

Mobeus Income & Growth 2 VCT PLC

A VENTURE CAPITAL TRUST

Annual Report & Accounts
for the 11 months ended 31 March 2014

Mobeus Income & Growth 2 VCT plc, (“MIG2”, the “Company” or the “Fund”) is a Venture Capital Trust (“VCT”) advised by Mobeus Equity Partners LLP (“Mobeus”), investing primarily in established, profitable, unquoted companies.

Objective of Company

The objective of the Company is to provide investors with a regular income stream, arising both from the income generated by companies selected for the portfolio and from realising any growth in capital.

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. More details are provided on page 9.

Timeline of the Company

- May 2000** Company launches as Matrix e-Ventures Fund VCT plc and raises £12.2 million for its original Ordinary ‘O’ share fund, to invest in companies with products and services dependent upon the application of new technology.
- October 2001** Company changes its name to Matrix Venture Fund plc.
- September 2005** Company adopts a broader investment strategy, to invest in established, profitable and cash generative businesses across any sector, and changes its name to Matrix Income & Growth 2 VCT plc.

Matrix Private Equity Partners becomes the Investment Adviser (“Adviser”).
- April 2006** Company raises funds of £8.6 million, for a new ‘C’ share fund.
- April 2009** Company raises further funds of £7.9 million for the ‘C’ Share fund.
- September 2010** The ‘O’ Share class is combined with the ‘C’ Share class (0.827 ‘C’ Shares received for each ‘O’ Share held) and the resultant single share class is re-designated as an Ordinary Share class.
- June 2012** Matrix Private Equity Partners LLP becomes a fully independent firm owned by its partners and renames itself Mobeus Equity Partners LLP. Matrix Income & Growth 2 VCT plc changes its name to Mobeus Income & Growth 2 VCT plc, to be consistent with the Adviser’s change of name.
- November 2013** The Company launches a linked fundraising with three other Mobeus VCTs. By the fundraising’s close in May 2014, the Company had raised £8.4 million as its share of the total raised of £33.7 million.

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WARNING TO SHAREHOLDERS –

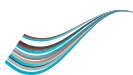

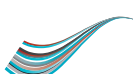


– Boiler room fraud and unsolicited communications to shareholders

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

Further information on boiler room scams and who to contact, should you believe that you have been approached in such a way, is included within Shareholder Information on page 63.

Financial Highlights

Results for the 11 months ended 31 March 2014

-  Net Asset Value ("NAV") Total Return per share for the period of 17.8%.
-  Share price Total Return per share for the period of 54.3%.
-  An interim dividend of 4.9 pence per share was paid on 21 March 2014 in respect of the 2014 financial period together with a further interim dividend in respect of the 2013 financial year of 0.1 pence per share. This brings total dividends paid in the period to 5.0 pence per share.
-  Liquidity has been enhanced by a successful fundraising raising £8.4 million. This brings the current total of portfolio and liquid assets to £36.4 million.
-  Investments of £5.2 million made during the period, plus a further £0.7 million invested after the period-end.

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

Performance Summary

The NAV per share as at 31 March 2014 was 120.73 pence

The table below shows the recent past performance of the current share class, first raised in 2006. The original subscription price was 100p per share before the benefit of income tax relief. Performance data for all fundraising rounds are shown in tables on pages 65 and 66 of this Annual Report and Accounts (the "Annual Report").

Reporting date as at	Net assets (£m)	Net asset value (NAV) per share (p)	Share price (mid-market price) (p) ¹	Cumulative dividends paid per share (p)	Cumulative total return per share to shareholders since launch	
					(NAV basis) (p) ²	(Share price basis) (p) ³
31 March 2014	33.88	120.73	103.50	23.00	143.73	126.50
30 April 2013	25.70	106.75	70.30	18.00	124.75	88.30
30 April 2012	24.53	98.71	67.00	14.00	112.71	81.00
30 April 2011	24.86	96.16	62.00	10.00	106.16	72.00
30 April 2010	23.29	87.47	41.50	5.00	92.47	46.50

¹ Source: London Stock Exchange.

² NAV as at the reporting date plus cumulative dividends paid since fund launch.

³ Mid-market share price as at the reporting date plus cumulative dividends paid since fund launch.

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

Chairman's Statement

I am pleased to present the results of Mobeus Income & Growth 2 VCT plc for the eleven months ended 31 March 2014. As foreshadowed in the Half-Yearly Report, the Company has shortened its year-end by one month from 30 April, to facilitate the process of allotting shares from the Linked Offer and future fundraisings.

Overview of Performance

This has been a good period for the Company. It has achieved a Net Asset Value ("NAV") Total Return of 17.8% (2013:12.3%) in the 11 month period, comfortably ahead of the Board's minimum average annual return target of 8%. This is due both to increased investment portfolio valuations and strong revenue returns in the period. The share price return has been an exceptional 54.3% (2013: 10.9%). This reflects the Board's adoption of a buyback policy that seeks to maintain the discount of the share price to latest net asset value per share at approximately 10%. In response, the share price has risen from 70.3 pence to 103.5 pence.

The value of the investment portfolio has increased by 16.8% on a like for like basis in the period. Many of the companies in the portfolio have continued to achieve strong growth in their niche markets in spite of continuing uncertainty in the UK and global economies. Our portfolio supports the view that well-managed and prudently financed businesses can succeed under testing market conditions. A number of our businesses are now well placed to take advantage of the more promising near term outlook for the UK economy.

Further details of the calculations demonstrating the Company's performance for the period are contained in the Strategic Report on pages 5 to 10. I explain the inclusion of the Strategic Report further below.

Shareholders should note that this performance data relates to the one ordinary share class now in existence, which was formerly called the C share class, before the share class merger

completed on 10 September 2010. To assist shareholders in monitoring the performance of their original Ordinary or C shares, specific performance data is shown in the Performance Data on page 65.

Dividends

An Interim dividend of 4.9 pence per share in respect of the 11 months ended 31 March 2014 was paid on 21 March 2014, along with a further interim dividend of 0.1 pence per share in respect of the year ended 30 April 2013. Thus, dividends paid in the 11 months ended 31 March 2014 are 5.0 pence (2013: 4.0 pence) per share. Cumulative dividends paid since inception are 23.0 pence (2013: 18.0 pence) per share.

A table showing the dividends paid in respect of each of the last five years and cumulative dividends paid is included in the Strategic Report on page 9.

The Board's policy is, subject to maintaining the net asset value of the Company, to pay a consistent and over time an increasing dividend. In the absence of unforeseen circumstances, the Board will maintain or increase the dividend per share paid in the previous year (currently 5p).

Investment portfolio

During the 11 months under review, the Company invested a total of £5.22 million (including £2.88 million which was previously held in acquisition vehicles) to support the MBOs of Veritek Global, Virgin Wines and Entanet International, a development capital investment in Bourn Bioscience and a substantial strategic acquisition by an existing portfolio company, Motorclean. Mobeus, the Company's Investment Adviser ("Adviser"), reports that deal flow continues to be strong. The prospects are good for further new investment during the current year.

Sale proceeds for the period have totalled £3.25 million, including £1.25 million received from Newquay Helicopters (formerly British International) as part of this company's realisation of assets. £0.13 million was received from Faversham House, £0.28 million was received from the sale of Omega Diagnostics and £1.53 million was received from other portfolio companies making partial loan stock repayments.

Just after the period-end, the VCT received £0.91 million in cash proceeds from the successful realisation of Machineworks and further proceeds of £0.17 million have also been received from Newquay Helicopters. A number of companies are pursuing their options for possible exits and we expect that some of these will complete during the next year.

Strategic Report

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

The purpose of this Report, on pages 4 to 22, is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company. The Report sets out the Company's Objective, Investment Policy and Business Model. The performance section on pages 5 to 9 provides information on how, and to what extent, the Company has achieved its Objective during the period and over the longer term, together with a description of the key performance indicators which the Directors monitor in order to measure the success of the Company. That section is followed by the Investment Review, which includes key data on the top ten investments and an analysis of the full investment portfolio. The Report goes on to provide context to this performance, giving information on the Company's other key policies and what the Board regards as the key risks faced by the Company, and how those risks are dealt with. In summary this Report should give shareholders an overview of your Company's progress in the period, supported by further detail that you can review, as you wish, in other sections of the Annual Report.

To avoid repetition, much of the detail that would previously have been included in the Chairman's Statement can now be found within the Strategic Report. I would welcome shareholders' views on whether you find this new format helpful and informative as well as your suggestions on any improvements you believe could be made.

Chairman's Statement

Legislative and regulatory developments

The Finance Bill 2014 ("the Bill") has introduced measures to discourage VCT shareholders from selling their existing shares within six months before or after the date of making a new investment in the same VCT. Investors are now only able to claim income tax relief to the extent that the value of the new shares they subscribe for in respect of that VCT exceeds the proceeds from the shares which were sold. The Bill also contains measures that will prevent VCTs from returning share capital to investors within three years of the end of the accounting period in which the VCT issued the shares. Distributions made from realised profits will not be affected by this change. These changes only apply to shares issued after 5 April 2014.

The VCT is required to appoint an Alternative Investment Fund Manager ("AIFM") before July 2014 to comply with new legislation which implements the European Commission's Alternative Investment Fund Managers' Directive. This development has tightened the rules on alternative investments. The Board has considered the Company's options in respect of the new legislation. Given the nature of the Company's business and the fact that the Adviser has been appointed under a non-discretionary mandate, the Board believes that the most appropriate action for the Company is to appoint itself as its own AIFM to comply with the specific requirements of the legislation. It has now applied to register on this basis. Mobeus will continue to provide investment advisory and administrative services to the Company under the current agreement.

Recent changes to the European Commission's Transparency Directive will mean that the Company will shortly no longer be required to publish quarterly Interim Management Statements. However, the Board intends to continue to announce the NAV per share on a quarterly basis.

Share buybacks

During the 11 months ended 31 March 2014, the Company bought back 3.1% (2013: 3.1%) of its share capital in issue at the beginning of the period. Further details of the purchases are included in the Strategic Report.

As referred to earlier, the Board adopted a buyback policy with the objective of seeking to maintain the discount of the share price to the latest announced NAV at 10% or less. This policy has been successfully applied, as the discount has narrowed from 34.1% at the previous year-end, to 9.4% by 31 March, as the share price appreciated from 70.3p to 103.5p at 31 March 2014.

Fundraising

Last year's Annual General Meeting approved the extension of the life of the Company as a venture capital trust beyond 2015, and renewed the power to allot further shares under an offer for subscription. This enabled the Company to launch a 2013/14 Linked Offer for Subscription with the other three Mobeus VCTs on 28 November 2013. I am pleased to report that this Offer has been well received. The Company has raised £8.4 million as its one quarter share of the £33.7 million raised in subscriptions by the four VCTs in the Offer.

A total of 7,173,730 new shares in the Company were allotted under the Offer, which closed on 30 May 2014.

The funds raised for the Company will improve its liquidity, ensuring it can take part in the increased prospective deal flow and spread its fixed running costs over a larger asset base. They will provide a fund of new money which may be used to pay ongoing expenses, including dividends and share buybacks, thus preserving money raised prior to 6 April 2012 to support the Company's strategy of investing in MBO deals.

Annual General Meeting

The Annual General Meeting of the Company will be held at 12 noon on Thursday, 11 September 2014 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. Both the Board and the Adviser look forward to welcoming shareholders to the meeting which will provide shareholders with the opportunity to ask questions and to receive a presentation from the Adviser on the investment portfolio. The Notice of the meeting is included on page 67 – 69 of this Annual Report.

Future prospects

There is a more positive outlook for the UK economy following a number of business surveys indicating a cautious optimism in the corporate sector. The Office for Budget Responsibility and the CBI have also forecast growth in the UK economy of 2.7% and 3% respectively for 2014. However, there are some cautionary notes with other commentators questioning the depth of the current recovery in the medium term. Against such an economic backdrop the Board believes that there are grounds for optimism for the UK and the portfolio companies in particular.

The Adviser is of the view that the mergers and acquisitions environment continues to strengthen, presenting new opportunities to invest in established, profitable businesses on attractive terms. The current strengthening market also provides the Company with opportunities to sell companies from the portfolio, if an appropriate offer, judged to be in the best interests of shareholders, is received.

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

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

Nigel Melville
Chairman
18 June 2014

Strategic Report

The Directors are pleased to present the Strategic Report of the Company for the 11 months ended 31 March 2014. The purpose of this Report is inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company. The Report has been prepared by the Directors in accordance with section 414 of the Companies Act 2006 ("the Act").

Company Objective

The Objective of the Company is to provide investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital.

Summary of Investment Policy

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

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

The VCT aims to invest in larger, more mature, unquoted companies through investing alongside three other VCTs advised by Mobeus with similar investment policies. This enables the VCT to participate in combined investments by the Manager of up to £5 million into each business per year.

The Company aims to maintain at least 70% of net funds raised, in qualifying investments. Uninvested funds are held in a portfolio of readily realisable interest-bearing investments and deposits.

The Company's cash and liquid resources may be invested to maximise the income returns of instruments of varying maturities, subject to the overriding criterion that the risk of loss of capital is minimised.

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

Business model

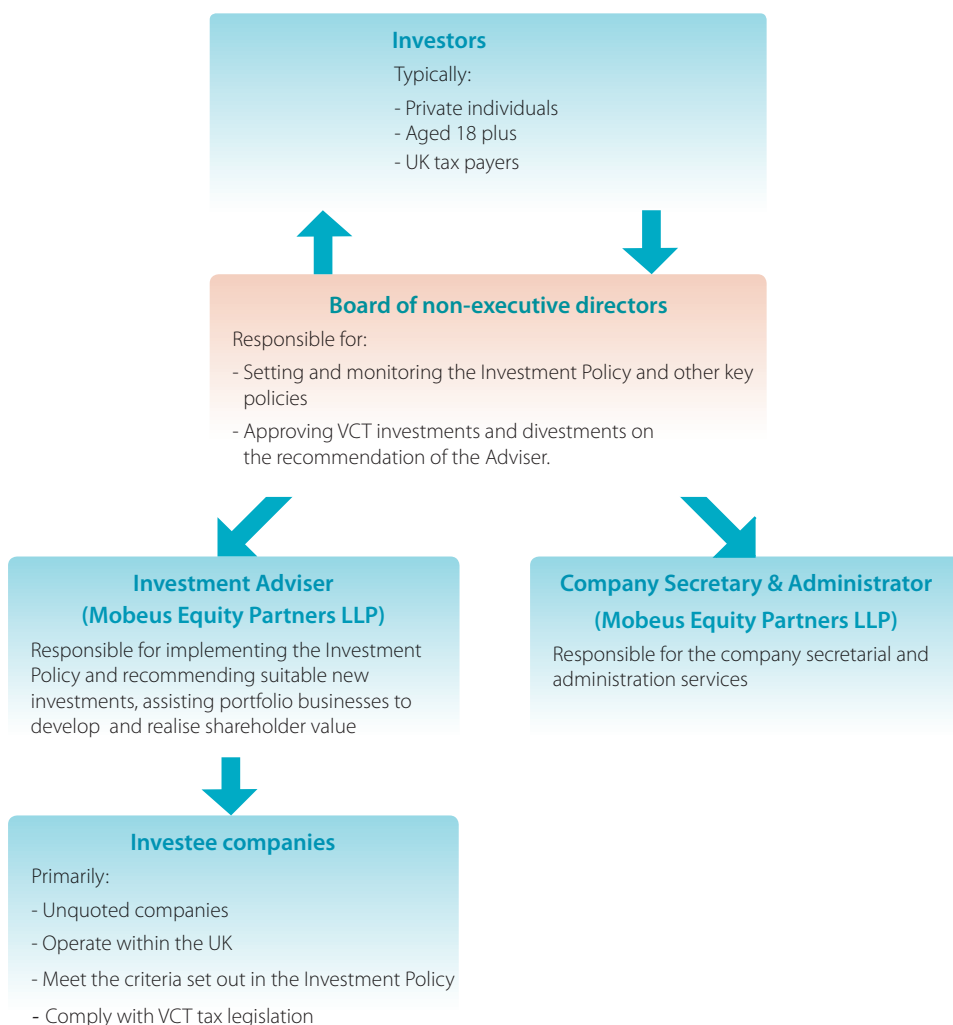
The Company is a Venture Capital Trust (VCT). Its Investment Policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC") whilst maximising returns to shareholders from both income and capital. One of the rules to remain a VCT is that it must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

The Company is an externally advised fund with a Board comprising non-executive Directors. The Board has overall responsibility for the Company's affairs including the determination of its Investment Policy. Investment and divestment proposals are originated, negotiated and recommended by the Adviser and are then subject to review and approval by the Directors.

Investment advisory and operational support are outsourced to external service providers including the Adviser, Company Secretary, Administrator and Registrars, with the key strategic and operational framework and key policies set and monitored by the Board.

Private individuals invest in the Company to benefit from both income and capital returns generated by investment performance. By investing in a VCT they also receive immediate income tax relief (currently 30% of the amount subscribed for new shares by an investor), as well as tax-free dividends received from the Company and are not liable for any capital gains tax upon the eventual sale of the shares.

The Company's business model is set out in the diagram below.



Strategic Report

Performance

Key Performance Indicators used to measure performance*

The Board has identified six key performance indicators that it uses in its own assessment of the Company's progress. These are intended to provide shareholders with sufficient information to assess how the Company has performed in 2014 and over the longer term against its Objective, resulting from the application of its investment and other principal policies:

*Throughout this Strategic Report each financial year was for the year ended 30 April, except for the current 11 month period ended 31 March 2014, due to the change in the Company's year end.

1. Annual and cumulative returns per share for the period

Total shareholder returns per share for the period

The NAV and share price total return per share for the 11 months ended 31 March 2014 were 17.8% and 54.3% respectively, as shown below:

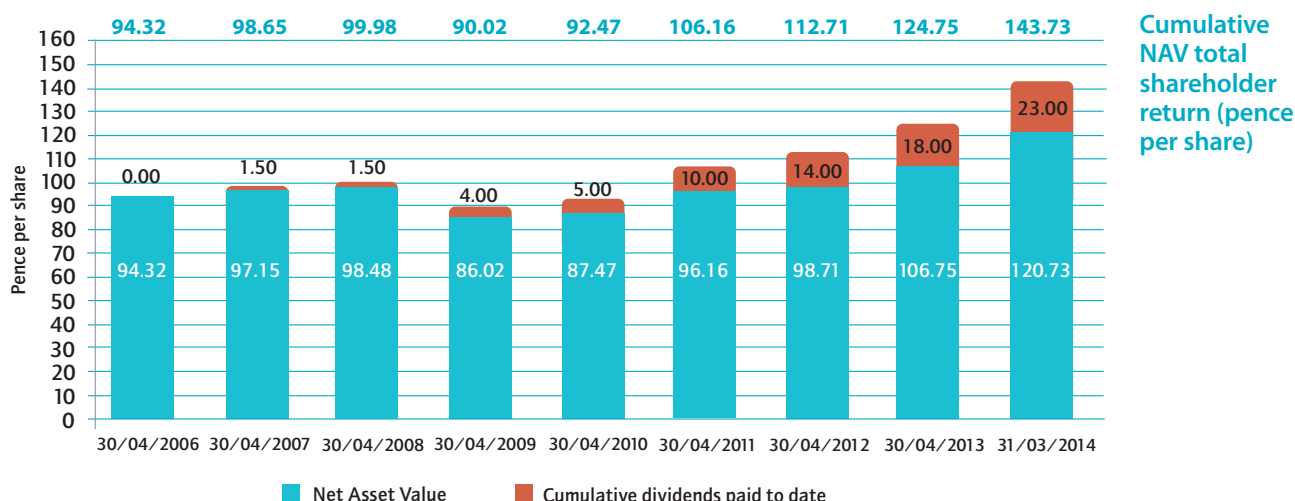
NAV basis (p)		Share price basis (p)			
Total return (p)	Closing NAV per share	120.73	Closing share price	103.50	
	Plus: dividends paid in period	5.00	Plus: dividends paid in period	5.00	
	Total for period	125.73	Total for period	108.50	
	Less: opening NAV per share	106.75	Less: opening share price	70.30	
	Return for period per share	+18.98	Return for period per share	+38.20	
% return for period		17.8%	% return for period		54.3%

The Board considers both the NAV and share price return for the period to be good.

For similar performance data to that shown above for each allotment in each fundraising since the inception of the Company, please see the Performance Data on pages 65 and 66 of this Annual Report.

Cumulative total shareholder return per share (NAV basis)

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

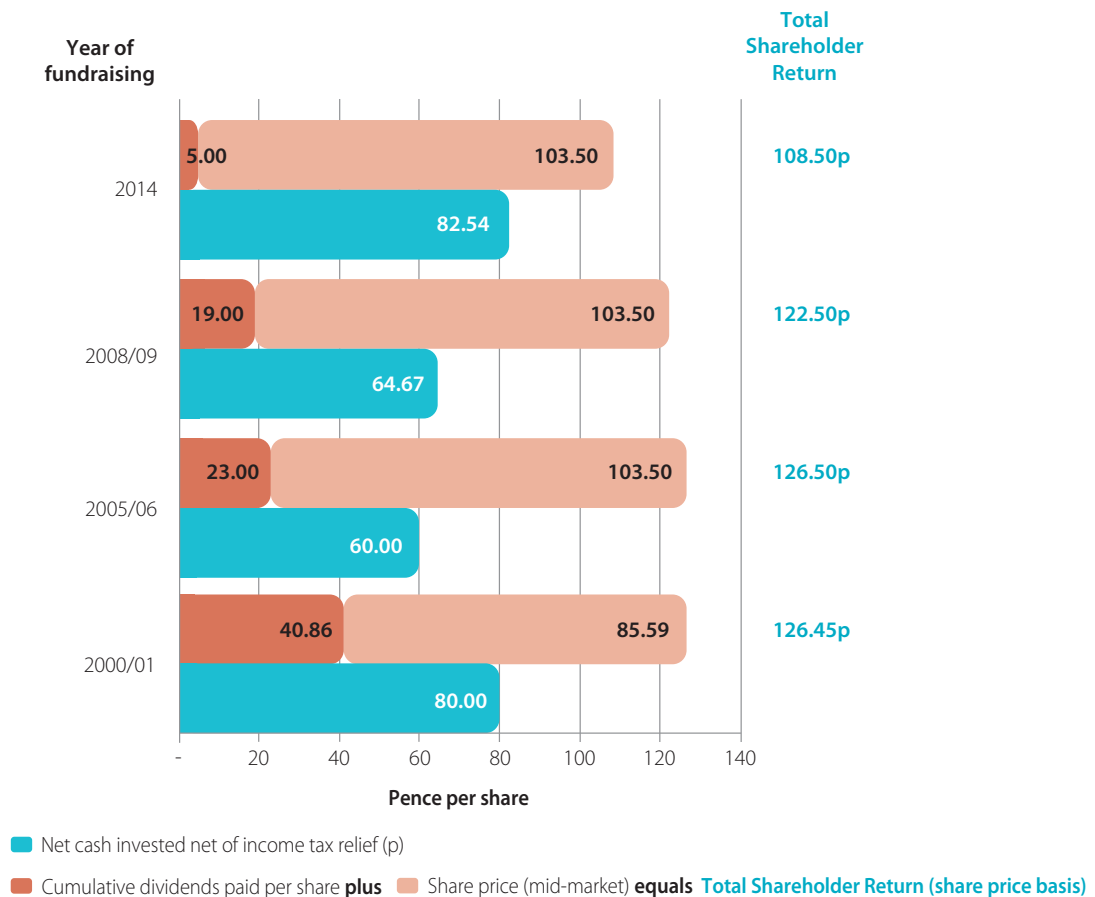


Taking into account initial income tax relief, founder shareholders have seen an annual return of 11.8% (2013: 10.7%) per annum since the launch of the current share class in 2006. This is the annual discount rate that equates the net investment cost of 60 pence per share at the date of the original investment, with the value of subsequent dividends received and the latest NAV per share.

The figures quoted in the information given above are for the shares subscribed in the Offer for subscription in 2005/06.

Shareholder returns

The chart below shows the amounts that shareholders who invested in the first allotment of each fundraising round have received to date in dividends together with the year-end, mid-market share price at 31 March 2014, compared with the amount invested (net of income tax relief also received).



The returns for shareholders are:

- Initial income tax relief received treated as a cash return at the time of the initial investment and deducted from the cash then invested. The amount returned was 40% of the initial investment for the tax years 2004/05 and 2005/06 and 30% for the tax years 2006/07 onwards;
- Tax-free dividends received as further cash returns since that initial investment;
- The closing mid-market share price.

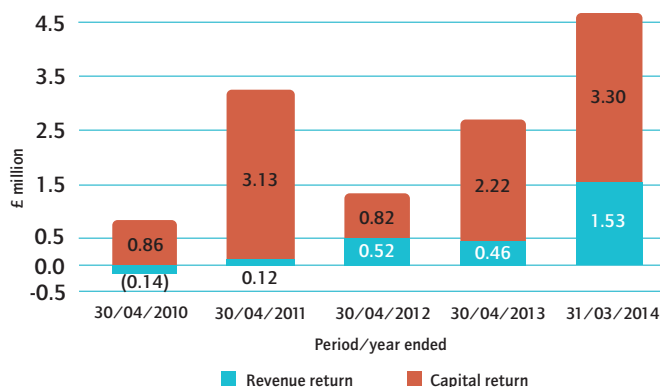
The 2000/01 fundraising relates to ordinary shares ("O" fund shares) issued under the original fundraising by the Company. These "O" Fund Shares were merged with the "C" Share class (first launched in 2005/06) on 10 September 2010. The share price and dividends received have been adjusted to reflect that an investor in "O" Fund Shares received approximately 0.827 "C" Shares for each "O" Fund Share held.

Strategic Report

Review of financial results for the 11 months ended 31 March 2014

For the period/ year ended	31 March 2014 £(m)	30 April 2013 £(m)
Capital return	3.30	2.22
Revenue return	1.53	0.46
Total profit	4.83	2.68

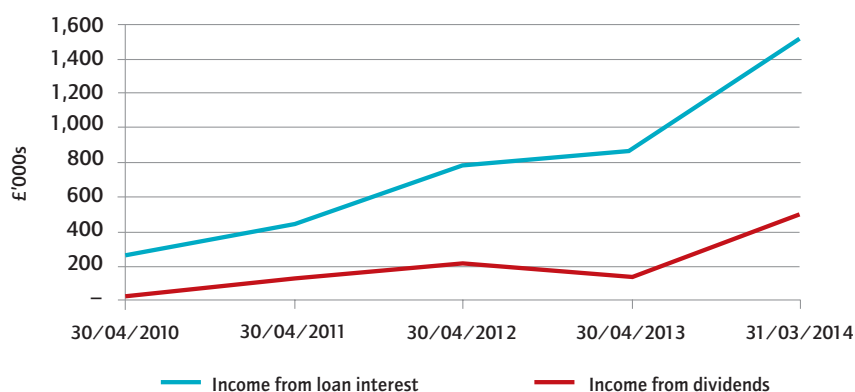
The position over the last five years is shown in the chart below.



The positive capital return of £3.30 million for the period is mainly due to a healthy uplift in portfolio valuations of a net £3.63 million on investments held at the period-end. Management fees charged to capital returns were a net £0.35 million.

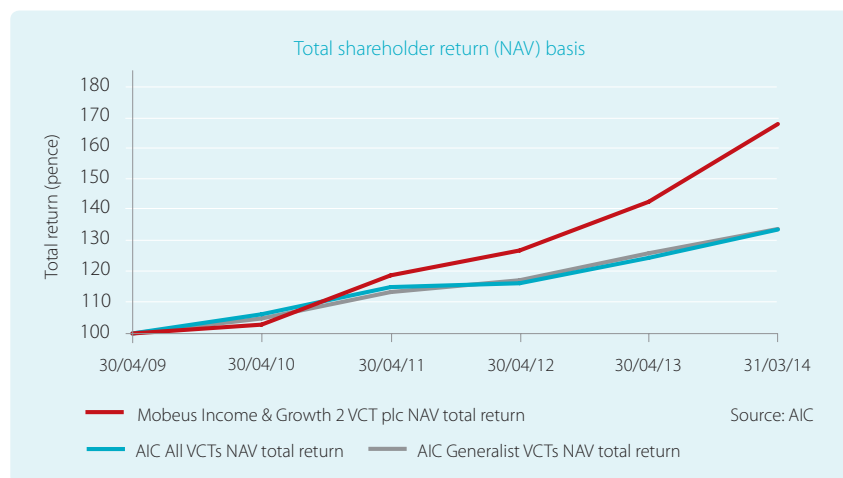
The increase in revenue return for the period of £1.07 million is mainly due to a rise in income of £1.02 million from £1.03 million to £2.05 million, explained in the table below:

	31 March 2014 £'000	30 April 2013 £'000	% Change	Reason
Loan interest	1,519	866	+75.4 %	Due to new loan stock investments and an exceptional receipt from Newquay Helicopters, settling loan interest arrears.
Dividend income	493	135	+265.2 %	Higher and maiden dividends received, including preference dividend arrears from Newquay Helicopters.
Return on cash	17	18	(5.6) %	Lower returns on cash held.
Other income	19	6	+216.7 %	Interest on overdue preference dividends.
Totals	2,048	1,025	+99.8 %	



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

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



The Board places emphasis on benchmarking the Company's performance against a peer group of VCTs. The graph opposite compares the NAV total return of the Company to an index of all VCTs and an index of generalist VCTs, which are members of the Association of Investment Companies ("AIC") over the last five years based on figures published by Morningstar.

Statistics produced by the AIC demonstrate that the Company's total return per share on a NAV basis has been maintained in the first quartile of the VCT's peer group (Generalist VCTs) on a one, three and five year basis.

Industry awards for the Adviser

The Adviser was named **VCT House of the Year 2013** at the **unquote" British Private Equity Awards 2013**. The citations for this award recognised the Adviser's outstanding level of consistency in maintaining high standards in all areas of its activity including deals, exits, portfolio management and fundraising. The Board is delighted that the work of the Adviser has been acknowledged in this way.

3. Compliance with VCT legislation

In order to comply with VCT tax legislation, the Company must meet a number of tests set by HMRC as detailed on page 20 under VCT Regulation within the Investment Policy. At 31 March 2014, the Company continued to meet these tests.

4. Costs

The Board monitors costs using the Ongoing Charges Ratio which is as set out in the table below.

	2014	2013
Ongoing charges	3.05%*	3.30%
Performance fee	0.00%	0.00%
Ongoing charges plus accrued performance fee	3.05%*	3.30%

* Annualised for 12 months

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 historical 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 previously reported, although the latter will still form the basis of any expenses in excess of the expense cap, that would be borne by the Adviser. There was no breach of the expense cap for the 11 months ended 31 March 2014 (year ended 30 April 2013: £nil).

The fall in the ratio over the period reflects the benefit of spreading the element of costs that are fixed across a larger asset base, even though the 2014 data for 11 months has been uplifted to enable comparison with the previous 12 month period.

Management fees and other expenses

Although net assets have increased, Adviser fees charged to both revenue and capital have barely changed, as last year covered 12 months and this period covered 11 months. Other expenses have nevertheless fallen from £0.32 million to £0.26 million.

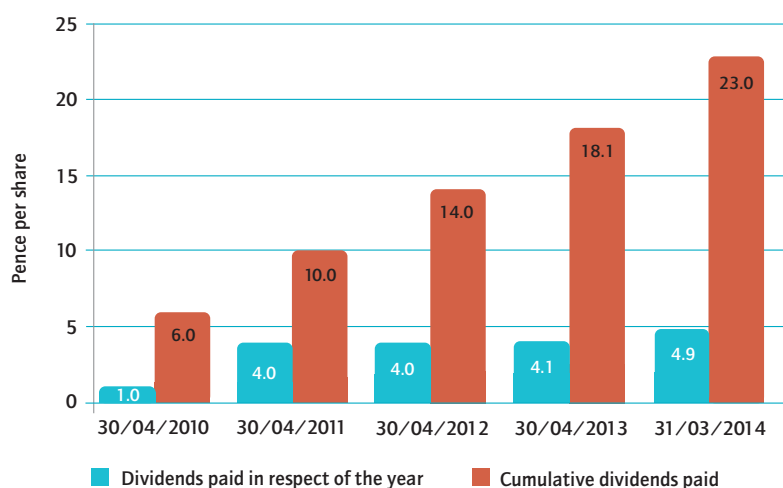
Strategic Report

In addition to its Investment Policy, the Board also monitors the key performance indicators arising from applying its Dividend and Share Buyback Discount Policies. These indicators are respectively dividends paid in respect of each year and the discount to NAV at which shares are bought back by the Company.

5. Dividend policy

The Company has a target of paying a consistent and over time an increasing dividend in respect of each financial year, whilst maintaining the net asset value of the Company. It has met this target in respect of each of its last four financial years.

In the absence of unforeseen circumstances, the Board will maintain or increase the dividend paid in the previous year (currently 5p). However, the ability of the Company to pay dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.



6. Share buyback and discount policy

Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV at which the shares trade at approximately 10%. This policy was implemented for the first time during this period under review.

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

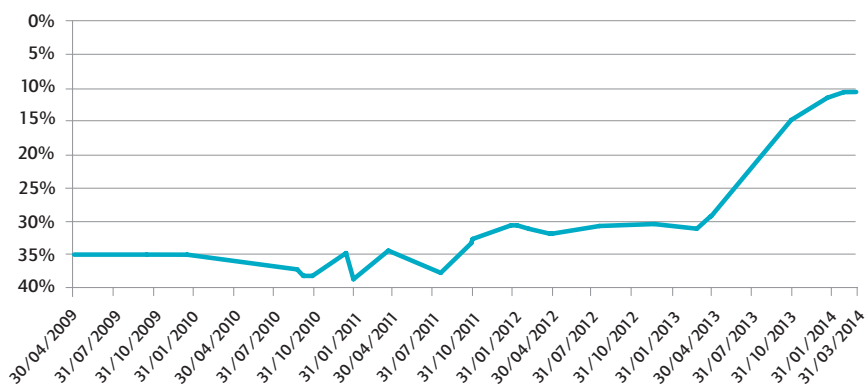
The table below shows how the discount of the share price to the NAV per share has moved over the last five years. The discount of approximately 10% has been maintained for the last phase of the current period, soon after the Board stated its intent to target such a discount level.

During the 11 months ended 31 March 2014, shareholders holding 0.75 million shares expressed their desire to sell their investments. The Company instructed its brokers, Panmure Gordon (UK) Limited

("Panmure Gordon"), to purchase these shares at prices representing discounts of between approximately 10.7% and 20.0% to the previously announced NAV per share. The Company subsequently purchased these shares at prices between 91.0 – 102.0 pence per share and cancelled them.

In total, during the period, the Company has bought back 3.1% of the issued share capital of the Company.

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



Investment Review

The strong deal flow reported at the half-yearly stage has continued in the second half of the period. The Adviser is increasingly confident that new investment activity will continue at a reasonable rate in the current year. The Adviser believes the healthy level of dealflow reflects both improved business

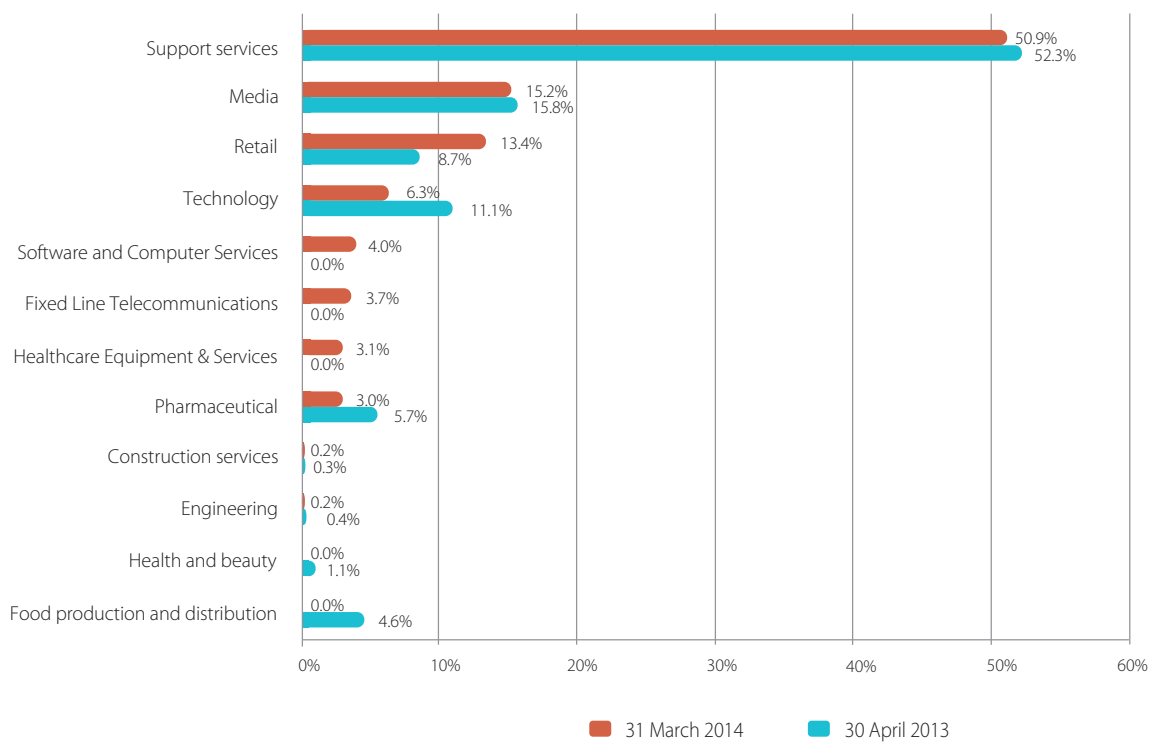
confidence and the continued perception that the UK banking industry remains unable to meet the funding needs of smaller businesses.

The valuation of the portfolio has increased by 16.8% during the year on a like-for-like basis. This is due to the strong

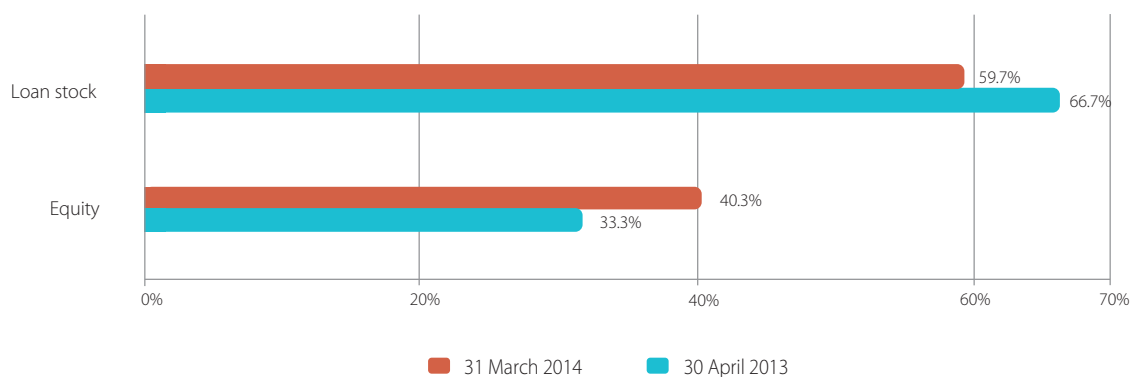
trading performance of, and repayment of borrowings by, a number of companies in the portfolio.

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

Investments by market sector at valuation



Investments by instrument at valuation







Strategic Report

New investment

A total of £5.22 million was invested into new deals during the period under review, including significant new investments to support the MBOs of Virgin Wines, Veritek Global and Entanet International Limited along with development capital invested in Bourn Bioscience Limited.


Principal new investments in the period

	Company	Business	Month	Amount (£m)
	Veritek Global	Maintenance of imaging equipment	July	0.97*
Veritek Global provides technical service, support and maintenance of complex and valuable equipment to world-leading brands throughout the photo imaging, healthcare, digital cinema, digital print and graphics sectors across Europe. The company's latest full year accounts show annual sales of £24.7 million and profit before interest, tax and goodwill of £1.5 million.				
	Virgin Wines	Online wine retailer	November	1.33*
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	In-vitro fertilisation	January	0.76
Bourn Hall is one of the UK's leading IVF/assisted fertility businesses with a dominant presence in East Anglia. Its Bourn Hall clinic near Cambridge was the first IVF clinic in the world. It was founded in 1980 by Robert Edwards and Patrick Steptoe who were responsible for the conception of the first test tube baby, Louise Brown, in 1978.				
	Entanet	Wholesale voice and data provider	February	0.91*
Entanet is a wholesale communications provider based in Telford. It supplies a range of voice and data services to IT resellers which in turn supply small and mid-sized companies.				

*The investments into Veritek Global, Virgin Wines and Entanet each utilised up to £1 million from one of the Company's acquisition vehicles, totalling a net £2.88 million, which is included in the above figures. For further details please see the Investment Portfolio Summary on pages 17 to 19.

The VCT has also invested a further £1.21 million into two new acquisition vehicles, along with £0.04m of further finance provided to Gro-Group as part of expansion plans previously agreed when the original investment was made.

Realisations in the period

	Company	Business	Original investment/ Realisation	Total proceeds over the life of investment (£m)/ Multiple over cost
	Faversham House	Publisher, exhibition organiser and operator	December 2010/ Mar-Dec 2013	£0.35 million 0.93 times cost
Faversham's progress had fallen short of expectations and we took the opportunity to agree with management a phased realisation of our holding. In March 2013, the VCT sold part of its loan stock and its entire equity investment. The residual loan stock investment was realised in two phases later in the period.				
	Omega Diagnostics	In-vitro diagnostics	December 2010/ January 2014	£0.28 million 1.31 times cost
The investment in Omega Diagnostics, an AiM quoted stock, was sold as it was not considered to be part of the core strategy of the Company.				

Partial loan stock repayments

Company	Business	Original investment/ Realisation	Total proceeds over the life of investment (£m)/ Multiple over cost
Newquay Helicopters	Helicopter Service Operators	June 2006 Ongoing	£1.83 million 2.00 times cost


Newquay sold its principal operating subsidiary, British International Helicopter Services, to Patriot Aerospace in May 2013 as part of its assets realisation strategy. This enabled Newquay to repay most of its loan stocks. The VCT has already received cash proceeds amounting to 2.0 times the total cost of the instruments sold. After the period end, the final remaining loan was repaid realising £0.17m.

Positive cash flow resulting from profitable trading at a number of other companies has led to a healthy level of loan stock repayments totalling £2.91 million for the period, which figure includes loan repayments from the two companies above, as summarised below: -

Company	Business	Month	Amount (£m)
Newquay Helicopters	Helicopter service operator	May	1.25
DiGiCo Global	Audio mixing desks	April/July/October	0.42
Focus Pharma	Licensing and distribution of pharmaceuticals	September/November	0.41
Blaze Signs	Signs and sign maintenance	October	0.27
EMaC	Provider of service plans to the motor trade	August	0.23
Faversham House	Publisher, exhibition organiser and operator	March-December	0.13
Ackling Management Madacombe Trading	Acquisition vehicles	February/July	0.12
Tessella	Consultancy	Quarterly	0.05
Monsal	Engineering services	July	0.03
Total			2.91

Also during the period, £0.06m was received from Iglu.com Holidays Limited as tax retention monies were released.

Post Period-end

Company	Business	Original investment/ Realisation	Total proceeds over the life of investment (£m)/ Multiple over cost
 MachineWorks	Software for CAM and machine tool vendors	April 2006 April 2014	£1.54 million 4.13 times cost

On 2 June 2014, £0.73 million was invested into Creative Graphics International Limited, a specialist provider of self-adhesive branding solutions to the automotive, recreational vehicle and airline markets.

Investment outlook

The increase in the number and the continuing quality of investment opportunities that we have seen in recent months is encouraging. 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.

Strategic Report

Ten largest investments in the portfolio by valuation



ATG Media Holdings Limited

www.antiquetradegazette.com

Cost £1,632,000

Valuation £3,733,000

Basis of valuation:

Earnings multiple

Equity % held

7.4%

Income receivable in period

£138,298

Business

Publisher and on-line auction platform operator

Location

London

Original transaction

Management buyout

Audited financial information

Year ended	30 September 2012
Turnover	£10,900,000
Operating profit	£2,704,000
Net assets	£4,612,000

Year ended	30 September 2011
Turnover	£8,927,000
Operating profit	£1,831,000
Net assets	£3,179,000

Movements during the period



Blaze Signs Holdings Limited

www.blaze-signs.com

Cost £437,000

Valuation £2,052,000

Basis of valuation:

Earnings multiple

Equity % held

13.5%

Income receivable in period

£170,902

Business

Manufacturer and installer of signs

Location

Broadstairs, Kent

Original transaction

Management buyout

Audited financial information

Year ended	31 March 2013
Turnover	£22,741,000
Operating profit	£2,301,000
Net assets	£3,323,000

Year ended	31 March 2012
Turnover	£20,878,000
Operating profit	£1,761,000
Net assets	£2,918,000

Movements during the period

Blaze Signs made loan stock repayments totalling £0.27 million in the period.



Fullfield Limited

www.motorclean.net

Cost £1,625,000

Valuation £1,880,000

Basis of valuation:

Earnings multiple

Equity % held

8.9%

Income receivable in period

£142,426

Business

Provider of vehicle cleaning and valet services

Location

Laindon, Essex

Original transaction

Management buyout

Audited financial information

Year ended	31 March 2013
Turnover	£25,156,000
Operating profit	£1,234,000
Net assets	£2,576,000

Year ended	31 March 2012
Turnover	£17,320,000
Operating profit	£1,210,000
Net assets	£2,408,000

Movements during the period

Operating profit is stated before charging amortisation of goodwill.

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



DiGiCo Global Limited

www.digico.biz

Cost £830,000

Valuation £1,550,000

Basis of valuation:
Earnings multiple

Equity % held
2.4%

Income receivable in period
£106,493

Business

Designer and manufacturer of audio mixing desks

Location

Chessington, Surrey

Original transaction

Secondary buyout

Audited financial information

Year ended	31 December 2013
Turnover	£23,960,000
Operating profit	£7,543,000
Net assets	£4,766,000

Period ended	31 December 2012
Turnover	£23,858,000
Operating profit	£7,594,000
Net assets	£2,945,000

Movements during the period

DiGiCo Global made loan repayments totalling £0.42 million in the period.

Ingleby (1879) Limited

www.emac.co.uk

Cost £867,000

Valuation £1,490,000

Basis of valuation:
Earnings multiple

Equity % held
5.5%

Income receivable in period
£85,790

Business

Provider of service plans for the motor trade

Location

Crewe

Original transaction

Management buyout

Audited financial information

Year ended	31 December 2013
Turnover	£7,379,000
Operating profit	£2,769,000
Net assets	£5,926,000

Year ended	31 December 2012
Turnover	£6,047,000
Operating profit	£2,347,000
Net assets	£3,510,000

Movements during the period

EMaC made a loan stock repayment of £0.23 million in the period.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost £1,360,000

Valuation £1,356,000

Basis of valuation:
Earnings multiple

Equity % held
7.3%

Income receivable in period
£nil

Business

Printer and photocopier services

Location

Cambridge

Original transaction

Management buyout

Audited financial information

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

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

Movements during the period

Operating profit is stated before charging amortisation of goodwill.

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

Strategic Report

Ten largest investments in the portfolio by valuation



Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost £1,330,000

Valuation £1,330,000

Basis of valuation:
Recent investment price

Equity % held
6.4%

Income receivable in period
£48,431

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	28 June 2013 ¹
Turnover	£24,475,000
Operating profit	£2,010,000
Net assets	£4,952,000

Year ended	28 June 2012 ¹
Turnover	£37,390,000
Operating profit	£2,404,000
Net assets	£7,210,000

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

Movements during the period

MBO investment made in November 2013.



Tessella Holdings Limited

www.tessella.com

Cost £829,000

Valuation £1,150,000

Basis of valuation:
Earnings multiple

Equity % held
3.9%

Income receivable in period
£81,447

Business
Provider of science powered technology and consulting services

Location
Abingdon, Oxfordshire

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2013 ¹
Turnover	£20,870,000
Operating profit	£3,021,000
Net assets	£556,000

Year ended	31 March 2012 ¹
Turnover	£18,533,000
Operating profit	£278,000
Net assets	£2,404,000

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

Movements during the period

Tessella made quarterly loan stock repayments totalling £0.05 million in the period.



Gro-Group Holdings Limited

www.gro.co.uk

Cost £1,096,000

Valuation £1,027,000

Basis of valuation:
Earnings multiple

Equity % held
6.0%

Income receivable in period
£76,134

Business
Manufacturer and distributor of baby sleep products

Location
Ashburton, Devon

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2013 ¹
Turnover	£11,444,000
Operating profit	£775,000
Net assets	£1,178,000

Year ended	30 June 2012 ¹
Turnover	£10,945,000
Operating profit	£886,000
Net assets	£1,049,000

¹ The financial information quoted above relates to the operating subsidiary, Gro-Group International Limited and includes figures prior to the MBO which completed in March 2013.

Movements during the period

Operating profit is stated before charging amortisation of goodwill.

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



Veritek Global Holdings Limited

www.veritekglobal.com

Cost £968,000

Valuation £968,000

Basis of valuation:

Recent investment price

Equity % held

6.2%

Income receivable in period

£74,126

Business

Maintenance of imaging equipment

Location

Eastbourne, East Sussex

Original transaction

Management buyout

Audited financial information

Year ended	31 March 2013 ¹
Turnover	£24,684,000
Operating profit	£1,506,000
Net assets	£6,245,000

Year ended	31 March 2012 ¹
Turnover	£25,412,000
Operating profit	£1,561,000
Net assets	£7,043,000

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

Movements during the year

MBO investment made in July 2013.

Operating profit is stated before charging amortisation of goodwill.

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

Strategic Report

Investment Portfolio Summary

as at 31 March 2014

	Date of first investment/ Sector	Total book cost at 31 March 2014 £	Valuation at 30 April 2013 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2014 £	Change in valuation for period £	% of net assets by value
Qualifying investments								
Unquoted investments								
ATG Media Holdings Limited Publisher and online auction platform operator	October 2008 Media	1,631,830	3,334,643	–	–	3,732,310	397,667	11.0%
Blaze Signs Holdings Limited Manufacturer and installer of signs	April 2006 Support services	437,030	1,143,484	–	270,269	2,052,255	1,179,040	6.1%
Fullfield Limited trading as Motorclean Limited Vehicle cleaning and valet services	July 2011 Support services	1,624,769	1,920,275	–	–	1,879,839	(40,436)	5.5%
Ingleby (1879) Limited trading as EMaC Limited Service plans for the motor trade	October 2008 Support services	867,447	1,328,301	–	132,553	1,489,972	294,224	4.4%
ASL Technology Holdings Limited Printer and photocopier services	December 2010 Support services	1,360,130	611,725	–	–	1,356,148	744,423	4.0%
Virgin Wines Holding Company Limited (formerly Culbone Trading Limited) Online wine retailer	November 2013 General retailers	1,330,202	–	1,330,202	–	1,330,202	–	3.9%
Tessella Holdings Limited Provider of science powered technology and consulting services	July 2012 Support services	828,649	880,725	–	52,076	1,149,818	321,169	3.4%
Gro-Group Holdings Limited Baby sleep products	March 2013 General retailers	1,096,102	1,056,417	39,685	–	1,027,009	(69,093)	3.0%
Veritek Global Holdings Limited (formerly Madacombe Trading Limited) Maintenance of imaging equipment	July 2013 Support services	967,780	–	967,780	–	967,780	–	2.9%
EOTH Limited trading as Equip Outdoor Technologies Limited Branded outdoor equipment and clothing	October 2011 General retailers	817,185	842,294	–	–	922,695	80,401	2.7%
Ackling Management Limited (trading as Entanet)³ Wholesale voice and data communications provider	February 2014 Fixed Line Telecommunications	912,057	–	912,057	–	912,057	–	2.7%
Machineworks Software Limited Software for CAM and machine tool vendors	April 2006 Software and Computer Services	25,727	674,691	–	–	902,986	228,295	2.7%
Bourn Bioscience Limited In-vitro fertilisation clinic	January 2014 Healthcare Equipment & Services	757,101	–	757,101	–	757,101	–	2.2%
Focus Pharma Holdings Limited Licensor and distributor of generic pharmaceuticals	October 2007 Support services	232,114	914,513	–	413,941	740,093	239,521	2.2%
Youngman Group Limited Manufacturer of ladders and access towers	October 2005 Support services	1,000,052	699,966	–	–	699,966	–	2.1%
Manufacturing Services Investment Limited Company seeking to acquire businesses in the manufacturing sector	February 2014 Support services	608,000	–	608,000	–	608,000	–	1.8%
South West Services Investment Limited Company seeking to acquire businesses in the engineering sector	January 2014 Support services	606,000	–	606,000	–	606,000	–	1.8%

	Date of first investment/ Sector	Total book cost at 31 March 2014 £	Valuation at 30 April 2013 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2014 £	Change in valuation for period £	% of net assets by value
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	October 2010 Support services	1,000,000	663,859	–	–	588,078	(75,781)	1.7%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	April 2008 Support services	392,264	353,544	–	–	376,825	23,281	1.1%
Vectair Holdings Limited Design and sale of washroom products	January 2006 Support services	60,293	222,027	–	–	312,238	90,211	0.9%
Newquay Helicopters (2013) Limited (previously British International Holdings Limited) Helicopter service operators	June 2006 Support services	226,000	997,500	–	928,800	226,000	157,300	0.7%
Lightworks Software Limited Software for CAD vendors	April 2006 Software and Computer Services	25,727	146,059	–	–	67,873	(78,186)	0.2%
PXP Holdings Limited (trading as Pinewood Structures) Design, manufacture and supply of timber frames for buildings	December 2006 Construction	1,220,579	57,143	–	–	57,143	–	0.2%
Monsal Holdings Limited Supplier of engineering services to the water and waste sectors	December 2007 Engineering	821,982	76,897	–	25,632	51,265	–	0.2%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	December 2006 Personal goods	878,527	250,551	–	–	1,000	(249,551)	0.0%
Ackling Management Limited³ Acquisition vehicle used to support MBO of Entanet International Limited	January 2012 Food production & distribution	–	1,000,000	–	87,943	–	–	0.0%
Culbone Trading Limited¹ Acquisition vehicle used to support MBO of Virgin Wine Online Limited	April 2012 Support services	–	1,000,000	–	–	–	–	0.0%
Madacombe Trading Limited² Acquisition vehicle used to support MBO of Veritek Global Limited	April 2012 Support services	–	1,000,000	–	32,220	–	–	0.0%
Legion Group plc Provision of manned guarding, mobile patrolling, and alarm response services	August 2005 Support Services	150,000	–	–	–	–	–	0.0%
Total unquoted investments		19,877,547	19,174,614	5,220,825	1,943,434	22,814,653	3,242,485	67.4%
AIM quoted investments								
Vphase plc Development of energy saving devices for domestic use	March 2001 Electronic and electrical equipment	254,586	507	–	–	–	(507)	0.0%
Omega Diagnostics Group plc In vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases	December 2010 Pharmaceuticals	–	331,455	–	331,455	–	–	0.0%
		254,586	331,962	–	331,455	–	(507)	0.0%
Total qualifying investments		20,132,133	19,506,576	5,220,825	2,274,889	22,814,653	3,241,978	67.4%⁴

Strategic Report

Investment Portfolio Summary

as at 31 March 2014

	Date of first investment/ Sector	Total book cost at 31 March 2014 £	Valuation at 30 April 2013 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2014 £	Change in valuation for period £	% of net assets by value
Non-qualifying investments								
DiGiCo Global Limited Design and manufacture of audio mixing desks	December 2011 Technology, hardware and equipment	829,767	1,587,065	–	420,437	1,549,846	383,218	4.6%
Newquay Helicopters (2013) Limited (previously British International Holdings Limited)	as above	167,647	487,647	–	320,000	167,647	–	0.5%
ATG Media Holdings Limited	as above	104	647	–	–	779	132	0.0%
Faversham House Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors	December 2010 Media	–	111,335	–	111,335	–	–	0.0%
Ingleby (1879) Limited trading as EMaC Limited	as above	–	95,723	–	95,723	–	–	0.0%
Century 3370 plc (in liquidation) (formerly Fuse 8 plc) Promotional goods and services agency	March 2004 Support Services	250,000	–	–	–	–	–	0.0%
Legion Group plc	as above	106	–	–	–	–	–	0.0%
Total non-qualifying investments		1,247,624	2,282,417	–	947,495	1,718,272	383,350	5.1%
Total investments per note 9, page 49		21,379,757	21,788,993	5,220,825	3,222,384	24,532,925	3,625,328	72.5%
Money market funds ⁵		3,727,300	3,727,300	–	–	3,727,300	–	11.0%
Cash		3,158,216	211,420	–	–	3,158,216	–	9.3%
Total investments including money market funds and cash		28,265,273	25,727,713	5,220,825	3,222,384	31,418,441	3,625,328	92.8%
Debtors		2,596,972	157,722	–	–	2,596,972	–	7.7%
Creditors		(137,034)	(190,059)	–	–	(137,034)	–	(0.5)%
Totals		30,725,211		5,220,825⁶	3,222,384		3,625,328	
Net assets at period/year-end			25,695,376			33,878,379		100.0%

¹ - £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.

² - £967,780 was further invested into Veritek Global Holdings Limited. This finance was provided by the acquisition vehicle Madacombe Trading Limited and resulted in a net repayment to the Company of £32,220.

³ - £912,057 was further invested into Ackling Management Limited (trading as Entanet International Limited). This finance was provided by the acquisition vehicle Ackling Management Limited and resulted in a net repayment to the Company of £87,943.

⁴ - As at 31 March 2014, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Qualifying Investment test.

⁵ - Disclosed within Current assets as Current investments in the Balance Sheet.

⁶ - The total investment additions figure of £5,220,825 differs to that shown in note 9 of £2,340,988. This is due to recent investments in Ackling Management Limited, Virgin Wines Holding Company Limited and Veritek Global Holdings Limited being partially funded via amounts already invested in acquisition vehicles Ackling Management Limited, Culbone Trading Limited, and Madacombe Trading Limited respectively.

Key policies

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

Investment Policy

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

Investments are made selectively across a number of sectors, primarily in Management Buyout transactions 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's cash and liquid resources may be invested to maximise income returns, subject to the overriding criterion that the risk of loss of capital be minimised.

UK Companies

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

VCT regulation

The investment policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the VCT may not invest more than 15 per cent. of its investments in a single company or group of companies and must have at least 70 per cent. by value of its investments throughout the period in shares or securities comprised VCT qualifying holdings, of which a minimum overall of 30% by value (70% for funds raised from 6 April 2011) must be in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules). The VCT can invest less than 30% by value (70% for funds raised from 6 April 2011) of an investment in a specific company in ordinary shares. It must, however, 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).

Asset Mix

The Investment Adviser aims to hold approximately 80 per cent. of net assets by value in the Company's qualifying investments. The balance is held in readily realisable interest bearing investments and deposits and in some non-qualifying holdings in the same investee companies in which qualifying investments have been made.

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 using a significant proportion of loan stock (up to 70 per cent. of the total investment in each VCT qualifying company). Initial investments in VCT qualifying companies are generally made in amounts ranging from £200,000 to £2 million at cost, or such amounts as VCT legislation permits. Normally, no holding in any one company will be greater than 10 per cent. (but in any event will not be greater than 15 per cent.) of the value of the Company's investments, based on cost, at the time of investment. Ongoing monitoring of each investment is carried out by the Investment Adviser, generally through taking a seat on the board of each VCT qualifying company.

Co-investment

The Company aims to invest alongside the three other VCTs advised by the Investment Adviser with a similar investment policy. This enables the Company to participate in larger combined investments advised on by the Investment Adviser.

Borrowing

The Company has no borrowing and does not have any current plans for future borrowings.

Other key policies

Cash available for investment and liquidity

The Company has participated in the Mobeus VCTs' annual linked fundraising this year in order to maintain a sufficient level of funds that can be deployed in meeting the day-to-day expenses of the Company, dividend distributions and purchases of the Company's own shares. This enables money raised prior to 6 April 2012 to be allocated for future MBO investment.

Diversity

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

Further policies

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

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

and these are set out in the Directors' Report on page 25.

Strategic Report

Principal risks

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 Statement on pages 30 to 35. The principal risks identified by the Board are set out below.

Risk	Possible consequence	How the Board manages risk
Economic risk	Events such as an economic recession and movements in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	<ul style="list-style-type: none"> The Board monitors (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies and (2) developments in the macro-economic environment such as movements in interest rates.
Risk of loss of approval as a Venture Capital Trust	A breach of the VCT tax rules may lead to the Company losing its approval as a VCT, which would result in qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and that future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.	<ul style="list-style-type: none"> The Company's VCT qualifying status is continually reviewed by the Adviser. The Board receives regular reports from PricewaterhouseCoopers LLP ("PwC") who has been retained by the Board to undertake an independent VCT status monitoring role.
Investment and strategic risk	Investment in unquoted small companies involves a higher degree of risk than investment in fully listed companies. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.	<ul style="list-style-type: none"> The Board regularly reviews the Company's Objective and Investment Policy. Investee companies are carefully selected by the Adviser for recommendation to the Board. The investment portfolio is reviewed by the Board on a regular basis.
Regulatory risk	The Company is required to meet its legal and regulatory obligations as a VCT and listed company. Failure to comply might result in suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.	<ul style="list-style-type: none"> Regulatory and legislative developments are kept under review by the Company's Solicitors and by the Board.
Financial and operating risk	Failure of the systems at any of the third party service providers that the Company has contracted with could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation or insecurity of assets.	<ul style="list-style-type: none"> 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. It reviews the performance of the service providers at least annually.
Market risk	Movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.	<ul style="list-style-type: none"> The Board receives quarterly valuation reports from the Adviser. The Adviser alerts the Board about any adverse movements.

Risk	Possible consequence	How the Board manages risk
Asset liquidity risk	The Company's investments may be difficult to realise.	<ul style="list-style-type: none"> The Board receives reports from the Adviser and reviews the portfolio at each quarterly Board meeting. It carefully monitors investments where a particular risk has been identified.
Market liquidity risk	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.	<ul style="list-style-type: none"> The Board has a share buyback policy which seeks to mitigate market liquidity risk. This policy is reviewed at each quarterly Board meeting.
Counterparty risk	A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.	<ul style="list-style-type: none"> The Board regularly reviews and agrees policies for managing these risks. Further details can be found under 'credit risk' in Note 19 to the accounts on page 56.

Future prospects

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

Nigel Melville

Chairman

18 June 2014

Board of Directors

Nigel Melville

Status:

Independent, Non-Executive Chairman

Age: 69

Nigel was Chairman of Emtelle Holdings Limited, the UK's leading supplier of fibre-optic ducting systems, until 4 August 2008. He is a director of a number of other public and private companies. Between 1972 and 1995, he was an investment banker, latterly as a director of Barings responsible for international corporate finance. In 1995 he established Melville Partners to provide strategic consultancy to a range of international companies.

Appointed to the Board:

10 May 2000 (Elected Chairman: 5 September 2006).

Last re-elected to the Board:

September 2013. Standing for re-election at the forthcoming AGM on 11 September 2014.

Committee memberships:

Nomination Committee (Chairman), Remuneration Committee, Audit Committee and Investment Committee.

Number of Board and Committee meetings attended 2013/14:

Board and Board Committee: 8/8

Nomination Committee: 1/1

Remuneration Committee: 1/1

Audit Committee: 4/4

Investment Committee:

Decisions are taken by means of written resolution, after discussion between the Investment Committee members, and ratified at the next Board meeting.

Remuneration 2013/14: £22,000 (for the eleven month period)

Relevant relationships with the Investment Manager or other service providers:

None.

Shareholding in the Company:

43,720 Ordinary shares.

Shareholding in investee companies:

None.

Adam Kingdon

Status:

Independent, Non-Executive Director

Age: 56

Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He led a management buyout of Robinson Electronics, a supplier of test equipment for electricity supply utilities. He then went on to turn around more than ten loss-making engineering and technology companies in the UK, France, Germany, Holland and Belgium. He is also the

founder and CEO of i2O Water Limited, one of the leading suppliers of monitoring and control software for water distribution networks.

Appointed to the Board:

29 September 2006.

Last re-elected to the Board:

September 2013. Standing for re-election at the forthcoming AGM on 11 September 2014.

Committee memberships:

Audit Committee (Chairman), Nomination Committee, Remuneration Committee and Investment Committee.

Number of Board and Committee meetings attended 2013/14:

Board and Board Committee: 8/8

Nomination Committee: 1/1

Remuneration Committee: 1/1

Audit Committee: 4/4

Investment Committee:

Decisions are taken by means of written resolution, after discussion between the Investment Committee members, and ratified at the next Board meeting.

Remuneration 2013/14: £19,250 (for the eleven month period)

Relevant relationships with the Investment Manager or other service providers:

None.

Shareholding in the Company:

5,709 Ordinary shares.

Shareholding in investee companies:

None.

Sally Duckworth

Status:

Independent, Non-Executive Director

Age: 45

Sally has worked in the financial services sector since 1990 and in the private equity industry since 2000. An active angel investor, she sits on the board of several early stage companies. She is a qualified accountant, former investment banker and venture capitalist. From 2000 to 2004 she worked for Quester Capital Management Limited as part of the investment team for their VCTs.

Appointed to the Board:

1 January 2007.

Last re-elected to the Board:

September 2013.

Committee memberships:

Investment Committee (Chairman), Audit Committee, Nomination Committee, Remuneration Committee

Number of Board and Committee meetings attended 2013/14:

Board and Board Committee: 8/8

Nomination Committee: 1/1

Remuneration Committee: 1/1

Audit Committee: 4/4

Investment Committee:

Decisions are taken by means of written resolution, after discussion between the Investment Committee members, and ratified at the next Board meeting.

Remuneration 2013/14: £19,250 (for the eleven month period)

Relevant relationships with the Investment Manager or other service providers:

None.

Shareholding in the Company:

None.

Shareholding in investee companies:

None.

Kenneth Vere Nicoll

Status:

Independent, Non-Executive Director

Age: 71

Ken has over 40 years of corporate finance experience and retired from Matrix Corporate Capital LLP, which provided corporate finance advice and stockbroking services, on 30 June 2009. He was a non-executive director of Unicorn AIM VCT II plc until March 2010, when it merged with Unicorn AIM VCT plc.

Appointed to the Board:

10 May 2000.

Last re-elected to the Board:

September 2013. Standing for re-election at the forthcoming AGM on 11 September 2014.

Committee memberships:

Remuneration Committee (Chairman), Nomination Committee, Audit Committee and Investment Committee.

Number of Board and Committee meetings attended 2013/14:

Board and Board Committee: 8/8

Nomination Committee: 1/1

Remuneration Committee: 1/1

Audit Committee: 4/4

Investment Committee:

Decisions are taken by means of written resolution, after discussion between the Investment Committee members, and ratified at the next Board meeting.

Remuneration 2013/14: £19,250 (for the eleven month period)

Relevant relationships with the Investment Manager or other service providers:

None.

Shareholding in the Company:

54,705 Ordinary Shares (including holdings of connected persons).

Shareholding in investee companies:

None.

Directors' Report

The Directors present the fourteenth Annual Report and Accounts of the Company for the 11 months ended 31 March 2014.

The Board believes that the Annual Report and Accounts 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 Company is registered in England and Wales as a Public Limited Company (registration number 3946235).

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 (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.

To enable capital profits to be distributed by way of dividends, the Company revoked its status as an investment company as defined in section 833 of the Companies Act 2006 ("the Companies Act") on 7 July 2005. The Company does not intend to re-apply for such status.

Share capital

The former 'O' Fund ordinary shares of 1p each in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on May 2000.

The current class of Ordinary shares of 1p were first admitted to the Official List of the UK Listing Authority and to trading on 21 December 2005. Following the merger of the 'O' and 'C' Ordinary shares, the listing of the 'C' shares was amended on the Official List to Ordinary shares of 1p in the capital of the Company ("Ordinary shares") on 10 September 2010 and the 'O' share listing was cancelled.

Issue of shares

During the period under review, the Company issued a total of 4,738,760 shares (2013: nil) shares, under the Mobeus VCTs' Linked Offer for subscription launched on 28 November 2013.

Buyback of shares

Shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to make market purchases of up to 3,608,200 of its own shares representing 14.99% of the issued

share capital of the Company, at the annual general meeting held on 20 September 2013. This authority has been in place throughout the period under review. A resolution to renew this authority will be proposed to shareholders at the forthcoming Annual General Meeting.

During the period under review, the Company bought back 747,336 (30 April 2013: 776,749) for cancellation at a cost of £740,347 (30 April 2013: £541,894) (including expenses).

All shares bought back by the Company were subsequently cancelled by the Company.

Issued share capital

The issued share capital of the Company as at 31 March 2014 was £280,621 (30 April 2013: £240,707) and the number of shares in issue at this date was 28,062,140 (30 April 2013: 24,070,716), subject to the cancellation from the Register of the shares bought-back by the Company up until this date.

Following the period-end, the Company issued a further 2,434,970 new shares under the Mobeus VCTs' Linked Offer, raising a total of £2,782,977. The issued share capital of the Company as at the date of this report is therefore £304,971 and the number of shares in issue is 30,497,110.

Dividends

The Directors declared an interim dividend of 4.90 (30 April 2013: 4.00) pence per share comprising 0.2 pence from capital and 4.7 pence from income in respect of the 11 months ended 31 March 2014 and a further interim income dividend of 0.1 pence per share for the year ended 30 April 2013. Both dividends were paid on 21 March 2014 to shareholders who were on the Register on 28 February 2014. These dividends increased cumulative dividends paid since inception of the Fund to 23.00 pence per share.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 23 of this Annual Report. Two of the Directors have served on the Board for more than nine years and in accordance with the recommendation of the AIC Code of Corporate Governance ("the AIC Code"), Nigel Melville and Kenneth Vere Nicoll have agreed to stand for re-election

annually. In accordance with the Company's Articles of Association, Adam Kingdon will also offer himself for re-election at the forthcoming Annual General Meeting. The Board confirms that, following a review of their performance, all Directors remain independent of the Investment Adviser and continue to make a substantial and very valuable contribution to its work and the business of the Company. Further details on the performance review are given in the Corporate Governance Statement on pages 30 to 35.

The Directors who held office throughout the period under review and their interests (including those of their connected persons) as at 31 March 2014 were:

	Shares held on	
	31 March 2014	30 April 2013
Nigel Melville	43,720	43,720
Adam Kingdon	5,709	5,709
Sally Duckworth	–	–
Kenneth Vere Nicoll	54,705	54,705

There have been no changes to these holdings subsequent to 31 March 2014, to the date of this report.

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

None of the Directors held interests in investee companies throughout the period.

No options over the share capital of the Company have been granted to the Directors. The Company does not have any employees.

All the Directors regularly carry out continuing professional development and this is considered annually as part of their performance review by the Board.

Powers of the directors

The powers of the Directors have been granted by company law, the Company's 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

Directors' Report

will be proposed at the next Annual General Meeting of the Company to be held on 11 September 2014.

Appointment and replacement of directors

The Company's Articles of Association and the Companies Act 2006 contain provisions relating to the appointment, election and replacement of Directors. These are set out in the paragraph headed 'Terms of appointment' on page 27 of the Directors' Remuneration Report.

Principal risks, management and regulatory environment

A summary of the principal risks faced by the Company is set out on pages 21 and 22 of the Strategic Report.

Going concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and has recently raised additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 19 on pages 54 to 61. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor's right to information

So far as the Directors in office at 31 March 2014 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.

Directors' and officers' liability insurance

The Company maintains a Directors' and Officers' liability insurance policy. The policy does not provide cover for

fraudulent or dishonest actions by the Directors.

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 March 2014, please see note 22 to the accounts on page 61.

Social and environmental policies

Human rights policy

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

Anti-bribery policy

The VCT has adopted a zero tolerance approach to bribery. The following is a summary of 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 requires each of its service providers to have policies in place which reflect the key principles of this policy and procedures and which demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

Environmental and social responsibility

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when appropriate, particularly with regard to investment decisions. The Company has adopted electronic communication for shareholders. This gives shareholders the opportunity to elect to receive email notifications of when published

information is available to download from the Company's website in place of hard copies, thus reducing the volume of paper that the Company uses to produce its reports. The Company uses mixed sources paper from well-managed forests as endorsed by the Forest Stewardship Council for the printing of its Circulars and Annual and Half-Year Reports.

Global greenhouse gas emissions for the period to 31 March 2014

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).

Additional disclosures

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.

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.

Voting rights of shareholders

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

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

Restrictions on voting rights

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.

Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at 12 noon on 11 September 2014 at the offices of SGH Martineau LLP, One America Square,

Crosswall, London EC3N 2SG is set out on pages 67 and 68 of this Annual Report. A proxy form for the meeting is enclosed separately with shareholders' copies of this Annual Report.

Resolutions 1-9 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and Resolutions 10 and 11 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 at the meeting.

Annual Report and Accounts (Resolution 1)

Shareholders will be asked to receive and adopt the annual report and accounts of the Company for the 11 months ended 31 March 2014, including the Auditor's report thereon.

Remuneration Policy and Report (Resolutions 2 and 3)

Following a change in legislation, shareholders will have the opportunity to vote for the first time on the Company's Remuneration Policy which is set out on pages 27 and 28 of this Report (Resolution 2). The result of this resolution will be binding upon the Directors for three years. A second resolution will be put to the meeting for the approval of the Annual Remuneration Report which describes how the policy will be implemented during the coming year (Resolution 3).

Independent Auditor (Resolutions 4 and 5)

Resolution 4 proposes to appoint BDO LLP as Auditor to the Company and Resolution 5 seeks authority for the Directors to determine the remuneration of the Auditor.

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

As referred to above on page 24, three Directors will be standing for re-election at this year's Annual General Meeting.

Authorities for the Directors to allot shares in the Company (Resolution 9) and disapply the pre-emption rights of members (Resolution 10)

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

Resolution 9 will enable the Directors to allot new shares up to an aggregate nominal value of £160,994.

Under section 561(1) of the Companies 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 10 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 £100,000 in connection with offer(s) for subscription;
- (ii) with an aggregate nominal value of up to 10 per cent of the issued share capital of the Company from time to time in respect of any dividend investment scheme; and
- (iii) otherwise than pursuant to (i) and (ii) above, with an aggregate nominal value of up to 10 per cent of the issued share capital of the Company from time to time,

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

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

Both of these authorities, unless renewed, varied or revoked will expire on the date falling fifteen months after the passing of the resolutions or, if earlier, on the conclusion of the Annual General Meeting of the Company to be held in 2015. 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 generally renew previous authorities approved at the annual general meeting of the Company held on 20 September 2013.

Authority to purchase the Company's own shares (Resolution 11)

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Companies Act. The authority is limited to the purchase of an aggregate of 4,571,516 shares representing approximately 14.99 per cent of the issued share capital of the Company as at the date of this Annual Report or, if lower, such number of shares (rounded down to the nearest whole

share) as shall equal 14.99 per cent 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 per cent 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 Buyback 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 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 2015 except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

18 June 2014

Directors' Remuneration Report

Dear Shareholder

I am pleased to introduce the Remuneration Report for the 11 months ended 31 March 2014.

This year, for the first time, this Report reflects the recent changes in reporting requirements on remuneration matters for companies, particularly to Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority. I hope that this new format will provide greater transparency than in previous years.

Over the next few pages we have set out the Company's forward looking Directors' Remuneration Policy, which for the first time is subject to a separate vote by shareholders at the Annual General Meeting.

I would welcome any comments you may have.

Kenneth Vere Nicoll

Remuneration Committee Chairman

18 June 2014

Introduction

The Company's independent Auditor is required to give its opinion on the specified information provided on Directors' emoluments and this is explained further in its report to shareholders on pages 37 and 38. We have presented this report to reflect the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority ("the Listing Rules").

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 11 September 2014 for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below.

If approved, this policy will apply from the start of the year ending 31 March 2015.

The Remuneration Policy will be presented to shareholders for approval every three years.

Directors' Remuneration Policy

The Directors' fees are reviewed annually. When considering the level of Directors' fees, the Remuneration Committee takes account of the workload and duties performed by the non-executive Directors, and is aware of the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Committee may choose to take independent advice where and when it considers it appropriate.

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

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.

Recruitment remuneration

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

Additional benefits

The Company does not have any schemes in place to pay any of the Directors' bonuses or benefits in addition to the Directors' fees. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company.

Shareholders' views on remuneration

The Board welcomes any views of shareholders, through discussion at general meetings of the Company, or otherwise. It takes views expressed by shareholders into account, where appropriate, when formulating its remuneration policy.

Directors' shareholdings and share interests

Full details of each Director's interests in the Company's shares are set out on page 24 of the Directors' Report.

Terms of appointment

All of the Directors are non-executive. The Articles of the Company provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to election at the first annual general meeting following their appointment. The Articles of the Company state that, subject to the provisions of the Companies Act, one-third of the Directors retire from office by rotation at each annual general meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. The Director retiring at each annual general meeting shall be the Director who has been longest in office since their last re-election. However, two Directors have served on the Board for more than nine years and have therefore agreed to offer themselves for re-election annually.

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 the appointment. Each of the agreements may be terminated by either party by giving not less than three months notice in writing. Appointment

letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment and Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment.

A Director's appointment may be terminated on three months' notice being given by the Company.

This policy applied throughout the 11 months ended 31 March 2014 and will continue to apply to the current year ending 31 March 2015.

Set out below is the Company's Objective and how this is supported by the current Remuneration Policy followed by the payment receivable per annum by each Director for the current year.

Company Objective

To provide investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital.

Remuneration Policy

The levels of remuneration are to be sufficient to attract, retain and motivate directors of the quality required to manage the Company in order to achieve the Company's Objective.

Director	Role	Components of Pay Package	Current* payment per annum	Performance conditions
Nigel Melville	Chairman	Director's fee	£18,000	None
		Supplement payable to Company Chairman	£6,000	
		Total	£24,000	
Adam Kingdon	Chairman, Audit Committee	Director's fee	£18,000	None
		Supplement payable to Chairman of the Audit Committee	£3,000	
		Total	£21,000	
Sally Duckworth	Chairman, Investment Committee	Director's fee	£18,000	None
		Supplement payable to Chairman of the Investment Committee	£3,000	
		Total	£21,000	
Kenneth Vere Nicoll	Chairman, Remuneration Committee	Director's fee	£18,000	None
		Supplement payable to Chairman of the Remuneration Committee	£3,000	
		Total	£21,000	
Total fees payable			£87,000	

* No maximum amount payable to the Directors is contained in the Company's Articles of Association. The Articles state that remuneration levels are determined by the Remuneration Committee.

Directors' Remuneration Report

Annual Remuneration Report

The Company's Directors' Remuneration Policy as set out on pages 27 and 28 will continue to be implemented throughout the year ending 31 March 2015 as set out below.

Remuneration Committee

The remuneration of individual Directors is determined by the Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Ken Vere Nicoll. The Committee meets at least once a year and is responsible for setting the remuneration policy for the Board and reviewing its ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on remuneration policy and the level of Directors' fees. The Committee may, at its discretion, recommend to the Board that individual Directors should be awarded additional payments in respect of extra-curricular work carried out on behalf of the Company. It is responsible

for the appointment of remuneration consultants, if this should be considered necessary, including establishing the selection criteria and terms of reference for such an appointment. The Committee met once during the period under review with full attendance from all its members

Directors' emoluments

(audited information)

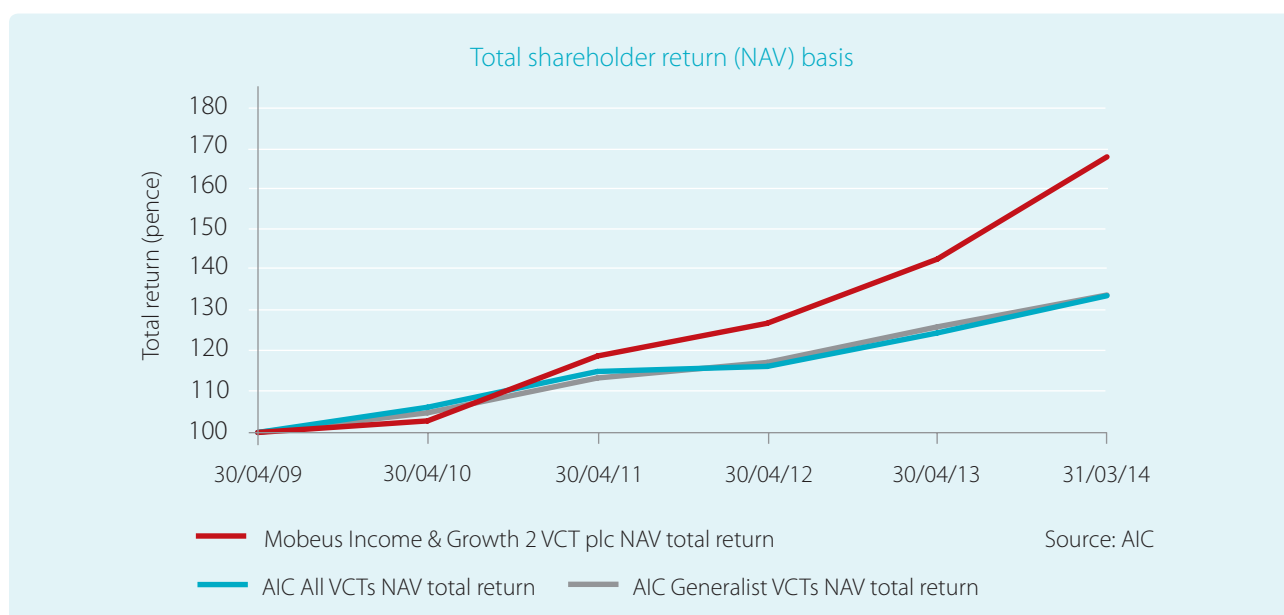
The total emoluments in respect of qualifying services of each person who served as a Director during the period are as set out in the table below.

	11 Months ended 31 March 2014	Year ended 30 April 2013
Nigel Melville	22,000	24,000
Adam Kingdon	19,250	21,000
Sally Duckworth	19,250	21,000
Kenneth Vere Nicoll	19,250	18,000
Total	79,750	84,000

Aggregate fees paid in respect of qualifying services amounted to £79,750 (2013: £84,000).

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company (assuming all dividends are re-invested) over the past five years compared with 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 indices against which to measure the Company's performance over the medium to long term. The total returns have each been re-based to 100 pence at 1 January 2009.



An explanation of the recent performance of the Company is given in the Chairman's Statement and the Strategic Report.

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

18 June 2014

Corporate Governance Statement

The Board acknowledges its responsibility for the governance of the Company's affairs. This statement has been produced in accordance with the requirement under the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rule ("DTR") 7.2 to produce a Corporate Governance Statement and paragraph 9.8.6 of the Listing Rules which requires all listed companies to set out how they have complied with the provisions of the UK Corporate Governance Code ("The UK Code").

The Financial Reporting Council ("FRC") confirmed on 22 January 2013 that, in complying with the Association of Investment Companies' Code of Corporate Governance 2012 ("the AIC Code"), investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The Company is a member of the Association of Investment Companies ("AIC"). The AIC addresses all the principles set out in section 1 of the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. 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"). It considers that reporting against the principles and recommendations of the AIC Code, including reference to the AIC Guide (which incorporates the UK Code), will provide the most appropriate information to shareholders.

The Directors have therefore continued to adopt the AIC Code for the 11 months ended 31 March 2014. The AIC Code is available on the AIC's website, www.theaic.co.uk.

Statement of compliance

The Board considers that throughout the financial period ended 31 March 2014, the Company has complied with the provisions of the AIC Code, insofar as they are relevant to the business of the Company, and has complied with the relevant provisions of the UK Code except as outlined below.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no

employees apart from its Directors who are all non-executive.

The UK Code contains provisions relating in particular, to the role of the chief executive, executive directors' remuneration, the requirement for an internal audit function and terms of appointment for directors. For the reasons set out in the AIC Guide, and as explained in the preamble to the UK Code, the Board considers that these provisions of the UK Code are not relevant to the Company as an externally managed VCT. The investment management and administration systems and procedures provided by Mobeus, the provision of VCT monitoring services by PwC, as well as the size of the Company's operations, also 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.

The Board

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

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

Director's independence and conflicts of interest

The Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. The Board has concluded that all four Directors were independent of the Adviser throughout the 11 months ended 31 March 2014.

The Directors have declared any existing or potential conflicts of interest and these are reviewed and authorised by the Board as appropriate in accordance with the procedures under the Articles of the Company and applicable rules and regulations. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nomination and Remuneration Committees undertake an annual review of the authorisations given by the Board. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. None of the Directors have held an interest, at any time since their appointment, in any of the Company's investee companies and none of the Directors currently have any conflicts of interest approved by the Board or shareholders under the terms of the Articles of the Company.

Appointment letters for new Directors include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. The Board regularly considers the time commitments of each Director and the significant directorships of the Chairman and the other Directors, are included in the biographical details on each Director on page 23. The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the UK Code and as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions.

Corporate Governance Statement

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to shareholders the independent nature of each individual Director in terms of both their character and judgment.

Tenure

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

Kenneth Vere Nicoll has also served the Company for fourteen years and is regarded as independent of the Investment Adviser. The Board has considered the AIC's advice that a material business relationship with the Adviser within the last three years is a factor to be considered in determining a director's independence. Kenneth Vere Nicoll was a director and shareholder of the Matrix Group and the Board previously considered him to be connected to the Matrix Group and therefore to the Adviser. On 29 June 2012 the Adviser completed an MBO from the Matrix Group (which subsequently went

into administration in November 2012) and became a fully independent firm. The Board has concluded that Kenneth Vere Nicoll should be considered an independent director with effect from 15 July 2012 notwithstanding his former relationship with the Matrix Group.

Sally Duckworth and Adam Kingdon are considered to be independent, having served the Company for less than nine years and having no relationships that may compromise their independence.

The independence of Directors will continue to be assessed on a case by case basis.

Directors are not appointed for fixed terms, but are subject to re-election by shareholders at approximate intervals of 3 years, and each Director's appointment may be terminated on 3 months' notice given by the Company. In accordance with the AIC Code, Mr Melville and Mr Vere Nicoll will offer themselves for re-election annually.

Recruitment and appointment of new Directors

The Board has adopted a formal process of recruitment for the appointment of new directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The Board will consider diversity, including gender, in making future appointments. The selection process involves interviews with the Board and meetings with Partners of the Adviser. New Directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Adviser and the Administrator.

Performance review

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the 11 months ended 31 March 2014. As part of its review, the Directors considered the performance of each of the Directors and of the Board as a whole in relation to specific areas of their activity. Such areas included the

composition of the Board, its procedures, investment matters, shareholder value, individual performance and relationships with the Company's main service providers. The performance of the Chairman is assessed separately. The Board as a whole discusses the outcome of the performance evaluation and, led by the Chairman, considered and agreed a plan of action to rectify any shortcomings where appropriate

A formal training programme has not been required during the period under review as all the Directors are experienced directors of listed companies. All of the Directors participate in continuing professional development and regularly attend conferences and workshops relevant to the VCT industry. This is considered annually as part of the performance review of the directors.

Board committees

The Board has established three committees with responsibilities for specific areas of its activity. Each of the Committees has written terms of reference which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website: www.mig2vct.co.uk.

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

Audit Committee Report

The Audit Committee comprises all of the Directors: Adam Kingdon (Chairman), Nigel Melville, Kenneth Vere Nicoll and Sally Duckworth. The Committee meets at least twice a year to review the half-year and annual financial statements before submission to the Board, including meeting with the independent external Auditor. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external Auditor. It is responsible for monitoring the effectiveness of the Company's internal control system and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Audit Committee held four formal meetings during the year with full attendance from each of the Directors on each occasion. The Committee met informally on other occasions.

A summary of the Audit Committee's principal activities during the period is provided below:

Financial statements

The Committee has carefully reviewed the Half-Yearly and Annual Reports to shareholders for the period under review prior to submission to the Board for approval.

Internal control

The Committee has monitored the system of internal controls throughout the period under review and as described in more detail later in this Report on pages 34 and 35. It receives a report by exception at its annual and half-yearly results meetings and reviews a schedule of key risks at each meeting.

Valuation of investments

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

Annual Audit

The Audit Committee, in consultation with the Company's Auditor, oversees and sets the programme for the annual audit. The appropriate level of materiality agreed by the Committee, was arrived at following discussion with the Auditor. In agreeing an appropriate level, the Audit Committee took into consideration any recommendations made by the Auditor, based on such factors as industry developments, financial stability and reporting requirements. The Auditor determines materiality in order to determine the scope of its audit and the

audit tests and to assist in evaluating the known and likely misstatements in the financial statements.

Besides 'Valuation of investments' above, the key accounting and reporting issues considered by the Committee during the period have included:

Compliance with the VCT tests

The Committee considered a report from PwC on the Company's compliance with the VCT tests as set out in the ITA on a bi-annual basis for recommendation to the Board.

Going concern

The Audit Committee monitored the Company's resources to satisfy itself that the Company has an adequate level of resources for the foreseeable future. Consideration is given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments.

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 reviewed the appropriateness and completeness of such impairments.

Key risks faced by the Company

The Board has identified the key risks faced by the Company and established appropriate controls. 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 (pages 34 and 35).

Relationship with the external Auditor

The Committee is responsible for overseeing the relationship with the external Auditor, assessing the effectiveness of the external audit process and making recommendations on the appointment and removal of the external Auditor. It makes recommendations to the Board on the level of audit fees and the terms of engagement for the Auditor. The external Auditor is invited to attend Committee meetings, where appropriate,

and also meets with the Committee and its Chairman without representatives of the Adviser being present.

The Auditor prepares an audit strategy document on an annual basis. This provides information on the audit team and timetable, audit scope and objectives, evaluation of materiality, initial assessment of key audit and accounting risks, confirmation of independence and proposed fees. This is reviewed and approved by the Committee and provides the Committee with an opportunity to consider the audit approach and to raise any queries with the Auditor. The Committee Chairman meets with the Auditor at the audit planning stage. The outcome of the review together with any actions that have arisen are formally minuted and a summary is submitted to the Board for consideration.

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

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- allocated 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 Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

The Board regularly reviews and monitors the external Auditor's independence and

Corporate Governance Statement

objectivity. As part of this process it reviews the nature and extent of services supplied by the Auditor to ensure that independence is maintained. The Committee has concluded that it is in the interests of the Company to purchase certain non-audit services from the external Auditor given its knowledge of the Company. The services contracted for during the period were tax compliance services, the review of the Half-Yearly Report and iXBRL tagging. Subsequent to its review, the Committee was satisfied that audit independence has been maintained as the fees involved are relatively small compared to those for the audit. With the exception of the Half-Yearly Review, the work is undertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

The Committee makes recommendations to the Board for the appointment and re-appointment of the external Auditor. It is the Company's policy that the audit services contract should be put out to tender at least every ten years and the last tender process took place in 2009. However, should the Committee be dissatisfied with the standard of service received from the incumbent Auditor in the interim, a tender process would be undertaken.

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

Investment Committee

The Investment Committee comprises all four Directors: Sally Duckworth (Chairman), Nigel Melville, Adam Kingdon and Kenneth Vere Nicoll. The Committee meets as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Adviser. Investment matters are discussed extensively at Board meetings and the Committee advises the Board on the development and implementation of the Investment Policy and leads the process for the ongoing monitoring of investee companies and the Company's investment therein. Investment guidelines have been issued to the Adviser and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between Committee members and are subsequently ratified by the Board. During the period, the Committee formally approved all investment and divestment decisions and met informally on numerous occasions.

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

Remuneration Committee

The Remuneration Committee comprises all of the Directors: Kenneth Vere Nicoll (Chairman), Adam Kingdon, Sally Duckworth, and Nigel Melville. The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors.

A full description of the work of the Committee with regard to remuneration is included within the Directors' Remuneration Report on pages 27 to 29.

Nomination Committee

The Nomination Committee comprises all of the Directors: Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth, and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. No appointments have been made during the period under review.

Investment management and service providers

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

The annual review of the Adviser forms part of the Board's overall internal control procedures as discussed elsewhere. As part of this review, the Board consider the quality and continuity of the investment management team, investment performance, quality of information provided to the Board, remuneration of the Adviser, the investment process and the results achieved to date. A review of the performance of the Company is included in the Strategic Report. The Board concluded that the Adviser has performed consistently well over the medium term and has returned a satisfactory performance in respect of the period under review. The Company's investment portfolio had performed well, demonstrating the success of the Adviser's strategy of investing primarily in MBOs of established companies. The strength of the Adviser in its sector is further evidenced by the fact that Mobeus was voted [VCT House of the Year 2013](#) in [unquote"British Private Equity Awards 2013](#), for the second consecutive year and [Private Equity House of the Year at the Insider South West Dealmakers Awards 2013](#) by the corporate finance community.

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 8. The Board further considered the Adviser's commitment to the promotion of the Company and was satisfied that this was highly prioritised by the Adviser evidenced by, inter alia, the Linked VCT Fundraising and shareholder workshops which have taken place annually since 2010. The Board believes that the Adviser had continued to exercise independent judgment while producing valuations which reflect fair value. Overall, the Board continues to believe that the 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 Adviser to the Company on the terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 10 June 2014.

The principal terms of the Company's Investment Manager's Agreement with the Adviser dated 10 September 2010 and the previous contractual arrangements prior to this date are set out in Note 3 to the Accounts on page 46 of this Annual Report. The Board seeks to ensure that the terms of this Agreement represent an appropriate balance between cost and incentivisation of the Adviser.

In accordance with general market practice, the Investment Adviser earned arrangement fees and fees for supplying Directors and/or monitoring services from investee companies. The share of such fees attributable to the investments made by the Company were £74,984 (2013: £64,559) and £105,067 (2013: £104,399) respectively. The fees for supplying directors and/or monitoring services were from 23 (2013: 20) investee companies during the period.

Board meetings and the relationship with the Adviser

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

The Board and the Adviser aim to work together in a supportive, cooperative and

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

The primary focus at Board meetings is the review of investment performance and associated matters as well as the monitoring of financial and other internal controls including maintenance of VCT status and the level of share price discount or premium. The Board regularly considers overall strategy and has since 2008 held, together with the Adviser, an annual strategy meeting. The Board monitors the investments made by the Adviser to ensure that the overall investment portfolio is in line with the Company's Investment Policy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act 2006 and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; strategy and management of the Company; changes relating to the Company's capital structure or its status as a plc; financial

reporting and controls; board and committee appointments as recommended by the Nominations Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Custody of documents of title for unquoted investments

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

VCT status monitoring

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

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control 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.

These aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made, and that the assets of the Company are safeguarded. The financial controls operated by the Board include the approval of the investment decisions and regular reviews of the financial results and investment performance.

Corporate Governance Statement

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is reduced by means of a diversified Investment Portfolio, as more fully described in the Investment Review and set out in the Investment Portfolio Summary on pages 17 to 19. The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each Board meeting reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the administrator. Both the Administrator and the Adviser report by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis.

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 in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Adviser and information is supplied to the Board as required. It remains the role of the Board to keep under review the terms of the Investment Services Agreement.

The Directors carry out an Annual Review of the performance of and contractual arrangements with the Adviser.

The Board, assisted by the Audit Committee, carries out separate assessments in respect of the Annual and Half-Yearly 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 period in relation to financial reporting are:

- Full internal controls are in place for the preparation and reconciliation of the valuations prepared by the Adviser;
- The Board undertakes a quarterly review of the valuations of the investments within the portfolio recommended by the Adviser. In addition to this internal review, the Board considers and takes comfort from the external Auditor's reports on the valuations produced at the half-year stage and as part of the annual audit of the Company;
- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

This system of internal control and the procedure for the review of control systems referred to above has been in place and operational throughout the period under review and up to the date of this Report. The 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 10 June 2014. The Board has identified no significant problems with the Company's internal control mechanisms.

Shareholder communications

The Board has a duty to promote the success of the Company and to ensure that its obligations to shareholders are met. The Company communicates with shareholders and solicits their views where it is appropriate to do so. The Adviser publishes a twice-yearly VCT shareholder newsletter which contains

information on the portfolio and recent investment and corporate activity. Shareholders are welcome at the annual general meeting of the Company which provide forums for them to ask questions of the Directors and the Adviser and to discuss issues affecting the Company with them. The Adviser organises an annual shareholder workshop in which shareholders are encouraged to participate.

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

The Board approves the Annual Report for circulation to shareholders. The Board normally has a direct involvement in the content of communications regarding major corporate events even if the Adviser is asked to act as spokesman.

The notice of the Annual General Meeting to be held on 11 September 2014 accompanies this Annual Report. Notice of general meetings are normally sent to shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published on the Company's website www.mig2vct.co.uk.

Additional disclosures in the Directors' Report

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

By order of the Board

Mobeus Equity Partners LLP

Secretary

18 June 2014

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Financial Statements and have elected to prepare the company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Statements 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 the profit or loss for the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance 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;
- prepare a Director's report and Director's 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 DTR 4

The Directors confirm to the best of their knowledge that:

- The Financial Statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.

- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

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

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

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

For and on behalf of the Board:

Nigel Melville

Chairman

18 June 2014

Independent Auditor's Report to the Members of Mobeus Income & Growth 2 VCT plc

We have audited the financial statements of Mobeus Income & Growth 2 VCT plc for the period ended 31 March 2014 which comprises the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

- **The assessment of the carrying value of investments, particularly unquoted investments.**

This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the fund, derived using those valuations.

We challenged the assumptions inherent in the valuation of unquoted investments, which are mainly valued on an earnings multiple basis, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. Our audit procedures included reviewing the historical financial statements and recent

management information available for the unquoted investments used to support assumptions about maintainable earnings used in the valuations, consideration of the earnings multiples applied by reference to observed listed company market data and we challenged the adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted. Where alternative assumptions could reasonably be applied, we developed our own point estimates and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

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

- **Revenue recognition**

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

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

published data on dividends declared by the investee companies held. We tested the categorisation of dividends received from investee companies between revenue and capital.

- **Completeness of expenditure**

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

The Audit Committee's consideration of these key issues is set out on pages 31 to 33.

Purpose of this report

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements and our application of materiality

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

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

We determined materiality for the financial statements as a whole to be £490,000. In determining this, we based our assessment on a percentage of fixed asset investments held at fair value which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to the unquoted investments. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement was that performance materiality for the financial statements should be 75% of materiality for the financial statements as a whole, namely £367,500. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £490,000 for the financial statements as a whole.

International Standards on Auditing (UK & Ireland) also require the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial

statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net realised returns of the company. We determined materiality for this area to be £160,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,800, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 30 to 35 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

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

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider

the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed..

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25 in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Jason Homewood

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

19 June 2014

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

Income Statement

for the eleven months ended 31 March 2014

	Notes	Eleven months ended 31 March 2014			Year ended 30 April 2013		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Unrealised gains on investments	9	–	3,625,328	3,625,328	–	2,556,199	2,556,199
Realised gains on investments	9	–	24,286	24,286	–	34,319	34,319
Income	2	2,047,564	–	2,047,564	1,025,133	–	1,025,133
Investment management fees	3	(152,635)	(457,906)	(610,541)	(151,992)	(455,974)	(607,966)
Other expenses	4	(255,016)	–	(255,016)	(322,286)	–	(322,286)
Profit on ordinary activities before taxation		1,639,913	3,191,708	4,831,621	550,855	2,134,544	2,685,399
Taxation on profit on ordinary activities	6	(106,850)	106,850	–	(88,954)	88,954	–
Profit on ordinary activities after taxation		1,533,063	3,298,558	4,831,621	461,901	2,223,498	2,685,399
Basic and diluted earnings per share:							
Ordinary shares	8	6.28p	13.52p	19.80p	1.87p	9.00p	10.87p

All the items in the above statement derive from continuing operations.

There were no other gains or losses in the period/year.

The total column of this statement is the profit and loss account of the Company.

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

The notes on pages 43 to 61 form part of these financial statements.

Balance Sheet

as at 31 March 2014

Company number: 3946235

	Notes	31 March 2014 £	30 April 2013 £
Fixed assets			
Investments at fair value	9	24,532,925	21,788,993
Current assets			
Debtors and prepayments	11	2,596,972	157,722
Current investments	12,18	3,727,300	3,727,300
Cash at bank	18	3,158,216	211,420
		9,482,488	4,096,442
Creditors: amounts falling due within one year	13	(137,034)	(190,059)
Net current assets		9,345,454	3,906,383
Net assets		33,878,379	25,695,376
Capital and reserves			
Called up share capital	14	280,621	240,707
Capital redemption reserve	15	73,413	65,940
Share premium account	15	5,363,551	–
Revaluation reserve	15	5,930,144	2,827,063
Special distributable reserve	15	11,565,499	13,176,946
Profit and loss account	15	10,665,151	9,384,720
Equity shareholders' funds		33,878,379	25,695,376
Net asset value per share – basic and diluted			
Ordinary Shares	16	120.73p	106.75p

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2014 and are signed on their behalf by:

Nigel Melville

Chairman

The notes on pages 43 to 61 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the eleven months ended 31 March 2014

	Notes	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Opening shareholders' funds		25,695,376	24,526,639
Net share capital issued in the period/year (net of expenses)	15	5,410,938	–
Share capital bought back	15	(740,347)	(541,894)
Profit for the period/year		4,831,621	2,685,399
Dividends paid in the period/year	7	(1,319,209)	(974,768)
Closing shareholders' funds		33,878,379	25,695,376

Cash Flow Statement

for the eleven months ended 31 March 2014

	Notes	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Investment income received		1,510,256	884,548
Dividend income		298,109	157,147
Other income		–	6,678
Investment management fees paid		(610,541)	(607,966)
Cash payments for other expenses		(286,518)	(287,611)
Net cash inflow from operating activities	17	911,306	152,796
Investing activities			
Purchase of investments	9	(2,341,072)	(281,207)
Disposals of investments	9	3,246,670	3,380,036
Net cash inflow from investing activities		905,598	3,098,829
Dividends			
Equity dividends paid	7	(1,319,209)	(974,768)
Net cash inflow before financing and liquid resource management		497,695	2,276,857
Financing			
Purchase of own shares		(761,518)	(517,829)
Share capital raised (net of expenses)		3,210,619	–
Net cash inflow/(outflow) from financing		2,449,101	(517,829)
Management of liquid resources			
No change/(increase) in monies held in current investments	18	–	(1,627,394)
Increase in cash for the period/year	18	2,946,796	131,634

Notes to the Accounts

for the eleven months ended 31 March 2014

1. Accounting policies

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

a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Companies in January 2009. The financial statements are prepared under the historical cost convention except for the measurement of certain financial instruments at fair value, which are in accordance with FRS26.

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 the 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) Change of financial year-end

The Company has changed its financial year end to 31 March and, therefore these financial statements and notes to the accounts relate to the eleven month period to 31 March 2014. The comparatives are for the year to 30 April 2013, and have not been restated.

d) Investments

All investments held by the Company are classified as "fair value through profit and loss", and are 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 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. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Unquoted investments are measured 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 loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.
- (iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.
- (iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

e) Current investments

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

f) Income

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

Interest income on loan stock and dividends on preference shares are 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 once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment, where appropriate.

g) Capital reserves

(i) *Realised (included within the Profit and Loss Account reserve)*

The following are accounted for in this reserve:

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

(ii) *Revaluation reserve (Unrealised capital reserve)*

Increases and decreases in the valuation of investments held at the period-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

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

(iii) *Special distributable reserve*

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

(iv) *Share premium reserve*

This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under Offers for Subscription.

(v) *Capital redemption reserve*

This reserve contains the excess of gross proceeds less issue costs over the nominal value of shares allotted under Offers for Subscription.

h) Expenses

All expenses are accounted for on an accruals basis.

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 period is charged against the capital column of the Income Statement, as it is based upon the achievement of capital growth.

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

Notes to the Accounts

for the eleven months ended 31 March 2014

i) Taxation

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

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

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

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

2. Income

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Income from bank deposits	3,344	991
Income from investments		
– from equities	492,984	135,481
– from overseas based OEICs	9,101	12,066
– from UK based OEICs	4,283	4,618
– from loan stock	1,519,044	865,768
	2,025,412	1,017,933
Other income	18,808	6,209
Total income	2,047,564	1,025,133
Total income comprises		
Dividends	506,368	152,165
Interest	1,522,388	866,759
Other	18,808	6,209
	2,047,564	1,025,133
Income from investments comprises		
Listed overseas securities	9,101	12,066
Unlisted UK securities	497,267	140,099
Loan stock interest	1,519,044	865,768
	2,025,412	1,017,933

Total loan stock interest due but not recognised in the period was £210,897 (year ended 30 April 2013: £405,722).

3. Investment management fees

	Eleven months ended 31 March 2014			Year ended 30 April 2013		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Mobeus Equity Partners LLP	152,635	457,906	610,541	151,992	455,974	607,966

Under the terms of a revised investment management agreement dated 10 September 2010, Mobeus Equity Partners LLP (“Mobeus”) provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fee of £113,589 per annum, the latter being subject to changes in the Retail Prices Index each year. In 2013, Mobeus has agreed to waive such further increases due to indexation, until otherwise agreed by the Board. In accordance with the policy statement published under “Management and Administration” in the Company’s prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board’s expectation of the long-term split of returns from the investment portfolio of the Company. For the eleven months ended 31 March 2014, the expense cap hasn’t been breached (year ended 30 April 2013: £nil).

The following performance incentive fee arrangements continue to be in place, and operated as detailed below:

Former C share fund

- the performance incentive fee payable will be calculated as an amount equivalent to 20 per cent of the excess of annual dividends paid to the holders of New Ordinary Shares but then reduced to the proportion which the C Share Fund’s aggregate net asset value represented the entire net asset value of the Company at the date of the merger; and
- the dividend shortfall per former C Share at 31 March 2014 is 25.11p (£3,810,480 in aggregate, being 65.1% of the total shortfall at the period-end (where 65.1% was the proportion of C shares to the total number of shares in issue at the date of the Share Merger) and taking into account the target rate of dividends and the dividends paid to shareholders.

The 6p annual dividend hurdle (as adjusted for RPI) and the £1 NAV maintenance provisions will continue to apply in respect of shares in issue and funds raised at the date of the Share Merger. The £1 NAV provision will be adjusted for shares issued since the merger.

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 equally, 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. Other expenses

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Directors’ remuneration (including NIC) (see note 5)	86,506	91,459
IFA trail commission	37,980	73,449
Broker’s fees	11,000	12,000
Auditor’s fees – audit of the statutory financial statements	22,860	25,200
– other services supplied relating to taxation	3,720	3,660
– other assurance services	5,520	5,280
Registrar’s fees	23,289	18,291
Printing	18,051	24,190
Legal & professional fees	10,871	4,511
VCT monitoring fees	8,460	10,320
Directors’ insurance	5,591	6,415
Listing and regulatory fees	19,790	20,622
Sundry	1,378	1,931
Running expenses	255,016	297,328
Provision against loan interest receivable (note a)	–	24,958
Other expenses	255,016	322,286

Note a: Provision against loan interest receivable above relates to an amount of £nil (year ended 30 April 2013: £24,958) being a provision made against loan interest regarded as collectable in previous years.

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

Notes to the Accounts

for the eleven months ended 31 March 2014

5. Directors' remuneration

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Directors' emoluments		
Nigel Melville	22,000	24,000
Adam Kingdon	19,250	21,000
Sally Duckworth	19,250	21,000
Kenneth Vere Nicoll	19,250	18,000
	79,750	84,000
Employer's NIC	6,756	7,459
	86,506	91,459

No pension scheme contributions or retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the Directors are non-executive, the other disclosures required by the Listing Rules are not applicable. The Company has no employees other than Directors.

6. Taxation on ordinary activities

	Eleven month ended 31 March 2014			Year ended 30 April 2013		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the period/year	106,850	(106,850)	–	88,954	(88,954)	–
Total current tax charge	106,850	(106,850)	–	88,954	(88,954)	–
Corporation tax is based on a rate of 20% (2013: 20%)						
b) Profit on ordinary activities before tax	1,639,913	3,191,708	4,831,621	550,855	2,134,544	2,685,399
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2013: 20%)	327,983	638,342	966,325	110,171	426,909	537,080
Effect of:						
UK dividends	(98,597)	–	(98,597)	(27,097)	–	(27,097)
Unrealised gains not allowable	–	(725,066)	(725,066)	–	(511,240)	(511,240)
Realised gains not taxable	–	(4,857)	(4,857)	–	(6,864)	(6,864)
Marginal rate relief	15,269	(15,269)	–	5,880	(5,880)	–
Losses utilised	(137,805)	–	(137,805)	–	–	–
Unrelieved expenditure	–	–	–	–	8,121	8,121
Actual current tax charge	106,580	(106,580)	–	88,954	(88,954)	–

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

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

There is no potential liability to deferred tax (2012: nil). There is an unrecognised deferred tax asset of £203,946 (2013: £362,594). This unrecognised deferred tax asset relates to taxable losses arising from expenses exceeding taxable income. In the Directors' opinion, these are unlikely to be recovered for the foreseeable future and therefore have not been recognised.

7. Dividends paid and payable

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Amounts recognised as distributions to equity holders in the period/year:		
Ordinary shares		
Second Interim income dividend paid for the year ended 30 April 2013 of 0.1p (year ended 30 April 2012: nil p) per share	26,384	–
Interim income dividend paid for the eleven months ended 31 March 2014 of 4.7p (year ended 30 April 2013: 1.25p) per share	1,240,056	303,182
Interim capital dividend paid for the eleven months ended 31 March 2014 of 0.2p (year ended 30 April 2013: 2.75p) per share	52,769	671,586
Total paid	1,319,209	974,768

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 period/year, which is the basis on which the requirements of section 274 of the Income Tax Act 2007 are considered.

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Ordinary shares		
Revenue available for distribution by way of dividends for the period/year	1,533,063	461,901
Interim income dividend for the eleven months ended 31 March 2014 paid of 4.7p (year ended 30 April 2013: 1.25p) per share	1,240,056	303,182
Second interim income dividend declared for the eleven months ended 31 March 2014 of nil p (year ended 30 April 2013: 0.1p) per share	–	24,071

8. Basic and diluted earnings and return per share

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Total earnings after taxation:	4,831,621	2,685,399
Basic and diluted earnings per share (note a)	19.80p	10.87p
Net revenue profit from ordinary activities after taxation	1,533,063	461,901
Basic and diluted revenue earnings per share (note b)	6.28p	1.87p
Net unrealised capital gains	3,625,328	2,556,199
Net realised capital gains	24,286	34,319
Capital expenses (net of taxation)	(351,056)	(367,020)
Total capital return	3,298,558	2,223,498
Basic and diluted capital earnings per share (note c)	13.52p	9.00p
Weighted average number of shares in issue in the period/year	24,404,368	24,697,137

Notes:

- Basic earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.
- Revenue earnings per share is the revenue return after taxation divided by the weighted average number of shares in issue.
- Capital earnings per share is the total capital return after taxation divided by the weighted average number of shares in issue.
- 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.

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9. Investments at fair value

Movements in investments during the period are summarised as follows:

	Traded on AiM £	Unquoted equity shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 30 April 2013	469,584	6,365,282	39,734	14,764,699	21,639,299
Permanent impairment at 30 April 2013	(254,586)	(400,106)	–	(774,864)	(1,429,556)
Unrealised gains/(losses) at 30 April 2013	116,964	934,828	(16,736)	544,194	1,579,250
Valuation at 30 April 2013	331,962	6,900,004	22,998	14,534,029	21,788,993
Purchases at cost	–	762,716	–	1,578,272	2,340,988
Sale proceeds	(281,998)	(59,334)	–	(2,907,073)	(3,248,405)
Reclassified*	–	(869,841)	1,537	868,304	–
Realised (losses)/gains	(49,457)	59,334	–	16,144	26,021
Unrealised (losses)/gains	(507)	3,059,755	–	566,080	3,625,328
Closing valuation at 31 March 2014	–	9,852,634	24,535	14,655,756	24,532,925
Cost at 31 March 2014	254,586	6,258,157	41,271	14,825,743	21,379,757
Permanent impairment at 31 March 2014	(254,586)	(883,876)	(739)	(810,398)	(1,949,599)
Unrealised gains/(losses) at 31 March 2014	–	4,478,353	(15,997)	640,411	5,102,767
Valuation at 31 March 2014	–	9,852,634	24,535	14,655,756	24,532,925

*- The equity from acquisition vehicles was exchanged for equity and loan stock issued by the eventual acquirer of the target business.

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 17 to 19.

Reconciliation of investment transactions to cash and income statement movements

The difference between sales proceeds above of £3,248,405 and disposals of investments shown by the Cash Flow Statement of £3,246,670, is transaction costs of £1,735. These transaction costs also account for the difference between realised gains above of £26,021 and that shown in the Income Statement of £24,286. The difference between investment purchases above of £2,340,988 and that shown by the Cash Flow Statement of £2,341,072 is £84 relating to an investment that had not yet completed by the period-end.

Unrealised gains/(losses) at 31 March 2014 of £5,102,767 differ to that shown in the Revaluation Reserve of £5,930,144. The difference of £827,377 is remaining loan stock received as part of the disposal of DiGiCo Europe Limited in December 2011, which was not recognised as a realised gain in that year.

10. Significant interests

At 31 March 2014 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
Blaze Signs Holdings Limited	419,549	17,481	437,030	13.5%
Racoon International Holdings Limited	263,558	614,969	878,527	12.3%
Lightworks Software Limited	25,727	–	25,727	11.6%
Machineworks Software Limited	25,727	–	25,727	11.6%
Newquay Helicopters (2013) Limited	225,000	168,647	393,647	10.0%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%
Fullfield Limited (trading as Motorclean)	418,765	1,206,004	1,624,769	8.9%
Youngman Group Limited	100,052	900,000	1,000,052	8.5%
Manufacturing Services Investment Limited	304,000	304,000	608,000	7.6%
South West Services Investment Limited	242,400	363,600	606,000	7.6%
Monsal Holdings Limited	261,912	560,070	821,982	7.5%
PXP Holdings Limited (trading as Pinewood)	1,220,579	–	1,220,579	7.5%
ATG Media Holding Limited	308,274	1,323,660	1,631,934	7.4%
ASL Technology Holdings Limited	321,449	1,038,681	1,360,130	7.3%
Virgin Wines Holding Company Limited	30,541	1,299,661	1,330,202	6.4%
Ackling Management Limited (trading as Entanet)	273,617	638,440	912,057	6.4%
Veritek Global Holdings Limited	26,001	941,779	967,780	6.2%
Gro-Group Holdings Limited	105,880	990,222	1,096,102	6.0%
The Plastic Surgeon Holdings Limited	39,229	353,035	392,264	5.9%
Ingleby (1879) Limited (trading as EMaC)	328,717	538,730	867,447	5.5%
Vectair Limited	60,075	218	60,293	5.2%
Bourn Bioscience Limited	216,316	540,785	757,101	5.1%
Tessella Holdings Limited	151,559	677,090	828,649	3.9%

It is considered that, as required by FRS9, "Associates and Joint Ventures", the above investments are held as part of an investment portfolio, and that accordingly, their value to the Company lies in their marketable value as part of that portfolio. In view of this, it is not considered that any of the above represent investments in associated undertakings.

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

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At 31 March 2014, Mobeus Equity Partners LLP also advised The Income & Growth VCT plc, Mobeus Income & Growth VCT plc, and Mobeus Income & Growth 4 VCT plc who had investments in the following:

	Mobeus Income & Growth VCT plc* at cost £	Mobeus Income & Growth 4 VCT plc at cost £	The Income & Growth VCT plc at cost £	Total at cost £	% of equity held by funds managed by Mobeus %
Virgin Wines Holding Company Limited	2,526,471	1,999,771	2,843,557	7,369,799	42.0
ATG Media Holdings Limited	3,122,265	1,889,006	1,889,006	6,900,277	38.4
Fullfield Limited (trading as Motorclean)	2,576,537	1,793,231	2,405,464	6,775,232	41.0
Veritek Global Holdings Limited	2,045,275	1,620,086	2,289,859	5,955,220	44.0
Gro-Group Holdings Limited	1,927,551	1,540,061	2,341,286	5,808,898	37.6
Ackling Management Limited (trading as Entanet)	1,713,522	1,369,050	2,005,371	5,087,943	42.0
ASL Technology Holdings Limited	1,912,945	1,257,135	1,769,790	4,939,870	34.0
Tessella Holdings Limited	1,534,585	1,159,363	1,595,001	4,288,949	24.0
RDL Corporation Limited	1,558,333	1,000,000	1,441,667	4,000,000	45.2
Ingleby (1879) Limited (trading as EMaC)	1,395,183	1,000,522	1,486,848	3,882,553	30.0
EOTH Limited (trading as Equip Outdoor Technologies)	1,298,031	951,471	1,383,313	3,632,815	8.0
South West Services Investment Limited	1,143,200	912,800	1,342,800	3,398,800	50.0
Manufacturing Services Investment Limited	1,142,400	908,000	1,336,800	3,387,200	50.0
DiGiCo Global Limited	1,612,328	829,769	545,075	2,987,172	11.0
PXP Holdings Limited (Pinewood)	1,277,722	712,925	965,371	2,956,018	32.9
Bourn Bioscience Limited	–	1,132,521	1,610,379	2,742,900	23.8
Youngman Group Limited	1,000,052	500,026	1,000,052	2,500,130	29.7
Monsal Holdings Limited	1,260,007	678,300	454,461	2,392,768	29.4
Racoon International Holdings Limited	1,213,035	406,805	550,852	2,170,692	49.0
The Plastic Surgeon Holdings Limited	478,421	458,837	406,082	1,343,340	30.0
Blaze Signs Holdings Limited	491,797	190,631	418,281	1,100,709	52.5
Focus Pharma Holdings Limited	386,616	271,566	181,722	839,904	13.0
Newquay Helicopters (2013) Limited	519,382	98,412	196,824	814,618	34.9
Legion Group plc	150,106	150,102	150,000	450,208	0.0
Lightworks Software Limited	222,584	9,329	20,471	252,384	45.0
Machineworks Software Limited	222,584	9,329	20,471	252,384	45.0
Vectair Limited	138,574	24,732	53,400	216,706	24.0

* - The cost for Mobeus Income & Growth VCT plc (formerly Matrix Income & Growth VCT plc) includes the original cost of acquiring investments previously owned by Matrix Income & Growth 3 VCT plc.

11. Debtors

	As at 31 March 2014 £	As at 30 April 2013 £
Amounts due within one year:		
Accrued income	391,947	152,748
Prepayments	4,621	4,974
Other debtors	2,200,404	–
	2,596,972	157,722

Included within other debtors is £2,200,320, being the value of shares allotted on 31 March 2014, the cash for which was received after the period end.

12. Current asset investments

Current asset investments total £3,727,300 (2013: £3,727,300) and comprise investments in four OEIC money market funds (three Dublin based and one London based). The share of each OEIC represented by these holdings is less than 1% in all cases. All of this sum is subject to same day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 18.

13. Creditors: amounts falling due within one year

	As at 31 March 2014 £	As at 30 April 2013 £
Trade creditors	31,816	51,844
Other creditors	10,494	–
Accruals	94,724	138,215
	137,034	190,059

14. Called up share capital

	As at 31 March 2014 £	As at 30 April 2013 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 28,062,140 (2013: 24,070,716)	280,621	240,707

Purchased	Date of purchase	Nominal value £
150,000	29 October 2013	1,500
350,000	21 January 2014	3,500
125,128	28 February 2014	1,251
95,692	28 March 2014	957
26,516	28 March 2014	265
747,336		7,473

During the period the Company repurchased 747,336 (year ended 30 April 2013: 776,749) of its own Ordinary shares (representing 3.1% (year ended 30 April 2013: 3.1%) of the Ordinary shares in issue at the start of the period) at the prevailing market price for a total cost of £740,347 (year ended 30 April 2013: £541,894).

As part of the Linked Offer for Subscription launched on 28 November 2013, a total of 4,738,760 Ordinary shares were allotted at average effective offer prices ranging from 117.92 pence to 119.28 pence per share, raising net funds of £5,410,938.

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15. Movement in share capital and reserves

	Called up Share capital	Capital redemption reserve	Share premium	Revaluation reserve	Special distributable reserve*	Profit and loss account*	Total
	£	£	£	£	£	£	£
At 30 April 2013	240,707	65,940	–	2,827,063	13,176,946	9,384,720	25,695,376
Issue of shares	47,387	–	5,572,460	–	–	–	5,619,847
Expenses of share offer	–	–	(208,909)	–	–	–	(208,909)
Share buybacks	(7,473)	7,473	–	–	(740,347)	–	(740,347)
Transfer of realised losses to Special distributable reserve (note)	–	–	–	–	(871,100)	871,100	–
Realisation of previously unrealised gain	–	–	–	(522,247)	–	522,247	–
Dividends paid	–	–	–	–	–	(1,319,209)	(1,319,209)
Profit for the period	–	–	–	3,625,328	–	1,206,293	4,831,621
As at 31 March 2014	280,621	73,413	5,363,551	5,930,144	11,565,499	10,665,151	33,878,379

* - These reserves, less net unrealised losses of £254,586 on Level 1 investments per note 9, total £21,976,064 (2013: £22,424,044) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

The Company's revaluation reserve represents the capital reserve (unrealised) upon investments held at the period end.

Note: The cancellation of the formerly named C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellation of the share premium account attributable to the former Ordinary Share Fund and C Shares, has provided the Company with a special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer of £871,100 to the special distributable reserve from the profit and loss account is the total of realised losses incurred by the Company in the period.

16. Basic and diluted net asset value per share

Net asset value per Ordinary share is based on net assets at the end of the period, and on 28,062,140 (2013: 24,070,716) Ordinary shares, being the number of Ordinary shares in issue on that date.

17. Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities

	Eleven months ended 31 March 2014 £	Year ended 30 April 2013 £
Profit on ordinary activities before taxation	4,831,621	2,685,399
Net gains on realisations of investments	(24,286)	(34,319)
Net unrealised gains on investments	(3,625,328)	(2,556,199)
(Increase)/decrease in debtors	(238,846)	55,888
(Decrease)/increase in creditors and accruals	(31,855)	2,027
Net cash inflow from operating activities	911,306	152,796

18. Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of period	211,420	3,727,300	3,938,720
Cash flows	2,946,796	–	2,946,796
At 31 March 2014	3,158,216	3,727,300	6,885,516

19. Financial instruments

The Company's financial instruments in both the current period and the previous year comprise:

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

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

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2014:

	As at 31 March 2014		As at 30 April 2013	
	(Book value) £	(Fair value) £	(Book value) £	(Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	24,532,925	24,532,925	21,788,993	21,788,993
Current investments	3,727,300	3,727,300	3,727,300	3,727,300
Loans and receivables				
Accrued income	391,947	391,947	152,748	152,748
Other debtors	2,200,404	2,200,404	–	–
Cash at bank	3,158,216	3,158,216	211,420	211,420
Liabilities at amortised cost or equivalent				
Other creditors	(137,034)	(137,034)	(190,059)	(190,059)
Total for financial instruments	33,873,758	33,873,758	25,690,402	25,690,402
Non financial instruments	4,621	4,621	4,974	4,974
Total net assets	33,878,379	33,878,379	25,695,376	25,695,376

The investment portfolio consists of unquoted investments of 100.0% (30 April 2013: 98.5%). The investment portfolio has a 100% (30 April 2013: 100%) concentration of risk towards small UK based, sterling denominated companies, and represents 72.4% (30 April 2013: 84.8%) of net assets at the period/year-end.

Current investments are money market funds, discussed under credit risk below, which represent 11.0% (30 April 2013: 14.5%) of net assets at the period/year-end.

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

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Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £24,532,925 at the period-end.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Investment Objective, as set out on the inside front cover. 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.

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2013: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2013: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

	As at 31 March 2014 Profit and net assets £	As at 30 April 2013 Profit and net assets £
If overall share prices rose/fell by 20% (2013: 20%), with all other variables held constant – increase/(decrease)	4,906,585 / (4,906,585)	4,357,799 / (4,357,799)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	17.48p / (17.48)p	18.10p / (18.10)p

The impact of a change of 20% (2013: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

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:

	As at 31 March 2014 £	As at 30 April 2013 £
Loan stock investments	14,655,756	14,534,029
Preference shares	24,535	22,998
Money market funds	3,727,300	3,727,300
Accrued income and other debtors	2,592,351	152,748
Cash at bank	3,158,216	211,420
	24,158,158	18,648,495

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

The accrued income shown above was all due within three months of the period-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	As at 31 March 2014 £	As at 30 April 2013 £
0 to 1 year	399,757	1,686,716
1 to 2 years	1,445,298	1,829,337
2 to 3 years	5,267,320	1,014,928
3 to 4 years	2,041,996	7,008,156
4 to 5 years	5,501,385	2,994,892
Total	14,655,756	14,534,029

There are four loans which are past their capital repayment date. These loans have a carrying value of £1,077,791 and have not yet been renegotiated. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

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An aged analysis of the 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 date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due only because interest on the loan is outstanding. We are required to report in this format and include the full value of the loan even though it is only in respect of interest that they are past due.

	0 - 6 months £	6 - 12 months £	over 12 months £	As at 31 March 2014 Total £
Loans to investee companies past due	–	–	2,057,114	2,057,114

	0 - 6 months £	6 - 12 months £	over 12 months £	As at 30 April 2013 Total £
Loans to investee companies past due	–	–	2,992,513	2,992,513

There is a risk of default by the money market funds above, which could suffer defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. The money market funds are all triple A rated funds, and so credit risk is considered to be relatively low in current circumstances. Cash is held with Barclays Bank, which could also suffer default. The Board considers Barclays to have a relatively low credit risk. 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.

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.

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 March 2014 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	9,852,634	–	–	9,852,634		
Preference shares	–	24,535	–	24,535	6.40	1.02
Loan stocks	–	13,988,156	667,600	14,655,756	8.25	3.24
Money market funds	–	–	3,727,300	3,727,300	0.40	
Cash	–	–	3,158,216	3,158,216	0.70	
Debtors	2,592,351	–	–	2,592,351		
Creditors	(137,034)	–	–	(137,034)		
Total for financial instruments	12,307,951	14,012,691	7,553,116	33,873,758		
Non-financial instruments	4,621	–	–	4,621		
Total net assets	12,312,572	14,012,691	7,553,116	33,878,379		

The interest rate profile of the Company's financial net assets at 30 April 2013 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	7,231,966	–	–	7,231,966		
Preference shares	–	22,998	–	22,998	6.83	0.69
Loan stocks	–	12,091,812	2,442,217	14,534,029	6.05	3.07
Money market funds	–	–	3,727,300	3,727,300	0.41	
Cash	–	–	211,420	211,420	0.70	
Debtors	152,748	–	–	152,748		
Creditors	(190,059)	–	–	(190,059)		
Total for financial instruments	7,194,655	12,114,810	6,380,937	25,690,402		
Non-financial instruments	4,974	–	–	4,974		
Total net assets	7,199,629	12,114,810	6,380,937	25,695,376		

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

Floating rate cash earns interest based on LIBOR rates.

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

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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 cash and money market funds, the table below shows the sensitivity of income earned to changes in interest rates in these instruments:

	As at 31 March 2014 £ Profit and net assets	As at 30 April 2013 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	60,425 / (60,425)	51,047 / (51,047)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.22p / (0.22)p	0.21p / (0.21)p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and thus they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk above indicates that these assets are also not readily realisable until dates up to five years from the period-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 which are, as reported in Note 12, all accessible on an immediate basis, and cash deposits.

Currency risk

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

Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy. The Company has one class of assets, being at fair value through profit and loss.

Financial assets at fair value through profit and loss At 31 March 2014	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	–	–	9,852,634	9,852,634
Preference shares	–	–	24,535	24,535
Loan stock investments	–	–	14,655,756	14,655,756
Money market funds	3,727,300	–	–	3,727,300
Total	3,727,300	–	24,532,925	28,260,225

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 policies in note 1.

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

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 May 2013	6,900,004	22,998	14,534,029	21,457,031
Purchases	762,716	–	1,578,272	2,340,988
Sales	(59,334)	–	(2,907,073)	(2,966,407)
Transfers into Level 3	–	–	–	–
Reclassification*	(869,841)	1,537	868,304	–
Total gains/(losses) included in Income Statement:				
– on assets sold	59,334	–	16,144	75,478
– on assets held at the period end	3,059,755	–	566,080	3,625,835
Closing balance at 31 March 2014	9,852,634	24,535	14,655,756	24,532,925

* - The equity of acquisition vehicles were exchanged for equity and loan stock issued by the eventual acquirer of the target business.

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

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

	31 March 2014 £	30 April 2013 £
Investment methodology		
Cost (reviewed for impairment)	1,608,647	3,499,032
Asset value supporting security held	699,966	699,966
Recent investment price	4,075,548	2,071,182
Earnings multiple	17,245,778	14,089,401
Realisation proceeds	902,986	–
Discounted realisation proceeds	–	1,097,450
	24,532,925	21,457,031

Notes to the Accounts

for the eleven months ended 31 March 2014

The unquoted equity investments had the following movements between valuation methodologies between 30 April 2013 and 31 March 2014:

Change in investment methodology (2013 to 2014)	Carrying value as at 31 March 2014 £	Explanatory note
Earnings multiple to discounted realisation proceeds	902,986	More appropriate basis for determining fair value
Earnings multiple to Cost (reviewed for impairment)	1,000	More appropriate basis for determining fair value
Recent investment price to earnings multiple	2,176,827	More appropriate basis for determining fair value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 31 March 2014.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £2,185k or 8.9% lower. Using the upside alternatives the value would be increased by £1,106k or 4.5%. In arriving at both these figures, a 5% change to earnings multiples was applied. For the upside alternatives only, amended maintainable earnings figures were used for two portfolio companies.

20. Management of capital

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

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and 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 level of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

21. Segmental analysis

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

22. Post balance sheet events

On 3 April 2014, the entire investment in Machineworks Software Limited was realised for net proceeds of £902,986. This value was reflected in the Company's valuation of Machineworks as at 31 March 2014.

Under the Linked Offer for Subscription launched on 28 November 2013, on 3 April 2014 and 4 April 2014, a total of 1,744,947 new Ordinary shares were allotted at average effective offer prices of 119.82 pence and 119.08 pence per share respectively, raising net funds of £1,994,140.

On 25 April 2014, Newquay Helicopters (2013) Limited repaid their remaining loan stock, realising £167,647.

On 16 May 2014, Monsal Holdings Limited repaid loan stock totalling £29,060.

On 2 June 2014, £731,032 was invested into Creative Graphics International Limited, a specialist provider of self-adhesive branding solutions to the automotive, recreational vehicle and airline markets.

Following the closure of the Linked Offer for Subscription on 30 May 2014, on 6 June 2014, a further 690,023 new Ordinary shares were allotted at an average effective offer price of 118.66 pence per share, raising net funds of £788,836.

Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company website at www.mig2vct.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 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 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 July and January of each year. The newsletter contains certain 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 120.73 pence. The Company announces its unaudited NAV on a quarterly basis.

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 given at the end of this section.

Financial calendar

Late June 2014	Annual Report for the 11 months ended 31 March 2014 to be circulated to shareholders
11 September 2014	Annual General Meeting
September 2014	Announcement of Half-Yearly Results and circulation of Half-Yearly Report for the six months ended 30 September 2014 to shareholders
31 March 2015	Year-end

Annual General Meeting

The next Annual General Meeting of the Company will be held on 11 September 2014 at 12 noon at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. Please try to arrive fifteen minutes before the meeting starts when tea and coffee will be served to shareholders. A short presentation will be given by the Investment Adviser during the AGM. The Notice of the meeting is included on pages 67–68 of this Annual Report. A proxy form for use at the Meeting is enclosed separately with shareholders' copies of this Annual Report. Proxy forms for use at the Meeting is enclosed separately with shareholders' copies of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Asset Services, to arrive no later than 12 noon on 9 September 2014.

Shareholder enquiries and investment monitoring

For enquiries concerning the investment portfolio, please contact the Investment Adviser, Mobeus Equity Partners LLP, on 020 7024 7600 or by e-mail to info@mobeusequity.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 Registrar, Capita Asset Services, on 0871 664 0324 (calls cost 10p per minute plus network extras. If calling from overseas please ring +44 203 170 0871) or write to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Alternatively you can contact them via their website at www.capitashareportal.com.

To contact the Chairman or any member of Board, please contact the Company Secretary, Mobeus Equity Partners LLP in the first instance, on 020 7024 7600 or by e-mail to mig2@mobeusequity.co.uk.

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 2716/7 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.

Shareholder Information

Communication with shareholders

We aim to communicate regularly with our shareholders. In addition to the Half-Yearly and Annual Reports, shareholders receive a twice-yearly VCT Newsletter from the Adviser, approved by the Board. The September Annual General Meeting will 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.

Shareholder workshop

The Adviser held its fourth annual investor 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 Chairmen respectively, of two diverse portfolio companies, Gro-Group and Newquay Helicopters.

Mobeus website

The Adviser's website can be accessed by going to www.mobeusequity.co.uk. This is regularly updated with information on your investments 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.mig2vct.co.uk. This includes performance tables and details of dividends paid as well as copies of past reports to shareholders. Videos of the presentations and Q & A sessions from the recent investor workshop can also be viewed here.

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.

MIG 2 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 take 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. Our registrars, Capita Asset Services, also have an informative FAQs section on boiler room scams on their website which can be accessed by going to: www.capitaassetservices.com, selecting Investor Information and then clicking on the button "Fraud alerts and warnings".

Warning issued by the FCA and the ICSA

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 FSA 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/ and contacting the firm using the details on the register.
- Report the matter to the FCA either by calling its consumer helpline 0800 111 6768 or visiting consumer.enquiries@fca.org.uk or visit 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.

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.moneyadvice.service.org.uk.

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

VCT Tax Benefits

Taxation benefits

VCTs provide investors with an attractive method of investing in small to medium-sized unquoted (including AIM listed) trading companies in the UK that would otherwise be difficult to invest in directly. The VCT is itself exempt from paying corporation tax on its chargeable gains. VCTs also offer substantial tax benefits to private investors.

Personal taxation benefits

The tax reliefs set out below are available to individuals aged 18 or over who subscribe for ordinary shares. Whilst there is no specific limit in the amount of an individual's acquisitions of shares in a VCT, each of the following tax reliefs will only be given to the extent that the individual's total acquisitions of shares in VCTs in any tax year do not exceed the specified limit, currently £200,000 (see below).

Tax reliefs currently available to VCT investors:

- (1) **Relief from income tax on investments**

An investor subscribing for new Ordinary shares in a VCT is entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 (increased from £100,000 in respect of shares issued on or after 6 April 2004) in any tax year. To obtain relief, an investor must subscribe in his/her own name and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. The relief is given at 30% of the amount subscribed provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments used as security for, or financed by, a loan may not qualify for relief depending on the circumstances. The income tax relief for investments in new VCT shares was decreased from 40% to 30% in relation to VCT shares issued on or after 6 April 2006.
- (2) **Capital gains tax reinvestment relief**

The ability to defer capital gains by reinvesting the gains in a VCT, where the VCT shares are issued in the two year period beginning twelve months before the gain arises, has been abolished in respect of shares issued on or after 6 April 2004. However, gains which were deferred by subscribing for VCT shares issued before 6 April 2004 remain deferred while the investor continues to hold those VCT shares.
- (3) **Dividend relief**

An investor who acquires VCT shares within the specified limit (currently £200,000 per annum) will not be liable to income tax on dividends paid on those shares.
- (4) **Relief from capital gains tax on disposal**

A disposal by an investor of ordinary shares in a VCT will not be subject to UK capital gains tax.
- (5) **Purchases in the market**

An individual purchaser of existing VCT shares in the market will be entitled to claim dividend relief but not relief from income tax on investment.
- (6) **Withdrawal of relief**

Relief from income tax on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue (within three years of issue for shares purchased prior to 6 April 2006) or if the VCT loses its approval within this period.

The above is only an outline of the tax reliefs available under current legislation. Investors are recommended to consult an independent professional adviser as to the taxation consequences of investing in a VCT.

Performance Data at 31 March 2014

The two former 'C' and Ordinary classes of shares were merged on 10 September 2010, and the 'C' share class redesignated as Ordinary shares. The following tables show, for all investors in the former share classes, how their investments have performed since they were originally allotted shares in each fundraising.

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and NAV basis as at 31 March 2014. The NAV basis enables shareholders to evaluate more clearly the performance of the Adviser, 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.

Ordinary Share Fund

Share price as at 31 March 2014 **103.50 p¹**
NAV per share as at 31 March 2014 **120.73 p**

Allotment date(s)	Allotment price	Net allotment price ²	Cumulative dividends paid per share ⁴	Total return per share to shareholders since allotment		
				(Share price basis)	(NAV basis)	% increase since 30 April 2013 (NAV basis)
	(p)	(p)	(p)	(p)	(p)	%
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	60.00	23.00	126.50	143.73	15.21%
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	64.67	19.00	122.50	139.73	15.72%
Funds raised 2013/14						
09/01/2014	117.92 ⁵	82.54	5.00	108.50	125.73	–
11/02/2014	118.22 ⁵	82.75	5.00	108.50	125.73	–
31/03/2014	119.28 ⁵	83.49	–	103.50	120.73	–
03/04/2014	119.82 ⁵	83.87	–	103.50	120.73	–
04/04/2014	119.08 ⁵	83.36	–	103.50	120.73	–
06/06/2014	118.66 ⁵	83.06	–	103.50	120.73	–

Former Ordinary Share Fund

Share price as at 31 March 2014 **85.59 p**
NAV per share as at 31 March 2014 **99.84 p**

Shareholders in the former Ordinary Share Fund received 0.827 shares in the Company for each former Ordinary share that they held on 10 September 2010, when the two share classes merged. Both the share price and the NAV per share shown above have been adjusted using this merger ratio.

Allotment date(s)	Allotment price	Net allotment price ²	Cumulative dividends paid per share ⁴	Total return per share to shareholders since allotment		
				(Share price basis)	(NAV basis)	% increase since 30 April 2013 (NAV basis)
	(p)	(p)	(p)	(p)	(p)	%
Funds raised 2000/01³						
Between 30 May 2000 and 11 December 2000	100.00	80.00	40.86	126.45	140.70	12.56%

¹ - Source: London Stock Exchange (mid-price basis).

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

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

⁴ - For derivation, see table on following page.

⁵ - Average effective offer price.

Cumulative dividends paid

	Funds raised 2000/01 (p)	Funds raised 2005/06 (p)	Funds raised 2008/09 (p)	Funds raised 2013/14 (p)
21 March 2014	4.14 ¹	5.00	5.00	5.00
19 April 2013	3.31 ¹	4.00	4.00	
20 April 2012	3.31 ¹	4.00	4.00	
20 April 2011	3.31 ¹	4.00	4.00	
10 September 2010 – Merger of Ordinary Share Fund and C Share Fund				
13 August 2010	–	1.00	1.00	
19 September 2009	–	1.00	1.00	
23 July 2008	6.00	2.50		
19 September 2007	6.00	1.50		
8 February 2006	6.00			
20 October 2005	6.00			
24 September 2003	0.51			
16 September 2002	1.35			
10 September 2001	0.93			
	40.86	23.00	19.00	5.00

¹ - The dividends paid after the merger of the share classes on 10 September 2010 to former Ordinary Share Fund shareholders have been restated to reflect the merger conversion ratio of approximately 0.827.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mobeus Income & Growth 2 VCT plc will be held at 12.00 noon on Thursday 11 September 2014 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG for the purposes of considering, and if thought fit, passing the following resolutions of which Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive and adopt the annual report and accounts of the Company for the 11 months ended 31 March 2014 ("Annual Report"), together with the auditor's report thereon.
2. To approve the remuneration policy as set out in the Annual Report.
3. To approve the directors' remuneration report as set out in the Annual Report.
4. To appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next annual general meeting of the Company.
5. To authorise the directors to determine the remuneration of BDO LLP as auditor to the Company.
6. To re-elect Nigel Melville as a director of the Company.
7. To re-elect Adam Kingdon as a director of the Company.
8. To re-elect Kenneth Vere Nicoll as a director of the Company.
9. 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 pence each in the Company ("Shares") and to grant rights to subscribe for, or to convert, any security into, Shares ("Rights") up to an aggregate nominal value of £160,994, provided that the authority conferred by this resolution shall expire (unless renewed, revoked or varied by the Company in general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2015 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.
10. That, subject to the passing of resolution 9 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, either pursuant to the authority conferred upon them by resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:
 - (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding £100,000 in connection with offer(s) for subscription;
 - (ii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and
 - (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time;

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

11. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own shares provided that:
- (i) the aggregate number of Shares which may be purchased shall not exceed 4,571,516 or, if lower, such number of Shares (rounded down to the nearest whole Share) as represents 14.99 per cent. of the Shares in issue at the date of the passing of this resolution;
 - (ii) the minimum price which may be paid for a Share is 1 penny (the nominal value thereof);
 - (iii) the maximum price which may be paid for a Share (excluding expenses) shall be the higher of (a) an amount equal to 5 per cent above the average of the middle market quotations for a Share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);
 - (iv) the authority conferred by this resolution shall (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 2015; and
 - (v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Shares in pursuance of any such contract.

BY ORDER OF THE BOARD OF DIRECTORS

Mobeus Equity Partners LLP

Company Secretary

Dated: 18 June 2014

Registered Office
30 Haymarket
London SW1Y 4EX

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat) will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Asset Services, on 0871 664 0324 (lines are open between 9.00 am and 5.30 pm Monday to Friday, calls cost 10p per minute (including VAT) plus network extras – if calling from overseas please dial +44 203 170 0187 (international rates will apply)) to request additional copies of the proxy form. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons Capita 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.

Notice of the Annual General Meeting

6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, at the offices of the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 12 noon on 9 September 2014 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12 noon on 9 September 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. As at 18 June 2014 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 30,497,110 Ordinary Shares of 1p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 18 June 2014 were 30,497,110.
14. The Register of Directors' Interests and directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.
15. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
16. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.
17. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
18. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

Corporate Information

Directors

Nigel Melville (Chairman)
Sally Duckworth
Adam Kingdon
Kenneth Vere Nicoll

Company's registered office and head office

30 Haymarket
London
SW1Y 4EX

Investment Adviser, Promoter and Company Accountants

Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
Tel: 020 7024 7600

Company Registration Number:

3946235

Email

info@mobeusequity.co.uk

Website

www.mig2vct.co.uk

Company Secretary

Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
e-mail: mig2@mobeusequity.co.uk

Bankers

Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Registrar

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

Tel: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from overseas please ring +44 208 639 2157)

Solicitors

SGH Martineau LLP
No 1 Colmore Square
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Also at
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Crosswall
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VCT Tax Adviser

PricewaterhouseCoopers LLP
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Auditor

BDO LLP
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Stockbrokers

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Notes

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