# Mobeus Income & Growth 2 VCT PLC

(formerly Matrix Income & Growth 2 VCT PLC)

## A VENTURE CAPITAL TRUST

**Annual Report & Accounts**
for the year ended 30 April 2013

mobeus
EQUITY PARTNERS

**Mobeus Income & Growth 2 VCT plc**, formerly Matrix Income & Growth 2 VCT plc ("Mobeus Income & Growth 2 VCT" or "the Company" or "the VCT") is a Venture Capital Trust managed by Mobeus Equity Partners LLP (previously Matrix Private Equity Partners LLP ("Mobeus")) investing primarily in established, profitable, unquoted companies.

## Investment Objective

The Company's objective 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.

## Venture Capital Trust Status

Mobeus Income & Growth 2 VCT has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA") and the Directors intend to conduct the business of the Company so as to continue to comply with that section.

## Contents

# Investment Policy

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

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

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

### UK companies

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

### 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 per cent. of its investments in a single company and must achieve at least 70 per cent. by value of its investments throughout the period in shares or securities in VCT qualifying holdings, of which a minimum overall of 30 per cent. by value must be ordinary shares which carry no preferential rights. In addition, although the Company can invest less than 30 per cent. of an investment in a specific company in ordinary shares, it must have at least 10 per cent. 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 VCT regulations in respect of funds raised after 6 April 2011 have changed, such that 70% of qualifying holdings invested with such funds must be held in equity.

### Asset mix

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

### Risk diversification and maximum exposures

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

### Co-investment

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

### Borrowing

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

# 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 Investment Manager, Mobeus Equity Partners LLP, and are then subject to formal approval by the Directors. Mobeus Equity Partners LLP also provides Company Secretarial and Accountancy services to the VCT.

# Financial Highlights

The highlights during the year have been:-

## Net Asset Value (NAV basis) Total Return for the year was 12.3%.

## Net Asset Value (share price basis) Total Return for the year was 10.9%.

## 4p dividend declared and paid in the year.

# Performance Summary

**Annual results for the year ended 30 April 2013**

**Ordinary Shares of 1 penny (formerly C Shares until 10 September 2010)**

To help Shareholders understand the recent past performance of their investment, comparative data is shown below. Total Return (NAV basis) comprises NAV per share plus cumulative dividends paid per share:

| | Net assets | Net asset value per share (NAV) | Cumulative dividends paid per share | Share price | Cumulative Total Return per Share to Shareholders since launch[2,3] (NAV basis) | (share price basis) |
|---|---|---|---|---|---|---|
| | (£m) | (p) | (p) | (p)[1] | (p) | (p) |
| **Ordinary Share Fund (formerly C Share Fund until 10 September 2010)[2]** | | | | | | |
| **As at 30 April 2013** | **25.7** | **106.8** | **18.0** | **70.3** | **124.8** | **88.3** |
| As at 30 April 2012 | 24.5 | 98.7 | 14.0 | 67.0 | 112.7 | 81.0 |
| As at 30 April 2011 | 24.9 | 96.2 | 10.0 | 62.0 | 106.2 | 72.0 |
| At close of Offer for Subscription in 2005 | 8.7 | 94.5 | – | – | – | – |
| **Former Ordinary Share Fund (raised in 2000/2001)[3]** | | | | | | |
| **As at 30 April 2013** | **–** | **88.3** | **36.7** | **–** | **125.0** | **–** |
| As at 30 April 2012 | – | 81.6 | 33.4 | – | 115.0 | – |
| As at 30 April 2011 | – | 79.5 | 30.1 | – | 109.6 | – |
| At close of Offer for Subscription in 2001 | 12.4 | 94.0 | – | – | – | – |

[1] Source: London Stock Exchange.

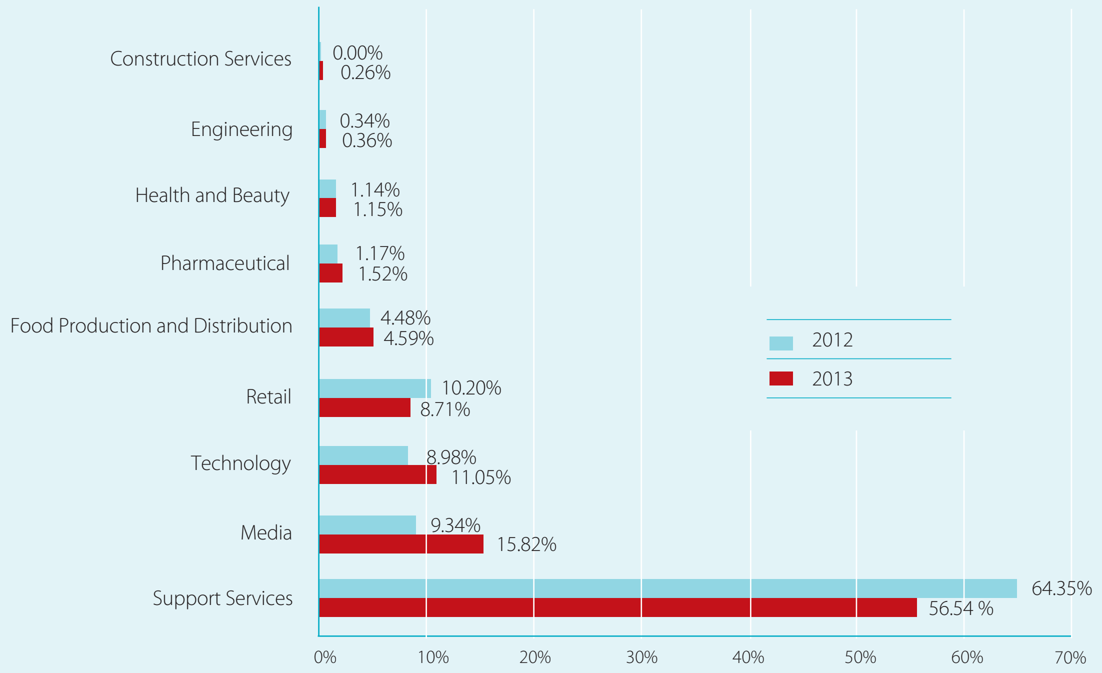
[2] Launch date 20 September 2005.

[3] Launch date 10 May 2000.

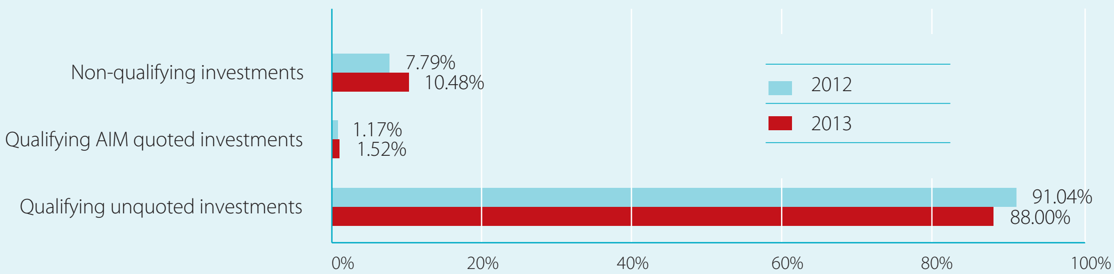
# Financial Highlights

## **Ordinary Shares** (Investments at Valuation as at 30 April 2013)

### Investments by industry sector




### Investments by asset class



# Chairman's Statement

I am pleased to present the thirteenth Annual Report of the Company, for the year ended 30 April 2013. The Company changed its name from Matrix Income & Growth 2 VCT plc to Mobeus Income & Growth 2 VCT plc on 29 June 2012.

Although the UK Government's continuing deficit and consequential high level of debt are a concern, there are some signs of a return to economic growth. If this continues, it will provide better trading conditions for the companies in the portfolio, the majority of which are already trading profitably.

During the year, there has been an 11.5% increase in the unrealised gain in the value of the portfolio. After a slow start to the year, the number of new and follow-on investments increased significantly during the last three months of the year to 30 April 2013.

## Performance for the year ended 30 April 2013

The net asset value ("NAV") per share at 30 April 2013 was 106.8 pence (2012: 98.7 pence), an increase over the year of 8.1 pence (2012: increase of 2.5 pence). To measure the NAV per share total return over the year on a like-for-like basis, the interim dividend of 4 pence paid to Shareholders on 19 April 2013, in respect of the year ended 30 April 2013, should be added to closing NAV per share, producing a closing return of 110.8 pence. Comparing this to an opening NAV of 98.7 pence, the Company's underlying NAV return per share was 12.1 pence or 12.3%.

This increase compares with an increase of 26.1% in the FTSE SmallCap Total Return index and a decrease of 8.3% in the FTSE AIM Total Return index.

The share price total return for the year, being the share price at 30 April 2013 after adding the dividend of 4 pence paid before the year end, rose by 10.9% during the year from 67.0 pence to 74.3 pence.

Unrealised increases in the valuation of investments held, notably by ATG Media Holdings Limited and Blaze Signs Holdings Limited, are primarily responsible for the increase in returns for the year.

## Performance of former share classes

Shareholders should note that the performance data above relates to the one ordinary share class now in existence, which was formerly called the C share class, before the share class merger completed on 10 September 2010. Shareholders in both the former 'O' and 'C' share classes may wish to see the performance of their own investment, and this is shown in the Financial Highlights on page 2, and in the Investor Performance appendix on page 53.

## Revenue and Capital returns for the year ended 30 April 2013

The results for the year ended 30 April 2013 are set out in the following pages. The total return (after tax) attributable to Ordinary Shareholders for the year was a profit of £2,685,399 (2012: £1,333,109), comprising a net capital return of £2,223,498 (2012: £816,532) and a revenue return of £461,901 (2012: £516,577). This improved performance for the year is mainly due to net increases of £2.6 million in the value of the investment portfolio.

## Portfolio Activity

Management buy-out transactions ("MBOs") continue to represent a significant proportion of the portfolio with two new MBO transactions occurring in the year. MBOs now represent 80.8% of the portfolio, with 13.8% in acquisition companies, 3.9% in development capital and 1.5% invested in AIM investments. The portfolio is now invested in a wide range of market sectors with the largest of those being Support Services at 56.5%.

There have been four significant investments in the year, two of which were new investments and two of which were further investments into existing portfolio companies to build on success so far and to assist both investee companies to generate further growth.

During the year, the VCT invested £3.7 million in total, in new and follow-on investments. This includes funds from the acquisition vehicles Sawrey Limited, Almsworthy Trading Limited, Fosse Management Limited and Peddars Management Limited.

In July 2012, the Company made a new investment of £906,762 into Tessella Holdings Limited, via the acquisition vehicle Sawrey Limited, as part of the Manager's Operating Partner programme.

In February 2013, the VCT provided an additional £624,769 from Almsworthy Trading Limited into existing portfolio company Fullfield Limited (Motorclean) to enable their acquisition of rival company Forward Valeting Services, to create the UK's largest provider of car valeting services.

In March 2013, a new investment of £1,056,417 was made to support the MBO of Gro-Group Holdings Limited, including £1 million from its existing investment in the acquisition vehicle Fosse Management. Based in Devon, Gro-Group is the market leader for baby sleep time products in the UK and Australia.

Finally, in April 2013, the VCT invested a further £863,923 from Peddars Management Limited into an existing portfolio company, ATG Media Holdings Limited, to enable ATG, to acquire Bidspotter Inc., a US company providing live bidding and auction software to industrial and commercial auctioneers.

A further investment of £167,647 was also made into Newquay Helicopters (2013) Limited (formerly British International Holdings Limited) in order to provide working capital support. After the year end this support has enabled the company to sell the major part of its business, in turn enabling it to repay most of the VCT's loan stock and accrued interest, resulting in proceeds to date of £1,671,825.

After the year end, the Company made an investment of £967,781 in Veritek Global Limited, using the acquisition vehicle Madacombe Trading Limited.

There have been a number of realisations and loan stock repayments during the year. In May 2012, IGLU.com Holidays Limited was realised for £1,486,978, which contributed to a total return on original investment of 2.5 times money in two and a half years. Blaze Signs Holdings

# Chairman's Statement (continued)

Limited has repaid £979,639 of their outstanding loan including premium during the year which brings total loan proceeds (including interest) received to date to £1,580,136.

In March 2013, a portion of loan stock and the entire equity holding of Faversham House Holdings Limted was realised for £154,435 proceeds and generated a gain of £41,471 in the year. The VCT retains loan stock valued at cost, being £111,335.

There were three further loan repayments in the year: £83,179 from Fullfield Limited, £84,087 from DiGiCo Global Limited and £26,037 from Tessella Holdings Limited, which is a reflection of the strength of these investee companies' trading.

## Portfolio review

As explained earlier, the performance of the portfolio is the main source of the VCT's good performance this year. The higher valuations for ATG Media Holdings Limited, Blaze Signs Holdings Limited, Fullfield Limited (Motorclean Limited), Ingleby (1879) Limited (EMaC Limited), DiGiCo Global Limited and Focus Pharma Holdings Limited reflect strong trading performances, as also was the case with a number of other companies. There are a smaller number of companies that are struggling to make progress. This is either because they are related to the construction sector or are simply trading below plan. Overall, portfolio companies' performance for the year has been encouraging.

The Company now holds 28 investments at the year-end, which were valued at 100.7% of cost, up from 95.6% at the previous year end.

Further details of these investments and transactions are provided in the Investment Manager's Review on pages 7 to 12.

## Income returns

Revenue returns have been broadly consistent this year, generating a profit of £461,901, a fall of £54,676 from £516,577 in 2012. This decline is mainly as a result of a large DiGiCo Global Limited dividend (£135,282) received in the previous year before the partial sale of that investment last year, partially offset by an encouraging increase in loan interest receipts.

Loan stock interest from investee companies rose to £865,768 (2012: £789,960), as several new investments generated new income, while some investee companies were able to pay interest arrears. The annualised yield from loan stocks at valuation is higher at 6.1% (2012: 4.9%), reflecting a number of new investments yielding good rates of interest. This higher running yield is despite a number of loan repayments in the year.

Excluding DiGiCo Global Limited, dividend income from other investee companies has risen 67% to £135,481. The majority of dividends received have either risen on last year's level or have been a maiden dividend by that investee company.

Low interest rates continue to restrict revenue generation on bank deposits and money-market funds. Total income from cash and money market funds was £17,675 (2012: £36,458). The Board remains committed to security as the primary aim for uninvested funds rather than attempting to increase the rate of return at the expense of an increase in risk.

Investment management fees have remained steady over the year. Running expenses have risen by £17,128, due to higher registrar, audit and trail commission fees (the last primarily a result of higher net assets).

## Dividends

The revenue account generated a net revenue gain for the year, as explained above, of 1.87 pence per share (2012: gain of 2.03 pence). Your Board declared an interim dividend totalling 4 pence per share, of which 1.25 pence was income and 2.75 pence was capital. This was paid on 19 April 2013 and brought total dividends paid to Ordinary Shareholders to 18 pence and the total paid to former O fund Shareholders to 36.7 pence.

The Company is required to pay a minimum income dividend each year, to comply with VCT rules. The amount of 1.25p, which was part of the interim dividend of 4p per share already paid on 19 April 2013, is fractionally less than the minimum required. To address this issue, the Board has declared a further interim income dividend of 0.1p in respect of income earned for the year ended 30 April 2013. To save postage costs, this will be paid at the same time as paying the interim dividend for the year ending 30 April 2014, currently planned to be on 22 April 2014 to Shareholders on the Register on 28 March 2014.

## Share buy-backs

During the year ended 30 April 2013, the Company continued to implement its buy-back policy and bought back 776,749 Ordinary Shares in five transactions, representing 3.1% of the shares in issue at the start of the year for an aggregate consideration of £541,894. These shares were subsequently cancelled by the Company. The shares above were bought back for an average price of 69.76 pence per share, at discounts to the net asset value at the date of each buyback ranging from 34.13 % to 30.83%. The value of these discounts has contributed to an increase in net asset value per share of 1.06p, based on the closing number of shares in issue at the year end.

## Change of ownership at Mobeus Equity Partners, previously Matrix Private Equity Partners

As mentioned in last year's Annual Report, the partners of the Investment Manager, Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP) acquired a full interest in the business on 29 June 2012. This led to the Investment Manager becoming a fully independent owner-managed firm.

Since this management buy-out, the Company's arrangements with Mobeus have not changed and the Directors continue to look forward to working with Mobeus to provide attractive long term returns on your Company investment, whilst reserving the Company's rights under the investment management agreement.

## Shareholder communication

May I remind you that the Company continues to have its own website which is available at www.mig2vct.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 Global Limited, one of the VCT's portfolio companies.

## 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 PKF (UK) LLP following the merger.

## Strategy

Your Board considers the Company's strategy at least annually. The main issues addressed are the investment objectives and policies, the role and performance of the Investment Manager and the methods of providing Shareholders with a satisfactory return on their investment.

As Shareholders will know, our strategy has been to seek to maximise the Net Asset Value return by:

1. setting the Investment Manager a target of a minimum average annual return of 8%;

2. not issuing new shares while additional funds are not required to take up new investment opportunities or until the renewal vote due in September 2015;

3. buying back shares at a price which considers the interests of the continuing Shareholders, together with those of Shareholders seeking to realise their investment; and

4. paying a consistent annual dividend while maintaining the net asset value of the fund.

It is pleasing to report that:

1. returns on the Ordinary Shares for the three years and the year to 30 April 2013 were 36.9% (11% compound per year) and 12.2% respectively. These are significantly higher than achieved in previous years;

2. the proportion of net assets invested in businesses is higher than it would have been if more new shares had been issued since the Company's last fund-raising in 2009. Given the very low return earned on uninvested funds, this has delivered higher returns;

3. buying back shares at the discount to net asset value has created demand from outside investors for the Company's shares and has increased the returns; and

4. an annual dividend of 4p has been paid over the past three years. The increase in the net asset value to 106.8p allows for higher dividends to be paid in future years.

The level of uninvested funds, augmented by regular disposals of portfolio investments, has enabled the Company to take up all the available new investment opportunities to date. However, as part of our most recent strategy review, the analysis of the anticipated cash inflows and outflows from operations and investment activities over the next 18 months indicated that, as a result of a recovery in the market and of an increase in the average size of new investments, the amount of new investment opportunities will exceed the amount of disposals to an extent that additional funds will be required if all the new investment opportunities are to be taken up.

Consequently, your Board is considering raising additional funds during the current financial year. If a fund-raising were to proceed, it would entail the following revisions to our current strategy:

1. extending the life of the Company until the fifth anniversary of the latest allotment of shares, in order to maintain the tax reliefs on the new shares to be issued. Resolutions to authorise the allotment of shares arising from a fund-raising and to extend the life of the Company will be put to Shareholders at the Annual General Meeting to be held on 20 September 2013. If either of the resolutions were not passed or if they were passed but the fund-raising were not to proceed, it would be the Directors' intention to continue to hold a renewal vote as currently scheduled, in September 2015; and

2. adopting a buy-back policy with the objective of maintaining the discount to NAV at 10% or less. The attractiveness of any fundraising will be enhanced if prospective investors can see a clearer opportunity to exit at a level closer to net asset value.

## Outlook

So far during 2013, global quoted stock markets have shown a significant amount of volatility. Markets are adjusting to the expectation of future reductions in support, from the quantitative easing programme undertaken by central banks. On balance, it seems that the threats to economic growth posed by the Eurozone crisis are perceived as lower for now. Against this, the UK Government's continued austerity plan limits the scope for fiscal stimulus to provide a source of growth to the small business sector. The environment for smaller companies remains uncertain, if UK economic growth is limited. On a more positive note, recent data on the UK economy appears to indicate that a recovery from the financial crisis is underway, and business surveys reveal a cautious optimism in the corporate sector.

As explained above, the Board is mindful that the VCT should have adequate liquidity to take advantage of the increased number and quality of businesses currently being evaluated by the Manager. In view of the uncertain environment above, it is imperative that only the highest quality businesses are selected with the terms of the deal structured so as to minimise the downside risk to Shareholders. The cautious approach of selecting well-run profitable companies operating in niche markets is the primary reason for the quality of the investment portfolio currently held within the VCT.

## Annual General Meeting

The Annual General Meeting of the Company will be held at 12.00 noon on 20 September 2013 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. An explanation of the resolutions to be proposed at this meeting may be found in the Directors' Report.

I would like to take this opportunity to thank Shareholders for their continued support and I hope I have the opportunity of meeting you at the Annual General Meeting.

**Nigel Melville**
*Chairman*
1 August 2013

# Investment Manager's Review

## Overview

The investment portfolio has benefitted from two main developments over the year. The continued positive trend in the volume and quality of opportunities seen by the team has led to a number of completions, and strong performance across the portfolio has led to further valuation uplifts.

The UK economy continues to present challenges to the small company sector. Despite this, the investment portfolio is demonstrating resilience, and many portfolio companies are growing profits. Our strategy of selecting established, profitable and cash flow generative companies with high quality, motivated management teams is generating good returns.

As a result of both realisations and loan repayments, the Company's liquidity position has strengthened and so it is well resourced to invest. Where appropriate, we have actively encouraged management teams to pursue an acquisition strategy, supported by additional investment. This approach has led to two follow-on investments to support sizeable acquisitions, both completed in the early part of 2013.

The long-standing investment strategy of investing in well-structured MBO deals, partly in equity and partly in income yielding loan stocks, gives substantial downside protection to Shareholders' capital.

A large part of the investment management team's work involves being actively engaged with the management teams of investee companies and encouraging them to question budgets, forecasts and cost structures and to take cost cutting measures as necessary to ensure that their business is robust to the difficult economic environment within which many are operating. The fruits of this are shown in the financial robustness and profitability of most companies in the portfolio, and the way in which many have recovered from the depths of the recession in 2008-9.

## New Investment

There have been two significant investments into new portfolio companies during the year. In July 2012, the Company invested £906,762 into the MBO of Tessella Holdings Limited, an international provider of science-powered technology and consulting services. The Company used its acquisition vehicle Sawrey Limited, in which it had already invested £1 million, to acquire Tessella, resulting in a small partial return of capital. Founded in 1980, Tessella delivers innovative and cost-effective solutions to complex real-world commercial and technical challenges such as developing smarter drug trials, and minimising risk in oil and gas exploration. This company has made an encouraging start since investment and is already making staged loan stock repayments.

In March 2013, the Company completed a new investment of £1,056,417, to support the MBO of Gro-Group Holdings Limited. The amount invested included £1 million from the Company's existing investment in the acquisition vehicle Fosse Management Limited. 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.

Shortly after the period-end in July 2013, the VCT completed a further new investment of £967,781 in Veritek Global Limited (resulting in a small refund of the VCT's existing investment of £1 million in the acquisition vehicle, Madacombe Trading) to support the MBO of Veritek, a Europe-wide provider of installation, maintenance and support services for blue-chip owners of printing equipment.

## Follow-on Investment

As explained earlier, the investment management team has focussed on the opportunities for expansion by acquisition within the existing portfolio. The principal aim of this is enhancing the value of existing successful investments through further funding; backing successful management teams within the portfolio is likely to involve a materially lower investment risk than a first investment in a new portfolio company.

Two such investments have been completed in 2013. The first of these was completed in February; the VCT provided an additional £624,769, via acquisition vehicle Almsworthy Trading Limited, to finance Motorclean Limited's acquisition of a competitor, Forward Valeting Services, to create the UK's largest provider of car valeting services. This resulted in a repayment of funds to the Company from Almsworthy of £375,231.

In April 2013, a further £863,923 was invested into ATG Media Holdings Limited to enable it to acquire Bidspotter Inc., a US business engaged in providing live bidding and auction software to industrial and commercial liquidation auctioneers. £1 million already invested into Peddars Management Limited was used to finance the transaction, resulting in a net repayment to the VCT of £136,077.

Although most portfolio companies have shown significant resilience during the year, two portfolio companies required relatively small amounts of further funds. In June 2012, £57,143 was further advanced to PXP Holdings Limited, as part of a major-restructuring of the company following a sustained period of poor trading in a challenging market. Improved performance is expected during 2013.

A further loan of £167,647 was advanced to support the working capital requirements of Newquay Helicopters (2013) Limited (formerly British International Holdings Limited). This was to provide working capital pending the disposal of the company's major trading subsidiary, which has now occurred. The company has now repaid the principal and premiums of the first two loan stocks, together with all premiums and interest arrears for total cash proceeds of £1,671,825. The capital proceeds of £1,248,800 compare with a related investment cost of £934,000. This is a pleasing outcome and there is prospect for further returns of capital as the company realises its remaining assets and activities.

The Operating Partner Programme as a whole has continued to generate successful investments for the Company. Four of the seven acquisition vehicles in the portfolio at the start of the year have been utilised in either new or follow-on investments. The programme has £2 million remaining in two vehicles, each headed by an experienced chairman well known to the Investment Manager.

## Realisations

There have been a number of cash returns in the period, comprising investment realisations and loan stock repayments. During the year these have generated net cash proceeds of £3,380,036.

In May 2012, the Company realised its entire investment in IGLU.com Holidays Limited, the specialist online ski and cruise holiday travel agent, for net cash proceeds of £1,455,265 through a sale to Growth Capital Partners. This realisation contributed to total cash proceeds of £2,530,414 to the Company over the two and a half year life of the investment, representing a 2.53 times return on the Company's original investment of £1,000,000. We supported this established online ski agent through a period of rapid growth in its cruise holiday business since the MBO in December 2009. IGLU is now one of the leading distributors of cruise holidays in the UK, and the largest independent retailer of ski holidays. This company's annual revenue now exceeds £90 million.

In March 2013, a portion of loan stock and the entire equity holding of Faversham House Holdings Limited was realised for proceeds of £154,435, generating a gain of £41,471 in the year, but a loss against original cost of £109,100. The VCT retains loan stock valued at cost, being £111,335.

Strong cash generation is a continuing feature of a number of companies in the portfolio and as a result the VCT has received several loan stock repayments. Blaze Signs Holdings Limited has now fully repaid its original loan and also made repayments of its second loan totalling £979,639 (including premium of £226,071). In addition to this, Blaze has paid arrears of loan interest of £109,073 in the current year. Fullfield Limited (£83,179), DiGiCo Global Limited (£84,087) and Tessella Holdings Limited (£26,037) have also made loan repayments in the year.

## The Portfolio

The portfolio at 30 April 2013 comprised 28 investments (2012: 31) with a cost of £21.6 million (2012: £23.3 million) and valued at £21.8 million (2012: £22.3 million). On a like-for-like basis, the portfolio's value has increased by 11.8% compared with the valuations prevailing at 30 April 2012.

Many portfolio companies have performed well over the year. ATG Media Holdings Limited and DiGiCo Global Limited have again traded strongly despite the pressures of the economic environment. DiGiCo has recently launched a new range of products. Blaze Signs Holdings Limited has made an impressive recovery over the last two years and has benefitted from high profile contracts including work for the Olympics, enabling it to repay a large part of its loans as noted above. Focus Pharma Holdings Limited achieved record results, is performing well on product development and launches and has a healthy pipeline of new products. Fullfield Limited continues to show strong cash generation, and is expected to improve further following its acquisition of Forward Valeting. EMaC Limited has exceeded expectations since investment last year, and its value has now moved significantly above cost. The partial disposal of the investment in Faversham House for in excess of the opening valuation has enabled an uplift in the remaining value of the loan stock. Tessella Holdings Limited has made a solid start since investment, with the pipeline of opportunities across the group remaining good.

Against these positive performances, PXP Holdings Limited and The Plastic Surgeon Holdings Limited continue to suffer from the downturn in the construction and house building sectors. However, management have worked well to reposition both of these businesses and make the necessary cut in costs. Youngman Group Limited's trading environment remains fragile, although it has traded profitably throughout the period. ASL Technology Holdings Limited's performance is improving but the group's overall performance is behind investment plan. RDL Corporation Limited has continued to perform below expectations, with its IT recruitment business in particular at lower than planned levels.

Overall, we are encouraged by the strong and resilient performance of the majority of our investee companies. Our strategy remains to invest in mature, profitable companies and by retaining investments until they have reached the optimum point for exit, maximum value will be achieved for Shareholders.

## Outlook

The UK economy outlook remains uncertain, but the Investment Manager remains committed to pursue its MBO strategy and we are encouraged by the healthy deal flow and the quality of opportunities being seen. We will continue to apply a more broad touch to our investments looking at both new businesses and at opportunities that may arise within the existing portfolio.

The uncertainty in the small company sector necessitates that each investee company takes appropriate actions to respond to the challenges ahead. We are maintaining our prudent and measured risk approach to making new investments and aim to ensure that the portfolio remains well capitalised. We are confident we can deliver good returns to investors over the medium to long term.

Details of the Company's ten largest investments by value (excluding the three acquisition companies), representing 50.1% by cost and 67.0% by value of the portfolio, are set out on pages 9 – 12.

# Ten Largest Investments

## ATG Media Holdings Limited

www.antiquestradegazette.com

| | |
|---|---|
| **Cost** | £1,631,934 |
| **Valuation** | £3,335,290 |

Basis of valuation:
Earnings multiple

Equity % held:
7.4%

Income receivable in year:
£86,464

Business:
Publisher of the leading newspaper serving the UK antiques trade and online auction platform operator

Location:
London

History:
MBO from Daily Mail & General Trust plc

### Audited financial information

| | |
|---|---|
| Year ended | 30 September 2012 |
| Turnover | £10,990,000 |
| Operating profit | £2,704,000 |
| Net assets | £4,612,000 |
| Year ended | 30 September 2011 |
| Turnover | £8,927,000 |
| Operating profit | £1,831,000 |
| Net assets | £3,179,000 |

## Fullfield Limited (trading as Motorclean)

www.motorclean.net

| | |
|---|---|
| **Cost** | £1,624,769 |
| **Valuation** | £1,920,275 |

Basis of valuation:
Earnings multiple

Equity % held:
8.9%

Income receivable in year:
£102,925

Business:
Vehicle cleaning and valet services

Location:
Laindon, Essex

History:
MBO via acquisition vehicle

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2012 |
| Turnover | £17,320,000 |
| Operating profit | £4,196,000 |
| Net assets | £2,408,000 |
| Year ended | 31 March 2011[1] |
| Turnover | £22,400,000 |
| Operating profit | £1,631,000 |
| Net assets | £2,344,000 |

[1] The financial information quoted above relates to the operating subsidiary, Motorclean Group Limited.

## DiGiCo Global Limited

www.digico.org

| | |
|---|---|
| **Cost** | £1,250,204 |
| **Valuation** | £1,587,065 |

Basis of valuation:
Earnings multiple

Equity % held:
2.4%

Income receivable in year:
£62,638

Business:
Manufacturer of digital sound mixing consoles

Location:
Chessington, Surrey

History:
MBO from private ownership

### Audited financial information

| | |
|---|---|
| Period ended | 31 December 2012 |
| Turnover | £23,858,000 |
| Operating profit | £7,594,000 |
| Net assets | £2,945,000 |
| Year ended | 31 December 2011[1] |
| Turnover | £21,314,000 |
| Operating profit | £6,466,000 |
| Net assets | £7,932,000 |

[1] The financial information quoted above relates to the subsidiary DiGiCo Europe Limited.

Operating profit is stated before charging amortisation of goodwill.

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

No logo available

## Newquay Helicopters (2013) Limited (previously British International Holdings Limited)

| | |
|---|---|
| **Cost** | £1,327,647 |
| **Valuation** | £1,485,147 |

Basis of valuation:
Discounted realisation proceeds

Equity % held:
10.0%

Income receivable in year:
£nil

Business:
Helicopter service operator

Location:
Sherborne, Dorset

History:
MBO from institutional investor

### Audited financial information

| | |
|---|---|
| Year ended | 31 December 2011 |
| Turnover | £16,684,000 |
| Operating profit | £330,000 |
| Net assets | £2,605,000 |
| Year ended | 31 December 2010 |
| Turnover | £19,350,000 |
| Operating profit | £3,162,000 |
| Net assets | £3,864,000 |

## Ingleby (1879) Limited trading as EMaC Holdings Limted

www.emac.co.uk

| | |
|---|---|
| **Cost** | £1,095,723 |
| **Valuation** | £1,424,024 |

Basis of valuation:
Earnings multiple

Equity % held:
5.5%

Income receivable in year:
£91,897

Business:
Service plans for the motortrade

Location:
Crewe

History:
MBO via acquisition vehicle

### Audited financial information

| | |
|---|---|
| Year ended | 31 December 2012 |
| Turnover | £6,803,000 |
| Operating profit | £2,564,000 |
| Net assets | £2,772,000 |
| Year ended | 31 December 2011[1] |
| Turnover | £4,990,000 |
| Operating profit | £867,000 |
| Net assets | £1,535,000 |

[1] The financial information quoted above relates to the operating subsidiary, EMaC Limited.

## Blaze Signs Holdings Limited

www.blaze-signs.com

| | |
|---|---|
| **Cost** | £644,930 |
| **Valuation** | £1,143,484 |

Basis of valuation:
Earnings multiple

Equity % held:
13.5%

Income receivable in year:
£176,285

Business:
Manufacturer and installation of signs

Location:
Broadstairs, Kent

History:
MBO from private ownership

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2012 |
| Turnover | £20,878,000 |
| Operating profit | £1,761,000 |
| Net assets | £2,918,000 |
| Year ended | 31 March 2011 |
| Turnover | £20,127,000 |
| Operating profit | £1,889,000 |
| Net assets | £2,937,000 |

Operating profit is stated before charging amortisation of goodwill.

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

# Ten Largest Investments

## Gro-Group Holdings Limited

www.gro.co.uk

| | |
|---|---|
| **Cost** | £1,056,417 |
| **Valuation** | £1,056,417 |

Basis of valuation:
Recent investment price

Equity % held:
6.0%

Income receivable in year:
£10,406

Business:
Baby sleep products

Location:
Ashburton, Devon

History:
MBO via acquisition vehicle

### Audited financial information

| | |
|---|---|
| Year ended | 30 June 2012 |
| Turnover | £11,461,000 |
| Operating profit | £1,064,000 |
| Net assets | £1,080,000 |
| Year ended | 30 June 2011 |
| Turnover | £11,438,000 |
| Operating profit | £528,000 |
| Net assets | £876,000 |

## Focus Pharma Holdings Limited

www.focuspharmaceuticals.co.uk

| | |
|---|---|
| **Cost** | £517,827 |
| **Valuation** | £914,513 |

Basis of valuation:
Earnings multiple

Equity % held:
2.7%

Income receivable in year:
£48,819

Business:
Licensing and distribution of generic pharmaceuticals

Location:
Burton-on-Trent, Staffordshire

History:
MBO

### Audited financial information

| | |
|---|---|
| Year ended | 31 December 2012 |
| Turnover | £25,042,000 |
| Operating profit | £2,043,000 |
| Net assets | £5,042,000 |
| Year ended | 31 December 2011 |
| Turnover | £22,375,000 |
| Operating profit | £1,081,000 |
| Net assets | £3,485,000 |

## Tessella Holdings Limited

www.tessella.com

| | |
|---|---|
| **Cost** | £880,725 |
| **Valuation** | £880,725 |

Basis of valuation:
Recent investment price

Equity % held:
3.9%

Income receivable in year:
£51,323

Business:
Provider of science powered technology and consulting services

Location:
Abingdon, Oxfordshire

History:
MBO via acquisition vehicle

### Audited financial information

| | |
|---|---|
| Year ended | 31 March 2012 |
| Turnover | £18,533,000 |
| Operating profit | £278,000 |
| Net assets | £2,404,000 |
| Year ended | 31 March 2011 |
| Turnover | £16,941,000 |
| Operating profit | £346,000 |
| Net assets | £2,403,000 |

Operating profit is stated before charging amortisation of goodwill.

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

## EOTH Limited (trading as Equip Outdoor Technologies Limited)

www.equipuk.com

| | |
|---|---|
| **Cost** | £817,185 |
| **Valuation** | £842,294 |

Basis of valuation:
Earnings multiple

Equity % held:
1.5%

Income receivable in year:
£78,229

Business:
Branded outdoor equipment and clothing

Location:
Alfreton, Derbyshire

History:
Development Capital

### Audited financial information

| | |
|---|---|
| Year ended | 31 January 2013 |
| Turnover | £27,266,000 |
| Operating profit | £2,464,000 |
| Net assets | £7,657,000 |
| 11 months ended | 31 January 2012 |
| Turnover | £15,504,000 |
| Operating profit | £1,830,000 |
| Net assets | £6,173,000 |

The voting rights held in each investee company is equal to the equity percentage held figures above, in all cases.

Operating profit is stated before charging amortisation of goodwill.

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

# Investment Portfolio Summary
*as at 30 April 2013*

| | Date of first investment/ Sector | Total book cost at 30 April 2013 £ | Valuation at 30 April 2012 £ | Additions at cost £ | Disposals at valuation £ | Valuation at 30 April 2013 £ | Change in valuation for year £ | % of net assets by value |
|---|---|---|---|---|---|---|---|---|
| **Qualifying investments** | | | | | | | | |
| **AIM quoted investments** | | | | | | | | |
| **Omega Diagnostics Group plc** In vitro diagnostics for food intolerance, auto-immune diseases and infectious diseases | December 2010 Pharmaceuticals | 214,998 | 259,789 | – | – | 331,455 | 71,666 | 1.3% |
| **Vphase plc** Development of energy saving devices for domestic use | March 2001 Electronic and electrical equipment | 254,586 | 1,014 | – | – | 507 | (507) | 0.0% |
| **Sub-total AIM investments** | | **469,584** | **260,803** | **–** | **–** | **331,962** | **71,159** | **1.3%** |
| **Unquoted investments** | | | | | | | | |
| **ATG Media Holdings Limited**[1] Publisher and online auction platform operator | October 2008 Media | 1,631,830 | 1,865,911 | 863,923 | – | 3,334,643 | 604,809 | 13.0% |
| **Fullfield Limited trading as Motorclean Limited**[2] Vehicle cleaning and valet services | July 2011 Support services | 1,624,769 | 1,062,194 | 624,769 | – | 1,920,275 | 233,312 | 7.5% |
| **Ingleby (1879) Limited trading as EMaC Limited** Service plans for the motor trade | October 2008 Support services | 1,000,000 | 1,000,000 | – | – | 1,328,301 | 328,301 | 5.2% |
| **Blaze Signs Holdings Limited** Manufacturing and installation of signs | April 2006 Support services | 644,930 | 1,422,619 | – | 979,639 | 1,143,484 | 700,504 | 4.5% |
| **Gro-Group Holdings Limited**[3] Baby sleep products | March 2013 General retailers | 1,056,417 | – | 1,056,417 | – | 1,056,417 | – | 4.1% |
| **Ackling Management Limited** Food manufacturing, distribution and brand management | January 2012 Food production & distribution | 1,000,000 | 1,000,000 | – | – | 1,000,000 | – | 3.9% |
| **Culbone Trading Limited** Outsourced services | April 2012 Support services | 1,000,000 | 1,000,000 | – | – | 1,000,000 | – | 3.9% |
| **Madacombe Trading Limited** Engineering services | April 2012 Support services | 1,000,000 | 1,000,000 | – | – | 1,000,000 | – | 3.9% |
| **Newquay Helicopters (2013) Limited (previously British International Holdings Limited)** Helicopter service operators | June 2006 Support services | 1,000,000 | 1,005,644 | – | – | 997,500 | (8,144) | 3.9% |
| **Focus Pharma Holdings Limited** Licensor and distributer of generic pharmaceuticals | October 2007 Support services | 517,827 | 578,529 | – | – | 914,513 | 335,984 | 3.6% |
| **Tessella Holdings Limited**[4] Provider of science powered technology and consulting services | July 2012 Support services | 880,725 | – | 906,762 | 26,037 | 880,725 | – | 3.4% |
| **EOTH Limited trading as Equip Outdoor Technologies Limited** Branded outdoor equipment and clothing | October 2011 General retailers | 817,185 | 817,185 | – | – | 842,294 | 25,109 | 3.3% |
| **Youngman Group Limited** Manufacturer of ladders and access towers | October 2005 Support services | 1,000,052 | 699,966 | – | – | 699,966 | – | 2.7% |
| **Machineworks Software Limited** Software for CAM and machine tool vendors | April 2006 Software and Computer Services | 25,727 | 550,340 | – | – | 674,691 | 124,351 | 2.6% |

| | Date of first investment/ Sector | Total book cost at 30 April 2013 £ | Valuation at 30 April 2012 £ | Additions at cost £ | Disposals at valuation £ | Valuation at 30 April 2013 £ | Change in valuation for year £ | % of net assets by value |
|---|---|---|---|---|---|---|---|---|
| **RDL Corporation Limited**<br>Recruitment consultants for the pharmaceutical , business intelligence and IT industries | October 2010<br>Support services | 1,000,000 | 921,169 | – | – | 663,859 | (257,310) | 2.6% |
| **ASL Technology Holdings Limited**<br>Printer and photocopier services | December 2010<br>Support services | 1,360,130 | 801,951 | – | – | 611,725 | (190,226) | 2.4% |
| **The Plastic Surgeon Holdings Limited**<br>Snagging and finishing of domestic and commercial properties | April 2008<br>Support services | 392,264 | 203,433 | – | – | 353,544 | 150,111 | 1.4% |
| **Racoon International Holdings Limited**<br>Supplier of hair extensions, hair care products and training | December 2006<br>Personal goods | 878,527 | 254,441 | – | – | 250,551 | (3,890) | 1.0% |
| **Vectair Holdings Limited**<br>Design and sale of washroom products | January 2006<br>Support services | 60,293 | 154,045 | – | – | 222,027 | 67,982 | 0.9% |
| **Lightworks Software Limited**<br>Software for CAD vendors | April 2006<br>Software and Computer Services | 25,727 | 116,629 | – | – | 146,059 | 29,430 | 0.6% |
| **Monsal Holdings Limited**<br>Supplier of engineering services to the water and waste sectors | December 2007<br>Engineering | 847,614 | 76,897 | – | – | 76,897 | – | 0.3% |
| **PXP Holdings Limited (Pinewood Structures)**<br>Design, manufacture and supply of timber frames for buildings | December 2006<br>Construction | 1,220,579 | – | 57,143 | – | 57,143 | – | 0.2% |
| **IGLU.com Holidays Limited**<br>Online ski and cruise travel agent | December 2009<br>Retail | – | 1,455,265 | – | 1,455,265 | – | – | 0.0% |
| **Almsworthy Trading Limited**[2]<br>Specialist construction, building support services, building products and related services | March 2012<br>Support services | – | 1,000,000 | – | 375,231 | – | – | 0.0% |
| **Peddars Management Limited**[1]<br>Database management, mapping, data mapping and management services to legal and building industries | January 2012<br>Support services | – | 1,000,000 | – | 136,077 | – | – | 0.0% |
| **Fosse Management Limited**[3]<br>Brand management, consumer products and retail | January 2012<br>Support services | – | 1,000,000 | – | – | – | – | 0.0% |
| **Sawrey Limited**[4]<br>Marketing services and media | March 2011<br>Support services | – | 1,000,000 | – | 93,238 | – | – | 0.0% |
| **Legion Group plc**<br>Provision of manned guarding, mobile patrolling, and alarm response services | August 2005<br>Support Services | 150,000 | – | – | – | – | – | 0.0% |
| **Sub-total unquoted investments** | | **19,134,596** | **19,986,218** | **3,509,014** | **3,065,487** | **19,174,614** | **2,140,323** | **74.9%** |
| **Total qualifying investments** | | **19,604,180** | **20,247,021** | **3,509,014** | **3,065,487** | **19,506,576** | **2,211,482** | **76.2%**[5] |

# Investment Portfolio Summary (continued)

*as at 30 April 2013*

| | Date of first investment/ Sector | Total book cost at 30 April 2013 £ | Valuation at 30 April 2012 £ | Additions at cost £ | Disposals at valuation £ | Valuation at 30 April 2013 £ | Change in valuation for year £ | % of net assets by value |
|---|---|---|---|---|---|---|---|---|
| **Non-qualifying investments** | | | | | | | | |
| Money market funds[6] | | 3,727,300 | 2,099,906 | – | – | 3,727,300 | | 14.5% |
| **DiGiCo Global Limited (formerly Newincco1124 Limited)** Design and manufacture of audio mixing desks | December 2011 Technology, hardware and equipment | 1,250,204 | 1,334,291 | – | 84,087 | 1,587,065 | 336,861 | 6.1% |
| **Newquay Helicopters (2013) Limited (formerly British International Holdings Limited)** | as above | 327,647 | 320,000 | 167,647 | – | 487,647 | – | 1.9% |
| Cash | | 211,420 | 79,786 | | | 211,420 | | 0.8% |
| **Faversham House Holdings Limited** Publisher, exhibition organiser and operator of websites for the environmental, visual communications and building services sectors | December 2010 Media | 111,335 | 216,647 | – | 112,964 | 111,335 | 7,652 | 0.4% |
| **Ingleby (1879) Limited trading as EMaC Limited** | as above | 95,723 | 95,723 | – | – | 95,723 | – | 0.4% |
| **ATG Media Holdings Limited** | as above | 104 | 443 | – | – | 647 | 204 | 0.0% |
| **Fullfield Limited trading as Motorclean Limited** | as above | – | 83,179 | – | 83,179 | – | – | 0.0% |
| **Fuse 8 plc (Award International Holdings plc)** Promotional goods and services agency | March 2004 Support Services | 250,000 | – | – | – | – | – | 0.0% |
| **Legion Group plc** | as above | 106 | – | – | – | – | - | 0.0% |
| **Total non-qualifying investments** | | **5,973,839** | **4,229,975** | **167,647** | **280,230** | **6,221,137** | **344,717** | **24.1%** |
| Debtors | | 157,722 | 213,610 | | | 157,722 | | 0.6% |
| Creditors | | (190,059) | (163,967) | | | (190,059) | | (0.9)% |
| **Totals** | | **25,545,682** | | **3,676,661**[7] | **3,345,717** | | **2,556,199** | |
| **Net assets at year-end** | | | **24,526,639** | | | **25,695,376** | | **100.0%** |

[1] £863,923 was further invested into ATG Media Holdings Limited. This finance was provided by the acquisition vehicle Peddars Management Limited and resulted in a net repayment to the Company of £136,077.

[2] £624,769 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 £375,231.

[3] £1,000,000 of this investment into Gro-Group Holdings Limited was provided by Fosse Management Limited, one of the Company's acquisition vehicles.

[4] £906,762 of this investment into Tessella Holdings Limited was provided by Sawrey Limited, one of the Company's acquisition vehicles and resulted in a net repayment to the Company of £93,238.

[5] As at 30 April 2013, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Qualifying Investment test.

[6] Disclosed within current assets as current investments in the Balance Sheet.

[7] The total investment additions figure of £3,676,661 differs to that shown in note 9 of £281,207. This is due to recent investments in Fullfield Limited, Gro-Group Holdings Limited, Tessella Holdings Limited and ATG Media Holdings Limited being funded via amounts already invested in acquisition vehicles Almsworthy Trading Limited, Fosse Management Limited, Sawrey Limited, and Peddars Management Limited respectively.

# Board of Directors

## Nigel Melville

**Status:**
**Independent, non-executive Chairman**
**Age: 68**

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

*Appointed to the Board:*
10 May 2000 (Elected Chairman: 5 September 2006)

*Last re-elected to the Board:*
September 2012. Standing for re-election at the forthcoming AGM on 20 September 2013.

*Committee memberships:*
Nomination Committee (Chairman), Remuneration Committee, Audit Committee and Investment Committee.

*Number of Board and Committee meetings attended 2012/13:*
*Board and Board Committee:* 7/7

*Nomination Committee:* 1/1

*Remuneration Committee:* 1/1

*Audit Committee:* 3/3.

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

*Remuneration 2012/13:* £24,000.

*Relevant relationships with the Investment Manager or other service providers:*
None.

*Shareholding in the Company:*
Ordinary Shares 43,720 (including holdings of connected persons).

*Shareholding in investee companies:*
None.

## Adam Kingdon

**Status:**
**Independent, non-executive Director**
**Age: 55**

Adam has over twenty years experience as a turnaround specialist and of restoring companies to profitability. He led a management buyout of Robinson Electronics, a supplier of test equipment for electricity supply utilities. He then went on to turn around more than ten loss-making engineering and technology companies in the UK, France, Germany, Holland and Belgium. He is also the founder and CEO of i2O Water Limited, one of the leading suppliers of monitoring and control software for water distribution networks.

*Appointed to the Board:*
29 September 2006

*Last re-elected to the Board:*
September 2012. Standing for re-election at the forthcoming AGM on 20 September 2013.

*Committee memberships:*
Audit Committee (Chairman), Nomination Committee, Remuneration Committee and Investment Committee.

*Number of Board and Committee meetings attended 2012/13:*
*Board and Board Committee:* 6/7

*Nomination Committee:* 1/1

*Remuneration Committee:* 1/1

*Audit Committee:* 3/3.

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

*Remuneration 2012/13:* £21,000.

*Relevant relationships with the Investment Manager or other service providers:*
None.

*Shareholding in the Company:*
Ordinary Shares 5,709.

*Shareholding in investee companies:*
None.

## Sally Duckworth

**Status:**
**Independent, non-executive Director**
**Age: 45**

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

*Appointed to the Board:*
1 January 2007

*Last re-elected to the Board:*
September 2012. Standing for re-election at the forthcoming AGM on 20 September 2013.

*Committee memberships:*
Investment Committee (Chairman), Audit Committee, Nomination Committee, Remuneration Committee

*Number of Board and Committee meetings attended 2012/13:*
*Board and Board Committee:* 6/7

*Nomination Committee:* 1/1

*Remuneration Committee:* 1/1

*Audit Committee:* 3/3.

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

*Remuneration 2012/13:* £21,000.

*Relevant relationships with the Investment Manager or other service providers:*
None.

*Shareholding in the Company:*
None.

*Shareholding in investee companies:*
None.

## Kenneth Vere Nicoll

**Status:**
**Independent, non-executive Director**
**Age: 70**

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

*Appointed to the Board:*
10 May 2000

*Last re-elected to the Board:*
September 2012. Standing for re-election at the forthcoming AGM on 20 September 2013.

*Committee memberships:*
Audit Committee (since 11 July 2013) Nomination Committee, Remuneration Committee (Chairman), Investment Committee (since 11 July 2013)

*Number of Board and Committee meetings attended 2012/13:*
*Board and Board Committee:* 5/7

*Nomination Committee:* 1/1

*Remuneration Committee:* 1/1

*Remuneration 2012/13:* £18,000.

*Relevant relationships with the Investment Manager or other service providers:*
Previously, until 30 June 2012, Kenneth Vere Nicoll was considered to have a relevant relationship with Mobeus as a former director of Matrix Group which controlled a 50% interest in Mobeus (formerly Matrix Private Equity Partners LLP).

*Shareholding in the Company:*
Ordinary Shares 54,705 (including holdings of connected persons).

*Shareholding in investee companies:*
None.

# Directors' Report

The Directors present their thirteenth annual report together with the audited financial statements of the Company for the year ended 30 April 2013.

## Principal activity and status

The principal activity of the Company is the making of investments in unquoted or AIM-quoted companies in the UK. Mobeus Income & Growth 2 VCT plc has satisfied the requirements as a Venture Capital Trust under section 274 of the Income Tax Act 2007 ("ITA"). The Directors have managed, and it is their intention to continue to manage, the Company's affairs in such a manner as to comply with this section of the ITA.

The Company revoked its status as an Investment Company as defined by section 266 of the Companies Act 1985 on 7 July 2005. This change was undertaken to enable the Company to distribute capital profits to Shareholders.

The former 'O' Fund Ordinary Shares were first admitted to the Official List of the UK Listing Authority on 11 July 2000.

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

## Business review and performance review

For a review of the Company's development and performance during the year, and a consideration of its future development please see the Chairman's Statement on pages 4 to 6 and the Investment Portfolio Summary and Investment Manager's Review on pages 7 to 15 of this Report. The Financial Highlights on pages 2 to 3 provide data on the Company's key performance indicators.

The Company's Investment Policy on page 1 and note 19 of the financial statements provide information on the Company's financial risk management objectives.

The Board reviews performance by reference to various measures, taking account of the long term nature of the assets in which the Company invests.

- **Total return**

  The total return per share is the key measure of performance for the Company which comprises NAV plus cumulative dividends paid per share. The Company's NAV is calculated quarterly in accordance with the IPEVCV guidelines.

  The net assets of the Ordinary Share Fund increased during the year under review resulting in a rise in the underlying NAV per Ordinary Share of 12.3%. The total return to Ordinary Shareholders since launch has increased by 10.7% during the year, from 112.7 pence per share to 124.8 pence per share.

- **Ongoing Charges**

  The Ongoing Charges ratio of the Company for the year was:

| | |
|---|---|
| Ongoing charges * | 3.30% |
| Performance fee | 0.00% |
| Ongoing Charges plus accrued performance fee | 3.30% |

* The Ongoing Charges ratio has been calculated using the Association of Investment Companies' (AIC) recommended methodology, published in May 2012. This figure shows Shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based upon historic information, it provides Shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

It replaces the Total Expense Ratio of 3.44% reported in 2012, although the latter will still form the basis of any expense cap that may be borne by the Manager. There was no breach of the expense cap (3.6% of closing next assets) for the year ended 30 April 2013 (2012: £nil).

The AIC recommends that the impact of performance fees should also be disclosed and this is shown in the table above.

## Results

| | Ordinary Share Fund | |
|---|---|---|
| | 30 April 2013 £ | 30 April 2012 £ |
| Capital return before taxation | 2,134,544 | 722,706 |
| Taxation credit to capital | 88,954 | 93,826 |
| Capital return transferred to reserves | 2,223,498 | 816,532 |
| Revenue return, before taxation | 550,855 | 610,403 |
| Taxation debit to capital | (88,954) | (93,826) |
| Revenue return for the year | 461,901 | 516,577 |

The Company as a whole has no liability to taxation.

## Dividends

As noted in the Chairman's Statement on pages 4 to 6, the Directors declared an interim dividend of 4 pence per Ordinary Share made up of capital dividend of 2.75 pence and an interim income dividend of 1.25 pence per Share for the year ended 30 April 2013. The dividend was paid on 19 April 2013 to Shareholders on the register on 2 April 2013. The Company is required to pay a minimum income dividend each year, to comply with VCT rules. The amount of 1.25p, which was part of the interim dividend of 4p per share already paid on 19 April 2013, is fractionally less than the minimum required. To address this issue, the Board has declared a further interim income dividend of 0.1p for the year ended 30 April 2013. This will be paid at the same time as paying the interim dividend for the year ending 30 April 2014, currently planned to be on 22 April 2014 to Shareholders on the Register on 28 March 2014.

## Share buybacks

The Company currently has authority to purchase its own shares pursuant to section 701 of the Companies Act 2006 as approved by Shareholders on 6 September 2012. A resolution to renew this authority will be proposed at the Annual General Meeting to be held on 20 September 2013 (see below). During the year the Company purchased 776,749 (2012: 1,010,299) Ordinary Shares for cancellation at a cost of £541,894 (2012: £668,744) (including expenses).

As at 30 April 2013, the issued share capital and number of shares in issue of the Company was as follows:

| Share class | Issued share capital | Number of shares in issue | % of total share capital |
|---|---|---|---|
| Ordinary Shares (formerly 'C' Shares) | £240,707 | 24,070,716 | 100% |

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

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

## Directors

The Directors who held office throughout the year under review and their interests (including those of their connected persons) in the issued Ordinary Shares of the Company were as follows:

| | Ordinary Shares held on | |
|---|---|---|
| Director | 30 April 2013 | 30 April 2012 |
| Nigel Melville | 43,720 | 43,720 |
| Sally Duckworth | - | - |
| Adam Kingdon | 5,709 | 5,709 |
| Kenneth Vere Nicoll | 54,705 | 54,705 |

There have been no other changes to the Directors' share interests between the year-end and the date of this Annual Report.

Biographical notes on the Directors are given on page 16 of this Annual Report.

The AIC Code recommends that where directors have served the Company for nine or more years, they should be subject to annual re-election. Nigel Melville and Kenneth Vere Nicoll will therefore offer themselves for re-election at the forthcoming Annual General Meeting on 20 September 2013, as will Adam Kingdon and Sally Duckworth. The Board confirms that, following a review of their performance, all Directors remain independent of the Investment Manager and continue to make a substantial and very valuable contribution to its work and the business of the Company.

The Board considered Kenneth Vere Nicoll to be connected to Matrix Group and therefore to the Manager up until the latter's MBO from Matrix Group on 29 June 2012. Since 25 July 2012, the Board has considered him to be an independent director.

## Management

Matrix Private Equity Partners Limited was appointed as Investment Manager in respect of the venture capital investments on 20 September 2005. On 20 October 2006 Matrix Private Equity Partners Limited transferred its business to Matrix Private Equity Partners LLP. Following this, the Company novated the existing Investment Adviser's Agreement and Incentive Agreement to Matrix Private Equity Partners LLP. On 29 June 2012, Matrix Private Equity Partners LLP changed its name to Mobeus Equity Partners LLP. For further information please see Note 3 to the financial statements on page 35.

Mobeus had previously been owned jointly by its executive partners and Matrix Group Limited ("Matrix") since April 2004. On 12 January 2012, the executive partners reached agreement to acquire Matrix's interest in the business and to form a fully independent owner managed firm. The acquisition was completed on 29 June 2012.

The Company's arrangements with Mobeus, in particular its investment strategy and services remain unchanged.

In accordance with general market practice, the Investment Manager 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 £64,559 (2012: £76,836) and £104,399 (2012: £92,467) respectively. The fees for supplying directors and/or monitoring services were from 20 (2012: 20) investee companies during the year.

The Directors regularly monitor and annually review the performance of the Investment Manager. The Directors believe that the continuing appointment of Mobeus Equity Partners LLP ("Mobeus") on the terms agreed under the new agreement dated 10 September 2010 (as a result of which Mobeus is also now the Company Secretary and Administrator) is in the interests of the Shareholders as a whole because they expect Mobeus to deliver a total NAV return in line with the Board's strategy.

## VCT status monitoring

The Company has retained PricewaterhouseCoopers LLP as VCT status tax advisers. As such, they advise on compliance with requirements of the venture capital trust tax legislation on the basis of information provided by Mobeus Equity Partners LLP. Mobeus Equity Partners LLP also seeks professional advice in relation to the application of the venture capital trust legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

## 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 PKF (UK) LLP following the merger.

BDO LLP ("BDO") has expressed its willingness to continue in office. Resolutions to appoint BDO and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

## Auditor's right to information

So far as the Directors are aware, there is no relevant audit information of which the auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the VCT are:

- **Economic risk** – events such as an economic recession and movement in interest rates could affect trading conditions for smaller companies and consequently the value of the VCT's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the VCT must comply with section 274 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the VCT 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 future dividends paid by the VCT becoming subject to tax. The VCT would also lose its exemption from corporation tax on capital gains. Funds raised after 5 April 2012 and used by an investee company for the acquisition of shares in another company are restricted from being qualifying for VCT purposes. This may reduce the number of investment opportunities for such funds.

- **Investment and strategic risk** – inappropriate strategy or consistently weak VCT qualifying investment recommendations might lead to under performance and poor returns to Shareholders. Investment in unquoted small companies by its nature involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. 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. This may make them more risk-prone and volatile investments.

- **Regulatory risk** – the VCT is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the VCT's Stock Exchange listing, financial penalties or a qualified audit report. In addition, rules and regulations, or their interpretation, may change from time to time, which may limit the types of investments the Company can make and/or reduce the level of returns which would otherwise be achievable.

- **Financial and operating risk** – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations. Failure of the Manager's and Administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

- **Market risk** – movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices. They may also be more susceptible to changes to political, exchange rate, taxation, economic and other regulatory changes and conditions.

- **Asset liquidity risk** – the VCT's investments may be difficult to realise especially in the current economic climate.

- **Market liquidity risk** – Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.

- **Credit/counterparty risk** – a counterparty may fail to discharge an obligation or commitment that it has entered into with the Company. For further information, please see the discussion on 'credit risk' in Note 19 to the accounts on pages 44 to 51.

- **Fraud and dishonesty risk** – fraud may occur involving company assets perpetrated by a third party, the Investment Manager or other service provider.

The Board seeks to mitigate the internal risks by setting policy and by undertaking a key risk management review at each quarterly Board meeting. Performance is regularly reviewed and assurances in respect of adequate internal controls and key risks are sought and received from Mobeus on a six monthly basis. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the AIC Code of Corporate Governance. The Board also has a share buyback policy to try to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.

## Employees

The Company does not have any employees except for its Directors.

## 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 to demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

## Environmental, social and community matters

The Board seeks to conduct the Company's affairs responsibly and considers relevant environmental, social and community matters where appropriate, particularly with regard to investment decisions. The Company uses mixed sources paper from well-managed forests and recycled wood and fibre as endorsed by the Forest Stewardship Council for the printing of its Annual and Half-Yearly Reports.

## Directors' conflicts of interest

In accordance with section 175 of the Companies Act 2006, the Directors have declared any existing conflicts of interest and, where appropriate, these have been authorised by the non-conflicted Directors. The Nomination and Remuneration Committees annually review authorisations approved by the Board.

## Substantial shareholdings

As far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this Annual Report.

## Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on pages 27 of this Annual Report.

The report of the independent auditor is set out on page 28 of this Annual Report.

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 Audit Committee has concluded that it is in the interests of the Company to purchase tax services from the auditor due to its greater knowledge of the Company which improves efficiency. The Committee believes that audit independence has been maintained as the fees involved are relatively small compared to those for the audit and the work is undertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

### Related party transactions

There were no related party transactions during the year under review.

### Policy of paying creditors

The Company does not subscribe to a particular code but follows a policy whereby suppliers are paid by the due date and investment purchases are settled in accordance with the stated terms. At 30 April 2013, the average credit period for trade creditors and accruals was 2 days (2012: 3 days).

### Post balance sheet events

Details of post balance sheet events can be found in Note 22 on page 51.

### Directors & Officers Liability Insurance

The Company maintains a Directors' and Officers' liability insurance policy

### Annual General Meeting

Formal notice convening the Annual General Meeting of the Company on 20 September 2013 is set out on pages 56 to 58 of this Annual Report. Proxy forms for the meeting are enclosed with Shareholders' copies of this Annual Report. The Directors believe that the resolutions proposed are in the interests of all Shareholders and, accordingly, recommend Shareholders vote in favour of each resolution.

Resolutions 1 to 9 and 12 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be passed and resolutions 10 and 11 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting to be passed.

An explanation of resolutions 9 to 12 is set out below:

### Authorities for the Directors to allot Shares (Resolution 9) and disapply pre-emption rights (Resolution 10) under sections 551 570 and 573 of the Companies Act 2006 ("the Act")

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

Resolution 9 will authorise the Directors to allot shares up to an aggregate nominal amount of £168,141.

Under section 561(1) of the Act, if the Directors wish to allot any new shares or sell treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 10 to sanction the disapplication of such pre-emption rights in respect of the allotment of equity securities:

(i) with an aggregate nominal value of £100,000 in connection with offer(s) for subscription;

(ii) with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time in connection with any dividend investment scheme operated by the Company; and

(iii) with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time

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

These authorities would enable the allotment of shares under any fundraising that may take place. Shareholders should note that, in the event of any allotment of shares, the need for the continuation vote previously planned for the 2015 AGM would fall away. Under the Company's articles of association, the next continuation vote of the Company has to take place at the later of the fifth anniversary of the latest allotment of shares made by the Company or the fifth anniversary of the last continuation vote held. This provides the Company with sufficient time to invest any such new funds raised by the Company and will also provide investors with the ability to hold shares for the holding period required to maintain VCT tax reliefs obtained on investment.

Both of these authorities, unless previously renewed or revoked, will expire on the conclusion of the Annual General Meeting of the Company to be held in 2014, except that the Directors may allot securities after this date in pursuance of offers or agreements made prior to the expiration of these authorities.

### Resolution 11: Authority for the Company to purchase its 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 3,608,200 Ordinary Shares representing approximately 14.99% of the Company's issued share capital at the date of the notice convening the Annual General Meeting. The resolution specifies the minimum price and the maximum price that may be paid for an Ordinary 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 to do so would result in an increase in net assets per share which would be in the interests of Shareholders generally. This resolution will expire at the conclusion of the Annual General Meeting of the Company to be held in 2014, except that the Company may purchase its own shares after this date in pursuance of contract or contracts made prior to the expiration of this authority.

### Resolution 12: Authority for the Company to continue as a venture capital trust beyond 2015

The resolution will approve the continuation of the Company as a venture capital trust beyond 2015, subject to the articles of association of the Company. This resolution is being proposed to allow Shareholders to confirm that the Company should continue and support any fundraising which, if proceeded with, would extend the life of the Company automatically under the provisions of the articles of association. If approved, this resolution in itself, under the articles of association, will extend the life of the Company to 2018. If a fundraising does not proceed however, the Directors intend to continue to hold a renewal vote at the Annual General Meeting to be held in 2015, as would currently be required.

By order of the Board

**Mobeus Equity Partners LLP**

*Company Secretary*

1 August 2013

# Directors' Remuneration Report

The remuneration policy is set by the Board and is described below. The Remuneration Committee makes recommendations to the Board on the remuneration of individual Directors within the framework of this policy. The Committee comprises all four Directors, Kenneth Vere Nicoll (Chairman), Sally Duckworth, Adam Kingdon and Nigel Melville (Chairman until 12 July 2012). The Committee meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for considering the levels and composition of remuneration payable to the Directors, severance payments and the resolution of disputes involving any member of the Board, and any actual or potential conflicts of interest which may arise as a result of outside business activities of Board members. The Committee has access to independent advice where it considers it appropriate. However, no such advice was taken during the year under review. The Company's independent Auditor is required to give its opinion on the information provided in respect of Directors' emoluments and this is clearly identified as audited information below. This is explained further in their report to Shareholders on page 28.

## Remuneration policy

The Directors' remuneration is reviewed annually by the Remuneration Committee. When considering the level of Directors' remuneration, the Committee takes account of remuneration levels elsewhere in the Venture Capital Trust industry and considers the time commitment involved and responsibilities of the roles and other relevant information. No portion of the remuneration paid to any of the Directors is related to performance. Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

## Terms of appointment

The 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 re-election at the first Annual General Meeting following their appointment. Directors retiring by rotation are then eligible for re-election. Subject to the provisions of the Company's Articles of Association and the AIC Code, such number of the Directors shall retire from office by rotation at each Annual General Meeting of the Company as will ensure that each Director retires once every three years. As required by the AIC Code, after nine years' service, a Director will be subject to annual re-election by Shareholders.

All of the Directors are non-executive and none of the Directors has a service contract with the Company. All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the remuneration pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each General Meeting of the Company and on application to the Company Secretary. A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

## Pensions

All the Directors are non-executive and the Company does not provide pension benefits to any of the Directors.

## Share options and long-term incentive schemes

The Company entered into an Incentive Agreement dated 10 May 2000 under which four former Board members were entitled to be issued with conditional performance warrants. During the year, the rights to any performance fee from the original Ordinary Share fund lapsed. Arrangements relating to the former C Share fund remain in place. Further details are shown in note 3 to the accounts on page 36.

The Board has agreed that it will seek Shareholder approval on the introduction of any future long-term incentive schemes in accordance with the provisions of the UK Corporate Governance Code. It has no intention of introducing any such schemes at the current time.

## Details of individual emoluments and compensation

### *(Audited information)*

The annual emoluments in respect of qualifying services of each person who served as a Director during the year are set out in the table below. There are no schemes in place to pay any of the Directors bonuses or benefits in addition to their emoluments. No expenses were paid to the Directors during the year (2012: nil).

| | **Total emoluments** | |
|---|---|---|
| | 30 April 2013 £ | 30 April 2012 £ |
| Nigel Melville | 24,000 | 24,000 |
| Adam Kingdon | 21,000 | 21,000 |
| Sally Duckworth | 21,000 | 21,000 |
| Kenneth Vere Nicoll | 18,000[1] | 18,000 |

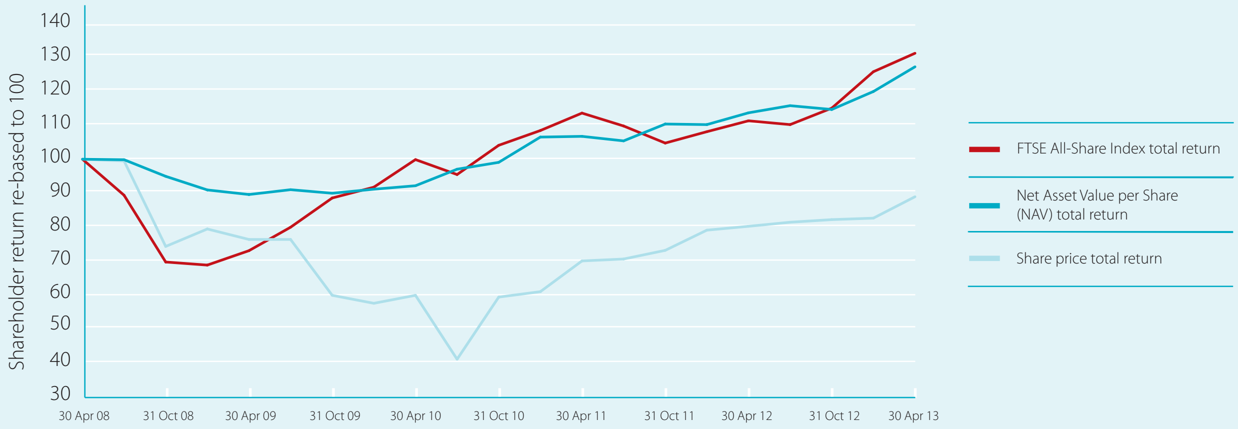
[1] Subsequent to the year end, Kenneth Vere Nicoll's remuneration has been increased to £21,000, with effect from 1 May 2013.

Aggregate emoluments in respect of qualifying services amounted to £84,000 (2012: £84,000) net of VAT and NIC.

## Total shareholder return

The graph below shows the total cumulative shareholder return of the Ordinary Share Fund over the past five years. The total cumulative shareholder return (assuming all dividends have been re-invested) is compared with the total shareholder return of the FTSE All-Share, SmallCap and AIM indices. These indices represent broad equity market indices against which investors can measure the performance of the Fund and are appropriate indices against which to measure its performance over the medium to long term. Total shareholder return has been re-based to 100p as at 1 May 2008. An explanation of the performance of the Company is given in the Chairman's Statement on pages 4 to 6 and Investment Manager's Review on pages 7 to 12.

### Total shareholder return




The NAV per share total return has been shown separately on the graph because the Directors believe it provides a more accurate reflection of the Company's performance than the share price.

By order of the Board

**Nigel Melville**

*Chairman*

1 August 2013

# Corporate Governance Statement

The Company is a member of the Association of Investment Companies (AIC) and the Directors have continued to adopt the AIC Code of Corporate Governance ("the AIC Code") for the financial year ended 30 April 2013. The AIC Code addresses all the principles set out in section 1 of the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Financial Reporting Council (FRC) has confirmed that in complying with the AIC Code the Company will meet its obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders. The AIC Code can be found on the AIC's website, www.theaic.co.uk.

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

The AIC issued an updated Code in October 2010, which the Company is following for the year ending 30 April 2013 and will report on in the Annual Report in respect of that year. The Board is currently considering the changes to the AIC Code, published in February 2013, which was updated to reflect the text of the September 2012 UK Corporate Governance Code (effective for periods commencing 1 October 2012) and will consider steps to implement these changes if appropriate.

## Compliance with the UK Corporate Governance Code

There are certain areas of the UK Corporate Governance Code that the AIC feels are not relevant to investment companies, and with which the Company does not specifically comply, and for which the AIC Code provides dispensation. These areas are: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function.

As an externally managed investment company, the Company does not employ a chief executive nor any executive directors. The systems and procedures of the Investment Manager and the Administrator, the provision of VCT monitoring services by PricewaterhouseCoopers 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 is therefore not reporting further in respect of these areas.

The Board has further considered the principles of the UK Corporate Governance Code and believes that the Company has complied with the provisions thereof for the year under review, except as outlined below.

## The Board

The Company has a Board of four non-executive Directors. The Directors regularly review the size and composition of the Board and have agreed that a Board of four is the most appropriate for the Company given its current size and the nature of its business. The Board meets regularly on at least four occasions during the year and it is in frequent contact with the Investment Manager between these meetings.

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. With regard to tenure, the Board does not believe that length of service, in itself, leads to a closer relationship with the Investment Manager nor necessarily affects a Director's independence of character or judgement. Indeed the AIC expresses cogent arguments that investment companies are more likely than most to benefit from having Directors with lengthy service. Nigel Melville has now served the Company for 13 years and the Directors believe that Mr Melville continues to be independent of the Investment Manager as he continues to offer independent, professional judgement and constructive challenge of the Investment Manager. Kenneth Vere Nicoll has also served the Company for 13 years and is regarded as independent of the Investment Manager. The Board has considered the AIC's advice that a material business relationship with the Manager within the last three years is a factor to be considered in determining a director's independence. Kenneth Vere Nicoll was a director and shareholder of the Matrix Group and the Board previously considered him to be connected to Matrix Group and therefore to the Manager. On 29 June 2012, the Manager completed an MBO from the Matrix Group (which subsequently went into administration in November 2012) and became a fully independent firm. The Board has concluded that Kenneth Vere Nicoll should be considered an independent director with effect from 25 July 2012 notwithstanding his former relationship with the Matrix Group.

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

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

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

The Board has reviewed any actual or potential conflicts of interests in accordance with the procedures under the Articles of Association and applicable rules and regulations. The conflicts identified above have been authorised by the Board in accordance with these procedures. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nomination Committee reviews authorisations given on behalf of the Board annually and if there is a material change in an authorised conflict.

The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. This role is fulfilled, as appropriate, by the Chairman of the Audit Committee. He is available to Shareholders if they have concerns which they have been unable to resolve through the normal channels of communication with the Chairman or Investment Manager or for which such contact is inappropriate.

Details of the Chairman's other significant time commitments are disclosed on page 16 of this Annual Report.

The Board is responsible to Shareholders for the proper management of the Company. It has formally adopted a schedule of matters that are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. These include compliance with the requirements of the Companies Act 2006, the UK Listing Authority and the London Stock Exchange; changes relating to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nomination Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. The Investment Committee considers investment proposals submitted by Mobeus Equity Partners LLP, decides which of these should be accepted by the Company and is responsible for the ongoing monitoring of investee companies and the Company's investments therein. Kenneth Vere Nicoll did not participate in any decisions involving investment proposals submitted by Mobeus Equity Partners LLP for the year under review, but he has done so with effect from 11 July 2013.

A procedure by which individual Directors can seek independent professional advice in the furtherance of their duties at the expense of the Company is in place. Where individual Directors have concerns about the running of the Company or a proposed action, which cannot be resolved, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns should provide a written statement to the Chairman, for circulation to the Board.

All the Directors have access to the advice and services of the Company Secretary. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

## Board committees

The Board has adopted formal terms of reference for three standing committees which make recommendations to the Board in specific areas. Given the size of the Board, each Committee comprises the full Board.

The Audit Committee comprises all of the Directors: Adam Kingdon (Chairman), Nigel Melville, Kenneth Vere Nicoll and Sally Duckworth. The Audit Committee, which meets at least twice a year, is responsible for reviewing the half-year and annual financial statements before their submission to the Board and for monitoring the effectiveness of the Company's internal control systems. The Board has satisfied itself that at least one member of the Committee has recent and relevant accounting experience. The Audit Committee has reviewed arrangements by which staff of the service providers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfied itself that the appropriate channels of communication are in place at the service providers to ensure proportionate and independent investigation of any matters raised. The Company's external auditors are invited to attend meetings as appropriate.

The Remuneration Committee comprises all of the Directors: Kenneth Vere Nicoll (Chairman), Adam Kingdon, Sally Duckworth and Nigel Melville (Chairman until 12 July 2012). The Committee meets at least once a year and is responsible for considering the levels and composition of remuneration payable to the Directors.

The Nomination Committee comprises all of the Directors: Nigel Melville (Chairman), Adam Kingdon, Sally Duckworth and Kenneth Vere Nicoll. The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. The Committee and the Board will consider diversity, including gender. The selection process involves interviews with the Board and meetings with representatives of the Manager. New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Investment Manager and the Administrator as part of its assessment of each candidate's eligibility for the position, alongside the extent of relevant experience and expertise. Appointment letters include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. An induction procedure, including appropriate training for new Directors, has been introduced and will continue for future appointments. Letters of appointment are available for inspection on written request to the Company Secretary.

The Board aims to include a balance of skills, experience and length of service that the Directors believe to be appropriate to the management of the Company. The Chairman fully meets the independence criteria as set out in the AIC Code. The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Board. The Directors carried out a performance review separately as part of the internal control processes led by the Nomination Committee in July 2013 for the year under review and considered performance in relation to specific headings such as balance of skills, experience, independence and knowledge of the Company on the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness. It concluded that the composition and performance of the Board was effective.

In discussion with the Audit Committee, the Board has also kept under review its own performance and that of its various Committees and can confirm its satisfaction with their composition and efficiency.

# Corporate Governance Statement (continued)

All of the above Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website at www.mig2vct.co.uk.

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

## Relations with Shareholders

The Company communicates with Shareholders through the circulation of two newsletters each year in addition to the Half-Yearly Reports and Annual Reports, and solicits their views where it is appropriate to do so. Individual Shareholders are made welcome at the Annual General Meeting where they have the opportunity to ask questions of the Directors and representatives of the Investment Manager, all of whom attend the Meeting.

The Board as a whole approves the content of its communications to Shareholders including the Annual and Half-Yearly Reports in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

Shareholders wishing to contact the Board should direct their communications to the Company Secretary and any queries will be passed to the relevant Director or the Board as a whole.

## Internal controls

The Directors have overall responsibility for the Company's systems of internal control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against misstatement or loss.

The Board reviews a schedule of key risks at each Board meeting which identifies the risk, controls, any deficiencies that have arisen in the quarter and action to be taken. Each quarterly Board meeting reviews the management accounts, and annual or half-yearly reports arising there from, prepared by the Investment Manager.

The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- the valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the separate accounting function. Controls are in place to ensure the effective segregation of these two tasks;

- independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board;

- bank and money-market fund reconciliations are carried out monthly by the separate accounting function. During the year, the Manager assumed responsibility for the safekeeping of the Company's documents of title relating to its portfolio investment in investee companies. These documents will be reconciled by the Company's accounting and secretarial records on a bi-annual basis;

- the Board has procedures in place for the approval of expenses and payments to third parties;

- the Directors review quarterly management accounts and underlying notes to those accounts, and other announcements as necessary;

- the information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and

- the Board reviews all financial information prior to publication.

The Board's appointment of Mobeus Equity Partners LLP as accountant and Company Secretary has enabled the financial administration to be delegated. Mobeus Equity Partners LLP has an established system of financial controls, allowing proper accounting records to be maintained and ensuring that financial information for use within the business and for reporting to Shareholders is accurate and reliable and that the Company's assets are safeguarded.

The Investment Manager reports by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis. As part of the external audit, the auditor reports to the Audit Committee on any matters that come to their attention in respect of systems and controls at the Investment Manager. The Audit Committee reviews the independence of the auditor each year.

The Company Secretary is responsible to the Board for ensuring compliance with Board procedures and applicable rules and regulations.

Mobeus Equity Partners LLP, as Investment Manager, Administrator and Company Secretary, seeks professional advice in relation to the application of the VCT legislation to any company in which the Company is proposing to invest. PricewaterhouseCoopers LLP provides compliance advice and assistance in relation to the maintenance of VCT tax status for the Company on the basis of information provided by Mobeus Equity Partners LLP, and the operation of the agreements entered into with Mobeus Equity Partners LLP.

Pursuant to the terms of its appointment, Mobeus Equity Partners LLP advises the Company on venture capital investments. The Company's share and loan stock certificates arising from its investments are now held by the Manager.

Following publication of "Internal Control: Guidance for Directors on the UK Corporate Governance Code" (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and that has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Directors confirm that this process is regularly reviewed by the Board and accords with the guidance.

The Audit Committee has carried out a review of the effectiveness of the system of internal control, together with a review of the operational and compliance controls and risk management, as it operated during the year and reported its conclusions to the Board, which was satisfied with the outcome of the review. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

## Accountability and audit

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 27 of this Annual Report.

The report of the independent auditor is set out on page 28 of this Annual Report.

The Board regularly reviews and monitors the external auditor's independence and objectivity, and as part of this, it reviews the nature and extent of other services supplied by the auditor to ensure that independence is maintained. The Audit Committee concluded that it was in the interests of the Company to purchase the non-audit services from the auditor due to their greater knowledge of the Company and hence efficiency. The Committee believe that audit independence has been maintained as the fees involved were relatively small compared to those for the audit, the work was undertaken by separate teams and did not involve undertaking any management role in preparing the information reported in the accounts.

## Diversity

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender. The Board has made a commitment to consider diversity in making future appointments.

## Directors' remuneration and appointment

A Directors' Remuneration Report, prepared in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006, is contained on pages 21 to 22 of this Annual Report and provides details on the appointment and replacement of the Directors.

## Share capital

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report on pages 17 to 20.

## Powers of the Directors

In addition to the powers granted to the Directors by Company law and the Articles of Association, the Directors maintain shareholder authorities to issue a limited number of shares, disapply pre-emption rights and purchase the Company's own shares. Further details can be found in the Directors' Report.

## Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements. As at 30 April 2013, the Company held cash balances and investments in money market funds with a combined value of £3,938,720. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both contracted expenditure and any discretionary cash outflows from share buybacks and dividends. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

By order of the Board

**Mobeus Equity Partners LLP**

*Company Secretary*

1 August 2013

# Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors 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 of 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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.

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

## Website publication

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

## Directors' responsibilities pursuant to DTR 4

The Directors confirm, to the best of their knowledge:

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

The names and functions of all the Directors are stated on page 16.

By Order of the Board

**Nigel Melville**

*Chairman*

1 August 2013

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

We have audited the Financial Statements of Mobeus Income & Growth 2 VCT PLC for the year ended 30 April 2013 which comprise the Income statement, the Balance sheet, the Reconciliation of movements in shareholders' funds, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and Auditors

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

## Scope of the audit of the financial statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

## Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2013 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.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance on pages 23 to 26 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 26, in relation to going concern; and
- the part of the Statement of corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

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

1 August 2013

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

# Income Statement
## *for the year ended 30 April 2013*

| | Notes | Year ended 30 April 2013 Revenue £ | Capital £ | Total £ | Year ended 30 April 2012 Revenue £ | Capital £ | Total £ |
|---|---|---|---|---|---|---|---|
| Unrealised gains on investments | 9 | – | 2,556,199 | 2,556,199 | – | 949,129 | 949,129 |
| Realised gains on investments | 9 | – | 34,319 | 34,319 | – | 230,239 | 230,239 |
| Income | 2 | 1,025,133 | – | 1,025,133 | 1,042,824 | – | 1,042,824 |
| Investment management fees | 3 | (151,992) | (455,974) | (607,966) | (152,221) | (456,662) | (608,883) |
| Other expenses | 4 | (322,286) | – | (322,286) | (280,200) | – | (280,200) |
| **Profit on ordinary activities before taxation** | | 550,855 | 2,134,544 | 2,685,399 | 610,403 | 722,706 | 1,333,109 |
| Taxation on profit on ordinary activities | 6 | (88,954) | 88,954 | – | (93,826) | 93,826 | – |
| **Profit on ordinary activities after taxation** | | **461,901** | **2,223,498** | **2,685,399** | **516,577** | **816,532** | **1,333,109** |
| **Basic and diluted earnings per Share:** | | | | | | | |
| Ordinary shares | 8 | **1.87p** | **9.00p** | **10.87p** | **2.03p** | **3.20p** | **5.23p** |

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

There were no other gains or losses in the year.

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

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

The notes on pages 33 to 51 form part of these financial statements.

# Balance Sheet
*as at 30 April 2013*

Company No. 3946235

| | Notes | as at 30 April 2013 £ | as at 30 April 2012 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments at fair value | 9 | 21,788,993 | 22,297,304 |
| **Current assets** | | | |
| Debtors and prepayments | 11 | 157,722 | 213,610 |
| Current investments | 12,18 | 3,727,300 | 2,099,906 |
| Cash at bank | 18 | 211,420 | 79,786 |
| | | 4,096,442 | 2,393,302 |
| **Creditors: amounts falling due within one year** | 13 | (190,059) | (163,967) |
| **Net current assets** | | 3,906,383 | 2,229,335 |
| **Net assets** | | **25,695,376** | **24,526,639** |
| **Capital and reserves** | | | |
| Called up share capital | 14 | 240,707 | 248,475 |
| Capital redemption reserve | 15 | 65,940 | 58,172 |
| Revaluation reserve | 15 | 2,827,063 | 1,478,804 |
| Special distributable reserve | 15 | 13,176,946 | 14,350,803 |
| Profit and loss account | 15 | 9,384,720 | 8,390,385 |
| **Equity shareholders' funds** | | **25,695,376** | **24,526,639** |
| **Net asset value per share – basic and diluted** | | | |
| Ordinary Shares | 16 | **106.75p** | **98.71p** |

The financial statements were approved and authorised for issue by the Board of Directors on 1 August 2013 and are signed on their behalf by:

**Nigel Melville**
*Chairman*

The notes on pages 33 to 51 form part of these financial statements.

# Reconciliation of Movements in Shareholders' Funds
*for the year ended 30 April 2013*

| | Notes | Year ended 30 April 2013 £ | Year ended 30 April 2012 £ |
|---|---|---|---|
| Opening shareholders' funds | | 24,526,639 | 24,863,968 |
| Share capital bought back | 15 | (541,894) | (668,744) |
| Profit for the year | | 2,685,399 | 1,333,109 |
| Dividends paid in year | 7 | (974,768) | (1,001,694) |
| **Closing shareholders' funds** | | **25,695,376** | **24,526,639** |

# Cash Flow Statement
*for the year ended 30 April 2013*

| | Notes | Year ended 30 April 2013 £ | Year ended 30 April 2012 £ |
|---|---|---|---|
| Interest income received | | 884,548 | 671,990 |
| Dividend income | | 157,147 | 241,452 |
| Other income | | 6,678 | – |
| Investment management fees paid | | (607,966) | (608,883) |
| Cash payments for other expenses | | (287,611) | (280,803) |
| **Net cash inflow from operating activities** | 17 | 152,796 | 23,756 |
| **Investing activities** | | | |
| Purchase of investments | 9 | (281,207) | (8,152,849) |
| Disposals of investments | 9 | 3,380,036 | 5,421,329 |
| **Net cash inflow/(outflow) from investing activities** | | 3,098,829 | (2,731,520) |
| **Dividends** | | | |
| Equity dividends paid | 7 | (974,768) | (1,001,694) |
| **Cash inflow/(outflow) before financing and liquid resource management** | | **2,276,857** | **(3,709,458)** |
| **Financing** | | | |
| Purchase of own shares | | (517,829) | (725,638) |
| Net cash outflow from financing | | (517,829) | (725,638) |
| **Management of liquid resouces** | | | |
| (Increase)/decrease in monies held in current investments | 18 | (1,627,394) | 4,438,591 |
| **Increase in cash for the year** | 18 | **131,634** | **3,495** |

# Notes to the Accounts
*for the year ended 30 April 2013*

## 1. Accounting policies

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

### a) Basis of accounting

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

### b) Presentation of the Income Statement

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

### c) Investments

All investments held by the Company are classified as "fair value through profit and loss", and are valued in accordance with the International Private Equity and Venture Capital Valuation ("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 measured 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 loss has become realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

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

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

## d) Current Investments

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

## e) Income

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

Interest income on loan stock and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income once redemption is reasonably certain. Until such date interest is accrued daily and included within the valuation of the investment, where appropriate.

## f) Capital reserves

(i) *Realised (included within the Profit and Loss Account reserve)*
The following are accounted for in this reserve:

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

(ii) *Revaluation reserve (Unrealised capital reserve)*
Increases and decreases in the valuation of investments held at the 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, all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

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

## g) Expenses

All expenses are accounted for on an accruals basis.

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

100% of any performance incentive fee payable for the period is charged against the capital column of the Income Statement, as it is based upon the achievement of capital growth.

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

## h) Taxation

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

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

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

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

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

## 2. Income

| | 2013 £ | 2012 £ |
|---|---|---|
| Income from bank deposits | 991 | 764 |
| Income from investments | | |
| – from equities | 135,481 | 216,406 |
| – from overseas based OEICs | 12,066 | 22,552 |
| – from UK based OEICs | 4,618 | 13,142 |
| – from loan stock | 865,768 | 789,960 |
| | 1,017,933 | 1,042,060 |
| Other income | 6,209 | – |
| **Total income** | **1,025,133** | **1,042,824** |
| **Total income comprises** | | |
| Dividends | 152,165 | 252,100 |
| Interest | 866,759 | 790,724 |
| Other | 6,209 | – |
| | **1,025,133** | **1,042,824** |
| **Income from investments comprises** | | |
| Listed overseas securities | 12,066 | 22,552 |
| Unlisted UK securities | 140,099 | 229,548 |
| Loan stock interest | 865,768 | 789,960 |
| | **1,017,933** | **1,042,060** |

Total loan stock interest due but not recognised in the year was £405,722 (2012: £232,301).

## 3. Investment Manager's fees

| | Revenue 2013 £ | Capital 2013 £ | Total 2013 £ | Revenue 2012 £ | Capital 2012 £ | Total 2012 £ |
|---|---|---|---|---|---|---|
| Mobeus Equity Partners LLP | **151,992** | **455,974** | **607,966** | **152,221** | **456,662** | **608,883** |

Under the terms of a revised investment management agreement dated 10 September 2010, Mobeus Equity Partners LLP ("Mobeus") (formerly called Matrix Private Equity Partners LLP ("MPEP") up to 29 June 2012) 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. This agreement replaced the previous agreements with MPEP dated 10 May 2000 and 20 September 2005 and the accounting services agreement and the secretarial services agreement with Matrix-Securities Limited both dated 20 September 2005, all of which were terminated on 10 September 2010. In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board's expectation of the long-term split of returns from the investment portfolio of the Company. For the year ended 30 April 2013, the expense cap hasn't been breached (2012: £nil).

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

*C share fund*

- the performance incentive fee payable will be calculated as an amount equivalent to 20 per cent of the excess of annual dividends paid to the holders of New Ordinary Shares but then reduced to the proportion which the C Shares aggregate merger net asset value represents of the entire merger net asset value of the Company; and

- the dividend shortfall per former C Share at 30 April 2013 is 22.93p (£3,593,163 in aggregate, being 65.1% of the total shortfall at the year-end (where 65.1% was the proportion of C shares to the total number of shares in issue at the date of the Share Merger) and taking into account the target rate of dividends and the dividends paid to shareholders.)

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

*Ordinary share fund*
During the year, the rights to any performance fee from the original Ordinary share fund lapsed. This is because the hurdle of 80p of cumulative dividends paid on each former Ordinary Share had to be fulfilled by 22 December 2012, which has not occurred.

## 4. Other expenses

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Directors' remuneration (including NIC) (see note 5) | 91,459 | 91,747 |
| IFA trail commission | 73,449 | 66,483 |
| Broker's fees | 12,000 | 12,000 |
| Auditors' fees – audit | 25,200 | 21,780 |
| – other services supplied relating to taxation | 3,660 | 4,800 |
| – other assurance services (note a) | 5,280 | 5,172 |
| Registrar's fees | 18,291 | 13,183 |
| Printing | 24,190 | 22,339 |
| Legal & professional fees | 4,511 | 1,583 |
| VCT monitoring fees | 10,320 | 9,620 |
| Directors' insurance | 6,415 | 6,799 |
| Listing and regulatory fees | 20,622 | 21,237 |
| Sundry | 1,931 | 3,457 |
| Running Expenses | **297,328** | **280,200** |
| Provision against loan interest receivable (note b) | **24,958** | **–** |
| Total other expenses | **322,286** | **280,200** |

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

Note b: Provision against loan interest receivable above relates to an amount of £24,958 (2012: £nil) being a provision made against loan interest regarded as collectable in previous years.

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

## 5. Directors' remuneration

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Directors' emoluments | | |
| Nigel Melville | 24,000 | 24,000 |
| Adam Kingdon | 21,000 | 21,000 |
| Sally Duckworth | 21,000 | 21,000 |
| Kenneth Vere Nicoll | 18,000 | 18,000 |
| | 84,000 | 84,000 |
| Employer's NIC and VAT | 7,459 | 7,747 |
| | **91,459** | **91,747** |

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

## 6. Taxation on ordinary activities

| | 2013<br>Revenue<br>£ | 2013<br>Capital<br>£ | 2013<br>Total<br>£ | 2012<br>Revenue<br>£ | 2012<br>Capital<br>£ | 2012<br>Total<br>£ |
|---|---|---|---|---|---|---|
| **a) Analysis of tax charge:** | | | | | | |
| UK Corporation tax on profits for the year | (88,954) | 88,954 | – | (93,826) | 93,826 | – |
| Total current tax charge | **(88,954)** | **88,954** | **–** | **(93,826)** | **93,826** | **–** |
| Corporation tax is based on a rate of 20% (2012: 20%) | | | | | | |
| **b) Profit on ordinary activities before tax** | 550,855 | 2,134,544 | 2,685,399 | 610,403 | 722,706 | 1,333,109 |
| Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2012: 20%) | 110,171 | 426,909 | 537,080 | 122,081 | 144,541 | 266,622 |
| **Effect of:** | | | | | | |
| UK dividends | (27,097) | – | (27,097) | (43,282) | – | (43,282) |
| Unrealised gains not allowable | – | (511,240) | (511,240) | – | (189,826) | (189,826) |
| Realised gains not taxable | – | (6,864) | (6,864) | – | (46,048) | (46,048) |
| Marginal rate relief | 5,880 | (5,880) | – | 15,027 | (15,027) | – |
| Unrelieved expenditure | – | 8,121 | 8,121 | – | 12,534 | 12,534 |
| **Actual current tax charge** | **88,954** | **(88,954)** | **–** | **93,826** | **(93,826)** | **–** |

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

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

There is no potential liability to deferred tax (2012: nil). There is an unrecognised deferred tax asset of £362,594 (2012: £307,179). This unrecognised deferred tax asset relates to taxable losses arising from expenses exceeding taxable income. In the directors' opinion, these are unlikely to be recovered for the foreseeable future and therefore have not been recognised.

## 7. Dividends paid and payable

| | 2013 £ | 2012 £ |
|---|---|---|
| **Amounts recognised as distributions to equity holders in the year:** | | |
| **Ordinary shares** | | |
| Interim income dividend paid for the year ended 30 April 2013 of 1.25p (2012: 2p) per share | 303,182 | 500,847 |
| Interim capital dividend paid for the year ended 30 April 2013 of 2.75p (2012: 2p) per share | 671,586 | 500,847 |
| Total paid | 974,768 | 1,001,694 |

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

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

| | 2013 £ | 2012 £ |
|---|---|---|
| **Ordinary shares** | | |
| Revenue available for distribution by way of dividends for the year | 461,901 | 516,577 |
| Interim income dividend for the year ended 30 April 2013 paid of 1.25p (2012: 2p) per share | 303,182 | 500,847 |
| Second interim income dividend declared for the year ended 30 April 2013 of 0.1p (2012: nil p) per share | 24,071 | – |

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

| | 2013 £ | 2012 £ |
|---|---|---|
| Total earnings after taxation | 2,685,399 | 1,333,109 |
| **Basic and diluted earnings per share (note a)** | **10.87p** | **5.23p** |
| Net revenue from ordinary activities after taxation | 461,901 | 516,577 |
| **Basic and diluted revenue return per share (note b)** | **1.87p** | **2.03p** |
| Net realised capital gains | 34,319 | 230,239 |
| Net unrealised capital gains | 2,556,199 | 949,129 |
| Capital expenses (net of taxation) | (367,020) | (362,836) |
| Total capital return | 2,223,498 | 816,532 |
| **Basic and diluted capital earnings per share (note c)** | **9.00p** | **3.20p** |
| Weighted average number of shares in issue in the year | 24,697,137 | 25,484,692 |

**Notes:**

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

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

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

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

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

## 9. Investments at fair value

Movements in investments during the year are summarised as follows:

| | Traded on AiM £ | Unquoted equity shares £ | Unquoted preference shares £ | Loan stock £ | Total £ |
|---|---|---|---|---|---|
| Cost at 30 April 2012 | 469,584 | 7,015,231 | 43,413 | 15,797,142 | 23,325,370 |
| Permanent impairment at 30 April 2012 | (250,000) | (150,106) | – | (774,864) | (1,174,970) |
| Unrealised gains/(losses) at 30 April 2012 | 41,219 | 618,637 | (17,565) | (495,387) | 146,904 |
| **Valuation at 30 April 2012** | **260,803** | **7,483,762** | **25,848** | **14,526,891** | **22,297,304** |
| Purchases at cost | – | 57,143 | – | 224,064 | 281,207 |
| Sale proceeds | – | (1,729,512) | (2,326) | (1,687,063) | (3,418,901) |
| Reclassified * | – | (1,060,980) | 476 | 1,060,504 | – |
| Realised gains | – | 47,258 | – | 25,926 | 73,184 |
| Unrealised gains/(losses) | 71,159 | 2,102,333 | (1,000) | 383,707 | 2,556,199 |
| **Closing valuation at 30 April 2013** | **331,962** | **6,900,004** | **22,998** | **14,534,029** | **21,788,993** |
| Cost at 30 April 2013 | 469,584 | 6,365,282 | 39,734 | 14,764,699 | 21,639,299 |
| Permanent impairment at 30 April 2013 | (254,586) | (400,106) | – | (774,864) | (1,429,556) |
| Unrealised gains/(losses)at 30 April 2013 | 116,964 | 934,828 | (16,736) | 544,194 | 1,579,250 |
| **Valuation at 30 April 2013** | **331,962** | **6,900,004** | **22,998** | **14,534,029** | **21,788,993** |

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

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 13 to 15.

### Reconciliation of investment transactions to cash and income statement movements

The difference between sales proceeds above of £3,418,901 and disposals of investments shown by the Cash Flow Statement of £3,380,036, is transaction costs of £38,865. These transaction costs also account for the difference between realised gains above of £73,184 and that shown in the Income Statement of £34,319.

Unrealised gains/(losses) at 30 April 2013 of £1,579,250 differ to that shown in the Revaluation Reserve of £2,827,063. The difference of £1,247,813 is loan stock received (net of a £84,087 repayment made during the year) as part of the disposal of DiGiCo Europe Limited in December 2011 which was not recognised as a realised gain in that year.

## 10. Significant interests

At 30 April 2013 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

| | Equity investment (Ordinary Shares) £ | Investment in loan stock and preference shares £ | Total investment (at cost) £ | Percentage of investee company's total equity |
|---|---|---|---|---|
| Blaze Signs Holdings Limited | 419,549 | 225,381 | 644,930 | 13.46% |
| Ackling Management Limited | 400,000 | 600,000 | 1,000,000 | 12.50% |
| Culbone Trading Limited | 400,000 | 600,000 | 1,000,000 | 12.50% |
| Madacombe Trading Limited | 400,000 | 600,000 | 1,000,000 | 12.50% |
| Racoon International Holdings Limited | 263,558 | 614,969 | 878,527 | 12.30% |
| Lightworks Software Limited | 25,727 | – | 25,727 | 11.57% |
| Machineworks Software Limited | 25,727 | – | 25,727 | 11.57% |
| Newquay Helicopters (2013) Limited (formerly British International Holdings Limited) | 225,000 | 1,102,647 | 1,327,647 | 9.98% |
| RDL Corporation Limited | 173,932 | 826,068 | 1,000,000 | 9.05% |
| Fullfield Limited trading as Motorclean | 418,765 | 1,206,004 | 1,624,769 | 8.90% |
| Youngman Group Limited | 100,052 | 900,000 | 1,000,052 | 8.49% |
| Monsal Holdings Limited | 261,912 | 585,702 | 847,614 | 7.53% |
| PXP Holdings Limited (Pinewood) | 1,220,579 | – | 1,220,579 | 7.52% |
| ATG Media Holdings Limited | 308,274 | 1,323,660 | 1,631,934 | 7.37% |
| ASL Technology Holdings Limited | 321,449 | 1,038,681 | 1,360,130 | 7.34% |
| Gro-Group Holdings Limited | 105,880 | 950,537 | 1,056,417 | 5.97% |
| The Plastic Surgeon Holdings Limited | 39,229 | 353,035 | 392,264 | 5.88% |
| Ingleby (1879) Limited trading as EMaC Limited | 328,717 | 767,006 | 1,095,723 | 5.48% |
| Vectair Limited | 60,075 | 218 | 60,293 | 5.22% |
| Tessella Holdings Limited | 151,559 | 729,166 | 880,725 | 3.89% |

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

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

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

At 30 April 2013, Mobeus Equity Partners LLP (formerly Matrix Private Equity Partners LLP) also advised Mobeus Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc who had investments in the following:

| | Mobeus Income & Growth VCT plc* at cost £ | Mobeus Income & Growth 4 VCT plc at cost £ | The Income & Growth VCT plc at cost £ | Total at cost £ | % of equity held by funds managed by Mobeus % |
|---|---|---|---|---|---|
| ATG Media Holdings Limited | 3,122,265 | 1,889,006 | 1,889,006 | 6,900,277 | 38.4 |
| Fullfield Limited trading as Motorclean | 2,576,537 | 1,793,231 | 2,405,464 | 6,775,232 | 41.0 |
| Gro-Group Holdings Limited | 1,857,763 | 1,484,302 | 2,256,518 | 5,598,583 | 37.6 |
| ASL Technology Holdings Limited | 1,912,945 | 1,257,135 | 1,769,790 | 4,939,870 | 34.0 |
| Ingleby (1879) Limited trading as EMaC Limited | 1,762,336 | 1,263,817 | 1,878,124 | 4,904,277 | 30.0 |
| Tessella Holdings Limited | 1,631,022 | 1,232,219 | 1,695,234 | 4,558,475 | 24.0 |
| DiGiCo Global Limited | 2,429,279 | 1,250,205 | 821,260 | 4,500,744 | 11.0 |
| RDL Corporation Limited | 1,558,333 | 1,000,000 | 1,441,667 | 4,000,000 | 45.2 |
| EOTH Limited trading as Equip Outdoor Technologies Limited | 1,298,031 | 951,471 | 1,383,313 | 3,632,815 | 8.0 |
| Newquay Helicopters (2013) Limited (previously British International Holdings Limited) | 2,319,698 | 337,367 | 674,733 | 3,331,798 | 34.9 |
| Ackling Management Limited | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 | 50.0 |
| Culbone Trading Limited | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 | 50.0 |
| Madacombe Trading Limited | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 | 50.0 |
| PXP Holdings Limited (Pinewood) | 1,277,722 | 712,925 | 965,371 | 2,956,018 | 32.9 |
| Youngman Group Limited | 1,000,052 | 500,026 | 1,000,052 | 2,500,130 | 29.7 |
| Monsal Holdings Limited | 1,299,082 | 699,444 | 468,610 | 2,467,136 | 29.0 |
| Racoon International Holdings Limited | 1,213,035 | 406,805 | 550,852 | 2,170,692 | 49.0 |
| Focus Pharma Holdings Limited | 1,042,972 | 605,837 | 405,407 | 2,054,216 | 13.0 |
| Blaze Signs Holdings Limited | 727,471 | 283,252 | 621,510 | 1,632,233 | 52.5 |
| The Plastic Surgeon Holdings Limited | 478,421 | 458,837 | 406,082 | 1,343,340 | 30.0 |
| Omega Diagnostics Group plc | 305,000 | 199,998 | 279,996 | 784,994 | 9.8 |
| Legion Group plc | 150,106 | 150,102 | 150,000 | 450,208 | 2.9 |
| Faversham House Holdings Limited | 156,581 | 102,906 | 144,859 | 404,346 | 0.0 |
| Lightworks Software Limited | 222,584 | 9,329 | 20,471 | 252,384 | 45.0 |
| Machineworks Software Limited | 222,584 | 9,329 | 20,471 | 252,384 | 45.0 |
| Vectair Limited | 138,574 | 24,732 | 53,400 | 216,706 | 24.0 |

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

## 11. Debtors

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Amounts due within one year: | | |
| Accrued income | 152,748 | 200,946 |
| Prepayments | 4,974 | 12,664 |
| | **157,722** | **213,610** |

## 12. Current asset investments

Current asset investments total £3,727,300 (2012: £2,099,906) and comprise investments in four OEIC money market funds (three Dublin based and one London based). The share of each OEIC represented by these holdings is less than 1% in all cases. All of this sum is subject to same day access. These sums are regarded as monies held pending investment and are treated as liquid resources in the Cash Flow Statement and in note 18.

## 13. Creditors: amounts falling due within one year

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Trade creditors | 51,844 | 34,015 |
| Accruals | 138,215 | 129,952 |
| | **190,059** | **163,967** |

## 14. Called up share capital

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Allotted, called-up and fully paid:** | | |
| Ordinary shares of 1p each: 24,070,716 (2012: 24,847,465) | 240,707 | 248,475 |
| | **240,707** | **248,475** |

During the year the Company repurchased 776,749 (2012: 1,010,299) of its own Ordinary shares (representing 3.1% (2012: 4.1%) of the Ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £541,894 (2012: £668,744). These Shares were subsequently cancelled. These buybacks are analysed below.

| Purchased | Date of purchase | Nominal value<br>£ |
|---|---|---|
| 80,160 | 17 August 2012 | 802 |
| 207,095 | 20 December 2012 | 2,071 |
| 212,401 | 28 March 2013 | 2,124 |
| 210,000 | 29 April 2013 | 2,100 |
| 67,093 | 30 April 2013 | 671 |
| **776,749** | | **7,768** |

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

## 15. Movement in share capital and reserves

| | Called up share capital | Capital redemption reserve | Revaluation reserve | Special distributable reserve* | Profit and loss account* | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At 30 April 2012 | 248,475 | 58,172 | 1,478,804 | 14,350,803 | 8,390,385 | 24,526,639 |
| Share buybacks | (7,768) | 7,768 | – | (541,894) | – | (541,894) |
| Transfer of realised losses to Special distributable reserve (see note below) | – | – | – | (631,963) | 631,963 | – |
| Realised gains on investments | – | – | – | – | 34,319 | 34,319 |
| Realisation of previously unrealised gain | – | – | (1,207,940) | – | 1,207,940 | – |
| Dividends paid | – | – | – | – | (974,768) | (974,768) |
| Profit for the year | – | – | 2,556,199 | – | 94,881 | 2,651,080 |
| **As at 30 April 2013** | **240,707** | **65,940** | **2,827,063** | **13,176,946** | **9,384,720** | **25,695,376** |

* – These reserves less net unrealised losses on Level 1 investments per note 9 total £22,424,044 (2012: £22,532,407) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

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

Note: The cancellation of the formerly named C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellation of the share premium account attributable to the former Ordinary Share Fund and C Shares, has provided the Company with a special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, and to write-off existing and future losses, as the Company must take into account capital losses in determining distributable reserves. The total transfer of £631,963 to the special distributable reserve from the profit and loss account is the total of realised losses incurred by the Company in the year.

## 16. Basic and diluted net asset value per share

Net asset value per Ordinary Share is based on net assets at the end of the year, and on 24,070,716 (2012: 24,847,465) Ordinary Shares, being the number of Ordinary Shares in issue on that date.

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

| | 2013 £ | 2012 £ |
|---|---|---|
| Profit on ordinary activities before taxation | 2,685,399 | 1,333,109 |
| Net gains on realisations of investments | (34,319) | (230,239) |
| Net unrealised gains on investments | (2,556,199) | (949,129) |
| Decrease/(increase) in debtors | 55,888 | (132,191) |
| Increase in creditors and accruals | 2,027 | 2,206 |
| Net cash inflow from operating activities | **152,796** | **23,756** |

## 18. Analysis of changes in net funds

| | Cash £ | Liquid resources £ | Total £ |
|---|---|---|---|
| At beginning of year | 79,786 | 2,099,906 | 2,179,692 |
| Cash flows | 131,634 | 1,627,394 | 1,759,028 |
| **At 30 April 2013** | **211,420** | **3,727,300** | **3,938,720** |

## 19. Financial instruments

The Company's financial instruments comprised:

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

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

### Classification of financial instruments

The Company held the following categories of financial instruments at 30 April 2013:

| | 2013 (Book value) £ | 2013 (Fair value) £ | 2012 (Book value) £ | 2012 (Fair value) £ |
|---|---|---|---|---|
| **Assets at fair value through profit and loss:** | | | | |
| Investment portfolio | 21,788,993 | 21,788,993 | 22,297,304 | 22,297,304 |
| Current asset investments | 3,727,300 | 3,727,300 | 2,099,906 | 2,099,906 |
| **Loans and receivables** | | | | |
| Accrued income | 152,748 | 152,748 | 200,946 | 200,946 |
| Cash at bank | 211,420 | 211,420 | 79,786 | 79,786 |
| **Liabilities at amortised cost or equivalent** | | | | |
| Other creditors | (190,059) | (190,059) | (163,967) | (163,967) |
| Total for financial instruments | 25,690,402 | 25,690,402 | 24,513,975 | 24,513,975 |
| Non financial instruments | 4,974 | 4,974 | 12,664 | 12,664 |
| **Total net assets** | **25,695,376** | **25,695,376** | **24,526,639** | **24,526,639** |

The investment portfolio principally consists of unquoted investments of 98.5% (2012: 98.8%). The investment portfolio has a 100% (2012:100%) concentration of risk towards small UK based, sterling denominated companies, and represents 84.8% (2012: 90.9%) of net assets at the year-end.

Current asset investments are money market funds, discussed under credit risk below, which represent 14.5% (2012: 8.6%) of net assets at the year-end.

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

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

### Market price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £21,788,993 at the year-end.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Investment Objective, as set out on the contents page of this Annual 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 Manager. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

### Market price risk sensitivity

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

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

The Board considers that the value of investments in equity and loan stock instruments are ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2012: 20%) movement in overall share prices, which might in part be caused by changes in interest rate levels. However, it is not considered possible to evaluate separately the impact of changes in interest rates upon the value of the Company's portfolios of investments in small, unquoted companies.

The sensitivity analysis below assumes that each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (2012: 20%), and that the actual portfolio of investments held by the Company is perfectly correlated to this overall movement in share prices. However, Shareholders should note that this level of correlation is unlikely to be the case in reality, particularly in the case of the loan stock instruments. This is because loan stock instruments would not share in the impact of any increase in share prices to the same extent as the equity instruments, as the returns are set by reference to interest rates and premiums agreed at the time of initial investment. Similarly, where share prices are falling, the equity instrument could fall in value before the loan stock instrument. It is not considered practical to assess the sensitivity of the loan stock instruments to market price risk in isolation.

| | 2013 Profit and net assets £ | 2012 Profit and net assets £ |
|---|---|---|
| If overall share prices rose/fell by 20% (2012: 20%), with all other variables held constant – increase/(decrease) | 4,357,799 / (4,357,799) | 4,459,461 / (4,459,461) |
| Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence) | 18.10p / (18.10)p | 17.95p / (17.95)p |

The impact of a change of 20% (2012: 20%) has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movement. The range in equity prices is considered reasonable given the historic changes that have been observed.

### Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company.

#### The Company's maximum exposure to credit risk is:

| | 2013 £ | 2012 £ |
|---|---|---|
| Loan stock investments | 14,534,029 | 14,526,891 |
| Preference shares | 22,998 | 25,848 |
| Money market funds | 3,727,300 | 2,099,906 |
| Accrued income and other debtors | 152,748 | 200,946 |
| Cash at bank | 211,420 | 79,786 |
| | **18,648,495** | **16,933,377** |

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

The accrued income shown above was all due within three months of the year-end.

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

| Repayable within | 2013 £ | 2012 £ |
|---|---|---|
| 0 to 1 year | 1,686,716 | 1,812,678 |
| 1 to 2 years | 1,829,337 | 2,756,057 |
| 2 to 3 years | 1,014,928 | 53,496 |
| 3 to 4 years | 7,008,156 | 2,164,462 |
| 4 to 5 years | 2,994,892 | 7,740,198 |
| **Total** | **14,534,029** | **14,526,891** |

There are four loans which are past their capital repayment date. These loans have a carrying value of £2,149,586 and have not yet been renegotiated. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk above.

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

An aged analysis of the loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due only because interest on the loan is outstanding. We are required to report in this format and include the full value of the loan even though it is only in respect of interest that they are past due.

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

| | 0 - 6 months £ | 6 - 12 months £ | over 12 months £ | 2012 Total £ |
|---|---|---|---|---|
| Loans to investee companies past due | 1,408,283 | – | 3,133,115 | 4,541,398 |

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

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

### Cash flow interest rate risk

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

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

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

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

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

The interest rate profile of the Company's financial net assets at 30 April 2012 was:

| | Financial net assets on which no interest paid £ | Fixed rate financial assets £ | Variable rate financial assets £ | Total £ | Weighted average interest rate % | Average period to maturity (years) |
|---|---|---|---|---|---|---|
| Equity shares | 7,744,565 | – | – | 7,744,565 | | |
| Preference shares | – | 25,848 | – | 25,848 | 6.78% | 0.80 |
| Loan stocks | – | 10,098,615 | 4,428,276 | 14,526,891 | 4.87% | 3.27 |
| Money market funds | – | – | 2,099,906 | 2,099,906 | 0.55% | |
| Cash | – | – | 79,786 | 79,786 | 0.11% | |
| Debtors | 200,946 | – | – | 200,946 | | |
| Creditors | (163,967) | – | – | (163,967) | | |
| Total for financial instruments | 7,781,544 | 10,124,463 | 6,607,968 | 24,513,975 | | |
| Non financial instruments | 12,664 | – | – | 12,664 | | |
| **Total net assets** | **7,794,208** | **10,124,463** | **6,607,968** | **24,526,639** | | |

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

Floating rate cash earns interest based on LIBOR rates.

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

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

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

| | 2013<br>£<br>Profit and<br>net assets | 2012<br>£<br>Profit and<br>net assets |
|---|---|---|
| If interest rates rose / fell by 1%, with all other variables held constant – increase / (decrease) | 51,047 / (51,047) | 52,864 / (52,864) |
| Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence) | 0.21p / (0.21)p | 0.21p / (0.21)p |

### Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Manager maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds which are, as reported in Note 12, all accessible on an immediate basis.

### Currency risk

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

### Fair value hierarchy

The table below sets out fair value measurements using FRS 29 fair value hierarchy. The Company has one class of financial assets, being at fair value through profit and loss.

| Financial assets at fair value through profit and loss at 30 April 2013 | Level 1<br>£ | Level 2<br>£ | Level 3<br>£ | Total<br>£ |
|---|---|---|---|---|
| Equity investments | 331,962 | – | 6,900,004 | 7,231,966 |
| Preference shares | – | – | 22,998 | 22,998 |
| Loan stock investments | – | – | 14,534,029 | 14,534,029 |
| Current investments | 3,727,300 | – | – | 3,727,300 |
| **Total** | **4,059,262** | **–** | **21,457,031** | **25,516,293** |

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

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

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

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

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

The valuation techniques used by the company are explained in the accounting policies in note 1.

There have been no transfers during the year between Levels 1 and 2. Transfers into Level 3 related to investments for which listing has been suspended during the year. A reconciliation of fair value measurements in Level 3 is set out below:

| | Equity investments £ | Preference shares £ | Loan stock investments £ | Total £ |
|---|---|---|---|---|
| **Opening balance at 1 May 2012** | 7,483,762 | 25,848 | 14,526,891 | 22,036,501 |
| Purchases | 57,143 | – | 224,064 | 281,207 |
| Sales | (1,729,512) | (2,326) | (1,687,063) | (3,418,901) |
| Reclassification* | (1,060,980) | 476 | 1,060,504 | – |
| Total gains/(losses) included in Income Statement: | | | | |
| – on assets sold | 47,258 | – | 25,926 | 73,184 |
| – on assets held at the year end | 2,102,333 | (1,000) | 383,707 | 2,485,040 |
| **Closing balance at 30 April 2013** | **6,900,004** | **22,998** | **14,534,029** | **21,457,031** |

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

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

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

| | 30 April 2013 £ | 30 April 2012 £ |
|---|---|---|
| **Investment methodology** | | |
| Cost (reviewed for impairment) | 3,499,032 | 7,000,000 |
| Asset value supporting security held | 699,966 | 699,966 |
| Recent investment price | 2,071,182 | 3,324,096 |
| Earnings multiple | 14,089,401 | 11,012,439 |
| Discounted realisation proceeds | 1,097,450 | – |
| | **21,457,031** | **22,036,501** |

The unquoted equity investments had the following movements between valuation methodologies between 30 April 2013 and 30 April 2012:

| Change in valuation methodology | Carrying value as at 30 April 2013 £ | Explanatory note |
|---|---|---|
| Recent investment price to earnings multiple | 3,853,383 | More appropriate basis for determining fair value |
| Cost (reviewed for impairment) to recent investment price | 57,143 | More appropriate basis for determining fair value |
| Earnings multiple to cost (reviewed for impairment) | 111,335 | More appropriate basis for determining fair value |
| Cost (reviewed for impairment) to discounted realisation proceeds | 1,097,450 | More appropriate basis for determining fair value |

# Notes to the Accounts (continued)
*for the year ended 30 April 2013*

The valuation will be the most appropriate valuation basis for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 30 April 2013.

FRS 29 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £1,572k or 7.3% lower. Using the upside alternatives the value would be increased by £1,836k or 8.4%. In arriving at both these figures, a 5% change to earnings multiples was applied. For the upside alternatives, one company used the expected realisation proceeds, and another used an earnings multiple basis of valuation.

## 20. Management of capital

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

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to shareholders. There has been no change in this approach from the previous year.

## 21. Segmental analysis

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

## 22. Post balance sheet events

On 30 May 2013, Newquay Helicopters (2013) Limited (formerly British International Holdings Limited) repaid the principal, premiums and loan interest arrears of its first two loan stocks for total cash proceeds of £1,671,825. The capital proceeds of £1,248,800 within this sum compares to a related investment cost of £934,000.

On 26 July 2013, £967,781 was invested in Veritek Global Limited, using the acquisition vehicle Madacombe Trading Limited.

# Shareholder Information

Shareholders wishing to follow the Company's progress can visit the Company's website at www.mig2vct.co.uk which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. The London Stock Exchange website at www.londonstockexchange.com/en-gb/pricesnews provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Allenbridge at www.taxshelterreport.co.uk provide comparative performance figures for the VCT sector as a whole. The share price is also quoted in the Financial Times.

The Company circulates a bi-annual newsletter to Shareholders, as well as the usual Annual and Half-Yearly Reports. The next edition will be distributed in January 2014.

## Net asset value per share

The Company's NAV as at 30 April 2013 was 106.8 pence per Ordinary Share. The Company announces its unaudited NAV on a quarterly basis.

## Dividend

The Directors have declared a second interim dividend of 0.1p for Ordinary Shareholders, further details of which can be found in the Chairman's Statement on pages 4 to 6 of this Annual Report. A first interim dividend of 4 pence made up of capital dividend of 2.75 pence and an interim income dividend of 1.25 pence per Share for the year ended 30 April 2013 was declared by the Board and paid on 19 April 2013 to Shareholders on the register on 2 April 2013.

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

## Financial calendar

| | |
|---|---|
| Late July 2013 | Annual Report for the year ended 30 April 2013 to be circulated to Shareholders |
| Mid July/ August 2013 | Newsletter to be circulated to Shareholders |
| 20 September 2013 | Annual General Meeting |
| Mid December 2013 | Release of the half-yearly results |
| Early January 2014 | Half-Yearly Report for the six months ending 31 October 2013 to be circulated to Shareholders |
| 30 April 2014 | Year-end |
| Mid July 2014 | Newsletter to be circulated to Shareholders |

## Annual General Meeting

The Annual General Meeting of the Company will be held on 20 September 2013 from 12 noon. The meeting will take place at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. Please try to arrive 15 minutes before the meeting starts when tea and coffee will be served to Shareholders. Proxy forms for the meetings, which Shareholders will find included with their copy of this Annual Report, should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Registrars, to arrive no later than 12 noon on 18 September 2013.

## Shareholder enquires

For enquiries concerning the Fund or the investment portfolio, please contact the Investment Manager, Mobeus Equity Partners LLP, on 020 7024 7600 or by e-mail to info@mobeusequity.co.uk.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars, Capita Registrars, on 0871 664 0324 (calls cost 10p per minute plus network extras. If calling from overseas please ring +44 203 170 0187) or write to them at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you can contact them via their website at www.capitaregistrars.com.

# Performance Data at 30 April 2013

### Mobeus Income & Growth 2 VCT PLC Investor Performance Appendix

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

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and NAV basis as at 30 April 2013. The NAV basis enables Shareholders to evaluate more clearly the performance of the Manager, 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 30 April 2013** **70.30 p[1]**
**NAV per share as at 30 April 2013** **106.75 p**

| Allotment date(s) | Allotment price (p) | Net allotment price[2] (p) | Cumulative dividends paid per share[4] (p) | Total return per share to shareholders since allotment: (Share price) basis (p) | (NAV basis) (p) | % increase since 30 April 2012 (NAV basis) % |
|---|---|---|---|---|---|---|
| **Funds raised 2005/06** | | | | | | |
| Between 5 January 2006 and 5 April 2006 | 100.00 | **60.00** | 18.00 | **88.30** | **124.75** | **10.68%** |
| **Funds raised 2008/09** | | | | | | |
| Between 3 April 2009 and 5 May 2009 | 92.39 | **64.67** | 14.00 | **84.30** | **120.75** | **11.08%** |

### Former Ordinary Share Fund

**Share price as at 30 April 2013** **58.14 p**
**NAV per share as at 30 April 2013** **88.28 p**

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

| Allotment date(s) | Allotment price (p) | Net allotment price[2] (p) | Cumulative dividends paid per share[4] (p) | Total return per share to shareholders since allotment: (Share price) basis (p) | (NAV basis) (p) | % increase since 30 April 2012 (NAV basis) % |
|---|---|---|---|---|---|---|
| **Funds raised 2000/01[3]** | | | | | | |
| Between 30 May 2000 and 11 December 2000 | 100.00 | **80.00** | 36.72 | **94.86** | **125.00** | **8.66%** |

[1] - Source: London Stock Exchange.

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

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

[4] - For derivation, see table on following page.

# Cumulative dividends paid per share

| | Funds raised 2000/01 (p) | Funds raised 2005/06 (p) | Funds raised 2008/09 (p) |
|---|---|---|---|
| 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 | |
| 08 February 2006 | 6.00 | | |
| 20 October 2005 | 6.00 | | |
| 24 September 2003 | 0.51 | | |
| 16 September 2002 | 1.35 | | |
| 10 September 2001 | 0.93 | | |
| | **36.72** | **18.00** | **14.00** |

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

# VCT Tax Benefits

## 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 benfits

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

Tax reliefs currently available to VCT investors:

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

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

(3) **Dividend relief**
An investor who acquires VCT shares within the specified limit (currently £200,000 per annum) will not be liable to income tax on dividends paid on those shares.

(4) **Relief from capital gains tax on disposal**
A disposal by an investor of ordinary shares in a VCT will not be subject to UK capital gains tax.

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

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

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

# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mobeus Income & Growth 2 VCT plc will be held at 12.00 noon on 20 September 2013 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG.

The meeting will be held for the purposes of considering, and if thought fit, passing the following resolutions of which Resolutions 1 to 9 and 12 will be proposed as ordinary resolutions and Resolutions 10 and 11 will be proposed as special resolutions:

1. To receive and adopt the audited annual report and accounts of the Company for the financial year ended 30 April 2013 ("Annual Report") together with the Auditor's report thereon.

2. To approve the directors' remuneration report as set out in the Annual Report of the Company.

3. To appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next annual general meeting.

4. To authorise the directors to determine BDO LLP's remuneration as auditor of the Company.

5. To re-elect Nigel Melville as a director of the Company.

6. To re-elect Adam Kingdon as a director of the Company.

7. To re-elect Sally Duckworth as a director of the Company.

8. To re-elect Kenneth Vere Nicoll as a director of the Company.

9. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot ordinary shares of 1 pence each in the Company ("Shares") and to grant rights to subscribe for, or convert, any security into Shares ("Rights") up to an aggregate nominal value of £168,141, provided that the authority conferred by this resolution shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the conclusion of the annual general meeting of the Company to be held in 2014 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.

10. That, subject to the passing of resolution 9 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:

    (i) the allotment and issue of equity securities up to an aggregate nominal value representing £100,000 in connection with offer(s) for subscription;

    (ii) the allotment of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time pursuant to any dividend investment scheme operated by the Company; and

    (iii) the allotment, otherwise than pursuant to sub-paragraphs (i) and (ii) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10 per cent. of the issued share capital of the Company from time to time;

    in each case where the proceeds may be used, in whole or part, to purchase the Company's Shares in the market and provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the conclusion of the annual general meeting to be held in 2014, except that the Company may, before the expiry of this authority make offers or agreements which would or might require equity securities to be alloted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

11. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own shares provided that:-

    (i) the aggregate number of shares which may be purchased shall not exceed 3,608,200 (representing approximately 14.99 per cent. of the Company's issued share capital at the date hereof);

# Notice of the Annual General Meeting (continued)

(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 five per cent. above the average of the middle market quotations for a share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

(iv) the authority conferred by this resolution shall (unless previously renewed or revoked) expire on the conclusion of the annual general meeting of the Company to be held in 2014; 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.

12. To continue as a venture capital trust beyond 2015.

By order of the Board

**Mobeus Equity Partners LLP**
Company Secretary

*Registered Office*
30 Haymarket
London SW1Y 4EX

Dated: 1 August 2013

**Notes:**

1. Pursuant to Regulation 41 of the Uncertified Securities Regulation 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat), will be deteremined by reference to the Register of Members of the Company at the close of business on the day which is two days before the date of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Registrars, on 0871 664 0324 (lines are open between 8.30 am and 5.30 pm Monday to Friday, calls cost 10p per minute (including VAT) plus network extras – if calling from overseas please dial +44 203 170 0187 (international rates will apply)) to request additional copies of the proxy form. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, at the offices of the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 12.00 noon on 18 September 2013 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Shareholders wishing to vote online should visit www.capitashareportal.com and follow the instructions.

9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 12.00 noon on 18 September 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. As at 1 August 2013 (being the last business day prior to the publication of this notice), the Company's issued share capital consists of 24,070,716 Ordinary Shares of 1p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 1 August 2013 were 24,070,716.

14. The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

15. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

16. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later then the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.

17. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk.

# Corporate Information

## Directors

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

## Company's registered office and head office

30 Haymarket
London
SW1Y 4EX

## Company Registration Number:

3946235

## Website

www.mig2vct.co.uk

### Company Secretary

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

### Bankers

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

### Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0324 (calls cost 10p per minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri. If calling from overseas please ring +44 203 170 0187)

### Investment Manager, Promotor and Company Accountants

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

### Solicitors

SGH Martineau LLP
No. 1 Colmore Square
Birmingham
B4 6AA

Also at:
One America Square
Crosswall
London EC3N 2SG

### VCT Tax Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

### Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

### Stockbrokers

Panmure Gordon (UK) Limited
1 New Change
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