audit Committee assesses the effectiveness of the external audit process annually and makes a recommendation to the Board on the re-appointment of the auditor. This is considered by the Board prior to agreeing the recommendation to Shareholders for the re-appointment of the auditor at each Annual General Meeting of the Company. As part of its review, the Audit Committee considers the performance of the auditor and whether it has met the agreed audit plan, the quality of its reporting in its management letter and the cost-effectiveness of the service provided as well as the manner in which it has handled key audit issues and responded to the Committee's questions. The Committee concluded that the re-appointment of BDO as auditor was in the best interests of the Company and of Shareholders and its recommendation was endorsed by the Board.

In addition to a review of current year performance above, the Board regularly reviews and monitors the external auditor's independence and objectivity. An assessment of the impact of any provision of any services outside the audit itself occurs each year, as explained under Non-audit services below. The audit partner changes every five years.

The Committee is mindful of the requirement under the UK Code of Corporate Governance for FTSE 350 companies that the audit services contract should be put out to tender at least every ten years. However, should the Committee be dissatisfied with the standard of service received from the incumbent auditor in the interim, a tender process would be undertaken. A tender was last undertaken in 2007 and the Board has been satisfied with the performance of the Auditor since this date.

### Non-audit services

The Committee regularly reviews and monitors the potential impact such services could have upon external auditor's independence and objectivity. It reviews the nature and extent of non-audit services supplied by the auditor to ensure that independence is maintained. These services are tax compliance and assurance related services, such as a review of the Half-Yearly Report. The Audit Committee has concluded that it was in the interests of the Company to purchase these services from the external auditor, given its knowledge of the Company and hence to benefit from greater efficiency. Furthermore, the Committee believed that audit independence has been maintained. It was satisfied that the nature of the service being provided did not result in a self-review threat as the fees involved are relatively small compared to those for the audit, and does not involve undertaking any management role in preparing the information reported in the accounts.

## Investment management and service providers

Mobeus acts as Investment Manager and provides administrative and company secretarial services to the Company.

The Board reviews annually, and at other times as and when necessary, the Investment Management Agreement and the performance of the Investment Manager, and the other service providers including the auditor, VCT status adviser, solicitors, bankers and registrars.

Particular emphasis is placed on reviewing the Investment Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. This work forms part of the Board's overall internal control procedures as discussed elsewhere.

As part of its annual review of the Manager, the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. A review of the performance of the Company is included in the Chairman's Statement and the Strategic Review.

The Board concluded that the Manager had returned a satisfactory performance and that the Company's investment portfolio had performed well. The Board places significant emphasis on the Company's performance against benchmarks and is satisfied that the VCT's performance compares satisfactorily to the benchmark used on a consistent basis. The Board further considered the Manager's commitment to the promotion of the Company and was satisfied that this was prioritised highly by the Manager as evidenced by the Linked VCT fundraisings which had taken place annually since 2010. The strategy of investing primarily in MBOs of established companies was successful. The Committee believed that the Investment Manager had continued to exercise independent judgement while producing consistent valuations which reflected fair value. The Directors believe that the continued appointment of Mobeus as investment manager to the Company on the terms currently agreed is in the interests of Shareholders and this was formally approved by the Board on 4 March 2014.

The principal terms of the Company's Investment Manager's Agreement with the Manager dated 12 November 2010 and the previous contractual arrangements prior to this date are set out in Note 3 to the Accounts on page 48 of this Annual Report. The Board seeks to ensure that the terms of this Agreement represent an appropriate balance between cost and incentivisation of the Manager.

# Corporate Governance Statement

Both the Administrator and Investment Manager report by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis.

### Board meetings and the relationship with the Manager

The Board meets at least quarterly and is in regular contact with the Manager between these meetings. The Board and Committees held ten formal meetings during the year with full attendance from each of the Directors. The Board met informally on other occasions.

The Board and the Manager aim to work together in a supportive, cooperative and open manner. The Board has overall responsibility for the Company's affairs including the determination of its investment policy. The Manager takes the initiative on most aspects of the Company's operations, under the guidance and formal approval of the Board and the Board has agreed policies with the Manager covering key operational issues. All investment, divestment and variation decisions are made by the Board having considered formal recommendations from the Manager. The Manager updates the Board on developments at each of the investee companies, including decisions and discussions at Board meetings, if appropriate, through quarterly valuation reports, presentations to quarterly Board meetings of the VCT and otherwise when specific issues requiring the Board's attention emerge. The Board has delegated to the Manager authority to attend and vote at general meetings of each of the investee companies in the portfolio as its Corporate Representative. The Manager consults the Board concerning extraordinary agenda items particularly when a proposed resolution concerns an issue that may impact on the Company's economic interest. It is however authorised to vote as it thinks appropriate on standard agenda items.

The primary focus at Board meetings is the review of investment performance and associated matters as well as the monitoring of financial and other internal controls including maintenance of VCT status and the level of share price discount or premium. The Board regularly considers overall strategy and has since 2012 held, together with the Manager, an annual strategy meeting. The Board monitors the investments made by the Manager to ensure that the overall investment portfolio is in line with the Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act 2006 and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; strategy and management of the Company; changes relating to the Company's capital structure or its status as a plc; financial reporting and controls; board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring Board procedures, are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where Directors have concerns, which cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

The Board has considered the appointment of a management engagement committee and has concluded that this is not necessary because the Board is comprised entirely of non-executive directors.

### Custody of documents of title for unquoted investments

The Board has delegated to the Company Secretary responsibility for the safekeeping of the documents of title in respect of all the venture capital investments in the Company's portfolio. The Manager has recently received the required FCA permission to hold these on behalf of the Company. A system of controls has been agreed by the Audit Committee to monitor the safe-keeping and regular audit of these documents.

### VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP to advise on its compliance with the tax legislative requirements relating to VCTs. As such, they advise on compliance with requirements of the Venture Capital Trust tax legislation on the basis of information provided by Mobeus. Mobeus also seeks professional advice in relation to the application of the venture capital trust legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

### Internal control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors are responsible for the internal control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made, and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control.

The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, as more fully demonstrated in the Investment Portfolio Summary on pages 16 to 19). The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each Board meeting reviews the management accounts, and Annual or Half-Yearly Reports arising therefrom, prepared by the Administrator.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the safekeeping of the documents of title to the Company's assets, the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the Investment Services Agreement with the Manager. The Directors carry out an Annual Review of the performance of and contractual arrangements with the Manager.

The Board, assisted by the Audit Committee, carries out separate assessments in respect of the Annual and Half-Year Reports and other published financial information. As part of these reviews, the Board appraises all the relevant risks ensuing from the internal control process referred to above. The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- Full internal controls are in place for the preparation and reconciliation of the valuations prepared by the Manager;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board;
- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

## Shareholder communications

The Board has a duty to promote the success of the Company and to ensure that its obligations to Shareholders are met. The Company communicates with Shareholders and solicits their views where it is appropriate to do so. The Manager publishes a twice-yearly VCT shareholder newsletter which contains information on the portfolio and recent investment and corporate activity.

The Board approves the Annual Report to Shareholders. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and the Manager and to discuss issues affecting the Company with them.

The Manager organises an annual shareholder workshop in which Shareholders are encouraged to participate.

Shareholders may contact the Chairman of the Audit Committee if they have concerns which contact through the Chairman or Manager has failed to resolve or for which such contact is inappropriate.

The Board normally has a direct involvement in the content of communications regarding major corporate events even if the Manager is asked to act as spokesman.

The notice of the Annual General Meeting accompanies this Annual Report, which is normally sent to Shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published on the Company's website www.mig4vct.co.uk.

## Additional disclosures in the Directors' Report

Disclosures required by certain publicly-traded companies as set out in Part 6 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013) are contained in the Directors' Report.

By order of the Board

**Mobeus Equity Partners LLP**

*Company Secretary*

21 March 2014

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

## Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

## Directors' responsibilities pursuant to Disclosure and Transparency Rule 4 of the UK Listing Authority

The Directors confirm to the best of their knowledge that:

(a) the Financial Statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice ,give a true and fair view of the assets, liabilities, financial position and the profit of the Company.

(b) the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

The names and functions of the Directors are stated on page 23.

For and on behalf of the Board:

**Christopher Moore**

*Chairman*

21 March 2014

# Independent Auditor's Report to the Members of Mobeus Income & Growth 4 VCT plc

We have audited the financial statements of Mobeus Income & Growth 4 VCT plc for the year ended 31 December 2013 which comprise the income statement, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Our assessment of risks of material misstatement and our audit approach to these risks

We identified the following risks that we consider to have had the greatest impact on our audit strategy and scope:

- The assessment of the carrying value of investments, particularly unquoted investments.
  This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.

  We challenged the assumptions inherent in the valuation of unquoted investments, which are mainly valued on an earnings multiple basis, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements. Our audit procedures included reviewing the historical Financial Statements and recent management information available for the unquoted investments used to support assumptions about maintainable earnings used in the valuations, consideration of the earnings multiples applied by reference to observed listed company market data and we challenged the adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted. Where alternative assumptions could reasonably be applied, we developed our own point estimates and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

  Where other valuation approaches were adopted, in addition to challenging the assumptions used, we considered the appropriateness of the valuation techniques adopted by reference to both the circumstances of the investee company and the International Private Equity and Venture Capital Valuation guidelines.

  We also considered the controls over the valuation of quoted investments and tested the prices used to independent sources.

- Revenue recognition
  Revenue consists of dividends receivable from investee companies and interest earned on loans to investee companies and cash balances. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors. In particular, as the Company invests primarily in unquoted companies, dividends receivable can be difficult to predict.

  We considered the controls relating to revenue recognition and undertook testing of interest income by comparing actual income to expectations generated using the interest rates in the loan instruments. We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest.

  We also tested dividends receivable through comparing actual income to expectations set based on independent published data on dividends declared by the investee companies held. We tested the categorisation of dividends received from investee companies between revenue and capital.

- Completeness of expenditure
  In view of industry practice to compare the performance of funds, partly based on the level of their on-going charges, as well as the existence of an expense cap on the management fee this, there is an increased risk of management override in the recognition of costs. We agreed recurring costs to expectations set based on prior years flexed for known changes, agreed engagement terms with suppliers and agreement to invoices on a sample basis. We also confirmed the appropriateness of the classification of costs of the share buy-back and top-up offer being charged to reserves.

The Audit Committee's consideration of these key issues is set out on page 34.

## Purpose of this report

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

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

# Independent Auditor's Report to the Members of Mobeus Income & Growth 4 VCT plc

## Scope of the audit of the Financial Statements and our application of materiality

A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements.

We determined materiality for the Financial Statements as a whole to be £460,000. In determining this, we based our assessment on a percentage of fixed asset investments held at fair value which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to the unquoted investments. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement was that performance materiality for the Financial Statements should be 75% of materiality for the Financial Statements as a whole, namely £345,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £460,000 for the Financial Statements as a whole.

International Standards on Auditing (UK & Ireland) also require the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net realised returns of the Company. We determined materiality for this area to be £110,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the corporate governance statement set out on pages 36 to 37 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

## Matters on which we are required to report by exception

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 26 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

**Jason Homewood**
(Senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
London
United Kingdom

21 March 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Income Statement
*for the year ended 31 December 2013*

| | Notes | Year ended 31 December 2013 Revenue £ | Capital £ | Total £ | 11 months ended 31 December 2012 Revenue £ | Capital £ | Total £ |
|---|---|---|---|---|---|---|---|
| Unrealised gains on investments | 9 | – | 2,785,539 | 2,785,539 | – | 1,300,844 | 1,300,844 |
| Gains on investments realised | 9 | – | 258,724 | 258,724 | – | 278,802 | 278,802 |
| Income | 2 | 1,737,504 | – | 1,737,504 | 973,259 | – | 973,259 |
| Investment management fees | 3 | (228,977) | (686,932) | (915,909) | (175,825) | (527,475) | (703,300) |
| Other expenses | 4 | (373,788) | – | (373,788) | (362,512) | – | (362,512) |
| **Profit on ordinary activities before taxation** | | 1,134,739 | 2,357,331 | 3,492,070 | 434,922 | 1,052,171 | 1,487,093 |
| Taxation on ordinary activities | 6 | (133,343) | 133,343 | – | (75,182) | 75,182 | – |
| **Profit for the year/period** | | **1,001,396** | **2,490,674** | **3,492,070** | **359,740** | **1,127,353** | **1,487,093** |
| **Basic and diluted earnings per ordinary share:** | 8 | **2.96p** | **7.35p** | **10.31p** | **1.27p** | **3.99p** | **5.26p** |

All the items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year/period. The total column is the Profit and Loss Account of the Company. There were no other recognised gains and losses in the year/period.

Other than revaluation movements arising on investments held at fair value through the profit and loss account there were no differences between the return as stated above and at historical cost.

The notes on pages 45-65 form part of these financial statements.

# Balance Sheet

*as at 31 December 2013*

Company No. 3707697

| | Notes | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value | 9 | 24,569,769 | 21,838,167 |
| **Current assets** | | | |
| Debtors and prepayments | 11 | 305,234 | 214,166 |
| Current investments | 12,18 | 14,318,103 | 9,020,144 |
| Cash at bank | 18 | 3,125,287 | 2,645,938 |
| | | 17,748,624 | 11,880,248 |
| **Creditors: amounts falling due within one year** | 13 | (194,670) | (181,144) |
| **Net current assets** | | 17,553,954 | 11,699,104 |
| **Net assets** | | **42,123,723** | **33,537,271** |
| **Capital and reserves** | | | |
| Called up share capital | 14 | 351,272 | 285,895 |
| Share premium reserve | 15 | 13,374,724 | 12,004,600 |
| Capital redemption reserve | 15 | 969,753 | 905,059 |
| Revaluation reserve | 15 | 4,518,594 | 1,529,402 |
| Special distributable reserve | 15 | 17,418,387 | 12,501,764 |
| Profit and loss account | 15 | 5,490,993 | 6,310,551 |
| **Equity shareholders' funds** | **15** | **42,123,723** | **33,537,271** |
| **Basic and diluted net asset value per Ordinary Share** | **16** | **119.92p** | **117.31p** |

The notes on pages 45-65 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2014 and were signed on its behalf by:

Christopher Moore
*Chairman*

# Reconciliation of Movements in Shareholders' Funds
*for the year ended 31 December 2013*

| | Notes | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|---|
| Opening shareholders' funds | | 33,537,271 | 29,418,665 |
| Share capital subscibed for in the year/period – net of expenses | 15 | 15,358,285 | 5,201,860 |
| Share capital bought back in the year/period – including expenses | 15 | (7,634,821) | (1,117,828) |
| Profit for the year/period | | 3,492,070 | 1,487,093 |
| Dividends paid in year/period | 7 | (2,629,082) | (1,452,519) |
| **Closing shareholders' funds** | **15** | **42,123,723** | **33,537,271** |

The notes on pages 45-65 form part of these financial statements.

# Cash Flow Statement
*for the year ended 31 December 2013*

| | Notes | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|---|
| Interest income received | | 1,419,008 | 865,212 |
| Dividend income | | 166,382 | 136,504 |
| Other income | | – | 7,264 |
| Investment management fees paid | | (850,830) | (768,379) |
| Cash payments for other expenses | | (364,197) | (321,248) |
| **Net cash inflow/(outflow) from operating activities** | 17 | 370,363 | (80,647) |
| **Investing activities** | | | |
| Sale of investments | 9 | 2,514,504 | 2,028,239 |
| Purchase of investments | 9 | (2,201,941) | (4,307,298) |
| **Net cash inflow/(outflow) from investing activities** | | 312,563 | (2,279,059) |
| **Dividends** | | | |
| Equity dividends paid | 7 | (2,629,082) | (1,452,519) |
| **Cash outflow before liquid resource management and financing** | | (1,946,156) | (3,812,225) |
| **Management of liquid resources** | | | |
| Increase in monies held in current investments | 18 | (5,297,959) | (136,879) |
| **Financing** | | | |
| Shares issued as part of joint fundraising offer for subscription and dividend investment scheme | 14 | 8,434,913 | 5,201,860 |
| Shares issued as part of the Enhanced Buyback Facility | 15b | 250,000 | – |
| Shares bought back as part of Enhanced Buyback Facility (including expenses) | 15b | (375,149) | – |
| Purchase of own shares | 14 | (586,300) | (1,117,828) |
| **Net cash inflow from financing** | | 7,723,464 | 4,084,032 |
| **Increase in cash for the year** | **18** | **479,349** | **134,928** |

The notes on pages 45-65 form part of these financial statements.

# Notes to the Accounts
*for the year ended 31 December 2013*

## 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

### a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Trust Companies in January 2009. The financial statements are prepared under the historical cost convention except for the measurement of certain financial instruments at fair value.

### b) Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

### c) Comparatives

In the previous period, the Company changed its financial year end to 31 December and, therefore the comparative to these financial statements and notes to the accounts relate to the eleven month period to 31 December 2012.

### d) Investments

All investments held by the Company are classified as "fair value through profit and loss", and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in September 2009. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines:

All investments are held at the price of a recent investment for an appropriate period where there is considered to have been no change in fair value. Where such a basis is no longer considered appropriate, the following factors will be considered:

(i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.

(ii) In the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:-

a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Manager compared to the sector including, inter alia, a lack of marketability).

or:-

b) where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Manager, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

(iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

(iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

# Notes to the Accounts
*for the year ended 31 December 2013*

### e) Current investments

Monies held pending investment are invested in financial instruments with same day or two-day access and as such are treated as current investments, and have been valued at fair value.

### f) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received.

Interest income on loan stock is accrued on a daily basis. Provision is made against this where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment, where appropriate.

### g) Capital reserves

(i) *Realised (included within the Profit and Loss Account reserve)*
The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition of investments; and
- 75% of management fee expense, together with the related tax effect to this reserve in accordance with the policies.

(ii) *Revaluation reserve (Unrealised capital reserve)*
Increases and decreases in the valuation of investments held at the year/period-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year/period.

(iii) Special distributable reserve
The cost of share buybacks is charged to this reserve. In addition, any realised losses on the sale of investments, and 75% of the management fee expense, and the related tax effect, are transferred from the Profit and Loss Account reserve to this reserve.

(iv) Share premium reserve
This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under recent Offers for Subscription and the Company's dividend re-investment scheme.

(v) Capital Redemption reserve
The nominal value of shares bought back and cancelled is held in this reserve, so that the company's capital is maintained.

### h) Expenses

All expenses are accounted for on an accruals basis.

25% of the Investment Managers' fees are charged to the revenue column of the Income Statement, while 75% is charged against the capital column of the Income Statement. This is in line with the Board's expected long-term split of returns from the investment portfolio of the Company.

100% of any performance incentive fee payable for the year is charged against the capital column of the Income Statement, as it is based upon the achievement of capital growth.

Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment, which are written off to the capital column of the Income Statement or deducted from the disposal proceeds as appropriate.

### i) Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital reserve – realised and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

## 2. Income

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Income from bank deposits | 147,949 | 52,568 |
| Income from investments | | |
| – from equities | 220,304 | 93,274 |
| – from overseas based OEICs | 25,216 | 37,099 |
| – from loan stock | 1,344,035 | 783,053 |
| | 1,589,555 | 913,426 |
| Other income | – | 7,265 |
| **Total income** | **1,737,504** | **973,259** |
| **Total income comprises** | | |
| Dividends | 245,520 | 130,373 |
| Interest | 1,491,984 | 835,621 |
| Other income | – | 7,265 |
| | **1,737,504** | **973,259** |
| **Income from investments comprises** | | |
| Listed overseas securities | 25,216 | 37,099 |
| Unlisted UK securities | 220,304 | 93,274 |
| Loan stock interest | 1,344,035 | 783,053 |
| | **1,589,555** | **913,426** |

Total loan stock interest due but not recognised in the year was £177,912 (11 months ended 31 December 2012: £197,941).

# Notes to the Accounts
*for the year ended 31 December 2013*

## 3. Investment Manager's fees

| | Year ended 31 December 2013 | | | 11 months ended 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| Mobeus Equity Partners LLP | 228,977 | 686,932 | 915,909 | 175,825 | 527,475 | 703,300 |

Under the terms of a revised investment management agreement dated 12 November 2010, Mobeus Equity Partners LLP ("Mobeus LLP") (formerly Matrix Private Equity Partners LLP ("MPEP") provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum of closing net assets, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fixed fee of £112,518 per annum, the latter being subject to indexation, if applicable. In 2013, Mobeus has agreed to waive such further increases due to indexation, until otherwise agreed with the Board.

The investment management fee includes provision for a cap on expenses excluding irrecoverable VAT and exceptional items set at 3.4% of closing net assets at the year-end. In accordance with the investment management agreement, any excess expenses are borne by the Investment Manager. The excess expenses during the year amounted to £nil (period to 31 December 2012: £nil).

Under the terms of a separate agreement dated 1 November 2006, from the end of the accounting period ending on 31 January 2009 and in each subsequent accounting period throughout the life of the company, the Investment Manager will be entitled to receive a performance related incentive fee of 20% of the excess above 6 per cent of the net asset value per share of the annual dividends paid to Shareholders. The performance fee will be payable annually, with any cumulative shortfalls below the 6 per cent hurdle having to be made up in later years. The incentive payment will be shared between the Investment Manager 75% and the Promoter 25%. No incentive fee is payable to date.

The Company is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above. In line with common practice, Mobeus LLP retain the right to charge arrangement and syndication fees and Directors' or monitoring fees ("deal fees") to companies in which the Company invests.

Under the terms of the Linked Offer for Subscription launched on 29 November 2012 and which closed on 30 April 2013 ("the Offer"), Mobeus were entitled to fees of 5.5% of gross investment subscriptions up to 30 December 2012 and 3.25% of gross investment subscriptions after 30 December 2012. This amount totalled £942,656 across all three VCTs involved in the Offer, out of which all costs associated with the Offer are met.

Under the terms of a Linked Offer for Subscription launched 28 November 2013, Mobeus will be entitled to fees of 3.25% of the investment amount received from investors. Based upon a fully subscribed offer of £24 million this would equal £780,000, across all four VCTs involved in the Offer, out of which all the costs associated with the Offer are met.

## 4. Other expenses

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Directors' remuneration (including NIC) (see note 5) | 101,942 | 85,303 |
| IFA trail commission | 109,613 | 103,687 |
| Broker's fees | 12,000 | 11,000 |
| Auditor's fees – audit of the statutory financial statements | 22,380 | 21,804 |
| – other services supplied relating to taxation | 460 | 6,740 |
| – other assurance services | 4,200 | 4,416 |
| Registrar's fees | 40,891 | 30,264 |
| Printing | 18,750 | 42,037 |
| Legal & professional fees | 9,302 | 4,056 |
| VCT monitoring fees | 10,800 | 10,800 |
| Directors' insurance | 6,201 | 5,993 |
| Listing and regulatory fees | 35,566 | 24,649 |
| Sundry | 1,683 | 1,771 |
| Running costs | 373,788 | 352,520 |
| Provision against loan interest receivable (see note) | – | 9,992 |
| Other expenses | **373,788** | **362,512** |

The Directors consider the auditor was best placed to provide the other services disclosed above. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained.

Note: The provision of £nil (11 months ended 31 December 2012: £9,992) against loan interest receivable above is a provision made against loan stock interest regarded as collectable in previous years.

## 5. Directors' emoluments and national insurance

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Directors' emoluments | | |
| Christopher Moore | 33,500 | 28,417 |
| Helen Sinclair | 28,500 | 23,833 |
| Andrew Robson | 28,500 | 23,833 |
| | 90,500 | 76,083 |
| Employer's NIC and VAT | 11,442 | 9,220 |
| | **101,942** | **85,303** |

No pension scheme contributions or retirement benefit contributions were paid (period to 31 December 2012: £nil). There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees other than its Directors.

# Notes to the Accounts
*for the year ended 31 December 2013*

## 6. Taxation on profit on ordinary activities

| | Year ended 31 December 2013 Revenue £ | Capital £ | Total £ | 11 months ended 31 December 2012 Revenue £ | Capital £ | Total £ |
|---|---|---|---|---|---|---|
| **a) Analysis of tax charge:** | | | | | | |
| UK Corporation tax on profits for the year | 133,343 | (133,343) | – | 75,182 | (75,182) | – |
| Total current tax charge/(credit) | **133,343** | **(133,343)** | **–** | **75,182** | **(75,182)** | **–** |
| Corporation tax is based on a rate of 20% (2012: 20%) | | | | | | |
| **b) Profit on ordinary activities before tax** | 1,134,739 | 2,357,331 | 3,492,070 | 434,922 | 1,052,171 | 1,487,093 |
| Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2012: 20%) | 226,948 | 471,466 | 698,414 | 86,984 | 210,434 | 297,418 |
| ***Effect of:*** | | | | | | |
| UK dividends | (44,061) | – | (44,061) | (18,655) | – | (18,655) |
| Unrealised gains not taxable | – | (557,108) | (557,108) | – | (260,169) | (260,169) |
| Realised gains not taxable | – | (51,745) | (51,745) | – | (55,760) | (55,760) |
| Marginal relief | (4,044) | 4,044 | – | 6,853 | (6,853) | – |
| Losses brought forward | (45,500) | – | (45,500) | – | – | – |
| Unrelieved expenditure | – | – | – | – | 37,166 | 37,166 |
| **Actual current tax charge** | **133,343** | **(133,343)** | **–** | **75,182** | **(75,182)** | **–** |

Tax relief relating to investment management fees is allocated between revenue and capital where such relief can be utilised.

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a Venture Capital Trust.

There is no potential liability to deferred tax (11 months to 31 December 2012: £nil). There is an unrecognised deferred tax asset of £272,720 (31 December 2012: £325,046).

## 7. Dividends paid and payable

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| **Amounts recognised as distributions to equity holders in the year/period:** | | |
| Interim income dividend for the year ended 31 January 2012 of 1.5 pence per Ordinary Share paid 6 June 2012 | – | 435,756 |
| Interim capital dividend for the year ended 31 January 2012 of 3.5 pence per Ordinary Share paid 6 June 2012 | – | 1,016,763 |
| Interim income dividend for the 11 months ended 31 December 2012 of 1 pence per Ordinary Share paid 10 May 2013 | 349,878 | – |
| Interim capital dividend for the 11 months ended 31 December 2012 of 4.5 pence per Ordinary Share paid 10 May 2013 | 1,574,452 | – |
| Interim income dividend for the year ended 31 December 2013 of 1.25 pence per Ordinary Share paid 20 September 2013 | 440,471 | – |
| Interim capital dividend for the year ended 31 December 2013 of 0.75 pence per Ordinary Share paid 20 September 2013 | 264,281 | – |
| | 2,629,082* | 1,452,519* |

* Of this amount £342,378 (31 December 2012: £164,418) of new shares were issued as part of the DRIS scheme.

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| **Proposed distributions to equity holders after the year/period-end:** | | |
| Interim income dividend for the year ended 31 December 2013 of nil pence (11 months ended 31 December 2012: 1.0 pence) per Ordinary share | – | 302,329 |
| Interim capital dividend for the year ended 31 December 2013 of nil pence (11 months ended 31 December 2012: 4.5 pence) per Ordinary share | – | 1,360,482 |
| Final income dividend for the year ended 31 December 2013 of 1.5 pence (11 months ended 31 December 2012: nil pence) per Ordinary share | 568,247 | – |
| Final capital dividend for the year ended 31 December 2013 of 2.5 pence (11 months ended 31 December 2012: nil pence) per Ordinary share | 947,078 | – |
| | 1,515,325 | 1,662,811 |

Any 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 are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of section 274 of the Income Tax Act 2007 are considered.

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Revenue available for distribution by way of dividends for the year/period | 1,001,396 | 359,740 |
| Interim dividend for year ended 31 December 2013 of 1.25 pence (11 months ended 31 December 2012: nil pence) per Ordinary share | 440,471 | – |
| Proposed income dividend for the year ended 31 December 2013 of 1.5 pence (11 months ended 31 December 2012: 1 pence) per Ordinary Share | 568,247 | 302,329 |
| Total income dividends | 1,008,718 | 302,329 |

# Notes to the Accounts
*for the year ended 31 December 2013*

## 8. Basic and diluted earnings per share

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Total earnings after taxation: | 3,492,070 | 1,487,093 |
| **Basic and diluted earnings per share (note a)** | **10.31p** | **5.26p** |
| Net revenue from ordinary activities after taxation | 1,001,396 | 359,740 |
| **Basic and diluted revenue return per share (note b)** | **2.96p** | **1.27p** |
| Net unrealised capital gains | 2,785,539 | 1,300,844 |
| Net realised capital gains | 258,724 | 278,802 |
| Capital expenses (net of taxation) | (553,589) | (452,293) |
| Total capital return | 2,490,674 | 1,127,353 |
| **Basic and diluted capital return per share (note c)** | **7.35p** | **3.99p** |
| Weighted average number of shares in issue in the year/period | 33,875,228 | 28,266,790 |

**Notes:**

a) Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.

b) Revenue earnings per share is the revenue return after taxation divided by the weighted average number of shares in issue.

c) Capital earnings per share is the total capital profit after taxation divided by the weighted average number of shares in issue.

d) There are no instruments that will increase the number of shares in issue in future. Accordingly, the above figures currently represent both basic and diluted returns.

## 9. Investments at fair value

Movements in investments during the year are summarised as follows:

| | Traded on AiM £ | Unquoted equity shares £ | Unquoted preference shares £ | Loan stock £ | Total £ |
|---|---|---|---|---|---|
| Cost at 31 December 2012 | 199,998 | 7,689,195 | 23,113 | 14,332,053 | 22,244,359 |
| Net unrealised gains/(losses) at 31 December 2012 | 66,666 | (74,277) | (7,883) | 212,994 | 197,500 |
| Permanent impairment in value of investments as at 31 December 2012 | – | (319,319) | (1,068) | (283,305) | (603,692) |
| **Valuation at 31 December 2012** | **266,664** | **7,295,599** | **14,162** | **14,261,742** | **21,838,167** |
| Purchases at cost | – | – | – | 2,201,843 | 2,201,843 |
| Sale proceeds | – | (14,837) | – | (2,506,577) | (2,521,414) |
| Reclassification at value | – | (1,704,054) | 1,957 | 1,702,097 | – |
| Realised gains in the year | – | 14,837 | – | 250,797 | 265,634 |
| Unrealised gains in the year | 25,000 | 2,548,737 | – | 211,802 | 2,785,539 |
| **Closing valuation at 31 December 2013** | **291,664** | **8,140,282** | **16,119** | **16,121,704** | **24,569,769** |
| Cost at 31 December 2013 | 199,998 | 5,853,676 | 25,070 | 16,070,641 | 22,149,385 |
| Unrealised gains/(losses) at 31 December 2013 | 91,666 | 2,988,303 | (7,302) | 618,549 | 3,691,216 |
| Permanent impairment in value of investments | – | (701,697) | (1,649) | (567,486) | (1,270,832) |
| **Valuation at 31 December 2013** | **291,664** | **8,140,282** | **16,119** | **16,121,704** | **24,569,769** |

The major components of the increase in unrealised valuations of £2,785,539 in the year were increases of £771,801 in ATG Media Limited, £400,232 in Tessella Holdings Limited and £396,306 in ASL Technology Holdings Limited. These gains were partly offset by falls of £342,014 in CB Imports Group Limited, £261,721 in RDL Corporation Limited and £93,890 in Racoon International Holdings Limited.

Details of investment transactions such as disposal proceeds, valuation movements, cost and carrying value at the end of the previous period are contained in the Investment Portfolio Summary on pages 16 to 19.

### Reconciliation of investment transactions to cash and income statement movements

The difference between purchases of investments above of £2,201,843 and the outflow of £2,201,941 shown by the Cash Flow Statement is £98. This related to purchasing of share options in an investee company that had not completed by the year end.

The difference between sales of investments above of £2,521,414, and the inflow of £2,514,504 shown by the Cash Flow Statement is £6,910 relating to transaction costs. These transaction costs also account for the difference in realised gains between £265,634 shown above and £258,724 disclosed in the Income Statement.

Unrealised gains/(losses) at 31 December 2013 of £3,691,216 differ to that shown on the Revaluation Reserve of £4,518,594. The difference of £827,378 is the remaining loan stock balance received as part of the disposal of DiGiCo Europe Limited in December 2011 which was not recognised as a realised gain in that year.

# Notes to the Accounts
*for the year ended 31 December 2013*

## 10. Significant interests

At 31 December 2013 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

| | Equity investment (Ordinary shares) £ | Investment in loan stock and preference shares £ | Total investment (at cost) £ | Percentage of investee company's total equity |
|---|---|---|---|---|
| Culbone Trading Limited (trading as Virgin Wine Online Limited) | 45,915 | 1,953,856 | 1,999,771 | 9.66% |
| ATG Media Holdings Limited | 356,827 | 1,532,179 | 1,889,006 | 8.50% |
| Fullfield Limited (trading as Motorclean Limited) | 462,184 | 1,331,047 | 1,793,231 | 9.82% |
| Madacombe Trading Limited (trading as Veritek Global Limited) | 43,527 | 1,576,559 | 1,620,086 | 10.30% |
| Gro-Group Holdings Limited | 148,765 | 1,391,296 | 1,540,061 | 8.39% |
| ASL Technology Holdings Limited | 297,099 | 960,034 | 1,257,133 | 6.78% |
| Tessella Holdings Limited | 212,045 | 965,532 | 1,177,577 | 5.44% |
| Ingleby (1879) Limited (trading as EMAC Limited) | 379,146 | 621,376 | 1,000,522 | 6.32% |
| Ackling Management Limited | 400,000 | 600,000 | 1,000,000 | 12.50% |
| RDL Corporation Limited | 173,932 | 826,068 | 1,000,000 | 9.05% |
| CB Imports Group Limited | 175,000 | 825,000 | 1,000,000 | 5.79% |
| PXP Holdings Limited | 712,925 | – | 712,925 | 4.39% |
| Monsal Holdings Limited | 216,313 | 461,987 | 678,300 | 6.21% |
| Higher Nature Limited | 500,127 | – | 500,127 | 10.34% |
| Youngman Group Limited | 50,027 | 449,999 | 500,026 | 4.24% |
| The Plastic Surgeon Holdings Limited | 45,884 | 412,953 | 458,837 | 6.88% |
| Racoon International Holdings Limited | 122,043 | 284,762 | 406,805 | 5.70% |
| Focus Pharma Holdings Limited | 270,359 | 1,207 | 271,566 | 3.10% |
| Blaze Signs Holdings Limited | 183,005 | 7,626 | 190,631 | 5.72% |
| Westway Services Holdings (2010) Limited | 38,688 | 91,610 | 130,298 | 3.20% |
| Duncary 8 Limited | 25,328 | 76,667 | 101,995 | 5.10% |
| Lightworks Software Limited | 9,329 | – | 9,329 | 4.20% |
| Machineworks Software Limited | 9,329 | – | 9,329 | 4.20% |
| Watchgate Limited | 1,000 | – | 1,000 | 33.33% |

It is considered that, as required by FRS 9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that, accordingly, their value to the Company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represent investments in associated undertakings.

All of the above companies are incorporated in the United Kingdom.

Mobeus Equity Partners LLP also advises The Income and Growth VCT plc, Mobeus Income and Growth VCT plc and Mobeus Income and Growth 2 VCT plc which have investments as at 31 December 2013 in the following:

| | The Income & Growth VCT plc at cost £ | Mobeus Income & Growth VCT plc at cost £ | Mobeus Income & Growth 2 VCT plc at cost £ | Total at cost £ | % of equity held by funds managed by by Mobeus % |
|---|---|---|---|---|---|
| Culbone Trading Limited (trading as Virgin Wine Online Limited) | 2,843,557 | 2,526,470 | 1,330,202 | 6,700,229 | 42.0 |
| Fullfield Limited (trading as Motorclean Limited) | 2,405,464 | 2,576,537 | 1,624,768 | 6,606,769 | 41.0 |
| Madacombe Trading Limited (trading as Veritek Global Limited) | 2,289,858 | 2,045,276 | 967,781 | 5,302,915 | 44.0 |
| ATG Media Holdings Limited | 1,529,754 | 2,400,280 | 1,316,236 | 5,246,270 | 38.4 |
| ASL Technology Holdings Limited | 1,769,790 | 1,912,945 | 1,360,130 | 5,042,865 | 34.0 |
| Gro-Group Holdings Limited | 2,341,286 | 1,540,061 | 1,096,102 | 4,977,449 | 38.0 |
| Tessella Holdings Limited | 1,620,060 | 1,558,695 | 841,669 | 4,020,424 | 24.0 |
| RDL Corporation Limited | 1,441,667 | 1,558,334 | 1,000,000 | 4,000,001 | 45.2 |
| Ingleby (1879) Limited (trading as EMaC Limited) | 1,486,848 | 1,395,183 | 867,447 | 3,749,478 | 30.0 |
| EOTH Limited (trading as Equip Outdoor Technologies Limited) | 1,383,313 | 1,298,031 | 817,185 | 3,498,529 | 8.0 |
| PXP Holdings Limited (Pinewood Structures) | 965,371 | 1,277,722 | 1,220,579 | 3,463,672 | 32.9 |
| Youngman Group Limited | 1,000,052 | 1,000,052 | 1,000,052 | 3,000,156 | 30.0 |
| CB Imports Group Limited | 1,000,000 | 2,000,000 | – | 3,000,000 | 23.1 |
| Ackling Management Limited | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 | 50.0 |
| DiGiCo Global Limited | 545,075 | 1,612,328 | 829,768 | 2,987,171 | 11.0 |
| Racoon International Holdings Limited | 550,852 | 1,213,035 | 878,527 | 2,642,414 | 49.0 |
| Monsal Holdings Limited | 454,461 | 695,786 | 821,982 | 1,972,229 | 29.0 |
| Blaze Signs Holdings Limited | 418,281 | 610,308 | 437,030 | 1,465,619 | 52.5 |
| The Plastic Surgeon Holdings Limited | 406,082 | 478,421 | 392,264 | 1,276,767 | 30.0 |
| Newquay Helicopters (2013) Limited (formerly British International Holdings Limited) | 196,824 | 519,382 | 393,647 | 1,109,853 | 34.9 |
| Focus Pharma Holdings Limited | 181,722 | 230,971 | 232,114 | 644,807 | 13.0 |
| Duncary 8 Limited | 634,923 | – | – | 634,923 | 30.6 |
| Omega Diagnostics Group plc | 279,996 | 305,000 | – | 584,996 | 7.7 |
| Legion Group plc | 150,000 | 150,106 | 150,106 | 450,212 | 2.9 |
| Westway Services Holdings (2010) Limited | 195,141 | 210,933 | – | 406,074 | 13.0 |
| Lightworks Software Limited | 20,471 | 222,584 | 25,727 | 268,782 | 45.0 |
| Machineworks Software Limited | 20,471 | 222,584 | 25,727 | 268,782 | 45.0 |
| Vectair Holdings Limited | 53,400 | 138,574 | 60,293 | 252,267 | 24.0 |
| Watchgate Limited | 1,000 | 1,000 | – | 2,000 | 100.0 |

## 11. Debtors

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| Amounts due within one year: | | |
| Accrued income | 285,227 | 133,113 |
| Prepayments | 14,249 | 76,687 |
| Other debtors | 5,758 | 4,366 |
| | **305,234** | **214,166** |

# Notes to the Accounts
*for the year ended 31 December 2013*

## 12. Current asset investments

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| Monies held pending investment | **14,318,103** | **9,020,144** |

These comprise investments in six Dublin based OEIC money market funds and in four bank deposits. £6,522,954 (31 December 2012: £9,020,144) of this sum is subject to same day access while £7,795,149 (31 December 2012: £2,500,000) is in bank deposits, repayable within one year. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and note 18.

## 13. Creditors: amounts falling due within one year

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| Trade creditors | 9,163 | 12 |
| Others creditors | 11,204 | 11,642 |
| Accruals | 174,303 | 169,490 |
| | **194,670** | **181,144** |

## 14. Called up Share capital

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| **Allotted, called-up and fully paid:** | | |
| Ordinary Shares of 1p each: 35,127,218 (31 December 2012: 28,589,452) | 351,272 | 285,895 |
| | **351,272** | **285,895** |

During the year the Company purchased 567,165 (period to 31 December 2012: 1,095,385) of its own shares for cash (representing 2.0% (31 December 2012: 4.4%) of the shares in issue at the start of the year) at the prevailing market price for a total cost of £586,300 (period ended 31 December 2012: £1,117,828). These shares were subsequently cancelled by the Company.

As part of the Linked Offer launched on 29 November 2012, a total of 6,951,240 Ordinary shares were allotted at prices ranging from 115.6 pence to 124.2 pence per share, raising net funds of £8,092,535.

Under the terms of the Dividend Reinvestment Scheme, 334,382 (31 December 2012: 162,790) shares were allotted during the year for a consideration of £342,378 (31 December 2012: £164,418).

Under the terms of the Enhanced Buyback Facility ("EBF") offered to shareholders on 25 January 2013, the EBF transaction was completed in two tranches, on 4 April 2013 and 8 April 2013. Across both dates, a total of 5,902,280 Ordinary shares were bought back at a price of 117.3 pence per share, and immediately following this 5,721,589 Ordinary shares were allotted at a price of 121.0 pence per share.

## 15. Movement in Share capital and reserves

| | Called up Share capital £ | Share Premium reserve £ | Capital redemption reserve £ | Revaluation reserve £ | Special distributable reserve* £ | Profit and loss account* Note a) £ | Total £ |
|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 285,895 | 12,004,600 | 905,059 | 1,529,402 | 12,501,764 | 6,310,551 | 33,537,271 |
| Share buybacks | (5,671) | – | 5,671 | – | (586,300) | – | (586,300) |
| Shares issued via Dividend re-investment Scheme | 3,342 | 339,036 | – | – | – | – | 342,378 |
| Shares issued via Offer for Subscriptions | 69,513 | 8,023,022 | – | – | – | – | 8,092,535 |
| Shares issued under Enhanced Buyback Facility (note b) | 57,216 | 6,866,156 | – | – | – | – | 6,923,372 |
| Shares bought back under Enhanced Buyback Facility (note b) | (59,023) | – | 59,023 | – | (6,923,372) | – | (6,923,372) |
| Expenses of shares issued and bought back via Enhanced Buyback Facility (note c) | – | – | – | – | (125,149) | – | (125,149) |
| Transfer of realised losses to Special distributable reserve (note d) | – | – | – | – | (1,306,646) | 1,306,646 | – |
| Cancellation of Share premium account (note d) | – | (13,858,090) | – | – | 13,858,090 | – | – |
| Realisation of previously unrealised losses | – | – | – | 203,653 | – | (203,653) | – |
| Dividends paid | – | – | – | – | – | (2,629,082) | (2,629,082) |
| Profit for the year | – | – | – | 2,785,539 | – | 706,531 | 3,492,070 |
| **As at 31 December 2013** | **351,272** | **13,374,724** | **969,753** | **4,518,594** | **17,418,387** | **5,490,993** | **42,123,723** |

* - These reserves total £22,909,380 (31 December 2012: £18,812,315) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

**Note a:** The realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company shown in the Balance Sheet.

**Note b: Reconciliation of the Cash Flow Statement to Reserves above**

The Cash Flow Statement discloses an inflow of funds of £250,000, and an outflow of funds of £375,149 from shares bought back under the Enhanced Buyback Facility ("EBF") including expenses. The amount of £375,149 is comprised of an initial £250,000 remitted to the Company's broker to finance the EBF and £125,149 of expenses related to the EBF (see note d). With the initial receipt of £250,000 from the Company, the Company's broker and registrars then processed £6,923,372 of shares bought back under the EBF, and £6,923,372 of shares issued under the EBF. As these cash movements did not pass through the Company's bank accounts, the Cash Flow Statement does not reflect the full figures disclosed in the reserve movements above.

**Note c:** These are the expenses of the Enhanced Buyback Facility ("EBF") of £125,149. These costs are borne by those Shareholders who participated in the EBF. No fees were charged by the Investment Manager. The EBF transaction was completed in two tranches, on 4 April and 8 April 2013. Across both dates, a total of 5,902,280 Ordinary shares were bought back at a price of 117.3 pence per share, and immediately following this 5,721,589 Ordinary shares were allotted at a price of 121 pence per share.

**Note d:** The cancellation of £13,858,090 from the share premium account (as approved at the general meeting held on 22 February 2013 and by order of the Court dated 13 March 2013) has increased the Company's special distributable reserve out of which it can fund share buybacks as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses. As a result, the Company has a special reserve of £17,418,387. The transfer of £1,306,646 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company, within total net realised gains for the year.

# Notes to the Accounts
*for the year ended 31 December 2013*

### 16. Basic and diluted net asset value per Share

Net asset value per Ordinary Share is based on net assets at the end of the year/period, and on 35,127,218 (31 December 2012: 28,589,452) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

There are no instruments that will increase the number of shares in issue in future. Accordingly, the figures currently represent both basic and diluted net asset value per share.

### 17. Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities

| | Year ended 31 December 2013 £ | 11 months ended 31 December 2012 £ |
|---|---|---|
| Profit on ordinary activities before taxation | 3,492,070 | 1,487,093 |
| Net gains on realisations of investments | (258,724) | (278,802) |
| Net unrealised gains on investments | (2,785,539) | (1,300,844) |
| Increase in debtors | (90,670) | (22,191) |
| Increase in creditors and accruals | 13,526 | 34,097 |
| Net cash inflow/(outflow) from operating activities | **370,363** | **(80,647)** |

### 18. Analysis of changes in net funds

| | Cash £ | Liquid resources £ | Total £ |
|---|---|---|---|
| At beginning of year | 2,645,938 | 9,020,144 | 11,666,082 |
| Cash flows | 479,349 | 5,297,959 | 5,777,308 |
| **At 31 December 2013** | **3,125,287** | **14,318,103** | **17,443,390** |

### 19. Financial instruments

The Company's financial instruments comprised:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective; and
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

The principal purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors. It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

## Classification of financial instruments

The Company held the following categories of financial instruments at 31 December 2013:

| | 31 December 2013 (Book value) £ | 31 December 2013 (Fair value) £ | 31 December 2012 (Book value) £ | 31 December 2012 (Fair value) £ |
|---|---|---|---|---|
| **Assets at fair value through profit and loss:** | | | | |
| Investment portfolio | 24,569,769 | 24,569,769 | 21,838,167 | 21,838,167 |
| Current investments | 14,318,103 | 14,318,103 | 9,020,144 | 9,020,144 |
| **Loans and receivables** | | | | |
| Accrued income | 285,227 | 285,227 | 133,113 | 133,113 |
| Other debtors | 5,758 | 5,758 | 4,366 | 4,366 |
| Cash at bank | 3,125,287 | 3,125,287 | 2,645,938 | 2,645,938 |
| **Liabilities at amortised cost or equivalent** | | | | |
| Other creditors | (194,670) | (194,670) | (181,144) | (181,144) |
| Total for financial instruments | 42,109,474 | 42,109,474 | 33,460,584 | 33,460,584 |
| Non financial instruments | 14,249 | 14,249 | 76,687 | 76,687 |
| **Total net assets** | **42,123,723** | **42,123,723** | **33,537,271** | **33,537,271** |

The investment portfolio principally consists of unquoted investments 98.8% (31 December 2012: 98.8%). The investment portfolio has a 100% (31 December 2012: 100%) concentration of risk towards small UK based, sterling denominated companies, and represents 58.3% (31 December 2012: 65.1%) of net assets at the year/period-end.

Current investments are money market funds, and bank deposits which, along with cash are discussed under credit risk below, which represent 41.4% (31 December 2012: 34.8%) of net assets at the year/period-end.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), credit risk and cash flow interest rate risk, although liquidity risk and currency risk are also discussed below. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These have been in place throughout the current and preceding years/periods.

## Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements.

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities. As, in a number of cases, the unquoted investments are valued by reference to price earnings ratios prevailing in quoted comparable sectors, their valuations are exposed to changes in the price earnings ratios that exist in the quoted markets.

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Objective, as set out page 20. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Manager. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

# Notes to the Accounts
*for the year ended 31 December 2013*

### Market price risk sensitivity

The Board believes that the Company's assets are mainly exposed to market price risk, as the Company is required to hold most of its assets in the form of sterling denominated investments in small companies.

Although a small part of these assets are quoted on AiM, nearly all of these assets are unquoted. All of the investments made by the Investment Manager in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares, preference shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (31 December 2012: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (31 December 2012: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

| | 31 December 2013 Profit and net assets £ | 31 December 2012 Profit and net assets £ |
|---|---|---|
| If overall share prices rose/fell by 20% (31 December 2012: 20%), with all other variables held constant – increase/(decrease) | 4,913,954 / (4,913,954) | 4,367,633 / (4,367,633) |
| Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence) | 13.99p / (13.99)p | 15.28p / (15.28)p |

The impact of a change of 20% (31 December 2012: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement.

### Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk is:

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| Loan stock investments | 16,121,704 | 14,261,742 |
| Current investments | 14,318,103 | 9,020,144 |
| Accrued income and other debtor | 290,985 | 137,479 |
| Cash at bank | 3,125,287 | 2,645,938 |
| | **33,856,079** | **26,065,303** |

The Company has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks beneath any bank debt that an investee company may owe.

The accrued income and other debtors shown above was all due within three months of the year-end.

The following table shows the maturity of the loan stock investments referred to above. In some cases, the loan maturities are not the contractual ones, but are the best estimate using management's expectations of when it is likely that such loans may be repaid.

| Repayable within | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| 0 to 1 year | 2,053,801 | 1,071,694 |
| 1 to 2 years | 1,833,787 | 2,102,012 |
| 2 to 3 years | 2,809,349 | 2,001,137 |
| 3 to 4 years | 3,073,480 | 4,448,511 |
| 4 to 5 years | 6,351,287 | 4,638,388 |
| **Total** | **16,121,704** | **14,261,742** |

Included within loan stock investments above are loans at a carrying value of £638,666, which are past their repayment date but have been renegotiated. Three loans with values totalling £749,608 are now past their repayment date but have not yet been renegotiated. The loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

An aged analysis of the value of loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due under the loan's contractual terms (such as payment of interest or redemption date) is received late or missed. We are required to report in this format and include the full value of the loan even though in some cases it is only in respect of interest that they are in default.

**Past due loan stock assets:**

| | 0 - 6 months £ | 6 - 12 months £ | over 12 months £ | 31 December 2013 Total £ |
|---|---|---|---|---|
| Loans to investee companies past due | – | – | **1,285,045** | **1,285,045** |

| | 0 - 6 months £ | 6 - 12 months £ | over 12 months £ | 31 December 2012 Total £ |
|---|---|---|---|---|
| Loans to investee companies past due | – | **586,379** | **776,756** | **1,363,135** |

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the Company's total investment assets. The OEIC money market funds are all triple A rated funds, and so credit risk is considered to be relatively low in current circumstances. The cash at bank of £3,125,287 is held with NatWest Bank plc, and other funds within current investments are held in bank deposits and money market funds are spread across four well-known financial institutions, where the risk of default is considered to be low.

There could also be a failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered. This risk is considered to be small as most of the Company's investment transactions are in unquoted investments, where investments are conducted through solicitors, to ensure that payment matches delivery. In respect of any quoted investment transactions that are undertaken, the Company uses brokers with a high credit quality, and these trades usually have a short settlement period. Accordingly, counterparty risk is considered to be relatively low.

# Notes to the Accounts
*for the year ended 31 December 2013*

### Cash flow interest rate risk

The Company's fixed and floating rate interest securities, its equity and preference equity investments and net revenue may be affected by interest rate movements. Investments are often in relatively small businesses, which are relatively high risk investments sensitive to interest rate fluctuations.

Due to the short time to maturity of some of the Company's floating rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

The Company's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk above.

The interest rate profile of the Company's financial net assets at 31 December 2013 was:

| | Financial net assets on which no interest paid £ | Fixed rate financial assets £ | Variable rate financial assets £ | Total £ | Weighted average interest rate % | Average period to maturity (years) |
|---|---|---|---|---|---|---|
| Equity shares | 8,431,946 | – | – | 8,431,946 | | |
| Preference shares | – | 16,119 | – | 16,119 | 4.57 | 1.63 |
| Loan stocks | – | 15,521,704 | 600,000 | 16,121,704 | 8.18 | 3.40 |
| Current investments | – | 2,250,000 | 12,068,103 | 14,318,103 | 0.77 | |
| Cash | – | – | 3,125,287 | 3,125,287 | 0.70 | |
| Debtors | 290,985 | – | – | 290,985 | | |
| Creditors | (194,670) | – | – | (194,670) | | |
| Total for financial instruments | 8,528,261 | 17,787,823 | 15,793,390 | 42,109,474 | | |
| Non-financial instruments | 14,249 | – | – | 14,249 | | |
| **Total net assets** | **8,542,510** | **17,787,823** | **15,793,390** | **42,123,723** | | |

The interest rate profile of the Company's financial net assets at 31 December 2012 was:

| | Financial net assets on which no interest paid £ | Fixed rate financial assets £ | Variable rate financial assets £ | Total £ | Weighted average interest rate % | Average period to maturity (years) |
|---|---|---|---|---|---|---|
| Equity shares | 7,562,263 | – | – | 7,562,263 | | |
| Preference shares | – | 14,162 | – | 14,162 | 5.20 | 0.65 |
| Loan stocks | – | 10,398,447 | 3,863,295 | 14,261,742 | 5.68 | 2.88 |
| Money market funds | – | 2,500,000 | 6,520,144 | 9,020,144 | 1.14 | |
| Cash | – | – | 2,645,938 | 2,645,938 | 1.25 | |
| Debtors | 137,479 | – | – | 137,479 | | |
| Creditors | (181,144) | – | – | (181,144) | | |
| Total for financial instruments | 7,518,598 | 12,912,609 | 13,029,377 | 33,460,584 | | |
| Non-financial instruments | 76,687 | – | – | 76,687 | | |
| **Total net assets** | **7,595,285** | **12,912,609** | **13,029,377** | **33,537,271** | | |

Note: Weighted average interest rates above are derived by calculating the expected annual income that would be earned on each asset (but only for those sums that are currently regarded as collectible and would therefore be recognised), divided by the values for each asset class at the balance sheet date.

Floating rate cash earns interest based on LIBOR rates.

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

### Cash flow interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes in isolation upon the value of the unquoted investment portfolio, as interest rate changes are only one factor affecting the market price movements that are discussed above under market price risk. However, as the Company has a substantial proportion of its assets in money market funds, the table below shows the sensitivity of income earned to changes in interest rates:

| | 31 December 2013<br>£<br>Profit and<br>net assets | 31 December 2012<br>£<br>Profit and<br>net assets |
|---|---|---|
| If interest rates rose / fell by 1%, with all other variables held constant – increase/(decrease) | 126,347 / (126,347) | 131,962 / (131,962) |
| Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence) | 0.36p / (0.36)p | 0.46p / (0.46)p |

### Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realisable until dates up to five years from the year-end.

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £17,443,390, which are accessible at varying points over the next 12 months.

### Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk.

### Fair value hierarchy

The table below sets out fair value measurements using FRS 29 fair value hierarchy. The Company has one class of financial assets, being at fair value through profit and loss.

| Financial assets at fair value through profit and loss<br>At 31 December 2013 | Level 1<br>£ | Level 2<br>£ | Level 3<br>£ | Total<br>£ |
|---|---|---|---|---|
| Equity investments | 291,664 | – | 8,140,282 | 8,431,946 |
| Preference shares | – | – | 16,119 | 16,119 |
| Loan stock | – | – | 16,121,704 | 16,121,704 |
| Money market funds | 14,318,103 | – | – | 14,318,103 |
| **Total** | **14,609,767** | **–** | **24,278,105** | **38,887,872** |

There are currently no financial liabilities at fair value through profit and loss.

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 active markets for identical assets.
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the in accounting policies in note 1.

# Notes to the Accounts
## *for the year ended 31 December 2013*

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

| | Equity investments £ | Preference shares £ | Loan stock £ | Total £ |
|---|---|---|---|---|
| **Opening balance at 1 January 2013** | 7,295,599 | 14,162 | 14,261,742 | 21,571,503 |
| Purchases | – | – | 2,201,843 | 2,201,843 |
| Sales | (14,837) | – | (2,506,577) | (2,521,414) |
| Reclassification at value | (1,704,054) | 1,957 | 1,702,097 | – |
| Total gains included in gains on investments in the Income Statement: | | | | |
| – on assets sold or impaired | 14,837 | – | 250,797 | 265,634 |
| – on assets held at the year end | 2,548,737 | – | 211,802 | 2,760,539 |
| **Closing balance at 31 December 2013** | **8,140,282** | **16,119** | **16,121,704** | **24,278,105** |

As detailed in the accounting policies note, where investments are valued on an earnings-multiple basis, the main input used for this basis of valuation is a suitable price-earnings ratio taken from a comparable sector on the quoted market. These ratios are correlated to the share prices and so any change in share prices will have a significant effect on the fair value measurements of the investments classified as Level 3 investments.

Level 3 unquoted equity and loan stock investments are valued in accordance with the IPEVCV guidelines as follows:

| | 31 December 2013 £ | 31 December 2012 £ |
|---|---|---|
| **Investment methodology** | | |
| Cost (reviewed for impairment) | 1,099,412 | 6,295,455 |
| Asset value supporting security held | 349,983 | 349,983 |
| Recent investment price | 5,217,892 | 1,329,551 |
| Earnings multiple | 17,610,818 | 13,596,514 |
| | **24,278,105** | **21,571,503** |

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2012 and 31 December 2013:

| Change in investment methodology | Carrying value as at 31 December 2013 £ | Explanatory note |
|---|---|---|
| Recent investment price to earnings multiple | 1,577,809 | More appropriate basis for determining fair value |
| Cost (reviewed for impairment) to recent investment price) | 5,159,918 | More appropriate basis for determining fair value |
| Earnings multiple to Cost (reviewed for impairment) | 1,000 | More appropriate basis for determining fair value |

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2013.

The Standard requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £2,101k or 8.6% lower and using the upside alternatives the value would be increased by £1,976k or 8.0%. In arriving at both these figures, a 5% change to earnings multiples was applied and for three investee companies, an adjusted maintainable earnings figure was used.

## 20. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

## 21. Segmental analysis

The operations of the Company are wholly in the United Kingdom, from one class of business.

## 22. Post balance sheet events

Under the Linked Offer for Subscription launched on 28 November 2013, 2,755,916 new Ordinary shares have so far been allotted at an average price of 120.57 pence per share raising net funds of £3,210,618.

On 16 January 2014, £908,000 was invested into South West Services Investments Limited.

On 29 January 2014, the Company invested £1,132,521 in Bourn Bioscience Limited.

On 20 February 2014, the Company invested £1,369,050 (including £1,000,000 from Ackling Management Limited, one of the Company's acquisition vehicles) to support the MBO of Entanet International Limited.

On 26 February 2014, £913,000 was invested into Manufacturing Services Investments Limited.

On 12 March 2014, by order of the High Court, the Company cancelled the amount of £17,527,536 held in the Company's Share Premium account and Capital Redemption reserve on that date. This balance has been added to the Company's special distributable reserve.

# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Mobeus Income & Growth 4 VCT plc ("the Company") will be held at 11.00 am on Friday 9 May 2014 at the offices of Mobeus Equity Partners LLP, 4th Floor, 30 Haymarket, London SW1Y 4EX for the purpose of considering and, if thought fit, passing the following resolutions of which, resolutions numbered 1 to 10 will be proposed as ordinary resolutions and resolutions numbered 11 and 12 will be proposed as special resolutions:

1. To receive and adopt the audited annual report and accounts of the Company for the year ended 31 December 2013 ("Annual Report") together with the auditors' report thereon.

2. To approve the remuneration policy as set out in the Annual Report.

3. To approve the Directors' Remuneration Report as set out in the Annual Report.

4. To appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next Annual General Meeting.

5. To authorise the Directors to determine BDO LLP's remuneration as auditor of the Company.

6. To re-elect Christopher Moore as a Director of the Company.

7. To re-elect Andrew Robson as a Director of the Company.

8. To re-elect Helen Sinclair as a Director of the Company.

9. To approve the payment of a final dividend in respect of the year ended 31 December 2013 of 4 pence per Ordinary Share of 1 penny each in the capital of the Company, payable on 16 May 2014 to Shareholders on the register on 22 April 2014.

10. That, in substitution for any existing authorities, the Directors be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot Ordinary Shares of 1 penny each in the Company ("Shares") and to grant rights to subscribe for, or convert, any security into Shares ("Rights") up to an aggregate nominal value of £375,766 provided that the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2015 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the Directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

11. That, subject to the passing of resolution 10 set out in this notice and in substitution for any existing authorities, the Directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 10 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:-

    (i) the allotment and issue of equity securities with an aggregate nominal value of up to, but not exceeding, £300,000 in connection with offer(s) for subscription;

    (ii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and

    (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time

    in each case where the proceeds may be used, in whole or in part, to purchase the Company's Shares in the market and provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier on the conclusion of the annual general meeting of the Company to be held in 2015, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

12. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own shares provided that:

(i) the aggregate number of Shares which may be purchased shall not exceed 5,265,569 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99 per cent. of the Shares in issue at the date of passing of this resolution;

(ii) the minimum price which may be paid for a Share is 1 penny (the nominal value thereof);

(iii) the maximum price which may be paid for a Share (excluding expenses) shall be the higher of (a) an amount equal to five per cent above the average of the middle market quotations for a Share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

(iv) the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier on the conclusion of the annual general meeting of the Company to be held in 2015; and

(v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Shares in pursuance of any such contract.

BY ORDER OF THE BOARD OF DIRECTORS

**Mobeus Equity Partners LLP**
Company Secretary
21 March 2014

*Registered Office*
30 Haymarket
London SW1Y 4EX

# Notice of the Annual General Meeting

**Notes:**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat) will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. 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) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Asset Services, on 0871 664 0324 (lines are open between 9.00 am and 5.30 pm Monday to Friday, calls cost 10p per minute (including VAT) plus network extras – if calling from overseas please dial +44 203 170 0187 (international rates will apply)) to request additional copies of the proxy form. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member 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.

6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarilly certified or office copy thereof, at the offices of the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11am on 7 May 2014 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

9. 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, 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.

10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

12. 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 issuer's agent (ID RA10) by 11am on 12 May 2014. 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 issuer's agent 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.

13. As at 21 March 2014 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 37,883,134 ordinary shares of 1p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 21 March were 37,883,134.

14. The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

15. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

16. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance 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 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website

17. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig4vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig4vct.co.uk.

# Investor Performance Appendix

**Performance data for all fundraising rounds**

The following tables show, for all investors in Mobeus Income & Growth 4 VCT plc, how their investments have performed since they were originally allotted shares in each fundraising.

Shareholders should note that funds from the original fundraising in 1999 were managed by three investment advisers, up until 1 August 2006. At that date, Mobeus became the sole adviser, to this and all subsequent fundraisings.

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and a NAV basis as at 31 December 2013. The NAV basis enables Shareholders to evaluate more clearly the performance of the Manager, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

**Share price as at 31 December 2013** **104.75 pence**[1]
**NAV per Share as at 31 December 2013** **119.92 pence**

| Allotment date(s) | Allotment price (p) | Net allotment price[2] (p) | Cumulative dividends paid per share (p) | Total return per share to shareholders since allotment (Share price basis) (p) | Total return per share to shareholders since allotment (NAV basis) (p) | % increase since 31 December 2012 (NAV basis) (%) |
|---|---|---|---|---|---|---|
| **Funds raised 1999**[3] | | | | | | |
| (launched 8 February 1999) | | | | | | |
| Between 8 February 1999 and 30 June 1999 | 200.00 | **160.00** | 34.20 | **138.95** | **154.12** | **7.02%** |
| **Funds raised 2006/07** | | | | | | |
| (launched 2 November 2006) | | | | | | |
| 01 February 2007 | 118.58 | **83.01** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 19 February 2007 | 118.58 | **83.01** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 05 March 2007 | 121.18 | **84.83** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 19 March 2007 | 121.18 | **84.83** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 02 April 2007 | 121.18 | **84.83** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 04 April 2007 | 121.18 | **84.83** | 23.50 | **128.25** | **143.42** | **7.58%** |
| 05 April 2007 | 121.18 | **84.83** | 23.50 | **128.25** | **143.42** | **7.58%** |
| **Funds raised 2010 Top Up Offer** | | | | | | |
| (launched 20 January 2010) | | | | | | |
| 31 March 2010 | 112.40 | **78.68** | 18.50 | **123.25** | **138.42** | **7.88%** |
| 01 April 2010 | 112.40 | **78.68** | 18.50 | **123.25** | **138.42** | **7.88%** |
| **Funds raised 2011** | | | | | | |
| (launched 12 November 2010) | | | | | | |
| 21 January 2011 | 121.80 | **85.26** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 28 February 2011 | 121.80 | **85.26** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 22 March 2011 | 121.80 | **85.26** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 01 April 2011 | 121.80 | **85.26** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 05 April 2011 | 121.80 | **85.26** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 10 May 2011 | 119.50 | **83.65** | 15.50 | **120.25** | **135.42** | **8.07%** |
| 06 July 2011 | 119.50 | **83.65** | 12.50 | **117.25** | **132.42** | **8.26%** |
| **Funds raised 2012** | | | | | | |
| (launched 20 January 2012) | | | | | | |
| 08 March 2012 | 123.50 | **86.45** | 12.50 | **117.25** | **132.42** | **8.26%** |
| 04 April 2012 | 123.50 | **86.45** | 12.50 | **117.25** | **132.42** | **8.26%** |
| 05 April 2012 | 123.50 | **86.45** | 12.50 | **117.25** | **132.42** | **8.26%** |
| 10 May 2012 | 123.50 | **86.45** | 12.50 | **117.25** | **132.42** | **8.26%** |
| 10 July 2012 | 119.10 | **83.37** | 7.50 | **112.25** | **127.42** | **8.62%** |
| **Funds raised 2013** | | | | | | |
| (launched 29 November 2012) | | | | | | |
| 14 January 2013 | 120.10 | **84.07** | 7.50 | **112.25** | **127.42** | – |
| 28 March 2013 | 121.30 | **84.91** | 7.50 | **112.25** | **127.42** | – |
| 04 April 2013 | 121.30 | **84.91** | 7.50 | **112.25** | **127.42** | – |
| 05 April 2013 | 121.30 | **84.91** | 7.50 | **112.25** | **127.42** | – |
| 10 April 2013 Pre RDR[4] | 124.20 | **86.94** | 7.50 | **112.25** | **127.42** | – |
| 10 April 2013 Post RDR[4] | 121.30 | **84.91** | 7.50 | **112.25** | **127.42** | – |
| 07 May 2013 | 115.60 | **80.92** | 2.00 | **106.75** | **121.92** | – |

[1] - Source: London Stock Exchange.

[2] - Net allotment price is the allotment price less applicable income tax relief. The tax relief was 20% up to 5 April 2004, 40% from 6 April 2004 to 5 April 2006, and 30% thereafter.

[3] - Investors in this fundraising may also have enhanced their returns if they had also deferred capital gains tax liabilities.

[4] - RDR means the date of implementation of the Retail Distribution Review on 31 December 2012, which affected the level of charges in the allotment price for applications received before and after that date.

## Cumulative dividends paid per share

| | Funds raised 1998/99 (p) | Funds raised 2006/07 (p) | Funds raised 2010 –Top Up (p) | Funds raised 2011 (p) | Funds raised 2012 (p | Funds raised 2013 (p) |
|---|---|---|---|---|---|---|
| 20 September 2013 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 10 May 2013 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| 06 June 2012 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | |
| 24 June 2011 | 3.00 | 3.00 | 3.00 | 3.00 | | |
| 05 November 2010 | 1.00 | 1.00 | 1.00 | | | |
| 09 June 2010 | 2.00 | 2.00 | 2.00 | | | |
| 07 November 2009 | 1.00 | 1.00 | | | | |
| 10 June 2009 | 1.00 | 1.00 | | | | |
| 07 November 2008 | 1.00 | 1.00 | | | | |
| 11 June 2008 | 1.25 | 1.25 | | | | |
| 08 November 2007 | 0.75 | 0.75 | | | | |
| 26 October 2006 | 1.80[1] | | | | | |
| 07 June 2006 | 0.50[1] | | | | | |
| 08 June 2005 | 0.20[1] | | | | | |
| 09 June 2004 | 0.50[1] | | | | | |
| 29 May 2003 | 0.50[1] | | | | | |
| 17 June 2002 | 1.00[1] | | | | | |
| 16 July 2001 | 3.10[1] | | | | | |
| 30 June 2000 | 3.10[1] | | | | | |
| **Total dividends paid[2]** | **34.20** | **23.50** | **18.50** | **15.50** | **12.50** | **7.50** |

[1] - Dividend payment amounts have been restated following a capital reorganisation in October 2006.

[2] - The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to Shareholders by date of allotment is shown on page 70.

## Historical Performance data (Original fundraising in 1999)

| Period | Net assets (£m) | Net asset value (NAV) per share (p) | NAV total return to shareholders since launch per share (p)[2] | Share price (p)[1] | Share price total return to shareholders (p)[2] |
|---|---|---|---|---|---|
| As at 31 December 2013 | 42.1 | 119.9 | 154.1 | 104.8 | 139.0 |
| As at 31 December 2012 | 33.5 | 117.3 | 144.0 | 102.5 | 129.2 |
| As at 31 January 2012 | 29.4 | 116.7 | 138.4 | 102.0 | 121.7 |
| As at 31 January 2011 | 25.3 | 112.9 | 131.6 | 103.5 | 122.2 |
| As at 31 January 2010 | 21.2 | 106.3 | 122.0 | 92.3 | 108.0 |
| As at 31 January 2009 | 21.0 | 104.6 | 118.3 | 92.0 | 105.7 |
| As at 31 January 2008 | 24.1 | 117.4 | 128.9 | 109.0 | 120.5 |

[1] - Source: London Stock Exchange.

[2] - Total returns to Shareholders include dividends paid.

# Chronology of Mobeus Income & Growth 4 VCT plc

| | |
|---|---|
| 1998 | Company launched as Triven VCT plc and managed by three managers, LICA, Elderstreet and GLE Development Capital. |
| 1999 | Company completes its first fundraising. |
| October 2002 | LICA acquired by NOVA Capital Management. |
| April 2004 | GLE Development Capital team joins Matrix Group to form Matrix Private Equity Partners and continues with the management of its share of the Company's portfolio in the Company. |
| July 2006 | Matrix Private Equity Partners appointed as sole manager of the Company. Triven VCT plc changes its name to Matrix Income & Growth 4 VCT plc to be consistent with the Investment Manager's change of name. |
| June 2012 | Matrix Private Equity Partners becomes a fully independent firm owned by its partners and renames itself Mobeus Equity Partners LLP. Matrix Income & Growth 4 VCT plc changes its name to Mobeus Income & Growth 4 VCT plc to be consistent with the Investment Manager's change of name. |

# Corporate Information

**Directors (Non-executive)**

Christopher Moore (Chairman)
Andrew Robson
Helen Sinclair

**Secretary**

Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX

**Company's Registered Office and Head Office**

30 Haymarket
London
SW1Y 4EX

**Company Registration Number**

3707697

**Investment Manager, Promoter and Administrator**

Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
Tel: 020 7024 7600
www.mobeusequity.co.uk

**Website**

www.mig4vct.co.uk

**Independent Auditor**

BDO LLP
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London
W1U 7EU

**Bankers**

National Westminster Bank plc
City of London Office
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London
EC2R 8BP

**VCT Status Adviser**

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1 Embankment Place
London
WC2N 6RH

**Solicitors**

SGH Martineau LLP
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Birmingham
B4 6AA

Also at:
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Crosswall
London
EC3N 2SG

**Registrar**

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300 (calls cost 10p per minute plus net work extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 3399)

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