Mobeus Income & Growth 2 VCT plc

A Venture Capital Trust

Annual Report & Financial Statements
for the year ended 31 March 2021

mobeus
Mobeus Income & Growth 2 VCT plc

Mobeus Income & Growth 2 VCT plc, ("the Company") 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. More details are provided on page 4 of the Chairman's Statement and on page 10.

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.

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Financial Highlights

Results for the year ended 31 March 2021

As at 31 March 2021:
Net assets: **£73.90 million**
Net Asset Value ("NAV") per share: **100.91 pence**

- Net Asset Value ("NAV") total return[1] per share was 47.8%.
- Share Price total return[1] per share was 31.2%.
- Shareholders received a dividend in the year of 7.00 pence per share.
- A second interim dividend for the year ended 31 March 2021 of 6.00 pence per share will be paid on 30 July 2021. This will increase cumulative dividends paid[1] to 122.00 pence per share.
- Invested £2.37 million into five new growth capital investments and £3.02 million into eight existing portfolio companies.
- Unrealised gains of £20.59 million in the year from strong portfolio performance.
- Cash proceeds of £10.91 million realised from disposals of investments generating net gains in the year of £4.77 million.

[1] Definitions of key terms and alternative performance measures ("APMs")/Key Performance Indicators ("KPIs") shown above and throughout this report are provided in the Glossary of terms on page 83.

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 the tables on pages 80 to 81 of this Annual Report.

Reporting date as at	Net assets (£m)	Net asset value (NAV) per share (p)	Share price[2] (mid-market price) (p)	Cumulative dividends paid per share (p)	Cumulative total return per share since launch[1] (NAV basis) (p)	(Share price basis) (p)	Dividends paid and declared in respect of each year (p)
31 March 2021	73.90	100.91	85.50	116.00	216.91	201.50	13.00[3]
31 March 2020	43.57	72.99	70.50	109.00	181.99	179.50	26.00
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

[1] Definitions of key terms and alternative performance measures ("APMs")/Key Performance Indicators ("KPIs") shown above and throughout this report are provided in the Glossary of terms on page 83.
[2] Source: Panmure Gordon & Co (mid-market price).
[3] Dividends paid and declared per share in respect of the year ended 31 March 2021 include the second interim dividend of 6.00 pence referred to below.

Dividends payable post year-end in respect of the year ended 31 March 2021

A second interim dividend of 6.00 pence per share, comprising 1.25 pence from income and 4.75 pence from capital is scheduled to be paid to Shareholders on 30 July 2021.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2021.

Overview

This has been an excellent year for Shareholders as, despite the significant and unprecedented challenges resulting from the outbreak of COVID-19 at the start of the year, NAV total return per share for the year was 47.8%, a record annual performance.

This strong performance reflected generally resilient trading across portfolio companies in the challenging business environment created by the Covid pandemic. Many of our investments, particularly in recent early stage growth companies, have an e-commerce business model which has actually seen their growth ambitions accelerate during this period as consumers increasingly switched to online shopping. Driven by these factors, valuations strongly recovered from their nadir at the beginning of the year, leading to a record unrealised gain of 38.5% of the opening NAV by the year-end, a pleasing validation of the Company's investment strategy.

It has also been an active year for corporate transactions with the disposal of four portfolio companies and in the last quarter the notable successful admission to AIM of Virgin Wines and Parsley Box, contributing a further 8.9% to the gain in NAV over the year. We remained an active investor during the period with investment into five new businesses and additional investment support to eight existing portfolio companies.

The Company was well funded throughout the year, following the timely and successful fundraising which completed on 2 April 2020, and the NAV increased to £73.90 million at 31 March 2021 (2020: £43.57 million), including £30.02 million of liquid assets available for future investment and dividend payments.

Overall the trading environment during the year has proved more favourable than initially expected for the majority of our investee companies. Favourable trading conditions emerged for a number of the technology-related companies in the portfolio, particularly for those companies operating with direct-to-consumer business models. Whilst there remains much uncertainty in respect of the spread of variants of the Covid virus and the UK Government's outline road map to ease restrictions is subject to change, your Board is pleased with how well so many portfolio companies have adapted and been able to take advantage of the opportunities that have arisen and with the overall performance achieved.

Further information on investment activity, portfolio valuation movements as well as investment activity after the year-end is presented in the Investment Portfolio section of this Statement and detailed in the Investment Adviser's Review on pages 12 to 28.

Looking forward, the Investment Adviser continues to report a healthy pipeline of investment opportunities.

Performance

NAV total return, expressed on a pence per share basis, was derived as follows:

Year ended 31 March	2021 (pence per share)	2020 (pence per share)
Net realised and unrealised gains/(losses) on the investment portfolio	34.63	(3.12)
Income from the investment portfolio and liquid assets	2.32	4.11
Share buybacks and adjustments	0.07	1.12
Gross return	37.02	2.11
Less: Investment Adviser's fees and other expenses	(2.10)	(2.72)
Net return	34.92	(0.61)
NAV total return per share	**47.8%**	**(0.6)%**

The Company's NAV total return per share for the year was 47.8% (2020: (0.6)%). The share price total return for the year was 31.2% (2020: 12.9%), compared to the NAV return of 47.8%. The difference arises principally from the retrospective timing of NAV announcements, explained more fully in the Strategic Report on page 8 under Performance, which also shows the calculations of both the % NAV and % share price total returns referred to above.

The positive NAV total return for the year was primarily due to:

1. Substantial net unrealised gains in portfolio valuations

   The Company's performance has demonstrated strong resilience during a challenging year. The unrealised portfolio valuations at the year-end reflect that many of our investee companies benefited from changes in UK consumer and business behaviour, brought on by the pandemic and lockdown restrictions. Despite the continued uncertainty in respect of the pandemic's ultimate effect, both the Board and the Investment Adviser believe that many of these changes have become structural and are unlikely to reverse. Given the unique circumstances caused by COVID-19, as well as the portfolio's valuation at the start of the year being a low point, reflecting the height of COVID-19 uncertainty, the gains in portfolio valuations over the year should be seen as exceptional.

2. Significant realised gains on disposals

   The M&A market remained buoyant despite COVID-19 and this produced significant exit activity both in the number and quantum with the Company achieving four portfolio company exits generating a combined realised gain of £3.16 million out of £4.77 million total for the year.

3. Revenue return

   The Company's revenue return was £1.02 million for the year (2020: £1.50 million). Despite strong dividend receipts in the current year and several investee companies making good on interest payment holidays provided by the Company, the apparent year-on-year decrease is mainly due to significant investment income received on the disposal of Auction Technology Group which inflated the prior year figure. Shareholders should note that future income returns are expected to be lower than current and prior years.

At the year-end, in the Association of Investment Companies' analysis of NAV Cumulative Total Return Performance, your Company was ranked 2nd out of 30 Generalist VCTs over ten years and 10th out of 37 Generalist VCTs over five years, Shareholders should note that these figures do not reflect the fourth quarter NAV per share increase disclosed in this Report.

Target Return

The Board's current target is to achieve an average NAV total return of 8.0% per annum. This year's 47.8% (2020: (0.6)%) has contributed to an average over four years, in excess of the target, of 15.3% per annum.

The Board reminds Shareholders that investment portfolio returns and dividend payments should always be viewed over the longer term.

Dividends

Your Board declared and paid an interim dividend in respect of the year ended 31 March 2021 of 7.00 pence per share on 19 June 2020. A second interim dividend has been declared for the year ended 31 March 2021 of 6.00 pence per share to be paid on 30 July 2021 to Shareholders on the Register of Members as at the record date of 9 July 2021. Following this, total dividends paid to Shareholders in respect of the year ended 31 March 2021 will amount to 13.00 pence per share.

Accordingly, cumulative dividends paid and payable since inception amount to 122.00 pence per share.

The Company's target of paying a regular dividend, at a current level of not less than 5.00 pence per share, in respect of each financial year has been achieved in the last eleven years. However, it should be noted that the evolution of the portfolio to an increased proportion of younger growth capital investments may lead to increased volatility, which could adversely affect the return in any one year. The Board aims to distribute realised profits (such as income and gains from realisations) achieved in a year as dividends. Shareholders should note that the majority of the NAV total return for the current year relates to the unrealised gains of the portfolio, which are not yet distributable.

Besides the annual dividend target above, the Board also considers liquidity and the level of distributable reserves, when determining the timing and amount of any dividend. In addition, Shareholders should also note that there may 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 80% percentage of assets required to be held in qualifying investments. To the extent this is necessary, it will reduce the Company's NAV per share correspondingly. These VCT regulatory requirements can also impact the timing and frequency of dividends payments compared to previous distributions.

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

Investment and portfolio performance

The portfolio valuation movements for the year were as follows:

	£m
Portfolio value at 31 March 2020	21.99
New and further investments	5.39
Disposal proceeds	(10.91)
Net realised gains	4.77
Valuation movements	20.59
Portfolio value at 31 March 2021	**41.83**

During the year, £5.39 million was invested by the Company (2020: £5.19 million), comprising £2.37 million in five new investments and £3.02 million in eight existing portfolio companies (analysed in the Investment Adviser's Review on pages 12 to 20 and explained within Note 8 to the Financial Statements). The portfolio may present opportunities for further investment in the future.

The portfolio has performed strongly during the year. The annual overall value increased by £25.36 million (2020: decrease of £(1.86) million), or 115.3% (2020: (6.2)%) on a like-for-like basis, comprising a net unrealised uplift in portfolio valuations of £20.59 million and £4.77 million in net realised gains. Adjusting for investments purchased and sold in the year together with the net realised and unrealised gains referred to above, the portfolio value is £41.83 million at 31 March 2021.

In the year under review, the portfolio generated net realised gains of £4.77 million. Principal gains were from the full exits of Access IS (£1.40 million), Blaze Signs (£0.78 million), Vectair Holdings (£0.29 million), and Bourn Bioscience (£0.69 million), as well as the partial exits of MPB (£0.75 million) and Parsley Box (£0.79 million).

Combined with loan repayments and other capital receipts, total proceeds of £10.91 million were generated by the Company. The four realised investments, in aggregate, have generated total income and capital proceeds of £11.99 million and £7.64 million in realised gains over original cost which is equivalent to a combined 2.8x return over the life of these investments.

The value of portfolio investments still held increased by a net £20.59 million over the year. Two notable events supporting unrealised returns for Shareholders during the year were the flotations of Virgin Wines and Parsley Box on the AIM market in March 2021, which resulted in significant uplifts in valuation. As part of the Virgin Wines transaction, the Company received repayment of its remaining loan stock, leaving Virgin Wines ungeared. As part of its admission to AIM of Parsley Box, the Company realised part of its equity holding, securing a 4.0x return on the shares sold. There were further substantial increases from MPB Group and EOTH, partially offset by modest valuation falls at RotaGeek, Tapas Revolution and Kudos Innovations.

Since the year-end, the Company has made new and follow-on investments totalling £2.01 million comprising two new investments and three follow-on investments.

Further details on these portfolio movements and transactions are contained in the Investment Adviser's Review on pages 12 to 20.

Liquidity

At 31 March 2021, the Company had net assets of £73.90 million (2020: £43.57 million), including £41.83 million in investments (2020: £21.99 million) and liquid assets of £30.02 million (2020: £21.81 million) representing 40.6% (2020: 50.1%) of net assets. Post year-end proceeds of £2.07 million have been received in respect of Parsley Box, MPB and Vectair. The Company therefore remains in a strong cash position.

Share Buybacks

During the year, the Company bought back and cancelled 387,471 (2020: 1,128,609) of its own shares, representing 0.7% (2020: 2.3%) of the shares in issue at the beginning of the year, at a total cost of £0.29 million (2020: £0.94 million) inclusive of expenses. It is the Company's policy to cancel all shares bought back in this way. The Board regularly reviews its buyback policy and currently seeks to maintain the discount at which the Company's shares trade at approximately 5% below the latest published NAV. Further details are included in the Strategic Report on page 36.

Board Succession

As explained in the Annual Report last year, the Board are cognisant of the tenure of the Board members. However the current succession plan and planning are still suspended as a result of COVID-19 and will resume when appropriate. Both Adam and Sally have agreed to remain as directors of the Company through this unprecedented period of disruption.

Shareholder Communications

May I remind you that the Company has its own website containing useful information for Shareholders at: www.mig2vct.co.uk.

It is planned to hold a virtual Shareholder event later this year. The details will be notified to Shareholders once finalised and will also be shown on the Company's website.

Environmental, Social and Governance (ESG)

Whilst the requirements under company law to detail ESG matters are not directly applicable to the Company, the Board is conscious of the Company's potential impact on the environment as well as its social and corporate governance responsibilities. The Investment Adviser has presented its ESG strategy to the Board and provides regular updates regarding ESG developments.

Your Board would like to assure Shareholders that ESG matters form a key consideration in investment decisions. The future FCA reporting requirements consistent with the Task Force on Climate-related Financial Disclosures commencing from 1 January 2021 do not currently apply to the Company but will be kept under review, the Board being mindful of any recommended changes.

Shareholder Fraud Warnings

We are aware of a number of cases where Shareholders are being fraudulently contacted or are being subjected to attempts of identity fraud. Shareholders should remain vigilant of all potential financial scams or requests for them to disclose personal data. The Board strongly recommends Shareholders take time to read the Company's Fraud Warning section, including details of who to contact, contained within the Information for Shareholders section on pages 78 and 79.

Annual General Meeting

The next Annual General Meeting of the Company will be held at 11.00 am on Wednesday, 8 September 2021. Shareholders should note that they will not be permitted to attend the AGM in person as, at the date of this Report, it is not known whether the Government restrictions on physical meetings will still be in place at that time. The AGM will therefore be held as a closed meeting with Shareholders able to join as attendees by electronic means.

A link to attend the meeting can be found in the Notice of Meeting at the rear of this Report, on pages 84 to 86 and on the Company's website at: www.mig2vct.co.uk. Once the formal business of the meeting is concluded, a presentation by the Investment Adviser will commence followed by Shareholders' questions.

Shareholders will not be able to vote at the meeting and the Board encourages you to submit your vote by proxy by completing and returning the form enclosed or by electronic submission via the Link Shareholder portal at: www.signalshares.com. Shareholders are also strongly advised to appoint the Chairman of the Meeting as their proxy, as attendance by proxies other than the Board and quorum may not be permitted. Votes must arrive at the Registrar by 11.00 am on Monday, 6 September 2021 to be valid.

The Notice of meeting is included on pages 84 to 86 and an explanation of the resolutions to be proposed can be found in the Directors' Report on pages 38 to 39 of this Annual Report.

Shareholders can also submit any questions about the resolutions to be passed at the AGM using the agm@mobeus.co.uk email address up to 1 September 2021 and a response will be provided prior to the deadline for lodging proxy votes. You can also register any questions for the AGM by using the same email address or alternatively, use the question facility available during the meeting.

Outlook

The impact of COVID-19 continues to be wide reaching and yet despite this, your Company has experienced its best annual performance since inception. The significant returns for the year have primarily been driven by the reduction of COVID-19 uncertainty in place at the start of the year and, in a majority of cases, the resilient performance of the portfolio. Furthermore, those investee companies with business models aligned to direct-to-consumer sales channels have experienced significant growth during the period and Shareholders should be aware that it is not anticipated that this level of exceptional returns will be maintained. Your Board considers that your Company is well positioned to continue to respond and adapt to the most likely scenarios that can be foreseen at present.

The Investment Adviser is seeing a good pipeline of new and interesting investment opportunities. The successful realisations during the year and the earlier fundraising have given the Company a strong cash position with which to support the existing portfolio and to capitalise on opportunities which may arise for new investments.

Further COVID-19 uncertainties and economic instability may cause global markets and economies to be more volatile in the short-term. Businesses will continue to operate in an uncertain trading environment for the near future as the new UK/EU trade agreement settles in. Prior to the onset of COVID-19, the Company and its portfolio was trading well under its growth strategy and the Board is confident that post COVID-19, this trend will continue in the new operating environment. The companies in the portfolio prepared well in advance for the impact of Brexit and those preparations appear to be working.

However, the Board acknowledges that there continue to be uncertainties resulting from the pandemic, and while these appear more modest compared to a year ago, we remain cautious and measured in our approach.

I would like to take this opportunity once again to thank all Shareholders for your continued support and wish that you and your families remain safe and well.

Ian Blackburn
Chairman

30 June 2021

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2021. 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.

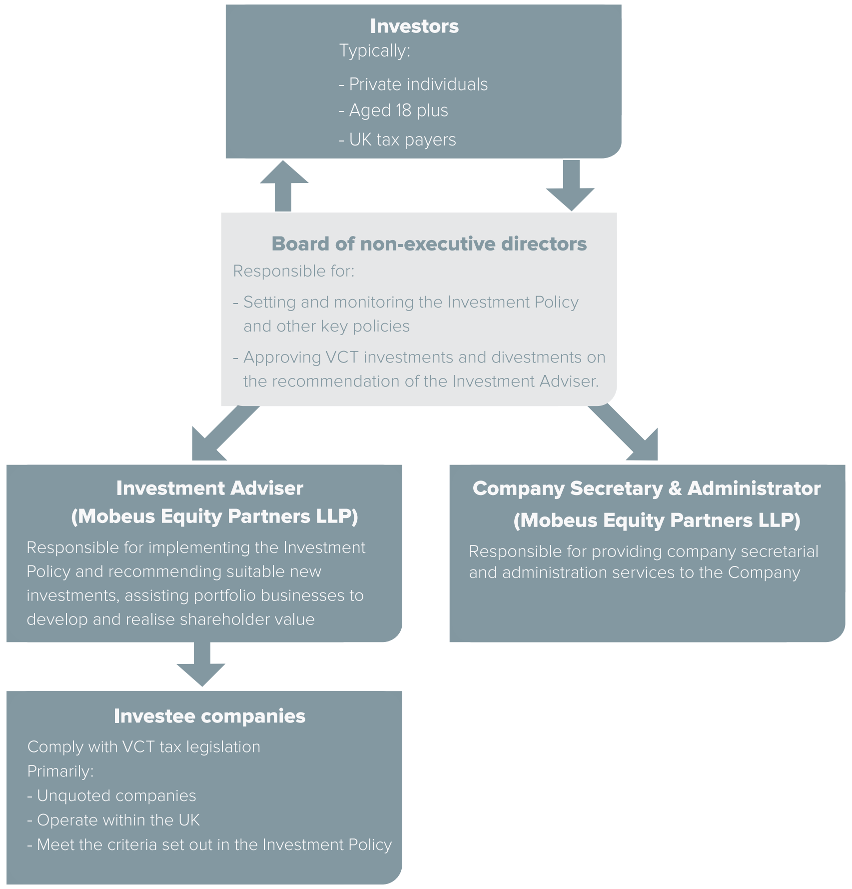
The Company's cash and liquid funds are held in a portfolio of readily realisable interest bearing investments which can be of varying maturities, subject to the overriding criterion that the risk of loss of capital be minimised.

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

The Company and its Business Model

The Company is a Venture Capital Trust. Its Objectives and 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 externally advised 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 normally 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 67.

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 82 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 80%, by VCT tax value[1], of its total investments (shares, securities and liquidity) in VCT qualifying holdings, within approximately three years of a fundraising. This percentage has risen from 70% which was the requirement for prior reporting periods.
- 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[1] in "eligible shares", which carry no preferential rights (save as may be permitted under VCT rules);
- 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 cannot be made, except for certain exemptions in managing the Company's short-term liquidity;
- VCTs are 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; and
- the period for reinvestment of proceeds on disposal of qualifying investments is 12 months.

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 annual limit is £10 million and the lifetime limit is £20 million), from VCTs and similar sources of State Aid funding; and
- 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 '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] 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 26 to 28.

Performance and Key Performance Indicators

The Board has identified six key performance indicators that it uses to assess the Company's progress. Some of these are classified as alternative performance measures ("APMs") in line with Financial Reporting Council ("FRC") guidance. See Glossary of terms for details on page 83. APMs are measures of performance that are in addition to the data reported in the Financial Statements. 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 2021 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 four years was 15.3% per annum and compares favourably with the target.

The 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.

Total returns per share for the year

The NAV and Share Price total return per share for the year ended 31 March 2021 were 47.8% and 31.2% respectively, as calculated below:

	NAV basis (p)
Closing NAV per share	100.91
Plus: dividend paid in year	7.00
NAV Total return for year	**107.91**
Less: opening NAV per share	72.99
Increase in NAV total return for year per share (Note 1)	**34.92**
% NAV total return for year	47.8%

	Share price basis (p)
Closing share price	85.50
Plus: dividend paid in year	7.00
Share Price Total return for year	**92.50**
Less: opening share price	70.50
Increase in Share price total return for year per share (Note 2)	**22.00**
% Share Price total return for year	31.2%

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

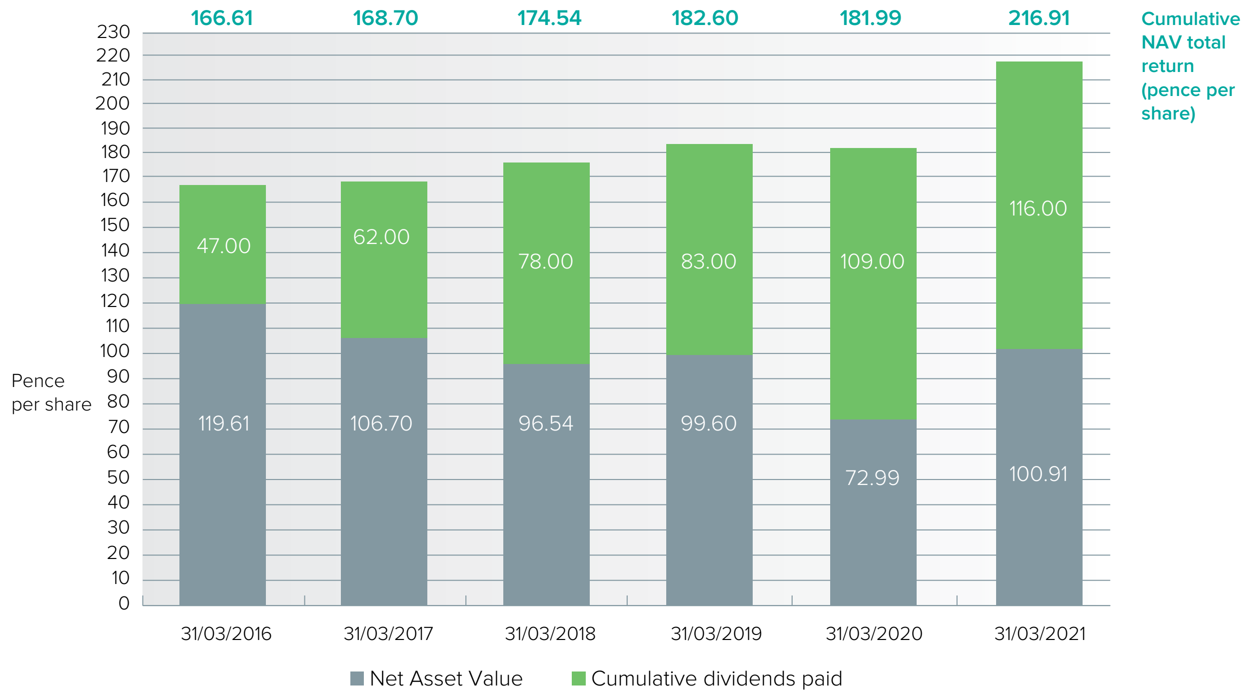
Note 1: NAV total return per share for the year is comprised of: Year ended 31 March	2021 (pence)	2020 (pence)
Gross portfolio capital returns	34.63	(3.12)
Gross income returns	2.32	4.11
Costs	(2.10)	(2.72)
Other movements	0.07	1.12
NAV total return for the year (as above for 2021 only)	**34.92**	**(0.61)**

The contributions from portfolio returns and income are shown before deducting attributable costs. They are explained below under Review of financial results. Costs are referred to in section 6 on page 11.

Note 2: The Share Price total return differs from the NAV total return because the share price at 31 March 2021 is by reference to the latest announced NAV per share, being 87.22 pence as at 31 December 2020. The NAV per share increased by 13.69 pence in the final quarter. This uplift will only be fully reflected in the share price once the year-end NAV is announced as part of this Annual Report.

Cumulative total returns per share (NAV basis)

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



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 80 to 81 of this Annual Report.

Review of financial results for the year ended 31 March 2021:

	2021 £m	2020 £m
Capital profit/(loss)	24.50	(2.53)
Revenue profit	1.02	1.50
Total profit/(loss)	**25.52**	**(1.03)**

The capital profit for the year of £24.50 million (33.46 pence of NAV return per share for the year, net of costs charged to capital) is comprised of a net increase in the unrealised valuation of portfolio companies as well as net realised gains, the latter principally from Access IS, Parsley Box, Blaze Signs, MPB Group, Bourn Bioscience, and Vectair. The increase in capital profit over the year from a loss of £(2.53) million to £24.50 million is primarily due to higher net unrealised gains of £20.59 million compared to a net unrealised loss of £(5.63) million in the prior year, as well as net realised gains increasing by £1.00 million to £4.77 million.

The revenue profit for the year of £1.02 million (1.39 pence of NAV return for the year per share, net of costs charged to revenue) is derived from income, primarily loan interest and dividend income exceeding revenue expenses. The decrease compared to the previous year is mainly due to a significant receipt of loan interest arising from the realisation of Auction Technology Group in 2020. Outside of this significant factor, revenue profit has benefited from a net fall in expenses charged to revenue. This decrease is primarily due to lower registrar and legal and professional costs, as well as a lower revenue tax charge, partially offset by slightly higher Investment Adviser fees calculated by reference to a higher level of net assets.

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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 2021	Ranking	Number of VCTs (AIC generalist VCTs)
10 years	2nd	30
5 years	10th	37
3 years	6th	40
1 year	6th	41

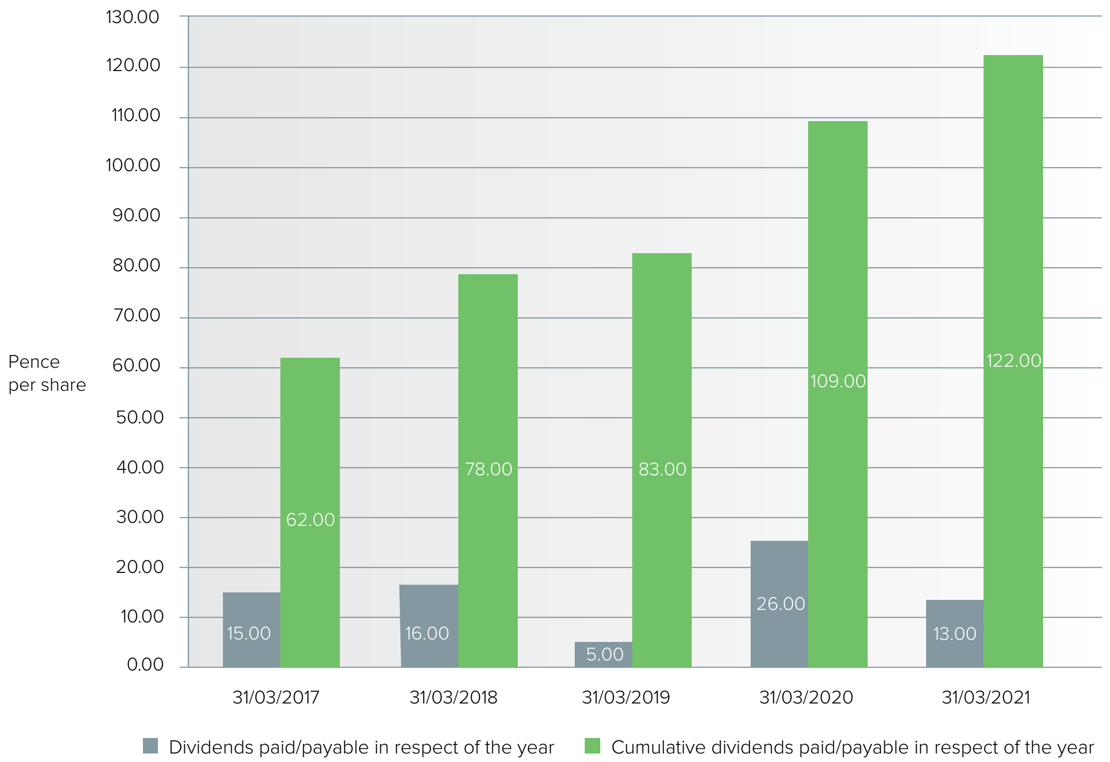
Source: Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2021.

Over all time periods, the Company has maintained a ranking within the Board's target of being within the top quartile compared to a peer group of AIC Generalist VCTs. The Board is pleased with the improvement in relative performance of the more recent 1 and 3 year time periods compared to that disclosed in the Company's 2020 Annual Report and strives to improve it further.

3. Dividends paid compared with dividend target

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.



On 14 May 2020, the Board declared a 7.00 pence per share interim dividend in respect of the year ended 31 March 2021 which was paid on 19 June 2020 to Shareholders on the register on 22 May 2020.

A second interim dividend was declared for the year ended 31 March 2021 of 6.00 pence per share, to be paid on 30 July 2021 to Shareholders on the Register of Members as at the record date of 9 July 2021.

The two dividend payments total 13.00 pence per share, exceeding the 5.00 pence dividend target for the year.

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 7 under "Summary of VCT Regulation". Throughout the year ended 31 March 2021, 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. **On 1 August 2019, the Board changed its share buyback policy objective of maintaining the discount to NAV at which the Company's shares may trade in the market from approximately 10% or less, to approximately 5% or less. 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 5% or less. It has succeeded in carrying out this objective in the year.**

The Board considers that a 5% 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 2021, Shareholders holding 0.39 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 a discount of approximately 5% to the previously announced NAV per share. The Company subsequently purchased these shares at prices between 62.50 and 82.86 pence per share and cancelled them.

In total, during the year the Company bought back 0.7% 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 3.60%, the Board aims to maintain the ratio before any performance fees at not more than 3%.

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

	2021	2020
Ongoing charges	2.36%	3.05%
Performance fee	0.00%	0.00%
Ongoing charges plus accrued performance fee	**2.36%**	**3.05%**

The Ongoing Charges Ratio has been calculated using the Association of Investment Companies recommended methodology.

The ratio of 2.36% is well within the Board's target ratio of 3%. The decrease in the ratio from 3.05% to 2.36% over the year reflects the rise in the average net assets over the year combined with lower other expenses, partially offset by an increase in Investment Adviser fees, as explained below.

Investment Adviser fees and other expenses

Investment Adviser fees have increased from £1.10 million to £1.20 million, charged to both revenue (increase of £0.02 million) and capital (increase of £0.08 million). This was mainly due to the net asset value, upon which Investment Adviser's fees are calculated (quarterly in arrears) being higher for most of the year, partially offset by fees being reduced by 1% of the amounts raised from the 2019/20 Offer for Subscription ("Offer") over-allotment facility of £5 million and a reduction of 2% on amounts raised under that Offer in excess of £20 million. Other expenses (all charged to revenue) have decreased by £0.04 million to £0.34 million. This resulted from a combination of a fall in professional fees and registrar fees.

Further details of these are contained in Note 4 to the Financial Statements on pages 60 to 62 of this Annual Report.

Strategic Report

Strategic Report

Investment Adviser's Review

Overview

The year to 31 March 2021 has been unprecedented in terms of volatility, uncertainty and opportunity which led to the initial value decline and the subsequent recovery. Just before the start of the Company's year, the UK Government had introduced lockdown and social distancing measures in response to the COVID-19 pandemic. These measures had an immediate adverse impact on UK businesses, with many companies experiencing a significant reduction in demand, disruption to their supply chains and restrictions on working practices. Global markets also fell significantly. The valuations of the portfolio companies at the end of March 2020 reflected this position and declined significantly.

Once the immediate impact of lockdown had subsided, the pandemic's continuing influence on businesses became much clearer. It is pleasing that this impact has been much less negative than was initially expected with markets recovering and business activity levels returning quickly to pre COVID-19 levels in most cases. Indeed, a significant proportion have benefited from the structural change in consumer purchasing habits to online models and are now trading above their pre COVID-19 levels. General Retail now comprises over 50% of the portfolio and all these companies have significant direct-to-consumer channels – a business model that has performed well. The majority of the portfolio has therefore demonstrated a high degree of resilience with nearly 80% of companies by number showing revenue and/or earnings progression over the previous year. Software and other technology enabled businesses have also performed strongly and the portfolio has limited exposure to more challenging sectors such as hospitality and travel.

Strong trading activity levels have created investment opportunities for the Company as portfolio companies sought to enhance their positions by building capability in light of demand. A number of further growth capital investments were therefore made into the portfolio over the year. Mobeus continues to review the opportunities for follow-on investments and is in a good position to capitalise on opportunities due to the Company's strong liquidity. M&A sentiment also remained buoyant with a continuing stream of attractive realisations throughout the year. The outlook for both follow-on investment and realisations continues to be positive.

Despite new investment activity being somewhat impacted by lockdown restrictions at the start of the financial year, a total of £2.37 million was invested into five new investments during the year being: Andersen EV, Northern Bloc, Connect Childcare, Vivacity Labs and Caledonian Leisure. Further details can be found on the next page.

Although quoted markets have rallied since the start of the Company's year, the principal driver of the rise in valuations over the recent months has been the strong underlying trading performance. Two significant examples of this have been the flotation of Virgin Wines and Parsley Box on the AIM market in March 2021. The year-end bid prices of these continuing portfolio investments showed a material increase in their values. It should be noted that these two investments now represent a significant proportion (21%) of the portfolio value and so Mobeus continues to monitor these AIM-listed investments carefully. In respect of the rest of the portfolio, it is reassuring to see that the traditional investments, as well as the new growth investments, are continuing to make good progress. A strong track record for the growth investments is now emerging which validates the strategic change arising from the change in VCT rules in 2015. A small number of companies have struggled, but they are in the minority and their impact on overall shareholder return is minimal. Some of these companies, namely Media Business Insight and RDL, have seen a recent uplift in business which suggests a potentially more positive outlook, however it is still early days in their recovery.

We realise that the social and economic consequences of COVID-19 will be with us for some time and the practical impact of Brexit is still emerging with some initial teething issues having been seen. For a number of reasons, challenges such as an emerging shortage of items as diverse as silicon chips and packaging material to lack of container space, may lead to product shortages at some of the portfolio companies. However, the portfolio is well prepared, in robust shape and well placed to respond to the challenges and opportunities that arise going forward.

Overall, the portfolio has demonstrated great resilience and potential. We remain mindful of the macro-economic uncertainties and market volatility but are cautiously optimistic, based upon the evidence of improved trading performance by many constituents of the portfolio.

New and further Investments

The Company made new and follow-on investments totalling £5.39 million (2020: £5.19 million), comprising £2.37 million (2020: £4.83 million) into five new investments and £3.02 million (2020: £0.36 million) into eight existing investments. This level of new and follow-on investment is pleasing given that there was effectively a pause in new investment going into the summer months as entrepreneurs temporarily deferred fundraising and a healthy pipeline of suitable opportunities has been seen more recently. The level of follow-on investment into the portfolio has increased as anticipated, which indicates there are opportunities to provide further support to growing portfolio companies that are achieving a strong performance.

New Investments during the year

A total of £2.37 million was invested into five new investments during the year, as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
ANDERSEN	Andersen EV	Electric vehicle chargers	June 2020	0.22

Muller EV Limited (trading as Andersen EV) (andersen-ev.com) is a design led manufacturer of premium electric vehicle (EV) chargers. Incorporated in 2016, this business has secured high profile partnerships with OEMs such as Porsche, establishing an attractive niche position in charging points for the high end EV market. The Company's funds will be used to scale the business through investment in further products and software, sales and marketing and electric vehicle manufacturer partnerships. Given the current strong political and social emphasis on the environment, Andersen is well positioned and has already generated significant growth in sales over 350% for its most recent financial year.

	Company	Business	Date of investment	Amount of new investment (£m)
NORTHERN BLOC	Northern Bloc	Vegan and plant based ice cream producer	December 2020	0.30

Northern Bloc Ice Cream (northern-bloc.com) is an established food brand in the emerging and rapidly growing vegan market. By focusing on chef quality natural ingredients, Northern Bloc has carved out an early mover position in the vegan ice cream sector. The company's focus on plant-based alternatives has strong environmental credentials as well as it being the first ice cream brand to move wholly into sustainable packaging. The investment is aimed at capitalising on the company's market position and accelerating growth. It has obtained key listings across several large supermarkets and is well placed to benefit from the food service recovery as it continues to secure menu placings. Northern Bloc has doubled its retail store facings in 2020 and saw a 60% increase in retail sales over the year.

	Company	Business	Date of investment	Amount of new investment (£m)
connect childcare	Connect Childcare	Nursery management software provider	December 2020	0.83

Connect Childcare (connectchildcare.com) is a fully integrated nursery management system for childcare providers in the UK. Its market leading Core Connect product provides nurseries and preschools with an enterprise software solution enabling more efficient administrative processes. The investment will be used to drive product marketing, commercialise their new SaaS product, Foundations, as well as support the roll out of a payment facility to its underlying customer base. Supplying 14 of the top 25 largest nursery groups in the UK, the company has strong recurring revenues which have grown 20% for each of the last three years.

	Company	Business	Date of investment	Amount of new investment (£m)
VIVACITY	Vivacity	Artificial intelligence & urban traffic control system	February 2021	0.88

Vivacity (vivacitylabs.com) develops camera sensors with on-board video analytics software that enables real-time anonymised data gathering of road transport system usage. It offers city transport authorities the ability to manage their road infrastructure more effectively, enabling more efficient monitoring of congestion and pollution levels as well as planning for other issues, such as the changing nature of road usage (e.g. the increasing number of cyclists). The technology and software represent a significant leap forward for local planning authorities which have traditionally relied upon manual data collection methods. The growth capital funding will allow the management team to achieve deeper penetration of the UK transport management sector, explore opportunities internationally and commercialise its new Smart Junction offering. Revenues have grown 350% over the last three years and it has exceeded its most recent year's budget despite the onset of the COVID-19 pandemic. In April 2021, Vivacity won the Queens Award for Enterprise: Innovation 2021.

	Company	Business	Date of investment	Amount of new investment (£m)
Caledonian Leisure Ltd	Caledonian Leisure	UK Leisure and experience breaks	March 2021	0.14

Caledonian Leisure works with accommodation providers, coach businesses and other experienced providers (such as entertainment destinations and theme parks) to deliver to its customers UK-based leisure and experience breaks. It comprises two brands, Caledonian Travel (www.caledoniantravel.com) and UK Breakaways (www.ukbreakaways.com). The domestic leisure and experience travel market has been devastated by the COVID-19 pandemic, but the company is well-placed to expand as lockdown and travel restrictions are eased. This investment, as part of a series of planned investment tranches, will help the company prepare for and capitalise on what is expected to be strong demand for UK staycation holidays.

Investment Adviser's Review

Further Investments during the year

A total of £3.02 million was invested into eight existing portfolio companies during the year, as detailed below:

	Company	Business	Date of investment	Amount of further investment (£m)
rotageek	RotaGeek	Workforce management software	May 2020	0.37

RotaGeek (rotageek.com) is a provider of cloud-based enterprise software to help larger retail, leisure and healthcare organisations to schedule staff effectively. This investment, alongside funds from a new investor and existing shareholders, will be used to capitalise on opportunities that will emerge as the retail sector recovers from lockdown restrictions. RotaGeek will also be expanding its presence in healthcare to help address the workforce management issues of a sector that is chronically overburdened at present. For the year ended 31 December 2019, revenues have grown over 45% on the prior year with 2020 revenues holding up well despite COVID-19 lockdowns.

	Company	Business	Date of investment	Amount of further investment (£m)
MyTutor	MyTutor	Digital marketplace connecting school pupils to a tutor	May 2020	0.54

MyTutorweb (trading as MyTutor) (mytutor.co.uk) 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 further investment, alongside other existing shareholders, seeks to build and reinforce its position as a UK category leader in the online education market as well as to begin to develop a broader, personalised learning product offering. MyTutor has performed strongly over the last 18 months with 70% growth in 2019 and in excess of 190% over the last 12 months. The company has been chosen as Tutoring Partner for the National Tuition Programme where they will directly support 30,000 students in catching up on lost learning as a result of the COVID-19 pandemic. In April 2021, MyTutor was chosen as one of the Tech Nation future Fifty 2021 cohort.

	Company	Business	Date of investment	Amount of further investment (£m)
Buster + Punch	Buster & Punch	Lighting and interiors brand	September 2020	0.92

Buster & Punch (busterandpunch.com) is a premium branded, fast growing business which designs and manufactures a complete range of high-quality functional fittings (lighting, electrical and hardware and other accessories) for the home. The Company first invested in 2017 and since then, the business has delivered consistent high growth, with revenues growing in excess of 65%, and reaching nearly £10 million in 2020. Buster & Punch's products are now sold in 99 countries via both its highly invested ecommerce platform and direct services to consumers, trade and retailers across the world. Buster and Punch also operates flagship showrooms in London, Stockholm and Los Angeles. The new funding will be used to drive the global business plans of this fast-growing luxury interior fashion label with further international expansion into the US and Asia Pacific markets.

	Company	Business	Date of investment	Amount of further investment (£m)
Preservica Active digital preservation	Preservica	Seller of proprietary digital archiving software	September 2020	0.40

Preservica (preservica.com) is a SaaS software business with blue chip customers and strong recurring revenues. It 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. This latest investment is to provide additional growth capital to finance the further development of the business. The year to 31 March 2021 saw revenues grow by 30% to £6.1 million and continued strong momentum in customer wins including some very well-known large organisations.

	Company	Business	Date of investment	Amount of further investment (£m)
ParsleyBox	Parsley Box	Ambient ready meals targeting the over 60s	January/March 2021	0.22

Parsley Box (parsleybox.com) is a UK direct-to-consumer supplier of home delivered, ambient ready meals targeting the over 60s. 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 company has seen a strong benefit from the COVID-19 pandemic with revenues nearly eight times greater than at the time of the original investment. This further investment will scale the company's marketing strategy, enable it to process larger order volumes and continue to build out its team. The company admitted its shares to trading on AIM on 31 March 2021.

	Company	Business	Date of investment	Amount of further investment (£m)
ARKK	Arkk Consulting	Regulatory and reporting requirement service provider	February 2021	0.39

Arkk Consulting (trading as Arkk Solutions) (arkksolutions.com) 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. This further investment is to enable continued development of its software to capitalise on HMRC's 'Making Tax Digital' campaign. The company has incorporated artificial intelligence into its product and recurring revenues are now over 50% higher than at the point of the original investment in May 2019.

	Company	Business	Date of investment	Amount of further investment (£m)
BLEACH LONDON	Bleach London	Hair colourants brand	February 2021	0.09

Bleach London Holdings ("Bleach London") (bleachlondon.com) is an established, branded, fast growing business which manufactures a range of haircare and colouring products. Bleach London has made sound commercial progress since the VCTs invested in 2019 with its direct-to-consumer channels benefiting greatly from the COVID-19 pandemic. Revenues have grown over 90% ahead of the previous year. This further investment, along with strong support from existing investors, will be used to invest in marketing and infrastructure to enable the business to accelerate its direct-to-consumer channel.

	Company	Business	Date of investment	Amount of further investment (£m)
TAPAS REVOLUTION	Tapas Revolution	Spanish restaurant chain	March 2021	0.09

Spanish Restaurant Group Limited (trading as Tapas Revolution) (tapasrevolution.com) is a leading Spanish restaurant chain in the casual dining sector. At initial investment in January 2017 it was operating five sites and, after a further investment round in March 2018, had grown to 12 sites. Tapas was trading well and had a strong outlook up until the onset of COVID-19 which mandated the closure of much of its estate during 2020 in response to the varying patterns of government restrictions. Costs have been controlled well under the circumstances and this further investment is to provide financial headroom through the remaining lockdown period and so as to capitalise on new site acquisition opportunities once the lockdown period has ended.

Portfolio Valuation Movements

The portfolio generated net unrealised gains of £20.59 million during the year. The scale of the valuation increases in the last nine months of the year was underpinned by the Company's growth portfolio, which marks the fruition of a long-standing growth strategy over the last five years. Many companies in the portfolio have direct-to-consumer business models that have been ideally suited to the more physically remote business environment necessitated by COVID-19. Mobeus believes that this has accelerated an existing trend and in many cases the shift in behaviour will prove permanent. Over this period, some older style MBO portfolio companies with similar business practices have also benefited. A few companies have struggled in this environment, and while there remains a possibility such businesses could fail, their value has already been reduced to modest levels, reducing the risk to shareholder value.

The details of valuation increases and reductions are explained in the adjacent columns.

Total valuation increases were £21.42 million. The main valuation increases were:

Virgin Wines	£6.69 million
MPB Group	£2.55 million
EOTH	£1.74 million
Wetsuit Outlet	£1.37 million
Parsley Box	£1.29 million

Virgin Wines, MPB and Parsley Box have generated record revenues and earnings over the lockdown periods and beyond. All have significantly increased their customer base and there is evidence that these new customers are continuing to be at least as active and profitable as their pre-COVID-19 counterparts. EOTH experienced a very strong end to its financial year, fully recovering to pre-COVID-19 levels of profitability and has strong visibility over future orders. Wetsuit Outlet has seen a marked turnaround in the last year and its performance is likely to further benefit from stronger brand relationships and increased usage by customers of its online channel.

Within total valuation decreases of £(0.83) million, the main reductions were in:

RotaGeek	£(0.32) million
Tapas Revolution	£(0.28) million
Kudos Innovations	£(0.20) million

These companies saw the most significant impact of a sudden decline in demand for their products or services as a result of COVID-19. However, as restrictions are eventually eased, a recovery is anticipated in due course.

The majority of the increase in portfolio value lies in the top 10 companies which represent 70% of the portfolio by value. Year-on-year growth by either revenues or earnings has been seen in all of the top ten companies and it is pleasing to note that nine of these are from the younger, growth portfolio.

The year also saw portfolio company, Jablite, enter voluntary liquidation and is recognised as a realised loss. However, the Company had already received 97% of its investment back via yield and capital repayments. This company was struggling before the impact of COVID-19 and a valuation reduction had already been made. As a result, there has been little impact on shareholder value from this administration process.

Strategic Report

Investment Adviser's Review

Portfolio Realisations

The Company fully realised four investments during the year, receiving a total £7.31 million proceeds and contributed to total proceeds of £10.91 million during the year, as detailed below. In summary, aggregate proceeds generated over the life of these investments were £11.99 million representing a gain over original cost of £7.64 million.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
	Access IS	Data capture and scanning hardware	October 2015 to August 2020	£4.94 million 2.5x cost

The Company sold its investment in Tovey Management Limited (trading as Access IS) to ASSA ABLOY AB for proceeds of £4.21 million (realised gain in the year: £1.40 million). Since investment in 2015, the investment has generated cash proceeds of £4.94 million compared to an original investment cost of £1.95 million, which is **a multiple on cost of 2.5x and an IRR of 23.4%**.

	Blaze Signs	Manufacturer and installer of signs	April 2006 to September 2020	£3.75 million 2.7x cost

The Company sold its investment in Blaze Signs Holdings Limited via a secondary buy out backed by Elaghmore Advisor LLP and has received cash proceeds of £1.44 million (including £0.50 million of dividends) (realised gain in the year: £0.78 million). Over the 14 years this investment was held, cash proceeds of £3.75 million have been received compared to original cost of £1.40 million, which is **a multiple of cost of 2.7x and an IRR of 13.5%**.

	Vectair	Designer and distributor of washroom products	December 2005 to November 2020	£2.07 million 8.5x cost

The Company sold its investment in Vectair Holdings Limited to a consortium of US investment funds, including Oxbow Industries and Arcspring, and has received proceeds of £1.29 million (including £0.07 million of dividends) (realised gain in the year: £0.29 million). This investment generated proceeds over the life of the investment of £2.07 million compared to original cost of £0.24 million, which is **a multiple of cost is 8.5x and an IRR of 22.3%**.

	Bourn Bioscience	In vitro fertilisation clinics	January 2014 to December 2020	£1.24 million 1.6x cost

The Company sold its investment in Bourn Bioscience Limited to Canadian acquirer Triangle Capital, and has received cash proceeds of £1.00 million (Including £0.06 million interest upon completion) (realised gain in the year: £0.69 million). This investment generated proceeds over the life of the investment of £1.24 million compared to original cost of £0.76 million, which is **a multiple of cost is 1.6x and an IRR of 8.5%**.

Loan stock repayments and other gains/(losses) in the year

During the year and following the admission of its shares to AIM, the Company received £1.03 million from the partial realisation of its holding in Parsley Box, generating a realised gain of £0.79 million. Over the two years to date this investment has been held, this partial sale generated a multiple of cost of 4.0x on the cost of the shares sold. The Company also received £1.00 million from the partial realisation of MPB Group generating a realised gain of £0.75 million. This partial realisation generated a 7.8x multiple of cost on the cost of the shares sold and was the result of a large private equity investor taking a sizeable equity investment in the company.

Proceeds of £1.51 million were received via loan repayments from BookingTek, Vian Marketing (trading as Red Paddle), End Ordinary Group (trading as Buster & Punch) and Virgin Wines, generating a net realised gain of £0.05 million.

Finally, consideration and realised gains totalling £0.06 million were received in respect of Redline Worldwide and Auction Technology Group, both investments realised in a previous year, and a small realised loss of £(0.04) million was recognised for Virgin Wines due to stamp duty paid upon the admission of shares to AIM.

Portfolio income and yield

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

Investment Portfolio Yield	2021 £m	2020 £m
Interest received in the year	0.84	2.05
Dividends received in the year	0.83	0.28
Total portfolio income in the year[1]	**1.67**	**2.33**
Portfolio value at 31 March	**41.83**	**21.99**
Portfolio Income Yield (Income as a % of Portfolio value at 31 March)	**4.0%**	**10.6%**

[1] Total portfolio income for 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. The fall in interest received is due to a significant interest receipt from the realisation of Auction Technology Group in 2020, partially offset by several investee companies settling interest arrears of payment holidays that were provided by the Company in the final quarter of the 2020 financial year.

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

Investment Portfolio Capital Movement	2021 £m	2020 £m
Increase in the value of unrealised investments	21.42	1.25
Decrease in the value of unrealised investments	(0.83)	(6.88)
Net increase/(decrease) in the value of unrealised investments	**20.59**	**(5.63)**
Realised gains	4.81	3.96
Realised losses	(0.04)	(0.19)
Net realised gains in the year	**4.77**	**3.77**
Net increase/(decrease) in value of investment portfolio in the year	**25.36**	**(1.86)**

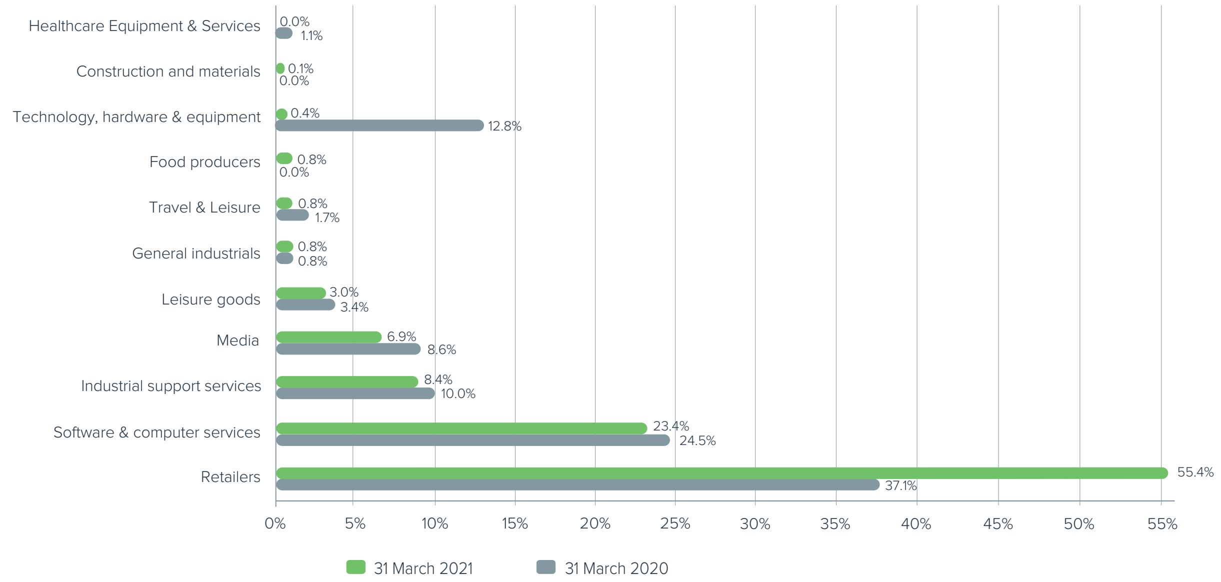
The portfolio's movements and valuation changes in the year are summarised as follows:

	2021 £m	2020 £m
Opening portfolio value	21.99	30.04
New and follow-on investments	5.39	5.19
Disposal proceeds	(10.91)	(11.38)
Net realised gains	4.77	3.77
Unrealised valuation movements	20.59	(5.63)
Portfolio value at 31 March	**41.83**	**21.99**

Investment Adviser's Review

Investments by market sector

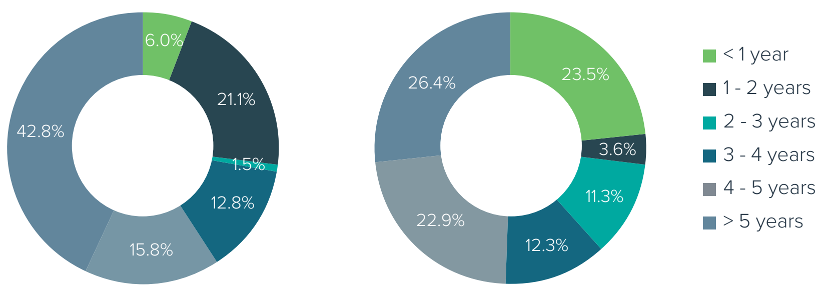
Investments by value remain spread across a number of sectors, primarily in retailers, software and computer services and industrial support services. Although the portfolio appears concentrated on three main sectors, the range of companies contained within these sectors is considered to be very diverse and the Investment Adviser continues to target further investments to complement these sectors.



All of the retailers investments have branded online direct-to-consumer businesses with no physical high street retail presence, being Bella & Duke, Bleach London, Buster and Punch, EOTH (trading as RAB and Lowe Alpine), MPB Group, Parsley Box, Wetsuit Outlet, and Virgin Wines.

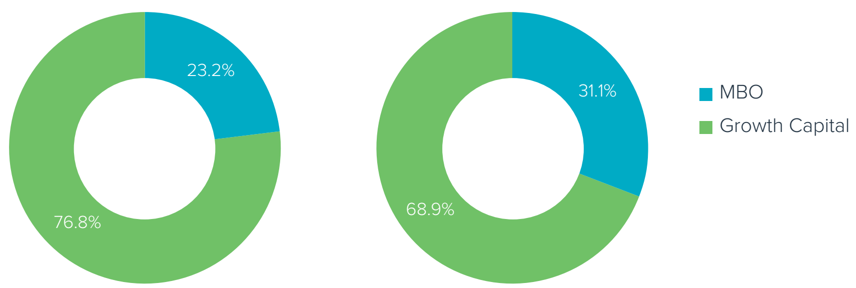
Age of the portfolio by value

2021 2020



Type of investment transaction by value

2021 2020



Growth Capital contains all investments made after the 2015 rule change which are young businesses using the Company's investment for growth and development purposes (as defined under VCT legislation). This category also contains a small number of growth capital style investments made before the 2015 rule change under the Investment Adviser's MBO strategy.

MBO contains MBO type investments made under the Investment Adviser's previous MBO strategy. This typically includes companies which are more mature compared to those invested under the growth capital strategy.

Further Investments after the year-end

A total of £0.84 million was invested into three existing portfolio companies after the year-end, as detailed below:

<table>
<tr><th></th><th>Company</th><th>Business</th><th>Date of investment</th><th>Amount of further investment (£m)</th></tr>
<tr><td>Caledonian Leisure Ltd</td><td>Caledonian Leisure</td><td>UK Leisure and experience breaks</td><td>April & May 2021</td><td>0.18</td></tr>
<tr><td colspan="5">Caledonian Leisure works with accommodation providers, coach businesses and other experienced break providers (such as entertainment destinations and theme parks) to deliver to its customers UK-based leisure and experience breaks. It comprises two brands, Caledonian Travel (www.caledoniantravel.com) and UK Breakaways (www.ukbreakaways.com). The domestic leisure and experience travel market has been devastated by the COVID-19 pandemic, but the company is well-placed to expand as lockdown and travel restrictions are eased. This second and third investment, as part of a series of planned investment tranches, will continue to help the company prepare for and capitalise on what is expected to be strong demand for UK staycation holidays.</td></tr>
<tr><td>Bella & Duke</td><td>Bella & Duke</td><td>Premium frozen raw dog food provider</td><td>May 2021</td><td>0.61</td></tr>
<tr><td colspan="5">Bella & Duke (bellaandduke.com) is a direct-to-consumer subscription service, providing premium frozen raw dog food to pet owners in the UK. Founded in 2016, the business provides an alternative to standard meal options for dog owners by focusing on the well documented health benefits of a raw food diet. This area is a growing niche in the large and established pet food market and is being driven by the premiumisation of dog food. Alongside a co-investment by the British Growth Fund ("BGF") and existing shareholders, this follow-on investment from the Company will provide additional working capital enabling Bella & Duke to continue to scale.</td></tr>
<tr><td>Tapas Revolution</td><td>Tapas Revolution</td><td>Spanish restaurant chain</td><td>June 2021</td><td>0.05</td></tr>
<tr><td colspan="5">Tapas Revolution (tapasrevolution.com) is a leading Spanish restaurant chain in the casual dining sector. At initial investment in January 2017 it was operating five sites and, after a further investment round in March 2018, had grown to 12 sites. Tapas was trading well and had a strong outlook up until the onset of COVID-19 which mandated the closure of much of its estate during 2020 in response to the varying patterns of government restrictions. Costs have been controlled well under the circumstances and following additional funding in March, this further investment round is part of a series of planned equity investments. This is to capitalise on new site acquisition opportunities as lockdown restrictions continue to be eased.</td></tr>
</table>

New investments after the year-end

The Company made two new investments totalling £1.17 million after the year-end, as detailed below:

<table>
<tr><th></th><th>Company</th><th>Business</th><th>Date of investment</th><th>Amount of new investment (£m)</th></tr>
<tr><td>Legatics</td><td>Legatics</td><td>SaaS LegalTech software business</td><td>June 2021</td><td>0.61</td></tr>
<tr><td colspan="5">Legatics (legatics.com) transforms legal transactions by enabling deal teams to collaborate on and close deals in an interactive online environment. Designed by lawyers to improve legacy working methods and solve practical transactional issues, the legal transaction management platform increases collaboration, efficiency and transparency. As a result, Legatics has been used by around 1,500 companies, and has been procured by more than half of the top global banking and finance law firms, with matters having been hosted in approximately 50 countries. With this new funding round, Legatics will be looking to double the size of its team over the next 18 months and further develop its technology to deliver new features and use cases for a wider range of practice areas within new and existing customers.</td></tr>
<tr><td>Vet's Klinic A NEW WORLD OF PET CARE</td><td>Vet's Klinic</td><td>Veterinary clinics</td><td>June 2021</td><td>0.56</td></tr>
<tr><td colspan="5">Pets' Kitchen (trading as Vet's Klinic) is an established and profitable veterinary clinic providing veterinary services (vetsklinic.co.uk) as well as a premium pet food provider (vetskitchen.co.uk). Its primary Swindon 'super clinic' is a first opinion veterinary practice where pet owners can schedule consultations online and obtain real time feedback of in-patient care through its own technology platform. Without compromising on quality of care, this model enables a significantly higher transaction per vet compared to the industry average. This new investment will be used to roll out its unique clinic model to other sites along the M4 corridor.</td></tr>
</table>

Investment Adviser's Review

Environmental, Social, Governance considerations

The Investment Adviser believes that the consideration of environmental, social and corporate governance ("ESG") factors throughout the investment cycle will contribute towards enhanced Shareholder value.

When seeking new investment opportunities, it operates with a list of exclusions which preclude it from investing in any businesses operating in areas perceived to be unsustainable or detrimental to wider society, or any businesses that have committed purposeful breaches of regulation or have engaged in unlawful activity. Once identified, each potential new investment is then subject to a comprehensive due diligence process that encompasses commercial, financial and ESG principles. This process helps in the formulation and agreement of strategic objectives at the stage of business planning and investment. The Investment Adviser then continues to work closely with each portfolio company board to support them in addressing their particular ESG challenges and opportunities, which are diverse across the entire portfolio.

Mobeus Equity Partners LLP is a signatory of the United Nations Principles of Responsible Investment ("PRI"), considered to be the world's leading proponent of responsible investing. As a signatory, it must report to the PRI on an annual basis and is held accountable to worldwide ESG standards. As such, the Investment Adviser continues to develop its policies and procedures with the professional advice of specialist ESG consultants and reports on the development of this ESG framework to the Board on a regular basis.

The statutory environmental disclosures are included in the Directors' Report on pages 36 to 37.

Outlook

The growth strategy implemented in 2015 is clearly showing signs of bearing fruit with many companies beginning to show significant scale and gaining the interest of public markets and larger secondary investors. The portfolio is in a healthy position with many companies trading well throughout the lockdowns, and several at record levels. It continues to evolve offering a balance of fast-growing and more stable investments at various stages of maturity and scale across a range of diverse market sectors. There is a significant exposure to the direct-to-consumer business model which has underpinned performance during the year. This also gives confidence about the future performance of the portfolio and its ability to cope with other uncertainties, challenges and opportunities associated with Brexit, the macro-economic outlook and the latest and potentially ongoing national lockdowns. The new investment pipeline is recovering to levels seen pre-COVID-19 and capital deployment should continue at an encouraging rate in line with forecast.

The exceptional performance experienced over the last year is likely to moderate over the next 12 months as the level of activity normalises. However the portfolio is in a robust shape and the investment activity levels are promising. Mobeus is therefore cautiously optimistic for the year ahead.

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Investment Adviser

30 June 2021

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Twelve largest investments in the portfolio

at 31 March 2021 by valuation

Virgin Wines UK plc (formerly Virgin Wines Holding Company Limited)

www.virginwines.co.uk

Cost	£31,000
Valuation	£6,864,000

Basis of valuation
Bid price (AIM quoted)

Equity % held
5.5%

Income receivable in year
£224,572

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2020[1]
Turnover	£56,554,000
Operating profit	£4,448,000
Net assets	£6,137,000

Year ended	30 June 2019[1]
Turnover	£42,456,000
Operating profit	£2,289,000
Net assets	£2,763,000

[1] The financial information quoted above is for Virgin Wines Holding Company Limited.

Additions/disposals during the year

Admitted to AIM on 2 March 2021. Loan repayment and preference share redemption as part of IPO transaction.

MPB Group Limited

www.mpb.com

Cost	£1,048,000
Valuation	£4,025,000

Basis of valuation
Revenue multiple

Equity % held
2.6%

Income receivable in year
£21,327

Business
Online marketplace for photographic and video equipment

Location
Brighton

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2020
Turnover	£44,179,000
Operating loss	£(311,000)
Net assets	£9,753,000

Year ended	31 March 2019
Turnover	£31,909,000
Operating loss	£(1,511,000)
Net assets	£2,320,000

Additions/disposals during the year

Partial realisation in March 2021.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost	£817,000
Valuation	£3,142,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£204,865

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Growth capital

Audited financial information

Year ended	31 January 2020
Turnover	£65,230,000
Operating profit	£8,665,000
Net assets	£31,084,000

Year ended	31 January 2019
Turnover	£60,584,000
Operating profit	£14,713,000
Net assets	£26,302,000

Additions/disposals during the year

None.

Preservica Limited

www.preservica.com

Cost	£1,538,000
Valuation	£2,690,000

Basis of valuation
Revenue multiple

Equity % held
9.5%

Income receivable in year
£32,349

Business
Seller of proprietary digital archiving software

Location
Abingdon, Oxfordshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2020
Turnover	£4,701,000
Operating loss	£(2,633,000)
Net liabilities	£(1,394,000)

Year ended	31 March 2019
Turnover	£3,583,000
Operating loss	£(2,178,000)
Net assets	£978,000

Additions/disposals during the year

Follow-on investment in September 2020.

End Ordinary Group Limited (trading as Buster and Punch)

www.busterandpunch.com

Cost	£1,232,000
Valuation	£2,386,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£4,883

Business
Industrial inspired lighting and interiors retailer

Location
Stamford, Lincolnshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2020
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£1,679,000

Year ended	31 March 2019
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£1,679,000

Additions/disposals during the year

Loan repayment and follow-on investment in September 2020.

Bella & Duke Limited

www.bellaandduke.com

Cost	£1,451,000
Valuation	£2,335,000

Basis of valuation
Revenue multiple

Equity % held
10.0%

Income receivable in year
£Nil

Business
A premium frozen raw dog food provider

Location
Edinburgh

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 March 2020
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£3,027,000

Year ended	31 March 2019
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£524,000

Additions/disposals during the year

None.

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

Operating profit is stated before charging depreciation and amortisation, where appropriate, for all investee companies.

Strategic Report

MyTutorWeb Limited

www.mytutor.co.uk

Cost	£1,516,000
Valuation	£2,033,000

Basis of valuation
Revenue multiple

Equity % held
6.1%

Income receivable in year
£Nil

Business
Provider of a digital marketplace connecting school pupils seeking one-to-one online tutoring

Location
London

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 December 2019
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£1,739,000
Year ended	31 December 2018
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£4,706,000

Additions/disposals during the year

Follow-on investment in May 2020.

Parsley Box Group Plc (formerly Parsley Box Limited)

www.parsleybox.com

Cost	£521,000
Valuation	£1,938,000

Basis of valuation
Bid price (AIM quoted)

Equity % held
2.6%

Income receivable in year
£Nil

Business
Supplier of home delivered ambient ready meals targeting the over 60s

Location
Edinburgh

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 December 2020[1]
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net liabilities	£(622,000)
Year ended	31 December 2019[1]
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£1,982,000

[1] The financial information quoted above is for Parsley Box Limited.

Additions/disposals during the year

Admitted to AIM on 31 March 2021. Follow-on investments in January & March 2021, and partial realisation in March 2021.

Data Discovery Solutions Limited (trading as Active Navigation)

www.activenavigation.com

Cost	£943,000
Valuation	£1,886,000

Basis of valuation
Revenue multiple

Equity % held
5.4%

Income receivable in year
£Nil

Business
Provider of a global market leading file analysis software for information governance, security and compliance

Location
Winchester

Original transaction
Growth capital

Audited financial information

Year ended	29 June 2019
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£3,558,000
Year ended	29 June 2018
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	£2,204,000

Additions/disposals during the year

None.

Manufacturing Services Investment Limited (trading as Wetsuit Outlet)

www.wetsuitoutlet.co.uk

Cost	£1,717,000
Valuation	£1,716,000

Basis of valuation
Earnings multiple

Equity % held
4.7%

Income receivable in year
£128,657

Business
Online retailer in the water sports market

Location
Southend on Sea, Essex

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2020
Turnover	£16,531,000
Operating loss	£(138,000)
Net assets	£8,803,000
Year ended	31 March 2019
Turnover	£14,671,000
Operating loss	£(540,000)
Net assets	£10,585,000

Additions/disposals during the year

None.

Proactive Group Holdings Inc

www.proactiveinvestors.co.uk

Cost	£635,000
Valuation	£1,599,000

Basis of valuation
Revenue multiple

Equity % held
2.2%

Income receivable in year
£17,402

Business
Provider of media services and investor conferences for companies primarily listed on secondary public markets

Location
London

Original transaction
Growth capital

Financial information (unaudited)

Year ended	30 June 2020
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	Not disclosed
Year ended	30 June 2019
Turnover	Not disclosed
Operating profit/(loss)	Not disclosed
Net assets	Not disclosed

Additions/disposals during the year

None.

Arkk Consulting Limited (trading as Arkk Solutions)

www.arkksolutions.com

Cost	£1,300,000
Valuation	£1,356,000

Basis of valuation
Revenue multiple

Equity % held
5.8%

Income receivable in year
£3,943

Business
Provider of services and software to enable organisations to remain compliant with regulatory reporting requirements

Location
London

Original transaction
Growth capital

Audited financial information

Year ended	31 December 2019
Turnover	£4,179,000
Operating loss	£(2,190,000)
Net assets	£347,000
Year ended	31 December 2018
Turnover	£3,365,000
Operating loss	£(89,000)
Net liabilities	£(13,000)

Additions/disposals during the year

Follow-on investment in February 2021.

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

Operating profit is stated before charging depreciation and amortisation, where appropriate, for all investee companies.

Strategic Report

Investment Portfolio Summary

as at 31 March 2021

Green Growth focused portfolio
Blue MBO focused portfolio

	Date of first investment and Sector	Total Book cost at 31 March 2021 £	Valuation at 31 March 2020 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2021 £	% of net assets by value
Qualifying investments								
Virgin Wines UK Plc (formerly Virgin Wines Holding Company Limited)[1] Online wine retailer	**November 2013** Retailers	30,541	1,426,084	-	(1,253,792)	6,691,780	6,864,072	9.3%
MPB Group Limited Online marketplace for photographic and video equipment	**June 2016** Retailers	1,048,083	1,732,661	-	(254,738)	2,547,525	4,025,448	5.4%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** Retailers	817,185	1,404,025	-	-	1,737,977	3,142,002	4.3%
Preservica Limited Seller of proprietary digital archiving software	**December 2015** Software & computer services	1,538,226	1,481,372	404,762	-	803,577	2,689,711	3.6%
End Ordinary Group Limited (trading as Buster and Punch) (formerly Buster and Punch Holdings Limited) Industrial inspired lighting and interiors retailer	**March 2017** Retailers	1,231,510	587,517	924,557	(129,438)	1,003,518	2,386,154	3.2%
Bella & Duke Limited A premium frozen raw dog food provider	**February 2020** Retailers	1,451,101	1,451,101	-	-	883,728	2,334,829	3.2%
My Tutorweb Limited (trading as MyTutor) Digital marketplace connecting school pupils seeking one-to-one online tutoring	**May 2017** Industrial support services	1,515,891	979,834	536,057	-	517,336	2,033,227	2.8%
Parsley Box Group Plc (formerly Parsley Box Limited)[2] Supplier of home delivered, ambient ready meals targeting the over 60s	**May 2019** Retailers	520,549	656,770	224,829	(238,423)	1,294,348	1,937,524	2.6%
Data Discovery Solutions Limited (trading as Active Navigation) Provider of global market leading file analysis software for information governance, security and compliance	**November 2019** Software & computer services	943,000	1,210,232	-	-	675,768	1,886,000	2.6%
Proactive Group Holdings Inc Provider of media services and investor conferences for companies primarily listed on secondary public markets	**January 2018** Media	635,346	1,171,946	-	-	426,572	1,598,518	2.2%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	**July 2017** Retailers	1,412,992	39,398	-	-	1,372,478	1,411,876	1.9%
Arkk Consulting Limited (trading as Arkk Solutions) Provider of services and software to enable organisations to remain compliant with regulatory reporting requirements	**May 2019** Software & computer services	1,299,865	759,233	390,870	-	205,514	1,355,617	1.8%
Vian Marketing Limited (trading as Red Paddle Co) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	**July 2015** Leisure goods	629,255	738,934	-	(125,404)	637,145	1,250,675	1.7%

[1] Admitted to AIM during the year. Ahead of the Admission to AIM of Virgin Wines on 2 March 2021, the Company's equity investment in Virgin Wines Holding Company Ltd ("VWHCL") had been exchanged for an equity investment in Rapunzel Newco Limited ("RNL"), a company owned by the four Mobeus advised VCTs pro rata to each VCT's share of its investment in Virgin Wines. Immediately prior to Admission, RNL exchanged its equity investment in VWHCL for an equity investment in Virgin Wines UK plc ("VWUK"). The Company is beneficially interested in VWUK, through its holding in RNL. RNL is the legal owner of the shares in VWUK, but each VCT is the beneficial holder. As part of Virgin Wines' admission to AIM, the Company received repayment of its loan stock generating proceeds of £1.25 million.

[2] Admitted to AIM during the year. On 7 January 2021, a £0.21 million follow-on investment was made into Parsley Box Limited. The enlarged shareholding was admitted to AIM on 31 March 2021. Ahead of the admission to AIM, the Company's equity investment in Parsley Box Limited had been exchanged for an equity investment in Parsley Box Group UK plc. Upon admission to AIM, the Company invested a further £0.01 million and realised proceeds of £1.03 million.

Green Growth focused portfolio
Blue MBO focused portfolio

	Date of first investment and Sector	Total Book cost at 31 March 2021 £	Valuation at 31 March 2020 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2021 £	% of net assets by value
Master Removers Group 2019 Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	**December 2014** Industrial support services	251,763	126,469	-	-	979,428	1,105,897	1.5%
Connect Childcare Group Limited Nursery management software provider	**December 2020** Software & computer services	828,419	-	828,419	-	175,883	1,004,302	1.4%
Vivacity Labs Limited Provider of artificial intelligence & urban traffic control systems	**February 2021** Technology, hardware & equipment	876,541	-	876,541	-	-	876,541	1.2%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software & computer services	789,815	607,310	-	-	205,005	812,315	1.1%
Bleach London Holdings Limited Hair colourants brand	**December 2019** Retailers	539,682	561,361	94,350	-	133,809	789,520	1.1%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	44,235	-	-	716,107	760,342	1.0%
Rota Geek Limited Workforce management software	**August 2018** Software & computer services	733,200	511,611	366,600	-	(324,378)	553,833	0.7%
IPV Limited Provider of media asset software	**November 2019** Software & computer services	535,459	535,459	-	-	-	535,459	0.7%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Industrial support services	1,000,000	-	-	-	367,499	367,499	0.5%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General industrials	999,568	184,631	-	-	151,385	336,016	0.5%
Northern Bloc Ice Cream Limited Supplier of premium vegan ice cream	**December 2020** Food producers	303,000	-	303,000	-	14,369	317,369	0.4%
Spanish Restaurant Group Limited (formerly Ibericos Etc. Limited) (trading as Tapas Revolution) Spanish restaurant chain	**January 2017** Travel & leisure	902,498	384,823	90,250	-	(276,523)	198,550	0.3%
Muller EV Limited (trading as Andersen EV) Provider of premium electric vehicle (EV) chargers	**June 2020** Technology, hardware & equipment	218,000	-	218,000	-	(36,809)	181,191	0.2%
Caledonian Leisure Limited Provider of UK leisure and experience breaks	**March 2021** Travel & leisure	135,852	-	135,852	-	-	135,852	0.2%
Kudos Innovations Limited Online platform that provides and promotes academic research dissemination	**November 2018** Software & computer services	277,950	277,950	-	-	(195,127)	82,823	0.1%
Jablite Holdings Limited (in members' voluntary liquidation) Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	281,398	-	-	-	37,110	37,110	0.1%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Industrial support services	967,780	-	-	-	-	-	0.0%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	906,935	-	-	-	-	-	0.0%
BookingTek Limited Software for hotel groups	**October 2016** Software & computer services	450,283	-	-	-	-	-	0.0%

Strategic Report

Investment Portfolio Summary

as at 31 March 2021

Green	Growth focused portfolio
Blue	MBO focused portfolio

	Date of first investment and Sector	Total Book cost at 31 March 2021 £	Valuation at 31 March 2020 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2021 £	% of net assets by value
Oakheath Limited (formerly Super Carers Limited) (in members' voluntary liquidation) Online platform that connects people seeking home care from experienced independent carers	**March 2018** Industrial support services	384,720	-	-	-	-	-	0.0%
Realised in year								
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Technology, hardware & equipment	-	2,808,598	-	(2,808,598)	-	-	0.0%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Industrial support services	-	927,913	-	(927,913)	-	-	0.0%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare equipment & services	-	249,843	-	(249,843)	-	-	0.0%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Industrial support services	-	157,657	-	(157,657)	-	-	0.0%
Total qualifying investments		**25,903,595**	**21,016,967**	**5,394,087**	**(6,145,806)**	**20,745,024**	**41,010,272**	**55.6%[3]**
Non-qualifying investments								
Media Business Insight Limited A publishing and events business focused on the creative production industries	**January 2015** Media	561,884	672,742	-	-	(154,953)	517,789	0.7%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	**July 2017** Retailers	304,000	304,000	-	-	-	304,000	0.4%
365 Agile Group plc (formerly Iafyds plc) Development of energy saving devices for domestic use	**March 2001** Technology, hardware & equipment	254,586	-	-	-	-	-	0.0%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	139,050	-	-	-	-	-	0.0%
Total non-qualifying investments		**1,259,520**	**976,742**	**-**	**-**	**(154,953)**	**821,789**	**1.1%**
Total investment portfolio per Note 8, page 65		**27,163,115**	**21,993,709**	**5,394,087**	**(6,145,806)**	**20,590,071**	**41,832,061**	**56.7%**
Cash and current asset investments[4]			21,806,051	-	-		30,019,758	40.6%
Total investments including cash and current asset investments		**27,163,115**	**43,799,760**	**5,394,087**	**(6,145,806)**	**20,590,071**	**71,851,819**	**97.3%**
Other current assets			150,699				2,218,906	2.9%
Current liabilities			(385,165)				(171,857)	(0.2)%
Totals		**27,163,115**		**5,394,087**	**(6,145,806)**			
Net assets at the year-end			**43,565,294**				**73,898,868**	**100.0%**
Total Investment Portfolio split by type								
Growth focused portfolio[5]		19,784,370	15,164,539	5,394,087	(997,846)	12,576,138	32,136,918	76.8%
MBO focused portfolio[5]		7,378,745	6,829,170	-	(5,147,960)	8,013,933	9,695,143	23.2%
Investment Adviser's Total		**27,163,115**	**21,993,709**	**5,394,087**	**(6,145,806)**	**20,590,071**	**41,832,061**	**100.0%**

[3] As at 31 March 2021, the Company held more than 80% 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 twelve 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.

[4] Disclosed as Current asset investments and Cash at bank within Current assets in the Balance Sheet on page 55.

[5] The growth focused portfolio contains all investments made after the change in the VCT regulations in 2015 plus some investments that are growth in nature made before this date. The MBO focused portfolio contains investments made prior to 2015 as part of the previous MBO strategy.

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 seeks 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 page 37 of this Annual Report.

Strategic Report

Stakeholder Engagement and Directors' Duties

The Board has discussed the discharge of their duties under Section 172 of the Companies Act 2006 having regard to the factors set out under Provision 5 of the Association of Investment Companies (AIC) Code and in line with the UK Corporate Governance Code. The views of and the impact of the Company's activities on the key stakeholders are an important consideration for the Board when making relevant decisions. The Board engages directly with different stakeholder groups through either regular or annual meetings and investor presentations to assist the directors in understanding the issues to which they must have regard.

The table below sets out the interests of key stakeholders that have been considered throughout the year during the Board's discussions and in decision making.

Stakeholders	Engagement type	Outcome
Shareholders	The key mechanisms of Shareholder engagement include: ● Annual General Meeting (AGM) ● Annual, Interim Reports and Interim Management Statements ● Annual Investor Event ● RNS Announcements ● Website	Continued Shareholder support and access to capital is of vital importance to the long-term success of the Company's business. Whilst Shareholders would normally attend the AGM and engage with the Board and Investment Adviser, this has not been possible under the COVID-19 restrictions for the 2020 AGM and also the forthcoming AGM. The Board wished to continue Shareholders' involvement in the AGM and their ability to communicate with the Board, ask questions and view the Investment Adviser's presentation. A teleconference facility and now a visual link via MS Teams have been made available so Shareholders retain the ability to interact with the Board and Investment Adviser. Shareholders are also encouraged to exercise their right to vote on the resolutions proposed at the AGM. The Annual Investor Event will be held as a virtual meeting later in 2021 and details will be sent to all Shareholders once finalised. Shareholders are provided with Annual and Interim Reports in hard or soft copy according to their choice, which are also available on the Company's website. Voluntary Interim Management Statements are released in the quarters between reports to ensure Shareholders are kept up to date with events. This has been particularly important during the pandemic and the resultant uncertainty. The website is an important source of information for Shareholders and announcements are also regularly made through the London Stock Exchange. The Share buyback programme has continued to be offered throughout the year. This provides Shareholders with liquidity if they wish to sell their shares, at a price close to the latest announced NAV per share, the Board having considered the interests of remaining Shareholders. Further details are contained in the Chairman's Statement on page 4 and in the Directors' Report on page 36. Shareholders are welcome to contact the Chairman or the Investment Adviser by email as advised on page 79 of this Report at any time during the year and a response will be provided. The Company seeks to create value for Shareholders by generating good returns which are eventually distributed to Shareholders as dividends. The importance of tax-free dividends to Shareholders is recognised by the Board and considered at each quarterly meeting. The decision was made to declare an interim dividend of 7.00 pence for payment during the year as well as a second interim dividend of 6.00 pence to be paid on 30 July 2021. The Company's dividend target has consistently been achieved or exceeded as outlined in the Chairman's Statement on page 4 and in the Strategic Report. It should be noted that the increased proportion of younger growth capital investments in the portfolio may lead to increased volatility, which could affect the return in any one year. The liquidity level of the Company has remained strong and is managed with the primary aim of preserving capital which is discussed at each Board meeting. Liquidity levels are managed after considering, inter alia, applicable annual dividend commitments as well as the provision of the buyback facility.
Investment Adviser	The Investment Adviser's performance is vital for the Company to deliver its investment strategy, meeting its objectives and generating investment returns for Shareholders, and is a crucial relationship for the Board.	The Investment Adviser meets with the Board at each quarterly meeting and is in frequent contact throughout the periods in between meetings e.g. to approve investment transactions. All key strategic and operational topics are discussed in detail and a close dialogue is maintained with the Board. The Board takes an active interest in the challenges faced by the portfolio companies. The Board considers each potential disposal based on the company's performance, market conditions and the offer(s) in its decision to sell the Company's holding. The Investment Adviser's performance is evaluated annually and its re-appointment is dependent on the outcome of that evaluation.
Investee Companies	The Board has delegated authority for the day-to-day management of the Company to the Investment Adviser and engages with the Investment Adviser in setting, approving and overseeing the execution of the business strategy and related policies.	The Board aims to hold a diverse mix of companies across a range of different sectors and regularly reviews the composition of the portfolio. The Investment Adviser reports to the Company's quarterly Board meetings on each of the portfolio companies. Members of the Investment Adviser sit on the majority of the portfolio companies' boards to provide input on key matters such as advancing the shareholder value agenda, ensuring class leading corporate governance and encouraging best practice in areas such as ESG. Considerable support has been provided to the investee companies during the year particularly at the start of the pandemic with regular communication undertaken outside of scheduled meetings. Amongst many portfolio initiatives during the lockdown, all investee companies were alerted to, and provided with, guidance and knowledge of relevant government support packages. The Company also provided loan interest payment holidays to some portfolio companies, generating vital cash headroom for the portfolio when required. Mobeus organises, when permitted and in recent cases virtually, seminars and events that involve portfolio companies and alumni to benefit from the Mobeus network.
Government & Regulators	The Board is committed to conducting business in line with the appropriate laws and regulation. Mobeus Income & Growth 2 VCT plc does not provide financial contributions to political parties or lobby groups.	As a UK listed company the Board and Investment Adviser comply with the Companies Act, the UKLA, HMRC, UK Accounting Standards and FCA regulatory requirements in addition to the Alternative Investment Fund Managers Directive, to ensure the Company can continue to trade. Non-compliance with the VCT regulations in particular is viewed as a principal risk for the Company. The Company continued to comply with these regulations throughout the year and to the date of this Report.
Suppliers	Including: Registrar, Broker, Auditor, Lawyer, Sponsor, Banker and the VCT Status Adviser	The Investment Adviser regularly communicates with each of the professional advisers and secures an annual confirmation of the policies they have in place. The Board reviews the performance of each provider on an annual basis. The Board's interaction with suppliers may be regularly at Board meetings, e.g. Auditor, Broker and VCT Status Adviser or mainly through the Investment Adviser.

Strategic Report

Principal and emerging risks, management and regulatory environment

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. Further details of these are contained in the Corporate Governance section of the Directors' Report on pages 40 to 42.

The risk profile of the Company 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 as has been experienced during the year under review.

The occurrence of the COVID-19 pandemic, whilst creating heightened uncertainty, has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

During the year, there have been no changes in the number of principal risks. A new emerging risk was identified by the Board which, with the principal risks, is listed below:

Risk	Possible consequence	How the Board manages risk
Political and Economic	Events such as the COVID-19 pandemic and resultant restrictions imposed by the Government, an economic recession, the impact of Brexit, a protracted period of political uncertainty and movements in interest rates, could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	• The Board monitors : (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies; (2) developments in the macro-economic environment such as interest rates; and (3) With regard to COVID-19, the Investment Adviser continues to hold ongoing discussions with all the portfolio companies, ascertaining where support is required. Cash comprises a significant proportion of the net assets of the Company, further to the successful realisations and the fund-raise in 2019/2020 giving the Company a strong liquidity position. The portfolio has a managed exposure to sectors such as leisure, hospitality, retail and travel which are currently more at risk.
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	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 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 continually reviewed by the Investment Adviser and the Board.
VCT Regulatory changes	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 which still apply. Non-compliance would result in a loss of VCT status.	• The Board receives advice from PHA in respect of these requirements, including those that may arise from the withdrawal from the EU, and conducts its affairs in order to comply with these requirements.
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 of 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 has a 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.
Environmental, Social and Governance Emerging Risk	Non-compliance with current and future reporting requirements could lead to a fall in demand from investors. That may affect the level of capital the Company has available to meet its investment objectives.	• ESG and climate change impacts are also taken into account when considering new investment proposals. The Investment Adviser monitors the potential impact on investee companies of any proposed new legislation regarding environmental, social and governance matters and advises and adapts accordingly. • The Board recognises that climate change is an important emerging risk that the Company is taking into account in their strategic planning although the Company itself has little direct impact on environmental issues. Measures had been introduced to decrease the amount of travel undertaken prior to the pandemic and working from home and to reduce the cost and environmental impact of providing paper copies of Shareholder correspondence, as mentioned elsewhere in the Annual Report.

Strategic Report

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 3 to 5, and the Strategic Report on pages 8 to 11. The majority of companies in the portfolio are well funded and the portfolio taken as a whole remains resilient and well diversified, although the impact of COVID-19 and Brexit may still impose demands upon the liquidity and trading prospects of some of these companies in the near-term. The Board believes the fundraising which completed in April 2020 assists the Company in meeting liquidity needs, where justified. 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 69 to 76. 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 potential changes to VCT legislation following Brexit and its implications for future Rules on State Aid. No further material uncertainties have been identified by the Board.

Viability Statement

The Directors have carried out a robust assessment comprising of the emerging risk, such as ESG and Climate Change as shown on page 33 and the principal risks facing the Company which are listed on the previous two pages. They have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. 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 emerging and principal risks and how these are managed, as described on the previous two pages. The Board is mindful of these risks but considers that its actions to manage those risks provides 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 over the next three years. The Board considers that the Company has sufficient liquidity to maintain its present investment rate in the short to medium-term.

Shareholders should be aware that, under the Company's Articles, it is required to hold a continuation vote at the next AGM falling after the fifth anniversary of last allotting shares. As shares were last allotted in April 2020 (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 3 to 5 and the Investment Adviser's Review on page 20.

Ian Blackburn
Chairman

30 June 2021

Board of Directors

Ian Blackburn

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

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 including Chairman and Non-Executive roles with Mood Foods Limited, Pink Prosecco Limited and Make it Plain Limited. He is also the treasurer of The Thomas Fryer Charity and a trustee of The Rutland Learning Trust (Multi Academy Trust).

Adam Kingdon

Independent, Non-executive Director and Chair of Audit Committee

Appointed to the Board: 29 September 2006.

Experience: Adam has over twenty years' experience as a turnaround specialist and of 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. In 2005 he founded i20 Water to develop innovative technology for the international water sector. In February 2015 he left i20 Water to found Utonomy, a supplier of intelligent utility networks.

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 industry since 2000. She has extensive C-suite, Chairman and VC experience in investing in, growing, restructuring and exiting early and development stage technology companies. After qualifying as an ACA with Price Waterhouse she moved to JP Morgan as an investment banker and then became an early stage technology investor at Quester Capital Management, as part of their VCT investment team. After leaving Quester she founded an angel network, Endeavour Ventures before becoming COFO for Redkite Financial Service Services; a business they exited to NASDAQ listed NICE Actimize. She then spent 3 years as CEO of You at Work, a full service employee benefits provider, helping to restructure the business. She has sat on a large number of boards and currently chairs StorMagic, which was a gold winner in two different categories of the 2021 Cybersecurity Excellence Awards. Sally was also shortlisted for the Private Equity Backed category of the 2021 Non-Executive Director Awards.

For details of the share interests, remuneration and attendance of the Directors, please see pages 46 and 47 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 2021.

The Corporate Governance Statement on pages 40 to 42, including the Report of the Audit Committee on pages 43 and 44, form part of this Directors' Report.

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

The Company is registered in England and Wales as a Public Limited Company (registration number 03946235).

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 3 to 5 and in the Investment Adviser's Review on pages 12 to 20.

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 2021 was £732,303 (2020: £596,893) and the number of shares in issue at this date was 73,230,275 (2020: 59,689,299).

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 9 September 2020, Shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to make market purchases of up to 11,035,300 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 8 September 2021.

During the year under review, the Company bought back 387,471 (2020: 1,128,609) of its own shares at an average price of 75.51 (2020: 83.69) pence per share and a total cost including expenses of £292,568 (2020: £944,508). These shares represented 0.7% 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 for the year ended 31 March 2021 of 7.00 pence per share paid to Shareholders on 19 June 2020.

A second interim dividend for the year ended 31 March 2021 of 6.00 pence per share has been declared for payment on 30 July 2021 to Shareholders on the Register of Members on the record date, 9 July 2021.

Directors

The names, dates of appointment and brief biographical details of each of the Directors are given on page 35 of this Annual Report. Further details of each Director's interests in the Company's shares are set out on page 47 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 (the "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 2021 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 by special resolution in accordance with section 21 of the Companies Act 2006. No amendment is proposed.

Post balance sheet events

For a full list of post balance sheet events that have occurred since 31 March 2021, please see Note 19 to the Financial Statements on page 77.

Environmental and social responsibility policies

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 has recognised ESG/Climate Change as an emerging risk, as referenced on page 33, and takes full consideration of relevant factors within the overall assessment of potential investee companies. It is considered alongside investment assessments of potential investee companies.

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 best 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 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, 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 interim reports. The Investment Adviser is conscious of the need to minimise its impact on the environment and has taken a number of initiatives in its offices including recycling, the reduction of energy consumption and travel.

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 which demonstrate that they have adopted an equivalent standard to those instituted by the Company.

Global greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within the Company's underlying investment portfolio). The Company does not fall within the scope of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 effective as of 1 April 2019 which implements the Government's policy on Streamlined Energy and Carbon Reporting, replacing the Carbon Reduction Commitment Scheme. The 2018 Regulations require companies that have consumed over 40,000 kilowatt-hours of energy to include energy and carbon information in their Directors' Report. This does not apply to the Company as it qualifies as a low energy user, nor does it apply to the Investment Adviser.

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 received confirmation from each of its service providers that they have a suitable whistleblowing 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 69 to 76 of this Annual Report.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, to be held at 11.00 am on Wednesday, 8 September 2021 at the Investment Adviser's office, 30 Haymarket, London, SW1Y 4EX is set out on pages 84 to 86 of this Annual Report.

Currently, it is not clear what restrictions might be in force in September due to the ongoing COVID-19 pandemic and current government advice (as published at the date of this Report), and therefore, the Board have agreed that for the safety of all attendees, the Annual General Meeting will be held by way of a closed meeting which Shareholders will not be able to attend in person. Shareholders will, however, be able to attend electronically using the following link: www.mobeusvctagm.co.uk but will not be able to vote on the resolutions at the meeting. Shareholders may send any questions on the resolutions proposed to the following email address: agm@mobeus.co.uk by 1 September 2021 and a response will be provided prior to the deadline for lodging your proxy vote. Shareholders will also be able to submit questions electronically during the meeting. Voting on the resolutions will be conducted by way of a poll by the quorum of members present.

A proxy form for the meeting is enclosed separately with Shareholders' copies of this Annual Report. Proxy votes may also be submitted electronically via the Link Group Shareholder Portal at www.signalshares.com. To reduce the environmental impact of paper use and wastage, Shareholders are encouraged to submit proxy instructions online.

You are encouraged to lodge your proxy form and appoint the Chairman of the meeting as your proxy as any other appointed proxy may also not be allowed to attend the meeting at the venue.

Directors' Report

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 and 9 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 2021 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 45 to 47. Resolution 2 is an advisory vote only.

Resolution 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. 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. Board succession planning has again been postponed due to the COVID-19 pandemic.

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

Sally Duckworth – Following a review of Sally's performance, the remaining Directors agree that she continues to make a significant contribution to the work of the Board and continues to demonstrate commitment to her role and as Chair of the Investment Committee. The other Directors have no hesitation in recommending her re-election to Shareholders. Sally has agreed to remain a director for another year.

Adam Kingdon - Following a performance review, the Directors agree that Adam has and continues to make a considerable contribution to the work of the Board and as Chair of the Audit Committee during the year and has demonstrated commitment to his role. The Directors have no hesitation in recommending his re-election to Shareholders. Adam has also agreed to remain a director until the succession plan can be resumed.

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 43 to 44.

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 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 amount of £244,101 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 Companies Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by Resolution 8 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate value up to, but not exceeding, 5% of the share capital 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 (less costs).

The Directors seek to manage any potential dilution of existing shareholdings as a result of the disapplication of members' pre-emption rights proposed in resolution 8, which are not expected to be used during the coming year.

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 2022. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved by Shareholders at the Annual General Meeting of the Company held on 9 September 2020.

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

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 10,977,218 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 1.00 penny, being the nominal value of the share.

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

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless they believe that to do so would result in an increase in net asset value 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 2022, 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.

Recommendation

The Board recommends that Shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings of 54,172 shares (representing 0.07% of the issued share capital as at the date of publication).

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

Mobeus Equity Partners LLP
Company Secretary

30 June 2021

Reports of the Directors

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies Code of Corporate Governance 2019 ("the AIC Code") for the financial year ended 31 March 2021. 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) in February 2019. In adopting the AIC Code, the Company therefore meets its obligations in relation to the reporting requirements of the Financial Conduct Authority's ("FCA") Listing and Disclosure and Transparency Rules on Corporate Governance.

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 systems and procedures of the Investment Adviser, the provision of VCT monitoring services by Philip Hare & Associates LLP, as well as the size of the Company's operations, give the Board full confidence that an internal audit function is not necessary. The Company has therefore not reported further in respect of these provisions.

Internal control

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

The Company's internal control system aims to ensure the maintenance of proper accounting records, the reliability of the 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 Interim 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 Registrar 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 Interim 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 Interim 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 16 June 2021. 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.

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 8 September 2021.

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.

In regard to the Chairman of the Board's tenure, the length of service of all directors is considered on an ongoing basis, with the Nomination & Remuneration Committee giving consideration to succession and composition at its year-end meeting, in compliance with the AIC Code of Corporate Governance guidance. As mentioned earlier in the Report, the succession planning of the Company is currently suspended as a result of the COVID-19 pandemic.

Board committees

The Board has established four Committees with responsibilities for specific areas of its activity. These are the Audit Committee, Management Engagement Committee, the Nomination and Remuneration Committee and the Investment 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 43 and 44, and the Directors' Remuneration Report on pages 45 to 47 of this Annual Report. Further details on the work of the Investment Committee and Management Engagement Committee are set out below.

Investment Committee

The Investment Committee is chaired by Sally Duckworth and comprises all the Directors.

The Committee's key responsibilities are to consider and approve investment and divestment recommendations from the Investment Adviser. The Committee meets frequently on an ad hoc basis as necessary to discuss and, if appropriate, to approve recommendations from the Investment Adviser. These meetings are not included in the meetings schedule on page 46.

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 Valuation Guidelines under which investments will be valued at the fair value as defined in those guidelines. Any AIM or other quoted investment would be valued at the closing bid price of its shares as at the relevant reporting date, in accordance with generally accepted accounting practice.

Management Engagement Committee

The Management Engagement Committee membership 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 60 to 62.

In addition the Investment Adviser received fees totalling £315,137 during the year ended 31 March 2021 (2020: £305,323), being £137,298 (2020: £129,795) in arrangement fees and £177,839 (2020: £175,528) 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 Registrar.

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

Corporate Governance Statement

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 very good performance and that the Company's investment portfolio had performed well, after allowing for the negative impact of COVID-19 at the start of the year. 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 VCT fundraisings which had taken place in recent years. The Board believes that the Investment Adviser had continued to exercise independent judgement while producing consistent valuations which reflected fair value.

The Board also believes that the Investment Adviser responded swiftly and effectively to COVID-19's impact upon investee companies.

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 16 June 2021.

The principal terms of the Company's Investment Management Agreement with the Investment Adviser dated 10 September 2010 (as amended and restated on 15 September 2016) and the incentive fee arrangements dated 20 September 2005 are set out in Note 4 to the Financial Statements on page 61 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

Mobeus Equity Partners LLP
Company Secretary

30 June 2021

Report of the Audit Committee

The Audit Committee comprises all Directors and is chaired by Adam Kingdon.

The duties of the Committee are set out in the Terms of Reference which can be found on the Company's website in the Corporate Governance section: www.mig2vct.co.uk.

A summary of the Audit Committee's principal activities for the year ended 31 March 2021 is provided below:

Financial Statements

The Interim 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 40. It receives a report, by exception, on the Company's progress against internal controls at its annual and interim 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.

As referred to earlier in the Report, an annual confirmation is sought and received from all external suppliers that they have the appropriate and equal policies in place to match those of the Company which are reported to the Audit Committee.

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, updated in December 2018 (as updated by Special Valuation guidance issued in March 2020). COVID-19's impact was specifically considered. The Committee received a report summarising the findings of the audit and half-year review from the external auditor. The half-year review performed by BDO is a limited scope engagement and not a detailed review as carried out for the year-end audit process. 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 liquid 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 34 of the Strategic Report for further details.

Recognition of Impairment and realised losses

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

Compliance with the VCT tests

The Company 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 (No 2) 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 both the requirement for 80% of the Company's investments to be held in qualifying investments from 1 April 2020 onwards and the requirement to invest 30% of funds raised within a year of the end of the financial year in which the funds were raised.

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 32 to 33, 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 on page 40.

Cyber Security

The Board has sought assurances during the year from the Investment Adviser, the Registrar 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.

Report of the Audit Committee

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;
- 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") Revised Ethical Standard 2019 which includes a list of prohibited non-audit services that cannot be provided by the external Auditor.

The Audit Committee, based upon the review of this 2019 Ethical Standard, has decided to purchase certain non-audit services, such as tax compliance services and iXBRL tagging, from separate firms. The auditor provides certain non-audit services in respect of the Interim Report, whereas Philip Hare & Associates LLP provide tax compliance services, and Arkk Consulting Limited, one of the Company's investee companies, provides the iXBRL Tagging Service.

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.

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 36.

By order of the Board

Adam Kingdon
Chairman of the Audit Committee

30 June 2021

Directors' Annual Remuneration Report

Dear Shareholder

I am pleased to introduce the Directors' Annual Remuneration Report for the year ended 31 March 2021.

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
30 June 2021

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 Directors' interests on page 36 of this Annual Report and this is explained further in the Auditor's Report to Shareholders on pages 49 to 53.

Directors' Remuneration Policy

The Directors' fees are reviewed annually and were last increased on 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, the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Committee may choose to take independent advice where and when it considers it appropriate.

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

Performance related remuneration

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

Recruitment remuneration

Remuneration of any new Director who may subsequently be appointed to the Board will be in line with the 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 the 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.

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.

A Director's appointment may be terminated on three months' notice being given by the Company. This policy applied throughout the year ended 31 March 2021 and will continue to apply to the current year ending 31 March 2022.

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 2020, was approved unanimously by Shareholders on a show of hands at the Annual General Meeting of the Company held on 9 September 2020. The Company received proxy votes in favour of the resolution representing 96.28% (including those who appointed the Chairman to vote at his discretion) of the votes received (against: 3.72%). It was agreed that this policy would be subject to Shareholder approval every three years, therefore a resolution to approve the Remuneration Policy will be put to Shareholders at the Annual General Meeting of the Company to be held in 2023.

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 2020, was unanimously approved by Shareholders on a show of hands at the Annual General Meeting of the Company held on 9 September 2020. An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 8 September 2021 for approval of the Directors' Annual Remuneration Report as set out on page 45.

Directors' Annual Remuneration Report

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 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 and Remuneration Committee, Chair of the Management Engagement 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 2021. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific matters as they arose.

Directors	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Management Engagement Committee Meeting	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ian Blackburn	4	4	2	2	2	2	1	1
Adam Kingdon	4	4	2	2	2	2	1	1
Sally Duckworth	4	4	2	2	2	2	1	1

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 twice 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.

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 ten 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 2011.

An explanation of the recent performance of the Company is given in the Chairman's Statement on page 3, the Performance section of the Strategic Report on pages 8 to 11 and in the Investment Portfolio Summary on pages 26 to 28.

By order of the Board

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Company Secretary

30 June 2021

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 2021 £	Year ended 31 March 2020 £	Annual % change
Ian Blackburn	36,000	36,000	-
Adam Kingdon	30,000	30,000	-
Sally Duckworth	30,000	30,000	-
Total	**96,000**	**96,000**	-

Aggregate fees paid in respect of qualifying services amounted to £96,000 (2020: £96,000). During the year, there was no change in the directors' remuneration from that of the previous year.

Directors' interests in the Company's shares

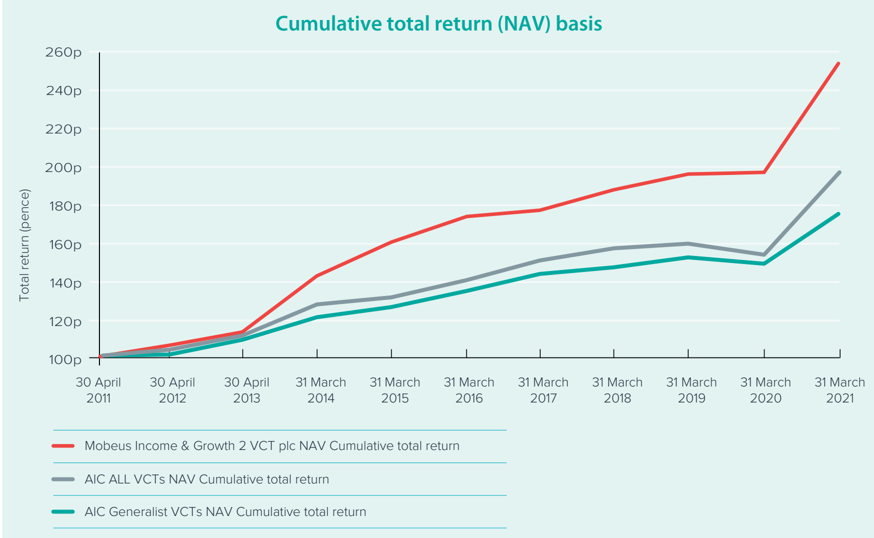
The Directors who held office during the year under review and their interests as at 31 March 2021 were:

Director	Holdings at 31 March 2021	Holdings at 31 March 2020
Ian Blackburn	48,463	48,463
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-

Relative importance of spend on Directors' fees

Year ended 31 March	2021 £	2020 £
Total Directors' fees	96,000	96,000
Dividends paid and payable in respect of the year	9,547,059	13,878,041
Share buybacks	292,568	944,508
Directors' fees as a share of:		
Closing net assets	0.1%	0.2%
Dividends	1.0%	0.7%
Total fees and expenses	6.2%	6.5%

There have been no further changes to the Directors' share interests between the year-end and the date of this Annual Report. The remuneration of the Directors is fixed and contains no performance related variable element. As the Company has no employees, the directors do not consider it relevant to compare director fees against employee pay.



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, is fair, balanced and understandable and that it provides the information necessary for Shareholders to assess the Company's position, 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 35.

For and on behalf of the Board

Ian Blackburn
Chairman

30 June 2021

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 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.

We have audited the financial statements of Mobeus Income & Growth 2 VCT plc ("the Company") for the year ended 31 March 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the 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. The period of total uninterrupted engagement is 13 years, covering the periods ended 30 April 2009 to 31 March 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing Management's forecasted cash flows and other available information that support the directors' assessment of going concern
- Assessing whether the assumptions made by Management in the forecasts and other available information were appropriate by understanding the basis of assumptions with reference to contractual obligations
- Challenging management's assumptions and judgements made with regards to forecasts; and
- Calculating financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

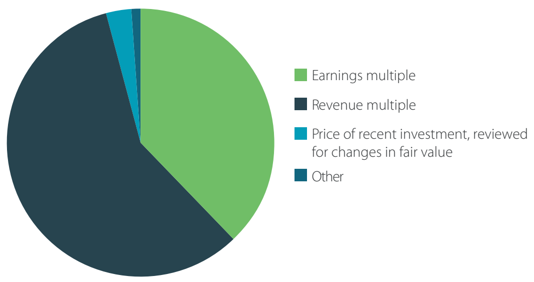
		2021	2020
Key audit matters	Valuation of unquoted investments	✓	✓
Materiality	£830,000 (2020: £440,000) based on 2% (2020: 2%) of total investments.		

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. All audit work was performed by BDO LLP.

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, including 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. This matter was 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 this matter.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (Note 8)	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 investments valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company.	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 applicable accounting standards; ● Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies; For a sample of investments valued using less subjective valuation techniques (price of recent investment reviewed for changes in fair value) we: ● Agreed the price of the recent investments to supporting documentation; ● Assessed whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company; ● Considered whether there were any indications that the price of the 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; and ● Considered whether the price of the recent investment is supported by alternative valuation techniques. For a sample of investments that were valued using more subjective techniques (earnings and revenue multiples) we: ● Challenged and agreed the inputs to the valuation with reference to management information of investee companies and market data including the impact of coronavirus pandemic on the valuations 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 by agreeing the multiples to independent sources and performing sensitivity analysis on the investment valuations.

Key audit matter		How the scope of our audit addressed the key audit matter
		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. We also considered the completeness and clarity of disclosures regarding the valuation of investments in the financial statements. Key observations: Based on the procedures performed we did not identify any indications to suggest that the valuation of the unquoted investment portfolio was materially misstated. We consider the investment valuations to be within an appropriate range considering the level of estimation uncertainty.

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 influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Company financial statements	2021 £'000	2020 £'000
Materiality	830	440
Basis for determining materiality	2% of investments	
Rationale for the benchmark applied	As a Venture Capital Trust, the value of investments is the key measure of performance	
Performance materiality	620	330
Basis for determining performance materiality	75% of materiality on the basis of our risk assessment, together with our assessment of the entity's overall control environment.	

We have set a specific materiality for testing those items impacting revenue return of £106,000 (2020: £179,000) which was based on 10% (2020: 10%) of revenue return before tax. The performance materiality was £79,000 (2020: £134,000) which was based on 75% (2020: 75%) of materiality on the basis of our risk assessment, together with our assessment of the entity's overall control environment.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £41,000 (2020: £8,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. For those items impacting revenue return, the agreed threshold was £5,000 (2020: £8,000).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

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; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

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.

Directors' remuneration

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

Matters on which we are required to report by exception

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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS102. We 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 also considered the risk that the valuation of the investment portfolio was subject to bias from the Investment Adviser, as described in the Key Audit Matter section above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur.

Our audit planning identified fraud risks in relation to:

- Investments - valuation - has been assessed as a Key Audit Matter above;
- Revenue recognition – completeness, existence and accuracy
- Management override.

Our procedures in response to the above included, but were not limited to:

- recalculating expected income from loan stock investments in line with the underlying agreements/ confirmations from investee companies;
- reviewing accrued fixed rate income and considering the recoverability of loan stock interest with reference to post year end receipts;
- reviewing the accuracy of the accounting for redemption premiums, considering whether they have been classified as capital or revenue items appropriately;
- tracing a sample of dividend income through from the nominal ledger to bank. To test for completeness of dividend income, we compared the income recognised to that announced by the companies in their latest financial statements or through obtaining direct confirmation from investee companies;
- agreeing the financial statement disclosures to underlying supporting documentation;
- making enquiries of management and those charged with governance;
- testing of journal postings made during the year to identify potential management override of controls;
- reviewing minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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.

BDO LLP

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

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

Income Statement

for the year ended 31 March 2021

	Notes	Year ended 31 March 2021 Revenue £	Capital £	Total £	Year ended 31 March 2020 Revenue £	Capital £	Total £
Net investment portfolio gains/(losses)	8	-	25,356,908	25,356,908	-	(1,860,406)	(1,860,406)
Income	3	1,698,434	-	1,698,434	2,454,166	-	2,454,166
Investment Adviser's fees	4a	(299,284)	(897,853)	(1,197,137)	(275,715)	(827,145)	(1,102,860)
Other expenses	4d	(339,113)	-	(339,113)	(383,905)	-	(383,905)
Profit/(loss) on ordinary activities before taxation		1,060,037	24,459,055	25,519,092	1,794,546	(2,687,551)	(893,005)
Taxation on profit/(loss) on ordinary activities	5	(43,540)	43,540	-	(292,105)	157,158	(134,947)
Profit/(loss) for the year and total comprehensive income		**1,016,497**	**24,502,595**	**25,519,092**	**1,502,441**	**(2,530,393)**	**(1,027,952)**
Basic and diluted earnings per ordinary share:	7	**1.38p**	**33.37p**	**34.75p**	**2.94p**	**(4.95)p**	**(2.01)p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the net investment portfolio gains (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 October 2019) 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 59 to 77 form part of these Financial Statements.

Balance Sheet

as at 31 March 2021

Company No. 03946235

	Notes	31 March 2021 £	31 March 2020 £
Fixed assets			
Investments at fair value	8	41,832,061	21,993,709
Current assets			
Debtors and prepayments	10	2,218,906	150,699
Current asset investments	11	27,633,496	19,419,301
Cash at bank	11	2,386,262	2,386,750
		32,238,664	21,956,750
Creditors: amounts falling due within one year	12	(171,857)	(385,165)
Net current assets		32,066,807	21,571,585
Net assets		**73,898,868**	**43,565,294**
Capital and reserves			
Called up share capital	13	732,303	596,893
Share premium reserve		21,025,160	10,673,405
Capital redemption reserve		9,031	5,157
Revaluation reserve		16,598,524	(3,206,720)
Special distributable reserve		19,524,067	24,090,692
Realised capital reserve		13,397,234	9,809,815
Revenue reserve		2,612,549	1,596,052
Equity Shareholders' funds		**73,898,868**	**43,565,294**
Basic and diluted net asset value per ordinary share	14	**100.91p**	**72.99p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2021 and are signed on their behalf by:

Ian Blackburn
Chairman

The Notes on pages 59 to 77 form part of these Financial Statements.

Statement of Changes in Equity
for the year ended 31 March 2021

	Notes	Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve (Note a) £	Realised capital reserve (Note b) £	Revenue reserve (Note b) £	Total £
		Non-distributable reserves				Distributable reserves			
At 1 April 2020		**596,893**	**10,673,405**	**5,157**	**(3,206,720)**	**24,090,692**	**9,809,815**	**1,596,052**	**43,565,294**
Comprehensive income for the year									
Profit for the year		-	-	-	20,590,071	-	3,912,524	1,016,497	25,519,092
Total comprehensive income for the year		**-**	**-**	**-**	**20,590,071**	**-**	**3,912,524**	**1,016,497**	**25,519,092**
Contributions by and distributions to owners									-
Shares issued under Offer for Subscription (Note c)	13	139,284	10,622,489	-	-	-	-	-	10,761,773
Issue costs and facilitation fees on Offer for Subscription (Note c)	13	-	(270,734)	-	-	(230,746)	-	-	(501,480)
Shares bought back (Note d)	13	(3,874)	-	3,874	-	(292,568)	-	-	(292,568)
Dividends paid	6	-	-	-	-	(2,944,710)	(2,208,533)	-	(5,153,243)
Total contributions by and distributions to owners		**135,410**	**10,351,755**	**3,874**	**-**	**(3,468,024)**	**(2,208,533)**	**-**	**4,814,482**
Other movements									
Realised losses transferred to special reserve (Note a)		-	-	-	-	(1,098,601)	1,098,601	-	-
Realisation of previously unrealised gains		-	-	-	(784,827)	-	784,827	-	-
Total other movements		**-**	**-**	**-**	**(784,827)**	**(1,098,601)**	**1,883,428**	**-**	**-**
At 31 March 2021		**732,303**	**21,025,160**	**9,031**	**16,598,524**	**19,524,067**	**13,397,234**	**2,612,549**	**73,898,868**

Notes

a): The Company's special reserve is available to fund buybacks of shares as and when it is considered by the Board to be in the interests of Shareholders, and to absorb any existing and future realised losses and for other corporate purposes. At 31 March 2021, the Company has a special reserve of £19,524,067, £4,927,215 of which arises from shares issued more than three years ago. Reserves originating from share issues are not distributable under VCT rules if they arise from share issues that are within three years of the end of an accounting period in which shares were issued. The total transfer of £1,098,601 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.

c): Under an Offer for Subscription launched on 25 October 2019, 13,928,447 ordinary shares were allotted on 2 April 2020, raising net funds of £10,260,293 for the Company. This figure is net of issue costs of £270,734 and facilitation fees of £230,746.

d): During the year, the Company purchased 387,471 of its own shares at the prevailing market price for a total cost of £292,568, which were subsequently cancelled. This figure is lower than that shown in the Statement of Cashflows of £353,488 due to £60,920 included as a creditor at the previous year-end.

The composition of each of these reserves is explained below:

Called up share capital

The nominal value of shares originally issued, increased for subsequent share issues either via an Offer for Subscription or 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.

The Notes on pages 59 to 77 form part of these Financial Statements.

Statement of Changes in Equity
for the year ended 31 March 2020

	Notes	Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve £	Realised capital reserve £	Revenue reserve £	Total £
		Non-distributable reserves				Distributable reserves			
At 1 April 2019		**489,251**	**30,498,349**	**98,089**	**4,357,307**	**4,391,645**	**7,600,987**	**1,294,329**	**48,729,957**
Comprehensive income for the year									
(Loss)/profit for the year		-	-	-	(5,630,047)	-	3,099,654	1,502,441	(1,027,952)
Total comprehensive income for the year		**-**	**-**	**-**	**(5,630,047)**	**-**	**3,099,654**	**1,502,441**	**(1,027,952)**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription		118,928	10,944,747	-	-	-	-	-	11,063,675
Issue costs and facilitation fees on Offer for Subscription		-	(271,342)	-	-	(106,495)	-	-	(377,837)
Shares bought back		(11,286)	-	11,286	-	(944,508)	-	-	(944,508)
Dividends paid		-	-	-	-	(8,797,809)	(3,879,514)	(1,200,718)	(13,878,041)
Total contributions by and distributions to owners		**107,642**	**10,673,405**	**11,286**	**-**	**(9,848,812)**	**(3,879,514)**	**(1,200,718)**	**(4,136,711)**
Other movements									
Cancellation of share premum reserve		-	(30,498,349)	(104,218)	-	30,602,567	-	-	-
Realised losses transferred to special reserve		-	-	-	-	(1,054,708)	1,054,708	-	-
Realisation of previously unrealised gains		-	-	-	(1,933,980)	-	1,933,980	-	-
Total other movements		**-**	**(30,498,349)**	**(104,218)**	**(1,933,980)**	**29,547,859**	**2,988,688**	**-**	**-**
At 31 March 2020		**596,893**	**10,673,405**	**5,157**	**(3,206,720)**	**24,090,692**	**9,809,815**	**1,596,052**	**43,565,294**

Notes - continued from previous page

Share premium reserve

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

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

This reserve is created from cancellations of the balances upon the Share premium reserve, which are transferred to this reserve from time to time. The cost of share buybacks and any realised losses on the sale or impairment of investments (excluding transaction costs) are charged to this reserve. 75% of the Investment Adviser fee expense, and the related tax effect, that are charged to the realised capital reserve are transferred to this reserve. This reserve will also be charged any facilitation payments to financial advisers, which arose as part of the Offer for Subscription.

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 as well as 25% of the Investment Advisor fee together with the related tax effect, as well as income dividends paid that are classified as revenue in nature.

The Notes on pages 59 to 77 form part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 March 2021

	Notes	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Cash flows from operating activities			
Profit/(loss) for the financial year		25,519,092	(1,027,952)
Adjustments for:			
Net investment portfolio (gains)/losses		(25,356,908)	1,860,406
Tax charge for the current year		-	134,947
Decrease in debtors		7,025	17,494
(Decrease)/increase in creditors and accruals		(18,957)	83,422
Net cash inflow from operations		150,252	1,068,317
Corporation tax paid		(134,947)	(61,351)
Net cash inflow from operating activities		**15,305**	**1,006,966**
Cash flows from investing activities			
Purchase of investments	8	(5,394,087)	(5,191,745)
Disposal of investments	8	8,838,927	11,403,836
Net cash inflow from investing activities		**3,444,840**	**6,212,091**
Cash flows from financing activities			
Gross proceeds as part of Offer for Subscription	13	10,761,773	11,063,675
Issue costs and facilitation fees on Offer for Subscription	13	(501,480)	(377,837)
Equity dividends paid	6	(5,153,243)	(13,878,041)
Purchase of own shares	13	(353,488)	(883,588)
Net cash inflow/(outflow) from financing activities		**4,753,562**	**(4,075,791)**
Net increase in cash and cash equivalents		**8,213,707**	**3,143,266**
Cash and cash equivalents at start of year		21,806,051	18,662,785
Cash and cash equivalents at end of the year		**30,019,758**	**21,806,051**
Cash and cash equivalents comprise:			
Cash equivalents	11	27,633,496	19,419,301
Cash at bank and in hand	11	2,386,262	2,386,750

The Notes on pages 59 to 77 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2021

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. All accounting policies are included within an outlined box at the top of each relevant Note.

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS102"), with the Companies Act 2006 and the 2014 Statement of Recommended practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('the SORP') (updated in October 2019) issued by the Association of Investment Companies ("AIC"). The Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments which are disclosed under FRS102 s11/12 as shown in Note 15.

After performing the necessary enquiries, the Directors have undertaken an assessment of the Company's ability to meet its liabilities as they fall due. The Company has significant cash and liquid resources and no external debt or capital commitments. The Company's cash flow forecasts, which consider levels of anticipated new and follow-on investment, as well as investment income and annual running cost projections, are discussed at each quarterly Board meeting and, in particular, have been considered in light of the ongoing impact of the COVID-19 pandemic. The Directors have also received assurances that the Company's key suppliers' ability to continue to service the Company has not been materially impacted by the COVID-19 pandemic. Following this assessment, the Directors have a reasonable expectation that the Company will have adequate resources to continue to meet its liabilities for at least 12 months from the date of these Financial Statements. The Directors therefore consider the preparation of these Financial Statements on a going concern basis to be appropriate.

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 2021 has been classified as capital and has been included within gains on investments.

	2021 £	2020 £
Income from bank deposits	1,477	18,525
Income from investments		
– from equities	830,882	275,221
– from overseas based OEICs	13,522	74,318
– from UK based OEICs	9,281	35,975
– from loan stock	795,761	2,049,810
– from interest on preference share dividend arrears	41,533	317
	1,690,979	**2,435,641**
Other income	5,978	-
Total income	**1,698,434**	**2,454,166**
Total income comprises		
Dividends	853,685	385,514
Interest	838,771	2,068,652
Other	5,978	-
	1,698,434	**2,454,166**

Total loan stock interest due but not recognised in the year was £481,136 (2020: £231,708). This increase is due to a number of investee company provisions in light of COVID-19.

Notes to the Financial Statements for the year ended 31 March 2021

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 £	2021 Total £	Revenue £	Capital £	2020 Total £
Mobeus Equity Partners LLP						
Investment Adviser's fees	299,284	897,853	1,197,137	275,715	827,145	1,102,860
	299,284	**897,853**	**1,197,137**	**275,715**	**827,145**	**1,102,860**

Under the terms of a revised investment management agreement dated 10 September 2010, (as amended and restated on 15 September 2016) 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. From 1 July 2020, the Investment Adviser's fee upon the net funds raised under the 2019/2020 Offer for Subscription from the use of the over-allotment facility of £5 million was reduced from 2.0% to 1.0% per annum for one year. In addition, under the 2019/20 Offer for Subscription, for net funds raised from gross applications in excess of £20 million, the fee was reduced from 2.0% to 0%, also for one year.

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 2021, the expense cap has not been breached (2020: £nil).

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 £137,298 (2020: £129,795) and £177,839 (2020: £175,528) respectively. The fees for supplying directors and/or monitoring services were from 36 (2020: 35) investee companies during the year.

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 Fee 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 into 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 2021

The cumulative dividends paid fell short of the annual cumulative dividend target at 31 March 2021 by 1.31p per share (£870,089 in aggregate being 90.5% of the total shortfall) at the year-end, (where 90.5% 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 6.00 pence annual dividend hurdle was 8.32 pence per share at the year-end after adjustment for RPI. The Base NAV was 99.06 pence per share at the year-end and an average of 98.44 pence per share for the year, compared to an average NAV for the year of 77.66 pence per share.

Therefore no Incentive fee is payable for the year (2020: £Nil).

c) Offer for subscription fees

	2021 £m	2020 £m
Funds raised by the Company	10.76	11.06
Offer costs payable to Mobeus at 3.00% of funds raised by the Company	**0.32**	**0.33**

Under the terms of an Offer for Subscription, with the other Mobeus advised VCTs, launched on 25 October 2019, Mobeus was entitled to fees of 3.00% of the investment amount received from investors. This amount totalled £1.74 million across all four VCTs, out of which all the costs associated with the allotment were met, excluding any payments to advisers facilitated under the terms of the Offer.

Notes to the Financial Statements for the year ended 31 March 2021

d) Other expenses

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

	2021 £	2020 £
Directors' remuneration (including NIC of £5,610 (2020: £6,674)) (Note a)	101,610	102,674
IFA trail commission	66,663	51,669
Broker's fees	6,000	12,000
Auditor's fees – Audit of Company (excluding VAT)	30,084	29,213
– audit related assurance services (Note b) (excluding VAT)	6,868	6,663
Registrar's fees	31,076	45,052
Printing	41,232	49,776
Legal & professional fees	4,074	34,104
VCT monitoring fees	8,400	8,400
Directors' insurance	7,378	8,269
Listing and regulatory fees	27,151	26,939
Sundry	8,577	9,146
Other expenses	**339,113**	**383,905**

a): See analysis of Directors' fees payable and their interests in the shares of the Company in the Directors' Remuneration Report on pages 45 to 47, which excludes NIC above. The key management personnel are the three Non-Executive Directors. The Company has no employees.

b): The audit-related assurance services are in relation to a limited scope engagement in respect of the Financial Statements within the Company's Interim Report. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained.

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 £	2021 Total £	Revenue £	Capital £	2020 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	43,540	(43,540)	-	292,105	(157,158)	134,947
Total current tax charge	**43,540**	**(43,540)**	**-**	**292,105**	**(157,158)**	**134,947**
Corporation tax is based on a rate of 19% (2020: 19%)						
b) Profit on ordinary activities before tax	1,060,037	24,459,055	25,519,092	1,794,546	(2,687,551)	(893,005)
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 19% (2020: 19%)	201,407	4,647,220	4,848,627	340,964	(510,635)	(169,671)
Effect of:						
UK dividends	(157,867)	-	(157,867)	(52,292)	-	(52,292)
Net investment portfolio (gains)/ losses not taxable/deductible	-	(4,817,813)	(4,817,813)	-	353,477	353,477
Unrelieved expenditure	-	127,053	127,053	3,433	-	3,433
Actual tax charge	**43,540**	**(43,540)**	**-**	**292,105**	**(157,158)**	**134,947**

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 (2020: £nil). There is an unrecognised deferred tax asset of £24,140 (2020: £nil). The deferred tax asset relates to unrelieved management expenses and is not recognised because the Company may not generate sufficient taxable income in the foreseeable future to utilise these expenses.

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 in applying the above accounting policy is in determining the amount of minimum income dividend to be paid in respect of a year. The Company's status as a VCT means it has to comply with Section 274 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	2021 £	2020 £
Interim	Capital	2020	8.00p	20/09/2019	-	3,879,514
Interim	Capital*	2020	7.00p	20/09/2019	-	3,394,575
Interim	Income	2020	2.00p	27/03/2020	-	1,200,718
Interim	Capital*	2020	9.00p	27/03/2020	-	5,403,234
Interim	Capital	2021	3.00p	19/06/2020	2,208,533	-
Interim	Capital*	2021	4.00p	19/06/2020	2,944,710	-
					5,153,243	**13,878,041**

* These dividends were paid out of the Company's special distributable reserve.

Distributions to equity holders after the year-end:						
Dividend	Type	For year ended 31 March	Pence per share	Date paid/payable	2021 £	2020 £
Interim	Income	2021	1.25p	30/07/2021	915,379	-
Interim	Capital	2021	4.75p	30/07/2021	3,478,438	-
					4,393,817	**-**

The Board has declared a second interim dividend in respect of the year ended 31 March 2021 of 6.00 pence per share to be paid to Shareholders on 30 July 2021.

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/payable	2021 £	2020 £
Revenue available for distribution by way of dividends for the year					**1,016,497**	**1,502,441**
Interim	Income	2020	2.00p	27/03/2020	-	1,200,718
Interim	Income	2021	1.25p	30/07/2021	915,379	-
Total income dividends for the year					**915,379**	**1,200,718**

7 Basic and diluted earnings and return per share

	2021 £	2020 £
Total earnings after taxation:	25,519,092	(1,027,952)
Basic and diluted earnings per share (Note a)	**34.75p**	**(2.01)p**
Net revenue earnings from ordinary activities after taxation	1,016,497	1,502,441
Basic and diluted revenue earnings per share (Note b)	**1.38p**	**2.94p**
Net investment portfolio gains/(losses)	25,356,908	(1,860,406)
Capital Investment Adviser's fees (net of taxation)	(854,313)	(669,987)
Total capital earnings	24,502,595	(2,530,393)
Basic and diluted capital earnings per share (Note c)	**33.37p**	**(4.95)p**
Weighted average number of shares in issue in the year	73,424,532	51,134,517

Notes:

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

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

c) Basic 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 (as updated by Special Valuation guidance issued in March 2020). 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 or follow-on 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 every subsequent quarterly measurement date, 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 enterprise value of the investment may be determined 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, depreciation and amortisation, or revenue, or gross profit (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Adviser compared to the sector including, inter alia, scale and liquidity).

or:-

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

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

(iii) Where a multiple or the price of recent investment less impairment basis is not appropriate and overriding factors apply, a discounted cash flow, net asset valuation, realisation proceeds, or a weighted average of these bases 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 figures are shown net of any applicable transaction costs incurred by the Company.

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.

Accounting standards classify methods of fair value measurement as Levels 1, 2 and 3. This hierarchy is based upon the reliability of information used to determine the valuation. All of the unquoted investments are Level 3, i.e. fair value is measured using techniques using inputs that are not based on observable market data.

Notes to the Financial Statements for the year ended 31 March 2021

Movements in investments during the year are summarised as follows:

	Traded on AIM Level 1	Unquoted equity shares Level 3 £	Unquoted preference shares Level 3 £	Unquoted Loan Stock Level 3 £	Total £
Cost at 31 March 2020	-	15,983,143	21,710	10,898,798	26,903,651
Permanent impairment at 31 March 2020	-	(1,546,240)	-	(156,982)	(1,703,222)
Unrealised losses at 31 March 2020	-	(523,898)	(2,681)	(2,680,141)	(3,206,720)
Valuation at 31 March 2020	**-**	**13,913,005**	**19,029**	**8,061,675**	**21,993,709**
Purchases at cost	-	3,530,755	323,800	1,539,532	5,394,087
Sale proceeds (Note b)	(989,686)	(5,869,379)	(18,111)	(4,035,467)	(10,912,643)
Reclassification at value (Note c)	1,053,891	(1,444,155)	390,264	-	-
Net realised gains on investments (Note a)	751,263	3,670,579	-	344,995	4,766,837
Net unrealised gains on investments (Note d)	7,986,128	11,218,571	39,773	1,345,599	20,590,071
Valuation at 31 March 2021	**8,801,596**	**25,019,376**	**754,755**	**7,256,334**	**41,832,061**
Cost at 31 March 2021	551,090	16,826,218	691,155	9,094,652	27,163,115
Permanent impairment at 31 March 2021 (Note e)	-	(1,790,358)	(170)	(139,050)	(1,929,578)
Unrealised gains/(losses) at 31 March 2021	8,250,506	9,983,516	63,770	(1,699,268)	16,598,524
Valuation at 31 March 2021	**8,801,596**	**25,019,376**	**754,755**	**7,256,334**	**41,832,061**

Net realised gains on investments of £4,766,837 together with net unrealised gains on investments of £20,590,071 equal net investment portfolio gains of £25,356,908 shown on the Income Statement.

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 26 to 28.

Major movements in investments

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

Company	Type	Investment Cost £	Disposal Proceeds £	Opening Valuation £	Net realised gain in year £
Tovey Management Limited (trading as Access IS)	Realisation	1,953,373	4,212,094	2,808,598	1,403,496
Parsley Box Group Plc (formerly Parsley Box Limited)	Partial realisation	255,680	1,028,074	238,423	789,651
Blaze Signs Holdings Limited	Realisation	437,030	936,679	157,657	779,022
MPB Group Limited	Partial realisation	128,148	1,000,733	254,738	745,995
Bourn Bioscience Limited	Realisation	757,101	938,066	249,843	688,223
Vectair Holdings Limited	Realisation	60,293	1,220,021	927,913	292,108
End Ordinary Group Limited (trading as Buster & Punch) (formerly Buster and Punch Holdings Limited)	Loan repayment	129,438	129,438	129,438	-
Vian Marketing Limited (trading as Red Paddle Co)	Loan repayment	87,783	125,404	125,404	-
Other capital proceeds*	Various	1,307,845	1,322,134	1,253,792	68,342
		5,116,691	**10,912,643**	**6,145,806**	**4,766,837**

* Other capital proceeds contains loan repayments of £1,253,792 and £42,936 from Virgin Wines and BookingTek respectively and £63,794 of contingent consideration from companies realised in previous years, against a stamp duty payment of £38,388 upon the listing of Virgin Wines shares to AIM.

Note b) The sale proceeds shown above of £10,912,643 is £2,073,716 more than that shown on the Statement of Cash Flows of £8,838,927 due to proceeds receivable from the partial realisations of MPB Group Limited and Parsley Box Group Plc (formerly Parsley Box Limited), as well as additional proceeds due from Vectair Holdings Limited. These amounts were recognised as debtors at 31 March 2021.

Note c): The Company's equity investments in Virgin Wines and Parsley Box were admitted to AIM during the year. The amount transferred from Level 3 to Level 1 of £1,053,891 reflects the combined equity value held at the start of the year and a follow-on investment made in the year.

Note d) The major components of the net increase in unrealised valuations of £20,590,071 in the year were increases of £6,691,780 in Virgin Wines UK Plc (formerly Virgin Wines Holding Company Limited), £2,547,525 in MPB Group Limited, £1,737,977 in EOTH Limited, £1,372,478 in Manufacturing Services Investment Limited (trading as Wetsuit Outlet) and £1,294,348 in Parsley Box Group Plc (formerly Parsley Box Limited). These increases were partly offset by falls of £324,378 in Rota Geek Limited, £276,523 in Spanish Restaurant Group Limited (formerly Ibericos Etc. Limited) (trading as Tapas Revolution) and £195,127 in Kudos Innovations Limited.

Note e) During the year, permanent impairments of the cost of investments have increased from £1,703,222 to £1,929,578. The net increase of £226,356 is due to the permanent impairment of one investee company, offset by the disposal of one investee company which had been permanently impaired previously.

9 Significant interests

At 31 March 2021 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 advised by Mobeus[1,2]
Media Business Insight Holdings Limited[3]	803,628	1,205,444	2,009,072	11.6%	67.5%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	858,496	858,496	1,716,992	4.7%	27.5%
Preservica Limited	809,617	728,609	1,538,226	9.5%	58.8%
My Tutorweb Limited (trading as MyTutor)	1,515,891	-	1,515,891	6.1%	35.1%
Bella & Duke Limited	1,451,101	-	1,451,101	10.0%	20.7%
Arkk Consulting Limited (trading as Arkk Solutions)	545,395	754,470	1,299,865	5.8%	32.0%
End Ordinary Group Limited (trading as Buster & Punch) (formerly Buster and Punch Holdings Limited)	1,231,510	-	1,231,510	6.4%	34.6%
RDL Corporation Limited	173,932	826,068	1,000,000	8.9%	44.5%
CGI Creative Graphics International Limited	328,613	670,955	999,568	4.3%	26.9%
Veritek Global Holdings Limited	26,001	941,779	967,780	9.2%	65.6%
Data Discovery Solutions Limited (trading as Active Navigation)	943,000	-	943,000	5.4%	28.5%
Spanish Restaurant Group Limited (trading as Tapas Revolution) (formerly Ibericos Etc. Limited)	270,748	631,750	902,498	4.5%	25.0%
Vivacity Labs Limited	876,541	-	876,541	4.2%	20.0%
Connect Childcare Group Limited	414,219	414,200	828,419	3.0%	14.4%
Tharstern Group Limited	245,115	544,700	789,815	8.8%	52.5%
Rota Geek Limited	733,200	-	733,200	3.7%	20.3%
Vian Marketing Limited (trading as Red Paddle Co)	216,675	412,580	629,255	8.7%	48.5%
IPV Limited	535,459	-	535,459	4.8%	26.6%
Oakheath Limited (formerly Super Carers Limited) (in members' voluntary liquidation)	384,720	-	384,720	3.4%	18.7%
Jablite Holdings Limited (in members' voluntary liquidation)	254,380	27,018	281,398	4.8%	40.1%
Master Removers Group 2019 Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	251,763	-	251,763	4.8%	28.0%
Caledonian Leisure Limited	135,852	-	135,852	3.3%	15.9%
Virgin Wines UK plc (formerly Virgin Wines Holding Company Limited)	30,541	-	30,541	5.5%	36.1%

Notes to the Financial Statements for the year ended 31 March 2021

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

[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.

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

	2021 £	2020 £
Amounts due within one year:		
Accrued income	130,169	136,800
Prepayments	13,505	13,899
Other debtors	2,075,232	-
	2,218,906	**150,699**

Other debtors of £2,075,232 include proceeds generated from the partial realisations of Parsley Box Group Plc (formerly Parsley Box Limited) and MPB Group Limited, as well as additional proceeds from the disposal of Vectair Holdings Limited received after the year-end.

11 Current asset investments and Cash at bank

Cash equivalents, for the purposes of the Statement of Cash Flows, comprise 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.

	2021 £	2020 £
OEIC Money market funds (Cash equivalents per Statement of Cash Flows)	27,633,496	19,419,301
Current asset investments	**27,633,496**	**19,419,301**
Cash at bank	**2,386,262**	**2,386,750**

12 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	5,824	69,860
Other creditors	15,721	41,091
Accruals	150,312	139,267
Corporation tax[1]	-	134,947
	171,857	**385,165**

[1] - There was no corporation tax liability due at 31 March 2021 as a result of taxable income generated in the year to 31 March 2021 being outweighed by tax allowable costs.

13 Called up share capital

	2021 £	2020 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 73,230,275 (2020: 59,689,299)	**732,303**	**596,893**

Purchased	Date of purchase	Nominal value £
32,944	3 July 2020	329
68,160	28 September 2020	682
47,195	28 September 2020	472
89,172	16 December 2020	892
150,000	10 March 2021	1,500
387,471		3,875

Under the Offer for Subscription launched on 25 October 2019 an additional 13,928,447 ordinary shares were allotted on 2 April 2020 (2020: 11,892,778) at an average effective offer price of 77.26 pence per share, raising net funds of £10,260,293 (2020: £10,685,838).

During the year the Company repurchased 387,471 (2020: 1,128,609) of its own ordinary shares (representing 0.7% (2020: 2.3%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £292,568 (2020: £944,508). These shares were subsequently cancelled by the Company. This figure is lower than that shown in the Statement of Cashflows of £353,488 due to £60,920 included in creditors at the previous year-end.

14 Basic and diluted net asset value per share

	As at 31 March 2021	As at 31 March 2020
Net assets	£73,898,868	£43,565,294
Number of ordinary shares in issue	73,230,275	59,689,299
Net asset value per share (pence)	**100.91p**	**72.99p**

15 Financial instruments

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

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

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

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

Loans and receivables 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.

Notes to the Financial Statements for the year ended 31 March 2021

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2021:

	2021 (Fair value) £	2020 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	41,832,061	21,993,709
Loans and receivables held at amortised cost		
Current asset investments	27,633,496	19,419,301
Cash at bank	2,386,262	2,386,750
Accrued income	130,169	136,800
Other debtors	2,075,232	-
Liabilities held at amortised cost		
Other creditors	(171,857)	(245,964)
Total for financial instruments	73,885,363	43,690,596
Non financial instruments	13,505	(125,302)
Net assets	**73,898,868**	**43,565,294**

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

The investment portfolio principally consists of unquoted investments - 79.0% (2020: 100.0%) and AIM quoted stocks - 21.0% (2020: Nil). The investment portfolio has a 100.0% (2020: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 56.6% (2020: 50.5%) 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 40.6% (2020: 50.1%) 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 and quoted 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, although two assets were admitted to AIM in the year making up 21% of the portfolio value at the year-end. The companies held in the portfolio are usually smaller than those which are quoted on the main market of the London 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. In the case of the Company's quoted portfolio, the shares of these companies are thinly traded and as such the prices are more volatile than those of more widely traded securities. 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 £30,019,758 (2020: £21,806,051) 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 £	2021 Total £
Other creditors	**100,029**	**71,828**	-	-	**171,857**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2020 Total £
Other creditors	**193,974**	**51,990**	-	-	**245,964**

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:

	2021 £	2020 £
Loan stock investments	7,256,334	8,061,675
Preference shares	754,755	19,029
Current asset investments	27,633,496	19,419,301
Accrued income	130,169	136,800
Other debtors	2,075,232	-
Cash at bank	2,386,262	2,386,750
	40,236,248	**30,023,555**

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 £130,169 was all due within three months of the year-end, all of which has since been received.

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	2021 £	2020 £
0 to 1 year	1,257,927	2,181,916
1 to 2 years	589,400	1,561,364
2 to 3 years	2,401,487	2,597,955
3 to 4 years	1,115,498	1,005,636
4 to 5 years	1,892,022	714,804
Total	**7,256,334**	**8,061,675**

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Notes to the Financial Statements for the year ended 31 March 2021

Included within loan stock investments above are loans at a carrying value of £3,393,580 which are past their repayment date but have been renegotiated. A loan to one investee company with a value of £37,110 is now past its repayment date but has 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 £	2021 Total £
Loans to investee companies past due	-	-	1,851,469	1,851,469

	0-6 months £	6-12 months £	over 12 months £	2020 Total £
Loans to investee companies past due	931,632	607,310	716,977	2,255,919

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 £27,633,496 are all Moody's triple A rated funds, along with bank deposits of £2,386,262 at four well-known financial institutions with Moody's credit ratings ranging between Baa2 and Aa3, 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 reputable brokers, 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 £41,832,061 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 6 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 proportion of these assets are quoted on AIM, the majority 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% (2020: 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 £40.58 million of the total investment portfolio of £41.83 million. The remainder of the portfolio, valued at net asset value, has had a 20% variance applied. The impact of both calculations is shown below.

The impact of a change of 20% (2020: 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.

	2021 Profit and net assets £	2020 Profit and net assets £
If overall share prices rose/fell by 20% (2020: 20%), with all other variables held constant – increase/(decrease)	4,695,166 / (4,514,267)	2,153,646 / (2,067,391)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	6.41p / (6.16)p	3.61p / (3.46)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.

Notes to the Financial Statements for the year ended 31 March 2021

The interest rate profile of the Company's financial net assets at 31 March 2021 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	33,820,972	-	-	33,820,972		
Preference shares	-	754,755	-	754,755	0.0	3.7
Loan stocks	-	7,256,334	-	7,256,334	8.9	2.9
Current asset investments	-	-	27,633,496	27,633,496	0.0	
Cash at bank	-	-	2,386,262	2,386,262	0.0	
Debtors	2,205,401	-	-	2,205,401		
Creditors	(171,857)	-	-	(171,857)		
Total for financial instruments	35,854,516	8,011,089	30,019,758	73,885,363		
Non-financial instruments	13,505	-	-	13,505		
Total net assets	**35,868,021**	**8,011,089**	**30,019,758**	**73,898,868**		

The interest rate profile of the Company's financial net assets at 31 March 2020 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	13,913,005	-	-	13,913,005		
Preference shares	-	19,029	-	19,029	0.0	1.1
Loan stocks	-	8,061,675	-	8,061,675	6.5	2.1
Current asset investments	-	-	19,419,301	19,419,301	0.3	
Cash at bank	-	-	2,386,750	2,386,750	0.1	
Debtors	136,800	-	-	136,800		
Creditors	(245,964)	-	-	(245,964)		
Total for financial instruments	13,803,841	8,080,704	21,806,051	43,690,596		
Non-financial instruments	(125,302)	-	-	(125,302)		
Total net assets	**13,678,539**	**8,080,704**	**21,806,051**	**43,565,294**		

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

Floating rate cash earns interest based on LIBOR rates.

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

Cash flow interest rate sensitivity

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

	2021 £ Profit and net assets	2020 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	243,160 / (243,160)	176,629 / (176,629)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.33p / (0.33)p	0.30p / (0.30)p

Currency risk

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

Fair value hierarchy

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

Financial assets at fair value through profit and loss At 31 March 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	8,801,596	-	25,019,376	33,820,972
Preference shares	-	-	754,755	754,755
Loan stock investments	-	-	7,256,334	7,256,334
Total	**8,801,596**	**-**	**33,030,465**	**41,832,061**

Financial assets at fair value through profit and loss At 31 March 2020	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	-	-	13,913,005	13,913,005
Preference shares	-	-	19,029	19,029
Loan stock investments	-	-	8,061,675	8,061,675
Total	**-**	**-**	**21,993,709**	**21,993,709**

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

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

Financial Statements

There were two transfers out of Level 3 into Level 1 during the year as both Virgin Wines UK Plc and Parsley Box Group Plc were admitted to AIM. A reconciliation of this and fair value measurements in Level 3 is set out below:

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 April 2020	13,913,005	19,029	8,061,675	21,993,709
Purchases	3,530,755	323,800	1,539,532	5,394,087
Sales	(5,869,379)	(18,111)	(4,035,467)	(9,922,957)
Transfers out of Level 3	(1,053,891)	-	-	(1,053,891)
Reclassification at value	(390,264)	390,264	-	-
Total gains included in Income Statement:				
- on assets sold	3,670,579	-	344,995	4,015,574
- on assets held at the year-end	11,218,571	39,773	1,345,599	12,603,943
Closing balance at 31 March 2021	**25,019,376**	**754,755**	**7,256,334**	**33,030,465**

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:

	2021 £	2020 £
Investment methodology		
Multiple of earnings, revenues or gross margin, as appropriate	31,782,412	21,101,219
Recent investment price subsequently calibrated as appropriate	1,012,393	-
Net asset value	198,550	892,490
Estimated realisation proceeds	37,110	-
	33,030,465	**21,993,709**

The unquoted equity investments had the following movements between valuation methodologies between 31 March 2020 and 31 March 2021:

Change in investment methodology (2020 to 2021)	Carrying value as at 31 March 2021 £	Explanatory note
Weighted multiple/net asset value to multiple basis	2,969,764	Multiple basis is a more appropriate basis for determining fair value.
Net asset value to multiple basis	1,278,131	Multiple basis is a more appropriate basis for determining fair value following an improvement in trading.
Weighted multiple/net asset value to net asset value basis	198,550	Net asset value is a more appropriate basis for determining fair value in light of COVID-19 impact on trading.
Net asset value to estimated realisation proceeds basis	37,110	Estimated realisation proceeds reflects amounts due to be received upon completion.

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 (as updated by Special Valuation guidance issued in March 2020). The Directors believe that, within these parameters, these are the most appropriate methods of valuation which would be reasonable as at 31 March 2021.

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. The Company's capital is predominantly made up of its investment portfolio, cash and liquid resources. The Company has no externally imposed capital requirements, except for that defined by VCT legilsation as noted below.

By its nature, the Company has an amount of capital, at least 80% (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 Related party transactions

Directors' remuneration is a related party transaction. Fees paid to the Company's Directors during the year and their interests in shares of the Company are disclosed within the Director's Remuneration Report on page 47. The key management personnel are the three Non-executive Directors. The Company has no employees. There were no amounts outstanding and due to the Directors at 31 March 2021 (2020: £Nil).

19 Post balance sheet events

On 1 April 2021, a loan repayment of £0.19 million was received from Vian Marketing Limited (trading as Red Paddle Co).

On 16 April 2021 and 18 May 2021, follow-on equity investments of £0.10 million and £0.07 million respectively were made into Caledonian Leisure Limited, an existing portfolio company.

On 26 May 2021, a follow-on equity investment of £0.61 million was made into Bella & Duke Limited.

On 28 May 2021, a £0.27 million loan repayment was received from MPB Group Limited.

On 22 June 2021, a new equity investment of £0.61 million was made into Legatics Holdings Limited.

On 25 June 2021, a new equity and loan investment of £0.56 million was made into Pets' Kitchen Limited (trading as Vet's Klinic).

On 28 June 2021, a follow-on equity investment of £0.05 million was made into Spanish Restaurant Group Limited (trading as Tapas Revolution).

Shareholder Information

We aim to communicate regularly with our Shareholders. In addition to the Interim and Annual Reports, the Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts. The September Annual General Meeting provides a useful platform for the Board to meet Shareholders and exchange views. However, for the safety of all concerned we cannot under the current circumstances, hold a physical meeting in 2021 but instead will offer a facility whereby you can view the Board, the Investment Adviser's presentation and submit questions. Your Board welcomes your attendance at the Annual General Meeting via the link below, to give you the opportunity to see the Directors and representatives of the Investment Adviser. The Investment Adviser also plans to hold a virtual Shareholder Event later in the year as a physical event was not possible at the start of 2021 due to COVID-19 restrictions.

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 share price and latest NAV announcements, etc.

Financial calendar

30 June 2021	Announcement of Annual Results and circulation of Annual Report & Financial Statements for the year ended 31 March 2021 to Shareholders
8 September 2021	Annual General Meeting
Autumn 2021	Virtual Shareholder Event
December 2021	Announcement of Interim Results and circulation of Interim Report for the six months ended 30 September 2021 to Shareholders
31 March 2022	Year-end

Annual General Meeting

The Company's next Annual General Meeting will be held at **11.00 am on Wednesday, 8 September 2021, at the office of the Investment Adviser, Mobeus Equity Partners LLP, 30 Haymarket, London, SW1Y 4EX. Shareholders should note that physical attendance at the AGM is not permitted for the safety of all concerned. The AGM will be held as a closed meeting with Shareholders able to join the meeting as attendees by electronic means and you will be able to see the Board members and Investment Adviser on your screen**. A copy of the Notice of the Meeting is included on pages 84 to 86. Shareholders are welcome to join the meeting virtually using the link: www.mobeusvctagm.co.uk which will also be available by conference call for those Shareholders without the appropriate device or WiFi connection. You do not need to download or have an electronic account to access the event and the conference call details are available in the red bubble on the Company's website. Shareholders will not be able to vote at the meeting which will be conducted by a poll of the members present at the meeting venue and therefore you are encouraged to complete and return your proxy form, which is included with Shareholders' copies of this Annual Report, or cast your vote on-line at www.signalshares.com. You are strongly recommended to appoint the Chairman of the meeting as your proxy to ensure your vote counts as other appointed proxies may not be able to attend the meeting. Shareholders may send any questions on the resolutions proposed to the following email address: agm@mobeus.co.uk before 1 September 2021. A response will be provided prior to the deadline for lodging your proxy vote. Questions for the Annual General Meeting can also be submitted using the same email address or there will be a facility to type in a question at the meeting itself. Votes must arrive at the Registrar by 11.00 am on Monday, 6 September 2021 to be valid.

Dividends

Shareholders who wish to have dividends paid directly into their bank account rather than be sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrar, Link Group, at the address given on page 87.

Shareholders are encouraged to ensure that the Registrar has 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 Registrar does 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. Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

The Company is unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the VCT has bought in shares.

Panmure can be contacted as follows:

Chris Lloyd	0207 886 2716	chris.lloyd@panmure.com
Paul Nolan	0207 886 2717	paul.nolan@panmure.com

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 Group 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 1 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.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: https://www.gov.uk/government /publications/exchange-of-information-account-holders.

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.

Fraud Warning

Boiler Room fraud and unsolicited communications to Shareholders.

We have been made aware of an increase in the number of Shareholders being contacted in connection with sophisticated but fraudulent financial scams which purport to come from the Company or to be authorised by it. This is often by a phone call or an email usually originating from outside of the UK, often claiming or appearing to be from a corporate finance firm and typically offering to buy your VCT shares at an inflated price.

Further information on boiler room scams and fraud advice plus who to contact, can be found first in the answer to a question "What should I do if I receive an unsolicited offer for my shares?" within the VCT Investor area of the Investment Adviser's website in the A Guide to VCTs section: www.mobeus.co.uk/investor-area and secondly, in a link to the FCA's ScamSmart site: www.fca.org.uk/scamsmart

We strongly recommend that you seek financial advice before taking any action if you remain in any doubt. You can also contact the Investment Adviser on 0207 024 7600, or email info@mobeus.co.uk to check whether any claims made by a caller are genuine.

Shareholders are also encouraged to ensure their personal data is always held securely and that data held by the Registrar of the Company is up to date, to avoid cases of identity fraud.

Shareholder enquiries

For enquiries concerning the investment portfolio or the Company in general, please contact the Investment Adviser, Mobeus. 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 Registrar, Link Group, 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 Group are included under Corporate Information on page 87 of this Annual Report.

Information for Shareholders

Performance Data at 31 March 2021

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 2021. 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 2021 **85.50p[1]**

NAV per share as at 31 March 2021 **100.91p**

Allotment date(s)	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share[3] (p)	Total return per share to Shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% Change since 31 March 2020 (NAV basis)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	116.00	**201.50**	**216.91**	**19.2%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	112.00	**197.50**	**212.91**	**19.6%**
Funds raised 2013/14						
9 January 2014	117.92[4]	**82.54**	98.00	**183.50**	**198.91**	**21.3%**
11 February 2014	118.22[4]	**82.75**	98.00	**183.50**	**198.91**	**21.3%**
31 March 2014	119.28[4]	**83.49**	93.00	**178.50**	**193.91**	**22.0%**
3 April 2014	119.82[4]	**83.87**	93.00	**178.50**	**193.91**	**22.0%**
4 April 2014	119.08[4]	**83.36**	93.00	**178.50**	**193.91**	**22.0%**
6 June 2014	118.66[4]	**83.06**	93.00	**178.50**	**193.91**	**22.0%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	79.00	**164.50**	**179.91**	**24.1%**
17 February 2015	124.35[4]	**87.05**	79.00	**164.50**	**179.91**	**24.1%**
10 March 2015	120.18[4]	**84.13**	74.00	**159.50**	**174.91**	**24.9%**
Funds raised 2017/2018						
28 September 2017	104.73[4]	**73.31**	47.00	**132.50**	**147.91**	**30.9%**
20 October 2017	105.07[4]	**73.55**	47.00	**132.50**	**147.91**	**30.9%**
09 November 2017	105.79[4]	**74.05**	47.00	**132.50**	**147.91**	**30.9%**
20 November 2017	107.44[4]	**75.21**	47.00	**132.50**	**147.91**	**30.9%**
21 November 2017	107.39[4]	**75.17**	47.00	**132.50**	**147.91**	**30.9%**
24 January 2018	97.81[4]	**68.47**	38.00	**123.50**	**138.91**	**33.6%**
13 March 2018	100.79[4]	**70.55**	38.00	**123.50**	**138.91**	**33.6%**
Funds raised 2019/20						
8 January 2020	93.03[4]	**65.12**	18.00	**103.50**	**118.91**	**41.6%**
Funds raised 2020/21						
2 April 2020	77.26[4]	**54.08**	7.00	**92.50**	**107.91**	**-**

[1] - Source: Panmure Gordon & Co (mid-price basis) based upon the latest NAV announced of 87.22 pence at 31 December 2020.

[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 2021 **70.71p**

NAV per share as at 31 March 2021 **83.45p**

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)	% Change since 31 March 2020 (NAV basis)
Funds raised 2000/01[3]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	117.80	**188.51**	**201.25**	**16.8%**

[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)	Funds raised 2019/20 (p)	Funds raised 2020/21 (p)
19 June 2020	5.79[1]	7.00	7.00	7.00	7.00	7.00	7.00	7.00
27 March 2020	9.10[1]	11.00	11.00	11.00	11.00	11.00	11.00	
20 September 2019	12.41[1]	15.00	15.00	15.00	15.00	15.00		
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							
Dividends Paid[2]	**117.80**	**116.00**	**112.00**	**98.00**	**79.00**	**47.00**	**18.00**	**7.00**

[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.

[2] - The above date relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to Shareholders by date of allotment is shown on page 80 and above.

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.

Glossary of terms

Alternative performance measure ("APM")

A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the Company's financial reporting framework. These APMs tend to be industry specific terms which help Shareholders to understand and assess the Company's progress. A number of terms contained within this Glossary have been identified as APMs.

Cumulative dividends paid (APM)

The total amount of dividend distributions by the Company over the time period specified. A list of all dividends paid since launch of the Company is shown on the Company's website www.mig2vct.co.uk. Dividends paid in the year and dividends paid/payable in respect of the year are shown in Note 6.

Cumulative total return (APM)

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 since launch of the existing share class in 2005.

Internal Rate of Return ("IRR")

The internal rate of return is the annual discount rate that equates the original investment cost with the value of subsequent cash flows (such as receipts/dividends or further investment) and the latest valuation/exit proceeds or net asset value. Generally speaking, the higher an investment's IRR, the more successful it is.

Net asset value or NAV

The value of the VCT's total assets less its total liabilities. It is equal to the total equity Shareholders' funds.

Net asset value per share or NAV per share

The net asset value per share is calculated as total equity Shareholders' funds divided by the number of Ordinary shares in issue at the year-end.

NAV Total Return (APM)

This measure combines two types of returns received by Shareholders. Firstly, as income in the form of dividends and secondly, as capital movements (net asset value) of the value of the Fund.

It is a performance measure that adjusts for dividends that have been paid in a period or year. This allows Shareholders to assess the returns they have received both in terms of the performance of the Company but also including dividends they have received from the Company which no longer form part of the Company's assets.

It is calculated as the percentage return achieved after taking the closing NAV per share and adding dividends paid in the year and dividing the total by the opening NAV per share. The Directors feel that this is the most meaningful method for Shareholders to assess the performance of the Company.

Ongoing charges ratio (APM)

This figure, calculated using the AIC recommended methodology, 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 primarily is based upon historic information, it provides Shareholders with an indication of the likely level of costs that will be incurred in managing the Company in the future. This is calculated by dividing the Investment Adviser's fees of £1,197,137 and other expenses of £339,113 (per Notes 4a and 4d on pages 60 and 62), the latter being reduced by IFA trail commission and one-off fees, by the average net assets throughout the year of £62,310,533.

Realised gains/(losses) in the year

This is the profit or loss that arises following the full or partial disposal of a holding in a portfolio company. It is calculated by deducting the value of the holding as at the previous year-end from the proceeds received in respect of such disposal.

Share Price Total Return (APM)

As NAV Total Return, but the Company's mid-market share price is used in place of NAV. This measure more accurately reflects the actual return a Shareholder will have earned, were they to sell their shares at the year/period end date. It includes the impact of any discounts or premiums at which the share price trades compared to the underlying net asset values of the Company. If the shares trade at a discount, the returns could be less than the NAV Total Return, but if trading at a premium, returns could be higher than the NAV Total Return.

Notice of the Annual General Meeting

IMPORTANT NOTE: Due to the ongoing COVID-19 pandemic and current government advice on social distancing (as published at the date of this Notice) which may still be in place as at the date of the Annual General Meeting, the Annual General Meeting will be held by way of a closed meeting and Shareholders will not be able to attend the Annual General Meeting in person. Shareholders will, however, be able to attend virtually using the following link: www.mobeusvctagm.co.uk but will not be able to vote on the resolutions at the meeting. Shareholders may send any questions on the resolutions proposed to the following email address: agm@mobeus.co.uk by 1 September 2021 and a response will be provided prior to the deadline for lodging your proxy vote. Questions for the Annual General Meeting can also be submitted using the same email address or there will be a facility to type in a question at the meeting itself. Voting on the resolutions will be conducted by way of a poll. Shareholders are encouraged to submit their votes by proxy (either through the submission of a proxy form or casting their vote on-line) appointing the Chairman (as other proxies appointed may not be permitted to attend 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, 8 September 2021** at the offices of Mobeus Equity Partners LLP, 30 Haymarket, London, SW1Y 4EX 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 and 9 will be proposed as special resolutions. An explanation of the main business to be proposed is included in the Directors' Report on pages 38 and 39 of this document:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 March 2021 ("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 £244,101 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 2022, 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 above 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 2022, 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 10,977,218 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 amount stipulated in Article 5(6) of the Market Abuse Regulation (596/2014/EU);
   (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 2022; and
   (v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own Shares in pursuance of any such contract.

BY ORDER OF THE BOARD OF DIRECTORS

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket,
London SW1Y 4EX

Dated: 30 June 2021

Notes:

1. **A member would usually be entitled to attend, speak and vote at the Meeting or to appoint one or more other persons as his proxy to exercise all or any of his rights on his behalf. Given the current COVID-19 restrictions, a member shall only be entitled to appoint a proxy to vote on his behalf at the Meeting, which will not be open to Shareholders to attend in person. Further details of how to appoint a proxy, and the rights of proxies, are given in the Notes below. Shareholders are encouraged to appoint the Chairman as their proxy, as attendance by other proxies will not be permitted.**
2. To be entitled to attend the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast) and to be able to lodge your proxy votes, Shareholders must be registered in the Register of Members of the Company at close of trading on 6 September 2021. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend the virtual meeting and vote by proxy.
3. In light of the COVID-19 'social distancing' measures in England and in order to hold the Meeting safely, the Meeting will be held as a closed meeting with Shareholders able to join virtually (but will not be able to vote on the resolutions at the Meeting).
4. If possible, Shareholders intending to join the Meeting as an attendee are requested to use the link set out at the start of this Notice and on the Company's website at least 10 minutes prior to the commencement of the Meeting at 11.00 am (UK time) on 8 September 2021.
5. A Shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that Shareholder. A proxy need not be a Shareholder of the Company. However, please see Note 1 in relation to proxy appointment in light of the current COVID-19 restrictions.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
7. A personalised form of proxy for use in connection with the Meeting is enclosed with the document of which this Notice forms a part. If you do not have a personalised form of proxy and would like a copy, please contact the Company's Registrar, Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL or on 0371 664 0324. Completion and return of a form of proxy will not legally prevent a Shareholder from attending and voting at the Meeting. However, given the current restrictions in place as a result of COVID-19, Shareholders will not be able to attend the Meeting and the Company therefore requests all Shareholders to vote by proxy on the resolutions set out in this Notice as soon as possible.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.
9. You can also vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - if you need help with voting online, please contact our Registrar, Link Group, on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK, or email link at vcts@linkgroup.co.uk;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid it must be received by Link Group, PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by **11.00 am on 6 September 2021**.

   We strongly recommend voting electronically at www.signalshares.com as your vote will automatically be counted. Given the current situation, with many people working from home and delays in the postal system, there is a risk that your vote may not be counted if you send a paper proxy.
10. If you return more than one proxy appointment, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/ public/EUI). 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 by means of CREST 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 instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by **11.00 am on 6 September 2021**. For this purpose, the time of receipt will be taken to mean 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. 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(s), 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of the Annual General Meeting

14. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
15. As at 29 June 2021 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 73,230,275 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 June 2021 are 73,230,275.
16. Under Section 527 of the Companies Act 2006, Shareholders 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 Financial Statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual Financial Statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the Shareholders propose to raise at the relevant meeting. 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 Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
17. Any Shareholder attending the Meeting has the right to ask questions. Any Shareholder may submit questions in relation to the business to be transacted at the Meeting via email to: agm@mobeus.co.uk by 1 September 2021. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
18. Copies of the directors' letters of appointment are, under normal circumstances, 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 Meeting and would also be available for inspection at the place of the Meeting for at least 15 minutes before and during the Meeting. However, in light of the current circumstances, should a Shareholder wish to inspect any of these documents, please submit a request to: info@mobeus.co.uk.
19. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.
20. Voting on all resolutions at the Meeting will be by way of a poll. The Company believes that this is the best way of representing the views of as many Shareholders as possible in the voting process, not least considering the limited attendance at the Meeting. The results of the poll will be announced via a regulatory news service on the London Stock Exchange and made available on the Company's website as soon as practicable following the Meeting.
21. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

Corporate Information

Directors (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 Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

VCT Status Adviser
Philip Hare & Associates LLP
Hamilton House
1 Temple Avenue
London
EC4Y 0HA

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