Mobeus Income & Growth 4 VCT plc

A Venture Capital Trust

Annual Report & Financial Statements
for year ended 31 December 2018

mobeus
Mobeus Income & Growth 4 VCT plc

Mobeus Income & Growth 4 VCT plc, ("MIG4", the "Company" or the "Fund") is a Venture Capital Trust ("VCT") advised by Mobeus Equity Partners LLP ("Mobeus"), investing primarily in established, 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, while continuing at all times to qualify as a VCT.

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.

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Financial Highlights

Annual results for the year ended 31 December 2018

Net assets: **£57.90 million**

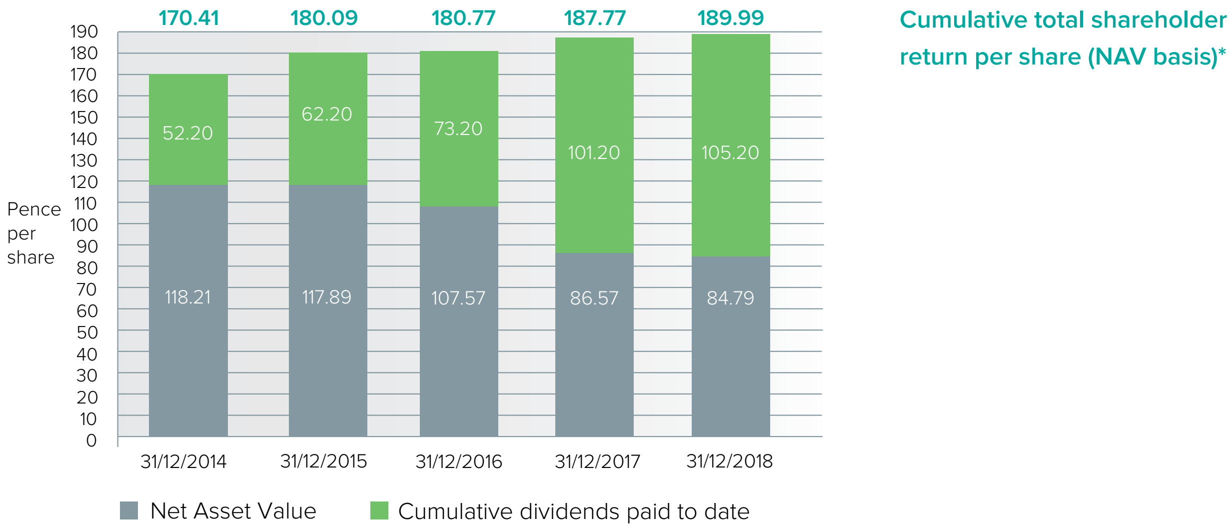
Net asset value ("NAV") per share: **84.79 pence**

- Net asset value ("NAV") total return per share of 2.6% for the year.[1]
- Share price total return per share of 4.6% for the year.[1]
- Dividends paid and proposed in respect of the year total 8.00 pence per share. The proposed final dividend of 4.00 pence per share, if approved, will bring cumulative dividends paid to date to 109.20 pence per share.[1]
- £5.88 million was invested into five new and five existing growth capital investments during the year.
- A total of £1.77 million cash proceeds was received primarily from four realisations and loan stock repayments.

[1] - Further details on these alternative performance measures ("APMs") are contained in the Strategic Report on pages 5 to 8.

Cumulative total shareholder return per share (NAV basis)*

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



* Cumulative total shareholder return (NAV basis) is closing net asset value plus cumulative dividends paid since 1999 to 31 December 2018. See the Strategic Report on page 6 for further details on this key performance indicator.

The chart above 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. Subscription prices from subsequent fundraisings and historic performance data from 2008 are shown in the Investor Performance Appendix on the Company's website, www.mig4vct.co.uk, where they can be downloaded by clicking on "table" under "Reviewing the performance of your investment" on the home page.

On 31 July 2006, Mobeus became sole Investment Adviser to the Company. The cumulative NAV total return at this date was 122.51 pence.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 4 VCT plc for the year ended 31 December 2018.

Overview

This has been a year of solid performance by the Company during the transition era brought about by the 2015 VCT rule changes, in which returns to shareholders have again been positive, principally due to a strong income return and a rise in the value of the unrealised portfolio. During the year, the Company made investments into five new companies, provided follow-on investments to five existing portfolio companies and realised its investment in four portfolio companies. Further details of this investment activity can be found under the 'Investment Portfolio' section of my Statement below and in the Investment Review on page 9.

The Company and the Investment Adviser have responded well to the VCT Rules introduced by the Finance (No 2) Act 2015. The Investment Adviser's team has been expanded, and fourteen growth capital investments have been completed as a result of the change in the Company's investment policy in May 2016. During the year, additional changes to VCT legislation were enacted, further details of which can be found on page 4 and under the 'Industry and regulatory developments' section of my Statement below.

The Investment Adviser continues to report an interesting pipeline of growth capital opportunities. The sector is buoyant with much activity, although the entry pricing is, in some cases, challenging. Meanwhile, the existing MBO focused portfolio constructed under the previous VCT rules continues to provide a healthy yield.

As mentioned in my half-year statement, we are delighted with the strong support from investors for our last fundraising, which closed fully subscribed in March 2018.

Performance

The Company's NAV total return per share was 2.6%. (2017: 6.5%) (being the closing NAV plus dividends paid in the year, divided by the opening NAV), while the share price total return was 4.6% (2017: 7.2%).

This rise in NAV total return for the year was primarily due to another year of positive income returns (themselves principally because of loan stock interest and higher dividend income) and a net increase in the value of the existing portfolio.

As a result of this performance, the NAV cumulative total return per share (being the closing NAV plus total dividends paid to date) increased during the year by 1.2% from 187.77 pence to 189.99 pence. The NAV at 31 December 2018 was 84.79 pence. For details of these calculations, please refer to the Strategic Report.

For more details on the longer-term performance of your investment in the Company, please consult the Investor Performance Appendix on the Company's website.

Investment portfolio

During the year £5.88 million was invested in five new growth capital investments and five existing growth portfolio companies (analysed in the Investment Review on pages 11 to 12 and explained within Note 8 to the Financial Statements).

The new growth capital investments totalling £2.52 million were made into the following companies:

- Proactive Investors, a provider of investor media services;
- Super Carers, an online platform connecting people seeking home care;
- Hemmels, a restorer of classic cars;
- Rotageek, a provider of workforce management software; and
- Grow Kudos, a platform for the dissemination of academic research.

In addition, five follow-on investments totalling £3.36 million were made into:

- MPB, an online marketplace for used camera and video equipment;
- Tapas Revolution, a leading Spanish restaurant chain in the casual dining sector;
- MyTutor, a digital marketplace connecting people seeking online tutoring;
- Preservica, a seller of proprietary digital archiving software; and
- Biosite, a provider of workforce management and security services.

Shareholders should note that, at the year end, 46.8% of the value of the investment portfolio was held in MBO type investments and 53.2% was held in growth capital investments. £13.30 million has been invested in growth capital investments since the 2015 VCT rule changes.

Cash proceeds totalling £1.77 million for the year were received from portfolio companies. Of this total, £1.23 million was received as cash proceeds from the sale of Fullfield (trading as Motorclean), Hemmels, Lightworks and SparesFinder, with a further £0.40 million being received as loan and share capital repayments and finally, £0.14 million from receipts of deferred consideration.

For the year under review, the portfolio generated a net loss of £0.36 million on investments realised. Within this, the principal gains in the year were from the sale of Lightworks (which was realised at a profit over opening valuation of £0.16 million) and SparesFinder (realised at a profit of £0.16 million) and receipts from companies realised in a prior year. However, these were more than offset by losses incurred from the sale of Fullfield (trading as Motorclean) (£0.55 million, although this investment generated a positive return overall) and Hemmels (£0.28 million). The loss on the sale of Hemmels is explained further in the Investment Review. It serves to remind shareholders that an inherent risk of investing in relatively early stage smaller companies (as required by the terms of the new VCT regulations), is that not all ventures and companies will succeed.

Investment realisations produced £0.47 million in capital gains and capital losses of £0.87 million when compared to original investment cost, a net loss of £0.40 million.

The portfolio achieved a net unrealised increase of £1.29 million on investments still held, with positive increases from EOTH (Rab and Lowe Alpine), Plastic Surgeon and CGI Creative Graphics, partially offset by valuation falls at BookingTek, Wetsuit Outlet and Veritek. At the year end, the portfolio was valued at £36.30 million (2017: £31.48 million) representing 98.4% of cost (2017: 94.9%).

Further details of the investment activity during the year and a summary of the performance highlights can be found in the Strategic Report and the Investment Review, on pages 4 to 8 and pages 9 to 23 respectively, of this Annual Report.

Dividends

Your Board is proposing a final dividend in respect of the year ended 31 December 2018 of 4.00 pence per share (2017: nil). The dividend, comprising 2.25 pence from capital and 1.75 pence from income, will be proposed to shareholders at the Annual General Meeting of the Company to be held on Friday, 10 May 2019 to shareholders on the register on 26 April

2019, for payment on 28 May 2019. If approved by shareholders, this forthcoming final dividend will bring dividends paid in respect of the year ended 31 December 2018 to 8.00 pence per share (2017: 21.00 pence) and the Company will have paid cumulative dividends since inception of 109.20 pence per share.

The Company's target of paying a dividend of at least 4.00 pence per share in respect of each financial year has been reached or exceeded in each of the last eight years. While the Board has not yet changed the dividend target, ordinary dividend payments are more likely to be volatile, and, at least over the medium-term, may be lower than have been paid in the recent past.

A chart showing the dividends paid in respect of each of the last five years and cumulative dividends on the same basis is included in the Strategic Report.

For the reasons set out in my half year statement (a copy of which can be found on the Company's website www.mig4vct.co.uk) the Company's Dividend Investment Scheme ("the Scheme") was suspended on 14 August 2018. Your Board will continue to keep the Scheme under review and will provide shareholders with advanced notice of any future decision to reintroduce, modify or cancel the scheme.

Succession planning

The Board is in the process of refreshing its composition.

As you will read later in the Directors' Report, Andrew Robson, who has served as a Director of the Company since August 2010, has decided not to stand for re-election at the forthcoming annual general meeting and will accordingly retire at the conclusion of that meeting. The Nomination and Remuneration Committee expects to recommend the appointment of a director to succeed Andrew upon his retirement and to assume the role of chairman of the Audit Committee and the Nomination and Remuneration Committee, which Andrew presently chairs. Andrew has done an excellent job for the Company and I would like to take this opportunity to thank Andrew formally for his substantial contribution.

As regards my role as Chairman of the Board, I have served as a Director of the Board since 2002, and the Board will shortly begin the process of finding a suitable successor.

Industry and regulatory developments

As mentioned in my Overview above, a number of additional changes to the VCT rules were introduced with the enactment of the Finance Act 2018 on 15 March 2018. These changes were designed to exclude tax-motivated investments where capital is not at risk (that is, principally seeking to preserve investors' capital) and to encourage VCTs to put their money to work more quickly. They also place further restrictions on the way investments are able to be structured. A summary of current VCT regulation can be found on page 4.

Share buybacks

During the year ended 31 December 2018, the Company bought back 1.7% (2017: 1.1%) of the issued share capital of the Company at the start of the year, which was subsequently cancelled. Further details of the purchases are included in the Directors' Report on page 28.

Shareholder communications

The annual shareholder event was held on Tuesday, 5 February 2019 at the Royal Institute of British Architects in central London. This annual event included presentations on the Mobeus advised VCTs' investment activity and performance and from investee companies. There were separate day-time and evening sessions, and feedback from those who attended, which numbered around 350, found it to be informative and worthwhile. The next shareholder event will be held in the first quarter of 2020.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.30 am on Friday, 10 May 2019 at The Clubhouse, 8 St James's Square, London SW1Y 4JU. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will include a presentation from the Investment Adviser on the investment portfolio and provide an opportunity to ask questions of the Board and the Investment Adviser. The notice of the meeting is included on pages 73 to 75 of this Annual Report and an explanation of the resolutions to be proposed can be found in the Directors' Report on pages 29 to 31.

Outlook

Your Board considers that your Company is well positioned to prosper in the growth capital investment sector. Your Board again cautions that investing in such earlier stage companies does involve increased risk and those that succeed often take longer to achieve scale. Returns, therefore, will take longer to emerge and will be more volatile. It is generally true that the least successful investments are likely to emerge or fail before the most successful contribute. This is likely to cause a slower rate of financial progress in the earlier years, although it should be offset by more significant gains in the longer-term.

Meanwhile, the portfolio retains a solid foundation of investments made under the previous MBO strategy, the majority of which are mature and profitable companies providing attractive income returns.

Uncertainty is always detrimental to markets and economies. The Brexit process has certainly provided much uncertainty over an unreasonably long period. The inconsistent negotiating stance of the UK government, combined with multiple fissures in Parliament and in the country, has done much damage. To be slightly contrary, it is remarkable that so far the UK economy has held up as well as it has, but this could, of course, change rapidly. There are also some non-UK issues which could affect our economy, but as I said last year, investing in the unquoted sector is not a short-term exercise.

The most recent fundraising provides the Company with sufficient funds to meet its commitments and to continue the current investment rate in the short to medium-term, if suitable opportunities are identified and can be invested in at acceptable prices. Your Board is also pleased to note that the Investment Adviser continues to expand and strengthen its investment team to source and manage investments that complement the portfolio.

Finally, I would like to take this opportunity once again to thank all shareholders for their continued support.

Christopher Moore
Chairman

20 March 2019

Company Objective and Business Model

Objective

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, while continuing at all times to qualify as a VCT.

Summary of Investment Policy

The VCT's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are generally structured as part loan and part equity in order to receive regular income, to generate capital gain upon sale and to reduce the risk of high exposure to equities. To spread the risk further, investments are made in a number of businesses across different industry sectors.

The Company's cash and liquid resources are held in a range of investments which can be of varying maturities, subject to the overriding criterion that the risk of loss of capital be minimised.

The Company seeks to make investments in accordance with the requirements of VCT regulation. A summary of this is set out below.

The full text of the Company's Investment Policy is available on page 24 of this Strategic Report.

The Company and its Business Model

The Company is a Venture Capital Trust ("VCT"). Its Objective and its Investment Policy 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.

Summary of VCT Regulation

To maintain its status as a VCT, the Company must meet a number of conditions, the most important of which are that:

- the Company must hold at least 70%[1], by VCT tax value[2], of its total investments (shares, securities and liquidity) in VCT qualifying holdings, within approximately three years of a fundraising;
- all qualifying investments made by VCTs after 5 April 2018, together with qualifying investments made by funds raised after 5 April 2011, are in aggregate required to comprise at least 70% by VCT tax value in "eligible shares", which carry no preferential rights (save as may be permitted under VCT rules)[3];
- no investment in a single company or group of companies may represent more than 15% (by VCT tax value) of the Company's total investments at the date of investment;
- the Company must pay sufficient levels of income dividend from its revenue available for distribution so as not to retain more than 15% of its income from shares and securities in a year;
- the Company's shares must be listed on a regulated European stock market;
- non-qualifying investments can no longer be made, except for certain exemptions in managing the Company's short-term liquidity; and
- VCTs are now required to invest 30% of funds raised in an accounting period beginning on or after 6 April 2018 in qualifying holdings within 12 months of the end of the accounting period.

To be a VCT qualifying holding, new investments must be in companies:

- which carry on a qualifying trade;
- which have no more than £15 million of gross assets at the time of investment and no more than £16 million immediately following investment from VCTs;
- whose maximum age is generally up to seven years (ten years for knowledge intensive businesses);
- that receive no more than an annual limit of £5 million and a lifetime limit of £12 million (for knowledge intensive companies the lifetime limit is £20 million, and the annual limit is £10 million), from VCTs and similar sources of State Aid funding;
- that use the funds received from VCTs for growth and development purposes.

In addition, VCTs may not:

- offer secured loans to investee companies, and any returns on loan capital above 10% must represent no more than a commercial return on the principal; and
- make investments that do not meet the new 'risk to capital' condition (which requires a company, at the time of investment, to be an entrepreneurial company with the objective to grow and develop, and where there is a genuine risk of loss of capital).

[1] For accounting periods beginning on or after 6 April 2019, this percentage will increase to 80%.

[2] VCT tax value means as valued in accordance with prevailing VCT legislation. The calculation of VCT tax value is arrived at using tax values, based on the cost of the most recent purchase of an investment instrument in a particular company, which may differ from the actual cost of each investment shown in the Investment Portfolio Summary on pages 18 to 23.

[3] The requirement for VCTs to hold at least 30% of qualifying investment in 'eligible shares' (broadly ordinary equity) from funds raised prior to 6 April 2011 has been withdrawn.

Summary of further changes to VCT regulation, enacted in 2018, yet to take effect

From 6 April 2019:

- the period for reinvestment of proceeds on disposal of qualifying investments will increase from 6 to 12 months.

For the Company's accounting year beginning on 1 January 2020:

- the Company must by then hold at least 80% by tax value of its total investments in VCT qualifying holdings after including the funds raised up to 31 December 2017. For funds raised up to 31 December 2018, this requirement will apply from the accounting period beginning on 1 January 2021.

Performance and Key Performance Indicators

The Board has identified six key performance indicators (alternative performance measures ("APMs")) that are used in its own assessment of the Company's progress. These APMs are measures of performance that are in addition to the earnings reported in the Financial Statements. It is intended that these will provide shareholders with sufficient information to assess how the Company has performed against its Objective in the year to 31 December 2018, and over the longer-term, through the application of its investment and other principal policies:

1. Annual and cumulative returns per share for the year

The Company's objective is to generate long-term growth in capital and income. To assess this, the Board monitors the growth in total returns per share, both on a net asset value ("NAV") basis and a share price basis, adjusted for dividends paid in the year. NAV basis reflects the net assets of the Company and share price basis reflects the price at which a shareholder could expect to sell their shares. These measures are the most widely used measure of performance in the VCT sector. NAV per share is defined as net assets divided by the number of Ordinary shares in issue, and NAV Total return per share is NAV per share plus dividends paid per share in the year.

Total shareholder returns per share for the year

The Net Asset Value (NAV) and share price total returns per share for the year ended 31 December 2018 were 2.6% and 4.6% respectively, as shown below:

		NAV basis (p)		Share price basis (p)
Total return (p)	Closing NAV per share	84.79	Closing share price*	75.50
	Plus: dividend paid in year (note 1)	4.00	Plus: dividend paid in year	4.00
	NAV Total return for year	**88.79**	**Share Price Total Return for year**	**79.50**
	Less: opening NAV per share	(86.57)	Less: opening share price	(76.00)
	Increase in NAV Total Return for year (note 2)	**+2.22**	**Increase in Share Price Total Return for year**	**+3.50**
	% NAV Total return for year	**+2.6%**	% Total return for year	**+4.6%**

*Source: Panmure Gordon & Co. (Mid-Market price) at 31 December 2018.

Note 1: Dividend paid in the year was the interim dividend of 4.00 pence per share for the year under review, paid in June 2018.

The analysis of the source of the NAV Total returns is set out below:

Note 2: NAV Total Return per share for the year is comprised of:	2018 (p)	2017 (p)
Gross portfolio capital returns	1.36	4.96
Gross income returns	3.32	3.53
Costs (including tax charge)	(2.47)	(2.54)
Other movements	0.01	1.05
Increase in NAV Total return for the year as above (2018 only)	**2.22**	**7.00**

The contributions from portfolio returns and income are shown before deducting attributable costs. They are explained below under review of financial performance for the year. Costs are referred to in section 6 on page 8.

Review of financial performance for the year

For the year ended 31 December	2018 £m	2017 £m
Capital return	0.18	2.64
Revenue return	1.33	1.38
Total return	**1.51**	**4.02**

The capital profit for the year of £0.18 million (0.26 p of NAV return for the year per share, net of costs charged to capital) is due to a net increase in the unrealised valuation of portfolio companies as well as a realised gain from Lightworks and ex-legacy investment, SparesFinder. These increases were partially offset by realised losses from the disposals of Fullfield (trading as Motorclean) and Hemmels. The fall in capital return from £2.64 million to £0.18 million is due to smaller realised gains on disposals in 2018 compared to 2017, but this reduction was moderated by higher net unrealised gains in 2018.

The revenue profit for the year of £1.33 million (1.95 p of NAV return for the year per share, net of costs charged to revenue) is derived from income, primarily loan interest, outweighing revenue expenses. The reason for the slight decrease over the year is due to a reduction in loan interest as a result of realisations, partially offset by a rise in dividends received.

Cumulative total shareholder returns per share for the year

Cumulative total shareholder returns per share is defined as NAV per share plus cumulative dividends paid per share since the launch of the Company.

		NAV basis (p)		Share price basis (p)
Cumulative total return (p)	Closing NAV per share	84.79	Closing share price*	75.50
	Plus: cumulative dividends paid to date	105.20	Plus: cumulative dividends paid to date	105.20
	Closing cumulative total return	**189.99**	**Closing cumulative total return**	**180.70**
	Less: opening cumulative total return	(187.77)	Less: opening cumulative total return	(177.20)
	Increase in cumulative return for year	**+2.22**	**Increase in cumulative return for year**	**+3.50**

*Source: Panmure Gordon & Co (Mid-Market price)

Taking into account initial income tax relief, founder shareholders who invested in 1999 have now seen, as at 31 December 2018, an overall gain on net investment cost of 18.7% (2017: 17.4%) since the launch of the Company. This is calculated as closing cumulative total return per share of 189.99p, as a percentage of a net investment cost of 160.00 pence per share after initial income tax relief of 40.00 pence per share (both figures restated for the 2 for 1 share consolidation in 2006). Original shareholders who also took advantage of the enhanced buyback offer made in 2013 have now seen an overall gain over net investment cost on this basis of 53.6%.

The Company does not consider it appropriate to set a specific annual and cumulative return per share target for the year. However, shareholders should note that the Board assesses these returns against the Company's ability to meet its current annual dividend target of 4.00 pence per share.

Both NAV and share price returns for the year are considered to be satisfactory by the Board reflecting the benefit of a good income return and an uplift in unrealised valuations.

Internal rate of return ("IRR")

	Original investment cost (pence per share)	Income tax relief	Cost net of income tax (p)	Internal Rate of Return
With benefit of Income Tax Relief				
2006/7 shareholders	120.9	30%	84.6	8.1%
1999 shareholders	200.0	20%	160.0	1.0%
Without benefit of Income Tax Relief				
2006/7 shareholders	120.9	n/a	n/a	4.1%
1999 shareholders	200.0	n/a	n/a	(0.3)%

The table above shows internal rates of return of shareholders' investment for those founder shareholders who invested in 1999 alongside those shareholders who invested in 2006/7, shortly after the date at which Mobeus took over as sole Investment Adviser.

The internal rate of return is the annual discount rate that equates the original investment cost per share with the value of subsequent dividends received and the latest NAV.

2. The VCT's performance compared with its peer group (Benchmarking)

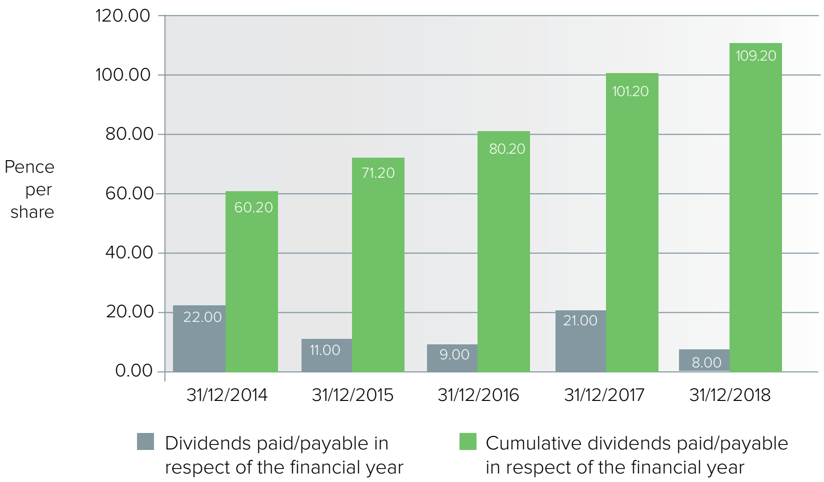
The Board places emphasis on the Company's performance against a peer group of VCTs and has a target of being ranked in the top half of Generalist VCTs. Using the benchmark of NAV total return on an investment of £100, the VCT is ranked 34 out of 45 (2017: 21 out of 45) over three years, and 17 out of 37 (2017: 14 out of 40) over five years amongst generalist VCTs by the Association of Investment Companies (AIC) (based on statistics prepared by Morningstar) at 31 December 2018. Whilst the Board recognises the Company is below its target over three years, it still regards overall performance against its peer group as satisfactory, but continues to discuss with the Investment Adviser how to improve it.

3. Dividend policy

The Company has an annual target dividend of paying not less than 4.00 pence per share in respect of each financial year. It has met or exceeded this target in respect of its last eight financial years. **However, the Board continues to review the sustainability of this target following the changes to the VCT Rules and the ability of the Company to pay ordinary dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.** While the Board still believes in the attainment of the dividend target, the gradual move of the portfolio to growth capital investments is likely to result in annual ordinary dividend payments being more volatile and, at least over the medium-term, may be lower than have been paid in the recent past.

During the year the Company paid an interim dividend of 4.00 pence per share, comprising 4.00 pence per share from capital. Following the payment of this interim dividend, cumulative dividends paid to shareholders since launch now total 105.20 pence per share.

The Directors have proposed a final dividend of 4.00 pence per share in respect of the year under review, comprising 2.25 pence per share from capital and 1.75 pence per share from income. Following payment of this final dividend, cumulative dividends paid since launch will total 109.20 pence per share.



The proposed final dividend of 4.00 pence per share, to be paid on 28 May 2019 if approved by shareholders, will increase cumulative dividends paid since launch to 109.20 pence per share.

4. Compliance with VCT legislation

In making their investment in a VCT, shareholders become eligible for several tax benefits under VCT tax legislation, as long as the Company also complies with VCT tax legislation. To achieve this, the Company must meet a number of tests set by the VCT tax legislation. The principal tests are summarised in the panel entitled 'Summary of VCT Regulation' on page 4. Throughout the year ended 31 December 2018, the Company continued to meet these tests.

5. Share buyback and discount policy

The Board recognises that shareholders may wish to sell their shares from time to time and that the secondary market for VCT shares can be limited. The impact of this limited secondary market is that the Company's share price will typically trade at a level which is less than the Company's NAV per share. Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buy back policy with the objective of maintaining the discount to the latest published NAV per share at which the shares trade at approximately 10%. It has succeeded in carrying out this objective in the year.

The Board considers that a 10% discount currently 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 always cancelled.

The discount of approximately 10% has been maintained for the whole of the last eight years, since the Board stated its intent to pursue this policy.

Shareholders granted the Directors authority to buyback up to 10.3 million of the Company's shares, representing 14.99% of the shares in issue at the date of the notice of the meeting, at the AGM held on 11 May 2018. Shares bought back under this authority are cancelled and the Directors do not intend to exercise this authority unless they believe to do so would result in an increase in net assets per share which would be in the interests of shareholders generally. Continuing shareholders benefit from the difference between the NAV per share and the price at which the shares are bought back and cancelled. A resolution to renew this authority will be proposed at the forthcoming AGM. The resolution will grant authority for the Company to buyback up to 10.2 million of the Company's own shares representing 14.99% of the shares in issue and will normally expire at the AGM to be held in 2020.

During the year ended 31 December 2018, shareholders holding 1,166,848 shares expressed their desire to sell their holdings. 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 of between 73.24 and 77.04 pence per share and cancelled them.

In total, the Company bought back 1.7% of the issued share capital of the Company, at the beginning of the year, as calculated by reference to the issued share capital on 1 January 2018.

Continuing shareholders benefit from the difference between the NAV and the price at which the shares are bought back and cancelled.

6. Costs

Shareholders will be aware there are a number of costs involved in operating a VCT. Although shareholders do not bear costs in excess of the expense cap of 3.4%, the Board monitors its costs carefully and seeks to maintain an Ongoing Charges Ratio well below 3.4%.

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

	2018	2017
Ongoing charges	2.68%	2.95%
Performance fee	0.00%	0.00%
Ongoing charges plus accrued performance fee	2.68%	2.95%

* The Ongoing Charges Ratio has been calculated, using the 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.

The Ongoing Charges Ratio replaces the Total Expense Ratio reported previously. The Total Expense Ratio still forms the basis of any expense cap that may be borne by the Investment Adviser. For the purpose of calculating this ratio, actual running costs are capped at 3.4% of closing net assets but exclude any irrecoverable VAT and exceptional costs. There was no breach of the expense cap for the year ended 31 December 2018 (31 December 2017: £nil).

The fall in the Ongoing Charges ratio reflects a higher average level of net assets in 2018, principally due to funds raised as part of the Offer for Subscription.

Investment Adviser fees and other expenses

Investment Adviser fees charged to both revenue and capital have increased by £0.07 million over the year to £1.24 million. This increase is due to higher average net assets across the year arising from the Company's Offer for Subscription. Other expenses have decreased by £0.04 million to £0.38 million. This reduction is due to lower registrar's fees and subscription costs since fewer dividends were paid for the 2018 year, compared to 2017, as well as a fall in trail commission costs as a result of a fall in eligible shares due to a cap reached on historic fundraisings.

Further details of these are contained in Note 4 to the Financial Statements on pages 53 to 54 of this Annual Report.

Investment Review

Demand for growth capital investment remains strong and there is an interesting pipeline of investment opportunities. It is expected that the current pace and quantum of new and follow-on investments will continue in the short to medium-term.

Portfolio review

The portfolio's activity in the year is summarised as follows:

	2018 £m	2017 £m
Opening portfolio value	31.48	38.93
New and further investments	5.88	2.18
Disposal proceeds	(1.77)	(12.98)
Net realised (losses)/ gains	(0.36)	4.14
Valuation movements	1.07*	(0.79)
Portfolio value at 31 December	**36.30**	**31.48**

This has been a year of further solid progress building the growth capital portfolio with five investments into new growth businesses totalling £2.52 million, five existing growth portfolio companies receiving follow-on funding totalling £3.36 million, and net cash proceeds received of £1.77 million, primarily from four realisations. This brings the total invested in growth capital investments to £13.30 million since the introduction of the VCT regulations in 2015. The past year's investment and divestment activity has increased the proportion of the portfolio regarded as growth capital investments by value to 53.2% (including AIM and legacy) at the year end.

Detail of these movements for each investee company is provided in the Investment Portfolio Summary at the end of this Investment Review.

The portfolio's contribution to the overall results of the VCT is summarised in the next column as follows:

Investment Portfolio Capital Movement	2018 £m	2017 £m
Increase in the value of unrealised investments	4.45	2.54
Decrease in the value of unrealised investments	(3.38)	(3.33)
Net increase/ (decrease) in the value of unrealised investments	**1.07***	**(0.79)**
Realised gains	0.47	4.14
Realised losses	(0.83)	-
Net realised (losses)/ gains in the year	**(0.36)**	**4.14**
Net investment portfolio movement in the year	**0.71**	**3.35**

* - This figure is less than Unrealised gains/ (losses) on investments per the Income Statement due to an amount of deferred consideration of £0.22 million now recognised, from an investment realised in a prior year which no longer forms part of the portfolio - see Note 8 on page 58 of the Notes to the Financial Statements for further details.

Valuation changes of portfolio investments still held

Within the unrealised valuation increases of £4.45 million, the principal contributors were EOTH (Rab and Lowe Alpine) (£571k), Plastic Surgeon (£525k), and CGI Creative Graphics (£352k). EOTH achieved a record year of profitability, underpinned by continued growth in its Rab brand. Plastic Surgeon continues to trade strongly having now achieved three years of sustained profit growth. CGI Creative Graphics has seen improved trading, principally benefitting from the growth in the UK and European caravan market.

A small number of new growth investments have shown initial uplifts from cost, due in large part to the structure of the Company's investment, but, in some cases, also due to the underlying investee company performance.

Within total valuation decreases of £3.38 million, the main reductions were BookingTek (£704k), Wetsuit Outlet (£682k) and Veritek Global (£538k). BookingTek has experienced delays to the roll out of its software which has impacted its planned turnover growth. Wetsuit Outlet has had a disappointing year post investment, with growth in profitability not being achieved as envisaged. Management has since implemented several measures to restore margins. Finally, Veritek has experienced a challenging trading environment but is restructuring its operations accordingly.

Realised gains and losses from sales of investments

The largest gain was £0.17 million from the sale of Lightworks to Siemens PLM Software, a business of Siemens AG. SparesFinder, a legacy investment previously managed by a former investment adviser, was realised at a gain of £0.16 million, having been previously valued at zero.

The Company also realised a gain in the year from deferred consideration receipts of £0.14 million arising from past realisations during the year.

The largest loss was £0.55 million from the sale of Fullfield (trading as Motorclean) back to management (although the investment yielded a positive return over its life), whilst a loss of £0.28 million resulted from the sale of Hemmels to its largest customer. Although the Hemmels loss was modest, it was unexpected, arising shortly after the initial investment, and illustrates the inherent higher risk of investing in early stage growth companies.

Investment portfolio yield and capital repayments

During the year under review, the Company received the following amounts in loan interest and dividend income:

Investment Portfolio Yield	2018 £m	2017 £m
Loan interest received in the year	1.82	2.15
Dividends received in the year	0.29	0.18
Total portfolio income in the year	**2.11[1]**	**2.33**
Portfolio value at 31 December	**36.30**	**31.48**
Portfolio Income Yield (Income as a % of Portfolio value at 31 December)	**5.8%**	**7.4%**

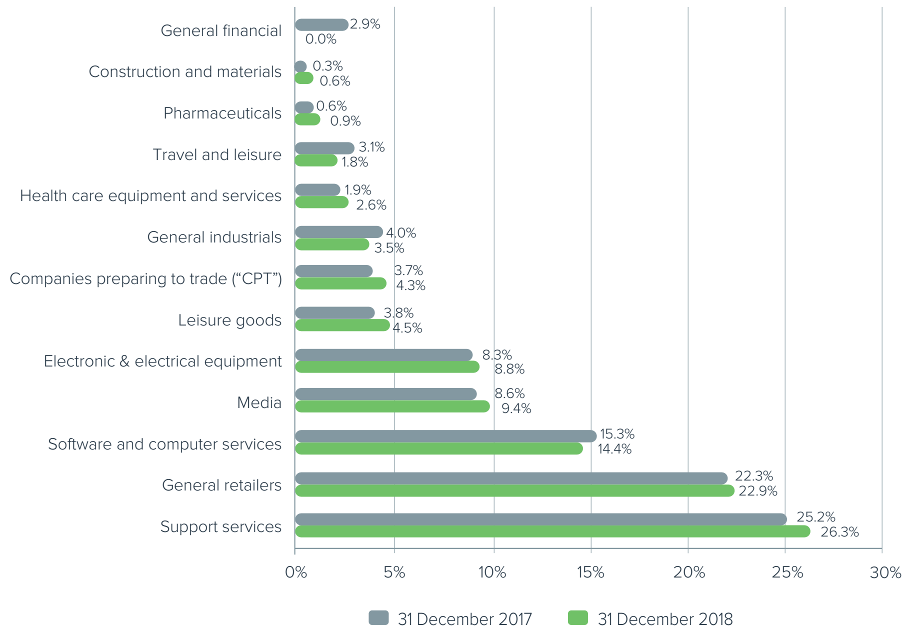
[1] Total portfolio income in the period is generated solely from investee companies within the portfolio. See Note 3 to the Financial Statements for all income receivable by the Company.

Strategic Report

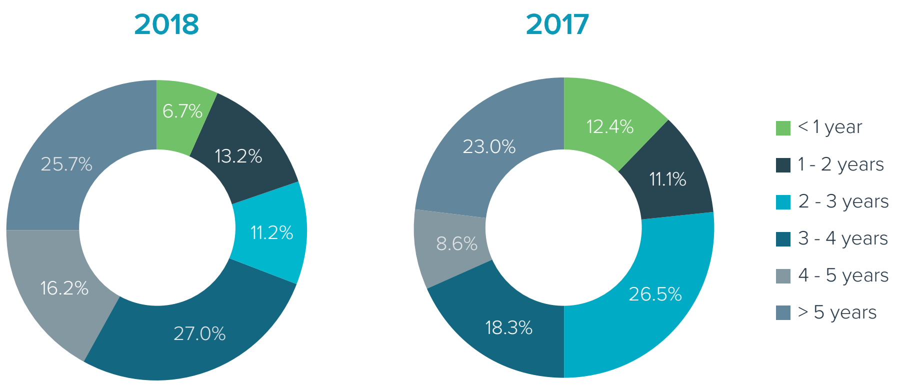
In addition to deferred consideration receipts of £0.14 million and sales proceeds from disposals of investments of £1.23 million, the Company also received loan stock repayments of £0.29 million and preference share repurchases of £0.11 million, both at cost.

Investments by market sector

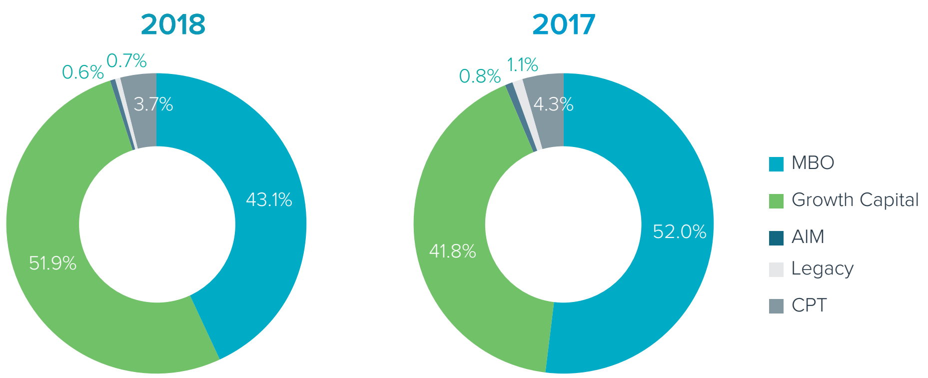
Investments by value remain spread across a number of sectors, primarily in support services, general retailers and software and computer services.



Age of the portfolio by value



Type of investment transaction by value



New investment in the year

A total of £2.52 million was invested into five new investments during the year as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
proactiveinvestors	Proactive Investors	Investor media services	January, June and October 2018	0.75

Proactive Investors specialises in timely multi-media news provision, events organisation, digital services and investor research. Proactive provides breaking news, commentary and analysis on hundreds of small-cap listed companies and pre-IPO businesses across the globe. The investment will enable Proactive to expand its services into the US market, which is the largest global market for investor media services. The company's accounts for the year ended 30 June 2017 show turnover of £3.99 million and a profit before interest, tax and amortisation of goodwill of £0.53 million.

SuperCarers	Super Carers	Online care platform	March 2018	0.49

Super Carers provides an online platform connecting people seeking home care, typically for their elderly relatives, with experienced independent carers. Carers and care-seekers manage care directly, thus reducing the administrative burden and the need for care managers, enabling care to be delivered with greater flexibility and more cost effectively. The company's accounts for the year ended 31 March 2018 show revenues of £0.38 million and a loss before interest, tax and amortisation of goodwill of £1.28 million.

HEMMELS	Hemmels	Classic car restoration	March 2018	0.51

Hemmels commenced trading in September 2016 and specialised in the sourcing, restoration, selling and servicing of high value classic cars. Hemmels focused on classic Mercedes-Benz and planned to expand into the Porsche marque under a separate brand. The investment was made to enable Hemmels to proceed with its expansion plans and secure sufficient development stock. After a short period following the completion of the investment, it became clear that the company's financial situation and prospects were significantly at variance to expectations and the investment has since been realised, as reported within 'Realisations during the year', below.

rotageek	Rotageek	Workforce management software	August 2018	0.44

Rotageek is a provider of cloud-based enterprise software to help larger retail and leisure organisations predict and meet demand to schedule staff effectively. This investment will be used for further technology development and to grow sales from enterprise clients. The company's unaudited accounts for the year ended 31 December 2017 show revenues of £0.90 million and a loss before interest, tax and amortisation of goodwill of £1.57 million.

KUDOS www.growkudos.com	Grow Kudos	Platform for the dissemination of academic research	November 2018	0.33

Grow Kudos is an online platform which provides and promotes academic research dissemination. The Kudos product was developed to allow researchers to increase the impact and readership of their work and to track and analyse distribution both within academia and across broader audiences. The investment will be used principally to increase its head count to support sales growth. The company's unaudited accounts for the year ended 31 December 2017 show revenues of £0.53 million and a loss before interest, tax and amortisation of goodwill of £0.59 million.

Further investments in existing portfolio companies in the year

The Company made further investments totalling £3.36 million into five existing portfolio companies during the year under review, as detailed below:

<table>
<tr><th></th><th>Company</th><th>Business</th><th>Date of investment</th><th>Amount of new investment (£m)</th></tr>
<tr><td></td><td>MPB Group</td><td>Online marketplace for used camera and video equipment</td><td>February, October and December 2018</td><td>0.45</td></tr>
<tr><td colspan="5">MPB is Europe's leading online marketplace for used camera and video equipment. Based in Brighton, its custom-designed pricing technology enables MPB to offer both buy and sell services through the same platform and offers a one-stop shop for all its customers. Having expanded into the US (opening a New York office) and German markets as part of the initial VCT investment round, this follow-on investment, alongside funds provided by the ProVen VCTs, is to support its continued growth plan. Having doubled its sales over the last year, this investment will give the company sufficient capital to achieve its next phase of expansion. The company's latest audited accounts for the year ended 31 March 2018 show turnover of £21.71 million and loss before interest, tax and amortisation of goodwill of £2.00 million.</td></tr>
<tr><td>TAPAS REVOLUTION</td><td>Tapas Revolution</td><td>Restaurant chain</td><td>March 2018</td><td>0.46</td></tr>
<tr><td colspan="5">Based in London, Tapas Revolution is a leading Spanish restaurant chain in the casual dining sector focusing on shopping centre sites with high footfall. Having opened its first restaurant in Shepherd's Bush Westfield, the business now operates seven established restaurants, with the support of the initial VCT investment in 2017. This follow-on investment is to finance the opening of several new locations around England. The company's latest unaudited accounts for the year ended 31 October 2017 show turnover of £5.84 million and a £0.68 million loss before interest, tax and amortisation of goodwill.</td></tr>
<tr><td>MyTutor</td><td>MyTutor</td><td>Online tutoring</td><td>May 2018</td><td>0.84</td></tr>
<tr><td colspan="5">My Tutor is a digital marketplace that connects school pupils who are seeking private one-to-one tutoring with university students. The business is satisfying a growing demand from both schools and parents to improve pupils' exam results to enhance their academic and career prospects. This investment supports an opportunity to consolidate the sizeable £2bn UK tutoring market, grow My Tutor's market presence and drive technological development within the company. The company's latest unaudited accounts for the year ended 31 December 2017 show turnover of £0.56 million and a loss before interest, tax and amortisation of goodwill of £1.40 million.</td></tr>
<tr><td>Preservica Active digital preservation</td><td>Preservica</td><td>Seller of proprietary digital archiving software</td><td>September 2018</td><td>0.91</td></tr>
<tr><td colspan="5">Preservica has developed market leading software for the long-term preservation of digital records ensuring that digital content can remain accessible, irrespective of future changes in technology. Previously a division of the Company's former portfolio company Tessella, Preservica was demerged prior to the sale of Tessella in December 2015. The investment provided additional growth capital to finance the development of the business. The Company's latest audited accounts for the year ended 31 March 2018 show turnover of £2.85 million and a loss before interest, tax and amortisation of goodwill of £1.93 million.</td></tr>
<tr><td>BIOSITE®</td><td>Biosite</td><td>Workforce management and security services</td><td>October 2018</td><td>0.70</td></tr>
<tr><td colspan="5">Based in the Midlands, Biosite is a provider of biometric access control and software-based workforce management solutions for the construction sector. The business is growing significantly and this investment will support the further development of software and hardware products. The company's latest unaudited accounts for the year ended 31 July 2017 show turnover of £6.38 million and a loss before interest, tax and amortisation of goodwill of £0.45 million.</td></tr>
</table>

Realisations during the year

The Company realised its investments in Fullfield (trading as Motorclean), Hemmels, Lightworks, and SparesFinder during the year, generating a net realised loss of £0.50 million. Net cash proceeds received from the sale of these investments totalled £1.23 million, as detailed below:

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
motorclean integrated automotive services	Fullfield (Motorclean)	Vehicle cleaning and valet services	July 2011 to August 2018	£2.35 million 1.2 x cost
The Company sold its investment in Fullfield (trading as Motorclean) back to management in August 2018 receiving cash proceeds of £0.64 million (realised loss in the year: £0.55 million). This realisation contributed to a return of 1.2 times the original investment cost and an IRR of 5.0% in the seven years that this investment was held.				
HEMMELS	Hemmels	Classic car restorer	March 2018 to September 2018	£0.25 million 0.5 x cost
The Company sold its investment in Hemmels to the business's largest customer for £0.23 million in September 2018, resulting in a realised loss of £0.28 million on the original investment cost over the six months the investment was held. The investment was realised six months after the original investment, for reasons already explained under new investments.				
LIGHTWORKS Rendering Realism	Lightworks	Provider of software for CAD and CAM vendors	March 2011 to September 2018	£0.20 million 21.7 x cost
The Company sold its investment in Lightworks to Siemens PLM Software for £0.20 million (realised gain in the year: £0.17 million) in September 2018, generating a realised gain over the life of the investment of £0.19 million. This equates to a multiple of 21.7 times the investment cost of £0.01 million and an IRR of 56%.				
sparesfinder a sphera company	SparesFinder	Supplier of industrial spare parts online	August 1999 to August 2018	£0.16 million 0.6 x cost
The Company sold its investment in SparesFinder to Sphera Solutions Inc for £0.16 million (realised gain in the year: £0.16 million) in August 2018. This investment was held as part of a legacy portfolio having previously been managed by a former investment adviser, Elderstreet Investments. This realisation equates to a multiple of 0.6 times the original investment cost of £0.25 million.				

During the year, the Company also received loan repayments totalling £0.29 million (notably Plastic Surgeon (£0.17 million), deferred consideration from investments realised in a previous year of £0.14 million and preference share repurchases of by Plastic Surgeon £0.11 million.

Net realised losses upon the four disposals above of £0.50 million, together with gains on deferred consideration of £0.14 million equal the total loss for the year of £0.36 million, as shown in both tables on page 9 of this review.

Funds available for investment

Cash and other liquid investments available for investment amounted to £21.37 million. Of this amount £2.54 million is held as cash in bank accounts, and the balance is placed in AAA rated money market funds. The returns on these funds are relatively low, but the Board retains its policy of seeking above all to preserve capital for its uninvested funds.

Mobeus Equity Partners LLP
Investment Adviser
20 March 2019

Principal investments in the portfolio at 31 December 2018 by valuation

Strategic Report

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost	£2,469,000
Valuation	£3,014,000

Basis of valuation
Earnings multiple

Equity % held
9.7%

Income receivable in year
£188,361

Business
Data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2017
Turnover	£14,421,000
Operating profit	£694,000
Net liabilities	£(76,000)
Year ended	31 December 2016
Turnover	£12,375,000
Operating profit	£926,000
Net assets	£404,000

Movements during the year

None.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£1,931,000
Valuation	£2,372,000

Basis of valuation
Earnings multiple

Equity % held
9.7%

Income receivable in year
£184,340

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2017
Turnover	£38,179,000
Operating profit	£2,336,000
Net assets	£3,155,000
Year ended	30 June 2016
Turnover	£38,051,000
Operating profit	£2,082,000
Net assets	£3,101,000

Movements during the year

None.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost	£1,934,000
Valuation	£2,328,000

Basis of valuation
Earnings multiple

Equity % held
9.5%

Income receivable in year
£159,970

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

Year ended	30 September 2018
Turnover	£21,823,000
Operating profit	£1,519,000
Net liabilities	£(2,827,000)
Year ended	30 September 2017
Turnover	£19,929,000
Operating profit	£1,463,000
Net liabilities	£(2,697,000)

Movements during the year

None.

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

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

Preservica Limited

www.preservica.com

Cost £1,586,000

Valuation £2,082,000

Basis of valuation
Revenue multiple

Equity % held
11.0%

Income receivable in year
£10,613

Business
Seller of proprietary digital archiving software

Location
Abingdon, Oxfordshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2018
Turnover	£2,851,000
Operating loss	£(1,930,000)
Net assets	£1,131,000

Year ended	31 March 2017
Turnover	£2,032,000
Operating loss	£(1,157,000)
Net assets	£2,606,000

Movements during the year

Follow-on equity and loan investment in September 2018.

Pattern Analytics Limited (trading as Biosite)

www.biositesystems.com

Cost £1,339,000

Valuation £1,979,000

Basis of valuation
Gross profit multiple

Equity % held
5.6%

Income receivable in year
£15,881

Business
Workforce management and security services for the construction industry

Location
Solihull

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 July 2017
Turnover	£6,383,000[1]
Operating loss	£(450,000)[1]
Net assets	£2,058,000

Year ended	31 July 2016
Turnover	£4,693,000[1]
Operating profit	£490,000[1]
Net assets	£56,000[1]

[1] Unaudited consolidated financial information for trading subsidiaries, principally Biosite Security Limited and Biosite Systems Limited.

Movements during the year

Follow-on investment in October 2018.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost £951,000

Valuation £1,977,000

Basis of valuation
Earnings multiple

Equity % held
1.7%

Income receivable in year
£178,571

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Growth capital

Audited financial information

Year ended	31 January 2018
Turnover	£54,161,000
Operating profit	£4,404,000
Net assets	£17,082,000

Year ended	31 January 2017
Turnover	£44,382,000
Operating profit	£5,755,000
Net assets	£14,787,000

Movements during the year

None.

Principal investments in the portfolio at 31 December 2018 by valuation

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£2,723,000
Valuation	£1,872,000

Basis of valuation
Earnings multiple

Equity % held
15.7%

Income receivable in year
£262,439

Business
A publishing and events business focused on the creative production industries

Location
London

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2017
Turnover	£12,292,000
Operating profit	£718,000
Net liabilities	£(197,000)
Year ended	31 December 2016
Turnover	£12,668,000
Operating profit	£683,000
Net assets	£1,212,000

Movements during the year

None.

Manufacturing Services Investment Limited (trading as Wetsuit Outlet)

www.wetsuitoutlet.co.uk

Cost	£2,333,000
Valuation	£1,651,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£104,593

Business
Online retailer in the water sports market

Location
Southend on Sea, Essex

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2018[1]
Turnover	£11,967,000
Operating loss	£(545,000)
Net liabilities	£(1,113,000)
Year ended	31 March 2017[1]
Turnover	£11,511,000
Operating profit	£1,981,000
Net assets	£3,980,000

[1] The financial information quoted above is for B2C Distribution Limited prior to the investment into Wetsuit Outlet which completed in July 2017.

Movements during the year

None.

CGI Creative Graphics International Limited

www.cgi-visual.com

Cost	£1,450,000
Valuation	£1,440,000

Basis of valuation
Earnings multiple

Equity % held
6.6%

Income receivable in year
£144,385

Business
Vinyl graphics to global automotive, recreation vehicle and aerospace markets

Location
Kempston, Bedfordshire

Original transaction
Management buyout

Audited financial information

Year ended	28 February 2018
Turnover	£14,880,000
Operating profit	£813,000
Net liabilities	£(1,518,000)
Year ended	28 February 2017
Turnover	£13,753,000
Operating profit	£135,000
Net liabilities	£(403,000)

Movements during the year

None.

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

Operating profit is stated before charging amortisation of goodwill where appropriate for all investee companies.

Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)

www.ward-thomas.co.uk

Cost £512,000

Valuation £1,426,000

Basis of valuation
Earnings multiple

Equity % held
4.7%

Income receivable in year
£54,061

Business
A specialist logistics, storage and removals business

Location
London

Original transaction
Growth capital and equity release

Audited financial information

Year ended	30 September 2017
Turnover	£24,855,000
Operating profit	£3,636,000
Net assets	£14,960,000

Year ended	30 September 2016
Turnover	£21,325,000
Operating profit	£3,249,000
Net assets	£12,598,000

Movements during the year

None

Investment Portfolio Summary

as at 31 December 2018

Mobeus Equity Partners Portfolio	Ordinary shares Cost at 31 December 2018 £	Ordinary shares Valuation at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Cost at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Valuation at 31 December 2018 £	Total cost at 31 December 2018 £
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	891,576	571,192	1,577,437	2,442,532	2,469,013
Virgin Wines Holding Company Limited Online wine retailer	45,915	487,408	1,884,898	1,884,898	1,930,813
ASL Technology Holdings Limited Printer and photocopier services	343,992	388,998	1,589,599	1,938,968	1,933,591
Preservica Limited Seller of proprietary digital archiving software	1,132,695	1,629,325	453,078	453,078	1,585,773
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	640,171	1,280,342	698,368	698,368	1,338,539
EOTH Limited (trading as Equip Outdoor Technologies) Distributor of branded outdoor equipment and clothing (Rab and Lowe Alpine)	95,147	1,044,674	856,324	932,228	951,471
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	1,089,103	-	1,633,657	1,871,714	2,722,760
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	1,166,551	484,729	1,166,551	1,166,551	2,333,102
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	476,612	-	973,134	1,439,959	1,449,746
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	511,620	1,426,419	235	-	511,855
MPB Group Limited Online marketplace for used photographic equipment	807,799	1,177,628	224,388	224,388	1,032,187
Vian Marketing Limited (trading as Red Paddle Co) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	271,683	482,629	627,391	896,273	899,074
My Tutorweb Limited Digital marketplace connecting school pupils seeking one-to-one online tutoring	1,307,644	1,307,644	-	-	1,307,644
Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media)) SaaS based online auction marketplace platform	4,472	-	1,524,603	1,255,082	1,529,075
Ibericos Etc. Limited (trading as Tapas Revolution) Spanish restaurant chain	348,269	438,502	696,600	696,600	1,044,869
Tharstern Group Limited MIS & Commercial print software solutions	338,861	-	753,025	1,070,871	1,091,886
Proactive Group Holdings Inc Provider of media services and investor conferences for companies primarily listed on secondary public markets	572,540	878,073	182,800	182,800	755,340
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited) Snagging and finishing of domestic and commercial properties	45,884	718,012	276	328,654	46,160
Buster and Punch Holdings Limited Industrial inspired lighting and interiors retailer	373,073	530,028	157,319	157,319	530,392
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	323,577	-	808,944	687,046	1,132,521

Notes

[1] 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

Total valuation at 31 December 2017 £	Total additional investments £	Total valuation at 31 December 2018 £	Unrealised gains/(losses) in year £	Net realised gains/(losses) in year £	Net proceeds in year £	% of equity held	% of portfolio by value
2,758,626	-	3,013,724	255,098	-	-	9.7%	8.3%
2,173,407	-	2,372,306	198,899	-	-	9.7%	6.5%
2,049,558	-	2,327,966	278,408	-	-	9.5%	6.4%
929,117	906,156	2,082,403	247,130	-	-	11.0%	5.7%
960,257	698,368	1,978,710	320,085	-	-	5.6%	5.5%
1,405,478	-	1,976,902	571,424	-	-	1.7%	5.4%
1,663,142	-	1,871,714	208,572	-	-	15.7%	5.2%
2,333,102	-	1,651,280	(681,822)	-	-	6.4%	4.5%
1,087,900	-	1,439,959	352,059	-	-	6.6%	4.0%
1,173,348	-	1,426,419	253,071	-	-	4.7%	3.9%
777,331	448,777	1,402,016	288,102	-	112,194	5.6%	3.9%
1,416,746	-	1,378,902	(37,844)	-	-	7.1%	3.8%
466,639	841,005	1,307,644	-	-	-	7.2%	3.6%
1,292,718	-	1,255,082	(37,636)	-	-	3.8%	3.5%
580,469	464,400	1,135,102	90,233	-	-	5.8%	3.2%
1,401,362	-	1,070,871	(330,492)	-	-	12.2%	3.0%
-	755,340	1,060,873	305,533	-	-	2.6%	2.9%
809,939	-	1,046,666	524,542	-	287,815	8.7%	2.9%
530,392	-	687,347	156,955	-	-	4.5%	1.9%
818,429	-	687,046	(131,383)	-	-	7.7%	1.9%

Strategic Report

Investment Portfolio Summary

as at 31 December 2018

Mobeus Equity Partners Portfolio	Ordinary shares Cost at 31 December 2018 £	Ordinary shares Valuation at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Cost at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Valuation at 31 December 2018 £	Total cost at 31 December 2018 £
Rota Geek Limited Workforce management software	437,000	685,092	-	-	437,000
Redline Worldwide Limited Provider of security services to the aviation industry and other sectors	269,190	-	569,187	521,616	838,377
RDL Corporation Limited Recruitment consultants for the pharmaceutical, and IT industries	173,932	-	826,068	478,719	1,000,000
Hollydale Management Limited Company seeking to carry on a business in the food sector	438,200	175,280	262,920	262,920	701,120
Super Carers Limited Online platform that connects people seeking home care from experienced independent carers	485,730	364,298	-	-	485,730
Vectair Holdings Limited Designer and distributor of washroom products	24,643	360,066	89	89	24,732
Kudos Innovations Limited Online platform that provides and promotes academic research dissemination	328,950	328,950	-	-	328,950
Blaze Signs Holdings Limited Manufacturer and installer of signs	183,005	279,341	7,626	7,626	190,631
Backhouse Management Limited Company seeking to carry on a business in the motor sector	453,600	90,720	136,080	136,080	589,680
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	453,600	90,720	136,080	136,080	589,680
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	453,600	90,720	136,080	136,080	589,680
Barham Consulting Limited Company seeking to carry on a business in the catering sector	453,600	90,720	136,080	136,080	589,680
Omega Diagnostics Group plc[2] In-vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases	200,028	208,344	-	-	200,028
BookingTek Limited Software for hotel groups	582,300	93,197	69,837	69,837	652,137
Jablite Holdings Limited Manufacturer of expanded polystyrene products	339,974	72,598	36,109	49,824	376,083
Veritek Global Holdings Limited Maintenance of imaging equipment	43,527	-	1,576,559	9,953	1,620,086
BG Training Limited City-based provider of specialist technical training	-	-	10,625	5,313	10,625
Racoon International Group Limited Supplier of hair extensions, hair care products and training	419,959	-	64,388	-	484,347
CB Imports Group Limited (trading as Country Baskets) Importer and distributor of artificial flowers, floral sundries and home décor products	175,000	-	-	-	175,000
Hemmels Limited Company specialising in sourcing, selling and servicing of high price classic cars	-	-	23,250	-	23,250

Notes

[1] 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

[2] Quoted on AIM.

Strategic Report

Total valuation at 31 December 2017 £	Total additional investments £	Total valuation at 31 December 2018 £	Unrealised gains/(losses) in year £	Net realised gains/(losses) in year £	Net proceeds in year £	% of equity held	% of portfolio by value
-	437,000	685,092	248,092	-	-	3.7%	1.9%
897,989	-	521,616	(376,373)	-	-	6.7%	1.4%
632,005	-	478,719	(153,286)	-	-	9.1%	1.3%
438,200	-	438,200	-	-	-	11.0%	1.2%
-	485,730	364,298	(121,432)	-	-	4.3%	1.1%
303,233	-	360,155	56,922	-	-	2.1%	1.0%
-	328,950	328,950	-			3.2%	0.9%
193,997	-	286,967	92,970	-	-	5.7%	0.8%
226,800	-	226,800	-	-	-	11.3%	0.6%
226,800	-	226,800	-	-	-	11.3%	0.6%
226,800	-	226,800	-	-	-	11.3%	0.6%
226,800	-	226,800	-	-	-	11.3%	0.6%
274,849	-	208,344	(66,505)	-	-	1.3%	0.6%
867,257	-	163,034	(704,223)	-		3.5%	0.4%
229,783	-	122,422	(107,361)	-	-	9.1%	0.3%
547,806	-	9,953	(537,853)	-	-	11.9%	0.0%
5,313	-	5,313	-	-	-	0.0%	0.0%
-	-	-	-	-	-	0.0%	0.0%
-	-	-	-	-	-	5.8%	0.0%
-	517,080	-	-	(282,254)	234,826	0.0%	0.0%

Strategic Report

Investment Portfolio Summary

as at 31 December 2018

Mobeus Equity Partners Portfolio	Ordinary shares Cost at 31 December 2018 £	Ordinary shares Valuation at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Cost at 31 December 2018 £	Other investments[1] (loan stock/preference shares) Valuation at 31 December 2018 £	Total cost at 31 December 2018 £
Newquay Helicopters (2013) Limited (in liquidation) Helicopter service operator	4,623	-	-	-	4,623
Disposals in year					
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	-	-	-	-	-
Lightworks Software Limited Provider of software for CAD and CAM vendors	-	-	-	-	-
Deferred proceeds from companies realised in previous years[2]	-	-	-	-	-
Total	**16,707,645**	**15,775,649**	**19,799,605**	**20,277,546**	**36,507,250**
Former Elderstreet Private Equity Portfolio					
Cashfac Limited Provider of virtual banking application software solutions to corporate customers	260,101	245,465	-	-	260,101
SparesFinder Limited Supplier of industrial spare parts online	-	-	-	-	-
Sift Group Limited Developer of business-to-business internet communities	135,391	-	-	-	135,391
Total	**395,492**	**245,465**	**-**	**-**	**395,492**
Investment Adviser's Total	**17,103,137**	**16,021,114**	**19,799,605**	**20,277,546**	**36,902,742**

Notes

[1] 'Other investments' comprise principally loan stock instruments, and/or relatively small amounts of preference shares.

[2] The deferred proceeds figure of £139,762 consists of £51,305 received in respect of Tessella Holdings and £88,457 received in respect of Gro-Group Holdings Limited, both investments realised in a prior year.

[3] This figure is less than Unrealised gains/(losses) on investments per the Income Statement due to an amount of deferred consideration of £225,894 now recognised, from an investment realised in a prior year which no longer forms part of the portfolio.

Total valuation at 31 December 2017 £	Total additional investments £	Total valuation at 31 December 2018 £	Unrealised gains/(losses) in year £	Net realised gains/(losses) in year £	Net proceeds in year £	% of equity held	% of portfolio by value
-	-	-	-	2,994	2,994	2.5%	0.0%
1,185,517	-	-	-	(546,957)	638,560	0.0%	0.0%
33,847		-	-	163,586	197,433	0.0%	0.0%
-	-	-	-	139,762	139,762	0.0%	0.0%
31,144,956	**5,882,806**	**36,053,195**	**1,161,885**	**(522,869)**	**1,613,584**		**99.3%**
339,097	-	245,465	(93,631)	-	-	2.9%	0.7%
-	-	-	-	159,297	159,297	0.0%	0.0%
-	-	-	-	-	-	1.3%	0.0%
339,097	**-**	**245,465**	**(93,631)**	**159,297**	**159,297**		**0.7%**
31,484,053	**5,882,806**	**36,298,660**	**1,068,254[3]**	**(363,572)**	**1,772,881**		**100.0%**

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 Investment Policy is designed to meet the Company's Objective:

Investments

The Company invests primarily in a diverse portfolio of UK unquoted companies. Investments are made selectively across a number of sectors, principally in established companies. Investments are usually structured as part loan stock and part equity in order to produce a regular income stream and to generate capital gains from realisations.

There are a number of conditions within the VCT legislation which need to be met by the Company and which may change from time to time. The Company will seek to make investments in accordance with the requirements of prevailing VCT legislation.

Asset allocation and risk diversification policies, including the size and type of investments the Company makes, are determined in part by the requirements of prevailing VCT legislation. No single investment may represent more than 15% (by VCT tax value) of the Company's total investments at the date of investment.

Liquidity

The Company's cash and liquid funds are held in a portfolio of readily realisable interest bearing investments, deposit and current accounts, of varying maturities, subject to the overriding criterion that the risk of loss of capital be minimised.

Borrowing

The Company's articles of association permit borrowings of amounts up to 10% of the adjusted capital and reserves (as defined therein). However, the Company has never borrowed and the Board would only consider doing so in exceptional circumstances.

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.

Other policies

In addition to the Investment Policy, the Diversity Policy and the policies on payment of dividends and share buybacks, which are detailed earlier in this section (see pages 7 and 8), the Company has adopted a number of further policies relating to:

- Environmental and social responsibility;
- Human rights;
- Anti-bribery;
- Global greenhouse gas emissions;
- Whistleblowing; and
- Anti-Tax Evasion;

further details of which are set out in the Directors' Report on page 29.

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 corporate governance section of the Directors' Report on pages 33 to 35. The principal risks identified by the Board are set out below:

Risk	Possible consequence	How the Board manages risk
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 Adviser.* • *The Board receives regular reports from its VCT Status Adviser who has been retained by the Board to monitor the VCT's compliance with the VCT Rules.*
Economic and Political	Events such as an economic recession, Brexit negotiations 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.* • *The Board and Investment Adviser have carried out an analysis of the possible impact of Brexit on the portfolio which will be kept under review*
Investment	Investment in VCT qualifying earlier stage 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, may not be profitable at the point of investment and may be dependent for their management on a smaller number of key individuals. This may lead to variable investment returns and the use of more subjective valuation methodologies. Following the introduction of the VCT Rules in 2015 the Company is no longer permitted to invest in MBOs. The focus of investment has therefore moved to providing growth capital investment to younger companies.	• *The Board regularly reviews the Company's investment strategy.* • *Careful selection and review of the investment portfolio on a regular basis.* • *The Investment Adviser has provided a growing pipeline of compliant investment opportunities following a continuing strengthening of its investment team.* • *The valuation of the investment portfolio and valuation methodologies are reviewed by the Board each quarter.*
Regulatory	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 or the loss of the Company's status as a VCT. Furthermore, changes to the UK VCT legislation or the State-aid rules could have an adverse effect on the Company's ability to achieve satisfactory investment returns.	• *Regulatory and legislative developments are kept under review by the Company's solicitors and the Board. Please see the Chairman's Statement on page 3 for the latest details of the impact of recent VCT legislation.*
Financial and operating	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 and receives reports by exception.* • *It reviews the performance of the service providers annually.*
Market	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 Investment Adviser.* • *The Investment Adviser alerts the Board about any adverse movements.*
Asset liquidity	The Company's investments may be difficult to realise.	• *The Board receives reports from the Investment Adviser and reviews the portfolio at each quarterly Board meeting. It carefully monitors investments where a particular risk has been identified.*

Risk	Possible consequence	How the Board manages risk
Market liquidity	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value given the limited secondary market in VCT shares, which may adversely affect investor sentiment towards the Company.	• *The Board has a share buyback policy which seeks to mitigate market liquidity risk. This policy is reviewed at each quarterly Board meeting.*
Counterparty	A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. This may lead to financial loss for the Company.	• *The Board regularly reviews and agrees policies for managing these risks. Further details can be found under 'credit risk' in Note 15 to the Financial Statements on pages 62 to 69.*

The risk profile of the Company has changed as a result of changes to VCT legislation. As the Company is required to focus its new investment activity on growth capital investments in younger companies it is anticipated that investment returns will be more volatile and have a higher risk profile. The Board remain confident that the Investment Adviser has adapted to these changing investment requirements, although the early stage investment process remains largely unproven. The combination of high liquidity levels in the Company and the challenge of new VCT rules may also result in continuing high liquidity which may be a drag on performance. The Board continues to manage excess liquidity through dividend distributions where appropriate. These issues will be monitored by the Board during the year.

Going concern and viability of the Company

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 this Strategic Report above on pages 5 to 13. The Directors have satisfied themselves that the Company continues to maintain a comfortable cash position. The majority of companies in the portfolio are well funded and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, share 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 15 on pages 62 to 69. Accordingly, the Directors consider it appropriate to adopt the going concern basis for a period of at least twelve months from the date of approval of the financial statements.

Furthermore, the Directors have considered whether there are any material uncertainties that the Company may face during the twelve months from the date of approval of the financial statements that may impact on its ability to operate as a going concern. In particular, the Directors have continued to consider the impact of changes to VCT legislation. No further material uncertainties have been identified by the Board.

Viability Statement

The UK Corporate Governance Code includes a requirement for companies to include a "Viability Statement" in the Annual Report addressed to shareholders with the intention of providing an improved and broader assessment of long term solvency and liquidity. The Code does not define "long term" but expects the period to be longer than twelve months with individual companies choosing a period appropriate to the nature of their own businesses. The Directors have chosen a period of three years, as explained further below.

The Directors have carried out a robust assessment of the principal risks facing the Company and these are listed on pages 25 and 26. Subsequent to this review they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. This period has been chosen as a period longer than three years creates a level of future uncertainty for which a Viability Statement cannot, in the Directors' view, currently be made meaningfully. The Directors believe that a three year period is appropriate given the frequency with which it is necessary to review and assess the impact of past, current and proposed regulatory changes. The Directors' assessment has been made with reference to the Company's current position and prospects, the Company's present strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as described on page 25 and above. The Board is mindful of the risks contained therein, but considers that its actions to manage those risks provide reasonable assurance that the Company's affairs are safeguarded for the stated period.

The Directors have reached this conclusion after giving careful consideration to the Company's strategy. They believe the Company's current strategy of "providing investors with a regular income stream by way of tax-free dividends and to generate capital growth through portfolio realisations" remains valid. The Board has focused upon the range of future investments that the Company will be permitted to fund under the latest VCT legislation.

In compliance with the VCT Rules, the Board has focused on financing growth capital investment opportunities. At 31 December 2018, the Company holds 53.2% (£19.29 million) of its portfolio in growth capital investments, £13.37 million of which was invested since the introduction of the VCT rules in 2015.

The Board will continue to monitor returns from growth capital investments on a regular basis and the prospective returns thereon over the next three years. The Board considers that the Company has sufficient liquidity to maintain its present investment rate in the short to medium-term.

Shareholders should be aware that, under the Company's Articles, it is required to hold a continuation vote at the next AGM falling after the fifth anniversary of last allotting shares. As shares were last allotted in June 2018 (under the Dividend Investment Scheme), this factor has not affected the Board's assumptions for the next three years.

Future Prospects

For a discussion of the Company's future prospects (both short and medium-term), please see the Chairman's Statement on pages 2 to 3 and the Investment Review on pages 9 to 13.

Christopher Moore
Chairman

20 March 2019

Board of Directors

Christopher Moore
Independent, Non-Executive Chairman

Date of appointment: 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 quoted industrial group. Until May 2010, he was a director of Matrix Income & Growth VCT plc ("MIG") and until September 2010 he was a director of The Income & Growth VCT plc ("I&G"). He was also a director of Matrix Income & Growth 3 VCT plc until it merged with MIG in 2010.

Andrew Robson
Independent, Non-Executive Director

Date of appointment: 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 18 years' experience as a non-executive director, including with investment companies. He is currently an executive director of First Integrity Limited (from December 2006) and a non-executive director of 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 M&G Equity Investment Trust plc from 2007 until 2011 and a non-executive director of British Empire Trust from 2008 to 2017.

Helen Sinclair
Non-Independent, Non-Executive Director

Date of appointment: 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). She is a non-executive director of Gresham House Strategic plc, North East Finance (Holdco) Limited and is chairman of British Smaller Companies VCT plc. Helen is a director of both I&G and MIG 4 and, as both are advised by Mobeus, is deemed not to be an independent director under the Listing Rules.

For details of the share interests and remuneration of each Director please see pages 38 and 41 of the Directors' Remuneration Report. Details of the attendance record of the Directors is reported in the Directors' Remuneration Report on page 41.

Directors' Report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 December 2018.

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

The principal activity of the Company is to operate as a Venture Capital Trust, making investments in the equity and loan stock of primarily unquoted companies, in compliance with VCT legislation.

The Company is registered in England and Wales as a Public Limited Company (registration number 03707697).

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("the ITA"). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

Statements relating to dividends and future developments are included in the Chairman's Statement on pages 2 to 3 and the Strategic Report on pages 4 to 8 of the Annual Report.

Share capital

The Company's ordinary shares of 1.00 penny each are listed on the London Stock Exchange ("LSE").

The issued share capital of the Company as at 31 December 2018 was £682,830 (2017: £674,751) and the number of shares in issue at this date was 68,282,994 (2017: 67,475,086).

Issue of shares

During the year under review, the Company issued a total of 1,974,756 (2017: 18,956,783) shares. Of this total, 1,186,253 shares were issued under the Company's Offer for Subscription launched on 6 September 2017. A total of 788,503 shares (2017: 3,484,686) were issued under the Company's Dividend Investment Scheme, as detailed below.

Dividend Investment Scheme (the "Scheme")

At the Annual General Meeting on held 11 May 2018, shareholders authorised the Directors to allot new Ordinary Shares to participating shareholders. The interim dividend paid on 19 June 2018 in respect of the financial year ending 31 December 2018 was eligible for the Scheme and the following shares were allotted:

Dividend payment date	Dividend amount (p)	No. of new Ordinary Shares allotted under the Scheme	Allotment date	Issue price (p)
19 June 2018	4.00	788,503	19 June 2018	74.00
Total	**4.00**	**788,503**		

The Scheme has historically been a practical and cost-effective way for the Company to retain cash for investment and operating purposes. Given the Company's successful fundraising in the 2017/18 tax year and currently relatively high cash position, the Board suspended the Scheme on 14 August 2018, until further notice. This means that shareholders who had opted into the Scheme will receive cash in respect of any dividends paid by the Company while the Scheme is suspended. Your Board will continue to keep the Scheme under review and will provide shareholders with advance notice of any future decision to re-introduce, modify or cancel the Scheme.

Buyback of shares

The reason the Company makes market purchases of its own shares is to enhance the liquidity of the Company's shares and to seek to manage the level and volatility of the discount to Net Asset Value at which the Company's shares may trade.

At the Annual General Meeting of the Company held on 11 May 2018, shareholders granted the Company authority, pursuant to section 701 of the Companies Act 2006, to make market purchases of up to 10.3 million of its own shares, representing 14.99% of the issued share capital of the Company at that date. Such authority has been in place through the year under review.

During the year under review, the Company bought back 1,166,848 (2017: 524,730) of its own shares at a total cost of £874,700 (2017: £408,125) including expenses. These shares represented 1.7% of the issued share capital at the beginning of the year. All shares bought back by the Company were subsequently cancelled.

Directors

The names, dates of appointment and brief biographical details of each of the Directors are given on page 27 of this Annual Report.

Disclosure of Information to the Auditor

So far as each of the Directors in office at 31 December 2018 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.

Director's indemnity and officers' liability insurance

The Directors have individually entered into Deeds of indemnity with the Company which indemnifies each Director, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, against any liability arising out of any claim made against him or her in relation to the performance of their duties as Directors of the Company. Copies of each Deed of indemnity entered into by the Company for the Directors are available at the registered office of the Company.

The Company maintains a Directors' and Officers' liability insurance policy. The policy does not provide cover for fraudulent or dishonest actions by the Directors.

Environmental and social responsibility policies

The Board recognises its obligations under Section 414c of the Companies Act to provide information in this respect about environmental matters (including the impact of the Company's business on the environment), human rights and social and community issues, including information about any policies the Company has in relation to these matters and the effectiveness of these policies.

The Board seeks to maintain high standards of conduct in respect of ethical, environmental, governance and social issues and to conduct the Company's affairs responsibly. It considers relevant social and environmental matters when appropriate and particularly with regard to investment decisions. The Investment Adviser encourages good practice within the companies in which the VCT invests. The Board seeks to avoid investing in certain areas which it considers to be unethical and does not invest in companies which do not operate within relevant ethical, environmental and social legislation or otherwise fail to comply with appropriate industry standards. Environmental, social and governance issues are identified by the Investment Adviser prior to each investment and are drawn to the attention of the Board where appropriate.

The Company does not have any employees or officers and the Board therefore believes that there is limited scope for developing environmental, social or community policies. The Company has however adopted electronic communications for shareholders as a means of reducing the volume of paper that the Company uses to produce its reports. It uses mixed source paper from well-managed forests as endorsed by the Forest Stewardship Council for the printing of its circulars and annual and half-year reports. The Investment Adviser is conscious of the need to reduce its impact on the environment and has taken a number of initiatives in its offices including recycling and the reduction of its energy consumption.

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 Company has adopted a zero-tolerance approach to bribery. The following is a summary of the Company's 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.

Global greenhouse gas emissions

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

Whistleblowing policy

The Board has considered the recommendation made in the UK Corporate Governance Code with regard to a policy on whistleblowing and has reviewed the arrangements at the Investment Adviser under which staff may, in confidence, raise concerns. It has concluded that adequate arrangements are in place at the Investment Adviser for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken by the Investment Adviser. The Board has also asked each of its service providers to confirm that they have a suitable whistleblowing policy in place.

Anti-Tax Evasion

The Company has adopted a zero-tolerance approach towards the criminal facilitation of tax evasion and the corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion in compliance with the Criminal Finances Act 2017. The Company has applied due diligence procedures, taking an appropriate risk-based approach, in respect of persons who perform or will perform services on behalf of the Company, in order to mitigate identified risk.

Financial risk management

The main risks arising from the Company's financial instruments are due to fluctuations in market prices, investment risk, liquidity risk, interest rates and credit risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Financial Statements on page 61 to 67 of this Annual Report.

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 December 2018, please see Note 18 to the Accounts on page 68.

Articles of Association

The Company may amend its articles of association ("the Articles") by special resolution in accordance with section 21 of the Companies Act 2006.

Substantial interests

As at the date of this report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Annual General Meeting

The Notice of the Annual General Meeting (AGM), which will be held at 11.30 am on Friday, 10 May 2019 at The Clubhouse, 8 St James's Square, London SW1Y 4JU, is set out on pages 73 to 75 of this Annual Report. A proxy form for the meeting is enclosed separately with shareholders' hard copies of this Annual Report. Proxy votes may also be submitted electronically via the Link Shareholder Portal www.signalshares.com.

Please note that this will be the last Annual General Meeting for which hard

Directors' Report

copy proxy forms will be mailed to shareholders. In future years, to reduce the environmental impact of paper use and wastage, shareholders will be encouraged to submit proxy instructions online, albeit that hard copy proxy forms will continue to be available upon request from the Company's Registrar should shareholders wish to do so.

Resolutions 1 to 7 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and resolutions 8 to 10 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting.

The following is an explanation of the business to be proposed:

Resolution 1 - To receive the Annual Report and Financial Statements

The Directors are required to present the Financial Statements, Directors' report and Auditor's report for the financial year ending 31 December 2018 to the meeting.

Resolution 2 – To approve the Directors' Remuneration Report

Under section 420 of the Companies Act 2006 (the "Act"), the Directors must prepare an annual report detailing the remuneration of the Directors and a statement by the chairman of the Remuneration Committee (together the "Directors' Remuneration Report"). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 38 to 41 of this Annual Report and Financial Statements. Resolution 2 is an advisory vote only.

Resolutions 3 and 4 – To re-elect Christopher Moore and Helen Sinclair as Directors

The Company's Articles of Association require that each Director appointed to the Board shall retire and seek election at their first AGM following appointment and every three years thereafter. The Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code.

The Board has previously agreed that each Director will retire and offer themselves for re-election annually after serving on the Board for more than nine years. However, following the publication of the revised UK Corporate Governance Code in July 2018, which will apply to the Company from 1 January 2019 onwards, the Board has agreed to follow the recommendation of provision 18, namely that all directors be subject to annual re-election. This is with the exception of Andrew Robson who is not seeking re-election and will retire as a director following the conclusion of the Annual General Meeting in May 2019.

The Board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's ability to carry out their duties effectively and, from an independent perspective, the nature of the Company's business is such that individual director's experience and continuity of non-executive board membership can significantly enhance the effectiveness of the Board as a whole.

Christopher Moore – Independent non-executive Chairman - 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 quoted 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 plc ("I&G"). He was also a director of Matrix Income & Growth 3 VCT plc until it merged with MIG in 2010.

Following an evaluation of Christopher's performance, the remaining Directors agree that Christopher continues to carry out his duties effectively and that he remains independent. His substantial experience significantly enhances the effectiveness of the Board and the Directors have no hesitation in recommending his re-election to shareholders. As mentioned in the Chairman's Statement, Christopher has served as Director of the Board since 2002 and, assuming his re-election at the AGM, the Board will begin the process of identifying and recruiting a successor later in the year.

Helen Sinclair – Non-independent non-executive director – Helen Sinclair is considered to be a non-independent director by virtue of being a director of both the Company and The Income & Growth VCT plc, both of which are advised by Mobeus. Following an evaluation of Helen's performance, the remaining Directors agree that Helen continues to make a substantial contribution to the Company's long-term sustainable success. Helen's substantial relevant experience and commitment to the role enhances the effectiveness of the Board and the Directors have no hesitation in recommending her re-election to shareholders.

While recognising the need to address the succession of the Chairman of the Board and the appointment of a new director to succeed Andrew Robson who will retire at the AGM, the Directors believe that the Board continues to include an appropriate balance of skills, experience and knowledge. Brief biographical details of the Directors are given on page 27 of this Annual Report.

Resolution 5 – To reappoint BDO LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine the remuneration of the auditor.

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of BDO LLP. This resolution also gives authority to the Directors to determine the remuneration of the auditor. For further information, please see the report of the Audit Committee on pages 36 and 37.

Resolution 6 – To approve the payment of a final dividend

The Directors recommend to shareholders the payment of a final dividend in respect of the financial year ended 31 December 2018 of 4.00 pence per ordinary share of 1 penny each in the capital of the Company, for payment on 28 May 2019 to shareholders whose names appear on the register on 26 April 2019.

Resolution 7 – Authorities for the Directors to allot shares in the Company and Resolution 8 – disapply the pre-emption rights of members

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

Resolution 7 will enable the Directors to allot new shares up to an aggregate nominal value of £227,610 representing one-third of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting.

Under section 561(1) of the Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 8 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, but not exceeding, 5% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company at a subscription price which may be less than the net asset value per share*; and

(ii) otherwise than pursuant to (i) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time,

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

**please note that the Dividend Investment Scheme is currently suspended.*

Other than under the present terms of the Dividend Investment Scheme, which is currently suspended and may be modified by the Board if it decides to reintroduce the scheme, the Company normally allots shares at prices based on the prevailing net asset value per share of the existing shares on the date of allotment. The Directors thus seek to manage any potential dilution of existing shareholdings as a result of the disapplication of shareholders' pre-emption rights proposed in resolution 8.

The Company does not currently hold any shares as treasury shares.

Both of these authorities, unless previously renewed, varied or revoked, will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2020. However, 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. Both resolutions renew previous general authorities approved by shareholders at the Annual General Meeting of the Company held on 11 May 2018, albeit that the Directors have decided not to seek authority to disapply pre-emption rights in connection with offer(s) for subscription (used to raise funds for further investment) in order to ensure the authorities remain within the limits set out by The Pre-emption Group. If, in the opinion of the Directors, the Company is required to raise funds before its next annual general meeting in 2020, the Directors will convene a separate general meeting to seek the appropriate authorities from shareholders.

Resolution 9 – Authority to purchase the Company's own shares

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 10,235,621 shares representing approximately 14.99% of the issued share capital of the Company as at the date of the Notice of the Meeting or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding the date such shares are contracted to be purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid for a share is 1 penny, being the nominal value thereof.

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 they believe that 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 on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2020 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.

Resolution 10 – Cancellation of share premium account and redemption reserve

Resolution 10 seeks the authority from shareholders (as required under the Act) to cancel the share premium account and redemption reserve of the Company.

Cancelling share premium and redemption reserves allows a company to create a special reserve that can be used to write or set-off losses, facilitate distributions and buybacks and for other corporate purposes. The Company has previously cancelled share premium and redemption reserves for these purposes and has, over time, utilised the special reserves created from these cancellations.

The issue of shares pursuant to recent fundraisings has resulted in the creation of further share premium. In addition, the repurchase of shares over time pursuant to the buyback policy has created additional redemption reserves. The Board proposes to cancel the share premium account and redemption reserve to create further special reserves which can be used to write or set-off losses, facilitate distributions and buybacks and for other corporate purposes.

Prior to confirming the cancellation of the share premium account and redemption reserve, the Court will need to be satisfied that the reduction will not prejudice the interests of the Company's creditors. The Company will take such steps as are necessary to satisfy the Court in this regard.

The cancellation of the share premium account and redemption reserve will take effect once the Court order confirming the cancellation has been registered by the Registrar of Companies.

Any amounts cancelled relating to share premium or redemption reserves which are regarded under VCT legislation as restricted capital and cannot be used to make, directly or indirectly, payments to shareholders will continue to be regarded as such until such restriction falls away.

Directors' Report

Recommendation

The Board recommends that shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings of 86,679 shares (representing 0.13% of the issued share capital as at 19 March 2019, this being the latest practicable date prior to the publication of this document).

Voting rights of Shareholders

At general meetings of the Company, each shareholder has one vote on a show of hands, and one vote per share held on a poll. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares held by them 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 fixed for the meeting (ignoring any part of a day that is not a working day).

There are no restrictions on voting rights and no agreements between holders of securities that may prevent or restrict the transfer of securities or voting rights.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

20 March 2019

Corporate Governance Statement

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

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2016 ("the AIC Code") for the financial year ended 31 December 2018. 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 14 July 2016. In adopting the AIC Code, the Company will therefore meet its obligations in relation to the reporting requirements of the Financial Conduct Authority's Listing and Disclosure and Transparency Rules on Corporate Governance.

In July 2018, the FRC published a new UK Code which will apply to accounting periods beginning on or after 1 January 2019. The Company is therefore not required to report against the new UK Code, or the recently published 2019 AIC Code, until its financial year ending 31 December 2019.

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 recommendations of the AIC Code and relevant provisions of the UK Code throughout the year under review, except as explained in the following paragraphs. A table providing further explanations of how the Company has complied with the AIC Code during the year is available in the Corporate Governance section of the Company's website: www.mig4vct.co.uk.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no executive directors, employees or internal operations. The Board has therefore concluded, for the reasons set out in the AIC Guide, that not all the provisions of the UK Code are relevant to the Company. Firstly, as the Company does not employ a chief executive, nor any executive directors, the provisions of the AIC Code relating to the rate of the chief executive and executive director's remuneration are not relevant to the Company. Secondly, the systems and procedures of the Investment Adviser, the provision of VCT monitoring services by Philip Hare & Associates LLP, as well as the size of the Company's operations, give the Board full confidence that an internal audit function is not necessary. The Company has therefore not reported further in respect of these provisions.

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. 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 Company's internal control system aims to ensure the maintenance of proper accounting records, the reliability of the finance 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 regular reviews of signing authorities, quarterly management accounts and the processes by which investments in the portfolio are valued. The Board also provides authorisation of the Investment Policy 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. 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. The Board reviews a schedule of key risks and the management accounts at each quarterly Board meeting. It is assisted by the Audit Committee in respect of the Annual and Half-Year Reports and other published financial information.

The Board has delegated, contractually to third parties, the management of the investment portfolio, 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 at the service providers in so far as they relate to the affairs of the Company. The Board regularly monitors these controls from a risk perspective and receives reports from the Registrar and Investment Adviser and Administrator when appropriate.

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:

- Internal controls are in place for the preparation and reconciliation of the valuations prepared by the Investment Adviser;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board;
- The information contained in the Half-Year and Annual Reports 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.

The system of internal control and the procedure for the review of control systems has been in place and operational throughout the year under review and up to the date of this Report. The Audit Committee and the Board carried out an assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 12 March 2019. The Board has identified no significant problems with the Company's internal control mechanisms.

Investment Adviser fees

The fees paid to the Investment Adviser are set out in Note 4 to the Financial Statements on page 53.

In addition, the Investment Adviser received fees totalling £351,713

Corporate Governance Statement

(2017: £285,904) during the year ended 31 December 2018, being £146,450 (2017: £99,523) for arrangement fees, and £205,263, (2017: £186,381) for acting as non-executive directors on a number of investee company boards. These amounts are the share of such fees attributable to investments made by the Company.

Alternative Investment Fund Manager ("AIFM")

The Board appointed the Company as its own AIFM in compliance with the European Commission's Alternative Investment Fund Management Directive with effect from 22 July 2014. The Company is registered as a small AIFM, and is therefore exempt from the principal requirements of the Directive. Mobeus continues to provide investment advisory and administrative services to the Company. However, in order for the Company to continue to discharge its safekeeping responsibilities for the documents of title to its investments, Mobeus company secretarial staff are now directly responsible to the Board, under its instruction, for accessing and dealing with these documents.

The Board and its Committees

The powers of the Directors have been granted by company law, the Company's articles of association ("the Articles") and resolutions passed by the Company's members in general meeting. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buyback the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the Annual General Meeting of the Company to be held on 10 May 2019.

The Board (Chaired by Christopher Moore) 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 Nomination 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.

Christopher Moore and Helen Sinclair have both served on the Board for more than nine years and in accordance with the recommendation of the AIC Code of Corporate Governance and the Company's Policy on tenure, have agreed to stand for re-election annually. Andrew Robson is not offering himself for re-election and will retire following the conclusion of the Annual General Meeting in May 2019.

The board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's ability to carry out their duties effectively and from an independent perspective; the nature of the company's business is such that individual director's experience and continuity of non-executive board membership can significantly enhance the effectiveness of the board as a whole.

Following the performance evaluation of the Directors during the year, the Board confirms that each of Christopher Moore and Helen Sinclair continue to demonstrate commitment to their roles and to be effective in carrying out their duties on behalf of the Company.

Copies of the Directors' appointment letters will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

Board Committees

The Board has established three Committees, the Nomination and Remuneration Committee, the Investment Committee and the Audit Committee, each with responsibilities for specific areas of its activity. Each of the Committees have 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 by downloading these documents from 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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Andrew Robson and comprises all three Directors.

A full description of the work of the Committee with regard to remuneration is included within the Directors' Remuneration Report on page 38.

In considering nominations, the Committee 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. This includes 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 were made during the year under review. The Board has made a commitment to consider diversity, including gender as part of the recruitment process for future appointments.

Investment Committee

The Investment Committee is chaired by Helen Sinclair and comprises all three Directors.

The Committee meets as necessary to consider the investment proposals put forward by the Investment Adviser. 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 guidance has been issued to the Investment Adviser and the Committee ensures that this guidance is 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 extensively at Board meetings. During the year, the Committee formally approved all investments, divestments and variation decisions and met informally on numerous occasions.

The Committee considers and agrees, on the advice of the Investment Adviser for recommendation to the Board, all unquoted investment valuations. Investments are valued in accordance with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines under which investments are valued at 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.

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, liquidity risk, credit risk, fluctuations in market prices (market price risk), cash flow interest rate risk and currency risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Accounts on pages 62 to 69 of this Annual Report.

Investment management and service providers

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

The Directors carry out an Annual Review of the performance of and contractual arrangements with the Investment Adviser. The annual review of the Investment Adviser forms part of the Board's overall internal control procedures as discussed elsewhere. As part of this review, the Board considers the quality and continuity of the investment management team, investment performance, quality of information provided to the Board, remuneration of the Investment Adviser, the investment process and the results achieved to date. A review of the performance of the Company is included in the Strategic Report on pages 5 to 8. The Board concluded that the Investment Adviser has performed consistently well over the medium-term and has returned a solid performance in respect of the year under review. The Company's investment portfolio has performed well and the Investment Adviser has been proactive in responding to the changes to VCT regulation. Compared to the prior year, there has been an increase in both the number of investments made and the pipeline of available investment opportunities.

The Board places significant emphasis on the Company's performance against its peers and further information on this has been included in the Strategic Report on page 7. The Board further considered the Investment Adviser's commitment to the promotion of the Company and was satisfied that this was highly prioritised by the Investment Adviser as evidenced by, inter alia, the Mobeus fundraisings which had taken place between 2010 and 2018 and the annual shareholder events.

The Board considers that the Investment Adviser continues to exercise independent judgement while producing valuations which reflect fair value.

Overall, the Board continues to believe that the Investment Adviser possesses the experience, knowledge and resources that are required to support the Board in achieving the Company's long term investment objectives. The Directors therefore believe that the continued appointment of Mobeus as Investment Adviser to the Company on terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 12 March 2019.

The principal terms of the Company's Investment Management Agreement dated 12 November 2010 and the previous contractual arrangements prior to this date are set out in Note 4 to the Accounts on page 53 of this Annual Report. The Board seeks to ensure that the terms of these Agreements represent an appropriate balance between cost and incentivisation of the Investment Adviser.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

20 March 2019

Report of the Audit Committee

The Audit Committee is chaired by Andrew Robson and comprises all three Directors. A summary of the Audit Committee's principal activities for the year to 31 December 2018 is provided below:

Financial statements

The Half-Year and Annual Reports to shareholders were thoroughly reviewed by the Committee prior to submission to the Board for approval.

Internal control

The Committee has monitored the system of internal of controls throughout the year under review as described in more detail in this Report on page 33. It receives a report by exception on the Company's progress against its internal controls at its annual and half-year results meetings and reviews a schedule of key risks at each meeting. A full review of the internal controls in operation by the Company was undertaken by the Committee on 12 March 2019.

Valuation of investments

The Investment Adviser prepared valuations of the investments in the portfolio at the end of each quarter and these were considered in detail and agreed by the Investment Committee for recommendation to the Board. The Audit Committee continued to monitor the adequacy of the controls over the preparation of these valuations. As part of this process, it focused on ensuring that both the bases of the valuations and any assumptions used were reasonable and in accordance with the IPEV Valuation Guidelines (updated in December 2018).

The Committee paid particular attention to the process and methodology for valuing the growth capital investments within the portfolio, to ensure the valuation of each such investment was appropriate and fair.

For further details on how all investments are valued, please see Note 8 of the Notes to the Financial Statements on page 57, which discloses the current accounting policy in respect of valuing investments at fair value. The Committee received a report summarising the findings of the annual audit and half year review from the external auditor. These reports were discussed by the Committee with the Auditor and the Investment Adviser before a recommendation to approve the valuations was made to the Board.

The key accounting and reporting issues considered by the Committee in addition to those described above during the year included:

Going concern and long term viability

The Committee monitors the Company's resources at each quarterly board meeting and has satisfied itself that the Company has an adequate level of resources for the foreseeable future. It has assessed the viability of the Company for three years and beyond. Consideration is given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments. See page 26 of the Strategic Report for further details.

Recognition of impairment and realised losses

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. The Committee reviews the appropriateness and completeness of such impairments.

Compliance with the VCT tests

The Company engages the services of a VCT Status Adviser (Philip Hare & Associates LLP) to advise on its ongoing compliance with the legislative requirements relating to VCTs. A report on the Company's compliance supported by the tests carried out is produced by the VCT Status Adviser on a bi-annual basis and reviewed by the Committee for recommendation to the Board. The Committee has continued to consider the risk and compliance aspects of changes to the VCT Rules introduced by the Finance Act (No 2) 2015 and the Finance Act (No 2) 2018. As an essential part of this work, the Committee has held ongoing discussions with the Company's VCT Status Adviser throughout the year.

Income from investee companies

The Committee notes that revenue from loan stock and dividends may be uncertain given the type of companies in which the VCT invests. Dividends in particular may be difficult to predict. The payments received however have a direct impact on the level of income dividends the Company is able to pay to shareholders. The Committee agrees policies for revenue recognition and reviews their application at each of its meetings. It considers schedules of income received and receivable from each of the investee companies and assesses, in consultation with the Investment Adviser, the likelihood of receipt of each of the amounts.

Key risks faced by the Company

The Board has identified the key risks faced by the Company and established appropriate controls (as disclosed in the Strategic Report on pages 25 and 26). The Committee monitors these controls and reviews any incidences of non-compliance. Further details are set out in the section of this report that discusses the Company's system of internal controls (page 33).

Cyber Security

The Board has sought and obtained assurances during the year from both the Investment Adviser and the Registrars and other service providers concerning their cyber security procedures and policies.

Anti-tax evasion policy

In compliance with the Criminal Finance Act 2017 the Company adopted a zero tolerance towards the criminal facilitation of tax evasion. A summary of the policy is available on page 29 of the Annual Report.

Relationship with the external auditor and re-appointment

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 Investment Adviser being present.

The Committee undertook an audit tender process in 2016 in compliance with the requirements on audit firm rotation under the European Audit Regulation Directive. As a consequence of that process, BDO were reappointed. BDO has been the independent auditor to the Company since 2008.

The Audit Committee also undertakes an annual 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:

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- provided an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process and engaged with the Committee Chairman and other key individuals within the business;
- provided a clear explanation of the scope and strategy of the audit;
- demonstrated the ability to communicate clearly and promptly with the members of the Committee and the Investment Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity;
- charged justifiable fees in respect of the scope of services provided; and
- handled key audit issues effectively and responded robustly to the Committee's questions.

This review constituted the Audit Committee's annual assessment of the effectiveness of the external audit process. The Audit Committee concluded that the re-appointment of BDO LLP is in the best interest of the Company and shareholders and the Board recommends their re-appointment by shareholders at the forthcoming AGM.

Non-audit services

The Board regularly reviews and monitors the external Auditor's independence and objectivity. As part of this it reviews the nature and extent of services supplied by the Auditor to ensure that independence is maintained.

The Committee has reviewed the implications of the Financial Reporting Council's ("FRC") Ethical Reporting Standard 2016 which includes a list of prohibited non-audit services that cannot be provided by the external Auditor.

The Audit Committee has, on the advice of the external Auditor, concluded that it is in the interests of the Company to purchase certain non-audit services, such as tax compliance services, from a separate firm. BDO will continue to provide some non-audit services, namely iXBRL tagging and a review of the Half-Year Report. The services paid for during the year were tax compliance services and iXBRL tagging in respect of the prior year, and for reviewing the 2018 half year report. Arising from the review above, and after consultation with the Auditor, the agreement to receive tax compliance services from the auditor was terminated before the year end and Philip Hare & Associates LLP has been appointed to provide tax compliance services in respect of the current financial year.

Subsequent to its review, the Audit Committee was satisfied that the audit independence had been maintained as the fees involved were relatively small compared to those for the audit. Also, with the exception of the half-year report, the work is undertaken by separate teams and none of the services involved undertaking any management role in preparing the information reported in the Financial Statements.

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 on page 29.

By order of the Board

Andrew Robson
Chairman of the Audit Committee

20 March 2019

Directors' Remuneration Report

Introduction

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) (Amendment) 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 information provided on Directors' emoluments and Director's interests on pages 40 and 41 of this Annual Report and this is explained further in the Auditor's report to shareholders on pages 43 to 45.

The resolution to approve the Directors' Remuneration Policy as set out in the Annual Report for the year ended 31 December 2016 was approved by shareholders at the Annual General Meeting of the Company held on 8 May 2017. It was agreed that this policy would be subject to shareholder approval every three years, therefore a resolution to approve Remuneration Policy will next be put to shareholders at the Annual General Meeting of the Company in 2020.

The resolution to approve the Directors' Annual Remuneration Report, as set out in the Annual Report for the year ended 31 December 2017, was approved by shareholders at the Annual General Meeting of the Company held on 11 May 2018. An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 10 May 2019 for the approval of the Annual Remuneration Report as set out on pages 40 and 41.

Remuneration statement by the Chairman of the Nomination and Remuneration Committee

This report sets out the Company's forward looking Directors' Remuneration Policy and the Annual Remuneration Report which describes how this policy has been applied during the year.

As set out in last year's Directors' Remuneration Report, the Committee recommended an increase in Director's fees and the supplement for members of the Audit Committee with effect from 1 July 2018, the first increase in Directors' remuneration since 2013. The Committee has reviewed the fees paid in the year ended 31 December 2018 and decided not to make any further change to the level of fees paid in the second half of the year. As part of this review the Committee considered information on the fees paid to directors of a peer group of VCTs of a similar size operating in its sector.

Andrew Robson
Chairman of the Nomination and Remuneration Committee

20 March 2019

Directors' Remuneration Policy

The remuneration policy is set by the Board on the recommendation of the Nomination and Remuneration Committee and is unchanged from last year. In determining the Company's remuneration policy, the Committee seeks to determine a level of fees appropriate to attract and retain individuals of sufficient calibre to lead the Company in achieving its strategy. When considering the level of Directors' fees, it takes account of the required workload and responsibilities of each role and the value and amount of time that a Director is required to commit to the Company. It further considers remuneration levels elsewhere in the Venture Capital Trust industry for companies of a similar size and structure, together with other relevant information.

The level of fees paid to each of the Directors is reviewed annually by the Nomination and Remuneration Committee which makes recommendations to the Board.

The Committee has access to independent advice where and when it considers appropriate. However, it was not considered necessary to take any such advice during the year under review.

In addition to the £21,000 paid to Directors (£27,000 paid to Christopher Moore as Chairman) supplements are paid to the Directors in respect of their membership of the Investment (£6,000) and Audit (£5,000) Committees. The Directors may at their discretion pay additional sums in respect of specific tasks carried out by individual Directors on behalf of the Company.

Since all the Directors are non-executive, the Company is not required to comply with the executive director's provisions of the Listing Rules, the UK Corporate Governance Code and the AIC Code of Corporate Governance in respect of Directors' remuneration, except as they relate specifically to non-executive directors.

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 short and long-term objectives no component of the fees paid is directly related to performance.

Pensions

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

Additional benefits

The Company does not have any schedules in place to pay bonuses or benefits to the Directors. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. The Company has not granted any Director any options over the share capital of the Company.

Recruitment remuneration

Remuneration of any new Director, who may subsequently be appointed to the Board, will be in line with the Remuneration Policy set out in this Report and the levels of remuneration stated therein, as modified from time to time.

Shareholders' views on remuneration

The Board prioritises the views of shareholders and encourages an open discussion at general meetings of the Company. It takes shareholders' views into account, where appropriate, when formulating its remuneration policy.

Directors' terms of appointment

Christopher Moore and Helen Sinclair have agreed to offer themselves for re-election annually as both of these Directors have served on the Board for more than nine years and Helen Sinclair is considered to be a non-independent Director as explained on page 30. Andrew Robson will not offer himself for re-election and will retire from the Board following the conclusion of the AGM in May 2019.

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 and their specific duties and responsibilities and the fees pertaining to their appointment. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. New Directors are asked to undertake that they have sufficient time to carry out their responsibilities to the Company and to disclose their other significant time commitments to the Board before appointment.

Shareholder approval of the Company's remuneration policy

This policy applied throughout the financial year ended 31 December 2018 and will continue to apply to the current financial year ended 31 December 2019.

A resolution to approve the Directors' Remuneration Policy, as set out in the Annual Report for the year ended 31 December 2016, was approved unanimously by shareholders on a show of hands at the Annual General Meeting held on 8 May 2017. The Company also received proxy votes in favour of the resolution representing 92.25% (including those who appointed the Chairman to vote at his discretion) of the votes received (against 7.75%).

The Board is required to ask shareholders to approve the Remuneration Policy every three years. The Directors will therefore recommend that shareholders approve the Policy again at the Annual General Meeting of the Company to be held in 2020.

Directors' Remuneration Report

Future Policy

The table below illustrates how the Company's Objective is supported by its Remuneration Policy. It sets out details of each component of the pay package and the maximum amount receivable per annum by each Director. The Nomination and Remuneration Committee and the Board review the fees paid to Directors annually in accordance with the Remuneration Policy set out on page 38 and may decide that an increase in fees is appropriate in respect of subsequent years.

Director Role	Components of Pay Package			Maximum payment for the forthcoming year	Performance conditions
	Director's fees (p.a.)	Supplements payable to:			
		Audit Committee Members	Investment Committee Members		
Christopher Moore Chairman	£27,000	£5,000	£6,000	£38,000	None
Andrew Robson[1] Chairman, Audit and Nomination & Remuneration Committees	£21,000	£5,000	£6,000	£11,692	None
Helen Sinclair Chairman, Investment Committee	£21,000	£5,000	£6,000	£32,000	None
Total fees payable	**£69,000**	**£15,000**	**£18,000**	**£81,692**[2]	

[1] Andrew Robson will retire as a Director following the conclusion of the Company's Annual General Meeting. The maximum payment is therefore the pro rata amount to 10 May 2019.

[2] The total maximum payment excludes payment to any new director to be appointed in due course.

Company Objective

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, while continuing at all times to qualify as a VCT.

Remuneration Policy

To ensure that the levels of remuneration paid are sufficient to attract, retain and motivate directors of the quality required to manage the Company in order to achieve the Company's Objective

Annual Remuneration Report

The Directors' Remuneration Policy as set out on page 38 of this Annual Report applied throughout the year ended 31 December 2018 and will continue to apply to the current year ending 31 December 2019.

A resolution to approve the Annual Remuneration Report was approved on a show of hands at the Annual General Meeting held on 11 May 2018. The Company received proxy votes in favour of the resolution representing 92.68% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 7.32%).

Nomination and Remuneration Committee

The Committee comprises the full Board and is chaired by Andrew Robson. All members of the Committee are considered to be independent of the Investment Adviser, with the exception of Helen Sinclair, under the AIC Code (see page 30 for further details). The Committee meets at least once a year and is responsible for making recommendations to the Board on remuneration policy and reviewing the policy's ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on the level of Directors' fees. The Committee may, at its discretion, recommend to the Board that individual Directors should be awarded further payments in respect of additional work undertaken 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 Committee met twice during the year under review with full attendance from all its members. The Committee's duties in respect of Nominations to the Board are outlined on page 34 of the Annual Report.

Total individual emoluments paid to the Directors during the year (audited)

	Year ended 31 December 2018 £	31 December 2017 £
Christopher Moore[1]	35,750	33,500
Andrew Robson	30,250	28,500
Helen Sinclair	30,250	28,500
Total	**96,250**	**90,500**

[1] £30,375 (2017: £28,500) of Christopher Moore's annual fee was paid to his consultancy business, The Moore Corporation.

Directors' interests in the Company's shares (audited)

The Company does not require the Directors to hold shares in the Company.

The Directors, however, believe that it is in the best interests of the Company and its shareholders for each Director to maintain an interest in the Company. The Directors who held office throughout the year under review and their interests as at 31 December 2018 were:

	31 December 2018		31 December 2017	
Director	Shares held	Percentage of issued share capital	Shares held	Percentage of issued share capital
Christopher Moore	52,529	0.08	52,529	0.08
Andrew Robson	19,288	0.03	19,288	0.03
Helen Sinclair	14,862	0.03	14,862	0.03

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

Relative importance of spend on Directors' fees

	Year to 31 December 2018 £	Year to 31 December 2017 £	Percentage Increase/ (decrease) %
Total directors' fees	96,250	90,500	6.4
Dividends paid/payable in respect of the year	5,465,664	10,970,781	(50.2)
Share Buybacks	874,700	408,125	114.3

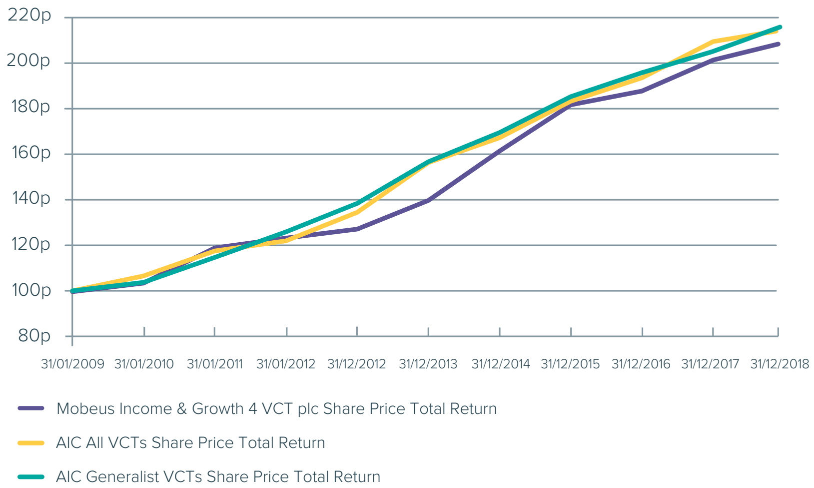
Directors' attendance at Board and Committee meetings in 2018

The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year to 31 December 2018. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific issues as they arose.

Directors	Board Meetings (4)		Audit Committee Meetings (3)		Nomination & Remuneration Committee Meetings (2)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Christopher Moore	4	4	3	3	2	2
Andrew Robson	4	4	3	3	2	2
Helen Sinclair	4	4	3	3	2	2

Company performance

The graph below charts the total shareholder return of the Company's shares on a share price basis (assuming all dividends are re-invested and excluding the tax relief available to shareholders) over the past nine years compared with that of an index of all VCTs and an index of generalist VCTs which are members of the AIC (based on figures provided by Morningstar). The Board considers these indices to be the most appropriate to use to measure the Company's relative performance over the medium to long term. The total shareholder returns have each been rebased to 100 pence at 31 January 2009.



The share price total return comprises the share price plus cumulative dividends paid per share assuming the dividends paid were re-invested on the date on which the shares were quoted ex-dividend in respect of each dividend.

An explanation of the performance of the Company is given in the Chairman's Statement on pages 2 and 3, the Performance section of the Strategic Report on pages 5 to 8 and in the Investment Review and Investment Portfolio Summary on pages 9 to 23.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

20 March 2019

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 and 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 of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with United Kingdom accounting standards, 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; and
- 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 United Kingdom 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 Financial Statements, taken as a whole, as 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 27.

For and on behalf of the Board

Christopher Moore
Chairman

20 March 2019

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

Opinion

We have audited the financial statements of Mobeus Income & Growth 4 VCT plc ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

Valuation of unquoted investments

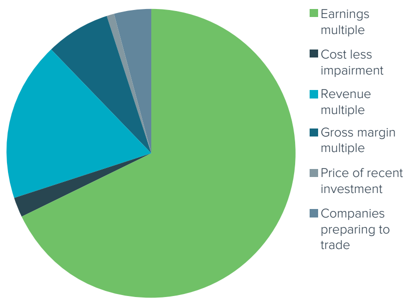
We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company.

The Company's accounting policy for assessing the fair value of investments is disclosed on page 57 in note 8 and disclosures regarding the fair value estimates are given on pages 58 and 59 in note 8.

Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. A breakdown of the investment portfolio valuation technique is shown below.

Investment Portfolio by Valuation Method



For all Investments in our sample we:

- Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102;
- Recalculated the value attributable to the Company, having regard to the application of enterprise value

Independent Auditor's Report

across the capital structures of the investee companies;

For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we:

- Verified the cost or price of recent investments to supporting documentation;
- Considered whether the investment was an arm's length transaction; and
- Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal

For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we:

- Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;
- Considered the revenue or earnings multiples applied by reference to observable listed Company market data; and
- Challenged the consistency and appropriateness of adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted.

Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements.

Importantly, misstatements below this level 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 as a whole.

The application of these key considerations gives rise to two measures of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality measure Basis	Purpose	Key considerations	2018 Quantum (£)	2017 Quantum (£)
Financial Statement Materiality 2% value of investments	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	The value of investments The level of judgement inherent in the valuation The range of reasonable alternative valuation	700,000	600,000
Specific Materiality – classes of transactions and balances which impact on revenue profits 10% revenue return before tax	Assessing those classes of transactions, 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.	The level of net income return	130,000	170,000

Performance materiality is application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the company's overall control environment, our judgment was that overall performance materiality for the company should be 75% (2017: 75%) of materiality, namely £530,000 (2017: £450,000).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of 8,000 (2017: £11,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We carried out a full scope audit. Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the company losing various deductions and exemptions from corporation tax.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

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

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable– the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code- the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Other matters which we are required to address

Following a recommendation of the Audit Committee, we were appointed by The Board of Directors to audit the financial statements for the year ended 31 January 2008 and subsequent financial periods. Following a re-tender we were reappointed as auditors in respect of the year ended 31 December 2016 and subsequent financial periods by the Board. The period of total uninterrupted engagement is 12 years, covering the years ending 31 January 2008 to 31 December 2018.

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

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

Use of our 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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
20 March 2019

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

Financial Statements

Income Statement for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 Revenue £	Capital £	Total £	Year ended 31 December 2017 Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	8	-	1,294,148	1,294,148	-	(792,838)	(792,838)
Realised (losses)/gains on investments	8	-	(363,572)	(363,572)	-	4,142,375	4,142,375
Income	3	2,263,918	-	2,263,918	2,381,649	-	2,381,649
Investment Adviser's fees	4a	(311,111)	(933,333)	(1,244,444)	(293,312)	(879,937)	(1,173,249)
Other expenses	4d	(378,431)	-	(378,431)	(422,206)	-	(422,206)
Profit/(loss) on ordinary activities before taxation		1,574,376	(2,757)	1,571,619	1,666,131	2,469,600	4,135,731
Taxation on profit/(loss) on ordinary activities	5	(243,837)	177,334	(66,503)	(286,870)	169,388	(117,482)
Profit for the year and total comprehensive income		**1,330,539**	**174,577**	**1,505,116**	**1,379,261**	**2,638,988**	**4,018,249**
Basic and diluted earnings per ordinary share	6	**1.95p**	**0.25p**	**2.20p**	**2.60p**	**4.99p**	**7.59p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the unrealised gains/(losses) and realised (losses)/gains on investments and the proportion of the Investment Adviser's fee charged to capital.

The total column is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). In order to better reflect the activities of a VCT and in accordance with the Statement of Recommended Practice ("SORP") issued in November 2014 by the Association of Investment Companies ("AIC"), 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.

All the items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

The notes on pages 52 - 70 form part of these Financial Statements.

Balance Sheet as at 31 December 2018

Company No. 03707697

	Notes	31 December 2018 £	31 December 2017 £
Fixed assets			
Investments at fair value	8	36,298,660	31,484,053
Current assets			
Debtors and prepayments	10	529,190	3,166,996
Current investments	11	18,830,389	21,494,921
Cash at bank	11	2,541,058	2,847,849
		21,900,637	27,509,766
Creditors: amounts falling due within one year	12	(303,513)	(582,179)
Net current assets		21,597,124	26,927,587
Net assets		**57,895,784**	**58,411,640**
Capital and reserves			
Called up share capital	13	682,830	674,751
Share premium reserve		31,474,977	29,895,865
Capital redemption reserve		26,257	14,589
Revaluation reserve		1,848,472	517,952
Special distributable reserve		14,784,518	20,029,787
Realised capital reserve		6,815,730	6,346,235
Revenue reserve		2,263,000	932,461
Equity shareholders' funds		**57,895,784**	**58,411,640**
Basic and diluted net asset value per ordinary share	14	**84.79p**	**86.57p**

The notes on pages 52 to 70 form part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 20 March 2019 and were signed on its behalf by:

Christopher Moore
Chairman

Statement of Changes in Equity for the year ended 31 December 2018

	Notes	Non-distributable reserves Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Distributable reserves Special distributable reserve (note a) £	Realised capital reserve (note b) £	Revenue reserve (note b) £	Total £
At 1 January 2018		**674,751**	**29,895,865**	**14,589**	**517,952**	**20,029,787**	**6,346,235**	**932,461**	**58,411,640**
Comprehensive income for the year									
Profit/(loss) for the year		-	-	-	1,294,148	-	(1,119,571)	1,330,539	1,505,116
Total comprehensive income for the year		**-**	**-**	**-**	**1,294,148**	**-**	**(1,119,571)**	**1,330,539**	**1,505,116**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription (note c)	13	11,862	1,003,505	-	-	(10,787)	-	-	1,004,580
Dividends re-invested into new shares	13	7,885	575,607	-	-	-	-	-	583,492
Shares bought back (note d)	13	(11,668)	-	11,668	-	(874,700)		-	(874,700)
Dividends paid	7	-	-	-	-	(2,734,344)	-	-	(2,734,344)
Total contributions by and distributions to owners		**8,079**	**1,579,112**	**11,668**	**-**	**(3,619,831)**	**-**	**-**	**(2,020,972)**
Other movements									
Realised losses transferred to special reserve (note a)		-	-	-	-	(1,625,438)	1,625,438	-	-
Realisation of previously unrealised depreciation		-	-	-	36,372	-	(36,372)	-	-
Total other movements		-	-	-	36,372	(1,625,438)	1,589,066	-	-
At 31 December 2018		**682,830**	**31,474,977**	**26,257**	**1,848,472**	**14,784,518**	**6,815,730**	**2,263,000**	**57,895,784**

Note a: The Special distributable reserve also provides the Company with a reserve to absorb any existing and future realised losses and, when considered by the Board to be in the interests of shareholders, to fund share buybacks and for other corporate purposes. All of this reserve originates from funds raised prior to 6 April 2014. The transfer of £1,625,438 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company in the year.

Note b: The realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company.

Note c: Under the 2017/18 Offer for Subscription, 1,186,253 shares were allotted between January and March 2018, raising net funds of £1,004,580 for the Company. The figure is net of issue costs of £27,133.

Note d: During the year, the Company purchased 1,166,848 of its own shares at the prevailing market price for a total cost of £874,700, which were subsequently cancelled. This differs to the figure shown in the Statement of Cash Flows of £1,066,736 by £192,036, due to £63,503 included in creditors at the year end, offset by £255,539 which was a creditor from the previous year.

Statement of Changes in Equity for the year ended 31 December 2017

	Non-distributable reserves				Distributable reserves			
	Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve £	Realised capital reserve £	Revenue reserve £	Total £
At 1 January 2017	**490,430**	**13,540,891**	**9,342**	**1,152,007**	**31,646,338**	**4,702,557**	**1,213,591**	**52,755,156**
Comprehensive income for the year								
(Loss)/profit for the year	-	-	-	(792,838)	-	3,431,826	1,379,261	4,018,249
Total comprehensive income for the year	**-**	**-**	**-**	**(792,838)**	**-**	**3,431,826**	**1,379,261**	**4,018,249**
Contributions by and distributions to owners								
Shares issued via Offer for Subscription	154,721	13,570,259	-	-	(94,364)	-	-	13,630,616
Dividends re-invested into new shares	34,847	2,784,715	-	-	-	-	-	2,819,562
Shares bought back	(5,247)	-	5,247	-	(408,125)		-	(408,125)
Dividends paid	-	-	-	-	(10,403,513)	(2,339,914)	(1,660,391)	(14,403,818)
Total contributions by and distributions to owners	**184,321**	**16,354,974**	**5,247**	**-**	**(10,906,002)**	**(2,339,914)**	**(1,660,391)**	**1,638,235**
Other movements								
Realised losses transferred to special reserve	-	-	-	-	(710,549)	710,549	-	-
Realisation of previously unrealised depreciation	-	-	-	158,783	-	(158,783)	-	-
Total other movements	-	-	-	158,783	(710,549)	551,766	-	-
At 31 December 2017	**674,751**	**29,895,865**	**14,589**	**517,952**	**20,029,787**	**6,346,235**	**932,461**	**58,411,640**

The composition of each of these reserves is explained below:

Called up share capital - The nominal value of shares originally issued increased for subsequent share issues either via an Offer for Subscription or Dividend Investment Scheme or reduced due to shares bought back by the Company.

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 Investment Scheme.

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.

Revaluation reserve - Increases and decreases in the valuation of investments held at the year 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 (as recorded in note 8), all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

Special distributable reserve - The cost of share buybacks is charged to this reserve. In addition, any realised losses on the sale or impairment of investments (excluding transaction costs), and 75% of the Investment Adviser fee expense, and the related tax effect, are transferred from the realised capital reserve to this reserve. The cost of any IFA facilitation fee payable as part of the Offer for Subscription is also charged to this reserve.

Realised capital 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 and disposal of investments;
- 75% of the Investment Adviser fee expense and 100% of any performance incentive fee payable, together with the related tax effect to this reserve in accordance with the policies; and
- Capital dividends paid.

Revenue reserve - Income and expenses that are revenue in nature are accounted for in this reserve together with the related tax effect, as well as income dividends paid that are classified as revenue in nature.

The notes on pages 52 to 70 form part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities			
Profit after tax for the financial year		1,505,116	4,018,249
Adjustments for:			
Net unrealised (gains)/losses on investments		(1,294,148)	792,838
Net losses/(gains) on realisations of investments		363,572	(4,142,375)
Tax charge for the current year		66,503	117,482
Decrease/(Increase) in debtors		104,935	(128,689)
(Decrease)/increase in creditors		(35,677)	289,612
Net cash inflow from operations		710,301	947,117
Corporation tax paid		(117,456)	(30,088)
Net cash inflow from operating activities		**592,845**	**917,029**
Cash flows from investing activities			
Sale of investments	8	4,531,646	10,217,251
Purchase of investments	8	(5,882,806)	(1,603,629)
Net cash (outflow)/inflow from investing activities		**(1,351,160)**	**8,613,622**
Cash flows from financing activities			
Share issued as part of Offer for Subscription (net of issue costs)	13	1,004,580	13,630,616
Equity dividends paid	7	(2,150,852)	(11,584,256)
Purchase of own shares	13	(1,066,736)	(408,125)
Net cash (outflow)/inflow from financing activities		**(2,213,008)**	**1,638,235**
Net (decrease)/increase in cash and cash equivalents		**(2,971,323)**	**11,168,886**
Cash and cash equivalents at start of year		22,342,770	11,173,884
Cash and cash equivalents at end of year		**19,371,447**	**22,342,770**
Cash and cash equivalents comprise:			
Cash at bank and in hand	11	2,541,058	2,847,849
Cash equivalents	11	16,830,389	19,494,921

The notes on pages 52 to 70 form part of these Financial Statements.

Financial Statements

Notes to the Accounts for the year ended 31 December 2018

1 Company Information

Mobeus Income and Growth 4 VCT plc is a public limited company incorporated in England, registration number 03707697. The registered office is 30 Haymarket, London, SW1Y 4EX.

2 Basis of preparation

A summary of the principal accounting policies, all of which have been applied consistently throughout the year are set out next to the related disclosure throughout the Notes to the Financial Statements. All accounting policies are included within an outlined box at the top of each relevant note.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS102"), with the Companies Act 2006 and the 2014 Statement of Recommended practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('the SORP') (updated in January 2017) issued by the Association of Investment Companies. The Company has a number of financial instruments which are disclosed under FRS102 s11/12 as shown in note 15.

3 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 income where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income or capital as appropriate once redemption is reasonably certain.

When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return, the redemption premium is recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. Accordingly, the redemption premium recognised in the year ended 31 December 2018 has been classified as capital and has been included within gains on investments.

	2018 £	2017 £
Income from bank deposits	34,179	28,578
Income from investments		
– from equities	290,937	176,448
– from OEIC funds	101,193	25,097
– from loan stock	1,824,903	2,145,824
– from interest on preference share dividend arrears	11,061	92
	2,228,094	2,347,461
Other income	1,645	5,610
Total income	**2,263,918**	**2,381,649**
Total income comprises		
Dividends	392,130	201,545
Interest	1,870,143	2,174,494
Other income	1,645	5,610
	2,263,918	**2,381,649**

Total loan stock interest due but not recognised in the year was £638,642 (2017: £257,512). The increase over the year is due to the provision against interest due from one investee company and another investee company utilising an agreed payment holiday for part of the year.

4 Investment Adviser's fees and other expenses

All expenses are accounted for on an accruals basis.

a) Investment Adviser's fees

25% of the Investment Adviser's 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.

	Revenue 2018 £	Capital 2018 £	Total 2018 £	Revenue 2017 £	Capital 2017 £	Total 2017 £
Mobeus Equity Partners LLP	311,111	933,333	1,244,444	293,312	879,937	1,173,249

Under the terms of a revised investment management agreement dated 12 November 2010, Mobeus Equity Partners LLP ("Mobeus") 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 £115,440 per annum, the latter being subject to indexation, if applicable. In 2013, Mobeus agreed to waive such further increases due to indexation, until otherwise agreed with the Board.

The Investment Adviser 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 Adviser. The excess expenses during the year amounted to £nil (2017: £nil). With effect from 1 April 2018, the Investment Adviser's fee upon the net funds raised from use of the over-allotment facility of £5 million under the 2017/18 offer has been reduced from 2% to 1% per annum for one year.

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. No such costs have been incurred in the current year or previous year.

In line with common practice, Mobeus retains the right to charge arrangement and syndication fees and directors' or monitoring fees to companies in which the Company invests. The Investment Adviser received fees totalling £351,713 (2017: £285,904) during the year ended 31 December 2018, being £146,450 (2017: £99,523) for arrangement fees, and £205,263 (2017: £186,381) for acting as non-executive directors on a number of investee company boards. These fees attributable to MIG 4 VCT are based upon the investment allocation to MIG4 VCT which applied at the time of each investment. These figures are not part of these financial statements.

b) Incentive fee agreement

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 Adviser will be entitled to receive a performance related incentive fee of 20% of the dividends paid in excess of a "Target Rate" comprising firstly, an annual dividend target of 6% of the net asset value per share at 5 April 2007 (indexed each year for RPI) and secondly a requirement that any cumulative shortfalls below the 6 per cent hurdle must be made up in later years, while any excess is not carried forward, whether a fee is payable for that year or not. Payment of a fee is also conditional upon the average Net Asset Value ("NAV") per share for each such year equalling or exceeding the average Base NAV per share for the same year. The performance fee will be payable annually. No incentive fee is payable to date.

c) Offer for Subscription fees

	2018 £m	2017 £m
Funds raised by MIG4 VCT	1.04	13.96
Offer costs payable to Mobeus at 3.25% of funds raised by MIG4 VCT	**0.03**	**0.45**

Under the terms of an Offer for Subscription, with the other Mobeus advised VCTs, launched on 6 September 2017, Mobeus was entitled to fees of 3.25% of the investment amount received from investors. This amount totalled £0.64 million for the final two allotments which took place between January and March across all four VCTs, out of which all the costs associated with the allotments were met, excluding any payments to advisers facilitated under the terms of the Offer.

Notes to the Accounts for the year ended 31 December 2018

d) Other expenses

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.

	2018 £	2017 £
Directors' remuneration (including NIC of £9,099 (2017: £8,313) (note i)	105,349	98,813
IFA trail commission	61,863	86,124
Broker's fees	12,000	12,000
Auditor's fees – Audit of Company (excluding VAT)	24,088	23,832
– audit related assurance services (excluding VAT) - note ii)	4,613	4,562
– tax compliance services (excluding VAT) note ii)	1,922	1,358
Registrar's fees	39,252	65,302
Printing	48,085	42,480
Legal & professional fees	10,590	7,174
VCT monitoring fees	9,600	9,600
Directors' insurance	7,631	8,152
Listing and regulatory fees	38,874	53,507
Sundry	14,564	9,302
Other expenses	**378,431**	**422,206**

Note i): See analysis in Directors' Remuneration table on page 41, which excludes the NIC above. The key management personnel are the three non-executive directors. The Company has no employees.

Note ii): The audit related assurance services are in relation to the review of the Financial Statements within the Company's Half Year Report. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained. In this regard, while iXBRL services are carried out by the auditor, the majority of tax compliance services are carried out by another firm, so are included within legal and professional fees.

5 Taxation on profit on ordinary activities

The tax expense for the year comprises current tax and is recognised in profit or loss. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Any tax relief obtained in respect of adviser 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.

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 substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset would be 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.

	2018 Revenue £	2018 Capital £	2018 Total £	2017 Revenue £	2017 Capital £	2017 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	243,837	(177,334)	66,503	286,870	(169,388)	117,482
Total current tax charge/(credit)	**243,837**	**(177,334)**	**66,503**	**286,870**	**(169,388)**	**117,482**
Corporation tax is based on a rate of 19% (2017: 19.25%)						
b) Profit/(loss) on ordinary activities before tax	1,574,376	(2,757)	1,571,619	1,666,131	2,469,600	4,135,731
Profit/(loss) on ordinary activities multiplied by company rate of corporation tax in the UK of 19% (2017: 19.25%)	299,131	(523)	298,608	320,730	475,398	796,128
Effect of:						
UK dividends not taxable	(55,278)	-	(55,278)	(33,966)	-	(33,966)
Unrealised (gains)/losses not taxable	-	(245,889)	(245,889)	-	152,621	152,621
Realised losses/(gains) not taxable	-	69,078	69,078	-	(797,407)	(797,407)
Overprovision in prior period	(26)	-	(26)	-	-	-
Unrelieved expenditure	10	-	10	106	-	106
Actual tax charge/(credit)	**243,837**	**(177,334)**	**66,503**	**286,870**	**(169,388)**	**117,482**

Tax relief relating to investment adviser 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 (2017: £nil). There is no unrecognised deferred tax asset in 2018 (2017: £nil).

6 Basic and diluted earnings per share

	2018 £	2017 £
Total earnings after taxation:	1,505,116	4,018,249
Basic and diluted earnings per share (note a)	**2.20p**	**7.59p**
Net revenue from ordinary activities after taxation	1,330,539	1,379,261
Basic and diluted revenue return per share (note b)	**1.95p**	**2.60p**
Net unrealised capital gains/(losses)	1,294,148	(792,838)
Net realised capital (losses)/gains	(363,572)	4,142,375
Capital expenses (net of taxation)	(755,999)	(710,549)
Total capital return	174,577	2,638,988
Basic and diluted capital return per share (note c)	**0.25p**	**4.99p**
Weighted average number of shares in issue in the year	68,499,583	52,973,939

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.

Notes to the Accounts for the year ended 31 December 2018

7 Dividends paid and payable

Dividends payable are recognised as distributions in the financial statements when the Company's liability to pay them has been established. This liability is established for interim dividends when they are paid, and for final dividends when they are approved by the shareholders, usually at the Company's annual general meeting.

A key judgement in applying the above accounting policy is in determining the amount of minimum income dividend to be paid in respect of a year. The Company's status as a VCT means it has to comply with Section 259 of the Income Tax Act 2007, which requires that no more than 15% of the income from shares and securities in a year can be retained from the revenue available for distribution for the year.

Amounts recognised as distributions to equity shareholders in the year:

Dividend	Type	For year ended 31 December	Pence per share	Date Paid	2018 £	2017 £
Second interim	Income	2016	1.00p	17/03/2017	-	490,434
Second interim	Capital*	2016	6.00p	17/03/2017	-	2,942,602
Interim	Income	2017	1.00p	11/09/2017	-	497,394
Interim	Capital	2017	2.00p	11/09/2017	-	994,788
Interim	Capital*	2017	15.00p	11/09/2017	-	7,460,911
Second interim	Income	2017	1.00p	21/12/2017	-	672,563
Second interim	Capital	2017	2.00p	21/12/2017	-	1,345,126
Interim	Capital*	2018	4.00p	19/06/2018	2,734,344	-
					2,734,344**	**14,403,818**

* - 6.00p of the dividend paid on 17 March 2017, 15.00p of the dividend paid on 11 September 2017, and the 4.00p dividend paid on 19 June 2018 were paid out of the Company's special distributable reserve.

** - £2,734,344 (2017: £14,403,818) disclosed above differs to that shown in the Statements of Cash Flows of £2,150,852 (2017: £11,584,256) due to £583,492 (2017: £2,819,562) of new shares issued as part of the DIS scheme.

Proposed distributions to equity holders after the year end:

	Type	For year ended 31 December	Pence per share	Date Payable	2018 £	2017 £
Final	Income	2018	1.75p	28/05/2019	1,194,952	-
Final	Capital*	2018	2.25p	28/05/2019	1,536,368	-
					2,731,320	**-**

* - This dividend will be paid out of the Company's special distributable reserve.

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.

Recognised income distributions in the financial statements for the year

Dividend	Type	For year ended 31 December	Pence per share	Date paid/payable	2018 £	2017 £
Revenue available for distribution by way of dividends for the year					**1,330,539**	**1,379,261**
Interim	Income	2017	1.00p	11/09/2017	-	497,394
Second interim	Income	2017	1.00p	21/12/2017	-	672,563
Final	Income	2018	1.75p	28/05/2019	1,194,952	-
Total income dividends for the year					**1,194,952**	**1,169,957**

8 Investments at fair value

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at "fair value through profit and loss" (FVTPL). All investments held by the Company are classified as FVTPL and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, as updated in December 2018. 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.

Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. For investments actively traded on 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 where the terms of the disposal state that consideration may be received at some future date and, subject to the conditionality and materiality of the amount of deferred consideration, an estimate of the fair value, discounted for the true value of money, may be recognised through the Income Statement. In other cases, the proceeds will only be recognised once the right to receive payment is established and there is no reasonable doubt that payment will be received.

Unquoted investments are stated at fair value by the Directors at each measurement date in accordance with appropriate valuation techniques, which are consistent with the IPEV guidelines:-

(i) Each investment is considered as a whole on a 'unit of account' basis, alongside consideration of:-

The price of new investments made, if deemed to be made as part of an orderly transaction, are considered to be at fair value at the date of the transaction. The inputs that derived the investment price are calibrated within individual valuation models and, at subsequent measurement dates, are reconsidered for any changes in light of more recent events or changes in the market performance of the investee company. The valuation bases used are the following: -

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

or:-

- where a company's underperformance against plan indicates a diminution in the value of the investment, provision against the price of a new investment is made, as appropriate.

(ii) Premiums, to the extent that they are considered capital in nature, and that they will be received upon repayment of loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

(iii) Where a multiple or the price of recent investment less impairment basis is not appropriate and overriding factors apply, a discounted cash flow, net asset valuation or realisation proceeds basis may be applied.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the profit and loss and revaluation reserves and movements in the period are shown in the Income Statement.

All investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the Income Statement.

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently below the price of recent investment, 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 Adviser, 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.

The methods of fair value measurement are classified into hierarchy based on the reliability of the information used to determine the valuation.

- Level 1 – Fair value is measured based on quoted prices in an active market.
- Level 2 – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.
- Level 3 – Fair value is measured using valuation techniques using inputs that are not based on observable market data.

Notes to the Accounts for the year ended 31 December 2018

Movements in investments during the year are summarised as follows:

	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Unquoted Loan stock £	Total £
Cost at 31 December 2017	200,028	14,062,390	13,432	18,890,038	33,165,888
Unrealised gains/(losses) at 31 December 2017	74,821	(1,274,615)	440,657	1,277,089	517,952
Permanent impairment in value of investments as at 31 December 2017	-	(2,135,400)	-	(64,387)	(2,199,787)
Valuation at 31 December 2017	**274,849**	**10,652,375**	**454,089**	**20,102,740**	**31,484,053**
Purchases at cost	-	3,630,553	-	2,252,253	5,882,806
Sale proceeds (Notes a and b)	-	(499,486)	(114,706)	(1,158,689)	(1,772,881)
Net realised gains/(losses) in the year	-	344,371	-	(707,943)	(363,572)
Unrealised (losses)/gains in the year (Note c)	(66,505)	1,684,957	-	(550,198)	1,068,254[1]
Valuation at 31 December 2018	**208,344**	**15,812,770**	**339,383**	**19,938,163**	**36,298,660**
Cost at 31 December 2018	200,028	16,903,109	13,382	19,786,223	36,902,742
Unrealised gains at 31 December 2018	8,316	1,048,683	326,001	239,578	1,622,578[1]
Permanent impairment in value of investments at 31 December 2018 (Note d)	-	(2,139,022)	-	(87,638)	(2,226,660)
Valuation at 31 December 2018	**208,344**	**15,812,770**	**339,383**	**19,938,163**	**36,298,660**

Details of investment transactions such as disposal proceeds, valuation movements cost and carrying value at the end of previous year are contained in the Investment Portfolio Summary on pages 18 to 23.

[1] Net unrealised gains above of £1,068,254 differ from that shown in the Income Statement of £1,294,148. The difference of £225,894 is the estimated fair value of contingent consideration due in relation to the sale of Entanet Holdings in the prior year, recognised at the Balance Sheet date which has been included within Other debtors in note 10. The £225,894 contingent consideration also explains the difference between unrealised gains at 31 December 2018 above of £1,622,578 and that shown within the Revaluation Reserve on the balance sheet of £1,848,472. A further sum of £250,994 is potentially payable on 1 August 2019. There are conditions attached to this deferred consideration such that the amount receivable is uncertain and so has not been recognised in the current year's financial statements.

Note a) Disposals of investment portfolio companies during the year were:

Company	Type	Investment cost £	Disposal proceeds £	Valuation at 31 December 2017 £	Realised (loss)/gain in year £
Fullfield Limited (Motorclean)	Realisation	1,131,444	638,560	1,185,517	(546,957)
Lightworks Software Limited	Realisation	9,329	197,433	33,847	163,586
SparesFinder Limited	Realisation	250,854	159,297	-	159,297
Hemmels Limited[1]	Realisation and permanent impairment	493,830	234,826	493,830	(282,254)
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited)	Loan repayments and repurchase of preference shares	144,307	287,815	287,815	-
MPB Group Limited	Loan repayment	112,194	112,194	112,194	-
Others		3,994	142,756	-	142,756
		2,145,952	**1,772,881**	**2,113,203**	**(363,572)**

[1] – New investment in year..

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Note b) Investment proceeds shown above of £1,772,881 differs from the sale proceeds shown in the Statement of Cash flows of £4,531,646, by £2,758,765. These funds, received in 2018, related to the disposal of Gro Group at the end of 2017 and were held in debtors at the 2017 year end.

Note c) The major components of the increase in unrealised valuations of £1,068,254 in the year were increases of £571,424 in EOTH Limited, £524,542 in The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited), £352,059 in CGI Creative Graphics International Limited, £320,085 in Pattern Analytics Limited (trading as Biosite), £305,533 in Proactive Group Holdings Inc, £288,102 in MPB Group Limited, and £278,408 in ASL Technology Holdings Limited. This increase was partly offset by the falls of £704,223 in BookingTek Limited, £681,822 in Manufacturing Services Investment Limited (trading as Wetsuit Outlet), £537,853 in Veritek Global Limited, £376,373 in Redline Worldwide Limited, and £330,491 in Tharstern Group Limited.

The decrease in unrealised valuations of the loan stock investments above reflects the changes in the entitlement to loan premiums, and/or in the underlying enterprise value of the investee company. The decrease does not arise from assessments of credit risk or market risk upon these instruments.

Note d) During the year, permanent impairments of the cost of investments have increased from £2,199,787 to £2,226,660. The increase of £26,873 is due the impairments of two investee companies, offset slightly by the disposal of a company that had previously been impaired.

Notes to the Accounts for the year ended 31 December 2018

9 Significant interests

At 31 December 2018 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	% of equity held by all funds managed by Mobeus[1,2]
Media Business Insight Holdings Limited[3]	1,089,103	1,633,657	2,722,760	15.7%	67.5%
Tovey Management Limited (trading as Access IS)[4]	891,576	1,577,437	2,469,013	9.7%	43.4%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	1,166,551	1,166,551	2,333,102	6.4%	27.5%
ASL Technology Holdings Limited	343,992	1,589,599	1,933,591	9.5%	47.5%
Virgin Wine Holding Company Limited	45,915	1,884,898	1,930,813	9.7%	42.0%
Veritek Global Limited	43,527	1,576,559	1,620,086	11.9%	50.8%
Preservica Limited	1,132,695	453,078	1,585,773	11.0%	48.4%
Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media))	4,472	1,524,603	1,529,075	3.8%	17.1%
CGI Creative Graphics International Limited	476,612	973,134	1,449,746	6.6%	26.9%
Pattern Analytics Limited (trading as Biosite)	640,171	698,368	1,338,539	5.6%	23.9%
My Tutorweb Limited	1,307,644	-	1,307,644	7.2%	30.8%
Bourn Bioscience Limited	323,577	808,944	1,132,521	7.7%	23.8%
Tharstern Group Limited	338,861	753,025	1,091,886	12.2%	52.5%
Ibericos Etc. Limited (trading as Tapas Revolution)	348,269	696,600	1,044,869	5.8%	25.0%
MPB Group Limited	807,799	224,388	1,032,187	5.6%	25.1%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%	45.2%
Vian Marketing Limited (trading as Red Paddle Co)	271,683	627,391	899,074	7.1%	31.5%
Redline Worldwide Limited	269,190	569,187	838,377	6.7%	30.0%
Proactive Group Holdings Inc	572,540	182,800	755,340	2.6%	11.4%
Hollydale Management Limited	438,200	262,920	701,120	11.0%	50.0%
BookingTek Limited	582,300	69,837	652,137	3.5%	14.9%
Backhouse Management Limited	453,600	136,080	589,680	11.3%	50.0%
Creasy Marketing Services Limited	453,600	136,080	589,680	11.3%	50.0%
McGrigor Management Limited	453,600	136,080	589,680	11.3%	50.0%
Barham Consulting Limited	453,600	136,080	589,680	11.3%	50.0%
Buster and Punch Holdings Limited	373,073	157,319	530,392	4.5%	20.0%
Master Removers Group (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	511,620	235	511,855	4.7%	20.0%
Super Carers Limited	485,730	-	485,730	4.3%	18.7%
Rota Geek Limited	437,000	-	437,000	3.7%	17.1%
Jablite Holdings Limited	339,974	36,109	376,083	9.1%	40.1%
Kudos Innovations Limited	328,950	-	328,950	3.2%	14.6%
Blaze Signs Holdings Limited	183,005	7,626	190,631	5.7%	52.5%
CB Imports Group Limited	175,000	-	175,000	5.8%	23.2%
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited)	45,884	276	46,160	8.7%	38.0%

[1] – Mobeus Equity Partners LLP also advises The Income and Growth VCT plc, Mobeus Income and Growth VCT plc and Mobeus Income & Growth 2 VCT plc.

[2] - The percentage of equity held for these companies is the fully diluted figure, in the event that, for example, management of the investee company exercises share options, where available.

[3] – Includes a loan of £674,755 to Media Business Insight Limited.

[4] – Includes a loan of £239,513 to Access IS Limited.

It is considered that, under FRS102 s9.9, "Consolidated and Separate Financial Statements", 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 and as such are not required to be consolidated. Also, the above investments are considered to be associates that are held as part of an investment portfolio and are accounted for in accordance with FRS 14.4B.

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

10 Debtors

	2018 £	2017 £
Amounts due within one year:		
Accrued income	281,862	392,879
Prepayments	15,488	15,352
Other debtors	231,840	2,758,765
	529,190	**3,166,996**

Note: Other debtors of £231,840 contains £225,894 of contingent consideration in relation to the sale of Entanet Holdings Limited in August 2017, and was received after the year end, as well as interest due on preference dividend arrears. The reduction in Other Debtors is due to the comparative 2017 figure containing £2,758,765 receivable in relation to the disposal of Gro-Group in December 2017, received during the current year under review.

11 Cash at bank and Current Investments

Cash equivalents, for the purposes of the Statement of Cash flows, comprises bank deposits repayable on up to three months' notice and funds held in OEIC money-market funds. Current asset investments are the same but also include bank deposits that mature after three months. Current asset investments are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at their carrying values at immediate or up to three months' notice. Cash, for the purposes of the Statement of Cash Flows is cash held with banks in accounts subject to immediate access. Cash at bank in the Balance Sheet is the same.

	2018 £	2017 £
OEIC Money market funds	16,830,389	19,494,921
Cash equivalents per Statement of Cash Flows	16,830,389	19,494,921
Bank deposits that mature after three months	2,000,000	2,000,000
Current asset investments	**18,830,389**	**21,494,921**
Cash at bank	**2,541,058**	**2,847,849**

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	70,280	267,261
Other creditors	11,328	8,564
Corporation tax	66,529	117,482
Accruals	155,376	188,872
	303,513	**582,179**

13 Called up share capital

	2018 £	2017 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 68,282,994 (2017: 67,475,086)	**682,830**	**674,751**

During the year, the Company purchased 1,166,848 (2017: 524,730) of its own shares for cash (representing 1.7% (2017: 1.1%) of the shares in issue at the start of the year) at the prevailing market price for a total cost of £874,700 (2017: £408,125). These shares were subsequently cancelled by the Company. This differs to the figure shown in the Statement of Cash Flows of £1,066,736 by £192,036, due to £63,503 included in creditors at the year end, offset by £255,539 which was a creditor from the previous year.

Under the terms of the Dividend Investment Scheme, 788,503 (2017: 3,484,686) shares were allotted during the year for a non-cash consideration of £583,492 (2017: £2,819,562).

Under the 2017/18 Offer, 1,186,253 (2017: 15,472,097) shares were allotted between January and March 2018, raising net funds of £1,004,580 (2017: £13,630,616) for the Company at offer prices ranging from 85.54p to 91.07p.

14 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, and on 68,282,994 (2017: 67,475,086) 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.

15 Financial instruments

The Company's financial instruments predominantly comprise investments held at fair value through profit and loss, namely equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective.

Other financial instruments are held at amortised cost comprising loans and receivables being cash at bank, current asset investments and short term debtors, and financial liabilities being creditors, all 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, although cash and current asset investments are held to yield revenue return only. 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.

The accounting policy for determining the fair value of investments is set out in Note 8 to the Financial Statements. The composition of investments held is shown below and in Note 8.

Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

Classification of financial instruments

The Company held the following categories of financial instruments at 31 December 2018:

	2018 (Fair value) £	2017 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	36,298,660	31,484,053
Loans and receivables held at amortised cost		
Accrued income	281,862	392,879
Cash at bank	2,541,058	2,847,849
Current asset investments	18,830,389	21,494,921
Other debtors	231,840	2,758,765
Liabilities at amortised cost or equivalent		
Other creditors	(236,984)	(464,697)
Total for financial instruments	57,946,825	58,513,770
Non-financial instruments	(51,041)	(102,130)
Total net assets	**57,895,784**	**58,411,640**

There are no differences between book value and fair value disclosed above.

The investment portfolio principally consists of unquoted investments 99.4% (2017: 99.1%). The investment portfolio has a 100% (2017: 100%) concentration of risk towards small UK based, sterling denominated companies, and represents 62.7% (2017: 53.9%) of net assets at the year end.

Current asset investments are money market funds, and bank deposits which, along with cash are discussed under credit risk below, which represent 36.9% (2017: 41.7%) of net assets at the year end.

The main risks arising from the Company's financial instruments are the investment risk, and the liquidity risk, of the unquoted portfolio. Other important risks are credit risk, fluctuations in market prices (market price risk), and cash flow interest rate risk, although currency risk is 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.

Investment risk

The Company's investment portfolio is made up of predominantly UK companies which are not quoted on any recognised stock exchange. The companies held in the portfolio are usually smaller than those companies which are quoted on a stock exchange. They are therefore usually regarded as carrying more risk compared to larger companies, as they are more sensitive to changes in key financial indicators, such as a reduction in its turnover or an increase in costs. The Board is of the view that the Investment Adviser mitigates this risk as the investment in an investee company is held as part of a portfolio of such companies so that the performance of one company does not significantly affect the value of the portfolio as a whole. The Investment Adviser also usually takes a seat on the Board of each investee company such that it is able to monitor its progress on a regular basis and contribute to the strategic direction of the company.

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and therefore 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 and, as the Company owns minority stakes, could require a number of months and the co-operation of other shareholders to achieve at a reasonable valuation. 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 below 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 Adviser 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 £18,830,389 (2017: £21,494,921), which are all accessible at varying points over the next 12 months. The Board also receives regular cash flow projections in order to manage this liquidity risk.

The table below shows a maturity analysis of financial liabilities:

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2018 Total £
Other creditors	163,670	73,314	-	-	236,984

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2017 Total £
Other creditors	375,651	89,046	-	-	464,697

The Company does not have any derivative financial liabilities.

Notes to the Accounts for the year ended 31 December 2018

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:

	2018 £	2017 £
Loan stock investments	19,938,163	20,102,740
Current asset investments	18,830,389	21,494,921
Accrued income	281,862	392,879
Other debtors	231,840	2,758,765
Cash at bank	2,541,058	2,847,849
	41,823,312	**47,597,154**

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 loan stock is typically held in companies with turnover under £50 million, which may be considered less stable than larger, longer established businesses. The Investment Adviser undertakes extensive financial and commercial due diligence before recommending an investment to the Board. The Investment Adviser usually takes a seat on the Board of each investee company and the Board of the VCT receives regular updates on each company at each quarter end.

The accrued income shown above of £281,862 was all due within six 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	2018 £	2017 £
0 to 1 year	3,657,747	812,553
1 to 2 years	7,422,206	5,324,102
2 to 3 years	4,460,141	7,169,585
3 to 4 years	2,599,423	3,480,378
4 to 5 years	1,798,646	3,316,122
Total	**19,938,163**	**20,102,740**

Included within loan stock investments above are loans to two investee companies at a carrying value of £2,815,939 which are past their repayment date but have been renegotiated. Loans to two other investee companies with values of £488,672 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 below.

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.

	0-6 months £	6-12 months £	over 12 months £	2018 Total £
Loans to investee companies past due	-	-	**2,360,386**	**2,360,386**

	0-6 months £	6-12 months £	over 12 months £	2017 Total £
Loans to investee companies past due	**1,179,811**	**-**	**2,594,301**	**3,774,112**

Credit risk also arises from cash and cash equivalents, deposits with banks and amounts held in liquidity funds. There is a risk of liquidity fund defaults such that there could be defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The five OEIC money market funds holding £16,830,389 are all triple A rated funds and, along with bank deposits of £4,147,412 at six well-known financial institutions, credit risk is considered to be relatively low in current circumstances. 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 Company's current account totalling £393,646 is held with NatWest Bank plc, so 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.

Market price risk

Market price risk arises from uncertainty about the future valuations of the unquoted portfolio 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 (Investment risk), 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, which was a maximum of £36,298,660 at the year end, representing the fair value of the investment portfolio.

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 (discounted for points of difference from quoted comparators), 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 on page 4 in the Strategic Report. 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 Adviser. 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.

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 Adviser 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 their trading performance (discussed under investment risk above) and to 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% (2017: 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 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 small, unquoted companies which may have other factors which may influence the extent of the valuation change, e.g. a strong niche brand may limit the valuation fall compared to comparators, or may be more affected by external market factors than larger companies.

For each of the companies in the investment portfolio that are valued on a multiple basis, the calculation below has applied plus and minus 20% to the multiple (such as earnings or revenue) derived from quoted market comparators that are used to value the companies. The companies valued on a multiple basis represent £33.97 million (2017: £25.99 million) of the total investment portfolio of £36.30 million (2017: £31.48 million). The remainder of the portfolio is valued at either price of recent investment or net asset value, as shown below.

The impact of a change of 20% (2017: 20%) has been selected as this is considered reasonable given the level of volatility observed both on a historical basis and market expectations for future movement.

	2018 Profit and net assets £	2017 Profit and net assets £
If overall share prices rose/fell by 20% (2017: 20%), with all other variables held constant – increase/(decrease)	3,669,559 / (4,046,661)	3,630,947 / (3,973,621)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	5.37p / (5.93)p	5.38p / (5.89)p

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 2018 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	16,021,114	-	-	16,021,114		
Preference shares	-	339,383	-	339,383	6.3	3.0
Loan stocks	-	19,130,923	807,240	19,938,163	8.8	2.1
Current investments	-	-	18,830,389	18,830,389	0.8	
Cash	-	-	2,541,058	2,541,058	0.5	
Debtors	513,702	-	-	513,702		
Creditors	(236,984)	-	-	(236,984)		
Total for financial instruments	16,297,832	19,470,306	22,178,687	57,946,825		
Non-financial instruments	(51,041)	-	-	(51,041)		
Total net assets	**16,246,791**	**19,470,306**	**22,178,687**	**57,895,784**		

The interest rate profile of the Company's financial net assets at 31 December 2017 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	10,927,224	-	-	10,927,224		
Preference shares	-	454,089	-	454,089	6.3	4.0
Loan stocks	-	19,295,500	807,240	20,102,740	7.9	2.7
Current investments	-	-	21,494,921	21,494,921	0.4	
Cash	-	-	2,847,849	2,847,849	0.3	
Debtors	3,151,644	-	-	3,151,644		
Creditors	(464,697)	-	-	(464,697)		
Total for financial instruments	13,614,171	19,749,589	25,150,010	58,513,770		
Non-financial instruments	(102,130)	-	-	(102,130)		
Total net assets	**13,512,041**	**19,749,589**	**25,150,010**	**58,411,640**		

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.

Variable rate cash earns interest based on LIBOR rates.

The Company's investments in equity shares have been excluded from the interest rate risk profile as they do not yield interest and have no maturity date. Their inclusion would distort the weighted average period information above.

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:

	2018 Profit and net assets £	2017 Profit and net assets £
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	179,647 / (179,647)	203,086 /(203,086)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.26p / (0.26)p	0.30p / (0.30)p

Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk, although a number of investee companies do trade overseas, so do face some exposure to currency risk in their operations.

Fair value hierarchy

The table below sets out fair value measurements using FRS102 s11.27 fair value hierarchy. The Company has one class of financial assets, being at fair value through profit and loss.

Notes to the Accounts for the year ended 31 December 2018

Financial assets at fair value through profit and loss At 31 December 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	208,344	-	15,812,770	16,021,114
Preference shares	-	-	339,383	339,383
Loan stock investments	-	-	19,938,163	19,938,163
Total	**208,344**	**-**	**36,090,316**	**36,298,660**

Financial assets at fair value through profit and loss At 31 December 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	274,849	-	10,652,375	10,927,224
Preference shares	-	-	454,089	454,089
Loan stock investments	-	-	20,102,740	20,102,740
Total	**274,849**	**-**	**31,209,204**	**31,484,053**

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 accounting policy in Note 8 to these Financial Statements.

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 investments £	Total £
Opening balance at 1 January 2018	10,652,375	454,089	20,102,740	31,209,204
Purchases	3,630,553	-	2,252,253	5,882,806
Sales	(499,486)	(114,706)	(1,158,689)	(1,772,881)
- on assets sold or impaired	344,371	-	(707,943)	(363,572)
- on assets held at the year end	1,684,957	-	(550,198)	1,134,759
Closing balance at 31 December 2018	**15,812,770**	**339,383**	**19,938,163**	**36,090,316**

As detailed in the accounting policy for note 8, where investments are valued on an earnings-multiple basis, the main input used for this basis of valuation is a price-earnings ratio taken from a comparable sector on the quoted market which is then appropriately adjusted for points of difference. Thus any change in share prices can have a significant effect on the value measurements of the Level 3 investments, as they may not be wholly offset by the adjustment for points of difference.

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

	31 December 2018 £	31 December 2017 £
Valuation methodology		
Cost (reviewed for impairment)	527,332	-
Discounted realisation proceeds	5,313	5,313
Net asset value	122,422	229,783
Recent investment price[1]	1,674,350	5,256,002
Multiple of earnings, revenues or gross margin, as appropriate	33,760,899	25,718,106
	36,090,316	**31,209,204**

[1] – IPEV issued updated valuation guidance in December 2018 and removed price of recent investment as a recognised valuation methodology. £1,674,350 remains in this category relating to funds held in companies preparing to trade and on investments made shortly before the year end such that in the Board's opinion, fair value is deemed to be still represented by the price on the date of the transaction.

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2017 and 31 December 2018:

Change in valuation methodology	Carrying value as at 31 December 2018 £	Explanatory note
Recent investment price to multiple basis	4,781,373	Sufficient time has elapsed since investment to move to a more appropriate basis for determining value and change to IPEV guidelines regarding the price of recent investment as a valuation methodology
Earnings multiple to net asset value	163,034	Multiple basis no longer appropriate

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 December 2018 IPEV guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2018.

16 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. It aims 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..

Notes to the Accounts for the year ended 31 December 2018

17 Segmental analysis

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

18 Post balance sheet events

On 31 January 2019, The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited) carried out a further repurchase of preference shares in which £0.06 million of proceeds were received by the Company.

On 15 February 2019, £0.25 million of contingent consideration was received as part of the sale of Entanet Holdings in August 2017.

Shareholder Information

Communication with shareholders

We aim to communicate regularly with our shareholders. In addition to the Half-Year and Annual Reports, shareholders receive a twice-yearly VCT newsletter from the Investment Adviser, approved by the Board. The May annual general meeting provides a useful platform for the Board to meet shareholders and exchange views. Your Board welcomes your attendance at general meetings to give you the opportunity to meet your Directors and representatives of the Investment Adviser. The Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts. The Investment Adviser holds an annual shareholder event, the most recent of which was held on 5 February 2019.

Shareholders wishing to follow the Company's progress can visit its website at www.mig4vct.co.uk. The website includes up-to-date details on fund performance and dividends as well as publicly available information on the Company's portfolio of investments and copies of company reports. There is also a link to the London Stock Exchange's website at: www.londonstockexchange.com where shareholders can obtain details of the share price and latest NAV announcements, etc.

Mobeus website

Shareholders can check the performance of the VCT by visiting the Investment Adviser's website at www.mobeus.co.uk. This is regularly updated with information on your investment including case studies of portfolio companies.

The website includes relevant shareholder literature, including previous Annual and Half Year Reports and the Company's Key Information Document ("KID") - Investors should note that the process for compiling the KID are prescribed by EU law and the Company has no discretion over the format or content of the document. The illustrated performance returns in the KID cannot be guaranteed and may not reflect figures for the Company derived using other methods. Accordingly, the Board recommends that investors also take account of information from other sources, including the Annual Reports.

Annual General Meeting

The Company's next Annual General Meeting will be held at **11.30 am on Friday, 10 May 2019 at, The Clubhouse, 8 St James's Square, London SW1Y 4JU**. A copy of the notice of the meeting can be found on pages 73 to 75. A proxy form for the meeting is included with shareholders' copies of this Annual Report. **Please note that this will be the last Annual General Meeting at which hard copy proxy forms will be mailed to shareholders.**

Dividends

Shareholders who wish to have dividends paid directly into their bank account, rather than sent by cheque to their registered address, can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Link Asset Services, at the address given on page 76.

Shareholders are encouraged to ensure that the Registrar maintains up-to-date details for their account and to check whether they have received all dividend payments. This is particularly important if a shareholder has recently changed address or changed their bank. We are aware that a number of dividends remain unclaimed by shareholders and whilst we will endeavour to contact them if this is the case, we cannot guarantee that we will be able to do so if the Registrar does not have an up-to-date postal or email address.

Dividend Investment Scheme

As noted in the Chairman's Statement on page 4, the Dividend Investment Scheme is currently suspended until further notice.

Selling your shares

The Company's shares are listed on the London Stock Exchange and as such they can be sold in the same way as any other quoted company through a stockbroker. **However, to ensure that you obtain the best price, you are strongly advised to contact the Company's stockbroker**, Panmure Gordon, by telephoning 020 7886 2717 before agreeing a price with your stockbroker. Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

Common Reporting Standard ("CRS") and Foreign Account Tax Compliance Act ("FATCA") Tax legislation was introduced with effect from 1st January 2016 under the Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information. The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares. As an affected entity, the Company has to provide information annually to HMRC relating to a number of non-UK based certificated shareholders who are deemed to be resident for tax purposes in any of the 90 plus countries who have joined CRS. All new shareholders, excluding those whose shares are held in CREST, entered onto the share register from 1 January 2016 will be asked to provide the relevant information. Additionally, HMRC's policy on FATCA now means that, as a result of the restricted secondary market in VCT shares, the Company's shares are not considered to be "regularly traded". The Company is therefore also an affected entity for the purposes of this legislation and so has to provide information annually to HMRC relating to shareholders who are resident for tax purposes in the United States.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders:

https://www.gov.uk/government/publications/exchange-of-information-account-holders.

Shareholder Information

Managing your shareholding online

For details on your individual shareholding and to manage your account, online shareholders may log into or register with the Link Asset Services Shareholder Portal at: www.signalshares.com. You can use the Shareholder Portal to change and update your preferences including changing your address details, check your holding balance and transactions, view the dividends you have received, add and amend your bank details and manage how you receive communications from the Company.

Shareholder enquiries

For enquiries concerning the investment portfolio or the Company in general, please contact the Investment Adviser, Mobeus Equity Partners LLP. To contact the Chairman or any member of the Board, please contact the Company Secretary, also Mobeus Equity Partners LLP, in the first instance at vcts@mobeus.co.uk.

The Registrars, Link Asset Services, may be contacted via their Shareholder Portal, by post or telephone for queries relating to your shareholding including dividend payments, dividend mandate forms, change of address, etc.

Full contact details for each of Mobeus and Link Asset Services are included under Corporate Information on page 76 of this Annual Report.

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 11.30 am on Friday, 10 May 2019 at The Clubhouse, 8 St James's Square, London SW1Y 4JU for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions. An explanation of the business to be proposed is included in the Directors' Report on pages 29 to 31 of this document:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 December 2018 ("Annual Report"), together with the auditor's report thereon.

2. To approve the directors' annual remuneration report as set out in the Annual Report.

3. To re-elect Christopher Moore as a director of the Company.

4. To re-elect Helen Sinclair as a director of the Company.

5. To re-appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor of the Company until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to determine the remuneration of the auditor.

6. To approve the payment of a final dividend in respect of the financial year ended 31 December 2018 of 4.00 pence per ordinary share of 1 penny each in the capital of the Company, payable to shareholders, whose names appear on the register on 26 April 2019, on 28 May 2019.

7. That, in substitution for any existing authorities, the directors of the Company 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 capital of the Company ("Shares") and to grant rights to subscribe for, or convert any security into, Shares ("Rights") up to an aggregate nominal value of £227,610, provided that the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire 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 2020, 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.

8. That, subject to the passing of resolution 7 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 7 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 the allotment of equity securities:

   (i) with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company at a subscription price per share which may be less than the net asset value per share; and

   (ii) otherwise than pursuant to (i) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time,

   in each case where the proceeds of the allotment may be used, in whole or in part, to purchase the Company's Shares in the market and provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire 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 2020, 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 of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred by this resolution had not expired.

9. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and 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 10,235,621 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% 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);

Notice of the Annual General Meeting

(iii) the maximum price which may be paid for a Share (excluding expenses) shall be the higher of (a) an amount equal to 5% 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 (EC2273/2003);

(iv) the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire 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 2020; 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.

10. That the share premium account and the redemption reserve of the Company be cancelled.

BY ORDER OF THE BOARD

Registered Office
30 Haymarket
London SW1Y 4EX

Mobeus Equity Partners LLP
Company Secretary

Dated: 20 March 2019

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 they may 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, Link Asset Services to request additional copies of the proxy form, on +44 (0) 371 664 0324. Telephone lines are open between 9.00 am and 5.30 pm Monday to Friday excluding public holidays in England and Wales. 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 Link Asset Services 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 adviser 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. 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, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, so as to be received not later than 11.30 am on 8 May 2019 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. 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.

9. 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.

10. 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.

11. 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 11.30 am on 8 May 2019. 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. You may submit your proxy electronically using the Share Portal at www.signalshares.com if not already registered for the share portal, you will need your investor code which can be found on your share certificate.

12. As at 19 March 2019 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 68,282,994 ordinary shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 19 March 2019 were 68,282,994.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. To further reduce the impact on the environment and waste, we will be removing paper from the voting process for future meetings in favour of a quicker and more secure method of voting online via our Registrar's website (www.signalshares.com). Shareholders may, however, request a paper proxy form if they wish from our Registrar at the appropriate time.

Corporate Information

Directors (Non-executive)
Christopher Moore (Chairman)
Andrew Robson
Helen Sinclair

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