

# The Income & Growth VCT plc

A VENTURE CAPITAL TRUST

**Unaudited Half-Year Report**  
for the six months ended 31 March 2014

# Company Objective

The Objective of The Income & Growth VCT plc (“I&G VCT” or “the Company”) is 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.

## Contents

Financial Highlights	1
Chairman’s Statement	2
Investment Policy	4
Investment Review	5
Investment Portfolio Summary	7
Responsibility Statement of the Directors	10
Unaudited Financial Statements	11
Notes to the Unaudited Financial Statements	16
Shareholder Information	22
Performance Data Appendix	25
Timeline of the Company	27
Corporate Information	28

# Financial highlights

## Six months to 31 March 2014

 Net asset value (NAV) total return for the six months was 6.2%.

 Share price total return per share for the six months was 4.5%.

 The Company paid a final dividend of 4.0 pence per share for the year ended 30 September 2013. The Directors have declared an interim dividend of 6.0 pence per share, to be paid on 3 July 2014. This will bring cumulative dividends paid since 1 April 2008 to 50.5 pence per share.

 Liquidity has been further enhanced by the Mobeus VCTs' Linked Offer in 2013/14 which has raised £8.4 million (before costs) for the Company.

 The Company invested a total of £9.1 million in the period to support the MBOs of Virgin Wines and Entanet and provide expansion capital to Bourn Hall.

## Performance Summary

### The net asset value per share at 31 March 2014 was 117.0 pence

The table below shows the recent past performance of funds raised in 2007/08 for the existing class of ordinary shares. Detailed performance data, including a table of dividends paid to date, for all fundraising rounds is shown in the Performance Data Appendix on pages 25 – 26.

As at	Net assets (£m)	NAV per share (p)	Cumulative dividends paid per share (p)	Cumulative NAV total return to shareholders since launch per share (p)	Share price <sup>1</sup> (p)	Share price total return to shareholders since launch per share (p)
<b>Ordinary shares</b>						
31 March 2014	67.8	117.0	44.5	161.5	100.0	144.5
30 September 2013	60.5	113.9	40.5	154.4	99.5	140.0
30 September 2012	50.6	109.6	28.5	138.1	97.0	125.5
30 September 2011	49.2	120.8	4.5	125.3	91.6	96.1
30 September 2010	36.6	99.0	0.5	99.5	87.0	87.5

<sup>1</sup> Source: London Stock Exchange.

### Dividends declared (not included in the above table)

The Directors have declared an interim dividend of 6.0 pence per share, comprising 5.0 pence from capital and 1.0 penny from income. The dividend will be paid on 3 July 2014 to shareholders on the Register on 13 June 2014 and will bring cumulative dividends paid per share since 1 April 2008 to 50.5 pence.

# Chairman's Statement

## I am pleased to present the Company's Half-Year Report for the six months ended 31 March 2014.

This has been another positive period for many of the companies in the portfolio which are performing well. The continuing encouraging performance of your portfolio supports the view that well-managed and prudently financed businesses can succeed in challenging market conditions. The Board believes that the portfolio is well positioned to take advantage of the more promising outlook for the UK economy.

I am pleased to report that at 31 March 2014, using the benchmark of NAV total return, the Company was ranked first over three years and third over five and ten years among generalist VCTs by the Association of Investment Companies ("the AIC") (based on statistics prepared by Morningstar).

### Performance

The Company's NAV total return per share was 6.2% (2013: 8.6%) for the six months to 31 March 2014 while the total share price return was 4.5% (2013: 7.2%).

Cumulative NAV total return per share (being the closing net asset value plus total dividends paid to date) has risen to 161.5 pence compared to 154.4 pence at the year-end. This represents a further increase of 4.6% over the period and an increase of 70.5% since the merger of the VCT's share classes in March 2010.

### Strategic Report

The 2013 Annual Report included a Strategic Report for the first time. One principal aim of this Report is to show shareholders the extent to which the Company is meeting its Investment Objective. I will report again in more detail in the coming year-end's Strategic Report.

### Longer term performance of the Company

Shareholders who invested in the former class of 'S' Shares in 2007 (the year of launch of the current share class) have seen a total NAV return to date of 161.5 pence per share. This return compares with an initial investment of 100 pence per share, or a net cost (after initial

income tax relief of 30%) of 70 pence per share. As part of this return, shareholders have received 44.5 pence in dividends representing an average annual yield upon their initial 70 pence net investment of 10.2%. The underlying net asset value, which represents the balance of their total return, is 117.0 pence per share.

Similar details are contained in the tables showing the performance of all fundraisings, including the fund of ordinary shares raised in 2000/01 ("the 'O' Share Fund"), in the Performance Data Appendix on pages 25 – 26 of this Half-Year Report.

### Investment portfolio

The portfolio has performed well during the period, increasing in value by 13.0% on a like for like basis. The aggregate portfolio saw a net increase of £3.4 million in unrealised gains and £0.6 million in realised gains over the six month period and was valued at £41.7 million at the period-end.

During the six months under review, the Company has invested a total of £9.1 million (including £2 million which was previously held in acquisition vehicles) to support the MBOs of Virgin Wines Online Limited ("Virgin Wines") and Entanet International Limited ("Entanet") and to provide expansion capital to Bourn Bioscience Limited ("Bourn Hall").

Sale proceeds for the period have totalled £3.9 million, including £2.6 million received from Alaric Systems and £0.8 million received from several other portfolio companies making partial loan stock repayments.

Following the period-end, in April 2014, the VCT received £0.7 million in cash proceeds from the successful realisation of Machineworks. A number of companies are pursuing possible exits and we are hopeful that some of these will complete during the current year.

Details of all these transactions and the performance of the portfolio are contained in the Investment Review on pages 5 – 6.

### Revenue Account

A large increase in revenue and largely stable costs has meant that the net revenue return has continued to improve significantly, increasing over 90% from

£526,881 for the comparative period to £1,005,566. Loan interest income from investee companies has risen by almost 46% from £720,993 to £1,052,637 as a result of the loans to a number of new investments made over the last year. Dividend income has also improved due to the strong trading performance of some investee companies which has enabled them to pay profit related dividends. Bank interest has remained steady, despite higher amounts of cash held, as interest rates on bank deposits continued to fall.

Fund management fees have risen from £627,190 to £679,705 as a result of increased net assets over the year. In addition, a continued run of successful realisations has meant the Company has accrued higher performance fees with £515,860 being charged to the capital return compared to £106,778 in the previous period.

Other expenses have remained steady over the course of the period rising only marginally from £189,766 to £193,717.

### Dividends

The Board is committed to providing an attractive dividend stream to shareholders and had set a target of paying a dividend of at least 4 pence per share in respect of each financial year. I am however pleased to report that this target has been substantially exceeded over the last three years as 40 pence per share has been paid. As a result of this good performance, the Board has decided to raise this target to a minimum of 6 pence per share in respect of each financial year.

Accordingly, the Board has declared an interim dividend in respect of the year ending 30 September 2014 of 6.0 pence (2013: 6.0 pence) per share comprising 5.0 pence (2013: 5.0 pence) per share from capital and 1.0 penny (2013: 1.0 penny) per share from income. This dividend will be paid on 3 July 2014 to shareholders on the Register on 13 June 2014.

The Company's Dividend Investment Scheme will apply to this dividend (see page 3).

This payment will be in addition to the final dividend of 4.0 pence per share in respect of the year ended 30 September 2013, paid to shareholders on 12 March 2014.

Cumulative dividends per share paid to date amount to 44.5 pence (pre-merger: 0.5 pence; post-merger: 44.0 pence) for the current share class. This figure will increase to 50.5 pence per share following the payment of the above interim dividend.

### Dividend investment scheme

The Company's Dividend Investment Scheme ("the Scheme") is a convenient, easy and cost effective way for shareholders to build up their shareholding in the Company. Instead of receiving cash dividends they can elect to receive new shares in the Company. By opting to receive their dividend in this manner, there are three benefits to shareholders:

- The dividend remains tax free;
- Shareholders are allotted new shares in the Company which will, subject to their particular circumstances, attract VCT tax reliefs applicable for the tax year in which the shares are allotted. The tax relief currently available to investors in new VCT shares is 30% for the 2014/15 tax year for investments up to £200,000 in any one tax year; and
- The Scheme also has one particular advantage. Under its terms, a member is able to re-invest at an advantageous price, being the average market price of the shares for the five business days prior to the dividend being paid. This price is likely to be at a discount of 10% to the underlying net asset value (provided that this is greater than 70% of the latest published net asset value per share).

Shareholders wishing to join the Scheme should submit a mandate form to Capita Asset Services, the Scheme Administrator, by no later than 18 June 2014, to ensure that they receive the above dividend as shares. Further information on the Scheme, including details of where to obtain an application form can be found in Shareholder Information on page 22.

### Linked Offer for Subscription

I am pleased to report that the 2013/14 Mobeus VCTs' Linked Offer for Subscription to raise, in aggregate, £34 million ("the Offer") was well received. The Company has raised £8.4 million as its

share of the £33.4 million in subscriptions received to date by the four VCTs.

A total of 6,587,245 new shares in the Company have been allotted under the Offer, which has been extended to 30 May 2014, of which 4,787,229 shares were allotted in the six months to 31 March 2014.

### Cash available for investment

The Board continues to monitor credit risk in respect of its cash balances and to prioritise the security and protection of the Company's capital. Cash and liquidity fund balances as at 31 March 2014 amounted to £24.2 million. This figure includes £12.8 million held in money market funds with AAA credit ratings and £11.4 million held in deposit accounts with a number of well-known financial institutions across a range of maturities. In addition, a further £2.7 million remains invested in two acquisition vehicles pending further investment at the period-end.

### Share buy-backs

During the six months ended 31 March 2014, the Company bought back 225,938 (2013: 512,465) shares (representing 0.4% (2013: 1.1%) of the shares in issue at the beginning of the period) at a total cost of £228,381 (2013: £495,903), inclusive of expenses. These shares were subsequently cancelled by the Company.

The Board regularly reviews its buyback policy and seeks to maintain the discount to NAV at which the Company's shares trade at around 10% below the latest published NAV. This has been largely achieved in the period.

### Shareholder communications

May I remind you that the Company continues to have its own website which is available at [www.incomeandgrowthvct.co.uk](http://www.incomeandgrowthvct.co.uk).

The Investment Manager ("Adviser") held its fourth annual Shareholder Workshop in January 2014. The workshop provided a forum for around 160 Mobeus VCT shareholders to hear presentations from the Adviser and to learn more about the investment activity in greater depth from the managing director and chairman respectively of two diverse companies, Gro-Group and Newquay Helicopters.

### Outlook

We have seen clear signs of improvement in the outlook for the UK economy since the year-end. Some business surveys reveal a cautious optimism in the corporate sector and the Office for Budget Responsibility and the CBI are currently forecasting growth of 2.7% and 3.0%, respectively for 2014. Against this more optimistic tone, other commentators are concerned about how solid such a recovery will be in the medium term, while others argue that interest rates should be raised sooner rather than later to prevent parts of the economy from overheating. Whilst conscious of the possibility of shocks to the economic revival now underway, the Board and the Adviser believe that, on balance, this recovery will be sustainable with inflation remaining low and interest rates beginning to increase only slowly from the end of this year.

The Adviser is also of the view that there are many promising new opportunities to invest in established, profitable businesses on attractive terms. In addition, there continue to be several opportunities to provide further finance to certain businesses in the portfolio to enable them to make acquisitions. The Company's significant cash resources will enable it to capitalise on the opportunities for new investment. Similarly, the Adviser is seeing interest from potential acquirers in a number of portfolio businesses, and so believes exit prospects are also favourable.

The Board continues to believe that its investment strategy mitigates some of the risks inherent when investing in smaller businesses and should deliver attractive returns to shareholders over the medium to long term.

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

Colin Hook  
**Chairman**

21 May 2014

# Investment Policy

## Company objective

The Objective of the Company is 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.

## Investment policy

The Company'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 and to generate capital gains from trade sales and flotations of investee companies.

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

The Company has a small legacy portfolio of investments in companies from the period prior to 30 September 2008, when it was a multi-manager VCT. This includes investments in early stage and technology companies and in companies quoted on the AiM market.

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

## Management

The Board has overall responsibility for the Company's affairs including the determination of its Investment Policy. Investment and divestment proposals are originated, negotiated and recommended by the Adviser and are then subject to review and approval by the Directors.

## VCT regulation

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

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

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

## Asset mix

The Company initially holds its funds in a portfolio of interest bearing investments and deposits. The investment portfolio of qualifying investments is built up over a three year period with the aim of investing and maintaining at least 70% of net funds raised in qualifying investments.

## Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured to achieve the optimum balance between loan stock and equity to provide protection against downside risk alongside the best potential overall returns.

## Co-investment

The Company aims to invest in larger, more mature unquoted companies through investing alongside other VCTs advised by the Adviser with a similar investment policy.

## Borrowing

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

# Investment Review

## New investment

A total of £9.1 million was invested into new deals during the six months under review. This included substantial new investments to support the MBOs of Virgin Wines and Entanet and provide expansion capital to Bourn Hall.

### Principal new investments in the half-year

	Company	Business	Month	Amount of new investment (£m)
	Virgin Wines	Online wine retailer	November 2013	2.8*

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

	Bourn Bioscience	IVF Clinic	February 2014	1.6
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Bourn Bioscience owns and manages the Bourn Hall fertility clinics in the East of England. The VCT's investment will support the geographic expansion of this internationally renowned IVF clinic. The initial investment is supplemented by a commitment to invest significant follow-on finance as part of a buy and build strategy. The Company's latest full year accounts show annual sales of £10.6 million and profit before interest, tax and goodwill of £0.5 million.

	Entanet	Wholesale provider of internet connectivity solutions	February 2014	2.0*
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Entanet is one of the UK's leading independent wholesale voice and data communications providers. Headquartered in Telford and with over 80 staff, the company provides a diverse portfolio of business class data and voice services via a network of over 2,000 wholesale and reseller channel partners in the UK. The Company's latest full year accounts show annual sales of £25.3 million and profit before interest, tax and goodwill of £1.9 million.

\*The investments into Virgin Wines and Entanet each utilised £1 million from one of the Company's acquisition vehicles, totalling £2 million, which is included in the above figures. For further details please see the Investment Portfolio Summary on pages 7 – 9.

The VCT also invested a further £2.7 million into two new acquisition vehicle investments in the period.

## Realisations in the half-year

The VCT realised two investments during the period under review for total proceeds of £3.0 million.

	Company	Business	Date of original investment/realisation	Total proceeds over life of investment/ Multiple over cost
	Faversham House	Publisher, exhibition organiser and operator	December 2010 December 2013	£0.5 million 0.9 times cost

Faversham's progress had fallen short of expectations and we took the opportunity to agree with management a phased realisation of our holding. In March 2013, the VCT sold part of its loan stock and its entire equity investment. The residual loan stock investment was realised in two phases later in 2013. £0.2 million was received in loan stock repayments during the period, as included in the table below.

	Alaric Systems	Software for retail credit card payment systems	February 2002 December 2013	£2.7 million 4.4 times cost
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The Company realised its investment in Alaric through a sale to a subsidiary of NCR Corporation for cash proceeds of £2.6 million. The Company may become entitled to receive additional sale proceeds of up to £0.5 million over the period to December 2017, which are currently held in escrow.

## Partial loan stock repayments

Positive cash flow at a number of companies has contributed to a number of loan stock repayments totalling £770,000 for the period, which figure includes Faversham House above, as summarised below: -

Company	Business	Month	Amount (£000's)
Blaze Signs	Signs and sign maintenance	October 2013	264
Faversham House	Publisher, exhibition organiser and operator	October/December 2013	166
Focus Pharma	Licensing and distribution of pharmaceuticals	November 2013	163
Westway	Installation, service and maintenance of air conditioning systems	January 2014	99
Tessella	Consultancy	Quarterly	50
DiGiCo Global	Design and manufacture of audio mixing desks	October 2013	28
<b>Total</b>			<b>770</b>

## Realisation post period-end

	Company	Business	Date of original investment/ realisation	Total proceeds over life of investment/ Multiple over cost
	Machineworks	Software for CAM and machine tool vendors	April 2006 April 2014	£1.2 million 4.1 times cost

## Investment outlook

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

# Investment Portfolio Summary

as at 31 March 2014

	Total cost at 31 March 2014 (unaudited) £	Valuation at 30 September 2013 (audited) £	Additional investments in the period £	Valuation at 31 March 2014 (unaudited) £
<b>ATG Media Holdings Limited</b> Publisher and online auction platform operator	1,889,006	3,686,911	–	4,322,326
<b>Virgin Wines Holding Company Limited (formerly Culbone Trading Limited)<sup>1</sup></b> Online wine retailer	2,843,557	–	2,843,557	2,843,557
<b>Fullfield Limited (trading as Motorclean)</b> Vehicle cleaning and valeting services	2,405,465	2,887,812	–	2,783,096
<b>Ingleby (1879) Limited (trading as EMaC)</b> Service plans for the motor trade	1,486,848	2,452,407	–	2,553,876
<b>Madacombe Trading Limited (trading as Veritek Global)</b> Maintenance of imaging equipment	2,289,859	2,289,859	–	2,289,859
<b>Tessella Holdings Limited</b> Provider of science powered technology and consulting services	1,595,001	2,213,488	–	2,213,179
<b>Gro-Group Holdings Limited</b> Baby sleep products	2,341,286	2,341,286	–	2,193,703
<b>Ackling Management Limited (trading as Entanet)<sup>2</sup></b> Wholesale voice and data communications provider	2,005,371	–	2,005,371	2,005,371
<b>ASL Technology Holdings Limited</b> Printer and photocopier services	1,769,790	1,088,213	–	1,764,536
<b>Blaze Signs Holdings Limited</b> Manufacturer and installer of signs	418,281	1,249,579	–	1,755,226
<b>Bourn Bioscience Limited</b> Bourn Hall In-vitro fertilisation clinics	1,610,379	–	1,610,379	1,610,379
<b>IDOX plc</b> Provider of document storage systems	453,881	1,625,078	–	1,583,409
<b>EOTH Limited (trading as Rab and Lowe Alpine)</b> Branded outdoor equipment and clothing	1,383,313	1,397,444	–	1,561,923
<b>South West Services Investment Limited</b> Company seeking to acquire a business services company in the South West of England	1,342,800	–	1,342,800	1,342,800
<b>Manufacturing Services Investment Limited</b> Company seeking to acquire businesses in the manufacturing sector	1,336,800	–	1,336,800	1,336,800
<b>Westway Services Holdings (2010) Limited</b> Installation, service and maintenance of air conditioning systems	126,609	1,025,054	–	1,028,115
<b>CB Imports Group Limited (trading as Country Baskets)</b> Importer and distributor of artificial flowers, floral sundries and home décor products	1,000,000	1,050,541	–	1,019,586
<b>DiGiCo Global Limited</b> Designer and manufacturer of audio mixing desks	545,075	776,204	–	1,018,081
<b>Aquasium Technology Limited</b> Manufacturing and marketing of bespoke electron beam welding and vacuum furnace equipment	500,000	840,760	–	917,376
<b>RDL Corporation Limited</b> Recruitment consultants for the pharmaceutical, business intelligence and IT industries	1,441,667	667,316	–	847,813

<sup>1</sup> £1,000,000 of this investment into Virgin Wines Holding Company Limited was provided by Culbone Trading Limited, one of the Company's acquisition vehicles.

<sup>2</sup> £1,000,000 of this investment into Ackling Management Limited (trading as Entanet) was provided by Ackling Management Limited, one of the Company's acquisition vehicles.

	Total cost at 31 March 2014 (unaudited) £	Valuation at 30 September 2013 (audited) £	Additional investments in the period £	Valuation at 31 March 2014 (unaudited) £
<b>Machineworks Software Limited</b> Software for CAM and machine tool vendors	20,471	574,339	–	718,531
<b>Youngman Group Limited</b> Manufacturer of ladders and access towers	1,000,052	700,992	–	700,992
<b>Omega Diagnostics Group plc</b> In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	280,026	338,329	30	641,686
<b>Focus Pharma Holdings Limited</b> Licensor and distributor of generic pharmaceuticals	181,722	583,331	–	579,419
<b>BG Training Limited (formerly Duncary 8 Limited)</b> City-based provider of specialist technical training	509,923	516,702	–	545,114
<b>Original Additions Topco Limited</b> Manufacturer and distributor of beauty products	25,696	537,948	–	537,948
<b>The Plastic Surgeon Holdings Limited</b> Supplier of snagging and finishing services to the property sector	406,082	315,644	–	390,100
<b>Vectair Holdings Limited</b> Designer and distributor of washroom products	53,400	198,098	–	276,538
<b>Newquay Helicopters (2013) Limited</b> Helicopter service operator	196,824	196,824	–	196,824
<b>Lightworks Software Limited</b> Software for CAD vendors	20,471	106,937	–	54,008
<b>PXP Holdings Limited (trading as Pinewood Structures)</b> Designer, manufacturer and supplier of timber frames for buildings	965,371	45,195	–	45,195
<b>Monsal Holdings Limited</b> Supplier of engineering services to the water and waste sectors	454,461	28,297	–	28,297
<b>Corero plc</b> Provider of e-business technologies	600,000	15,717	–	15,717
<b>Racoon International Holdings Limited</b> Supplier of hair extensions, hair care products and training	550,852	31,370	–	1,000
<b>Oxonica Limited</b> Development and exploitation of nanomaterials	2,524,527	–	–	–
<b>Data Continuity Group Limited</b> Data storage solution provider	163,345	29,632	–	–
<b>NexxtDrive Limited</b> Developer and exploiter of patented transmission technologies	487,014	–	–	–
<b>Aigis Blast Protection Limited (in administration)</b> Specialist blast containment materials company	272,120	–	–	–
<b>Legion Group plc (in administration)</b> Provision of manned guarding, mobile patrols, and alarm response services	150,000	–	–	–
<b>Biomer Technology Limited</b> Developer of biomaterials for medical devices	137,170	–	–	–
<b>Watchgate Limited</b> Holding company	1,000	–	–	–
<b>Sub-totals carried forward</b>	<b>37,785,515</b>	<b>29,811,307</b>	<b>9,138,937</b>	<b>41,722,380</b>

	Total cost at 31 March 2014 (unaudited) £	Valuation at 30 September 2013 (audited) £	Additional investments in the period £	Valuation at 31 March 2014 (unaudited) £
<b>Sub-totals brought forward</b>	<b>37,785,515</b>	<b>29,811,307</b>	<b>9,138,937</b>	<b>41,722,380</b>
<b>Realised investments</b>				
<b>Alaric Systems Limited</b> Software development, implementation and support in the credit/debit card authorisation and payments market	–	2,064,071	–	–
<b>Faversham House Holdings Limited</b> Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors	–	144,859	–	–
<b>Ackling Management Limited</b> Acquisition vehicle used to support the MBO of Entanet International Limited	–	1,000,000 <sup>1</sup>	–	–
<b>Culbone Trading Limited</b> Acquisition vehicle used to support the MBO of Virgin Wines Online Limited	–	1,000,000 <sup>1</sup>	–	–
<b>Sarantel Group plc</b> Developer and manufacturer of antennae for mobile phones and other wireless devices	–	–	–	–
<b>Total</b>	<b>37,785,515</b>	<b>34,020,237</b>	<b>9,138,937<sup>1</sup></b>	<b>41,722,380</b>

<sup>1</sup> The total additional investments figure of £9,138,937 differs to that shown in note 7 of £7,138,937 by £2,000,000 comprising the £1,000,000 originally invested into each of Ackling Management Limited and Culbone Trading Limited.

# Responsibility Statement of the Directors

In accordance with Disclosure and Transparency Rule (DTR) 4.2.10, Colin Hook (Chairman), Jonathan Cartwright (Chairman of the Audit and Nomination & Remuneration Committees) and Helen Sinclair (Chairman of the Investment Committee), being the Directors of the Company, confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with the statement "Half-Yearly Reports" issued by the Accounting Standards Board, gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by DTR 4.2.4;
- (b) the Half-Year management report which comprises the Chairman's Statement, Investment Policy, Investment Review and Investment Portfolio Summary includes a fair review of the information required by DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- (c) a description of the principal risks and uncertainties facing the Company for the remaining six months is set out below, in accordance with DTR 4.2.7; and
- (d) there were no related party transactions in the first six months of the current financial year that are required to be disclosed, in accordance with DTR 4.2.8.

For and on behalf of the Board:

Colin Hook  
**Chairman**

21 May 2014

## Principal Risks and Uncertainties

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 30 September 2013. The Board acknowledges that there is regulatory risk and continues to manage the Company's affairs in such a manner as to comply with section 274 Income Tax Act 2007.

The principal risks faced by the Company are:

- economic;
- loss of approval as a Venture Capital Trust;
- investment and strategic;
- valuation;
- regulatory;
- financial and operating;
- market;
- asset liquidity;
- market liquidity;
- counterparty.

A detailed explanation of the principal risks facing the Company can be found in the Annual Report and Accounts for the year ended 30 September 2013 on pages 21 – 22 and in Note 19 on pages 58 – 64. Copies are available from the Company's website:

[www.incomeandgrowthvct.co.uk](http://www.incomeandgrowthvct.co.uk).

## Going Concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the half-year management report which comprises the Chairman's Statement, Investment Policy, Investment Review and Investment Portfolio Summary. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and has raised additional funds during the period. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well-diversified. The major cash outflows of the Company (namely investments, share buy-backs and dividends) are within the Company's control.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 19 on pages 58 – 64 of the Annual Report and Accounts for the year ended 30 September 2013. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the half-yearly report and annual financial statements.

## Cautionary Statement

This report may contain forward looking statements with regards to the financial condition and results of the Company, which are made in the light of current economic and business circumstances. Nothing in this report should be construed as a profit forecast.

# Unaudited Income Statement

## for the six months ended 31 March 2014

	Notes	Six months ended 31 March 2014 (unaudited)		
		Revenue £	Capital £	Total £
Unrealised gains on investments	7	–	3,376,292	3,376,292
Net realised gains on investments	7	–	552,484	552,484
Income	2	1,543,619	–	1,543,619
Investment adviser's fees	3	(169,926)	(509,779)	(679,705)
Investment advisers' performance fees	3	–	(515,860)	(515,860)
Other expenses		(193,717)	–	(193,717)
<b>Profit on ordinary activities before taxation</b>		<b>1,179,976</b>	<b>2,903,137</b>	<b>4,083,113</b>
Tax on profit on ordinary activities	4	(174,410)	174,410	–
<b>Profit on ordinary activities after taxation</b>		<b>1,005,566</b>	<b>3,077,547</b>	<b>4,083,113</b>
<b>Basic and diluted earnings per ordinary share</b>	5	<b>1.87p</b>	<b>5.70p</b>	<b>7.57p</b>

The total column of this statement is the Profit and Loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

There were no other recognised gains or losses in the period.

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

The notes on pages 16 – 21 form part of these Half-Year condensed financial statements.

Six months ended 31 March 2013 (unaudited)			Year ended 30 September 2013 (audited)		
Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
–	3,009,086	3,009,086	–	5,900,080	5,900,080
–	1,037,994	1,037,994	–	1,093,304	1,093,304
988,065	533,750	1,521,815	2,488,388	533,750	3,022,138
(156,797)	(470,393)	(627,190)	(321,777)	(965,335)	(1,287,112)
–	(106,778)	(106,778)	–	(106,778)	(106,778)
(189,766)	–	(189,766)	(412,241)	–	(412,241)
641,502	4,003,659	4,645,161	1,754,370	6,455,021	8,209,391
(114,621)	114,621	–	(267,890)	267,890	–
<b>526,881</b>	<b>4,118,280</b>	<b>4,645,161</b>	<b>1,486,480</b>	<b>6,722,911</b>	<b>8,209,391</b>
<b>1.12p</b>	<b>8.80p</b>	<b>9.92p</b>	<b>2.98p</b>	<b>13.45p</b>	<b>16.43p</b>

# Unaudited Balance Sheet

## as at 31 March 2014

	Notes	31 March 2014 (unaudited) £	31 March 2013 (unaudited) £	30 September 2013 (audited) £
<b>Fixed assets</b>				
Investments at fair value	7	41,722,380	32,385,848	34,020,237
<b>Current assets</b>				
Debtors and prepayments		3,121,950	2,996,460	1,384,798
Current asset investments	8	19,836,805	17,787,414	22,799,201
Cash at bank		4,308,750	4,479,667	3,095,005
		27,267,505	25,263,541	27,279,004
<b>Creditors: amounts falling due within one year</b>		(1,203,938)	(967,381)	(830,369)
<b>Net current assets</b>		26,063,567	24,296,160	26,448,635
<b>Net assets</b>		<b>67,785,947</b>	<b>56,682,008</b>	<b>60,468,872</b>
<b>Capital and reserves</b>	9			
Called up share capital		579,281	501,495	530,882
Share premium account		2,455,455	3,013,474	15,634,572
Capital redemption reserve		290,192	202,389	287,932
Revaluation reserve		10,114,522	4,548,616	8,902,232
Special reserve		30,928,203	24,975,739	13,193,594
Profit and loss account		23,418,294	23,440,295	21,919,660
<b>Equity shareholders' funds</b>		<b>67,785,947</b>	<b>56,682,008</b>	<b>60,468,872</b>
<b>Basic and diluted net asset value:</b>				
Basic and diluted net asset value per ordinary share	10	<b>117.02p</b>	<b>113.03p</b>	<b>113.90p</b>

The financial information for the six months ended 31 March 2014 and the six months ended 31 March 2013 has not been audited.

The notes on pages 16 – 21 form part of these Half-Year condensed financial statements.

# Unaudited Reconciliation of Movements in Shareholders' Funds

for the six months ended 31 March 2014

	Notes	Six months ended 31 March 2014 (unaudited) £	Six months ended 31 March 2013 (unaudited) £	Year ended 30 September 2013 (audited) £
Opening shareholders' funds		60,468,872	50,551,985	50,551,985
Share capital bought back in the period	9	(228,381)	(495,903)	(9,898,671)
Share capital subscribed in the period	9	5,688,719	4,911,846	17,647,874
Expenses incurred in respect of the Enhanced Buyback Facility		–	(68,771)	–
Profit for the period		4,083,113	4,645,161	8,209,391
Dividends paid in period	6	(2,226,376)	(2,862,310)	(6,041,707)
<b>Closing shareholders' funds</b>		<b>67,785,947</b>	<b>56,682,008</b>	<b>60,468,872</b>

The notes on pages 16 – 21 form part of these Half-Year condensed financial statements.

# Unaudited Cash Flow Statement

## for the six months ended 31 March 2014

Notes	Six months ended 31 March 2014 (unaudited) £	Six months ended 31 March 2013 (unaudited) £	Year ended 30 September 2013 (audited) £
<b>Operating activities</b>			
Investment income received	1,567,329	1,467,634	2,747,369
Investment Adviser's fees paid	(730,706)	(627,190)	(1,287,112)
Investment Advisers' performance fees paid	(59,672)	(3,050,234)	(3,050,234)
Other income	–	–	469
Other cash payments	(291,392)	(113,612)	(310,007)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>485,559</b>	<b>(2,323,402)</b>	<b>(1,899,515)</b>
<b>Investing activities</b>			
Acquisitions of investments	7 (7,141,220)	(1,413,802)	(2,788,442)
Disposals of investments	7 3,865,570	4,761,617	6,559,171
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(3,275,650)</b>	<b>3,347,815</b>	<b>3,770,729</b>
<b>Dividends</b>			
Equity dividends paid	6 (2,218,578)	(2,862,310)	(6,049,507)
<b>Cash outflow before management of liquid resources and financing</b>	<b>(5,008,669)</b>	<b>(1,837,897)</b>	<b>(4,178,293)</b>
<b>Management of liquid resources</b>			
Increase in current investments	2,962,396	(263,974)	(5,275,761)
<b>Financing</b>			
Shares issued as part of Linked Offer for Subscription and Dividend Investment Scheme	3,488,399	2,165,648	8,802,776
Shares issued as part of Enhanced Buyback Facility	–	–	250,000
Shares bought back as part of Enhanced Buyback Facility (including expenses)	–	–	(394,360)
Purchase of own shares	(228,381)	(445,550)	(970,797)
<b>Cash inflow from financing</b>	<b>3,260,018</b>	<b>1,720,098</b>	<b>7,687,619</b>
<b>Increase/(decrease) in cash for the period</b>	<b>1,213,745</b>	<b>(381,773)</b>	<b>(1,766,435)</b>

### Reconciliation of profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities for the six months ended 31 March 2014

	Six months ended 31 March 2014 £	Six months ended 31 March 2013 £	Year ended 30 September 2013 £
Profit on ordinary activities before taxation	4,083,113	4,645,161	8,209,391
Net unrealised gains on investments	(3,376,292)	(3,009,086)	(5,900,080)
Net gains on realisation of investments	(552,484)	(1,037,994)	(1,093,304)
Increase in debtors	(34,549)	(41,595)	(241,315)
Increase/(decrease) in creditors	365,771	(2,879,888)	(2,874,207)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>485,559</b>	<b>(2,323,402)</b>	<b>(1,899,515)</b>

The notes on pages 16 – 21 form part of these Half-Year condensed financial statements.

# Notes to the Unaudited Financial Statements

## for the six months ended 31 March 2014

### 1. Principal accounting policies

The following accounting policies have been applied consistently throughout the period. Full details of principal accounting policies will be disclosed in the Annual Report.

#### a) Basis of accounting

The unaudited results cover the six months to 31 March 2014 and have been prepared under UK Generally Accepted Accounting Practice (UK GAAP), consistent with the accounting policies set out in the statutory accounts for the year ended 30 September 2013 and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Companies. The condensed financial statements are prepared under the historical cost convention except for the revaluation of certain investments.

The Half-Year Report has not been audited, nor has it been reviewed by the auditor pursuant to the Financial Reporting Council's (FRC's) guidance on Review of Interim Financial Information.

#### b) Presentation of the Income Statement

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

#### c) Investments

Investments are accounted for on a trade date basis.

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

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

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

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

- (i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.
- (ii) In the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:-
  - a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Adviser compared to the sector including, inter alia, a lack of marketability).

or:-

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

- (iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.
- (iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

#### d) Capital gains and losses

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.

## 2. Income

	Six months ended 31 March 2014 (unaudited) Total £	Six months ended 31 March 2013 (unaudited) Total £	Year ended 30 September 2013 (audited) Total £
– from equities – revenue	368,765	147,002	813,927
– from equities – capital	–	533,750	–
– from OEIC funds	23,473	25,199	48,954
– from loan stock	1,052,637	720,993	1,929,482
– from bank deposits	86,076	94,871	229,306
– from interest on preference shares	12,668	–	–
– from other income	–	–	469
<b>Total Income</b>	<b>1,543,619</b>	<b>1,521,815</b>	<b>3,022,138</b>

## 3. Investment Adviser's fees and performance fees

	Six months ended 31 March 2014 Total £	Six months ended 31 March 2013 Total £	Year ended 30 September 2013 Total £
<b>Allocated to revenue return:</b> Investment Adviser's fee	169,926	156,797	321,777
<b>Allocated to capital return:</b> Investment Adviser's fee	509,779	470,393	965,335
Investment Advisers' performance fees	515,860	106,778	106,778
<b>Total</b>	<b>1,195,565</b>	<b>733,968</b>	<b>1,393,890</b>
<b>Investment Adviser's fee</b>	679,705	627,190	1,287,112
<b>Investment Advisers' performance fees</b>	515,860	106,778	106,778
<b>Total</b>	<b>1,195,565</b>	<b>733,968</b>	<b>1,393,890</b>

The Directors have charged 75% of the fees payable under the Investment Adviser's Agreement, and 100% of the amounts payable under the Incentive Agreement, to the capital reserve. The Directors believe it is appropriate to charge the incentive fee wholly against the capital return, as any fee payable depends on capital performance, as explained below.

Under a Deed of Termination and Variation relating to Performance Incentive Agreements dated 29 March 2010, the Investment Adviser's Incentive Agreement for the former 'O' Share Fund has been continued while the Incentive Agreement relating to the former fund of ordinary shares raised in 2007/08 ("the 'S' Share Fund") has been terminated. Under the terms of the pre-merger 'O' Share Fund Incentive Agreement, each of the ongoing Investment Adviser, Mobeus Equity Partners LLP and a former Investment Adviser, Foresight Group LLP ("Foresight") are entitled to a performance fee equal to 20% of the excess of the value of any realisation of an investment made after 30 June 2007, over the value of that investment in an Investment Adviser's portfolio at that date ("the Embedded Value"), which value is itself uplifted at the rate of 6% per annum subject to a High Watermark test.

However, two amendments were made to this agreement for Mobeus, the ongoing Investment Adviser. Firstly, the High Watermark was increased by £811,430, being the 'S' Share Fund's shortfall in total net assets from net asset value of £1 per 'S' Share, at 31 December 2009. Secondly, only 70% of any new investment made by Mobeus after the Merger will be added to the calculation of the Embedded Value, the value of the Investment Adviser's portfolio and the value of any realisations, for the purposes of assessing any excess.

Under the above agreements, each of the ongoing Investment Adviser, Mobeus and a former Investment Adviser, Foresight have been paid an aggregate performance incentive fee of £59,672 on the ex-Foresight portfolio in respect of the year ended 30 September 2013, with £67,733 having been accrued at that date. On the Mobeus portfolio only, £491,811 was accrued at 30 September 2012 and remains payable at 31 March 2014.

For the year ending 30 September 2014, performance incentive fees of £490,561 have been accrued in respect of the ex-Foresight portfolio, to be shared between Mobeus and the ex-Adviser, Foresight. On the Mobeus portfolio, £33,358 has been accrued for the period to 31 March 2014.

Under the terms of a Linked Offer for Subscription launched on 28 November 2013, Mobeus will be entitled to fees of 3.25% of the investment amount received from investors. The sum earned to 31 March 2014 is £721,052, across all four VCTs involved in the Offer, out of which all costs of the Offer are being met. Based upon a fully subscribed Offer of £34 million, the fee would be £1,105,000, out of which again, all costs of the Offer will be met.

#### 4. Taxation

There is no tax charge for the period as the Company has incurred tax losses, as its expenses exceed its income.

#### 5. Basic and diluted earnings and return per share

	Six months ended 31 March 2014 £	Six months ended 31 March 2013 £	Year ended 30 September 2013 £
i) Total earnings after taxation:	4,083,113	4,645,161	8,209,391
<b>Basic earnings per share</b>	<b>7.57p</b>	<b>9.92p</b>	<b>16.43p</b>
ii) Net revenue from ordinary activities after taxation	1,005,566	526,881	1,486,480
<b>Basic revenue return per share</b>	<b>1.87p</b>	<b>1.12p</b>	<b>2.98p</b>
Net unrealised capital gains	3,376,292	3,009,086	5,900,080
Net realised capital gains	552,484	1,037,994	1,093,304
Capital dividend	–	533,750	533,750
Capital expenses (net of taxation)	(335,369)	(355,772)	(697,445)
Investment Advisers' performance fees	(515,860)	(106,778)	(106,778)
iii) Total capital return	3,077,547	4,118,280	6,722,911
<b>Basic capital return per share</b>	<b>5.70p</b>	<b>8.80p</b>	<b>13.45p</b>
iv) Weighted average number of shares in issue in the period	53,909,991	46,836,111	49,959,629

Other than the performance related incentive, there are no instruments in place that will increase the number of shares in issue in future. If shares are issued, no dilution of earnings per share will occur, as the estimated incentive fee payable has been charged in these accounts.

#### 6. Dividends

	Six months ended 31 March 2014 £	Six months ended 31 March 2013 £	Year ended 30 September 2013 £
<b>Ordinary Shares</b>			
Interim paid of nil (2013: 3p capital and 3p income) pence per share	–	2,862,310	2,862,310
Interim paid of nil (2013: 5p capital and 1p income) pence per share	–	–	3,197,397
Final paid of 2.75 capital and 1.25 income (2013: nil p) pence per share	2,226,376	–	–
	<b>2,226,376*</b>	<b>2,862,310*</b>	<b>6,059,707*</b>

\* - Of this amount £277,780 (31 March 2013: £333,740; 30 September 2013: £710,241) of new shares were issued as part of the Company's Dividend Investment Scheme.

The figure in the Cash Flow Statement of £2,218,578 differs by £7,798 from that shown above, being a recovery of dividends paid on shares bought back.

## 7. Summary of movement on investments during the period

	Traded on AiM £	Unquoted ordinary shares £	Preference shares £	Qualifying loans £	Total £
Valuation at 1 October 2013	1,979,124	11,416,576	34,963	20,589,574	34,020,237
Purchases at cost	30	1,665,628	–	5,473,279	7,138,937
Sales – proceeds	(2,042)	(3,093,931)	–	(770,019)	(3,865,992)
– realised gains	2,042	529,860	–	21,004	552,906
Reclassification at valuation	–	(133,100)	1,838	131,262	–
Unrealised gains/(losses)	261,658	2,713,903	(175)	900,906	3,876,292
<b>Valuation at 31 March 2014</b>	<b>2,240,812</b>	<b>13,098,936</b>	<b>36,626</b>	<b>26,346,006</b>	<b>41,722,380</b>
Book cost at 31 March 2014	1,333,907	11,728,243	52,156	24,671,209	37,785,515
Unrealised gains/(losses) at 31 March 2014	906,905	6,615,847	(15,530)	1,674,797	9,182,019
Permanent impairment of valuation of investments	–	(5,245,154)	–	–	(5,245,154)
<b>Valuation at 31 March 2014</b>	<b>2,240,812</b>	<b>13,098,936</b>	<b>36,626</b>	<b>26,346,006</b>	<b>41,722,380</b>
<b>Gains on investments</b>					
Realised (losses)/gains based on historical cost	(2,958)	2,528,775	–	191,091	2,716,908
Less amounts recognised as unrealised (gains)/losses in previous years	5,000	(1,998,915)	–	(170,087)	(2,164,002)
Realised gains based on carrying value at 31 March 2014	2,042	529,860	–	21,004	552,906
Net movement in unrealised gains/(losses) in the period	261,658	2,713,903	(175)	900,906	3,876,292
<b>Gains/(losses) on investments for the period ended 31 March 2014</b>	<b>263,700</b>	<b>3,243,763</b>	<b>(175)</b>	<b>921,910</b>	<b>4,429,198</b>

Transaction costs of £422 were incurred in the period and are treated as realised gains on investments in the Income Statement. Deducting these from realised gains above gives £552,484 of gains as shown in the Income Statement.

Proceeds above of £3,865,992 differ from the Cash Flow Statement figure of £3,865,570 by transaction costs of £422. Purchases of investments above of £7,138,937 differ from the Cash Flow Statement figure of £7,141,220 by £2,283 relating to investments not completed by the period-end.

Unrealised gains above of £3,876,292 differ from that shown in the Income Statement of £3,376,292 by £500,000. This is due to the estimated fair value of contingent consideration, recognised in the Balance Sheet at 30 September 2013 of £889,000. Of this sum £492,479 was received in the period (of which £500,000 had been accrued) and so has now been recognised as a realised gain. The remaining deferred consideration of £389,000 also explains part of the total difference of £932,503 between unrealised gains as at 31 March 2014 above of £9,182,019 and that shown in note 9 of £10,114,522. The remaining £543,503 relates to the current balance of proceeds received as part of the secondary buyout of DiGiCo Europe Limited in December 2011 in the form of loan stock that is still being held at 31 March 2014.

## 8. Current asset investments

	31 March 2014 £	31 March 2013 £	30 September 2013 £
Monies held pending investment	19,836,805	17,787,414	22,799,201

Current asset investments comprise investments of £12,793,416 (31 March 2013: £12,787,414; 30 September 2013: £12,790,694) in five OEIC money market funds (four Dublin based and one London based) subject to immediate access, and £7,043,389 (31 March 2013: £5,000,000; 30 September 2013: £10,008,507) in four (31 March 2013: 2, 30 September 2013: 6) bank deposits, repayable within one year. These sums are regarded as monies held pending investment.

## 9. Capital and reserves for the six months ended 31 March 2014

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Special reserve £	Profit and loss account £	Total £
At 1 October 2013	530,882	15,634,572	287,932	8,902,232	13,193,594	21,919,660	60,468,872
Shares bought back	(2,260)	–	2,260	–	(228,381)	–	(228,381)
Shares issued (note a)	47,872	5,363,066	–	–	–	–	5,410,938
Dividends re-invested into new shares issued	2,787	274,994	–	–	–	–	277,781
Dividends paid	–	–	–	–	–	(2,226,376)	(2,226,376)
Loss transferred between reserves	–	–	–	–	(854,187)	854,187	–
Other expenses net of taxation	–	–	–	–	–	(851,229)	(851,229)
Net unrealised gains on investments	–	–	–	3,376,292	–	–	3,376,292
Net realised gains on investments	–	–	–	–	–	552,484	552,484
Cancellation of share premium account (see note b)	–	(18,817,177)	–	–	18,817,177	–	–
Realisation of previously unrealised gains	–	–	–	(2,164,002)	–	2,164,002	–
Profit for the period	–	–	–	–	–	1,005,566	1,005,566
<b>At 31 March 2014</b>	<b>579,281</b>	<b>2,455,455</b>	<b>290,192</b>	<b>10,114,522</b>	<b>30,928,203</b>	<b>23,418,294</b>	<b>67,785,947</b>

Note a: shares issued as part of the Linked Offer for Subscription and Dividend Investment Scheme per the Cash Flow Statement of £3,488,399 differs to that shown as shares issued above of £5,410,938 by £1,922,539. This is due to £277,781 of shares allotted under the Company's Dividend Investment Scheme shown separately above and also to £2,200,320 of net funds due to the Company arising from shares allotted on 31 March 2014, which was a debtor at the period-end.

Note b: The cancellation of £18,817,177 from the share premium account (as approved at the General Meeting held on 22 February 2013 and by the order of the Court dated 12 March 2014) has increased the Company's special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares, to write off existing and future losses and for any other corporate purpose.

## 10. Net asset value per share

	as at 31 March 2014	as at 31 March 2013	as at 30 September 2013
Net assets	£67,785,947	£56,682,008	£60,468,872
Number of shares in issue	57,928,126	50,149,478	53,088,219
Net asset value per share – basic and diluted	117.02p	113.03p	113.90p

Diluted NAV per share assumes that the Investment Adviser's incentive fee is satisfied by the issue of additional shares. If shares are issued, no dilution of NAV per share will occur, as the estimated incentive fee payable is already held as a creditor in these accounts.

## 11. Post balance sheet events

On 3 April 2014, 661,852 ordinary shares were allotted at an average effective price of 116.17 pence per share raising net funds of £733,248. On 4 April 2014, 1,138,164 ordinary shares were allotted at an average effective price of 115.45 pence per share raising net funds of £1,260,892.

## 12. Statutory information

The financial information for the six months ended 31 March 2014 and the six months ended 31 March 2013 has not been audited.

The financial information contained in this Half-Year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements for the year ended 30 September 2013 have been filed with the Registrar of Companies. The auditor has reported on these financial statements and that report was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 13. Half-Year Report

Copies of this statement are being sent to all shareholders. Further copies are available free of charge from the Company's registered office, 30 Haymarket, London, SW1Y 4EX, or can be downloaded via the Company's website at [www.incomeandgrowthvct.co.uk](http://www.incomeandgrowthvct.co.uk)

# Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company website at [www.incomeandgrowthvct.co.uk](http://www.incomeandgrowthvct.co.uk) which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. The London Stock Exchange's website at [www.londonstockexchange.com/prices-and-markets/stocks/stocks-and-prices.htm](http://www.londonstockexchange.com/prices-and-markets/stocks/stocks-and-prices.htm) provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Tax Efficient Review at [www.taxefficientreview.com](http://www.taxefficientreview.com) provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Adviser circulates a twice-yearly newsletter to its VCT shareholders in January and July of each year. The newsletter includes contains information on the investment portfolio, the latest performance figures and details of the VCT's latest investment activity.

## Net asset value per share

The Company's NAV per share as at 31 March 2014 was 117.0 pence per share. The Company announces its unaudited NAV on a quarterly basis.

## Dividend

The Directors have declared an interim dividend in respect of the year ending 30 September 2014 of 6.0 pence per share (comprising 5.0 pence from capital and 1.0 penny from income). The dividend will be paid on 3 July 2014 to shareholders on the Register on 13 June 2014. The Company's Dividend Investment Scheme will apply to this dividend (see below).

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, Capita Asset Services at the address on page 24.

## Financial calendar

Late May 2014	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 31 March 2014 to shareholders
3 July 2014	Payment date of interim dividend of 6.0 pence per share
30 September 2014	Year-end
Late December 2014	Annual Report for the year ended 30 September 2014 to be circulated to shareholders
February 2015	Annual General Meeting

## Dividend Investment Scheme

The Scheme is a convenient, easy and cost effective way to build up your shareholding in the Company. Instead of receiving cash dividends, you can elect to receive new shares in the Company. By opting to receive your dividend in this manner, there are three benefits to shareholders:

- The dividend is tax free to you;
- Shareholders are allotted new ordinary shares which will, subject to your particular circumstances, attract VCT tax reliefs applicable for the tax year in which the shares are allotted. The tax relief currently available to investors in new VCT shares is 30% for the 2011/12 tax year for investments up to £200,000 in any one tax year; and
- The Scheme also has one other, particular advantage. Under its terms, a member is able to re-invest at an advantageous price, being the average market price of the shares for the five business days prior to the dividend being paid. This price is likely to be at a discount of 10% to the underlying net asset value (provided that this is greater than 70% of the latest published net asset value per share).

A copy of terms and conditions for the scheme and a mandate can be downloaded from company's website or obtained from the company secretary by telephoning: 020 7024 7600.

## 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, if you wish to sell your shares, 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.

## Managing your shareholding online

For details on your individual shareholding and to manage your account online shareholders may log into or register with the Capita Shareholder Portal at the web address below:

[www.capitashareportal.com](http://www.capitashareportal.com)

You can use the Shareholder Portal to change 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 your dividends.

## Shareholder workshop

The Adviser held a further successful shareholder workshop in January 2014. The workshop provided a forum for about 160 Mobeus VCT shareholders to hear presentations from the Adviser and to learn more about its investment activity in greater depth from the Managing Director and Chairman respectively, of two diverse portfolio companies, Gro-Group and Newquay Helicopters.

## 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 Adviser, approved by the Board. The May annual general meetings provide 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 Adviser.

## Boiler room fraud and unsolicited communications to shareholders

We are aware that from time to time our shareholders have received unsolicited telephone calls and/or mail which purport to come from the Company or to be authorised by the VCT.

I&G VCT is obliged by law to make its share register publicly available on request and, as a result, it is possible that shareholder address information could be used by third parties to obtain telephone numbers and/or send unsolicited mail. However, the Company has the right to challenge such a request when the reason given for the request is not acceptable to us and we will be taking advantage of these provisions as appropriate.

The practice of boiler room fraud has been highlighted by the FCA and the Institute of Chartered Secretaries and Administrators ("ICSA"), and their warning notice to shareholders is reproduced below.

## Warning issued by the FCA and the ICSA (updated to reflect changes at the FCA)

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the FCA has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting [www.fca.gov.uk/register/](http://www.fca.gov.uk/register/) and contacting the firm using the details on the register.
- Report the matter to the FCA either by contacting its consumer helpline on 0800 111 6768 or [consumer.queries@fca.org.uk](mailto:consumer.queries@fca.org.uk) or visiting the consumer pages at their website which includes comprehensive information in the section on investment scams including a reporting form.
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme ("FSCS"). The FSCS can be contacted via their website at [www.fscs.org.uk](http://www.fscs.org.uk).

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the Money Advice Service website: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

For further information, shareholders may also contact Mobeus, the Company Secretary, Tel : 020 7024 7600.

## Mobius website

Shareholders can check the performance of their investment by visiting the Adviser's website at [www.mobusequity.co.uk](http://www.mobusequity.co.uk). This is regularly updated with information on your investment including case studies of portfolio companies. The Company continues to have its own dedicated section of the website which shareholders may prefer to access directly by going to [www.incomeandgrowthvct.co.uk](http://www.incomeandgrowthvct.co.uk). This includes performance tables and details of dividends paid as well as copies of past reports to shareholders and information on the current fundraising.

## Shareholder enquires:

For enquiries concerning the Company, please contact the Adviser, Mobius Equity Partners LLP, on 020 7024 7600 or by e-mail to [i&g@mobusequity.co.uk](mailto:i&g@mobusequity.co.uk).

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars:

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

VCT investor line: 0871 664 0324  
[www.capitashareportal.com](http://www.capitashareportal.com)

To contact the Chairman or any member of Board, please contact the Company Secretary, Mobius Equity Partners LLP in the first instance, on 020 7024 7600 or by e-mail to [i&g@mobusequity.co.uk](mailto:i&g@mobusequity.co.uk).

# Performance Data Appendix at 31 March 2014

Share price as at 31 March 2014                      100.00 pence<sup>1</sup>  
 NAV per share as at 31 March 2014                117.02 pence

## Performance data for all fundraising rounds

The following table shows, for all investors in the Company, how their investments have performed since they were originally allotted shares in each fundraising.

Shareholders from the original fundraising in 2000/01 should note that the funds were managed by three investment advisers, up until 10 March 2009. At that date, Mobeus became the sole adviser, to this and all subsequent fundraisings.

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and a NAV basis as at 31 March 2014. The NAV basis enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

Allotment date(s)	Allotment price (p)	Net allotment price <sup>2</sup> (p)	Cumulative dividends paid per share (p)	Cumulative total return per share to shareholder since allotment		
				(Share price <sup>1</sup> basis) (p)	(NAV basis) (p)	% increase since 30 September 2013 (NAV basis)
<b>Funds raised - 'O' Share Fund<sup>3</sup> (launched 18 October 2000)</b>						
Between 3 November 2000 and 11 May 2001	100.00	60.62	55.80	131.58	144.48	3.88%
<b>Funds raised 2007/8 - 'S' Share fund (launched 14 December 2007)</b>						
Between 1 April 2008 and 6 June 2008	100.00	70.00	44.50	144.50	161.52	4.61%
<b>Funds raised 2010/11 (launched 12 November 2010)</b>						
21 January 2011	104.80	73.36	44.00	144.00	161.02	4.63%
28 February 2011	107.90	75.53	42.00	142.00	159.02	4.69%
22 March 2011	105.80	74.06	42.00	142.00	159.02	4.69%
1 April 2011	105.80	74.06	40.00	140.00	157.02	4.75%
5 April 2011	105.80	74.06	40.00	140.00	157.02	4.75%
10 May 2011	105.80	74.06	40.00	140.00	157.02	4.75%
6 July 2011	106.00	74.20	40.00	140.00	157.02	4.75%
<b>Funds raised 2012 (launched 20 January 2012)</b>						
8 March 2012	106.40	74.48	16.00	116.00	133.02	5.66%
4 April 2012	106.40	74.48	16.00	116.00	133.02	5.66%
5 April 2012	106.40	74.48	16.00	116.00	133.02	5.66%
10 May 2012	106.40	74.48	16.00	116.00	133.02	5.66%
10 July 2012	111.60	78.12	16.00	116.00	133.02	5.66%
<b>Funds raised 2013 (launched 29 November 2012)</b>						
14 January 2013	116.00	81.20	16.00	116.00	133.02	5.66%
28 March 2013	112.60	78.82	10.00	110.00	127.02	5.94%
4 April 2013	112.60	78.82	10.00	110.00	127.02	5.94%
5 April 2013	112.60	78.82	10.00	110.00	127.02	5.94%
10 April 2013 Pre RDR <sup>4</sup>	115.30	80.71	10.00	110.00	127.02	5.94%
10 April 2013 Post RDR <sup>4</sup>	112.60	78.82	10.00	110.00	127.02	5.94%
7 May 2013	112.60	78.82	10.00	110.00	127.02	5.94%

<sup>1</sup> - Source: London Stock Exchange.

<sup>2</sup> - Net allotment price is the allotment price less applicable income tax relief. Income tax relief was 20% up until 5 April 2004, 40% from 6 April 2004 to 5 April 2006, and 30% thereafter.

<sup>3</sup> - Shareholders who invested in 2000/01 received 0.7578 shares in the current share class for each share previously held on 29 March 2010, when the Company's two share classes merged. The NAV, cumulative dividend, total return, share price and percentage return data per share have been adjusted to reflect this conversion ratio.

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

Allotment date(s)	Allotment price	Net allotment price <sup>2</sup>	Cumulative dividends paid per share	Cumulative total return per share to shareholder since allotment		
				(Share price <sup>1</sup> basis)	(NAV basis)	% increase since 30 September 2013 (NAV basis)
	(p)	(p)	(p)	(p)	(p)	
<b>Funds raised 2014 (launched 28 November 2013)</b>						
09 January 2014	117.82 <sup>3</sup>	<b>82.47</b>	4.00	<b>104.00</b>	<b>121.02</b>	–
11 February 2014	119.02 <sup>3</sup>	<b>83.31</b>	4.00	<b>104.00</b>	<b>121.02</b>	–
31 March 2014	115.64 <sup>3</sup>	<b>80.95</b>	–	<b>100.00</b>	<b>117.02</b>	–
03 April 2014	116.17 <sup>3</sup>	<b>81.32</b>	–	<b>100.00</b>	<b>117.02</b>	–
04 April 2014	115.45 <sup>3</sup>	<b>80.82</b>	–	<b>100.00</b>	<b>117.02</b>	–

<sup>1</sup> - Source: London Stock Exchange.

<sup>2</sup> - Net allotment price is the allotment price less applicable income tax relief of 30%.

<sup>3</sup> - Average effective offer price.

## Cumulative dividends paid

	Funds raised 2000/01 'O' Share Fund (p)	Funds raised 2007/08 'S' Share Fund (p)	Funds raised 2010/11 (p)	Funds raised 2012 (p)	Funds raised 2012/2013 (p)	Funds raised 2014 (p)
12 March 2014	3.03 <sup>1</sup>	4.00	4.00	4.00	4.00	4.00
27 June 2013	4.55 <sup>1</sup>	6.00	6.00	6.00	6.00	
08 February 2013	4.55 <sup>1</sup>	6.00	6.00	6.00	6.00	
15 February 2012	3.02 <sup>1</sup>	4.00	4.00			
27 January 2012	15.16 <sup>1</sup>	20.00	20.00			
28 March 2011	1.52 <sup>1</sup>	2.00	2.00			
22 February 2011	1.52 <sup>1</sup>	2.00	2.00			
<b>29 March 2010: Merger of the 'O' and 'S' Share Funds</b>						
17 March 2010	2.00	0.50				
16 February 2009	4.00					
15 February 2008	2.00					
24 October 2007	2.00					
15 February 2007	3.75					
14 February 2006	3.25					
04 February 2005	1.25					
11 February 2004	1.25					
12 February 2003	1.75					
18 February 2002	1.20					
<b>Total dividends paid<sup>2</sup></b>	<b>55.80</b>	<b>44.50</b>	<b>44.00</b>	<b>16.00</b>	<b>16.00</b>	<b>4.00</b>

<sup>1</sup> - The dividends paid after the merger, on the former 'O' Share Fund shareholdings have been restated to take account of the merger conversion ratio.

<sup>2</sup> - The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to shareholders by date of allotment is shown in the tables on page 25 and above.

# Timeline of the Company

## October 2000

The Company is launched as **TriVest VCT plc** advised by three managers, Foresight Group, GLE Development Capital and LICA Development Capital.

## April 2001

The Company's first fundraising of its 'O' Share Fund is completed.

## October 2002

Nova Capital Management succeeds LICA Development Capital as Adviser to that section of the portfolio.

## April 2004

The team from GLE Development Capital join Matrix Group to form Matrix Private Equity Partners and continue the management of its share of the Company's portfolio.

## September 2007

The Company implements a change in its management arrangements with the funds now being jointly managed by Matrix Private Equity Partners and Foresight Group.

## October 2007

The Company changes its name to **The Income & Growth VCT plc** following the change to becoming a dual-managed VCT.

## December 2007

The 'S' Share Fund is launched.

## March 2009

The Company becomes a VCT solely advised by Matrix Private Equity Partners. The Company changes its Investment Policy to focus on more mature businesses.

## March 2010

The 'O' Share Fund (launched in 2000) merges with the 'S' Share Fund (launched in 2007) to create the current class of shares.

## November 2011

The Company sells its stake in App-DNA for 32 times cost and pays a special interim capital dividend of 20p per share in the following January.

## June 2012

Matrix Private Equity Partners LLP becomes a fully independent firm owned by its partners and renames itself Mobeus Equity Partners LLP.

## 2010-2014

The Company participates in four linked fundraisings with the other Mobeus advised VCTs.

# Corporate Information

## Directors

Colin Hook  
Jonathan Cartwright  
Helen Sinclair

## Company's Registered Office

30 Haymarket  
London  
SW1Y 4EX

## Investment Adviser, Company Secretary, Administrator and Promoter

Mobius Equity Partners LLP  
30 Haymarket  
London  
SW1Y 4EX  
Tel: 020 7024 7600  
[info@mobeusequity.co.uk](mailto:info@mobeusequity.co.uk)

## Company Registration Number:

4069483

## [www.incomeandgrowth.co.uk](http://www.incomeandgrowth.co.uk)

[iandg@mobeusequity.co.uk](mailto:iandg@mobeusequity.co.uk)

## Independent Auditor

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## Solicitors

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## Bankers

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London  
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## Receiving Agent

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## Registrar

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## Corporate Broker

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\* Calls cost 10p per minute plus network extras.  
Lines are open 8.30am to 5.30 pm. Mon-Fri.

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