# The Income & Growth VCT plc

## A VENTURE CAPITAL TRUST

**Unaudited Half-Year Report**
for the six months ended 31 March 2013

mobeus
EQUITY PARTNERS

# Investment Objective

The objective of The Income & Growth VCT plc ("I&G VCT" or "the Company") is to provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments.

The Company invests in companies at various stages of development. In some instances this may include investments in new and secondary issues of companies which may already be quoted on the Alternative Investment Market ("AiM").

## Contents

# Financial highlights
*Six months to 31 March 2013*

- Dividends totalling 6.0 pence per Share have been paid to Shareholders during the period.
- An interim dividend of 6.0 pence per Share for the current year has been declared.
- Increase of 7.2% in total return (share price basis) to Shareholders for the period.
- Increase of 8.6% in total return (net asset value (NAV) basis) to Shareholders for the period.
- Strong liquidity has been further enhanced by a successful fundraising in which the Company has raised an additional £8.3 million.

## Performance Summary

**The net asset value (NAV) per Share at 31 March 2013 was 113.0 pence**

The table below shows the recent past performance of funds raised in 2007/08 for the existing class of ordinary shares at the subscription price of £1. Detailed perfomance data, including a table of dividends paid to date, for all fundraising rounds is shown in the Appendix on pages 23 – 24.

| | Net assets (£m) | NAV per Share (p) | Cumulative dividends paid per Share (p) | NAV total return to Shareholders since launch per Share (p) | Share price (p)[1] | Share price total return to Shareholders since launch per Share (p) |
|---|---|---|---|---|---|---|
| **Ordinary Shares** | | | | | | |
| As at 31 March 2013 | 56.7 | 113.0 | 34.5 | 147.5 | 98.0 | 132.5 |
| As at 30 September 2012 | 50.6 | 109.6 | 28.5 | 138.1 | 97.0 | 125.5 |
| As at 30 September 2011 | 49.2 | 120.8 | 4.5 | 125.3 | 91.6 | 96.1 |
| As at 30 September 2010 | 36.6 | 99.0 | 0.5 | 99.5 | 87.0 | 87.5 |

[1] Source: London Stock Exchange.

# Chairman's Statement

I am pleased to present the Company's Half-Year Report for the six months ended 31 March 2013.

Last year saw record realisations with the Company paying high levels of dividends to Shareholders. It is, therefore, very satisfying to be able to report another period of strong performance. The portfolio continues to perform well in spite of the enduring uncertainty in the UK and global economies. Many of the companies in the portfolio have continued to grow over the period and demonstrate their potential to provide further positive returns to Shareholders.

## Performance

As at 31 March 2013, the Company's NAV per Share was 113.03 pence (30 September 2012: 109.62 pence). After adjusting for the dividend of 6.0 pence per Share paid to Shareholders on 8 February 2013, this represents a return of 8.58% for the six month period, a highly creditable result.

This compares with an increase of 19.70% in the FTSE SmallCap Index and a rise of 3.94% in the FTSE AiM All-Share Index, both on a total return basis, over the same period. In comparing the Company's return with these indices, Shareholders should note that the Company has a strong liquidity position. As current returns on liquid assets are low, comparisons with quoted indices are not wholly meaningful, but this liquidity should be of benefit to the Company in the medium term. The increase in NAV return per Share for this half-year is due to both realised and unrealised gains in the portfolio, as explained below.

Cumulative NAV total return per Share (being the closing net asset value plus total dividends paid to date) has risen to 147.53 pence compared to 138.12 pence at the year-end. This represents a further increase of 6.81% over the period and an increase of 55.79% since the merger of the VCT's share classes in March 2010.

Further details are contained in the tables showing the performance of both share classes in the Performance Data Appendix on pages 23 – 24 of this Report.

## Performance incentive fee

In the Company's full year results to 30 September 2012, provision was made for performance incentive fees which might become payable to the Investment Manager, Mobeus, and a former Investment Manager, Foresight Group LLP, in respect of realisations in that period. In February of this year, the Company paid a fee of £3,050,234 to be shared between Mobeus and Foresight. An additional amount of £491,811 may be payable to Mobeus subject to final agreement between the Company and Mobeus.

## Investment portfolio

The aggregate portfolio valuation saw a net increase of £3.01 million in unrealised and £1.05 million in realised gains over the six month period. The portfolio was, therefore, valued at £32.39 million at the period-end. The portfolio has performed well during the period, increasing in value by 14.26% on a like for like basis, mainly as a result of strong performances from Blaze, EMaC, IDOX, DiGiCo, Alaric and Westway as well as the gain on the sale of Image Source.

During the period, the VCT invested a total of £3.33 million (including funds from the seed companies Almsworthy and Fosse). In February 2013, the VCT provided an additional £916k from Almsworthy in a deal across the Mobeus VCTs to finance Motorclean's acquisition of Forward Valeting Services to create the UK's largest provider of car valeting services.

Just before the period-end in March 2013, the VCT also made one new investment totalling £2.26 million to support the MBO of Gro-Group, including £1 million from its existing investment in the acquisition vehicle Fosse Management. Based in Devon, Gro is the market leader for baby sleep time products in the UK and Australia.

After the period-end, the VCT invested £1 million, via the acquisition vehicle Peddars Management, to enable ATG to acquire Bidspotter, a US company providing live bidding and auction software to industrial and commercial auctioneers.

Net cash proceeds received during the period from portfolio realisations amounted to £4.67 million, from eleven separate disposals, which is an encouraging reflection of the portfolio's quality. Most significant of these was the disposal during February and March of the Company's remaining loan and equity investment in Image Source Group for total proceeds of £1.65 million. Over the life of the investment, total proceeds were £3.49 million compared to a cost of £2.45 million.

There were several other divestments during the period. These included Brookerpaks, Tikit and ANT. In addition, there were further partial divestments of IDOX, Faversham House, and loan stock repayments from Blaze, Faversham House and Tessella.

Two payments totalling £406k were also received, being deferred consideration due from the sale of App-DNA to Citrix Systems Inc in November 2011.

Details of all these transactions and the performance of the portfolio are contained in the Investment Manager's Review on pages 10 – 11.

## Revenue Account

The net revenue return for the period has, pleasingly, nearly doubled from the comparable period last year, to £526,881, from £268,220 last year, an increase of £258,661. Income has again increased, by £770,227, benefiting again from firstly, a higher level of loan stock interest, up by £143,548 as further loan stock investments have been made, and secondly from higher dividends, up by £575,779 (including a one-off dividend from Image Source of £533,750) compared to last year. Finally, interest has also risen, by £50,900, reflecting a net benefit of switching some cash from liquidity funds to fixed-term bank deposits.

Against this, fund management fees charged to revenue return have risen by £8,029, due to the higher net assets under management over last year. There is, however, a beneficial impact of a fall in running costs of £103,989 due to two main reasons. Firstly, a fall in trail commission expense of £67,676 has occurred, as the limit for such commission on older holdings had been reached in 2012. Secondly, lower Directors' fees of £34,140 were paid due to last year's one-off payment of £10,000 made to each of the Directors in respect of additional work carried out on specific projects for the Company.

Finally, the tax charge attributable to the revenue return has risen by £73,776, reflecting higher loan stock interest (which is taxable), and lower running costs, which are tax-deductible.

## Dividends

The Directors have declared an interim dividend of 6.0 pence per share in respect of the year ending 30 September 2013. The dividend will be paid on 27 June 2013 to Shareholders on the Register on 7 June 2013. The Company's Dividend Investment Scheme will apply to this dividend.

A further interim dividend of 6.0 pence per Share in respect of the year ended 30 September 2012 was paid to Shareholders on 8 February 2013.

A record total of 26.0 pence per Share (comprising 23.0 pence from capital and 3.0 pence from income) was paid to Shareholders in respect of the year ended 30 September 2012, comprising the interim capital dividend of 20.0 pence paid on 27 January 2012, and the further interim dividend of 6.0 pence referred to above.

Cumulative dividends per Share paid to date amount to 34.5 pence (pre-merger: 0.5 pence; post-merger: 34.0 pence) for the current share class.

The Board is committed to providing an attractive dividend stream to Shareholders and has set a target of paying a dividend of at least 4.0 pence per Share in each financial year. I am pleased to report that this target has been exceeded in each of the last two years, and now the current year.

The Board will consider whether to pay a further dividend for the current financial year following the year-end.

## Dividend investment scheme

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

- The dividend remains tax free;
- Shareholders are allotted new Ordinary Shares which will, subject to their particular circumstances, attract VCT tax reliefs applicable for the tax year in which the shares are allotted. The tax relief currently available to investors in new VCT shares is 30% for the 2013/14 tax year for investments up to £200,000 in any one tax year; and
- The Scheme also has one particular advantage. Under its terms, a member is able to re-invest at an advantageous price, being the average market price of the Shares for the five business days prior to the dividend being paid. This price is likely to be at a discount of 10% to the underlying net asset value (provided that this is greater than 70% of the latest published net asset value per Share).

The Company's Dividend Investment Scheme applied to the dividends paid in respect of the year ended 30 September 2012 and used an issue price equal to the average of the mid market price for the Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the payment date. It is encouraging to note that £1,425k of dividends were re-invested through the Scheme in respect of these dividends.

## Linked offer for subscription

The 2012/13 Linked Offer for Subscription with Mobeus Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc, to allot up to 10 million new shares in each VCT, attracted strong investor interest. The Company has raised £8.28 million as its share of the £24.85 million raised in subscriptions by all three VCTs, which the Board regards as a good result.

A total of 7,411,346 new Shares in the Company were allotted under the Offer which closed on 30 April 2013, of which 4,186,459 were allotted in the six months to 31 March 2013.

## Cash available for investment

The interest rates paid on cash deposits continue to be low and this continues to inhibit the Company's ability to pay dividends from income.

The Board continues to prioritise the security and protection of the Company's capital over any small increase in income from deposits that may be achieved by subjecting the VCT to higher levels of risk. It has, therefore, continued to adopt a conservative approach to the placement of the Company's funds awaiting investment. Cash and liquidity fund balances as at 31 March 2013 amounted to £22.3 million. In addition, a further £4 million remains invested in four acquisition vehicles pending further investment at the period-end (of which one, Peddars Management, was used to support the further investment into ATG Media following the period-end).

## Share buy-backs

During the six months ended 31 March 2013, the Company bought back 512,465 (2012: 449,818) Shares (representing 1.11% (2012: 1.11%) of the Shares in issue at the beginning of the year) at a total cost of £495,903 (2012: £399,876) inclusive of expenses. These Shares were subsequently cancelled by the Company.

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

## Enhanced buyback facility (EBF)

The VCT offered an EBF to Shareholders in January 2013 which took place following the period-end in April 2013. 8,129,688 Shares were bought-back (representing 17.04% of the Shares in issue at the date of launch of the EBF) and 7,875,932 new Shares were allotted by the VCT under the EBF.

## Auditor

With effect from 28 March 2013, the Company's auditor, PKF (UK) LLP merged with BDO LLP to become part of BDO LLP. The Board has subsequently appointed BDO LLP as the Company's auditor to fill the casual vacancy arising as a result of the resignation of PFK (UK) LLP following the merger.

## Shareholder communications

May I remind you that the Company continues to have its own website which is available at www.incomeandgrowthvct.co.uk.

Around 140 Mobeus VCT Shareholders attended the Manager's third annual Shareholder Workshop in January 2013. Shareholders attending heard presentations from the Manager and the CEO of DiGiCo, one of the VCT's portfolio companies.

## Outlook

Quoted stock markets have risen strongly over the period, on the basis that the threats to economic growth posed by the Eurozone crisis have receded. The UK economy is dependent on world markets and is unlikely to achieve more than minimal economic growth for the foreseeable future. The need to reduce the public sector deficit rules out fiscal stimulus as a spur to raise growth.

In the absence of general growth available to the UK SME sector, it is crucial that the Company continues to target only the highest quality of smaller company investment opportunities available. The Board believes the outlook for increasing the pace of new investment is positive and the Company's cash position is strong, which has been further enhanced by the fundraising which closed on 30 April 2013. The Board and Manager will continue to adopt a cautious approach in selecting well-run, profitable companies operating in niche markets. We believe that the overall portfolio is resilient and is building value which will be realised in the medium to longer term. The Company is very well placed to fund both the needs of the portfolio companies and any new investment opportunities that arise.

The Board is delighted to note that the latest performance statistics published by the Association of Investment Companies rank The Income & Growth VCT plc first in its peer group over the last five years and second over the last three years.

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

Colin Hook
*Chairman*

20 May 2013

# Responsibility Statement of the Directors in respect of the Half-Year financial report

## Responsibility Statement

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

(a) the condensed set of financial statements, which have been prepared in accordance with the statement "Half-Yearly Reports" issued by the Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by DTR 4.2.4;

(b) the Half-Year Management Report which is included within the Chairman's Statement, Investment Policy, Investment Portfolio Summary and Investment Manager's Review includes a fair review of the information required by DTR 4.2.7 being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;

(c) a description of the principal risks and uncertainties facing the Company for the remaining six months is set out below, in accordance with DTR 4.2.7; and

(d) there were no related party transactions in the first six months of the current financial year that are required to be reported, in accordance with DTR 4.2.8.

For and on behalf of the Board:

Colin Hook
*Chairman*

20 May 2013

## Principal Risks and Uncertainties

In accordance with Disclosure and Transparency Rule (DTR) 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 30 September 2012. The Board acknowledges that there is regulatory risk and continues to manage the Company's affairs in such a manner as to comply with section 274 Income Tax Act 2007.

The principal risks faced by the Company are:

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

A detailed explanation of the principal risks facing the Company can be found in the Annual Report of the Company for the year ended 30 September 2012 on pages 22 – 23. Copies are available from www.incomeandgrowthvct.co.uk.

## Related Party Transactions

There were no related party transactions in the first six months of the current financial year that are required to be reported.

## Going Concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Half-Year Management Report which is included within the Chairman's Statement, the Investment Policy, the Investment Portfolio Summary and the Investment Manager's Review. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and has raised additional funds during the period in an Offer for Subscription which closed on 30 April 2013. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well diversified. The major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 20 on pages 54 – 61 of the Annual Report and Accounts for the year ended 30 September 2012. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Cautionary Statement

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

# Investment Policy

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

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

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

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

### VCT regulation

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

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

### Asset mix

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

### Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured to maximise the amount which may be invested in loan stock.

### Co-investment

The Company aims to invest in larger, more mature unquoted companies through investing alongside the three other VCTs advised by the Investment Manager with a similar investment policy. This enables the Company to participate in combined investments advised on by the Investment Manager of up to £5 million.

### Borrowing

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

# Management

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

# Investment Portfolio Summary
*as at 31 March 2013*

| | Total cost at 31 March 2013 (unaudited) £ | Valuation at 30 September 2012 (audited) £ | Additional investments in the period £ | Valuation at 31 March 2013 (unaudited) £ |
|---|---|---|---|---|
| **Fullfield Limited (Motorclean)**[1]<br>Vehicle cleaning and valeting services | 2,405,465 | 1,652,768 | 916,368 | 2,883,363 |
| **ATG Media Holdings Limited**<br>Publisher and online auction platform operator | 888,993 | 2,270,884 | – | 2,429,926 |
| **Ingleby (1879) Limited (EMaC)**<br>Service plans for the motor trade | 1,878,124 | 1,878,124 | – | 2,405,669 |
| **Gro-Group Limited**[2]<br>Baby sleep products | 2,256,518 | – | 2,256,518 | 2,256,518 |
| **IDOX plc**<br>Provider of document storage systems | 453,881 | 2,058,371 | 46 | 2,083,434 |
| **Tessella Holdings Limited**<br>Provider of science powered technology and consulting services | 1,695,234 | 1,745,351 | – | 1,695,234 |
| **EOTH Limited (Rab and Lowe Alpine)**<br>Branded outdoor equipment and clothing | 1,383,313 | 1,383,313 | – | 1,430,134 |
| **CB Imports Group Limited (Country Baskets)**<br>Importer and distributor of artificial flowers, floral sundries and home decór products | 1,000,000 | 1,128,228 | – | 1,194,296 |
| **Blaze Signs Holdings Limited**<br>Manufacturer and installer of signs | 621,510 | 1,448,159 | – | 1,141,514 |
| **Westway Services Holdings (2010) Limited**<br>Installation, service and maintenance of air conditioning systems | 353,589 | 838,782 | – | 1,098,245 |
| **DiGiCo Global Limited**<br>Designer and manufacturer of audio mixing desks | 876,497 | 876,497 | – | 1,069,057 |
| **Alaric Systems Limited**<br>Software development, implementation and support in the credit/debit card authorisation and payments market | 565,156 | 468,495 | – | 1,044,336 |
| **Ackling Management Limited**<br>Company seeking to trade in the food manufacturing, distribution and brand management sectors | 1,000,000 | 1,000,000 | – | 1,000,000 |
| **Peddars Management Limited**<br>Acquisition vehicle used to finance ATG Media's acquisition of Bidspotter Inc. | 1,000,000 | 1,000,000 | – | 1,000,000 |
| **Culbone Trading Limited**<br>Company seeking to trade in the outsourced sectors | 1,000,000 | 1,000,000 | – | 1,000,000 |
| **Madacombe Trading Limited**<br>Company seeking to trade in the engineering sector | 1,000,000 | 1,000,000 | – | 1,000,000 |
| **RDL Corporation Limited**<br>Recruitment consultants for the pharmaceutical, business intelligence and IT industries | 1,441,667 | 1,271,194 | – | 968,033 |
| **ASL Technology Holdings Limited**<br>Printer and photocopier services | 1,769,790 | 654,155 | – | 744,300 |
| **Focus Pharma Holdings Limited**<br>Licensor and distributor of generic pharmaceuticals | 405,407 | 636,574 | – | 716,624 |
| **Aquasium Technology Limited**<br>Design, manufacture and marketing of bespoke electron beam welding and vacuum furnace equipment | 500,000 | 677,971 | – | 701,773 |
| **Youngman Group Limited**<br>Manufacturer of ladders and access towers | 1,000,052 | 700,992 | – | 700,992 |
| **Duncary 8 Limited**<br>City-based provider of specialist technical training | 509,923 | 814,025 | – | 679,267 |
| **British International Holdings Limited**<br>Helicopter service operator | 674,733 | 590,909 | 83,824 | 674,733 |

| | Total cost at 31 March 2013 (unaudited) £ | Valuation at 30 September 2012 (audited) £ | Additional investments in the period £ | Valuation at 31 March 2013 (unaudited) £ |
|---|---|---|---|---|
| **Original Additions Topco Limited**<br>Manufacturer and distributor of beauty products | 25,696 | 537,948 | – | 537,948 |
| **Machineworks Software Limited**<br>Software for CAM and machine tool vendors | 20,471 | 479,459 | – | 537,321 |
| **The Plastic Surgeon Holdings Limited**<br>Supplier of snagging and finishing services to the property sector | 406,082 | 248,878 | – | 368,423 |
| **Omega Diagnostics Group plc**<br>In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases | 279,996 | 373,328 | – | 320,829 |
| **Vectair Holdings Limited**<br>Designer and distributor of washroom products | 53,400 | 164,178 | – | 207,460 |
| **Faversham House Holdings Limited**<br>Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors | 144,859 | 192,385 | – | 144,859 |
| **Racoon International Holdings Limited**<br>Supplier of hair extensions, hair care products and training | 550,852 | 79,026 | – | 121,641 |
| **Lightworks Software Limited**<br>Software for CAD vendors | 20,471 | 84,060 | – | 114,595 |
| **Corero plc**<br>Provider of e-business technologies | 600,000 | 31,434 | – | 14,748 |
| **PXP Holdings Limited (Pinewood Structures)**<br>Designer, manufacturer and supplier of timber frames for buildings | 965,371 | 45,195 | – | 45,195 |
| **Monsal Holdings Limited**<br>Supplier of engineering services to the water and waste sectors | 468,610 | 42,446 | – | 42,446 |
| **Sarantel Group plc**<br>Developer and manufacturer of antennae for mobile phones and other wireless devices | 1,881,252 | 17,019 | – | 12,935 |
| **Oxonica Limited**<br>International nanomaterials group | 2,524,527 | – | – | – |
| **Data Continuity Group Limited**<br>Design, supply and integration of data storage solutions | 163,345 | 2,171 | 73,311 | – |
| **NexxtDrive Limited**<br>Developer and exploiter of patented transmission technologies | 487,014 | – | – | – |
| **Aigis Blast Protection Limited**<br>Specialist blast containment materials company | 272,120 | – | – | – |
| **Legion Group plc (in administration)**<br>Provision of manned guarding, mobile patrols, and alarm response services | 150,000 | – | – | – |
| **Biomer Technology Limited**<br>Developer of biomaterials for medical devices | 137,170 | – | – | – |
| **Watchgate Limited**<br>Holding company | 1,000 | – | – | – |

| | Total cost at 31 March 2013 (unaudited) £ | Valuation at 30 September 2012 (audited) £ | Additional investments in the period £ | Valuation at 31 March 2013 (unaudited) £ |
|---|---|---|---|---|
| **Realised investments** | | | | |
| **Fosse Management Limited**<br>Acquisition vehicle used to complete the investment in Gro-Group Limited | – | 1,000,000 | – | – |
| **Almsworthy Trading Limited**<br>Acquisition vehicle used to finance Fullfield's (Motorclean) acquisition of Forward Valeting Services Limited | – | 1,000,000 | – | – |
| **ANT plc**<br>Provider of embedded browser/email software for consumer electronics and internet appliances | – | 131,319 | – | – |
| **Tikit Group plc**<br>Provider of consultancy services and software solutions for law firms | – | 247,350 | 103 | – |
| **Image Source Group Limited**<br>Royalty free picture library | – | 925,470 | – | – |
| **Brookerpaks Limited**<br>Importer and distributor of garlic and vacuum-packed vegetables | – | 509,209 | – | – |
| **Total** | **33,832,088** | **31,205,667** | **3,330,170** | **32,385,848** |

[1] £916,368 was further invested into Fullfield Limited (trading as Motorclean). This finance was provided by the acquisition vehicle Almsworthy Trading Limited and resulted in a net repayment to the Company of £83,632.

[2] £1,000,000 of this investment into Gro-Group Limited was provided by Fosse Management Limited, one of the Company's acquisition vehicles. The total additional investments figure of £2,413,802 differs to that shown in note 7 of £1,413,802 by this £1,000,000 originally invested into Fosse Management Limited.

# Investment Manager's Review

The two notable features of the portfolio during the period have been the continuation of the strong flow of realisations and further uplifts in investment valuations resulting from the good performance of a number of investee companies. Dealflow is showing a positive trend and we are working on a number of opportunities which we hope to complete over the coming months.

The wider economy in the UK continues to present challenges. Some weaker companies in the small company sector, in which we invest, are finding it difficult to ride the continuing downturn, while our portfolio is relatively robust. Our strategy of selecting established, well run and profitable companies with good, focused management and a positive cashflow is delivering good returns. Many of our companies continue to grow and increase profitability, demonstrating that well-managed and focussed smaller companies can make strong progress despite an uncertain macroeconomic environment.

## Investment activity

In March 2013, the Company completed a new investment of £2.26 million, to support the MBO of Gro-Group. The amount invested included £1 million from the Company's existing investment in the acquisition vehicle Fosse Management. Devon based Gro-Group created the original, and now internationally renowned, Gro-bag which has become the number one baby sleep bag brand in the UK and Australia. Market penetration of the product has increased from zero to around 90% since the company was founded in 2000 and turnover has grown to £12 million.

Further investment has been provided to support two strong portfolio companies pursuing exciting new opportunities that arose during the period. The first of these was completed in February 2013; the VCT provided an additional £916k, via the acquisition vehicle Almsworthy Trading, to finance Motorclean's acquisition of Forward Valeting Services to create the UK's largest provider of car valeting services.

In the second of these, after the period-end, the VCT provided a loan of £1 million, via the acquisition vehicle Peddars Management, to enable ATG Media to acquire Bidspotter Inc, a US company providing live bidding and auction software to industrial and commercial liquidation auctioneers.

A further loan stock investment of £84k for working capital purposes was made in March 2013 into British International.

At the period-end, the VCT held £4 million in four remaining acquisition vehicles. One of these, Peddars Management, has been used since 31 March 2013 to complete the VCT's further investment into ATG as outlined above.

The period has seen a continuation of realisation activity. Most significant of these was the disposal of the Company's remaining loan and equity investment in Image Source Group for total proceeds of £2.18 million (including a dividend payment of £533,750) during February and March. Over the life of the investment, total proceeds were £3.49 million compared to cost of £2.45 million, being 142% of cost.

Also in March 2013, the VCT sold part of its loan stock and its entire equity investment in Faversham House for net proceeds of £192k. The Company continues to hold a loan stock investment in this company of £145k. The total of these figures, £337k, compares with a total original cost of £488k and with the 30 September 2012 valuation of £192k.

Two payments totalling £406k were received during the period, being deferred consideration due from the sale of App-DNA to Citrix Systems Inc. in November 2011.

As disclosed in the Annual Report, the Company realised its remaining investment in Brookerpaks, an importer and distributor of garlic and vacuum-packed vegetables, in November 2012, for proceeds of £600k compared to the equity investment cost of £55k; the overall return from this investment was £1.92 million, or a 3.8 times multiple of original investment cost.

We also reported in the Annual Report that recommended offers had been received by Tikit and ANT towards the end of last year. We are pleased to update Shareholders that these both completed successfully. Tikit was acquired by British Telecommunications plc in January 2013 at a price of 416 pence per share, realising £270k for the VCT's remaining investment. This, in addition to a further disposal of Tikit shares earlier in the period, brought total proceeds for the period to £310k, realising a gain in the period of £63k. ANT was acquired by Espial Group Inc, a company listed on the Toronto Stock Exchange, at a price of 20.50 pence per share, in February 2013, valuing the VCT's investment at £135k compared to the valuation at 30 September 2012 of £131k.

In November 2012, the VCT sold a total of 1.25 million of its shares in IDOX plc, representing 23.08% of the VCT's holding at the year-end, for total proceeds of £514k.

Partial loan stock repayments were received from Blaze Signs of £609k in November 2012 and from Duncary 8 of £125k in December 2012 and two repayments of £25k each were received from Tessella, an investment that was made in July 2012.

## Portfolio review

The portfolio at 31 March 2013, comprised forty-two investments with a cost of £33.83 million and valued at £32.39 million.

The overall value of the portfolio has increased further over the six month period and Blaze Signs, EMaC, DiGiCo, Westway, IDOX and Alaric have all contributed strongly to this. Blaze Signs has continued its impressive recovery having benefited from some high profile contract gains, including work on the Olympics site in 2012, and has made a further repayment of loan stock as a result. Westway too, has rebounded from a dip in trading in the prior year. DiGiCo has continued to grow, and has recently launched a new range of products. IDOX, an AiM quoted investment, continued to rise in value. Focus has begun to benefit from the high level of new product development expenditure over the past year, and our more recent investments into Fullfield and EMaC are also making good progress. In particular the valuation of EMaC has moved significantly above cost to reflect this company's strong performance since investment. Alaric has delivered record profitability and this has led to a material increase in valuation over the period. The partial disposal of the investment in Faversham House for in excess of the opening valuation has also contributed to the increase in the portfolio's value. Against these positive performances, the building and construction sector remains weak, causing Youngman and PXP to find it difficult to establish a solid path to recovery, whilst the pace of profits recovery at RDL remains slower than hoped.

Overall, we are encouraged by the strong and resilient performance by the majority of our investee companies. Our strategy remains to maximise value by retaining investments until they have reached the optimum point for an exit.

## Outlook

We plan to take advantage of improved dealflow and the VCT's strong liquidity over the remainder of the Company's financial year and beyond, while maintaining a prudent approach to the selection of the right investments. The two-speed economy can be ruthless in separating the winners from the losers. We are making it a continuing priority to identify resilient companies that have the characteristics to survive when weaker companies are failing. MBO teams are increasingly turning to us as a source of deliverable, long-term finance as an alternative to bank funding and this is increasing the range of potential investments that we are considering.

The existing companies in the portfolio are predominantly proving that well-funded, quality companies can perform well, even when challenges in the wider economy are causing many companies to fail. We believe that the portfolio will continue to create value in the medium to long term.

# Unaudited Income Statement
## *for the six months ended 31 March 2013*

| | Notes | Six months ended 31 March 2013 (unaudited) Revenue £ | Capital £ | Total £ |
|---|---|---|---|---|
| Unrealised gains on investments | 7 | – | 3,009,086 | 3,009,086 |
| Net realised gains on investments | 7 | – | 1,037,994 | 1,037,994 |
| Income | 2 | 988,065 | 533,750 | 1,521,815 |
| Investment manager's fees | 3 | (156,797) | (470,393) | (627,190) |
| Investment managers' peformance fees | 3 | – | (106,778) | (106,778) |
| Other expenses | | (189,766) | – | (189,766) |
| Provision for litigation costs no longer required | | – | – | – |
| **Profit on ordinary activities before taxation** | | 641,502 | 4,003,659 | 4,645,161 |
| Tax on profit on ordinary activities | 4 | (114,621) | 114,621 | – |
| **Profit on ordinary activities after taxation** | | **526,881** | **4,118,280** | **4,645,161** |
| **Basic and diluted earnings per Ordinary Share** | 5 | **1.12p** | **8.80p** | **9.92p** |

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

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

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

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

The notes to the unaudited financial statements on pages 17 – 22 form part of these Half-Year financial statements.

| Six months ended 31 March 2012 (unaudited) | | | Year ended 30 September 2012 (audited) | | |
|---|---|---|---|---|---|
| Revenue £ | Capital £ | Total £ | Revenue £ | Capital £ | Total £ |
| – | 2,273,414 | 2,273,414 | – | 2,364,362 | 2,364,362 |
| – | 3,155,198 | 3,155,198 | – | 5,243,190 | 5,243,190 |
| 751,588 | – | 751,588 | 2,004,297 | – | 2,004,297 |
| (148,768) | (446,304) | (595,072) | (290,664) | (871,993) | (1,162,657) |
| – | (2,860,000) | (2,860,000) | – | (3,503,000) | (3,503,000) |
| (293,755) | – | (293,755) | (499,164) | – | (499,164) |
| – | 1,337,456 | 1,337,456 | – | 1,337,456 | 1,337,456 |
| 309,065 | 3,459,764 | 3,768,829 | 1,214,469 | 4,570,015 | 5,784,484 |
| (40,845) | 40,845 | – | (224,747) | 224,747 | – |
| **268,220** | **3,500,609** | **3,768,829** | **989,722** | **4,794,762** | **5,784,484** |
| **0.65p** | **8.48p** | **9.13p** | **2.26p** | **10.97p** | **13.23p** |

# Unaudited Balance Sheet
*as at 31 March 2013*

| | Notes | 31 March 2013 (unaudited) £ | 31 March 2012 (unaudited) £ | 30 September 2012 (audited) £ |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Investments at fair value | 7 | 32,385,848 | 32,685,232 | 31,205,667 |
| **Current assets** | | | | |
| Debtors and prepayments | | 2,996,460 | 350,297 | 727,598 |
| Current asset investments | 8 | 17,787,414 | 13,917,141 | 17,523,440 |
| Cash at bank | | 4,479,667 | 2,056,750 | 4,861,440 |
| | | 25,263,541 | 16,324,188 | 23,112,478 |
| **Creditors: amounts falling due within one year** | | (967,381) | (3,307,167) | (3,766,160) |
| **Net current assets** | | 24,296,160 | 13,017,021 | 19,346,318 |
| **Net assets** | | **56,682,008** | **45,702,253** | **50,551,985** |
| **Capital and reserves** | 9 | | | |
| Called up share capital | | 501,495 | 433,544 | 461,157 |
| Share premium account | | 3,013,474 | 8,584,454 | 11,898,621 |
| Capital redemption reserve | | 202,389 | 191,807 | 197,265 |
| Revaluation reserve | | 4,548,616 | 2,882,155 | 1,611,146 |
| Special reserve | | 24,975,739 | 14,101,218 | 12,721,596 |
| Profit and loss account | | 23,440,295 | 19,509,075 | 23,662,200 |
| **Equity Shareholders' funds** | | **56,682,008** | **45,702,253** | **50,551,985** |
| **Basic and diluted net asset value:** | | | | |
| Basic and diluted net asset value per Ordinary Share | 10 | **113.03p** | **105.42p** | **109.62p** |

The financial information for the six months ended 31 March 2013 and the six months ended 31 March 2012 has not been audited.

The notes on pages 17 – 22 form part of these Half-Year financial statements.

# Unaudited Reconciliation of Movements in Shareholders' Funds

*for the six months ended 31 March 2013*

| | Notes | Six months ended 31 March 2013 (unaudited) £ | Six months ended 31 March 2012 (unaudited) £ | Six months ended 30 September 2012 (audited) £ |
|---|---|---|---|---|
| Opening Shareholders' funds | | 50,551,985 | 49,152,799 | 49,152,799 |
| Share capital bought back in the period | 9 | (495,903) | (399,876) | (913,037) |
| Share capital subscribed in the period | 9 | 4,911,846 | 2,946,435 | 6,293,673 |
| Expenses incurred in respect of the Enhanced Buyback Facility | 9 | (68,771) | – | – |
| Profit for the period | | 4,645,161 | 3,768,829 | 5,784,484 |
| Dividends paid in period | 6 | (2,862,310) | (9,765,934) | (9,765,934) |
| **Closing shareholders' funds** | | **56,682,008** | **45,702,253** | **50,551,985** |

The notes on pages 17 – 22 form part of these Half-Year financial statements.

# Unaudited Cash Flow Statement
*for the six months ended 31 March 2013*

| | Notes | Six months ended 31 March 2013 (unaudited) £ | Six months ended 31 March 2012 (unaudited) £ | Year ended 30 September 2012 (audited) £ |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Investment income received | | 1,467,634 | 614,011 | 1,955,985 |
| Investment managment fees paid | | (3,677,424) | (599,772) | (1,162,657) |
| Other income | | – | – | 4,861 |
| Other cash payments | | (113,612) | (264,049) | (561,556) |
| **Net cash (outflow)/inflow from operating activities** | | (2,323,402) | (249,810) | 236,633 |
| **Investing activities** | | | | |
| Acquisition of investments | 7 | (1,413,802) | (11,465,139) | (13,255,722) |
| Disposal of investments | 7 | 4,761,617 | 21,499,964 | 26,468,137 |
| **Net cash inflow from investing activities** | | 3,347,815 | 10,034,825 | 13,212,415 |
| **Dividends** | | | | |
| Equity dividends paid | 6 | (2,862,310) | (8,509,703) | (9,765,934) |
| **Cash (outflow)/inflow before financing and liquid resource management** | | (1,837,897) | 1,275,312 | 3,683,114 |
| **Management of liquid resources** | | | | |
| Increase in current investments | | (263,974) | (2,234,680) | (5,840,979) |
| **Financing** | | | | |
| Issue of Ordinary Shares | | 2,165,648 | 1,690,204 | 6,293,673 |
| Purchase of own shares | | (445,550) | (251,506) | (851,788) |
| | | 1,720,098 | 1,438,698 | 5,441,885 |
| **(Decrease)/increase in cash for the period** | | **(381,773)** | **479,330** | **3,284,020** |

**Reconciliation of profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities for the six months ended 31 March 2013**

| | Six months ended 31 March 2013 £ | Six months ended 31 March 2012 £ | Year ended 30 September 2012 £ |
|---|---|---|---|
| Profit on ordinary activities before taxation | 4,645,161 | 3,768,829 | 5,784,484 |
| Net unrealised gains on investments | (3,009,086) | (2,273,414) | (2,364,362) |
| Net gains on realisation of investments | (1,037,994) | (3,155,198) | (5,243,190) |
| Increase in debtors | (41,595) | (143,661) | (40,047) |
| (Decrease)/increase in creditors | (2,879,888) | 1,553,634 | 2,099,748 |
| **Net cash (outflow)/inflow from operating activities** | **(2,323,402)** | **(249,810)** | **236,633** |

The notes on pages 17 – 22 form part of these Half-Year financial statements.

# Notes to the Unaudited Financial Statements
*for the six months ended 31 March 2013*

## 1. Principal accounting policies

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

### a) Basis of accounting

The unaudited results cover the six months to 31 March 2013 and have been prepared under UK Generally Accepted Accounting Practice (UK GAAP), consistent with the accounting policies set out in the statutory accounts for the year ended 30 September 2012 and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("the SORP") issued by the Association of Investment Companies. The financial statements are prepared under the historical cost convention except for the revaluation of certain investments.

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

### b) Presentation of the Income Statement

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

### c) Investments

Investments are accounted for on a trade date basis.

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

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

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

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

(i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.

(ii) In the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:-

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

or:-

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

(iii) Premiums on loan stock investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable.

(iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

### d) Capital gains and losses

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

## 2. Income

| | Six months ended 31 March 2013 (unaudited) Total £ | Six months ended 31 March 2012 (unaudited) Total £ | Year ended 30 September 2012 (audited) Total £ |
|---|---|---|---|
| Revenue dividends received | 147,002 | 104,973 | 305,650 |
| Capital dividends received | 533,750 | – | – |
| Income from money-market funds | 25,199 | 57,529 | 96,138 |
| Loan stock interest | 720,993 | 577,445 | 1,540,777 |
| Bank deposits interest | 94,871 | 11,641 | 56,871 |
| Other income | – | – | 4,861 |
| **Total Income** | **1,521,815** | **751,588** | **2,004,297** |

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

| | Six months ended 31 March 2013 Total £ | Six months ended 31 March 2012 Total £ | Year ended 30 September 2012 Total £ |
|---|---|---|---|
| **Allocated to revenue return:** Investment Manager's fee | 156,797 | 148,768 | 290,664 |
| **Allocated to capital return:** Investment Manager's fee | 470,393 | 446,304 | 871,993 |
| Investment Managers' performance fees | 106,778 | 2,860,000 | 3,503,000 |
| **Total** | **733,968** | **3,455,072** | **4,665,657** |
| **Investment Manager's fee** | 627,190 | 595,072 | 1,162,657 |
| **Investment Managers' performance fees** | 106,778 | 2,860,000 | 3,503,000 |
| **Total** | **733,968** | **3,455,072** | **4,665,657** |

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

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

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

Under the above agreements, each of the ongoing Investment Manager, Mobeus and a former Investment Manager, Foresight were paid an aggregate performance incentive fee of £3,050,234 on the ex-Foresight portfolio in respect of the year ended 30 September 2012, with £3,050,000 having been accrued at that date. As at 31 March 2013, a further £491,811 may be payable in respect of the Mobeus portfolio, of which £453,000 was accrued at 30 September 2012.

## 4. Taxation

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

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

| | Six months ended 31 March 2013 Total £ | Six months ended 31 March 2012 Total £ | Year ended 30 September 2012 Total £ |
|---|---|---|---|
| i) Total earnings after taxation: | 4,645,161 | 3,768,829 | 5,784,484 |
| **Basic earnings per Share** | **9.92p** | **9.13p** | **13.23p** |
| ii) Net revenue from ordinary activities after taxation | 526,881 | 268,220 | 989,722 |
| **Basic revenue return per Share** | **1.12p** | **0.65p** | **2.26p** |
| Net unrealised capital gains | 3,009,086 | 2,273,414 | 2,364,362 |
| Net realised capital gains | 1,037,994 | 3,155,198 | 5,243,190 |
| Capital dividend | 533,750 | – | – |
| Provision for litigation costs no longer required | – | 1,337,456 | 1,337,456 |
| Capital expenses (net of taxation) | (355,772) | (405,459) | (647,246) |
| Investment Managers' performance fees | (106,778) | (2,860,000) | (3,503,000) |
| iii) Total capital return | 4,118,280 | 3,500,609 | 4,794,762 |
| **Basic capital return per Share** | **8.80p** | **8.48p** | **10.97p** |
| iv) Weighted average number of shares in issue in the period | 46,836,111 | 41,301,622 | 43,710,889 |

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

## 6. Dividends

| | Six months ended 31 March 2013 £ | Six months ended 31 March 2012 £ | Year ended 30 September 2012 £ |
|---|---|---|---|
| **Ordinary Shares** | | | |
| Interim paid for the year ended 30 September 2012 of 3p capital and 3p income (2012: 20p capital) pence per Share | 2,862,310 | 8,138,244 | 8,138,244 |
| Final paid of nil p (2012: 4p capital) pence per Share | – | 1,627,690 | 1,627,690 |
| | **2,862,310*** | **9,765,934*** | **9,765,934*** |

* - Of this amount £333,740 (31 March 2012: £1,256,231; 30 September 2012: £1,256,231) of new shares were issued as part of the Company's Dividend Investment Scheme.

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

| | Traded on AiM £ | Unquoted Ordinary shares £ | Preference shares £ | Qualifying loans £ | Total £ |
|---|---|---|---|---|---|
| Valuation at 1 October 2012 | 2,858,821 | 8,999,239 | 35,430 | 19,312,177 | 31,205,667 |
| Purchases at cost | 149 | 73,311 | – | 1,340,342 | 1,413,802 |
| Sales – proceeds | (958,387) | (824,835) | (10,000) | (2,498,488) | (4,291,710) |
| – realised gains | 118,892 | 320,626 | 5,000 | 604,485 | 1,049,003 |
| Reclassification at valuation | – | (497,952) | 1,017 | 496,935 | – |
| Unrealised gains/(losses) | 412,471 | 1,770,278 | (307) | 826,644 | 3,009,086 |
| **Valuation at 31 March 2013** | **2,431,946** | **9,840,667** | **31,140** | **20,082,095** | **32,385,848** |
| Book cost at 31 March 2013 | 3,215,129 | 11,498,182 | 48,664 | 19,070,113 | 33,832,088 |
| Unrealised (losses)/gains at 31 March 2013 | (783,183) | 3,462,415 | (17,524) | 1,011,982 | 3,673,690 |
| Permanent impairment of valuation of investments | – | (5,119,930) | – | – | (5,119,930) |
| **Valuation at 31 March 2013** | **2,431,946** | **9,840,667** | **31,140** | **20,082,095** | **32,385,848** |
| **Gains on investments** | | | | | |
| Realised gains based on historical cost | 275,701 | 681,386 | – | 163,532 | 1,120,619 |
| Less amounts recognised as unrealised gains/(losses) in previous years | (156,809) | (360,760) | 5,000 | 440,953 | (71,616) |
| Realised gains based on carrying value at 31 March 2013 | 118,892 | 320,626 | 5,000 | 604,485 | 1,049,003 |
| Net movement in unrealised gains/(losses) in the period | 412,471 | 1,770,278 | (307) | 826,644 | 3,009,086 |
| **Gains on investments for the period ended 31 March 2013** | **531,363** | **2,090,904** | **4,693** | **1,431,129** | **4,058,089** |

Transaction costs of £11,009 were incurred in the period and are treated as realised gains on investment in the Income Statement. Deducting these from realised gains above gives £1,037,994 of gains as shown in the Income Statement.

Proceeds above of £4,291,710 differ from the cash flow statement figure of £4,761,617 by £469,907. This amount relates to transaction costs of £11,009, an outstanding debtor as at the previous year end of £89,305, which was subsequently settled in the period and £391,611 of contingent consideration included in other debtors at the previous year end subsequently received.

## 8. Current asset investments

| | 31 March 2013<br>£ | 31 March 2012<br>£ | 30 September 2012<br>£ |
|---|---|---|---|
| Monies held pending investment | 17,787,414 | 13,917,141 | 17,523,440 |

Current asset investments comprise investments in five OEIC money market funds (four Dublin based and one London based) subject to immediate access, and £5,000,000 in two bank deposits, repayable within one year. These sums are regarded as monies held pending investment.

## 9. Capital and reserves for the six months ended 31 March 2013

| | Called up share capital<br>£ | Share premium account<br>£ | Capital redemption reserve<br>£ | Revaluation reserve<br>£ | Special reserve<br>£ | Profit and loss account<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|---|
| At 1 October 2012 | 461,157 | 11,898,621 | 197,265 | 1,611,146 | 12,721,596 | 23,662,200 | 50,551,985 |
| Shares bought back | (5,124) | – | 5,124 | – | (495,903) | – | (495,903) |
| Shares issued | 41,864 | 4,536,242 | – | – | – | – | 4,578,106 |
| Dividends re-invested into new shares issued | 3,598 | 330,142 | – | – | – | – | 333,740 |
| Expenses of Enhanced Buyback Facility (see note a) | – | – | – | – | (68,771) | – | (68,771) |
| Dividends paid | – | – | – | – | – | (2,862,310) | (2,862,310) |
| Loss transferred between reserves | – | – | – | – | (932,714) | 932,714 | – |
| Other expenses net of taxation | – | – | – | – | – | (462,550) | (462,550) |
| Net unrealised gains on investments | – | – | – | 3,009,086 | – | – | 3,009,086 |
| Net realised gains on investments | – | – | – | – | – | 1,037,994 | 1,037,994 |
| Cancellation of share premium account (see note b) | – | (13,751,531) | – | – | 13,751,531 | – | – |
| Realisation of previously unrealised gains | – | – | – | (71,616) | – | 71,616 | – |
| Profit for the period | – | – | – | – | – | 1,060,631 | 1,060,631 |
| **At 31 March 2013** | **501,495** | **3,013,474** | **202,389** | **4,548,616** | **24,975,739** | **23,440,295** | **56,682,008** |

Note a: The expenses of the Enhanced Buyback Facility ("EBF") are third party costs of the Facility of £68,771, incurred up to 31 March 2013. These costs are borne by those Shareholders who participated in the EBF. Details of Shares issued and bought back under the EBF are disclosed in Note 11, Post balance sheet events. No fees were charged by the Manager.

Note b: The cancellation of £13,751,531 from the share premium account (as approved at the General Meeting held on 22 February 2013 and by the order of the Court dated 13 March 2013) has increased the Company's special distribution reserve. The purpose of this reserve is to fund market purchases of the Company's own Shares, and to write off existing and future losses.

## 10. Net asset value per share

| | as at 31 March 2013 | as at 31 March 2012 | as at 30 September 2012 |
|---|---|---|---|
| Net assets | £56,682,008 | £45,702,253 | £50,551,985 |
| Number of Shares in issue | 50,149,478 | 43,354,355 | 46,115,656 |
| Net asset value per Share – basic and diluted | 113.03p | 105.42p | 109.62p |

Diluted NAV per Share assumes that the Investment Manager's incentive fee is satisfied by the issue of additional shares. No dilution of NAV per Share has occurred. If Shares were to be issued in the future in respect of the accrued fees payable, no dilution will occur, as the estimated incentive fee payable is already held as a creditor in these accounts.

## 11. Post balance sheet events

On 4 April 2013 and 5 April 2013, 2,679,214 Ordinary Shares were allotted at a price of 112.60 pence per share raising net funds of £2,919,440. On 10 April 2013, 96,846 Ordinary Shares were allotted at a price of 115.3 pence per share, raising net funds of £105,801, and 292,961 Ordinary Shares were allotted at a price of 112.6 pence per share, raising net funds of £319,328. Finally, on 7 May 2013, 155,866 Ordinary Shares were allotted at a price of 112.6 pence per share, raising net funds of £169,859.

On 4 April 2013, as part of the Enhanced Buyback Facility, 4,694,852 Ordinary Shares were bought back for cancellation at a price of 108.8 pence per Share costing £5,107,999. Immediately following this, 4,548,282 Ordinary Shares were issued at a price of 112.3 pence per Share raising net funds of £5,107,721.

On 8 April 2013, again as part of the Enhanced Buyback Facility, 3,434,836 Ordinary Shares were bought back for cancellation at a price of 108.8 pence per Share costing £3,737,102. Immediately following this, 3,327,650 Ordinary Shares were issued at a price of 112.3 pence per Share raising net funds of £3,736,951.

On 19 April 2013, £1,000,013 was further invested into ATG Media Holdings Limited, with £1,000,000 provided by acquisition vehicle Peddars Management Limited. This was to enable ATG Media Holdings Limited to acquire the US Company, Bidspotter Inc.

**12.** The financial information for the six months ended 31 March 2013 and the six months ended 31 March 2012 has not been audited.

The financial information contained in this Half-Year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements for the year ended 30 September 2012 have been filed with the Registrar of Companies. The auditor has reported on these financial statements and that report was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

**13.** Copies of this statement are being sent to all Shareholders. Further copies are available free of charge from the Company's registered office, 30 Haymarket, London, SW1Y 4EX, or can be downloaded via the Company's website at www.incomeandgrowthvct.co.uk

# Performance Data at 31 March 2013

**Share price as at 31 March 2013** **98.00 pence[1]**
**NAV per share as at 31 March 2013** **113.03 pence**

[1] - Source: London Stock Exchange.

## Performance data for all fundraising rounds

The following table shows, for all investors in The Income & Growth VCT plc, how their investments have performed since they were originally allotted shares in each fundraising.

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

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and a NAV basis as at 31 March 2013. The NAV basis enables Shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

| Allotment date(s) | Allotment price (p) | Net allotment price [2] (p) | Cumulative dividends paid per share (p) | Total return per Share to Shareholders since allotment (Share price basis) (p) | (NAV basis) (p) | % increase since 30 September 2012 (NAV basis) |
|---|---|---|---|---|---|---|
| **Funds raised - O Fund[3] (launched 18 October 2000)** | | | | | | |
| Between 3 November 2000 and 11 May 2001 | 100.00 | **60.62** | 48.22 | **122.48** | **133.87** | **5.63%** |
| **Funds raised 2007/8 - S Share fund (launched 14 December 2007)** | | | | | | |
| Between 1 April 2008 and 6 June 2008 | 100.00 | **70.00** | 34.50 | **132.50** | **147.53** | **6.81%** |
| **Funds raised 2010/11 (launched 12 November 2010)** | | | | | | |
| 21 January 2011 | 104.80 | **73.36** | 34.00 | **132.00** | **147.03** | **6.83%** |
| 28 February 2011 | 107.90 | **75.53** | 32.00 | **130.00** | **145.03** | **6.94%** |
| 22 March 2011 | 105.80 | **74.06** | 32.00 | **130.00** | **145.03** | **6.94%** |
| 1 April 2011 | 105.80 | **74.06** | 30.00 | **128.00** | **143.03** | **7.04%** |
| 5 April 2011 | 105.80 | **74.06** | 30.00 | **128.00** | **143.03** | **7.04%** |
| 10 May 2011 | 105.80 | **74.06** | 30.00 | **128.00** | **143.03** | **7.04%** |
| 6 July 2011 | 106.00 | **74.20** | 30.00 | **128.00** | **143.03** | **7.04%** |
| **Funds raised 2012 (launched 20 January 2012)** | | | | | | |
| 8 March 2012 | 106.40 | **74.48** | 6.00 | **104.00** | **119.03** | **8.58%** |
| 4 April 2012 | 106.40 | **74.48** | 6.00 | **104.00** | **119.03** | **8.58%** |
| 5 April 2012 | 106.40 | **74.48** | 6.00 | **104.00** | **119.03** | **8.58%** |
| 10 May 2012 | 106.40 | **74.48** | 6.00 | **104.00** | **119.03** | **8.58%** |
| 10 July 2012 | 111.60 | **78.12** | 6.00 | **104.00** | **119.03** | **8.58%** |
| **Funds raised 2013 (launched 29 November 2012)** | | | | | | |
| 14 January 2013 | 116.00 | **81.20** | 6.00 | **104.00** | **119.03** | **–** |
| 28 March 2013 | 112.60 | **78.82** | – | **98.00** | **113.03** | **–** |

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

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

## Cumulative dividends paid

| | Funds raised 2000/01 O Share Fund (p) | Funds raised 2007/08 S Share Fund (p) | Funds raised 2010/11 (p) | Funds raised 2012 (p) | Funds raised 2012/2013 (p) |
|---|---|---|---|---|---|
| 08 February 2013 | 4.55[1] | 6.00 | 6.00 | 6.00 | 6.00 |
| 15 February 2012 | 3.02[1] | 4.00 | 4.00 | | |
| 27 January 2012 | 15.16[1] | 20.00 | 20.00 | | |
| 28 March 2011 | 1.52[1] | 2.00 | 2.00 | | |
| 22 February 2011 | 1.52[1] | 2.00 | 2.00 | | |
| **29 March 2010: Merger of the O and S Share Funds** | | | | | |
| 17 March 2010 | 2.00 | 0.50 | | | |
| 16 February 2009 | 4.00 | | | | |
| 15 February 2008 | 2.00 | | | | |
| 24 October 2007 | 2.00 | | | | |
| 15 February 2007 | 3.75 | | | | |
| 14 February 2006 | 3.25 | | | | |
| 04 February 2005 | 1.25 | | | | |
| 11 February 2004 | 1.25 | | | | |
| 12 February 2003 | 1.75 | | | | |
| 18 February 2002 | 1.20 | | | | |
| **Total dividends paid[2]** | **48.22** | **34.50** | **34.00** | **6.00** | **6.00** |

[1] - The dividends paid after the merger, on the former O Fund shareholdings, have been restated to take account of the merger conversion ratio.

[2] - The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to Shareholders by date of allotment is shown in the table on page 23.

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