Mobeus Income & Growth 2 VCT plc

A Venture Capital Trust

Annual Report & Financial Statements
for the year ended 31 March 2019

Mobeus Income & Growth 2 VCT plc

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, unquoted companies.

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

Dividend Policy

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

YOUR PRIVACY

We are committed to protecting and respecting your privacy. To understand how we collect, use and otherwise process personal data relating to you, or that you provide to us, please read our privacy notice, which can be found at www.mig2vct.co.uk.

Contents

Financial Highlights

Results for the year ended 31 March 2019

As at 31 March 2019:
Net assets: **£48.73 million**
Net Asset Value ("NAV") per share: **99.60 pence**

- Net asset value ("NAV") total return per share was 8.4%* and share price total return per share was 4.6% for the year*.
- Shareholders received an interim dividend of 5.00 pence per share in respect of the year ended 31 March 2019, which was paid on 22 March 2019.
- The Company realised investments for a total of £2.88 million, a gain of £0.60 million for the year.
- The Company invested a total of £2.90 million into two new growth capital and five follow-on investments during the year.

*Further details on these alternative performance measures ("APMs") are contained in the Strategic Report on pages 7 to 10.

Performance Summary

The table below shows the recent past performance of the current share class, first raised in 2005/06 at an original subscription price of 100 pence per share before the benefit of income tax relief. Performance data for all fundraising rounds are shown in tables on pages 71 and 72 of this Annual Report.

Reporting date as at	Net assets (£ m)	Net asset value (NAV) per share (p)	Share price[1] (mid-market price) (p)	Cumulative dividends paid per share (p)	Cumulative total return per share since launch[2]		Dividends paid and proposed in respect of each year (p)
					(NAV basis) (p)	(Share price basis) (p)	
31 March 2019	48.73	99.60	85.50	83.00	182.60	168.50	5.00
31 March 2018	47.60	96.54	86.50	78.00	174.54	164.50	16.00
31 March 2017	38.06	106.70	94.50	62.00	168.70	156.50	15.00
31 March 2016	43.14	119.61	105.25	47.00	166.61	152.25	5.00
31 March 2015	42.10	115.45	104.50	42.00	157.45	146.50	19.00

[1] Source: Panmure Gordon & Co (mid-market price).

[2] Cumulative total return per share comprises the NAV per share (NAV basis) or the mid-market price per share (share price basis) plus cumulative dividends paid to date on the current share class, launched in 2005.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2019.

Overview

This has been a year of good performance by the Company. Returns to shareholders have been positive, principally due to a rise in the value of the unrealised portfolio and an increase in income. During the year, the Company made investments into two new companies, provided follow-on funding to five existing portfolio companies and realised its investment in three portfolio companies. Further details of this investment activity can be found under the 'Investment portfolio' section of my Statement below and in the Investment Adviser's Review on pages 11 to 15.

The Company and the Investment Adviser have responded well to the significant changes in the VCT Rules introduced by the Finance (No 2) Act 2015. At the year end, the investment portfolio was divided almost equally between more mature, MBO type investments, and younger growth capital investments. Within this, 14 growth capital investments valued at £10.37 million have been completed since the 2015 VCT rule changes.

The Investment Adviser continues to report an interesting pipeline of further growth capital opportunities and a further two new investments have been completed since the year end. Meanwhile, the more mature portfolio constructed under the previous rules continues to provide a healthy income yield.

Performance

The NAV total return per share for the year was 8.4% (2018: 5.5%) (closing NAV per share plus dividends paid per share in the year less the opening NAV per share, as a percentage of the opening NAV per share). These returns, expressed on a pence per share basis, were derived as shown in the table in the next column:

Year ended 31 March	2019 (pence per share)	2018 (pence per share)
Net realised and unrealised gains on the investment portfolio	6.41	4.08
Income from the investment portfolio and on liquid assets	4.48	3.48
Share buybacks and adjustments	0.07	1.09
Gross return	10.96	8.65
Less: Investment Adviser's fees and other expenses	(2.90)	(2.81)
Net return	8.06	5.84
NAV total return per share	**8.4%**	**5.5%**

After accounting for interim dividends of 5.00 pence per share paid during the year and a net return of 8.06 pence, the NAV per share at the year end was 99.60 pence, compared to 96.54 pence at the start of the financial year.

The share price total return for the year, also after accounting for dividends paid, was 4.6% (compared with 8.5% for the previous year).

Your Board regards these returns as very encouraging in the context of the significant changes in the VCT rules. Most of the positive returns were derived from the more mature investments within the portfolio, whereas the growth portfolio investments will take time to achieve scale and improve profitability.

At the year end, your Company was ranked 15th out of 39 Generalist VCTs, over the last five years, in the Association of Investment Companies' analysis of NAV cumulative total return.

For further details on the performance of the Company, please refer to the Performance section of the Strategic Report on pages 7 to 10 and the Performance Data on pages 71 and 72 of this Annual Report.

Target Return

Since the start of the financial year ended 31 March 2018, the Board has reintroduced its target of achieving an average NAV total return of 8.0% per annum, following a year in which the target was suspended after the introduction of the new VCT rules. For the year under review this was 8.4% (2018: 5.5%.), while the average over two years is 6.9% per annum.

Dividends

The Board declared an interim dividend of 5.00 pence per share (2018: 16.00 pence) in respect of the year ended 31 March 2019, which was paid to shareholders on 22 March 2019. This dividend brought cumulative dividends paid since inception to 83.00 pence (2018: 78.00 pence) per share.

The Board's policy of paying a regular dividend at a level of not less than its target (currently 5.00 pence per share) in respect of each financial year, has been met or exceeded in each of the last nine years.

While the Board still believes in the attainment of the dividend target, the increasing proportion of the portfolio comprised of growth capital investments is likely to result, at least in the short to medium-term, in lower income returns and potentially lower dividend payments than have been paid in the recent past.

However, shareholders should also note that there may also be circumstances where the Company is required to pay dividends in order to maintain its regulatory status as a VCT, for example to stay above the minimum percentage of assets required to be held in qualifying investments, which will increase to 80% on 1 April 2020. Shareholders should note that, to the extent this is necessary, it will correspondingly reduce the Company's NAV per share.

A chart showing the annual and cumulative dividends paid in respect of each of the last five years is included in the Performance section of the Strategic Report.

Investment portfolio

For the year under review, the value of the investment portfolio increased by £3.13 million, due to an increase of £0.60 million from investments realised and an increase of £2.53 million on investments still held.

The portfolio valuation movements for the year were as follows:

	£m
Portfolio value at 31 March 2018	26.89
Valuation movements	2.53
New and follow-on investments	2.90
Disposal proceeds	(2.88)
Realised gains	0.60
Portfolio value at 31 March 2019	**30.04**

The portfolio achieved a net increase of £2.53 million on unrealised investments still held in the portfolio, with positive increases from ASL, EOTH (Rab and Lowe Alpine) and Auction Technology Group, partially offset by valuation decreases at BookingTek, Wetsuit Outlet and Redline.

During the year, £2.90 million was invested in two new growth capital investments and five existing portfolio companies (analysed in the Investment Adviser's Review and explained within Note 8 to the Financial Statements) as follows:

New - (£0.65 million):

- Rotageek, a provider of workforce management software; and
- Grow Kudos, a digital platform for dissemination of research.

Follow-on - (£2.25 million):

- MyTutor, a digital marketplace connecting people seeking online tutoring;
- Preservica, a seller of proprietary digital archiving software;
- Biosite, a provider of biometric access control and software-based workforce management solutions for the construction sector;
- Proactive, a provider of investor media services; and
- MPB, an online marketplace for used camera and video equipment.

The new and follow-on investments may require further capital investments as they seek to achieve scale.

After the year end, further amounts totalling £1.46 million were invested into two new companies, comprising an investment of £0.91 million into Arkk Consulting, a regulatory and reporting requirement service provider, and an investment of £0.55 million into Parsley Box, a supplier of home delivered ambient ready meals for the elderly.

Cash proceeds totalling £2.88 million for the year were received from portfolio companies. Of this total, £1.32 million was received as cash proceeds from the sales of Fullfield (trading as Motorclean), Hemmels and Lightworks, with a further £1.56 million being received as loan and share capital repayments, and deferred consideration.

For the year under review, the portfolio generated a net gain of £0.60 million from the realisation of investments. The majority of this gain was from the sale of the Company's investments in Lightworks and Motorclean (which were realised at a profit over opening valuation of £0.48 million and £0.14 million respectively). The Company also gained £0.22 million from further receipts relating to companies realised in a prior year. The gains were partially offset by a loss incurred from the sale of Hemmels (£0.24 million). The loss on the sale of Hemmels is explained further in the Investment Adviser's Review. It serves to remind shareholders that investing in relatively early stage smaller companies (as required by the terms of the new VCT regulations) is inherently riskier than investing in more established companies with longer track records.

After the year end, the Company realised its investment in Plastic Surgeon realising proceeds of £1.18 million and generating a multiple on cost of 5.6x over the life of the investment.

For further information on all aspects of the Investment Portfolio above, please read the Investment Adviser's Review on pages 11 to 23.

Liquidity

At 31 March 2019, the Company had net assets of £48.73 million (2018: £47.60 million), comprised of £30.04 million in investments (2018: £25.85 million) and liquid assets of £18.66 million (2018: £21.59 million). Liquid assets thus represented 38.3% (2018: 45.4%) of net assets at the year end.

Fundraising

From its ongoing assessment of the Company's future cash flows, the Board presently expects that it will be necessary to raise funds within the 2019/20 tax year. The Board will notify shareholders of any intention to launch an offer for subscription at the earliest opportunity.

Share buybacks

During the year under review, the Company bought back a total of 379,029 shares for cancellation. The buybacks represented 0.8% (2018: 1.9%) of the issued share capital of the Company at the beginning of the financial year. Further details of the Company's Share Buyback Policy are included in the Directors' Report on page 28.

Shareholder Event

This year's annual shareholder event was held on 5 February 2019 at the Royal Institute of British Architects in central London. Separate day time and evening sessions included presentations on the Mobeus advised VCTs' investment activity and performance. We have received positive feedback from those who attended the event, which numbered around 350, and were pleased to hear that they found the day informative and worthwhile. The next shareholder event will be held in the first quarter of 2020.

Annual General Meeting

The next Annual General Meeting of the Company will be held at 11:00 am on Wednesday, 11 September 2019 at The Clubhouse, 8 St James's Square, London SW1Y 4JU. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will include a presentation from the Investment Adviser on the investment portfolio. Shareholders are encouraged to attend and to ask questions of the Board and the Investment Adviser. The Notice of the meeting is included on pages 74 to 76 and an explanation of the resolutions proposed can be found in the Directors' Report on pages 29 to 31 of this Annual Report.

Outlook

Your Board considers that your Company is well positioned, with the portfolio equally divided between more mature investments providing attractive income returns, and younger growth capital companies seeking to achieve scale, and hence value.

The demand for growth capital investment is strong and the amount of capital available for investment in the sector is currently substantial, giving rise to increased competition and higher entry valuations for the most attractive investment opportunities.

While the new growth capital element of the portfolio is still young, both your Board and the Investment Adviser will seek to assess, balance and diversify the risks within the growing proportion of the overall portfolio that these investments will represent. Your Board cautions that investing in such earlier stage companies involves increased risk, as those that succeed often take longer to achieve scale, while those less successful may emerge first. Returns could therefore take longer to emerge, and the performance of these businesses may be more volatile, but it is anticipated that these factors will be offset by longer-term gains.

The Board and Investment Adviser have carried out an analysis of the possible impact of Brexit on the investment portfolio. The portfolio as a whole is predominantly UK centric and the greatest risk from Brexit is from the broader impact on the UK economy. Some value impact is possible over time, but Mobeus believes that the portfolio companies have appropriate plans in place and are as well prepared for Brexit as they can be at this point. The Board continues to monitor closely the impact of Brexit and the present political uncertainties upon the economic environment within which the Company operates.

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

Ian Blackburn
Chairman

19 June 2019

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2019. The purpose of this Report is to inform shareholders and help them 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 414A 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, while continuing at all times to qualify as a VCT.

Summary of Investment Policy

The VCT's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are generally structured as part loan and part equity in order to produce a regular income stream and to generate capital gain from realisations.

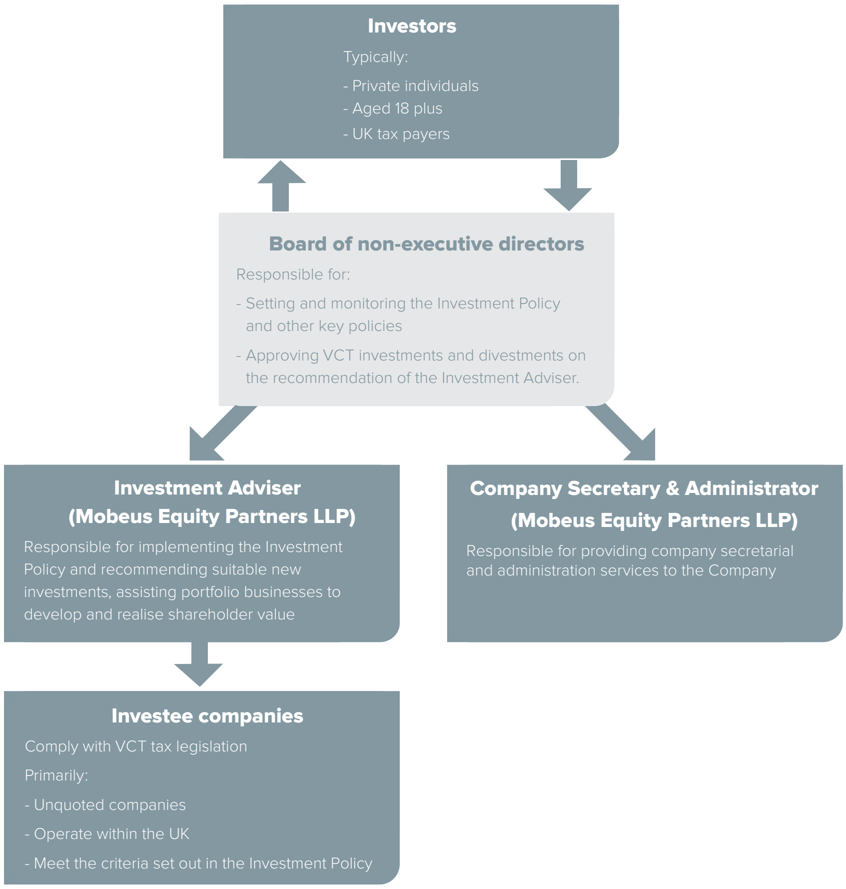
The Company's cash and liquid funds are held in a portfolio of readily realisable interest bearing investments which can be of varying maturities, subject to the overriding criterion that the risk of loss of capital be minimised.

The Company will seek to make investments in accordance with the requirements of prevailing VCT legislation. A summary of this is set out opposite, in the table "Summary of VCT Regulation".

The Company and its Business Model

The Company is a Venture Capital Trust (VCT). Its Objective and its Investment Policy are designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC") whilst maximising returns to shareholders from both income and capital. A summary of the most important rules that determine VCT approval is contained in the section headed "Summary of VCT Regulation" on the next page.

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



The Company is a fully listed company on the London Stock Exchange, which also fulfils a VCT regulatory requirement. It is therefore also required to 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 (material changes to which are subject to approval by shareholders). Investment advice and operational support are outsourced to external service providers (including the Investment Adviser, Company Secretary and Administrator, and Registrar), with the key strategic and operational framework and key policies set and monitored by the Board. Investment and divestment proposals are originated, negotiated and recommended by the Investment Adviser and are then subject to review and approval by the Directors.

The Company may invest alongside three other VCTs advised by Mobeus in proportion to the relative net assets of each VCT at the date the investment proposal is submitted to each Board.

The total percentage of equity held by all funds advised by Mobeus is shown in note 9 to the Financial Statements on page 59.

Private individuals invest in the Company to benefit from both income and capital returns on good investment performance. By subscribing for shares 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 capital gains tax upon the eventual sale of the shares. These tax benefits are subject to the VCT maintaining its approved VCT status and the shares being held for a minimum of five years from the date of subscription. Page 73 contains information setting out the tax benefits for an investor in VCT shares.

The Company's investee companies are primarily unquoted businesses and operate in the UK. These businesses fulfil the criteria and characteristics as set out in the current Investment Policy.

Summary of VCT Regulation

To assist shareholders, the following table contains a summary of the most important rules that determine VCT approval.

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

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

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

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

In addition, VCTs may not:

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

[1] For the Company's accounting periods beginning on or after 1 April 2020, this percentage will increase to 80%.

[2] VCT tax value means as valued in accordance with prevailing VCT legislation. The calculation of VCT tax value is arrived at using tax values, based on the cost of the most recent purchase of an investment instrument in a particular company, which may differ from the actual cost of each investment shown in the Investment Portfolio Summary on pages 21 to 23.

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

Performance and Key Performance Indicators

The Board has identified six key performance indicators (alternative performance measures ("APMs")) that it uses in its own assessment of the Company's progress and which are typical for VCTs. These are intended to provide shareholders with sufficient information to assess how the Company has performed against its Objective in the year to 31 March 2019, and over the longer-term, through the application of its investment and other principal policies:

1. Annual and cumulative returns per share for the year

The Board has a Net Asset Value ("NAV") Total Return target of at least 8.00% per year. The average annual NAV Total Return over the last two years was 6.9%. This average over two years is following a year in which the target was suspended following the introduction of the new VCT rules. Although the two year return is below the average target, the Board is pleased to note that the NAV Total return for the year to 31 March 2019 is in excess of the target.

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

Total shareholder returns per share for the year

The NAV and Share Price total return per share for the year ended 31 March 2019 were 8.4% and 4.6% respectively, as calculated below:

	NAV basis (p)
Closing NAV per share	99.60
Plus: dividends paid in year	5.00
Total for year	**104.60**
Less: opening NAV per share	96.54
Return for year per share	**+8.06**
% return for year	8.4%*

	Share price basis (p)
Closing share price	85.50
Plus: dividends paid in year	5.00
Total for year	**90.50**
Less: opening share price	86.50
Return for year per share	**+4.00**
% return for year	4.6%*

*The Share Price total return differs from the NAV total return, due to the following reasons. At the year end, the Company's share price traded at an approximate discount of 10% to the NAV announced for the Company's previous quarter to 31 December 2018, not the NAV at the end of the financial year. In the final quarter of the 2019 year end, the NAV increased, but this movement was not reflected in the share price until the NAV at 31 March 2019 as announced in this year's Annual Report. There was only a marginal change in the NAV during the final quarter of the 2018 year end.

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

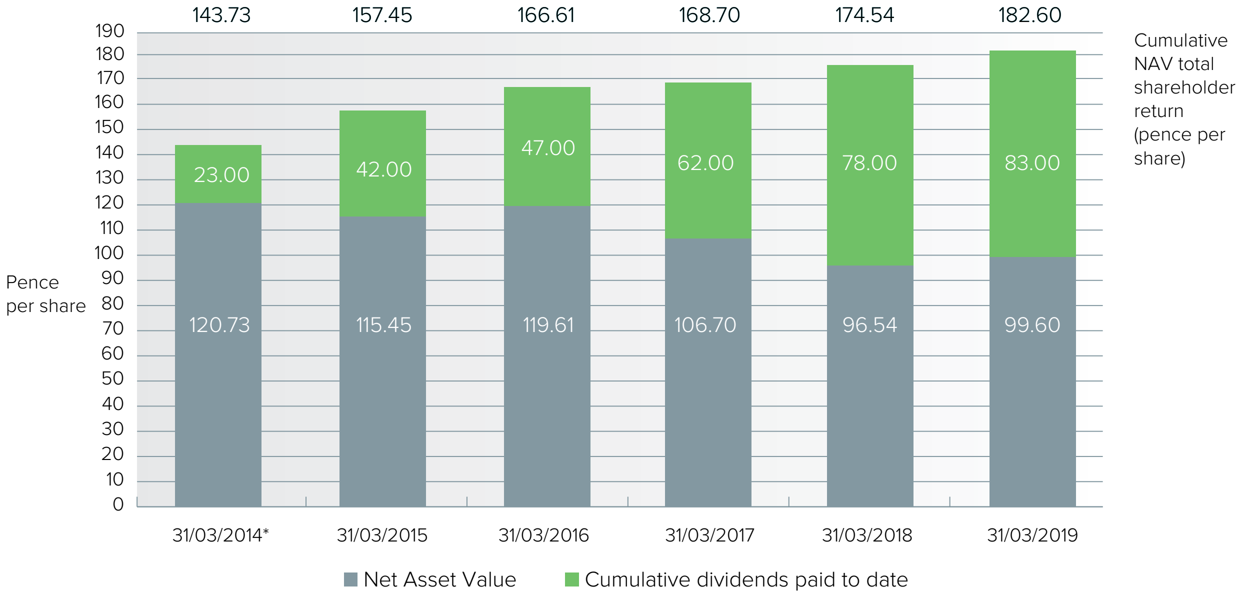
Note 2: NAV Return per share for the year is comprised of: Year ended 31 March	2019 (pence)	2018 (pence)
Gross portfolio capital returns	6.41	4.08
Gross income returns	4.48	3.48
Costs	(2.90)	(2.81)
Other movements	0.07	1.09
NAV return for the year (as above for 2019 only)	**8.06**	**5.84**

The contributions from portfolio returns and income are shown before deducting attributable costs. They are explained below under review of financial performance. Costs are referred to in section 6 on page 10.

Strategic Report

Cumulative total shareholder returns per share (NAV basis)

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



*All data for 31 March 2014 relates to an 11 month period throughout this Strategic Report.

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 71 and 72 on this Annual Report.

Review of financial results for the year ended 31 March 2019

	2019 £m	2018 £m
Capital profit	2.51	1.41
Revenue profit	1.40	0.93
Total profit	**3.91**	**2.34**

The capital profit for the year of £2.51 million (5.13p of NAV return for the year per share, net of costs charged to capital) is comprised of a net increase in the unrealised valuation of portfolio companies as well as realised gains from Lightworks and Motorclean. These increases were partially offset by the loss on the disposal of Hemmels. The increase in capital profit over the year from £1.41 million to £2.51 million is due to a large increase in net unrealised valuations (which were net unrealised losses in the previous year) and which outweigh a smaller level of realised gains in 2019 compared to the previous year.

The revenue profit for the year of £1.40 million (2.86 p of NAV return for the year per share, net of costs charged to revenue) is derived from income, primarily loan interest and dividend income outweighing revenue expenses. This is an increase from the previous year, mainly due to higher dividend income with revenue expenses, such as other expenses and Investment Adviser fees, falling slightly.

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

The Board places emphasis on benchmarking the Company's performance against a peer group of generalist VCTs and aims to maintain the Company's performance within the top quartile of this peer group.

Using the benchmark of NAV Cumulative total return on an investment of £100, performance is as follows:

Period to 31 March 2019	Ranking	Number of VCTs (AIC generalist VCTs)
10 years	4	32
5 years	15	39
3 years	27	47
1 year	20	47

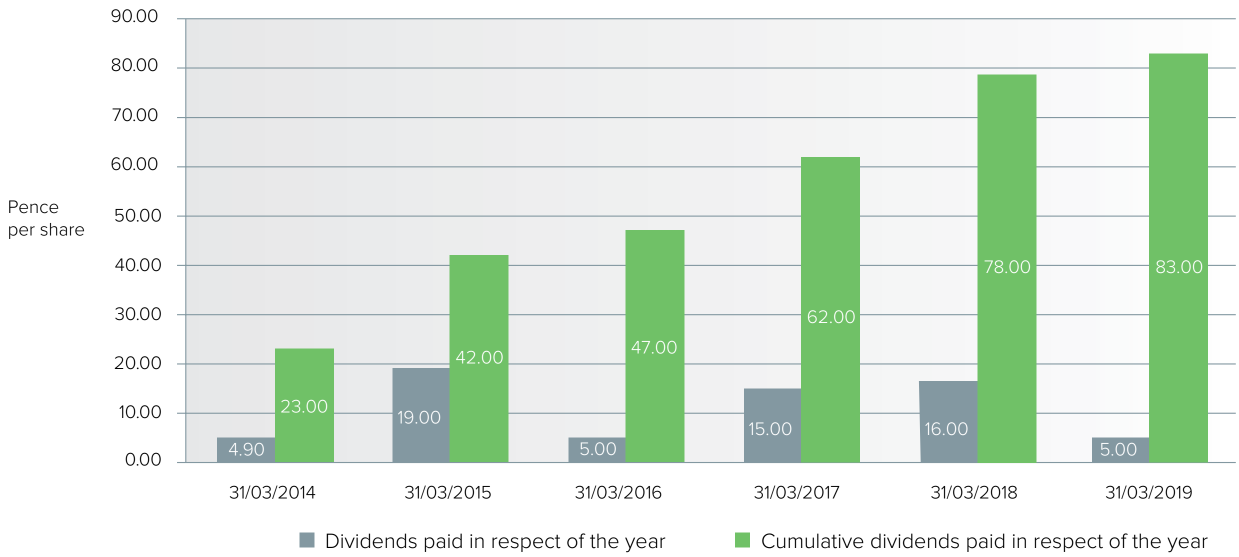
Source: Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2019.

The Board is pleased with the 10 year ranking but is seeking to improve upon the relative performance of more recent years. The Board and Investment Adviser work continually to optimise performance.

3. Dividend policy

The Board has set a target of paying a regular dividend of not less than 5.00 pence per share in respect of each financial year.

Whilst the Board cannot guarantee future payments, it believes this target is still achievable although, as the proportion of more established income generating investments in the portfolio reduces, it will become more challenging.



4. Compliance with VCT legislation

In making their investment in a VCT, shareholders become eligible for several tax benefits under VCT tax legislation, as long as the Company also complies with VCT tax legislation. To achieve this, the Company must meet a number of tests set by HMRC as set out on page 6 under "Summary of VCT Regulation". Throughout the year ended 31 March 2019, the Company continued to meet these tests.

5. Share price and discount to NAV

The Board recognises that shareholders may wish to sell their shares from time to time and that the secondary market for VCT shares can be limited. The impact of this limited secondary market is that the Company's share price will typically trade at a level which is less than the Company's NAV per share. Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV per share at which the shares trade at approximately 10.0% or less. It has succeeded in carrying out this objective in the year.

The Board considers that a 10.0% discount represents a fair balance between assisting investors who wish to sell shares and the majority of investors who wish to continue to invest in a portfolio of investments in unquoted shares. Any future purchases will be subject to the Company having appropriate authorities from shareholders and sufficient funds available for this purpose. Share buybacks will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market are always cancelled.

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

During the year ended 31 March 2019, shareholders holding 0.38 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 10.0% to the previously announced NAV per share. The Company subsequently purchased these shares at prices between 85.12 and 88.00 pence per share and cancelled them.

In total, during the year the Company has bought back 0.8% of the issued share capital of the Company at the beginning of the year.

6. Costs

Shareholders will be aware there are a number of costs involved in operating a VCT. Although shareholders do not bear costs in excess of the expense cap of 3.25%, the Board aims to maintain the ratio before any performance fees at not more than 3.00%.

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

	2019	2018
Ongoing charges	2.78%	2.96%
Performance fee	0.00%	0.00%
Ongoing charges plus accrued performance fee	**2.78%**	**2.96%**

The Ongoing Charges Ratio has been calculated using the Association of Investment Companies ("AIC") recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based upon 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 expense cap, which may be borne by the Investment Adviser. There was no breach of the expense cap for the year ended 31 March 2019 (2018: £nil).

The decrease in the ratio from 2.96% to 2.78% over the year reflects the higher average level of net assets as a result of the funds raised as part of the Offer for Subscription during the previous year.

Investment Adviser fees and other expenses

Average net assets increased in the year resulting in a commensurate increase in Investment Adviser's fees to £1.04 million (2018: £0.99 million), comprising an increase in revenue and capital fees of £0.01 million and £0.04 million respectively. A reduction in director emoluments and registrar's fees contributed to an 8% fall in expenses charged to revenue to £0.32 million.

Further details of these are contained in note 4 to the Financial Statements on pages 52 to 54 of this Annual Report.

Investment Review

Investment Adviser's Review

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

Portfolio review

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

	2019 £m	2018 £m
Opening portfolio value	26.89	28.08
New and follow-on investments	2.90	2.73
Disposal proceeds	(2.88)	(5.94)
Net realised gains	0.60	2.77
Valuation movements	2.53	(0.75)
Portfolio value at 31 March	**30.04**	**26.89**

This has been a year of further solid progress building the growth capital portfolio with two investments into new growth businesses totalling £0.65 million and five existing growth portfolio companies receiving follow-on funding totalling £2.25 million. Net cash proceeds of £2.88 million were received, primarily from three realisations.

Further details are continued later in this Review and on pages 13 to 15.

Since the change in VCT rules in 2015, the Company has invested £10.37 million (by latest value) in younger growth capital investments, bringing the proportion of the portfolio held in growth capital investments since the rule change to 50% by value at the year end.

After the year end, the Company made two further new investments totalling £1.46 million into Arkk Consulting and Parsley Box, further details of which are given on page 15.

Details of the valuation movements for each investee company are provided at the end of this Investment Review.

The portfolio's contribution to the overall results of the VCT is as follows:

Investment Portfolio Capital Movement	2019 £m	2018 £m
Increase in the value of unrealised investments	4.74	3.14
Decrease in the value of unrealised investments	(2.21)	(3.89)
Net increase/(decrease) in the value of unrealised investments	**2.53**	**(0.75)**
Realised gains	0.84	2.77
Realised losses	(0.24)	-
Net realised gains in the year	**0.60**	**2.77**

Valuation changes of portfolio investments still held

The principal contributors to the valuation increase of £4.74 million were: ASL Technology £1,064k, EOTH (Rab and Lowe Alpine) £449k, and Turner Topco (trading as Auction Technology Group) £421k.

ASL's core business is trading well and, following two recent corporate acquisitions, is beginning to benefit from associated synergies. EOTH achieved a record year of profitability, underpinned by continued growth in its Rab brand. Auction Technology Group, which the VCT part realised in 2014, is trading well ahead of budget with growth showing in all areas of its business.

The main reductions within total valuation decreases of (£2.21) million were: BookingTek (£588k), Wetsuit Outlet (£519k) and Redline (£348k). BookingTek has experienced delays to the roll out of its software which has resulted in turnover being lower than budget. Wetsuit Outlet has had a disappointing period post investment, with growth in profitability not being achieved as envisaged. Management has since implemented several measures to restore margins. Finally, Redline's revenues have been unpredictable and sales in recent months have been lower than planned which has impacted valuation.

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

Realised gains and losses from sales of investments

During the financial year, the Company achieved a net realised gain on the sale of investments of £0.60 million. The largest gain was £0.48 million from the sale of Lightworks to Siemens PLM Software. The gain from the sale of Motorclean back to its management was £0.14 million, whereas a loss of (£0.24) million was incurred from the sale of Hemmels to its largest customer. Although the Hemmels loss was modest, arising shortly after the initial investment, it was unexpected and illustrates the inherent higher risk of investing in early stage growth companies.

The Company also realised a gain in the year from deferred consideration of £0.22 million from past realisations.

In addition to deferred consideration receipts of £0.22 million and sales proceeds from disposals of investments of £1.32 million, referred to above, the Company also received loan stock repayments of £1.20 million and preference share repurchases of £0.14 million, both at cost.

After the year end, the Company realised its investment in Plastic Surgeon realising proceeds of £1.18 million and generating a multiple on cost of 5.6x over the life of the investment. These proceeds exceed the valuation of Plastic Surgeon at the year end by £0.30 million

Investment portfolio yield and capital repayments

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

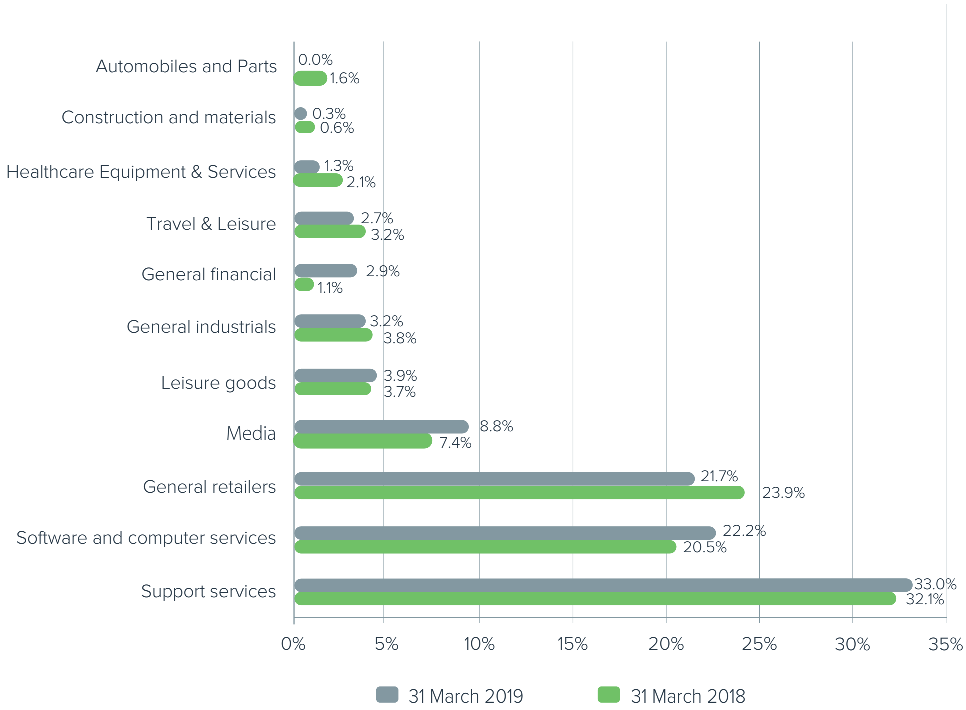
Investment Portfolio Yield	2019 £m	2018 £m
Interest received in the year	1.55	1.55
Dividends received in the year	0.51	0.11
Total portfolio income in the year[1]	**2.06**	**1.66**
Portfolio value at 31 March	**30.04**	**26.89**
Portfolio Income Yield (Income as a % of Portfolio value at 31 March)	**6.9%**	**6.2%**

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

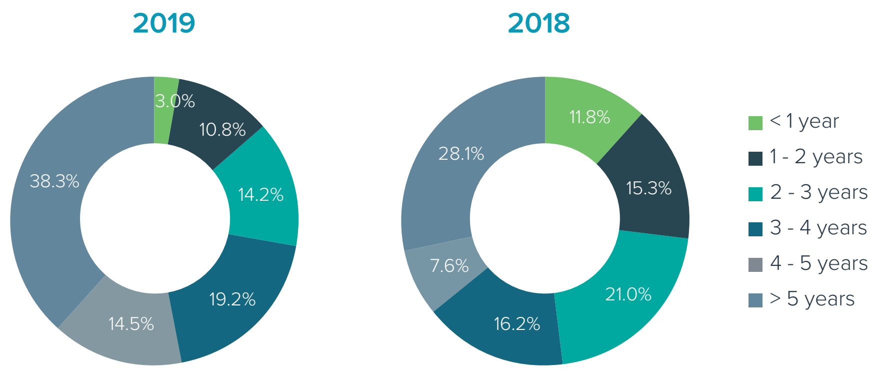
Strategic Report

Investments by market sector

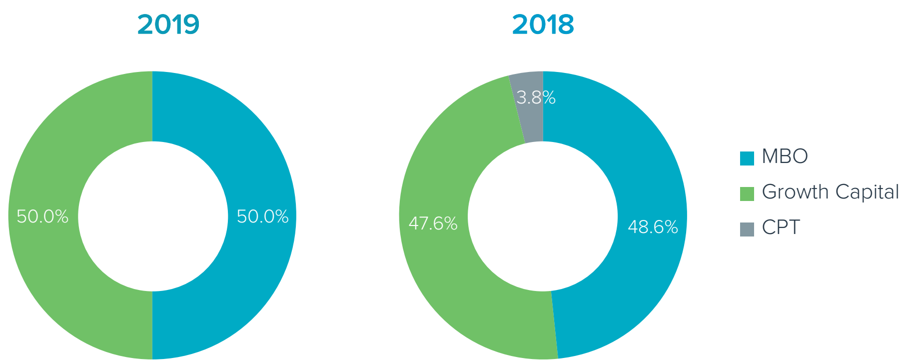
Investments by value remain spread across a number of sectors, primarily in support services, software and computer services and general retailers.



Age of the portfolio by value



Type of investment transaction by value



Strategic Report

Investment Review

New investments in the year

£0.65 million was invested into two new investments during the year as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
rotageek	Rotageek	Workforce management software	August 2018	0.37

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

	Company	Business	Date of investment	Amount of new investment (£m)
KUDOS www.growkudos.com	Grow Kudos	Platform for the dissemination of research	November 2018	0.28

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

Further investments in existing portfolio companies in the year

£2.25 million was invested into five existing portfolio companies during the year as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
MyTutor	MyTutor	Online tutoring	May 2018	0.63

My Tutor is a digital marketplace that connects school pupils who are seeking private one-to-one tutoring with university students. The business is satisfying a growing demand from both schools and parents to improve pupils' exam results to enhance their academic and career prospects. This investment supports an opportunity to consolidate the sizeable £2bn UK tutoring market, grow My Tutor's market presence and drive technological development within the company. The company's unaudited accounts for the year ended 31 December 2017 show turnover of £0.56 million and a loss before interest, tax and amortisation of goodwill of £(1.40) million.

	Company	Business	Date of investment	Amount of new investment (£m)
Preservica Active digital preservation	Preservica	Seller of proprietary digital archiving software	September 2018	0.65

Preservica has developed market leading software for the long-term preservation of digital records ensuring that digital content can remain accessible, irrespective of future changes in technology. Previously a division of the Company's former portfolio company Tessella, Preservica was demerged prior to the sale of Tessella in December 2015. The investment provides additional growth capital to finance the development of the business. The company's audited accounts for the year ended 31 March 2018 show turnover of £2.85 million and a loss before interest, tax and amortisation of goodwill of £(1.93) million.

	Company	Business	Date of investment	Amount of new investment (£m)
BIOSITE®	Biosite	Workforce management and security services	October 2018	0.54

Based in the Midlands, Biosite is a provider of biometric access control and software-based workforce management solutions for the construction sector. The business is growing significantly and this investment will support the further development of software and hardware products. The company's audited accounts for the year ended 31 July 2018 show turnover of £9.76 million and a loss before interest, tax and amortisation of goodwill of £(0.64) million.

	Company	Business	Date of investment	Amount of new investment (£m)
proactiveinvestors	Proactive Investors	Investor media services	October 2018	0.34

Proactive Investors specialises in timely multi-media news provision, events organisation, digital services and investor research. Proactive provides breaking news, commentary and analysis on hundreds of small-cap listed companies and pre-IPO businesses across the globe. This planned follow-on investment will enable Proactive to continue to expand its services into the US market, which is the largest global market for investor media services. The company's unaudited accounts for the year ended 30 June 2018 show turnover of £4.75 million and a loss before interest, tax and amortisation of goodwill of £(0.31) million.

	Company	Business	Date of investment	Amount of new investment (£m)
	MPB Group	Online marketplace for used camera and video equipment	October and December 2018	0.09

MPB is Europe's leading online marketplace for used camera and video equipment. Based in Brighton, its custom-designed pricing technology enables MPB to offer both buy and sell services through the same platform and offers a one-stop shop for all its customers. Having expanded into the US (opening a New York office) and German markets as part of the initial VCT investment round, this follow-on investment, alongside funds provided by the Proven VCTs, is to support its continued growth plan. Having doubled its sales over the last year, this investment will give the company sufficient capital to achieve its next phase of expansion. The company's audited accounts for the year ended 31 March 2018 show turnover of £21.71 million and a loss before interest, tax and amortisation of goodwill of £(2.00) million.

Realisations during the year

The Company realised its investments in Fullfield (trading as Motorclean), Hemmels and Lightworks during the year, generating an aggregate net realised gain of £0.38 million. Net cash proceeds received from the sale of these investments totalled £1.32 million, as detailed below.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
motorclean integrated automotive services	Fullfield (Motorclean)	Vehicle cleaning and valet services	July 2011 to August 2018	£2.13 million 1.2 times cost

The Company sold its investment in Fullfield (trading as Motorclean) back to management in August 2018, receiving cash proceeds of £0.58 million (realised gain in the year: £0.14 million). This realisation contributed to a return of 1.2 times the original investment cost and an IRR of 5.0% in the seven years that this investment was held.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
HEMMELS	Hemmels	Classic car restorer	March 2018 to September 2018	£0.21 million 0.5 times cost

The Company sold its investment in Hemmels to the business's largest customer for £0.20 million in September 2018, resulting in a realised loss of £(0.24) million on the original investment cost over the six months the investment was held. The investment was realised six months after the original investment after it became clear that the company's financial situation and prospects were significantly at variance to expectations.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
LIGHTWORKS Rendering Realism	Lightworks	Provider of software for CAD and CAM vendors	March 2011 to September 2018	£0.56 million 21.7 times cost

The Company sold its investment in Lightworks to Siemens PLM Software for £0.54 million (realised gain in the year: £0.48 million) in September 2018, generating a realised a gain over the life of the investment of £0.53 million. This equates to a multiple of 21.7 times the investment cost of £0.03 million and an IRR of 55.9%.

The Company also received loan repayments totalling £1.20 million (notably Hollydale Management: £0.35 million), deferred consideration from investments realised in a previous year of £0.22 million and preference share repurchases of £0.14 million.

Net realised gains on the three disposals above of £0.38 million, increased by deferred consideration gains of £0.22 million, equal the total realised gain for the year of £0.60 million, as shown in both tables on page 11 of this review.

Investment Review

New investments made after the year end

The Company made two new investments totalling £1.46 million after the year end, as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
arkksolutions	Arkk Consulting	Regulatory and reporting requirement service provider	May 2019	0.91

Arkk Consulting (trading as Arkk Solutions) provides services and software to enable organisations to remain compliant with regulatory reporting requirements. Arkk was established in 2009 and currently has over 800 clients across 20 countries. These include more than 80 of the FTSE 350, and half of the largest 20 accountancy firms in the UK. The investment will build on Arkk's reputation and customer base, to target the cloud based period end reporting market by building the sales and marketing team. The company's unaudited accounts for the year ended 31 December 2017 show turnover of £3.18 million and a profit before interest, tax and amortisation of goodwill of £0.52 million.

	Company	Business	Date of investment	Amount of new investment (£m)
ParsleyBox	Parsley Box	Home delivered ambient ready meals for the elderly	May 2019	0.55

Parsley Box is a UK direct to consumer supplier of home delivered ambient ready meals for the elderly. Founded in 2017, Parsley Box has grown rapidly and has developed a unique meal delivery solution for its customers. The company supplies a diverse range of ambient meals via next day delivery which are easy to store and aim to contribute to a more independent and healthier lifestyle. The investment will scale the company's marketing strategy, enable it to process larger order volumes and continue to build out its team. The company's unaudited accounts for the period ended 31 March 2018 show revenues of £0.25 million and a loss before interest, tax and amortisation of goodwill of £(0.21) million.

Realisation after year end

The Company realised its investment in Plastic Surgeon after the year end, as detailed below:

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
Plastic Surgeon FINE FINISHERS	Plastic Surgeon	Supplier of snagging and finishing services to the property sector	April 2008 to May 2019	£2.19 million 5.6 times cost

The Company sold its remaining investment in Plastic Surgeon to Polygon Group for £1.18 million. Over the eleven years this investment was held, it generated proceeds of £2.19 million compared to an original investment cost of £0.39 million which is a multiple on cost of 5.6x and an IRR of 20.5%.

Mobeus Equity Partners LLP
Investment Adviser

19 June 2019

This page has been left blank intentionally.

Largest investments in the portfolio

at 31 March 2019 by valuation*

ASL Technology Holdings Limited

www.aslh.co.uk

Cost	£2,092,000
Valuation	£3,190,000

Basis of valuation
Earnings multiple

Equity % held
10.3%

Income receivable in year
£173,075

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

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

Additions/disposals during the year

None.

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost	£1,953,000
Valuation	£2,535,000

Basis of valuation
Earnings multiple

Equity % held
7.7%

Income receivable in year
£149,167

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2018
Turnover	£16,585,000
Operating profit	£659,000
Net liabilities	£(139,000)
Year ended	31 December 2017
Turnover	£14,421,000
Operating profit	£694,000
Net liabilities	£(76,000)

Additions/disposals during the year

None.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost	£817,000
Valuation	£1,971,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£153,361

Business
Branded outdoor equipment and clothing (Rab and Lowe Alpine)

Location
Alfreton, Derbyshire

Original transaction
Growth capital

Audited financial information

Year ended	31 January 2018
Turnover	£54,161,000
Operating profit	£4,404,000
Net assets	£17,082,000
Year ended	31 January 2017
Turnover	£44,382,000
Operating profit	£5,755,000
Net assets	£14,787,000

Additions/disposals during the year

None.

* Shareholders should note that valuations will be based upon more recent trading information compared to the latest publicly available audited information reported above for all of these largest investments.

Preservica Limited

www.preservica.com

Cost	£1,133,000

Valuation	£1,621,000

Basis of valuation
Revenue multiple

Equity % held
7.8%

Income receivable in year
£14,773

Business
Seller of proprietary digital archiving software

Location
Abingdon, Oxfordshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2018
Turnover	£2,851,000
Operating loss	£(1,930,000)
Net assets	£1,131,000
Year ended	31 March 2017
Turnover	£2,032,000
Operating loss	£(1,157,000)
Net assets	£2,606,000

Additions/disposals during the year

Follow-on equity and loan investment in September 2018.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£1,284,000

Valuation	£1,557,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£122,619

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2018
Turnover	£39,838,000
Operating profit	£1,270,000
Net assets	£2,569,000
Year ended	30 June 2017
Turnover	£38,179,000
Operating profit	£2,336,000
Net assets	£3,155,000

Additions/disposals during the year

None.

Pattern Analytics Limited (trading as Biosite)

www.biositesystems.com

Cost	£1,036,000

Valuation	£1,531,000

Basis of valuation
Gross profit multiple

Equity % held
4.3%

Income receivable in year
£25,619

Business
Workforce management and security services for the construction industry

Location
Solihull

Original transaction
Growth capital

Audited financial information

Year ended	31 July 2018
Turnover	£9,756,000
Operating loss	£(643,000)
Net assets	£1,775,000
Year ended	31 July 2017
Turnover	£6,402,000
Operating loss	£(530,000)
Net assets	£2,302,000

Additions/disposals during the year

Follow-on investment in October 2018.

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

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

Largest investments in the portfolio

at 31 March 2019 by valuation*

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£2,009,000
Valuation	£1,443,000

Basis of valuation
Earnings multiple

Equity % held
11.6%

Income receivable in year
£215,199

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

Location
London

Original transaction
Management buyout

Audited financial information

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

Additions/disposals during the year

None.

Turner Topco Limited (trading as Auction Technology Group)

www.antiquestradegazette.com

Cost	£1,321,000
Valuation	£1,198,000

Basis of valuation
Earnings multiple

Equity % held
3.3%

Income receivable in year
£Nil

Business
SaaS based online auction market place platform

Location
London

Original transaction
Secondary buyout

Audited financial information

Year ended	30 September 2017
Turnover	£21,558,000
Operating profit	£3,110,000
Net liabilities	£(26,028,000)
Year ended	30 September 2016
Turnover	£20,600,000
Operating profit	£2,809,000
Net liabilities	£(18,826,000)

Additions/disposals during the year

None.

Manufacturing Services Investment Limited (trading as Wetsuit Outlet)

www.wetsuitoutlet.co.uk

Cost	£1,717,000
Valuation	£1,198,000

Basis of valuation
Earnings multiple

Equity % held
4.7%

Income receivable in year
£80,804

Business
Online retailer in the water sports market

Location
Southend on Sea, Essex

Original transaction
Growth capital

Audited financial information

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

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

Additions/disposals during the year

None.

* Shareholders should note that valuations will be based upon more recent trading information compared to the latest publicly available audited information reported above for all of these largest investments.

MPB Group Limited

www.mpb.com

Cost	£820,000

Valuation	£1,181,000

Basis of valuation
Revenue multiple

Equity % held
4.5%

Income receivable in year
£12,305

Business
Online marketplace for photographic and video equipment

Location
Brighton

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2018
Turnover	£21,708,000
Operating loss	£(2,004,000)
Net assets	£3,619,000
Year ended	31 March 2017
Turnover	£13,200,000
Operating loss	£(466,000)
Net assets	£1,549,000

Additions/disposals during the year

Follow-on equity investments made in February, October and December 2018. Loan repayment in May 2018.

Vian Marketing Limited (trading as Red Paddle Co)

www.tushingham.com

Cost	£717,000

Valuation	£1,181,000

Basis of valuation
Earnings multiple

Equity % held
5.6%

Income receivable in year
£45,033

Business
Design, manufacture and sale of stand-up paddleboards and windsurfing sails

Location
Totnes, Devon

Original transaction
Growth capital and equity release

Financial information (unaudited)

Year ended	28 February 2018
Turnover	£13,582,000
Operating profit	£1,594,000
Net assets	£2,748,000
Year ended	28 February 2017
Turnover	£11,160,000
Operating profit	£1,318,000
Net assets	£2,307,000

Additions/disposals during the year

None.

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

www.ward-thomas.co.uk

Cost	£370,000

Valuation	£1,113,000

Basis of valuation
Earnings multiple

Equity % held
3.4%

Income receivable in year
£32,249

Business
A specialist logistics, storage and removals business

Location
London

Original transaction
Growth capital and equity release

Audited financial information

Year ended	30 September 2017
Turnover	£24,855,000
Operating profit	£3,636,000
Net assets	£14,960,000
Year ended	30 September 2016
Turnover	£21,325,000
Operating profit	£3,249,000
Net assets	£12,599,000

Additions/disposals during the year

None.

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

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

Investment Portfolio Summary

as at 31 March 2019

Strategic Report

	Date of first investment and Sector	Total Book cost at 31 March 2019 £	Valuation at 31 March 2018 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2019 £	% of net assets by value
Qualifying investments								
Unquoted investments								
ASL Technology Holdings Limited Printer and photocopier services	**December 2010** Support services	2,092,009	2,126,379	-	-	1,063,913	3,190,292	6.5%
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Software and Computer Services	1,733,500	2,027,582	-	-	287,171	2,314,753	4.8%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** General retailers	817,185	1,521,873	-	-	449,113	1,970,986	4.0%
Preservica Limited Seller of proprietary digital archiving software	**December 2015** Software and Computer Services	1,133,464	865,666	647,694	-	107,381	1,620,741	3.3%
Virgin Wines Holding Company Limited Online wine retailer	**November 2013** General retailers	1,284,333	1,371,490	-	-	185,236	1,556,726	3.2%
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	**November 2016** Software and Computer Services	1,036,002	743,219	540,523	-	247,739	1,531,481	3.1%
Turner Topco Limited (trading as Auction Technology Group) SaaS based online auction market place platform	**October 2008** Media	1,317,100	777,645	-	-	420,523	1,198,168	2.5%
MPB Group Limited Online marketplace for photographic and video equipment	**June 2016** General retailers	819,773	1,254,114	89,106	(89,106)	(73,366)	1,180,748	2.4%
Vian Marketing Limited (trading as Red Paddle Co) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	**July 2015** Leisure goods	717,038	987,179	-	-	193,433	1,180,612	2.4%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	**December 2014** Support services	369,625	874,317	-	-	238,850	1,113,167	2.3%
My Tutorweb Limited Digital marketplace connecting school pupils seeking one-to-one online tutoring	**May 2017** Support services	979,834	349,661	630,173	-	-	979,834	2.0%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Support services	60,293	740,670	-	-	231,423	972,093	2.0%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General Industrials	999,568	1,030,727	-	-	(66,595)	964,132	2.0%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	**July 2017** General retailers	1,412,992	1,412,992	-	-	(519,007)	893,985	1.8%
Proactive Group Holdings Inc Provider of media services and investor conferences for companies primarily listed on secondary public markets	**January 2018** General financial	635,346	288,952	346,394	-	247,756	883,102	1.8%

	Date of first investment and Sector	Total Book cost at 31 March 2019 £	Valuation at 31 March 2018 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2019 £	% of net assets by value
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited) Snagging and finishing of domestic and commercial properties	**April 2008** Support services	39,444	731,523	-	(222,019)	365,998	875,502	1.8%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software and Computer Services	789,815	887,870	-	-	(45,364)	842,506	1.7%
Ibericos Etc. Limited (trading as Tapas Revolution) Spanish restaurant chain	**January 2017** Travel & Leisure	812,248	854,224	-	-	(43,196)	811,028	1.7%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Support services	437,030	639,342	-	-	168,607	807,949	1.7%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	651,225	-	-	119,307	770,532	1.6%
Rota Geek Limited Workforce management software	**August 2018** Support services	366,600	-	366,600		252,501	619,101	1.3%
Buster and Punch Holdings Limited Industrial inspired lighting and interiors retailer	**March 2017** General retailers	436,391	553,896	-	-	54,613	608,509	1.2%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Support services	1,000,000	515,476	-	-	(20,547)	494,929	1.0%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare Equipment & Services	757,101	558,620	-	-	(175,431)	383,189	0.8%
Redline Worldwide Limited Provider of security services to the aviation industry	**February 2016** Support services	682,222	689,047	-	-	(347,940)	341,107	0.7%
Kudos Innovations Limited Online platform that provides and promotes research dissemination	**November 2018** Support services	277,950	-	277,950		-	277,950	0.6%
Super Carers Limited Online platform that connects people seeking home care from experienced independent carers	**March 2018** Support services	384,720	384,720	-	-	(192,360)	192,360	0.4%
BookingTek Limited Direct booking software for hotel groups	**October 2016** Software and Computer Services	504,336	714,211	-	-	(588,127)	126,084	0.3%
Jablite Holdings Limited Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	281,398	171,931	-	-	(80,331)	91,600	0.2%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Support services	967,780	102,972	-	-	(53,540)	49,432	0.0%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	906,935	-	-	-	-	-	0.0%
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	**July 2011** Support services	-	433,939	-	(433,939)	-	-	0.0%
Lightworks Software Limited Provider of software for CAD and CAM vendors	**April 2006** Software and Computer Services	-	61,163	-	(61,163)	-	-	0.0%
Total qualifying investments		**25,499,220**	**24,322,625**	**2,898,440**	**(806,227)**	**2,427,760**	**28,842,598**	**59.1%**[1]

[1] As at 31 March 2019, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Qualifying Investment test. For the purposes of the VCT qualifying test, the Company is permitted to disregard disposals of investments for six months from the date of disposal (twelve months for disposals after 6 April 2019). It also has up to three years to bring in new funds raised, before these need to be included in the qualifying investment test.

Investment Portfolio Summary

as at 31 March 2019

	Date of first investment and Sector	Total Book cost at 31 March 2019 £	Valuation at 31 March 2018 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2019 £	% of net assets by value
Non-qualifying investments								
Media Business Insight Limited	as above	561,884	568,576	-	-	104,166	672,742	1.4%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	as above	304,000	304,000	-	-	-	304,000	0.6%
Tovey Management Limited (trading as Access IS)	as above	219,873	219,873	-	-	-	219,873	0.5%
Hollydale Management Limited Company seeking to carry on a business in the food sector	**March 2015** Support Services	354,000	354,000	-	(212,400)	-	-[1]	0.0%
Backhouse Management Limited Company seeking to carry on a business in the motor sector	**April 2015** Support Services	339,400	169,700	-	(101,820)	-	-[1]	0.0%
Barham Consulting Limited Company seeking to carry on a business in the catering sector	**April 2015** Support Services	339,400	169,700	-	(101,820)	-	-[1]	0.0%
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	**April 2015** Support Services	339,400	169,700	-	(101,820)	-	-[1]	0.0%
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	**April 2015** Support Services	339,400	169,700	-	(101,820)	-	-[1]	0.0%
Hemmels Limited Company specialising in the sourcing, restoration, selling and servicing of high price, classic cars	**March 2018** Automobiles and Parts	19,660	437,238	-	(417,578)	-	-[1]	0.0%
Racoon International Group Limited	as above	139,050	-	-	-	-	-	0.0%
365 Agile Group plc (formerly Iafyds plc) Development of energy saving devices for domestic use	**March 2001** Electronic and electrical equipment	254,586	-	-	-	-	-	0.0%
Turner Topco Limited (trading as Auction Technology Group)	as above	3,863	-	-	-	-	-	0.0%
Total non-qualifying investments		**3,214,516**	**2,562,487**	**-**	**(1,037,258)**	**104,166**	**1,196,615**	**2.5%**
Total investment portfolio per note 8, page 57		**28,713,736**	**26,885,112**	**2,898,440**	**(1,843,485)**	**2,531,926**	**30,039,213**	**61.6%[2]**
Cash and current asset investments[3]		-	20,559,774	-	-		18,662,785	38.3%
Total investments including cash and current asset investments		**28,713,736**	**47,444,886**	**2,898,440**	**(1,843,485)**	**2,531,926**	**48,701,998**	**99.9%**
Other current assets		-	339,187	-	-	-	229,113	0.5%
Current liabilities		-	(185,876)	-	-	-	(201,154)	(0.4)%
Totals		**28,713,736**		**2,898,440**	**(1,843,485)**			
Net assets at the year end			**47,598,197**				**48,729,957**	**100.0%**

[1] The closing valuations for each of these investments is nil, as the remaining cost and valuation of these investments still held were permanently impaired during the year.

[2] As at 31 March 2019, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Qualifying Investment test. For the purposes of the VCT qualifying test, the Company is permitted to disregard disposals of investments for six months from the date of disposal. It also has up to three years to bring in new funds raised, before these need to be included in the qualifying investment test.

[3] Disclosed as Current asset investments and Cash at bank within Current assets in the Balance Sheet on page 47.

Key policies

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

Investment Policy

The investment policy is designed to meet the Company's objective.

Investments

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

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

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

Liquidity

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

Borrowing

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

Diversity Policy

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

Other policies

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

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

These are set out in the Directors' Report on pages 28 and 29 of this Annual 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 section of the Directors' Report on page 32.

The risk profile of the Company has changed as a result of the changes to the VCT Rules. As the Company's investment focus is on growth capital investments in younger companies it is anticipated that investment returns will be more volatile and will have a higher risk profile. The Board is confident that the Investment Adviser will continue to adapt to changes in investment requirements.

The principal risks identified by the Board are set out below:

Risk	Possible consequence	How the Board manages risk
Political and Economic	Events such as a protracted period of political uncertainty, a change of government policy, and/or 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. The impact of the UK's withdrawal from the EU upon the UK economy is uncertain.	• *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 changes caused by withdrawal from the EU and movements in interest rates.*

Investment and strategic	Investment in unquoted small companies can involve a higher degree of risk than investment in larger, and/or fully listed companies and will likely have more variable returns. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.	• *The Board regularly reviews the Company's investment strategy.* • *Investee companies are carefully selected by the Investment Adviser for recommendation to the Board. The investment portfolio is reviewed by the Board on a regular basis.* • *The Investment Adviser generally appoints a director to the board of each investee company.*
Loss of approval as a Venture Capital Trust and VCT regulatory changes	The Company must comply with section 274 of the Income Tax Act 2007 ("ITA") which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, 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. The Company is required to comply with frequent changes to the VCT specific regulations relating to European State Aid regulations as enacted by the UK Government. Non-compliance could result in a loss of VCT status.	• *The Board receives regular reports from Philip Hare & Associates LLP ("PHA") who have been retained to undertake an independent VCT status monitoring role.* • *The Company's VCT qualifying status is reviewed by PHA and the Investment Adviser on a regular basis.*
Regulatory	The Company is required to comply with the Companies Act, the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Changes to and breaches of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.	• *Regulatory and legislative developments are kept under review by the Company's solicitors and the Board.*
Financial and operating	Failure of the systems at any of the third party service providers that the Company has contracted with could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation or insecurity of assets.	• *The Board carries out an annual review of the internal controls in place and reviews the risks facing the Company at each quarterly Board meeting.* • *The Board reviews the performance of the service providers annually.*
Market	Movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.	• *The Board receives quarterly valuation reports from the Investment Adviser and remains focused on the investments being at fair value, after considering many factors, including the impact of market movements.* • *The Investment Adviser alerts the Board about any adverse movements.*
Asset liquidity	The Company's investments may be difficult to realise.	• *The Board receives reports from the Investment Adviser and reviews the portfolio at each quarterly Board meeting. It carefully monitors investments where a particular risk has been identified.*
Market liquidity	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value given the limited secondary market in VCT shares.	• *The Board regularly reviews its share buyback policy which seeks to mitigate market liquidity risk.*

Cyber and Data Security	The Company and its shareholders may suffer losses in the event of the IT systems at principal suppliers being compromised by cyber attack.	• *The Board monitors and seeks assurance from the VCT's principal suppliers in respect of the systems and processes they have adopted to counter these risks.*

Going concern and Long-Term viability of the Company

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 4 and the Strategic Report on page 11. The Directors have satisfied themselves that the Company continues to maintain adequate liquidity. The major cash outflows of the Company (namely investments, share buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 15 on pages 61 to 68. Accordingly, the Directors consider it appropriate to adopt the going concern basis for a period of at least twelve months from the date of approval of the financial statements.

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

Viability Statement

The Directors have assessed the prospects of the Company over the three-year period to 31 March 2022 and have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. This period has been chosen, as a period longer than three years creates a level of future uncertainty for which a Viability Statement cannot, in the Directors' view, be made meaningfully. The Directors believe a three-year period is most appropriate given the frequency with which it is necessary to review and assess the impact of past, current and proposed regulatory changes. The Directors' assessment has been made with reference to the Company's current position and prospects, the Company's present strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as described on the previous page. The Board is mindful of the risks contained therein but considers that its actions to manage those risks provide reasonable assurance that the Company's affairs are safeguarded for the stated period.

The Directors have reached this conclusion after giving careful consideration to the Company's strategy. They believe the Company's current strategy of providing "investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital, while continuing at all times to qualify as a VCT" remains valid.

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

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

Future prospects

For a discussion of the Company's future prospects (both short and medium-term), please see the Chairman's Statement on pages 2 to 4 and the Investment Review on page 11.

Ian Blackburn
Chairman

19 June 2019

Board of Directors

Ian Blackburn

Independent, Non-executive Chairman and Chair of Nomination and Remuneration Committee and the Management Engagement Committee

Appointed to the Board: 1 July 2017.

Experience: Ian is an FCA who specialised in Corporate Finance at KPMG before building and selling two listed food groups. He has extensive UK and European strategic, operations and finance experience as CEO and FD of Perkins Foods Plc and Zetar Plc. Currently he is an active investor in a number of SMEs and is Chairman of Mood Foods (manufacture of Ombar raw cocoa chocolate bars), Kinteract (education sector App) and Slimline Wine (SLIM sugar free wines). He is also a trustee and director of The Rutland Learning Trust.

Adam Kingdon

Independent, Non-executive Director and Chair of Audit Committee

Appointed to the Board: 29 September 2006.

Experience: Adam is the founder and CEO of Utonomy, a supplier of smart grid technology for gas networks. Prior to that he was the founder and CEO of i2O Water, a supplier of intelligent control for water networks. He also has more than twenty years' experience as a turnaround specialist, restoring companies to profitability. He has turned around more than ten loss-making engineering and technology companies in the UK, France, Germany, Holland and Belgium.

Sally Duckworth

Independent, Non-executive Director and Chair of Investment Committee

Appointed to the Board: 1 January 2007.

Experience: Sally has worked in the financial services sector since 1990 and in the private equity sector since 2000. A qualified accountant (Price Waterhouse), former investment banker (J.P.Morgan) and early stage venture capitalist (Quester Capital Management, which ran several VCTs) she understands the investment process and reporting requirements of a VCT. She has also been an active angel investor and has held various Board and C-suite roles. This has included chairing several start ups and running SaaS businesses as COFO and CEO so she understands the strategic and operational challenges of running early stage businesses. Chairman of StorMagic, which enables hyper converged software and advising a clean tech start up on all of its operations and finance.

For details of the share interests, remuneration and attendance of the Directors, please see pages 38 and 39 of the Directors' Annual Remuneration Report.

Directors' Report

The Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 31 March 2019.

The Company is registered in England and Wales as a Public Limited Company (registration number 03946325).

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.

Information on likely developments in the business are referred to in the Chairman's Statement on pages 2 to 4 and in the Strategic Report on page 11.

Share capital

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

The issued share capital of the Company as at 31 March 2019 was £489,251 (2018: £493,042) and the number of shares in issue at this date was 48,925,130 (2018: 49,304,159).

Share buybacks

The following disclosure is made in accordance with Part 6 of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013).

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

At the Annual General Meeting of the Company held on 12 September 2018, shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to make market purchases of up to 7,390,693 of its own shares, representing 14.99% of the issued share capital of the Company at that date. Such authority has been in place throughout the year under review and a resolution to renew this authority will be proposed to shareholders at the forthcoming Annual General Meeting, to be held on 11 September 2019.

During the year under review, the Company bought back 379,029 (2018: 671,517) of its own shares at an average price of 86.46 (2018: 91.75) pence per share and a total cost of £327,702 including expenses (2018: £616,121). These shares represented 0.77% of the issued share capital of the Company at the beginning of the financial year. All shares bought back by the Company were subsequently cancelled.

Substantial interests

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

Dividends

The Directors declared an interim dividend of 5.00 pence per share (2018: 9.00 pence per share) in respect of the year ended 31 March 2019, which was paid to shareholders on the Register on 22 February 2019 on 22 March 2019. This dividend has increased cumulative dividends paid since the launch of the current share class in 2005 to 83.00 pence per share.

Directors

The names, dates of appointment and brief biographical details of each of the Directors are given on page 27 of this Annual Report. Further details of each Director's interests in the Company's shares are set out on page 39 of the Directors' Remuneration Report. None of the Directors held interests in the investee companies throughout the year.

The powers of the Directors have been granted by company law, the Company's Articles of Association ("Articles") and resolutions passed by the Company's members in general meeting.

Disclosure of Information to the Auditor

So far as each of the Directors in office at 31 March 2019 are aware, there is no relevant audit information of which the external 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.

Directors' indemnity

The Company's Articles grant the Board, subject to the provisions of UK legislation, the power to indemnify Directors of the Company out of the assets of the Company. No such indemnity is currently in place.

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.

Post balance sheet events

For a full list of post balance sheet events that have occurred since 31 March 2019, please see Note 18 to the Financial Statements on page 68.

Social and Environmental Policies

Environmental and social responsibility

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

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

Directors' Report

industry standards. Environmental, social and governance issues are identified by the Investment Adviser prior to each investment and are drawn to the attention of the Board where appropriate.

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

Human rights policy

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

Anti-bribery policy

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

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

Global greenhouse gas emissions

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

Whistleblowing policy

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

Anti-Tax Evasion

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

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Financial Statements on pages 61 to 68 of this Annual Report.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, to be held at 11:00 a.m. on Wednesday, 11 September 2019 at **The Clubhouse, 8 St James's Square, London SW1Y 4JU** is set out on pages 74 to 76 of this Annual Report. A proxy form for the meeting is enclosed separately with shareholders' hard copies of this Annual Report. Proxy votes may also be submitted electronically via the Link Shareholder Portal www.signalshares.com.

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

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

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

Resolution 1 – To receive and adopt the Annual Report and Financial Statements

The Directors are required to present the Financial Statements, Directors' report and Auditor's report for the financial year ended 31 March 2019 to the meeting.

Resolution 2 – To approve the Directors' Annual Remuneration Report

Under section 420 of the Companies Act 2006 (the "Act"), the Directors must prepare an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Nomination and Remuneration Committee (together the "Directors' Remuneration Report"). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 37 to 39. Resolution 2 is an advisory vote only.

Resolutions 3 to 5 – To re-elect the Directors

All Directors have agreed to retire annually from the Board. This is in line with the recommendation of provision 18 of the revised UK Corporate Governance Code, published in July 2018, which will apply to the Company from the start of its current financial year. Being eligible, each of the Directors are offering themselves for re-election.

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

Ian Blackburn - Following a review of his performance, the remaining Directors agree that Ian Blackburn continues to carry out his duties effectively and makes a substantial contribution to the Company's long-term sustainable success. The remaining Directors are confident that he is a strong and effective director and have no hesitation in recommending his re-election to shareholders.

Sally Duckworth – Following a review of her performance, the remaining Directors agree that Sally Duckworth continues to make a substantial contribution to the work of the Board and continues to demonstrate commitment to her role. The remaining Directors have no hesitation in recommending her re-election to shareholders.

Adam Kingdon - Following a review of his performance, the remaining Directors agree that Adam Kingdon has continued to make a substantial contribution to the work of the Board as Chair of the Audit Committee during the year and has demonstrated commitment in his role. The remaining Directors have no hesitation in recommending his re-election to shareholders.

Resolution 6 – To reappoint BDO LLP as auditor of the Company, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the Directors to determine the remuneration of the auditor

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the reappointment of BDO LLP. This resolution also gives authority to the Directors to determine the remuneration of the auditor. For further information, please see the Report of the Audit Committee on pages 35 to 36.

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

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

Resolution 7 will enable the Directors to allot new shares up to an aggregate nominal value of £146,775 representing approximately one-third of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting.

Under section 561(1) of the Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 8 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time in connection with offer(s) for subscription; and

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

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

The Company normally allots shares at prices based on the prevailing net asset value per share of the existing shares on the date of the allotment (plus costs). The Directors thus seek to manage any potential dilution of existing shareholdings as a result of the disapplication of members' pre-emption rights proposed in resolution 8.

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

Both of these authorities, unless previously renewed, varied or revoked will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2020. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions renew previous general authorities approved by shareholders at the Annual General Meeting of the Company held on 12 September 2018.

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

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 7,333,877 shares representing approximately 14.99% of the issued share capital of the Company as at the date of the Notice of the Meeting or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding the date such shares are contracted to be purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid for a share is 1 penny, being the nominal value thereof.

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

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless they believe that to do so would result in an increase in net assets per share, which would be in the interests of shareholders generally. This resolution will expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2020, except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

Directors' Report

Resolution 10 – Cancellation of share premium account and redemption reserve

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

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

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

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

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

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

Recommendation

The Board recommends that shareholders vote in favour of the resolutions to be proposed at the AGM, as the Directors intend to do in respect of their own beneficial holdings of 54,172 shares (representing 0.11% of the issued share capital at 18 June 2019).

Voting rights of shareholders

Each shareholder has one vote on a show of hands, and one vote per share held on a poll, 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 held by them have been paid up in full. Any instrument of proxy must be deposited at the place specified by the Directors no later than 48 hours before the time fixed for the meeting (ignoring any part of a day that is not a working day).

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.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

19 June 2019

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2016 ("the AIC Code") for the financial year ended 31 March 2019. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 14 July 2016. In adopting the AIC Code, the Company will therefore meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

In July 2018, the FRC published a new UK Code which will apply to accounting periods on or after 1 January 2019. The Company is therefore not required to report against the new UK Code, or the recently published 2019 AIC Code, until its financial year ending 31 March 2020.

Statement of Compliance

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

The Board considers that the Company has complied with the recommendations of the AIC Code and relevant provisions of the UK Code throughout the year under review. A table providing further explanations of how the Company has complied with the AIC Code during the year is available in the Corporate Governance section of the Company's website: www.mig2vct.co.uk.

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

Additional information relevant to the corporate governance of the Company are set out on the following pages:

Internal control

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

The Company's internal control system aims to ensure the maintenance of proper accounting records, the reliability of the 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 regular reviews of signing authorities, quarterly management accounts and the processes by which investments in the portfolio are valued. The Board also provides authorisation of the Investment Policy and regular reviews of the financial results and investment performance.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. The Board reviews a schedule of key risks and the management accounts at each quarterly Board meeting. It is assisted by the Audit Committee in respect of the Annual and Half-Year Reports and other published financial information.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation at the service providers in so far as they relate to the affairs of the Company. The Board regularly monitors these controls from a risk perspective and receives reports from the Registrar and Investment Adviser and Administrator when appropriate.

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

- Internal controls are in place for the preparation and reconciliation of the valuations prepared by the Investment Adviser;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board;
- The information contained in the Half-Year and Annual Reports and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

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

Alternative Investment Fund Manager ("AIFM")

The Board appointed the Company as its own AIFM in compliance with the European Commission's Alternative Investment Fund Management Directive with effect from 22 July 2014. The Company is registered as a small AIFM, and is therefore exempt from the principal requirements of the Directive.

Corporate Governance Statement

Mobeus continues to provide investment advisory and administrative services to the Company. However, in order for the Company to continue to discharge its safekeeping responsibilities for the documents of title to its investments, Mobeus company secretarial staff are now directly responsible to the Board, under its instruction, for accessing and dealing with these documents.

The Board and its Committees

The powers of the Directors have been granted by company law, the Company's articles, and resolutions passed by the Company's members in general meeting. Resolutions are proposed at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buy back the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM to be held on 11 September 2019.

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 Nomination and Remuneration Committee; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Board committees

The Board has established four Committees with responsibilities for specific areas of its activity. These are the Audit Committee, the Nomination and Remuneration Committee, the Investment Committee, and the Management Engagement Committee. Each of the Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these 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. Full descriptions of the work of the Audit Committee and the Nomination and Remuneration Committee are set out in the Report of the Audit Committee on pages 35 and 36 and the Directors' Remuneration Report on page 37 of this annual report. Further details on the work of the Investment Committee are set out below.

Investment Committee

The Investment Committee (chaired by Sally Duckworth) comprises all Directors.

The Committee's key responsibilities are to consider and approve investment recommendations from the Investment Adviser. The Committee meets frequently on an ad hoc basis by telephone as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Adviser. These are not included in the meetings schedule on page 38.

During the year, investment matters were discussed extensively at Board meetings and the Committee advised the Board on the development and implementation of the Investment Policy. It also led the process for the ongoing monitoring of investee companies and the Company's investment therein. Investment guidelines have been issued to the Investment Adviser and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by the Committee following discussion between Committee members and are subsequently ratified by the Board. Investment matters are discussed at Board meetings. During the year, the Committee formally approved all investment and divestment decisions and met informally on numerous occasions.

The Committee considers and agrees all unquoted investment valuations, on the advice of the Investment Adviser, for recommendation to the Board. Investments are valued in accordance with IPEV Guidelines under which investments will be valued at the fair value as defined in those guidelines.

Management Engagement Committee

During the year under review, all management engagement matters were dealt with by the full Board of Directors. However, during the year the Board resolved to establish a separate Management Engagement Committee, the membership of which comprises all directors. The Committee has responsibility for carrying out a review of the performance of the Investment Adviser and other key service providers on an annual basis.

Investment management and service providers

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

Fees paid to the Investment Adviser

The fees paid to the Investment Adviser are set out in Note 4 to the Financial Statements on pages 52 to 54.

In addition the Investment Adviser received fees totalling £244,556 during the year ended 31 March 2019 (2018: £250,282), being £74,339 (2018: £85,289) in arrangement fees and £170,217 (2018: £164,993) in non-executive directors fees for its partners, and other senior managers, to sit on a number of investee company boards. These amounts are the share of such fees attributable to investments made by the Company. These figures are not part of the Financial Statements.

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

Particular emphasis is placed on reviewing the Investment Adviser, and this forms part of the Board's overall internal control procedures. The Board considers the arrangements for the provision of investment advisory and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this annual review, the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. The Board concluded that the Investment Adviser had returned a good performance and that the Company's investment portfolio had performed well. The Board places significant emphasis on the Company's performance against benchmarks and is satisfied that the VCT's performance compares satisfactorily to the benchmark used on a consistent basis. The Board further considered the Investment Adviser's commitment to the promotion of the Company and was satisfied that this was prioritised highly by the Investment Adviser, evidenced by the 2017/18 VCT fundraising and other fundraisings which had taken place in 2014 and 2015. The Board believes that the Investment Adviser had continued to exercise independent judgement while producing consistent valuations which reflected fair value.

The Directors believe that the continued appointment of Mobeus as Investment Adviser to the Company on the terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 12 June 2019.

The principal terms of the Company's Investment Management Agreement with the Investment Adviser dated 10 September 2010 and the incentive fee arrangements dated 20 September 2005 are set out in Note 4 to the Financial Statements on page 52 of this Annual Report. The Board seeks to ensure that the terms of these Agreements represent an appropriate balance between cost and incentivisation of the Investment Adviser.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

19 June 2019

Report of the Audit Committee

The Audit Committee comprises all Directors and is chaired by Adam Kingdon. A summary of the Audit Committee's principal activities for the year ended 31 March 2019 is provided below:

Financial statements

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

Internal control

The Committee has monitored the system of internal controls throughout the year under review as described in more detail in this Report on page 32. It receives a report, by exception, on the Company's progress against internal controls at its annual and half year results meetings and reviews a schedule of key risks at each meeting. In a wider context, the Board has continued to identify the key risks faced by the Company and established appropriate controls. The Committee also monitors these controls and reviews any incidences of non-compliance.

Valuation of Investments

The Investment Adviser prepared valuations of the investments in the portfolio at the end of each quarter and these were considered in detail and agreed by the Investment Committee for recommendation to the Board. The Audit Committee continues to monitor the adequacy of the controls over the preparation of these valuations. As part of this process, it focused on ensuring that both the bases of the valuations and any assumptions used were reasonable and in accordance with the IPEV Guidelines. The Committee received a report summarising the findings of the annual audit and half year review from the external auditor. These reports were discussed by the Committee with the Auditor and the Investment Adviser before a recommendation to approve the valuations was made to the Board.

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

Going concern and long-term viability

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

Recognition of realised losses

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

Compliance with the VCT tests

The Company engaged the services of a VCT Status Adviser (Philip Hare & Associates LLP) to advise on its ongoing compliance with the legislative requirements relating to VCTs. A report on the Company's compliance supported by the tests carried out is produced by the VCT Status Adviser on a bi-annual basis and reviewed by the Committee for recommendation to the Board. The Committee has continued to consider the risk and compliance aspects of changes to the VCT Rules introduced by the Finance Act (No.2) 2015 and the Finance Act 2018. As part of this work, the Committee has held ongoing discussions with the Company's VCT Status Adviser throughout the year, in particular with regard to the requirement for 80% of the Company's investments to be held in qualifying investments by 1 April 2020.

Income from investee companies

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

Key risks faced by the Company

The Board has identified the key risks faced by the Company, as disclosed in the Strategic Report on pages 24 to 26, 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.

Cyber Security

The Board has sought assurances during the year from both the Investment Adviser and the Registrars and other service providers concerning their cyber security procedures and policies. Assurances have been provided by these principal service providers.

Relationship with the external auditor

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

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

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

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;

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

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

Non-audit services

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

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

The Audit Committee, on the advice of the external Auditor, has concluded that it is in the interests of the Company to purchase certain non-audit services, from the auditor, BDO LLP, namely, iXBRL tagging and certain agreed procedures in respect of the Half-Year Report.

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

Additional disclosures in the Directors' Report

Disclosures required by certain publicly-traded companies as set out in Part 6 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended 2013) are contained in the Directors' Report on page 28.

By order of the Board

Adam Kingdon
Chairman of the Audit Committee

19 June 2019

Directors' Annual Remuneration Report

Dear Shareholder

I am pleased to introduce the Directors' Annual Remuneration Report for the year ended 31 March 2019.

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

I would welcome any comments you may have.

Ian Blackburn
Nomination and Remuneration Committee Chairman
19 June 2019

Introduction

This report has been prepared by the Directors in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority ("the Listing Rules").

The Company's independent Auditor is required to give its opinion on the information provided on Directors' emoluments and Director's interests on page 39 of this Annual Report and this is explained further in the Auditor's Report to shareholders on pages 41 to 45.

Directors' Remuneration Policy

The Directors' fees are reviewed annually and were last increased with effect from 1 October 2018 to reflect the additional work undertaken by the directors. No further increase is anticipated in respect of the current financial year. When considering the level of Directors' fees, the Nomination and Remuneration Committee takes account of the workload required to be performed by the non-executive directors and the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration that 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 Remuneration Policy set out in this Report 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' terms of appointment

Over and above the requirements of principle 3 of the AIC Code and the Company's policy on tenure, all Directors have agreed to retire annually from the Board. This is in line with the recommendation of provision 18 of the revised UK Corporate Governance Code, published in July 2018, and which will apply to the Company from the start of its current financial year.

All of the Directors are non-executive. The Company's Articles of Association provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board, provided that a person appointed by the Board shall be subject to election at the first annual general meeting following their appointment.

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities and the fees pertaining to their appointment. Each of the agreements may be terminated by either party giving not less than three months' notice in writing. Appointment letters for new Directors will 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 their appointment.

This policy applied throughout the year ended 31 March 2019 and will continue to apply to the current year ending 31 March 2020.

Shareholder approval of the Directors' Remuneration Policy

The resolution to approve the Directors' Remuneration Policy, as set out in the Annual Report for the year ended 31 March 2017, was approved unanimously by shareholders on a show of hands at the Annual General Meeting of the Company held on 14 September 2017. The Company also received proxy votes in favour of the resolution representing 94.09% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 5.91%). It was agreed that this policy would be subject to shareholder approval every three years, therefore a resolution to approve the Remuneration Policy will next be put to shareholders at the Annual General Meeting of the Company in 2020.

Shareholder approval of the Directors' Annual Remuneration Report

The resolution to approve the Directors' Annual Remuneration Report, as set out in the Annual Report for the year ended 31 March 2018, was unanimously approved by shareholders on a show of hands at the Annual General Meeting of the Company held on 12 September 2018. The Company also received proxy votes in favour of the resolution representing 93.51% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 6.49%). An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 11 September 2019 for approval of the Directors' Annual Remuneration Report as set out on page 29.

Future policy in relation to Directors' Remuneration

The table below illustrates how the Company's Objective is supported by its Remuneration Policy. It sets out details of each component of the pay package and the minimum amount receivable during the forthcoming year by each Director. The Nomination and Remuneration Committee and the Board review the fees paid to Directors annually in accordance with the remuneration Policy as set out at the start of this report and may decide that an increase in fees is appropriate in respect of subsequent years. No performance conditions are attached to any aspect of any fee paid to the Directors.

Company Objective

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

Remuneration Policy

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

Director and Role	Components of Pay Package	Maximum Payment per annum	Performance Conditions
Ian Blackburn Chairman of the Board, Chair of the Nomination & Remuneration Committee	Director's fee (incl. fee for acting as Chairman of the Board)	£36,000	None
Adam Kingdon Chair of the Audit Committee	Director's fee	£30,000	None
Sally Duckworth Chair of the Investment Committee	Director's fee	£30,000	None
Total maximum fees payable		**£96,000**	

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 Nomination and Remuneration Committee.

The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year to 31 March 2019. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific matters as they arose.

Directors	Board Meetings (4)		Audit Committee Meetings (2)		Remuneration Committee Meeting (1)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Nigel Melville*	2	2	1	1	1	1
Adam Kingdon	4	4	2	2	1	1
Sally Duckworth	4	4	2	2	1	1
Ian Blackburn	4	4	2	2	1	1

* Nigel Melville retired as a director on 12 September 2018.

Directors' Annual Remuneration Report

Nomination and Remuneration Committee

The remuneration of individual Directors is determined by the Nomination and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Ian Blackburn. 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. Following their review, the Committee has recommended no increase in Directors' fees for the forthcoming year. 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 year under review with full attendance from all its members. There were no new appointments to the Board during the year under review. Nigel Melville retired as chairman of the board on 12 September 2018 and was succeeded by Ian Blackburn, an existing director of the Company. However the Board continued to review its composition and succession arrangements.

Audited information

Directors' emoluments

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Nigel Melville*	11,781	26,000
Adam Kingdon	26,500	23,000
Sally Duckworth	26,500	23,000
Ian Blackburn	29,641	16,587
Kenneth Vere Nicoll**		10,468
Total	**94,422**	**99,055**

* Nigel Melville retired as a director on 12 September 2018.
** Kenneth Vere Nicoll retired as a director on 14 September 2017.

Aggregate fees paid in respect of qualifying services amounted to £94,422 (2018: £99,055).

Directors' interests in the Company's shares

The Directors who held office during the year under review and their interests as at 31 March 2019 were:

Director	Holdings at 31 March 2019	Holdings at 31 March 2018
Nigel Melville	n/a	58,117
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-
Ian Blackburn	48,463	48,463

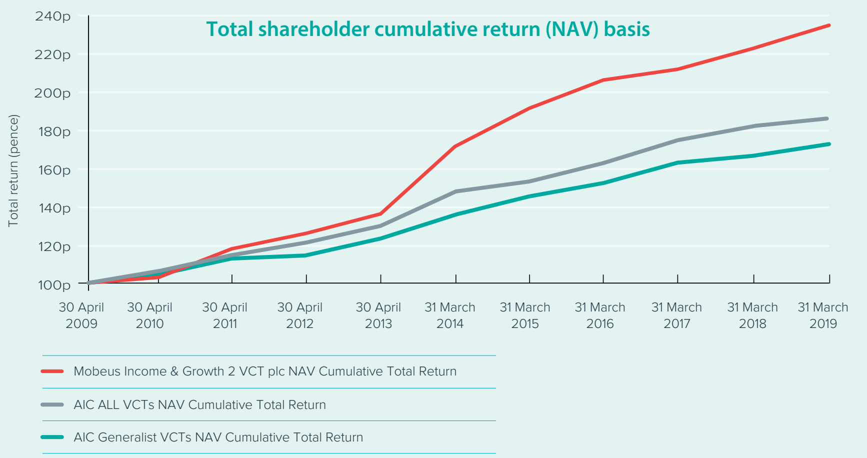
Relative importance of spend on Directors' fees

Year ended 31 March	2019 £	2018 £
Total Directors' fees	94,422	99,055
Dividends paid and payable in respect of the year[1]	2,459,246	6,821,660
Share buybacks	327,702	616,121
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends	3.8%	1.5%
Total fees and expenses	7.0%	7.4%

[1] See Note 6 to the Financial Statements.

Total shareholder return

The graph opposite charts the total cumulative shareholder return of the Company (assuming all dividends are not re-invested) over the past nine years compared with that of an index of all VCTs and an index of generalist VCTs which are members of the AIC based on figures provided by Morningstar. The Board considers these indices to be the most appropriate 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 30 April 2009.



An explanation of the recent performance of the Company is given in the Chairman's Statement on pages 2 to 4, the Performance section of the Strategic Report on pages 7 to 10 and in the Investment Review and Investment Portfolio Summary on pages 11 to 23.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

19 June 2019

Statement of Directors' Responsibilities

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

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

The Directors confirm to the best of their knowledge that:

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

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

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

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

The names and functions of the Directors are stated on page 27.

For and on behalf of the Board

Ian Blackburn
Chairman

19 June 2019

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

Opinion

We have audited the financial statements of Mobeus Income & Growth 2 VCT plc ("the Company") for the year ended 31 March 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

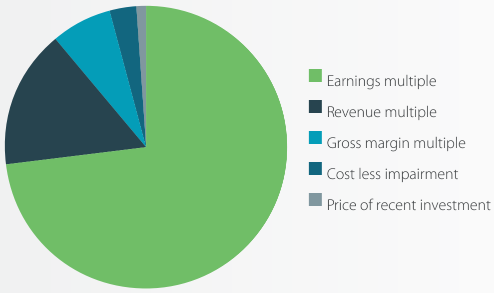
Conclusions relating to principal risks, going concern and viability statement

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

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

Key audit matters

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

Key audit matter	How we addressed the Key Audit Matter in the Audit
Valuation of unquoted investments We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company. The Company's accounting policy for assessing the fair value of investments is disclosed on page 57 in note 8 and disclosures regarding the fair value estimates are given on page 58 in note 8.	Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. A breakdown of the investment portfolio valuation technique is shown below.  For all Investments in our sample we: ● Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102; ● Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies; For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we: ● Verified the cost or price of recent investments to supporting documentation; ● Considered whether the investment was an arm's length transaction; and ● Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we: ● Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; ● Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations; ● Considered the revenue or earnings multiples applied by reference to observable listed Company market data; and ● Challenged the consistency and appropriateness of adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Our application of materiality

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

Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Materiality Measure [Basis]	Purpose	Key considerations	2018 Quantum (£)	2018 Quantum (£)
Financial Statement Materiality [2% value of investments]	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	600,000	530,000
Specific Materiality – classes of transactions and balances which impact on revenue profits [10% revenue return before tax]	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• The level of net income return	160,000	110,000

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

On the basis of our risk assessment together with our assessment of the company's overall control environment, our judgment was that overall performance materiality for the company should be 75% (2018: 75%) of materiality, namely £450,000 (2018: £400,000).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of 8,000 (2018: £5,500) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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

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

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

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;

- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

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

Other information

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

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

We have nothing to report in this regard.

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters which we are required to address

Following a recommendation of the Audit Committee, we were appointed by The Board of Directors to audit the financial statements for the year ended 30 April 2009 and subsequent financial periods. Following a re-tender we were reappointed as auditors in respect of the year ended 31 March 2017 and subsequent financial periods by the Board. The period of total uninterrupted engagement is 11 years, covering the periods ending 30 April 2009 to 31 March 2019.

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

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

Use of our report

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

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

Date 19 June 2019

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

Income Statement

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Revenue £	Capital £	Total £	Year ended 31 March 2018 Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	8	-	2,531,926	2,531,926	-	(755,510)	(755,510)
Realised gains on investments	8	-	605,074	605,074	-	2,766,722	2,766,722
Income	3	2,189,574	-	2,189,574	1,715,664	-	1,715,664
Investment Adviser's fees	4a	(259,026)	(777,077)	(1,036,103)	(247,177)	(741,530)	(988,707)
Other expenses	4c	(320,722)	-	(320,722)	(348,568)	-	(348,568)
Profit on ordinary activities before taxation		1,609,826	2,359,923	3,969,749	1,119,919	1,269,682	2,389,601
Taxation on profit on ordinary activities	5	(208,983)	147,645	(61,338)	(191,512)	140,891	(50,621)
Profit for the year and total comprehensive income		**1,400,843**	**2,507,568**	**3,908,411**	**928,407**	**1,410,573**	**2,338,980**
Basic and diluted earnings per ordinary share:	7	**2.84p**	**5.09p**	**7.93p**	**2.25p**	**3.43p**	**5.68p**

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

The total column is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). In order to better reflect the activities of a VCT and in accordance with the 2014 Statement of Recommended Practice ("SORP") (updated in January 2017) by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

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

The notes on pages 51 - 68 form part of these Financial Statements.

Balance Sheet

as at 31 March 2019

Company No. 03946235

	Notes	31 March 2019 £	31 March 2018 £
Fixed assets			
Investments at fair value	8	30,039,213	26,885,112
Current assets			
Debtors and prepayments	10	229,113	339,187
Current asset investments	11	16,117,301	18,287,301
Cash at bank	11	2,545,484	2,272,473
		18,891,898	20,898,961
Creditors: amounts falling due within one year	12	(201,154)	(185,876)
Net current assets		18,690,744	20,713,085
Net assets		**48,729,957**	**47,598,197**
Capital and reserves			
Called up share capital	13	489,251	493,042
Share premium reserve		30,498,349	30,498,349
Capital redemption reserve		98,089	94,298
Revaluation reserve		4,357,307	1,398,656
Special distributable reserve		4,391,645	6,052,525
Realised capital reserve		7,600,987	7,943,475
Revenue reserve		1,294,329	1,117,852
Equity shareholders' funds		**48,729,957**	**47,598,197**
Basic and diluted net asset value per ordinary share	14	**99.60p**	**96.54p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 19 June 2019 and are signed on its behalf by:

Ian Blackburn
Chairman

The notes on pages 51 - 68 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2019

	Notes	Non-distributable reserves: Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Distributable reserves: Special distributable reserve (Note a) £	Realised capital reserve (Note b) £	Revenue reserve (Note b) £	Total £
At 1 April 2018		**493,042**	**30,498,349**	**94,298**	**1,398,656**	**6,052,525**	**7,943,475**	**1,117,852**	**47,598,197**
Comprehensive income for the year									
Profit/(loss) for the year		-	-	-	2,531,926	-	(24,358)	1,400,843	3,908,411
Total comprehensive income for the year		**-**	**-**	**-**	**2,531,926**	**-**	**(24,358)**	**1,400,843**	**3,908,411**
Contributions by and distributions to owners									
Shares bought back (Note c)	13	(3,791)	-	3,791	-	(327,702)	-	-	(327,702)
Dividends paid	6	-	-	-	-	-	(1,229,623)	(1,229,623)	(2,459,246)
Dividends refunded	6	-	-	-	-	-	5,040	5,257	10,297
Total contributions by and distributions to owners		**(3,791)**	**-**	**3,791**	**-**	**(327,702)**	**(1,224,583)**	**(1,224,366)**	**(2,776,651)**
Other movements									
Realised losses transferred to special reserve (Note a)		-	-	-	-	(1,333,178)	1,333,178	-	-
Realisation of previously unrealised losses		-	-	-	426,725	-	(426,725)	-	-
Total other movements		**-**	**-**	**-**	**426,725**	**(1,333,178)**	**906,453**	**-**	**-**
At 31 March 2019		**489,251**	**30,498,349**	**98,089**	**4,357,307**	**4,391,645**	**7,600,987**	**1,294,329**	**48,729,957**

Notes

a): The cancellation of the formerly named C Share Fund's share premium reserve (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 reserve 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, to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves, to pay dividends and for any other corporate purpose. The total transfer of £1,333,178 from the realised capital reserve to the special distributable reserve above is the total of realised losses incurred by the Company in the year.

b): The realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company. This represents reserves earned through income and capital gains being in excess of costs that are thus available for distribution as dividends. These reserves, plus the Company's special distributable reserve, are available for distribution, the total balance of which stands at £13,286,961 at the year end (2018: £15,113,852).

c): During the year, the Company purchased 379,029 of its own shares at the prevailing market price for a total cost of £327,702, which were subsequently cancelled.

The composition of each of these reserves is explained below:

Called up share capital

The nominal value of shares originally issued, increased for subsequent share issues either via a Offer for Subscription or reduced due to shares bought back by the Company.

Capital redemption reserve

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

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.

The notes on pages 51 - 68 form part of these Financial Statements.

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

	Notes	Non-distributable reserves Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Distributable reserves Special distributable reserve £	Realised capital reserve £	Revenue reserve £	Total £
At 1 April 2017		**356,724**	**15,901,497**	**87,583**	**2,001,764**	**7,540,615**	**11,142,462**	**1,030,340**	**38,060,985**
Comprehensive income for the year									
(Loss)/profit for the year		-	-	-	(755,510)	-	2,166,083	928,407	2,338,980
Total comprehensive income for the year		**-**	**-**	**-**	**(755,510)**	**-**	**2,166,083**	**928,407**	**2,338,980**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription		143,033	14,596,852	-	-	(103,872)	-	-	14,636,013
Shares bought back		(6,715)	-	6,715	-	(616,121)	-	-	(616,121)
Dividends paid		-	-	-	-	-	(5,980,765)	(840,895)	(6,821,660)
Total contributions by and distributions to owners		**136,318**	**14,596,852**	**6,715**	**-**	**(719,993)**	**(5,980,765)**	**(840,895)**	**7,198,232**
Other movements									-
Realised losses transferred to special reserve		-	-	-	-	(768,097)	768,097	-	-
Realisation of previously unrealised losses		-	-	-	152,402	-	(152,402)	-	-
Total other movements		**-**	**-**	**-**	**152,402**	**(768,097)**	**615,695**	**-**	**-**
At 31 March 2018		**493,042**	**30,498,349**	**94,298**	**1,398,656**	**6,052,525**	**7,943,475**	**1,117,852**	**47,598,197**

Notes - continued from previous page

Revaluation reserve

Increases and decreases in the valuation of investments held at the year end are accounted for in this reserve, except to the extent that the diminution is deemed permanent. In accordance with stating all investments at fair value through profit and loss (as recorded in note 8), all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

Special distributable reserve

The cost of share buybacks is charged to this reserve. In addition, any realised losses on the sale (excluding transaction costs) or if an investment has permanently fallen in value, and 75% of the Investment Adviser fee and 100% of any performance fee expense, and the related tax effect, are transferred from the realised capital reserve to this reserve. The cost of any IFA facilitation fee payable as part of the Offer for Subscription is also charged to this reserve. This does not include IFA trail commission which is an expense that is accounted for in the Revenue reserve.

Realised capital reserve

The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition and disposal of investments;
- 75% of the Investment Adviser's fee (subsequently transferred to the Special distributable reserve along with the related tax effect) and 100% of any performance fee payable, together with the related tax effect to this reserve in accordance with the policies, and
- Capital dividends paid.

Revenue reserve

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

The notes on pages 51 - 68 form part of these Financial Statements.

Statement of Cash Flows
for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Cash flows from operating activities			
Profit for the financial year		3,908,411	2,338,980
Adjustments for:			
Net unrealised (gains)/losses on investments		(2,531,926)	755,510
Net gains on realisations on investments		(605,074)	(2,766,722)
Tax charge for the current year		61,338	50,621
Decrease/(increase) in debtors		56,764	(100,281)
Increase in creditors and accruals		4,341	20,273
Net cash inflow from operations		893,854	298,381
Corporation tax paid		(50,401)	(29,118)
Net cash inflow from operating activities		**843,453**	**269,263**
Cash flows from investing activities			
Purchase of investments	8	(2,898,440)	(2,733,686)
Disposal of investments	8	2,934,649	5,890,052
Net cash inflow from investing activities		**36,209**	**3,156,366**
Cash flows from financing activities			
Shares issued as part of Offer for Subscription		-	14,636,013
Dividends paid	6	(2,459,246)	(6,821,660)
Dividends refunded	6	10,297	-
Purchase of own shares	13	(327,702)	(616,121)
Net cash (outflow)/inflow from financing activities		**(2,776,651)**	**7,198,232**
Net (decrease)/increase in cash and cash equivalents		**(1,896,989)**	**10,623,861**
Cash and cash equivalents at start of year		20,559,774	9,935,913
Cash and cash equivalents at end of the year		**18,662,785**	**20,559,774**
Cash and cash equivalents comprise:			
Cash equivalents	11	16,117,301	18,287,301
Cash at bank and in hand	11	2,545,484	2,272,473

The notes on pages 51 - 68 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2019

1 Company Information

Mobeus Income and Growth 2 VCT plc is a public limited company incorporated in England, registration number 03946235. The registered office is 30 Haymarket, London, SW1Y 4EX.

2 Basis of preparation

A summary of the principal accounting policies, all of which have been applied consistently throughout the year are set out at the start of the related disclosure throughout the Notes to the Financial Statements within an outlined box.

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

3 Income

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

Interest income on loan stock is accrued on a daily basis. Provision is made against this income where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income or capital as appropriate once redemption is reasonably certain. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return, the redemption premium is recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. Accordingly, the redemption premium recognised in the year ended 31 March 2019 has been classified as capital and has been included within gains on investments.

	2019 £	2018 £
Income from bank deposits	13,644	11,161
Income from investments		
– from equities	512,578	114,698
– from overseas based OEICs	74,234	21,687
– from UK based OEICs	34,525	11,450
– from loan stock	1,521,722	1,551,995
– from interest on preference share dividend arrears	31,481	218
	2,174,540	**1,700,048**
Other income	1,390	4,455
Total income	**2,189,574**	**1,715,664**
Total income comprises		
Dividends	621,337	147,835
Interest	1,566,847	1,563,374
Other	1,390	4,455
	2,189,574	**1,715,664**

Total loan stock interest due but not recognised in the year was £421,336 (2018: £243,675). The increase over the year is due to the additional provision of interest of two investee companies, partially offset by two investee companies resuming interest payments once again.

4 Investment Adviser's fees and Other expenses

All expenses are accounted for on an accruals basis.

a) Investment Adviser's fees

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

100% of any performance incentive fee payable for the year is charged against the capital column of the Income Statement. This is because although the incentive fee is linked to an annual dividend target, it is ultimately based upon the achievement of capital growth.

	Revenue £	Capital £	2019 Total £	Revenue £	Capital £	2018 Total £
Mobeus Equity Partners LLP						
Investment Adviser's fees	259,026	777,077	1,036,103	247,177	741,530	988,707
	259,026	**777,077**	**1,036,103**	**247,177**	**741,530**	**988,707**

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 with 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.

Under the terms of the management agreement the total Investment Adviser and administration expenses of the Company excluding any irrecoverable VAT, exceptional costs and any performance incentive fee, are linked to a maximum of 3.6% of the value of the Company's closing net assets. For the year ended 31 March 2019, the expense cap has not been breached (2018: £nil). For this year only, the Investment Adviser's fee upon the net funds raised from use of the over-allotment facility of £5 million under the 2017/18 offer was reduced from 2% to 1% per annum.

The Company is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above.

In 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 £74,339 (2018: £85,289) and £170,217 (2018: £164,993) respectively. The fees for supplying directors and/or monitoring services were from 33 (2018: 34) investee companies during the year.

Notes to the Financial Statements for the year ended 31 March 2019

b) Performance fees

Performance incentive agreement

The following performance incentive fee arrangement dated 20 September 2005 continues to be in place, and operated as detailed below:

New Ordinary and former C share fund shares

Basis of Calculation

The performance incentive fee payable is calculated as an amount equivalent to 20 per cent of the excess of a "Target rate" comprising:-

i) an annual dividend target (indexed each year for RPI), and

ii) a requirement that any cumulative shortfalls below the annual dividend target must be made up in later years. Any excess is not carried forward, whether a fee is payable for that year or not.

Payment of a fee is also conditional upon the average Net Asset Value ("NAV") per share for each such year equalling or exceeding the average "Base NAV" per share for the same year. Base NAV commenced at £1 per share when C fund shares were first issued in 2005, which is adjusted for subsequent shares issued and bought back.

Any performance fee will be payable annually. It will be reduced to the proportion which the number of "Incentive Fee Shares" represent of the total number of shares in issue at any calculation date. Incentive Fees Shares are the only shares upon which an incentive fee is payable. They will be the number of C fund shares in issue just before the Merger of the two former share classes on 10 September 2010, (which subsequently became Ordinary shares) plus Ordinary shares issued under new fundraisings since the Merger. This total is then reduced by an estimated proportion of the shares bought back by the Company since the Merger, that are attributable to the Incentive Fee Shares.

Clarifications to the agreement

During the year ended 31 March 2016, the Board and the Investment Adviser agreed to confirm and clarify in more detail a number of principles and interpretations applied to the agreement. The principal ones are reflected in the paragraphs above and explained below:-

First, the incentive fee is paid upon dividends paid in a year, not declared and paid in a year, as the original agreement stated. Secondly, the average NAV referred to above is calculated on a daily weighted average basis throughout the year. In turn, this average NAV is compared to a Base NAV that is also calculated on a daily weighted average basis throughout the year. Thirdly, the methodologies to account for new shares issued and buybacks of shares, their inclusion in the incentive fee calculations and to identify the proportion of all shares upon which an incentive fee is payable have been clarified.

Finally, it has been agreed that any excess of cumulative dividends paid over the cumulative annual dividend target is not carried forward, whether a fee is paid for that year or not.

These clarifications have been incorporated in to the performance incentive agreement. The Board has been advised that, as these and a number of more minor clarifications, are clarifications of the Incentive Agreement, rather than changes to it, there was no need to seek shareholder approval for them.

Position at 31 March 2019

The cumulative dividend shortfall at 31 March 2019 is 3.10p per share (£1,185,165 in aggregate being 78.1% of the total shortfall) at the year end, (where 78.1% is the proportion of Incentive Fee Shares to the total number of shares in issue at the year end date) and taking into account the target rate of dividends and the dividends paid to shareholders.

The 6p annual dividend hurdle was 7.99p per share at the year end after adjustment for RPI. The Base NAV was 105.99p per share at the year end and an average of 106.12p for the year, compared to an average NAV for the year of 98.38p.

Therefore no Incentive fee is payable for the year (2018: £Nil).

c) Other expenses

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

		2019 £	2018 £
Directors' remuneration (including NIC of £5,380 (2018: £5,318) (Note a)		99,802	104,373
IFA trail commission		49,262	47,511
Broker's fees		12,000	12,000
Auditor's fees	– Audit of Company (excluding VAT)	23,575	22,807
	– tax compliance services (Note b) (excluding VAT)	1,922	1,503
	– audit related assurance services (Note b) (excluding VAT)	4,613	4,562
Registrar's fees		28,622	46,614
Printing		38,993	41,250
Legal & professional fees		9,836	8,129
VCT monitoring fees		8,400	8,400
Directors' insurance		7,428	8,094
Listing and regulatory fees		25,702	24,760
Sundry		10,567	18,565
Other expenses		**320,722**	**348,568**

a): See analysis in Directors' emoluments table on page 39, which excludes the NIC above. The key management personnel are the four non-executive directors. The Company has no employees.

b): The Directors consider the Auditor was best placed to provide the other services disclosed above. The audit related assurance services are in relation to certain agreed procedures in respect of the Company's Half-Year Report. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained. In this regard, tax compliance services (excluding iXBRL services) are carried out by another firm, so are included within legal and professional fees.

5 Taxation on ordinary activities

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

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

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

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

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

	Revenue £	Capital £	2019 Total £	Revenue £	Capital £	2018 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	208,983	(147,645)	61,338	191,512	(140,891)	50,621
Total current tax charge	**208,983**	**(147,645)**	**61,338**	**191,512**	**(140,891)**	**50,621**
Corporation tax is based on a rate of 19% (2018: 19%)						
b) Profit on ordinary activities before tax	1,609,826	2,359,923	3,969,749	1,119,919	1,269,682	2,389,601
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 19% (2018: 19%)	305,867	448,385	754,252	212,785	241,239	454,024
Effect of:						
UK dividends	(97,390)	-	(97,390)	(21,792)	-	(21,792)
Unrealised (gains)/losses not taxable/deductible	-	(481,066)	(481,066)	-	143,547	143,547
Realised gains not taxable	-	(114,964)	(114,964)	-	(525,677)	(525,677)
Unrelieved expenditure	518	-	518	310	-	310
(Over)/under provision in prior year	(12)	-	(12)	209	-	209
Actual tax charge	**208,983**	**(147,645)**	**61,338**	**191,512**	**(140,891)**	**50,621**

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

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

There is no potential liability to deferred tax (2018: £nil). There is no unrecognised deferred tax asset in 2019 (2018: £nil).

6 Dividends paid and payable

Dividends payable are recognised as distributions in the Financial Statements when the Company's liability to pay them has been established. This liability is established for interim dividends when they are paid, and for final dividends when they are approved by the shareholders, usually at the Company's Annual General Meeting.

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

Amounts recognised as distributions to equity shareholders in the year:						
Dividend	Type	For year ended 31 March	Pence per share	Date Paid	2019 £	2018 £
Interim	Capital	2018	7.00p	27/07/2017	-	2,497,067
Second interim	Income	2018	1.75p	22/01/2018	-	840,894
Second interim	Capital	2018	7.25p	22/01/2018	-	3,483,699
Interim	Income	2019	2.50p	22/03/2019	1,229,623	-
Interim	Capital	2019	2.50p	22/03/2019	1,229,623	-
Dividends paid in previous years not claimed within the statutory period					(10,297)	-
					2,448,949	**6,821,660**

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

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

Recognised income distributions in the Financial Statements for the year						
Dividend	Type	For year ended 31 March	Pence per share	Date Paid	2019 £	2018 £
Revenue available for distribution by way of dividends for the year					**1,400,843**	**928,407**
Interim	Income	2018	1.75p	22/01/2018	-	840,894
Interim	Income	2019	2.50p	22/03/2019	1,229,623	-
Total income dividends for the year					**1,229,623**	**840,894**

7 Basic and diluted earnings and return per share

	2019 £	2018 £
Total earnings after taxation:	3,908,411	2,338,980
Basic and diluted earnings per share (Note a)	**7.93p**	**5.68p**
Net revenue earnings from ordinary activities after taxation	1,400,843	928,407
Basic and diluted revenue earnings per share (Note b)	**2.84p**	**2.25p**
Unrealised capital gains/(losses)	2,531,926	(755,510)
Realised capital gains	605,074	2,766,722
Capital Investment Adviser's fees (net of taxation)	(629,432)	(600,639)
Total capital earnings	2,507,568	1,410,573
Basic and diluted capital earnings per share (Note c)	**5.09p**	**3.43p**
Weighted average number of shares in issue in the year	49,247,849	41,190,198

Notes:

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

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

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

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

8 Investments at fair value

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at "fair value through profit and loss" (FVTPL). All investments held by the Company are classified as FVTPL and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, as updated in December 2018. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market where the terms of a disposal state that consideration may be received at some future date and, subject to the conditionality and materiality of the amount of deferred consideration, an estimate of the fair value discounted for the time value of money may be recognised through the Income Statement. In other cases, the proceeds will only be recognised once the right to receive payment is established and there is no reasonable doubt that payment will be received.

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

(i) Each investment is considered as a whole on a 'unit of account' basis, i.e. that the value of each portfolio company is considered as a whole, alongside consideration of:-

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

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

or:-

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

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

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

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

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

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently below the price of recent investment, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Adviser, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

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

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

Movements in investments during the year are summarised as follows:

	Unquoted equity shares £	Unquoted preference shares £	Unquoted Loan Stock £	Total £
Cost at 31 March 2018	12,398,820	22,159	15,664,527	28,085,506
Permanent impairment at 31 March 2018	(1,704,184)	(739)	(894,127)	(2,599,050)
Unrealised gains at 31 March 2018	36,292	377,635	984,729	1,398,656
Valuation at 31 March 2018	**10,730,928**	**399,055**	**15,755,129**	**26,885,112**
Purchases at cost	1,880,310	-	1,018,130	2,898,440
Sale proceeds (Note b)	(760,279)	(147,099)	(1,973,961)	(2,881,339)
Realised gains on investments (Note a)	232,325	-	372,749	605,074
Unrealised gains/(losses) on investments (Note c)	2,435,304	(968)	97,590	2,531,926
Valuation at 31 March 2019	**14,518,588**	**250,988**	**15,269,637**	**30,039,213**
Cost at 31 March 2019	13,750,498	22,095	14,941,143	28,713,736
Permanent impairment at 31 March 2019 (Note d)	(2,117,304)	(739)	(913,787)	(3,031,830)
Unrealised gains at 31 March 2019	2,885,394	229,632	1,242,281	4,357,307
Valuation at 31 March 2019	**14,518,588**	**250,988**	**15,269,637**	**30,039,213**

A breakdown of the increases and decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 21 to 23.

Major movements in investments

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

Company	Type	Investment Cost £	Disposal Proceeds £	Opening Valuation £	Realised gain/(loss) in year £
Fullfield Limited (trading as Motorclean)	Full exit	1,025,152	578,568	433,939	144,629
Lightworks Software Limited	Full exit	25,727	544,420	61,163	483,257
Hemmels Limited	Partial exit and permanent impairment	417,578	198,567	417,578	(238,671)[1]
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited)	Loan repayments and repurchase of preference shares	62,498	222,019	222,019	-
MPB Group Limited	Loan repayment	89,106	89,106	89,106	-
Backhouse Management Limited	Loan repayment	101,820	169,700	101,820	-[2]
Barham Consulting Limited	Loan repayment	101,820	169,700	101,820	-[2]
Creasy Marketing Services Limited	Loan repayment	101,820	169,700	101,820	-[2]
Hollydale Management Limited	Loan repayment	212,400	354,000	212,400	-[2]
McGrigor Management Limited	Loan repayment	101,820	169,700	101,820	-[2]
Others		30,469	215,859	-	215,859
		2,270,210	**2,881,339**	**1,843,485**	**605,074**

[1] – Includes permanent impairment of remaining investment cost of £19,660.

[2] – The gain on the loan repayments above of £413,120 has been offset against an equivalent permanent impairment in the equity instrument of the investments in these companies (see Note d). Thus, no gain or loss resulted.

Note b) The cash flow from investment proceeds shown above of £2,881,339 differs from the sales proceeds shown in the Statement of Cash Flows of £2,934,649, by £53,310. This difference arises because of proceeds relating to the disposal of Gro Group Holdings Limited that were held in debtors at the start of the year.

Note c) Within net unrealised gains of £2,531,926 for the year, the significant gains in value compared to last year were as follows: £1,063,913 in ASL Technology Holdings Limited, £449,113 in EOTH Limited, £420,523 in Turner Topco Limited (trading as Auction

Notes to the Financial Statements for the year ended 31 March 2019

Technology Group), £365,998 in The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited), and £287,171 in Tovey Management Limited (trading as Access IS). These gains were partially offset by unrealised losses in valuation compared to last year, including: £588,127 in BookingTek Limited, £519,007 in Manufacturing Services Investment Limited (trading as Wetsuit Outlet), £347,940 in Redline Worldwide Limited, £192,360 in Super Carers Limited and £175,431 in Bourn Bioscience Limited.

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

Note d) During the year, permanent impairments of the cost of investments have risen from £2,599,050 to £3,031,830. The increase of £432,780 is due to the impairment of one investee company's remaining investment cost and the impairments of the equity of five investee companies of £413,120 referred to in Note a) above.

9 Significant interests

At 31 March 2019 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (Ordinary Shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity	% of equity held by all funds managed by Mobeus[1,2]
ASL Technology Holdings Limited	372,184	1,719,825	2,092,009	10.3%	47.5%
Media Business Insight Holdings Limited[3]	803,628	1,205,444	2,009,072	11.6%	67.5%
Tovey Management Limited (trading as Access IS)[4]	693,222	1,260,151	1,953,373	7.7%	43.4%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	858,496	858,496	1,716,992	4.7%	27.5%
Turner Topco Limited (trading as Auction Technology Group)	3,863	1,317,100	1,320,963	3.3%	17.1%
Virgin Wines Holding Company Limited	30,541	1,253,792	1,284,333	6.4%	42.0%
Preservica Limited	809,617	323,847	1,133,464	7.8%	48.4%
Pattern Analytics Limited (trading as Biosite)	495,479	540,523	1,036,002	4.3%	23.9%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%	45.2%
CGI Creative Graphics International Limited	328,613	670,955	999,568	4.3%	26.9%
My Tutorweb Limited	979,834	-	979,834	5.4%	30.8%
Veritek Global Holdings Limited	26,001	941,779	967,780	7.1%	46.0%
MPB Group Limited	641,561	178,212	819,773	4.5%	25.1%
Ibericos Etc. Limited (trading as Tapas Revolution)	270,748	541,500	812,248	4.5%	25.0%
Tharstern Group Limited	245,115	544,700	789,815	8.8%	52.5%
Bourn Bioscience Limited	216,316	540,785	757,101	5.1%	23.8%
Vian Marketing Limited (trading as Red Paddle Co)	216,675	500,363	717,038	5.6%	31.5%
Redline Worldwide Limited	219,053	463,169	682,222	5.5%	30.0%
Proactive Group Holdings Inc	481,586	153,760	635,346	2.2%	11.4%
BookingTek Limited	450,283	54,053	504,336	2.7%	14.9%
Blaze Signs Holdings Limited	419,549	17,481	437,030	13.5%	52.5%
Buster and Punch Holdings Limited	306,953	129,438	436,391	3.7%	20.0%
Super Carers Limited	384,720	-	384,720	3.4%	18.7%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	369,455	170	369,625	3.4%	20.1%
Rota Geek Limited	366,600	-	366,600	3.1%	17.1%
Hollydale Management Limited	354,000	-	354,000	8.9%	50.0%
Backhouse Management Limited	339,400	-	339,400	8.5%	50.0%
Barham Consulting Limited	339,400	-	339,400	8.5%	50.0%
Creasy Marketing Services Limited	339,400	-	339,400	8.5%	50.0%
McGrigor Management Limited	339,400	-	339,400	8.5%	50.0%
Jablite Holdings Limited	254,380	27,018	281,398	6.8%	40.1%
Kudos Innovations Limited	277,950	-	277,950	2.7%	14.6%
Vectair Holdings Limited	60,075	218	60,293	5.2%	24.0%
The Plastic Surgeon Holdings Limited (formerly TPSFF Holdings Limited)	39,229	215	39,444	7.5%	38.0%

[1] - Mobeus Equity Partners LLP also advises The Income & Growth VCT plc, Mobeus Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc.

Notes continued overleaf.

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

3 - Includes a loan of £561,884 to Media Business Insight Limited.

4 - Includes a loan of £219,873 to Access IS Limited.

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

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

10 Debtors

	2019 £	2018 £
Amounts due within one year:		
Accrued income	223,022	280,423
Prepayments	6,091	5,454
Other debtors	-	53,310
	229,113	**339,187**

11 Current asset investments and Cash at bank

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

	2019 £	2018 £
OEIC Money market funds (Cash equivalents per Statement of Cash Flows)	16,117,301	18,287,301
Current asset investments	**16,117,301**	**18,287,301**
Cash at bank	**2,545,484**	**2,272,473**

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	8,640	18,495
Other creditors	13,992	13,496
Accruals	117,172	103,472
Corporation tax	61,350	50,413
	201,154	**185,876**

Notes to the Financial Statements for the year ended 31 March 2019

13 Called up share capital

	2019 £	2018 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 48,925,130 (2018: 49,304,159)	**489,251**	**493,042**

Purchased	Date of purchase	Nominal value £
119,250	14 December 2018	1,193
259,779	1 March 2019	2,598
379,029		3,791

During the year the Company repurchased 379,029 (2018: 671,517) of its own ordinary shares (representing 0.8% (2018: 1.9%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £327,702 (2018: £616,121).

14 Basic and diluted net asset value per share

Net value per ordinary share is based on net assets at the end of the year, and on 48,925,130 (2018: 49,304,159) ordinary shares, being the number of ordinary shares in issue on that date.

15 Financial instruments

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

Other financial instruments are held at amortised cost comprising loans and receivables being Cash at bank, Current asset investments and short-term debtors and financial liabilities being creditors, all that arise directly from the Company's operations.

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

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

Loans and receivables such as cash at bank and current asset investments, and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2019:

	2019 (Fair value) £	2018 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	30,039,213	26,885,112
Loans and receivables held at amortised cost		
Current asset investments	16,117,301	18,287,301
Cash at bank	2,545,484	2,272,473
Accrued income	223,022	280,423
Other debtors	-	53,310
Liabilities held at amortised cost		
Other creditors	(139,804)	(135,463)
Total for financial instruments	48,785,216	47,643,156
Non financial instruments	(55,259)	(44,959)
Net assets	**48,729,957**	**47,598,197**

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

The investment portfolio principally consists of unquoted investments of 100.0% (2018: 100.0%). The investment portfolio has a 100.0% (2018: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 61.6% (2018: 56.5%) of net assets at the year end.

Current asset investments are money market funds and bank deposits which, along with Cash at bank are discussed under credit risk below, which represent 38.3% (2018: 43.2%) of net assets at the year end.

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

Investment risk

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

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded, and therefore they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers and, as the Company owns minority stakes, could require a number of months and the co-operation of other shareholders to achieve at a reasonable valuation. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk below indicates that these assets are also not readily realisable until dates up to five years from the year end.

To counter these risks to the Company's liquidity, the Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £18,662,785 (2018: £20,559,774) which are all accessible at varying points over the next 12 months. The Board also receives regular cash flow projections in order to manage this liquidity risk.

The table below shows a maturity analysis of financial liabilities:

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2019 Total £
Other creditors	**90,470**	**49,334**	-	-	**139,804**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2018 Total £
Other creditors	**87,402**	**48,061**	-	-	**135,463**

The Company does not have any derivative financial liabilities.

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:

	2019 £	2018 £
Loan stock investments	15,269,637	15,755,129
Preference shares	250,988	399,055
Current asset investments	16,117,301	18,287,301
Accrued income and other debtors	223,022	333,733
Cash at bank	2,545,484	2,272,473
	34,406,432	**37,047,691**

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

The accrued income shown above of £223,022 was all due within six months of the year end, with £38,587 still receivable two months after the year end.

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

Repayable within	2019 £	2018 £
0 to 1 year	3,737,310	1,128,539
1 to 2 years	4,914,622	3,416,325
2 to 3 years	2,306,631	7,295,537
3 to 4 years	3,292,944	1,355,808
4 to 5 years	1,018,130	2,558,920
	15,269,637	**15,755,129**

Included within loan stock investments above are loans at a carrying value of £2,436,642 which are past their repayment date but have been renegotiated. Loans to two investee companies with a value of £544,361 are now past their repayment dates but 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 below.

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 or redemption date) is received late or missed. We are required to report in this format and include the full value of the loan even though, in some cases it is only in respect of interest that they are in default.

	0-6 months £	6-12 months £	over 12 months £	2019 Total £
Loans to investee companies past due	-	-	1,987,635	1,987,635

	0-6 months £	6-12 months £	over 12 months £	2018 Total £
Loans to investee companies past due	536,911	-	2,535,016	3,071,927

Credit risk also arises from cash and cash equivalents, deposits with banks and amounts held in liquidity funds. There is a risk of liquidity fund defaults such that there could be defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. As the four OEIC money market funds holding £16,117,301 are all triple A rated funds, along with bank deposits of £2,545,484 at four well-known financial institutions, credit risk is considered to be relatively low in current circumstances. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the company's total investment assets. The Company's current account included within the bank deposit figure above is held with Barclays Bank plc, so the risk of default is low.

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

Market price risk

Market price risk arises from uncertainty about the future valuations of the unquoted portfolio held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies (Investment risk), as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £30,039,213 at the year end, representing the fair value of the investment portfolio.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Objective, as set out on page 5 in the Strategic Report. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Adviser. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Market price risk sensitivity

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

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in their trading performance (discussed under investment risk above) and to changes in quoted share prices, insofar as such changes eventually affect the estimated enterprise value of the portfolio's unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2018: 20%) movement in overall share prices, and has used a 20% change in the quoted market comparator multiple as a proxy for this.

The sensitivity analysis below assumes the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case small, unquoted companies which may have other factors which may influence the extent of the valuation change, e.g. a strong niche brand may limit the valuation fall compares to comparators, or may be more affected by external market factors than larger companies.

For each of the companies in the investment portfolio that are valued on a multiple basis, the calculation below has applied plus and minus 20% to the multiple (such as earnings or revenue) derived from quoted market comparators that are used to value the companies. The companies valued on a multiple basis represent £29.01 million of the total investment portfolio of £30.04 million. The remainder of the portfolio is valued at either price of recent of investment, cost (reviewed for impairment) or net asset value, as shown later.

The impact of a change of 20% (2018: 20%) has been selected as this is considered reasonable given the level of volatility observed both on a historical basis and market expectations for future movement.

	2019 Profit and net assets £	2018 Profit and net assets £
If overall share prices rose/fell by 20% (2018: 20%), with all other variables held constant – increase/(decrease)	4,054,522 / (4,351,693)	3,113,530 / (3,421,988)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	8.29p / (8.89)p	6.31p / (6.94)p

Cash flow interest rate risk

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

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

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

The interest rate profile of the Company's financial net assets at 31 March 2019 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	14,518,588	-	-	14,518,588		
Preference shares	-	250,988	-	250,988	6.0	0.2
Loan stocks	-	15,269,637	-	15,269,637	9.2	2.0
Current asset investments	-	-	16,117,301	16,117,301	0.7	
Cash at bank	-	-	2,545,484	2,545,484	0.5	
Debtors	223,022	-	-	223,022		
Creditors	(139,804)	-	-	(139,804)		
Total for financial instruments	14,601,806	15,520,625	18,662,785	48,785,216		
Non-financial instruments	(55,259)	-	-	(55,259)		
Net assets	**14,546,547**	**15,520,625**	**18,662,785**	**48,729,957**		

The interest rate profile of the Company's financial net assets at 31 March 2018 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	10,730,928	-	-	10,730,928		
Preference shares	-	399,055	-	399,055	6.2	3.7
Loan stocks	-	15,135,449	619,680	15,755,129	8.6	2.7
Current asset investments	-	-	18,287,301	18,287,301	0.4	
Cash at bank	-	-	2,272,473	2,272,473	0.5	
Debtors	333,733	-	-	333,733		
Creditors	(135,463)	-	-	(135,463)		
Total for financial instruments	10,929,198	15,534,504	21,179,454	47,643,156		
Non-financial instruments	(44,959)	-	-	(44,959)		
Net assets	**10,884,239**	**15,534,504**	**21,179,454**	**47,598,197**		

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.

Notes to the Financial Statements for the year ended 31 March 2019

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:

	2019 £ Profit and net assets	2018 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	151,169 / (151,169)	171,554 / (171,554)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.31p / (0.31p)	0.35p / (0.35p)

Currency risk

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

Fair value hierarchy

The table below sets out fair value measurements using FRS 102 s11.27 fair value hierarchy.

All investments held are valued as level 3, valued with reference to inputs that do not come from observable market data, as was the case in the previous year.

The valuation techniques used by the company are explained in the accounting policies in Note 8.

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

A reconciliation of fair value measurements in Level 3 is set out below:

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 April 2018	10,730,928	399,055	15,755,129	26,885,112
Purchases	1,880,310	-	1,018,130	2,898,440
Sales	(760,279)	(147,099)	(1,973,961)	(2,881,339)
Total gains/(losses) included in Income Statement:				-
- on assets sold	232,325	-	372,749	605,074
- on assets held at the year end	2,435,304	(968)	97,590	2,531,926
Closing balance at 31 March 2019	**14,518,588**	**250,988**	**15,269,637**	**30,039,213**

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

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

	2019 £	2018 £
Investment methodology		
Multiple of earnings, revenues or gross margin, as appropriate	29,010,112	21,248,704
Estimated realisation proceeds	467,191	-
Recent investment price	277,950	5,464,477
Recent investment price (reviewed for impairment)	192,360	-
Net asset value	91,600	171,931
	30,039,213	**26,885,112**

The unquoted equity investments had the following movements between valuation methodologies between 31 March 2018 and 31 March 2019:

Change in investment methodology (2018 to 2019)	Carrying value as at 31 March 2019 £	Explanatory note
Recent investment price to multiple basis	4,241,669	Valuation inputs at date of investment are reconsidered at measurement date such that it is a more appropriate basis for determining value.
Multiple basis to estimated realisation proceeds	467,191	Earnings multiple no longer appropriate
Recent investment price to Recent investment price (reviewed for impairment)	192,360	Impairment review

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the December 2018 IPEV guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 31 March 2019.

16 Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders 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 Board 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.

17 Segmental analysis

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

18 Post balance sheet events

On 10 May 2019, the Company realised its investment in The Plastic Surgeon Holdings Limited for £1.18 million.

On 13 May 2019, the Company invested £0.91 million into Arkk Consulting Limited, a service and product provider that enables companies to remain compliant with regulatory reporting requirements.

On 22 May 2019, the Company invested £0.55 million into Parsley Box Limited, a supplier of home delivered ambient ready meals for the elderly.

On 6 June 2019, the Company realised part of its investment in Master Removers Group Limited (MRGL) generating proceeds receivable of £0.28 million, as part of a transaction which also increased the Company's equity interest in MRGL from 3.4% to 5.2%.

Shareholder Information

Communication with Shareholders

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

Shareholders wishing to follow the Company's progress can visit the Company website at www.mig2vct.co.uk. The website includes up-to-date details on fund performance and dividends as well as publicly available information on the Company's portfolio of investments and copies of the company reports. There is also a link to the London Stock Exchange's website at www.londonstockexchange.com where shareholders can obtain details of the price and latest NAV announcements, etc.

Financial calendar

26 June 2019	Annual Report for the year ended 31 March 2019 to be circulated to shareholders
11 September 2019	Annual General Meeting
November 2019	Announcement of Half Year Results and circulation of Half Year Report for the six months ended 30 September 2019 to shareholders
February 2020	Shareholder Event
31 March 2020	Year end

Annual General Meeting

The Company's next Annual General Meeting will be held at **11.00 am on Wednesday, 11 September 2019, at The Clubhouse, 8 St James's Square, London SW1Y 4JU**. A copy of the notice of the meeting can be found on pages 74 - 76. A proxy form for the meeting is included with shareholders' copies of this Annual Report.

Dividends

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Link Asset Services at the address given on page 77.

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

Selling your shares

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

Managing your shareholding online

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

Common Reporting Standard ("CRS") and Foreign Account Tax Compliance Act ("FATCA")

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

Key Information Document

The European Union's Packaged Retail Investment and Insurance based Products ("PRIIPs") Regulations cover VCTs and require boards to prepare a key information document ("KID") in respect of their companies. Your Company's KID is available on the Company's website. Investors should note that the processes for calculating the risk, costs and potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or the content of the document. The illustrated performance returns in the KID cannot be guaranteed and, together with the prescribed cost calculation and risk categorisation, may not reflect figures for the Company derived using other methods. Accordingly, the Board recommends that investors also take account of information from other sources, including the Annual Report.

Shareholder enquiries

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

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

Full contact details for each of Mobeus and Link Asset Services are included under Corporate Information on page 77 of this Annual Report.

Performance Data at 31 March 2019

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 and in the more recent fundraisings, 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 2019. The NAV basis enables shareholders to evaluate more clearly the performance of the Investment 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 2019 **85.50p[1]**

NAV per share as at 31 March 2019 **99.60p**

Allotment date(s)				Total return per share to shareholders since allotment		
						% increase since 31 March 2018
	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share[3] (p)	(Share price basis) (p)	(NAV basis) (p)	(NAV basis) (p)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	83.00	**168.50**	**182.60**	**4.6%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	79.00	**164.50**	**178.60**	**4.7%**
Funds raised 2013/14						
09 January 2014	117.92[4]	**82.54**	65.00	**150.50**	**164.60**	**5.1%**
11 February 2014	118.22[4]	**82.75**	65.00	**150.50**	**164.60**	**5.1%**
31 March 2014	119.28[4]	**83.49**	60.00	**145.50**	**159.60**	**5.3%**
03 April 2014	119.82[4]	**83.87**	60.00	**145.50**	**159.60**	**5.3%**
04 April 2014	119.08[4]	**83.36**	60.00	**145.50**	**159.60**	**5.3%**
06 June 2014	118.66[4]	**83.06**	60.00	**145.50**	**159.60**	**5.3%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	46.00	**131.50**	**145.60**	**5.9%**
17 February 2015	124.35[4]	**87.05**	46.00	**131.50**	**145.60**	**5.9%**
10 March 2015	120.18[4]	**84.13**	41.00	**126.50**	**140.60**	**6.1%**
Funds raised 2017/2018						
28 September 2017	104.73[4]	**73.31**	14.00	**99.50**	**113.60**	**7.6%**
20 October 2017	105.07[4]	**73.55**	14.00	**99.50**	**113.60**	**7.6%**
09 November 2017	105.79[4]	**74.05**	14.00	**99.50**	**113.60**	**7.6%**
20 November 2017	107.44[4]	**75.21**	14.00	**99.50**	**113.60**	**7.6%**
21 November 2017	107.39[4]	**75.17**	14.00	**99.50**	**113.60**	**7.6%**
24 January 2018	97.81[4]	**68.47**	5.00	**90.50**	**104.60**	**8.3%**
13 March 2018	100.79[4]	**70.55**	5.00	**90.50**	**104.60**	**8.3%**

1 - Source: Panmure Gordon & Co (mid-price basis) based upon the latest NAV announced of 100.65p at 31 December 2018. Since then a dividend of 5.00 pence per share paid on 22 March 2019 has reduced this figure to 95.65p.

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 - For derivation, see table on following page.

4 - Average effective offer price.

Former Ordinary Share Fund

Share price as at 31 March 2019 **70.71p**

NAV per share as at 31 March 2019 **82.37p**

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 (p)	Net allotment price[1] (p)	Cumulative dividends paid per share[2] (p)	Total return per share to shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% increase since 31 March 2018 (NAV basis) (p)
Funds raised 2000/01[3]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	90.50	**161.21**	**172.87**	**4.0%**

[1] - Net allotment price is the allotment price less applicable tax relief. The tax relief was 20% up to 5 April 2004.

[2] - For derivation, see table below.

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

Cumulative dividends paid per share

	Funds raised 2000/01 (p)	Funds raised 2005/06 (p)	Funds raised 2008/09 (p)	Funds raised 2013/14 (p)	Funds raised 2014/15 (p)	Funds raised 2017/18 (p)
22 March 2019	4.14[1]	5.00	5.00	5.00	5.00	5.00
22 January 2018	7.44[1]	9.00	9.00	9.00	9.00	9.00
27 July 2017	5.79[1]	7.00	7.00	7.00	7.00	
31 March 2017	8.27[1]	10.00	10.00	10.00	10.00	
08 August 2016	4.14[1]	5.00	5.00	5.00	5.00	
18 March 2016	4.14[1]	5.00	5.00	5.00	5.00	
20 March 2015	4.14[1]	5.00	5.00	5.00	5.00	
20 October 2014	11.58[1]	14.00	14.00	14.00		
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					
	90.50	**83.00**	**79.00**	**65.00**	**46.00**	**14.00**

[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.

VCT Tax Benefits for the Investor

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 in any tax year. 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. Tax relief on subscription for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor disposes of shares in the same VCT, or a VCT which merges with that VCT at any time.

(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 required within the annual limit of £200,000 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 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.

Company History

The Company was launched in May 2000 as **Matrix e-Ventures Fund VCT**. In October 2001 the Company changed its name to **Matrix Venture Fund VCT**. In September 2005, the Company adopted a broader investment strategy, to invest in established, profitable and cash generative businesses across any sector. It also changed its name to **Matrix Income & Growth 2 VCT plc**. In June 2012 the Company changed its name to **Mobeus Income & Growth 2 VCT plc** to reflect the Investment Adviser's change of name. In September 2016, the Company formally changed its investment strategy to invest in growth capital investments.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mobeus Income & Growth 2 VCT plc ("the Company") will be held at 11.00 am on Wednesday, 11 September 2019 at The Clubhouse, 8 St James's Square, London SW1Y 4JU for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 7 will be proposed as ordinary resolutions and Resolutions 8 to 10 will be proposed as special resolutions. An explanation of the main business to be proposed is included in the Directors' Report on pages 29 to 31 of this document:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 March 2019 ("Annual Report"), together with the auditor's report thereon.
2. To approve the directors' annual remuneration report as set out in the Annual Report.
3. To re-elect Ian Blackburn as a director of the Company.
4. To re-elect Adam Kingdon as a director of the Company.
5. To re-elect Sally Duckworth as a director of the Company.
6. To re-appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to determine the remuneration of the auditor.
7. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1 penny each in the capital of the Company ("Shares") and to grant rights to subscribe for, or convert any security into, Shares ("Rights") up to an aggregate nominal value of £146,775 provided that the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2020 but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.
8. That, subject to the passing of resolution 7 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 7 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

    (i) with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time in connection with offer(s) for subscription; and

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

    in each case where the proceeds of the allotment may be used, in whole or part, to purchase the Company's Shares in the market and provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2020, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
9. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and 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 7,333,877 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Shares in issue at the date of passing 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% 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 2020; and

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

BY ORDER OF THE BOARD OF DIRECTORS

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket,
London SW1Y 4EX

Dated: 19 June 2019

Notice of the Annual General Meeting

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat) will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Link Asset Services to request additional copies of the proxy form, on +44 (0)371 664 0324. Telephone lines are open between 9.00 am and 5.30 pm Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons Link Asset Services will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment adviser or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
7. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarilly certified or office copy thereof, at the offices of the Company's registrar, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, so as to be received not later than 11.00 am on 9 September 2019 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST PXS, 34 Beckenham Road, BR3 9ZA (this is all you need to write on the envelope, no other address details are required). You may submit your proxy electronically using the Link Shareholder Portal at www.signalshares.com if not already registered for the share portal, you will need your investor code which can be found on your share certificate.
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 11.00 am on 9 September 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. As at 18 June 2019 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 48,925,130 ordinary shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 18 June 2019 were 48,925,130.

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.

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

Corporate Information

Directors (Non-executive)
Ian Blackburn
Sally Duckworth
Adam Kingdon

Secretary
Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX

Company's Registered Office and Head Office
30 Haymarket
London
SW1Y 4EX

Company Registration Number
03946235
LEI No: 213000LY62XLI1B4VX35

Investment Adviser, Promoter and Administrator
Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
Telephone: 020 7024 7600
www.mobeus.co.uk

Website
www.mig2vct.co.uk

E-mail
vcts@mobeus.co.uk

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Solicitors
Shakespeare Martineau LLP
No 1 Colmore Square
Birmingham
B4 6AA

Corporate Brokers
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Receiving Agent
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh
EH2 1DF

Registrar
Link Asset Services
The Registry
34 Beckham Road
Beckham
Kent
BR3 4TU

VCT Status Adviser
Philip Hare & Associates LLP
4-6 Staple Inn
High Holborn
London
WC1V 7QH

Sponsor
Howard Kennedy Corporate Services LLP
1 London Bridge Walk
London
SE1 9BG

Shareholder Portal

www.signalshares.com

Tel: +44 (0)371 664 0324

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

Mobeus Income & Growth 2 VCT plc