Mobeus Income & Growth VCT plc

(formerly Matrix Income & Growth VCT plc)

A VENTURE CAPITAL TRUST

Annual Report & Accounts

for the year ended 31 December 2012

mobeus
EQUITY PARTNERS

Investment Objective

Mobeus Income & Growth VCT plc ("the VCT" or "MIG VCT") is a Venture Capital Trust ("VCT") listed on the London Stock Exchange. Its investment portfolio, which invests primarily in established and profitable unquoted companies, is managed by Mobeus Equity Partners LLP ("Mobeus").

The Company's objective is to provide investors with a regular income stream by way of tax-free dividends generated from income and capital returns.

Contents

Investment Policy

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

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.

Uninvested funds are held in cash and low risk money market funds.

VCT regulation

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

UK companies

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

Asset mix

The VCT holds its liquid funds in a portfolio of readily realisable interest-bearing investments and deposits. The investment portfolio of qualifying investments has been built up over time with the aim of investing and maintaining around 80% of net funds raised in qualifying investments.

Risk diversification and maximum exposures

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

Co-investment

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

Borrowing

The VCT's articles permit borrowings of amounts up to 10% of the adjusted capital and reserves (as defined therein). The VCT has never borrowed and the Board has no current plans to undertake any borrowing.

Management

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

Financial Highlights

Results for the year ended 31 December 2012

- Net asset value (NAV) total return per Share for the year was 10.34%.
- Shareholders received an interim dividend of 5.00 pence per Share in September 2012. This, together with the proposed final dividend of 2.00 pence per Share, will bring total dividends paid in respect of the year to 7.00 pence per Share.
- Strong liquidity has been enhanced by a successful fundraising in 2012 which resulted in new funds of £5.04 million for the Company. A further fundraising in 2013 is underway for which £4.90 million of applications in total have been received to date.
- The Company realised its investment in Iglu.com Holidays in May for total cash proceeds of £3.59 million over the two and a half years of the investment, equivalent to an overall return of 2.53 times the original investment cost.

Performance Summary

The net asset value per share of the Company at 31 December 2012 was 94.22 pence

The table below shows the recent past performance of the original funds raised in 2004/05. Performance data for all fundraising rounds and for former Matrix Income & Growth 3 VCT Shareholders is shown in a table on page 54 of this Report.

As at	Net assets (£m)	NAV per Share (p)	Share price (mid-market price)[1] (p)	Net cumulative dividends paid per Share (p)	Cumulative total return per Share to Shareholders since launch[2] (NAV basis) (p)	(Share price basis) (p)	Dividends per Share paid and proposed in respect of the year ended (p)
31 December 2012	43.29	94.22	80.50	38.05	132.27	118.55	7.00*
31 December 2011	40.73	95.59	78.75	26.80	122.39	105.55	6.75
31 December 2010	38.45	96.66	84.00	21.30	117.96	105.30	5.00

[1] Source: London Stock Exchange.

[2] Total return per share comprises either the NAV per Share (NAV basis) or the mid-market price per Share (share price basis), plus cumulative dividends paid per Share.

*Dividends proposed

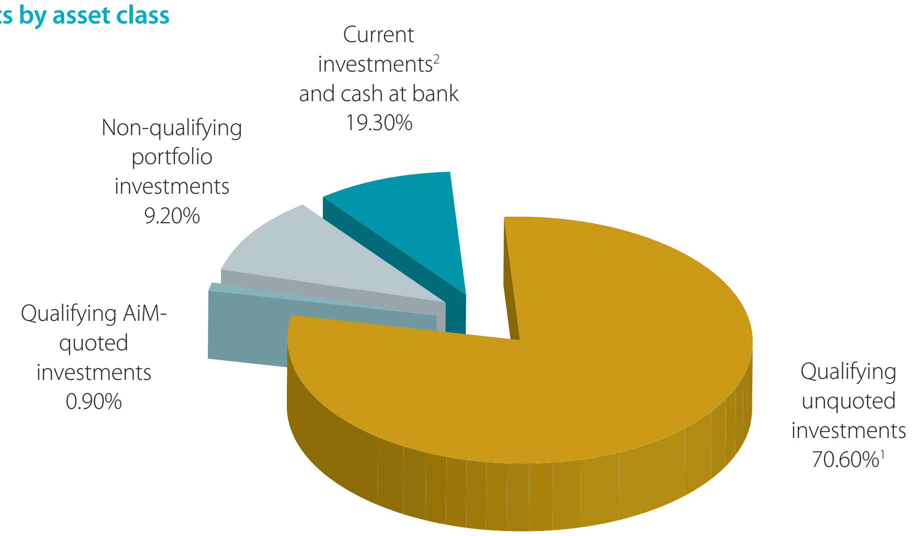
A final dividend of 2.00 pence per Share, comprising 0.50 pence from capital and 1.50 pence from income, will be recommended to Shareholders at the Annual General Meeting of the Company to be held on 8 May 2013. If approved, the dividend will be paid on 15 May 2013 to Shareholders on the Register on 19 April 2013 and will bring dividends paid in respect of the year ended 31 December 2012 to 7.00 pence per Share as shown in the table above.

Liquidity and discount

The Company holds approximately £8.35 million in readily realisable assets that are available for further investments, dividends and share buybacks. The discount on the Company's Shares at 31 December 2012 was 9.94% based on the NAV per Share at 30 September 2012 of 89.38 pence, which was the latest published figure at that time.

Investments by valuation at 31 December 2012

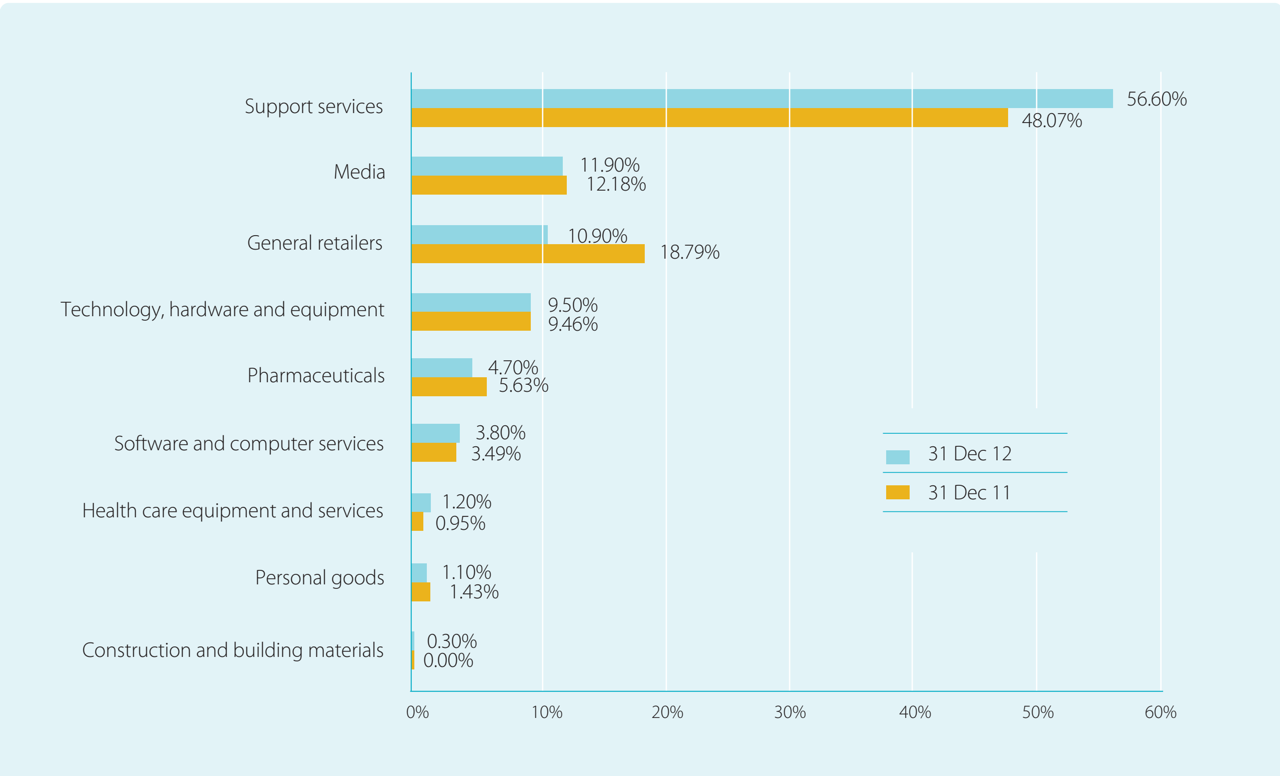
All investments by asset class



[1] The above pie chart is based on the valuations of the investments as set out in the Investment Portfolio Summary on pages 13 – 14 and not on the tax values that are used to calculate the target set by HM Revenue & Customs (HMRC) of investing 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). An explanation of the Company's position in respect of the 70% test is included in the Chairman's Statement on page 5 of this Annual Report under 'Investment in qualifying holdings'.

[2] Current investments comprise cash awaiting investment held in six Dublin based OEIC money market funds and £2,000,000 held in a bank deposit account.

Venture capital investments by market sector *



* For a breakdown of the investee companies included within each sector, please see the Investment Portfolio Summary on pages 13 – 14 of this Annual Report.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth VCT plc for the year ended 31 December 2012.

Overview

During a year in which growth in the UK economy has been flat and where there has been significant volatility in financial markets, the Company has enjoyed a solid performance. In the UK, as elsewhere in the world, the coalition government is struggling to find an effective solution to restart economic growth. The UK and other western economies continue to be buffeted by the persistent financial and economic uncertainties caused, in part, by the continuing unresolved debt problems in the US and several European countries.

Despite this rather gloomy backdrop, the leading companies in our portfolio have continued to achieve strong growth in their niche markets. There is clear evidence that well-managed and sensibly financed companies can succeed and many of the companies in our portfolio are demonstrating their resilience in contending with a challenging business environment.

Performance

The Company's total return for the year (NAV basis) was 10.34% (2011: 4.58%) after allowing for the dividends of 11.25 pence per Share paid during the year. In comparison to this, the quoted UK equity market as represented by the FTSE All-Share Index continued to be volatile but ended the year up 12.30% (2011: down 3.46%) on a total return basis. The Company's performance against the FTSE All-Share Index is encouraging, bearing in mind that the VCT's underlying liquidity has averaged around one third of net assets in the year. Many of the portfolio companies are primarily valued by reference to the valuations of companies trading in similar sectors within the relevant FTSE sector index.

The cumulative total return (NAV basis) per Share at 31 December 2012, including cumulative dividends paid to date, was 132.27 pence (2011: 122.39 pence). This compares with the initial NAV per Share, net of initial costs, of 94.50 pence representing a positive total return (NAV basis) per Share since inception of 39.97% (2011: 29.51%).

Taking into account initial tax relief, investors have seen an overall gain on investment cost of 120.45% (2011: 103.98%) since the launch of the Company, based on a net investment cost of 60 pence per Share.

For detailed performance data for each allotment in each fundraising since the inception of the Company (including the former Matrix Income & Growth 3 VCT), please see the Performance Data Appendix on page 54 of this report.

Portfolio review

New investment activity has been relatively quiet throughout the year. The Board and the Manager have remained relatively cautious and have been prepared to wait for the right opportunities to invest in. Uncertainties surrounding the finalisation of changes to VCT tax legislation introduced in the 2012 Finance Act also hindered the completion of new investments during the year. There are signs, however, of an upturn in the new investment market and deal flow has increased. The Manager has been considering a number of interesting opportunities and two of these have completed since the year-end.

The Company made one new investment during the year, in July 2012 of £1.68 million (including £1 million from the acquisition vehicle Sawrey) into Tessella, an international provider of science-powered technology and consulting services. We are encouraged by the good start that this company has made since investment.

Following the year-end in February 2013, the Company made a further investment into Fullfield (Motorclean) totalling £1.34 million (including £1 million from the acquisition vehicle, Almsworthy) to support the company's acquisition of Forward Valeting Services Limited, a company with a similar business model in the UK car valeting market. In March 2013, the VCT made a new investment of £1.86 million (including £1 million from the acquisition vehicle, Fosse) to support the MBO of Gro-group, the market leader for baby sleep time products in the UK and Australia.

The VCT sold its investment in Iglu.com in May 2012 for an overall return of 2.53 times the original investment cost over the life of the investment. This was a pleasing result in just two and half years since the MBO in December 2009. During the period of our investment, Iglu grew its cruise holiday business to become one of the leading distributors of these holidays in the UK in addition to being the largest independent retailer of ski holidays.

The overall valuation of the portfolio held at the year-end has increased by £3.49 million over the year.

Further details of these investments and the year's other transactions can be found in the Investment Manager's Review on pages 7 – 8.

Review of results

The Company returned a profit for the year of £4.33 million (2011: £1.66 million), comprised of a capital return of £3.24 million (2011: £0.70 million) and a revenue return of £1.10 million (2011: £0.96 million).

The large positive capital return is due to a healthy uplift in portfolio valuations of £3.49 million. The revenue return has increased from £0.96 million to £1.10 million, a rise of £0.14 million, mainly due to a rise in income of £0.12 million from £1.68 million to £1.80 million.

There has been a rise in loan interest income of £0.30 million to £1.48 million over the year. A number of new investments made in 2011 have now produced a full year's loan interest, as well as some of the investee companies making inroads into outstanding interest arrears. This rise is despite a number of repayments in the year and some interest provided for during the year. There was a significant drop in dividend income of £0.22 million, from £0.43 million to £0.21 million, largely as a result of the partial disposal of DiGiCo which paid the Company a dividend of £0.26 million in 2011. Removing the effect of this DiGiCo dividend, dividend income from other companies rose in the year as a result of a number of companies paying maiden dividends, namely RDL Corporation and Vectair, while ATG Media increased its payment.

Chairman's Statement

Revenue from the Company's bank balances and liquidity funds continued to be depressed as a result of the extremely low interest rate environment in the UK.

In line with the rise in net assets, investment management fees charged to both revenue and capital have increased from £0.92 million to £0.97 million whilst other expenses have fallen from £0.31 million to £0.26 million. The fall in other expenses is mainly due to a large drop in IFA trail commission fees as a result of a number of eligible shareholdings reaching their cap on such commission due. This will result in a saving going forward, although trail commission on more recent fundraisings will continue.

Dividends

Your Directors are pleased to recommend a final dividend in respect of 2012 of 2.00 pence (2011: 6.25 pence) per Share comprising 0.50 pence (2011: 5.00 pence) per Share from capital and 1.50 pence (2011: 1.25 pence) per Share from income. Subject to Shareholder approval, this dividend will be paid on 15 May 2013 to Shareholders on the Register on 19 April 2013 . This will bring dividends paid in respect of the year ended 31 December 2012 to 7.00 pence (2011: 6.75 pence) per Share and cumulative dividends paid since inception to 40.05 pence (2011: 33.05 pence) per Share.

The Company aims to provide Shareholders with a consistent and regular income stream and the Board has set a target of paying a dividend of at least 4.00 pence per Share in respect of each financial year. This target has now been exceeded in each of the last five years.

Investment in qualifying holdings

In order to comply with VCT tax legislation, the Company must meet the target set by HMRC of investing 70% of total funds raised in qualifying unquoted and AiM quoted companies ("the 70% test"). At 31 December 2012, the Company was 77.38% invested in qualifying companies (based upon the tax values, which differ from the values given in the Investment Portfolio Summary on pages 13 – 14).

Changes to VCT legislation

The enactment of the Finance Act 2012 ended a period of uncertainty in finalising the changes to the tax legislation that will apply to VCTs in the future. The principal change that affects the Company is that the funds raised after 6 April 2012 can no longer be used by the Manager to carry out certain types of management buyout transactions ("MBOs"). However, the Company has a significant amount of funds raised prior to this date that it will continue to use to pursue its strategy of investing in MBOs of profitable and cash generative companies.

Share buybacks

During the year ended 31 December 2012, the Company bought back 1.94 million of its own Shares (2011: 2.68 million) at an average price of 81.90 pence per Share and a total cost of £1.59 million including expenses (2011: £2.22 million). These Shares, representing 4.55% (2011: 6.74%) of the issued Share Capital of the Company at the beginning of the year, were subsequently cancelled by the Company.

Purchases were made at discounts to the latest published NAVs per Share ranging between 10-12% (2011: 10-14%). The discount at which Shares were bought back has remained constant at these levels throughout 2011-12, having stabilised in mid-2010. This reflects the Board's current policy which is to seek to maintain the discount at which the Company's Shares trade at around 10% to the latest announced NAV per Share, which was the position at the year-end. Remaining Shareholders, of course, benefit from the difference between the Net Asset Value and the price at which the Shares are bought back and cancelled.

Selling your shares

The Company's Shares are listed on the London Stock Exchange and as such they can be sold in the same way as any other quoted company through a stockbroker. **However, to ensure that you obtain the best price, if you wish to sell your Shares, you are strongly advised to contact the Company's stockbroker, Panmure Gordon, by telephoning 020 7886 2716/7 before agreeing a price with your stockbroker.** Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their Shares.

Merger with Matrix Income & Growth 3 VCT plc

The Company has continued to benefit from the merger of the Company with Matrix Income & Growth 3 VCT in May 2010, both in terms of cost savings and more efficient administration. As planned, the full costs of the merger were recovered within two years and savings continue.

Fundraising

The Company raised £5.04 million net of issue costs in the Mobeus (formerly Matrix) Linked VCT Offer launched on 20 January 2012, which closed on 30 June 2012.

The Company launched a further linked fundraising with The Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc on 29 November 2012 to raise up to £21 million across the three VCTs and/ or allot up to 10 million shares in each VCT. The funds raised for the VCT will further improve the Company's liquidity and spread its fixed running costs over a larger asset base. They will provide a fund of new money which may be used to pay ongoing expenses, including dividends and share buybacks, thus preserving money raised prior to 6 April 2012 to support the Company's strategy of investing in new MBO deals. Details of the Offer were posted to Shareholders in December 2012. This Offer has been well received and a total of £4.90 million in applications has been subscribed to date for the Company.

The Offer will remain open until 30 April 2013 (5 April 2013 in respect of the current tax year), although the Directors of the three VCTs reserve the right to extend the closing date at their discretion. It will close earlier if fully subscribed.

Enhanced buyback facility (EBF)

The VCT offered an Enhanced Buyback Facility (EBF) to Shareholders in January 2013 by way of a tender offer to purchase from Shareholders up to 50% of the issued capital of the VCT. An EBF is a loyalty scheme, whereby the VCT buys back some or all of a Shareholder's existing Shares at the prevailing NAV per Share. The resultant proceeds are applied to invest in new shares in the same VCT, at a slightly higher price to cover the costs of the Scheme. Shareholders receive new VCT shares which qualify for upfront income tax reliefs of up to 30% on the amount reinvested. The EBF may not be appropriate for all Shareholders particularly if they have not held their Shares for a sufficient period to qualify for the upfront tax reliefs.

Shareholders approved this Scheme and the associated cancellation of the share premium account on 22 February 2013, which was subsequently approved by the Court on 13 March 2013.

Change of Company name and change of ownership at the Manager

The Manager completed its MBO from Matrix Group Limited (in administration) ("Matrix Group") and became a fully independent firm owned by its partners and renamed itself Mobeus Equity Partners LLP ("Mobeus") on 30 June 2012.

Subsequent to this change, the Company changed its name to Mobeus Income & Growth VCT plc to be consistent with the Manager's change of name. The Company's investment strategy and its arrangements with Mobeus have continued as previously agreed. The team at Mobeus continues to be wholly dedicated to the management and administration of VCTs.

Communication with Shareholders

We aim to communicate regularly with our Shareholders. In addition to the Half-Yearly and Annual Reports, Shareholders receive a twice-yearly VCT Newsletter from the Manager, approved by the Board. The May AGM will provide a useful platform for the Board to meet Shareholders and exchange views. Your Board welcomes your attendance at General Meetings to give you the opportunity to meet your Directors and representatives of the Manager.

The Manager held another successful investor workshop in January 2013. The workshop provided a forum for about 140 Mobeus VCT Shareholders to hear presentations from the Manager about its investment activity in greater depth and from a successful entrepreneur from DiGiCo, one of the portfolio companies. It is intended that this will be an annual event, to which all Shareholders will be invited.

The Manager has established a new website, which can be accessed by going to www.mobeusequity.co.uk. This is regularly updated with information on your investments including case studies of portfolio companies. The Company continues to have its own dedicated section of the website which Shareholders may prefer to access directly by going to www.migvct.co.uk. This includes performance tables and details of dividends paid as well as copies of past reports to Shareholders. Presentations and Q & As from the recent investor workshop can also be viewed here.

Industry awards for the Manager

The Manager received the award for VCT of the Year 2012 at ***Investor AllStars 2012***. It was also named VCT House of the Year 2012 at the ***unquote" British Private Equity Awards 2012***. The citations for these awards recognised the Manager's outstanding performance in achieving record realisations during the year and promoting a successful fundraising. The Board is delighted that the work of the Manager has been acknowledged in this way.

Outlook

The UK, in common with other world economies, is struggling to achieve equilibrium in the aftermath of the recent recession and it appears that sustained growth will be slow to materialise. In the current environment, your Board and Manager remain cautious when evaluating new opportunities. Nevertheless, the Manager has seen a number of promising investment opportunities at realistic purchase prices in recent months and two of these (Motorclean and Gro Group) have completed since the year-end. The Board believes that the VCT's strategy of investing primarily in MBOs and structuring investments to include loan stock will continue to mitigate downside risk.

The VCT continues to maintain a significant cash position, a large portion of which was raised prior to 6 April 2012. This will be used to support the VCT's policy of investing in established, profitable companies through MBO deals that align the interests of the VCT with those of the management teams of the businesses that we support. The company's cash reserves and the cash-rich acquisition companies are available to help portfolio companies through what we believe may be an exacting period. This is particularly important at a time when the UK banks, despite government exhortations, continue to limit, or are even withdrawing, funds from the smaller company sector.

The Board continues to believe that despite the challenges ahead, the Company's lower risk investment strategy and its high levels of liquidity should deliver attractive returns to Shareholders over the medium to long term.

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

Keith Niven
Chairman

20 March 2013

Investment Manager's Review

Overview

This has been a relatively quiet year for the portfolio, during which the Company made one new major investment and one major disposal. The environment for new investment has made it harder to complete new investments, for two principal reasons. Firstly, 2012 saw a second dip into recession which revived uncertainty surrounding the extent and depth of the economic recovery. Secondly, a lack of clarity regarding changes to VCT regulations depressed a weak corporate finance market. Nonetheless, dealflow has improved in recent months, particularly in terms of the number of deals coming forward, although concluding transactions has continued to be difficult. We have been working on a number of promising new investments and are, therefore, hopeful that the pace of new investment will pick up in 2013. Indeed, two such deals have completed recently. Uncertainty over the future persists, particularly amongst potential sellers of businesses, but our investment approach, combining debt and equity, continues to be compelling to companies seeking investment in a market where availability of bank finance remains patchy at best. This means that management buyout teams are increasingly turning to us as a reliable source of funding for their plans.

Over the year, the Company's liquidity position (including the £6 million invested in acquisition vehicles at the year-end) has strengthened further, so it is well placed to invest. In response, we are broadening the scope of the deals which we target by identifying opportunities to invest more capital to support the expansion of successful businesses in the existing portfolio including, where appropriate, the deployment of loan funding to support portfolio companies' growth plans.

We continue to believe that the Company's strategy of investing in well-structured MBO deals; supporting highly motivated management teams; focusing on acquiring established, profitable, positive cashflow businesses; and investing partly in income yielding loan stocks, substantially increases the degree of downside protection to Shareholders' capital. We have noted the recent change in VCT legislation preventing certain types of MBOs, but also note that this restriction does not apply to the substantial level of funds held by the Company from earlier fundraisings.

We have continued to work actively with the management teams of investee companies, encouraging them to take cost-cutting measures and reviewing their budgets, forecasts and cost structures with them to ensure that their businesses remain as resilient as possible. A number of portfolio companies have made good progress and this is reflected in the valuations of these companies.

The strategy above is executed by retaining and developing a portfolio of successful companies until each has reached the optimal point for a profitable realisation. In the meantime, the portfolio routinely benefits from returns of loan stock interest, dividends and loan repayments, during the life of an investment.

New Investment

In July 2012, the Company made an investment totalling £1.68 million to support the MBO of Tessella, an international provider of science-powered technology and consulting services. The Company used its existing investment of £1 million in the acquisition vehicle Sawrey to finance the transaction, along with a further £0.68 million from the Company's cash reserves. Founded in 1980, the company 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.

Following the year-end in March 2013, the VCT made a new investment of £1.86 million (including £1 million from the acquisition vehicle, Fosse) to support the MBO of Gro-group, the market leader for baby sleep time products in the UK and Australia.

We are confident that our Operating Partner programme will continue to generate successful investments for the Company and accordingly £6 million was held in six acquisition vehicles at the year-end. These companies continue to pursue an active search for investment opportunities. Each of the acquisition vehicles is headed by an experienced Chairman, well known to us, who is working closely with us in seeking to identify and complete investments in specific sectors relevant to his industry knowledge and experience. We have established these companies to provide time for us to identify and invest in suitable target companies at sufficiently attractive valuations. Two of these companies, Almsworthy and Fosse, were used following the year-end, to complete a further investment into Motorclean (see below) and a new investment into Gro-group (as described above), respectively.

Follow-on Investments

PXP was the only investee company to receive a follow-on investment during the year. £0.11 million was invested in June 2012 as part of a major restructuring of this company to enable PXP to continue to trade following a period of poor trading in a challenging market. Trading in recent months has started to show improvement.

Following the year-end in February 2013, the Company made a further investment into Fullfield (Motorclean) totalling £1.34 million (including £1 million from the acquisition vehicle, Almsworthy) to support the company's acquisition of Forward Valeting Services Limited, a company with a similar business model in the UK car valeting market.

Realisations

Against an uncertain economic background, we are pleased to report that realisations during the year under review generated net cash of £4.13 million for the Company.

In May 2012, the Company realised its entire investment in Iglu.com Holidays, the specialist online ski and cruise holiday travel agent, for a cash consideration of £2.07 million through a sale to Growth Capital Partners. This realisation contributed to total cash proceeds of £3.59 million 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 £1.42 million. We have 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. The company's annual revenues now exceed £90 million.

A total of £2.06 million (including any premiums paid) has also been received in loan stock repayments from portfolio companies during the year to 31 December 2012. Focus repaid £0.39 million in January 2012. Blaze Signs repaid a total of £1.40 million in four separate payments received between May and November 2012, plus interest arrears of £0.16 million. Fullfield and Tessella repaid a total of £0.27 million in two scheduled payments.

Portfolio review

The portfolio comprised thirty-one investments as at 31 December 2012 (2011: twenty-five) with a cost of £33.09 million (2011: £27.09 million) and valued at £34.86 million (2011: £27.42 million), representing 105.35% of cost (2011: 101.22%).

The portfolio's performance as a whole has continued to be strong and we are pleased to report that its value has increased over the year. ATG Media and DiGiCo have again traded well despite the challenges of the economic environment. Blaze has made a steady recovery from the difficulties it experienced during the economic downturn and has benefitted this year from work for the Olympics, enabling it to repay a large part of its loans as noted above. CB Imports continues to trade well despite the general weakness of retail spending and has grown profits compared to last year. Focus is expected to exceed its budget and is performing well on product development and has a healthy pipeline of new products. Fullfield (Motorclean) has maintained its solid start and cash generation at this company has been strong, as evidenced by its early partial repayment of its loan stock.

ASL has successfully integrated its acquisition of Transcribe, which is trading well, but the group's overall performance is behind its investment plan. Of the newer investments, EMaC has made encouraging progress over its first year since the MBO in October 2011 despite growing competition in its sector. This is reflected in an increase in valuation from cost. EOTH too, is making good progress in growing revenue and market share although its market remains beset by price discounting.

British International has had a difficult year, with further falls in passenger journeys on its scheduled route to the Isles of Scilly leading to a material reduction in group profitability and the closure of the route at the end of October; this was compounded by the delays in completing the sale to Sainsbury's of its heliport in Penzance, which was dependent on full planning permission being granted. However, completion finally took place in October 2012 and the substantial receipt enabled the company to fully repay its bank borrowings, thereby improving the security of the Company's loan stock investment in British International. Your Company is engaged in divesting its investment in British International as part of the asset realisation process that British International has embarked upon.

The persisting downturn in the construction and house building sectors continues to affect the performance of PXP and Plastic Surgeon, although management has worked well to reposition both of these businesses and make the necessary cuts in costs. The market environment for Youngman remains uncertain, although it has traded profitably and is well positioned to benefit from any upturn in its markets. Westway suffered from lower revenues last year but is now growing profits again and has strong customer relationships. RDL has continued to perform below expectations with activity in its IT recruitment business in particular, at lower than planned levels. It is taking measures to improve performance. Faversham has been streamlining its operations although progress is slower than anticipated.

Overall, we are encouraged by the strong and resilient performance by most of our investee companies. Our strategy remains to retain investments until they have reached the optimum point for an exit in order to maximise value from each investment.

Outlook

The outlook for the UK economy remains uncertain, but the Company has ample liquidity to pursue its MBO strategy and we are hopeful that we are entering a healthy period of new investment over the coming year. As part of our plans to increase the rate of investment, we are currently pursuing several opportunities to provide further capital for expansion of successful existing investments.

The uncertain outlook necessitates that we ensure investee companies take appropriate actions to respond to the challenging environment ahead. We are also maintaining a prudent approach to making new investments and ensuring that the portfolio remains well-capitalised. We are confident that good returns can continue to be earned for investors over the medium to longer term, if such disciplines are observed.

Details of the Company's ten largest investments by value at 31 December 2012 (excluding the six acquisition vehicles in the portfolio at the year-end, which have yet to complete an investment and have a current cost and valuation of £1 million each) are set out on the following pages. These represent 48.90% by cost and 63.05% by value of the portfolio.

Ten Largest Investments in the portfolio*

ATG Media Holdings Limited

www.antiquestradegazette.com

Cost	£1,486,214
Valuation	£4,021,003

Basis of valuation:
Earnings multiple

Equity % held
13.96%

Income receivable in year
£163,456

Business
Publisher and on-line auction platform operator

Location
London

History
Management buyout

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

DiGiCo Global Limited

www.digico.org

Cost	£2,592,669
Valuation	£3,301,112

Basis of valuation:
Earnings multiple

Equity % held
4.65% (fully diluted)

Income receivable in year
£103,806

Business
Designer and manufacturer of digital audio mixing desks

Location
Chessington, Surrey

History
Secondary buyout

Audited financial information

Year ended	31 December 2011
Turnover	£21,314,000
Operating profit	£6,466,000
Net assets	£7,932,000
Year ended	31 December 2010
Turnover	£18,757,000
Operating profit	£5,501,000
Net assets	£8,909,000

CB Imports Group Limited

www.countrybaskets.co.uk

Cost	£2,000,000
Valuation	£2,481,424

Basis of valuation:
Earnings multiple

Equity % held
11.58%

Income receivable in year
£152,709

Business
Importer and distributor of artificial flowers, floral sundries and home décor products

Location
East Ardsley, West Yorkshire

History
Management buyout

Audited financial information

Year ended	31 December 2011
Turnover	£23,130,000
Operating profit	£969,000
Net assets	£4,421,000
Year ended	31 December 2010
Turnover	£21,197,000
Operating profit	£2,139,000
Net assets	£4,259,000

* Excluding the six acquisition vehicles in the portfolio at 31 December 2012

Ingleby (1879) Limited

www.emac.co.uk

Cost	£1,762,336
Valuation	£2,243,576

Basis of valuation:
Earnings multiple

Equity % held
8.81% (fully diluted)

Income receivable in year
£147,770

Business
Provider of service plans for the motor trade

Location
Crewe

History
Management buyout

Audited financial information

Year ended	31 December 2011[1]
Turnover	£4,990,000
Operating profit	£867,000
Net assets	£1,535,000
Year ended	31 December 2010[1]
Turnover	£4,042,000
Operating profit	£1,596,000
Net assets	£2,712,000

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

British International Holdings Limited

www.islesofscillyhelicopter.com

Cost	£2,026,316
Valuation	£2,026,316

Basis of valuation:
Fair value equivalent to cost

Equity % held
17.47%

Income receivable in year
£Nil

Business
Helicopter service operator

Location
Sherborne, Dorset

History
Management buyout

Audited financial information

Year ended	31 December 2010
Turnover	£19,350,000
Operating profit	£3,315,000
Net assets	£4,017,000
Year ended	31 December 2009
Turnover	£16,050,000
Operating profit	£976,000
Net assets	£2,970,000

Fullfield Limited

www.motorclean.net

Cost	£1,595,000
Valuation	£1,791,646

Basis of valuation:
Earnings multiple

Equity % held
12.58%

Income receivable in year
£147,835

Business
Provider of vehicle cleaning and valet services

Location
Laindon, Essex

History
Management buyout

Audited financial information

Year ended	31 March 2012[1]
Turnover	£23,818,000
Operating profit	£1,752,000
Net assets	£9,044,000
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 Limited

Tessella Holdings Limited

www.tessella.com

Cost £1,655,131

Valuation £1,655,131

Basis of valuation:
Cost

Equity % held
7.20%

Income receivable in year
£55,257

Business
Provider of science powered technology and consulting services

Location
Abingdon, Oxfordshire

History
Management buyout

Audited financial information

Year ended	31 March 2012[1]
Turnover	£18,533,000
Operating profit	£278,000
Net assets	£2,404,000
Year ended	31 March 2011[1]
Turnover	£16,941,000
Operating profit	£346,000
Net assets	£2,403,000

[1] The financial information quoted above relates to the operating subsidiary, Tessella Limited (previously Tessella plc)

Focus Pharma Holdings Limited

www.focuspharmaceuticals.co.uk

Cost £1,042,972

Valuation £1,649,436

Basis of valuation:
Earnings multiple

Equity % held
5.08%

Income receivable in year
£70,946

Business
Licensing and distribution of generic pharmaceuticals

Location
Burton-on-Trent, Staffordshire

History
Management buyout

Audited financial information

Year ended	31 December 2011
Turnover	£22,375,000
Operating profit	£1,075,000
Net assets	£3,485,000
Year ended	31 December 2010
Turnover	£24,429,000
Operating profit	£1,507,000
Net assets	£3,342,000

Blaze Signs Holdings Limited

www.blaze-signs.com

Cost £727,471

Valuation £1,477,887

Basis of valuation:
Earnings multiple

Equity % held
20.78%

Income receivable in year
£289,639

Business
Manufacturer and installer of signs

Location
Broadstairs, Kent

History
Management buyout

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

EOTH Limited

www.equipuk.com

Cost	£1,298,031
Valuation	£1,330,039

Basis of valuation:
Earnings multiple

Equity % held
2.33%

Income receivable in year
£124,262

Business
Supplier of branded outdoor equipment and clothing including the Rab and Lowe Alpine brands

Location
Alfreton, Derbyshire

History
Acquisition capital

Audited financial information

Year ended	31 January 2012
Turnover	£15,504,000
Operating profit	£1,830,000
Net assets	£6,173,000

Year ended	28 February 2011[1]
Turnover	£13,457,000
Operating profit	£2,354,000
Net assets	£4,706,000

[1] The financial information quoted above relates to the operating subsidiary, Equip Outdoor Technologies Limited

The remaining twenty-one investments in the portfolio (including the six acquisition vehicles in the portfolio at 31 December 2012) had a current cost of £16.91 million and were valued at 31 December 2012 at £12.88 million.

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

1. The voting rights held in each investee company is equal to the equity percentage held figures given above in all cases.
2. Operating profit is stated before charging amortisation of goodwill, where appropriate, for all investee companies.

Investment Portfolio Summary
as at 31 December 2012

	Market sector	Date of investment	Total book cost £'000	Valuation £'000	% value of net assets	% of equity held by funds advised by Mobeus*
Qualifying investments						
AiM quoted investments						
Omega Diagnostics Group plc In-vitro diagnostics for food intolerance, autoimmune diseases and infectious diseases	Health care equipment and services	Dec-10	305	407	0.9%	9.8%
			305	407	0.9%	
Unquoted investments						
ATG Media Holdings Limited Publisher and on-line auction platform operator	Media	Oct-08	1,486	4,021	9.3%	38.4%
CB Imports Group Limited (Country Baskets) Importer and distributor of artificial flowers and floral sundries	General retailers	Dec-09	2,000	2,481	5.7%	23.2%
Ingleby (1879) Limited (EMaC) Provider of service plans for the motor trade	Support services	Nov-11	1,762	2,244	5.2%	30.0%
Fullfield Limited (Motorclean) Provider of vehicle cleaning and valet services	Support services	Jul-11	1,595	1,792	4.1%	41.0%
British International Holdings Limited Helicopter service operator	Support services	Jun-06	1,683	1,683	3.9%	34.9%
Tessella Holdings Limited Technology consultancy	Support services	Jul-12	1,655	1,655	3.8%	24.0%
Focus Pharma Holdings Limited Licensor and distributer of generic pharmaceuticals	Pharmaceuticals	Oct-07	1,043	1,649	3.8%	12.7%
Blaze Signs Holdings Limited Manufacturer and installer of signs	Support services	Apr-06	727	1,478	3.4%	52.5%
Machineworks Software Limited Provider of software for CAM and machine tool vendors	Software and computer services	Apr-06	223	1,140	2.6%	45.0%
RDL Corporation Limited Recruitment consultant for the pharmaceutical, business intelligence and IT industries	Support services	Oct-10	1,558	1,127	2.6%	45.2%
EOTH Limited (RAB and Lowe Alpine) Branded outdoor equipment and clothing	General retailers	Oct-11	1,000	1,006	2.3%	8.0%
Ackling Management Company preparing to trade in the food manufacturing, distribution and brand management sectors	Support services	Apr-12	1,000	1,000	2.3%	50.0%
Almsworthy Trading Limited Company preparing to trade in the specialist construction, building support services, building products and related sectors	Support services	Mar-12	1,000	1,000	2.3%	50.0%
Culbone Trading Limited Company preparing to trade in the outsourced sector	Support services	Mar-12	1,000	1,000	2.3%	50.0%
Madacombe Trading Limited Company preparing to trade in the engineering sector	Support services	Mar-12	1,000	1,000	2.3%	50.0%
Fosse Management Limited Company preparing to trade in the brand management, consumer products and retail sectors	Support services	Apr-12	1,000	1,000	2.3%	50.0%
Peddars Management Limited Company preparing to trade in the database management and data mapping sectors and in management services to the legal and building industries	Support services	Apr-12	1,000	1,000	2.3%	50.0%
Westway Services Holdings (2010) Limited Installation, service and maintenance for air conditioning systems	Support services	Jun-09	603	841	1.9%	13.0%
ASL Technology Holdings Limited Printer and photocopier services	Support services	Dec-10	1,913	754	1.8%	34.0%

	Market sector	Date of investment	Total book cost £'000	Valuation £'000	% value of net assets	% of equity held by funds advised by Mobeus[1]
Youngman Group Limited Manufacturer of ladders and access towers	Support services	Oct-05	1,000	701	1.6%	29.7%
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the domestic and commercial property markets	Support services	Apr-08	478	537	1.3%	30.0%
Vectair Holdings Limited Designer and distributor of washroom products	Support services	Jan-06	139	459	1.1%	24.0%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Personal goods	Dec-06	1,213	389	0.9%	49.0%
Lightworks Software Limited Provider of software for CAD vendors	Software and computer services	Apr-06	223	174	0.4%	45.0%
Faversham House Holdings Limited Publisher, exhibition organiser and operator of websites	Media	Dec-10	527	121	0.3%	31.4%
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	Support services	Dec-07	1,299	117	0.3%	27.7%
PXP Holdings Limited (Pinewood Structures) Designer, manufacturer and supplier of timber-frames for buildings	Construction and building materials	Dec-06	1,278	114	0.3%	32.9%
Legion Group plc (in administration) Provider of manned guarding, mobile patrolling and alarm response services	Support services	Aug-05	150	–	0.0%	N/A
Watchgate Limited Holding company	Support services	Nov-11	1	–	0.0%	100.0%
			29,556	30,483	70.4%	
Total qualifying investments			**29,861**	**30,890**	**71.3%**	
Non-qualifying investments						
DiGiCo Global Limited[2] Designer and manufacturer of digital sound mixing consoles	Technology, hardware and equipment	Dec-11	2,593	3,301	7.6%	11.0%
British International Holdings Limited	Support services	Nov-09	343	343	0.8%	–
EOTH Limited (Rab and Lowe Alpine)	General retailers	Oct-11	298	324	0.8%	–
Total portfolio investments			**33,095**	**34,858**	**80.5%**	
Current investments and Cash at bank						
Cash at NatWest Bank plc[3]			4,713	4,713	10.9%	
The Co-operative Bank plc[4]			2,000	2,000	4.6%	
GS Funds plc (Goldman Sachs)[4]			429	429	1.0%	
Global Treasury Funds plc (Royal Bank of Scotland)[4]			387	387	0.9%	
Insight Liquidity Funds plc (HBOS)[4]			271	271	0.6%	
Institutional Cash Series plc (BlackRock)[4]			256	256	0.6%	
SWIP Global Liquidity Fund plc (Scottish Widows)[4]			176	176	0.4%	
Fidelity Institutional Cash Fund plc[4]			114	114	0.3%	
Total investments			**41,441**	**43,204**	**99.8%**	
Other assets				215	0.5%	
Current liabilities				(130)	(0.3)%	
Net assets				**43,289**	**100.0%**	

1 - The other funds advised by Mobeus include Mobeus Income & Growth 2 VCT plc (formerly Matrix Income & Growth 2 VCT plc), Mobeus Income & Growth 4 VCT plc (formerly Matrix Income & Growth 4 VCT plc) and The Income & Growth VCT plc. Details are contained in note 10 to the accounts on page 42.

2 - Original investment was in DiGiCo Europe Limited in July 2007. This was partially realised in December 2011 and therefore, this represents the cost and valuation of the continuing investment.

3 - Disclosed as Cash at bank within Current assets in the Balance Sheet on page 30.

4 - Disclosed as Current Investments within Current assets in the Balance Sheet on page 30.

Board of Directors

Keith Niven

Status:
Independent Non-Executive Chairman

Experience: Keith has over 40 years' experience in the financial services industry, most of which was spent at Schroder Investment Management Limited, the fund management arm of Schroders plc, where he was appointed joint vice chairman in 2000. He held a number of other senior positions within Schroders including managing director of its UK institutional fund management business between 1986 and 1992 and chairman of its retail business, Schroder Unit Trusts Limited, from 1992 to 2001. He retired from Schroders in October 2001. Keith is also a non-executive director of two other trusts, Schroder Income Growth Fund plc and Impax Environmental Markets plc. Keith is an investment adviser to the Rolls-Royce Pension Fund, a member of the University of Glasgow Investment Advisory Committee and a director of the Trossachs Community Trust. Keith was chairman of Matrix Income & Growth 3 VCT plc which merged with the Company in May 2010.

Length of Service as at 31 December 2012:
8.5 years

Committee memberships:
Audit Committee, Management Engagement Committee (Chairman to 14 November 2012) and Nominations and Remuneration Committee (Chairman to 28 February 2013).

Number of Board and Committee meetings attended 2012: 13/15.

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

Relevant relationships with investee companies: None.

Shareholding in the Company (Including connected persons):
44,558 Ordinary Shares.

Bridget Guérin

Status:
Independent Non-Executive Director

Experience: Bridget has over 26 years in the financial services industry. She was Managing Director of Matrix Money Management Limited between June 1999 and March 2011 and sat on the Matrix Group Board between 2000 and 2009.

Prior to joining Matrix, Bridget gained 14 years' of retail investment fund experience at Schroder Unit Trusts Limited, Ivory & Sime and County NatWest. Bridget is currently a non-executive director of CCP Quantitative Fund and CCP Core Macro Fund, both Cayman Islands CTA Funds, Cantab UCITS Funds plc, Schroder Income Growth Fund, a London listed Investment Trust and Charles Stanley Group plc. She is a director of York Racecourse Knavesmire LLP and is a trustee of the York Racecourse Pension Fund. Bridget was a director of Matrix Income & Growth 3 VCT plc which merged with the Company in May 2010.

Length of Service as at 31 December 2012:
8.5 years

Committee memberships since 1 July 2012 (Prior to this date Bridget attended meetings by invitation):
Audit Committee, Management Engagement Committee (Chairman from 14 November 2012) and Nominations and Remuneration Committee (Chairman from 1 March 2013).

Number of Board and Committee meetings attended 2012: 13/15 (including two Committee meetings attended by invitation).

Relevant relationships with the Investment Manager or other service providers:
None. Previously, until 30 June 2012, Bridget was considered to have a relevant relationship with Mobeus as a former director and shareholder of Matrix Group which controlled a 50% interest in Mobeus (formerly Matrix Private Equity Partners LLP), until this date.

Relevant relationships with investee companies: None.

Shareholding in the Company:
27,338 Ordinary Shares.

Tom Sooke

Status:
Senior Independent Director (Non-Executive)

Experience: Tom is an experienced venture capitalist and is chairman of Travel à la Carte Limited. In recent years he has been chairman and a non-executive director of a number of quoted and unquoted private equity funds and other companies. Previously, up until 1991, he was a partner in Deloitte LLP, co-managing the firm's corporate advisory group in London. Prior to that he was a main board director at Granville Holdings plc, where he also established and ran its main private equity fund activities from 1980 to 1987. In 1983, whilst with Granville, Tom was one of the co-founding members of the British Venture Capital Association. Tom was a director of Matrix Income & Growth 3 VCT plc which merged with the Company in May 2010.

Length of Service as at 31 December 2012:
8.5 years

Committee memberships:
Audit Committee (Chairman), Management Engagement Committee and Nominations and Remuneration Committee.

Number of Board and Committee meetings attended 2012: 15/15.

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

Relevant relationships with investee companies: None.

Shareholding in the Company:
20,742 Ordinary Shares.

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 December 2012.

Business and principal activities

The principal activity of the Company during the year under review was investment in a diverse selection of established profitable unquoted companies in the United Kingdom.

The ordinary shares of 1p each in the capital of the Company ("Shares") were first admitted to the Official List of the UK Listing Authority and to trading on 8 October 2004.

The Company has satisfied the requirements for full approval as a Venture Capital Trust under section 274 of the Income Tax Act 2007 (ITA). It is the Directors' intention to continue to manage the Company's affairs in such a manner as to comply with section 274 of the ITA.

The Company revoked its status as an investment company as defined in section 266 of the Companies Act 1985 ("the 1985 Act") subsequently superseded by section 833 of the Companies Act 2006 ("the Companies Act") on 19 December 2007. The Company can now distribute capital profits to Shareholders as dividends. The Company does not intend to re-apply for such status.

Share premium account

The cancellation of the amount standing to the credit of the Company's share premium account was confirmed by a Court Order dated 13 March 2013. The purpose of the cancellation was to provide a special distributable reserve capable of being used for the purpose, inter alia, of funding future purchases of the Companys' own shares.

Future developments

The Company will continue to pursue its Investment Objective and Investment Policy as set out on the inside front cover and page 1 of this Report.

Business review and performance review

For a review of the Company's development and performance during the year, please see the Chairman's statement on pages 4 – 6 and the Investment Manager's Review and Investment Portfolio Summary on pages 7 – 14 of this Annual Report. The Financial Highlights on pages 2 – 3 provides data on the Company's key performance indicators.

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

- **Cumulative Total Return per Share (NAV basis)**
  The Cumulative Total Return per Share (NAV basis) is a key measure of performance for the Company, which comprises NAV plus cumulative dividends paid per Share. The NAV is calculated quarterly in accordance with the International Private Equity Venture Capital Valuation (IPEVCV) guidelines. The Cumulative Total Return per Share (NAV basis) since inception rose by 8.07% during the year.

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

Ongoing charges *	2.84%
Performance fee	0%
Ongoing Charges plus accrued performance fee	2.84%

* 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 3.01% reported in 2011, 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 for the year ended 31 December 2012 (2011: £nil).

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

Principal risks, management and regulatory environment

The Board believes that the principal risks faced by the Company 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 Company's qualifying investments.
- **Loss of approval as a Venture Capital Trust** – the Company 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 Company losing its approval as a VCT, qualifying Shareholders who have not held their Shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company 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.
- **Regulatory risk** – the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- **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 accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- **Market risk** – Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in companies traded on the London Stock Exchange main market. In particular,

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.

- **Asset liquidity risk** – The Company'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 47 – 48.

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 the Manager 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.

Share Capital

During the year, the Company bought back 1,940,070 of its own Shares (2011: 2,681,786) at an average price of 81.90 pence per Share and a total cost of £1,588,947 including expenses (2011: £2,222,097). These Shares, representing 4.55% of the issued Share Capital of the Company at the beginning of the year, were subsequently cancelled by the Company.

During the year ended 31 December 2012, the Company issued 5,280,531 (2011: 5,508,292) Shares raising total net funds of £5,037,328 (2011: £5,236,341) pursuant to the Mobeus VCT Linked Offer for Subscription 2012.

The issued Share Capital of the Company as at 31 December 2012 was £459,465 (2011: £426,061) and the number of Shares in issue at this date was 45,946,513 (2011: 42,606,052), subject to the cancellation from the Register of the Shares bought-back by the Company up until this date.

Following the year-end, on 14 January 2013, the Company issued a further 2,086,509 new Shares under the Linked Offer for Subscription launched on 29 November 2012 raising a total of £1,971,751. The issued Share Capital of the Company as at the date of this report is therefore £480,330 and the number of Shares in issue is 48,033,022.

Results and dividend

The revenue return after taxation attributable to Shareholders for the year was £1,097,179, an increase of £133,608 over the revenue return for the year ended 31 December 2011 of £963,571.

The capital return has increased from £700,050 for the year ended 31 December 2011 to £3,237,256.

The Directors are proposing a final dividend of 2.00 (2011: 6.25) pence per Share comprising 0.50 (2011: 5.00) pence from capital and 1.50 (2011: 1.25) pence from income in respect of the year ended 31 December 2012, payable on 15 May 2013 to Shareholders who are on the Register on 19 April 2013. This dividend, if paid, will increase cumulative dividends paid since inception to 40.05 pence per Share.

Directors and their interests

The names of the Directors appear below and brief biographical details on each of the Directors are given on page 15 of this Annual Report. The current Directors were all appointed to the Board on 1 July 2004. In accordance with the Company's Articles of Association and the AIC Code of Corporate Governance ("the Code"), Bridget Guérin will retire by rotation at the Annual General Meeting of the Company to be held on 8 May 2013 and being eligible offers herself for re-election. Following a review of her performance, the remaining Directors believe that Bridget Guérin has shown herself to be a committed and independently-minded director who is highly regarded and respected and continues to make a substantial contribution to the Board and are pleased to recommend her re-election to Shareholders. The Board considered her to be connected to Matrix Group and therefore to the Manager up until the latter's MBO from Matrix Group on 30 June 2012. Since that date, the Board has considered Bridget to be an independent director.

The Directors who held office throughout the year under review and their interests (including those of their connected persons) as at 31 December 2012 were:

	Shares held on	
Director	31 Dec 2012	31 Dec 2011
Keith Niven	40,098	35,929
Bridget Guérin	27,338	24,211
Tom Sooke	20,742	18,136

Since the year-end, the Directors or their connected persons, have been issued Shares in the Company as follows:

	Holding at 31 December 2012	Shares issued since the year-end	Holding at 20 March 2013
Keith Niven	40,098	4,460	44,558

Management

Mobeus Equity Partners LLP (Mobeus) acts as Manager and provides administrative and company secretarial services to the Company.

The Manager was jointly owned by its executive partners and Matrix Group from April 2004 to June 2012. On 30 June 2012, the executive partners completed an MBO from Matrix and re-launched the company as a fully independent owner-managed private equity firm named Mobeus Equity Partners. All the staff transferred to the new company and the Manager's investment approach and its arrangements with the VCT remain unchanged.

During the year under review the Management Engagement Committee reviewed the services provided by the Manager. The continued appointment of the Manager on the current terms was recommended by the Committee and agreed by the Board on 14 November 2012. The Committee concluded that the Company's investment portfolio had performed well. The Company's total return per Share (NAV basis), as reported on the Tax Efficient Review website (www.taxefficientreview.com), had been maintained in at least the second quartile in the peer group used of eight generalist VCTs launched in the same tax year. The strategy of investing primarily in MBOs of established companies has been successful. The Committee believed that the Manager had continued to exercise independent judgement while producing consistent valuations which reflected fair value. The Committee continued to believe that Mobeus possessed the experience, knowledge and resources necessary to help the Board achieve the Company's long term investment objectives.

The Board, therefore, believes the continued appointment of the Manager remains in the interest of the Shareholders.

Summaries of the performances of the portfolio as a whole and the Company's individual investments are contained in the Financial Highlights on pages 2 – 3 and the Investment Manager's Review and the Investment Portfolio Summary on pages 7 – 14.

The principal terms of the Company's investment management agreement dated 20 May 2010 and the previous contractual arrangements prior to this date are set out in Note 3 to the Accounts on pages 35 – 36 of this Annual Report.

VCT status monitoring

PricewaterhouseCoopers LLP advise the Company on its compliance with the legislative requirements relating to VCTs. PricewaterhouseCoopers review new investment opportunities as appropriate and carry out regular reviews of the Company's investment portfolio.

Independent auditor

PKF (UK) LLP ("PKF") was re-appointed as auditor of the Company for the year ended 31 December 2012.

The non-audit services provided by PKF relate to the provision of tax compliance work, the review of the Half-Yearly Report and tagging of the Annual Report for iXBRL to enable it to be filed at HMRC. The Directors consider the auditor was best placed to provide these services.

During the year, three auditing firms, including PKF, were asked to tender for the annual audit of the Company and the provision of the non-audit services provided by the auditor. The Audit Committee considered the professionalism, value for money, quality of service, attention to detail and quality of reporting offered as well as the comparative size of each of the applicants to ensure that the service met the requirements of a company of the VCT's size. Subsequent to this process, the Board, on the recommendation of the Audit Committee, resolved that the re-appointment of PKF be recommended to Shareholders at the forthcoming Annual General Meeting.

PKF has expressed its willingness to continue in office and resolutions to re-appoint PKF and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting of the Company to be held on 8 May 2013.

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.

Financial instruments

Note 19 on pages 45 – 52 provides a description of the financial instruments used by the Company. The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks.

Substantial interests

As at 20 March 2013, the Company had not been notified of any beneficial interest exceeding 3% of the issued Share Capital.

Creditors' payment policy

The Company's policy is to pay all creditors' invoices within 30 days of the invoice date unless otherwise agreed. At 31 December 2012 the average credit period for trade creditors was 1 day (2011: 3 days).

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 requires each of its service providers to have policies in place which reflect the key principles of this policy and procedures and which demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

Environmental and social responsibility

The Board seeks to conduct the Company's affairs responsibly and considers relevant social and environmental matters when appropriate, particularly with regard to investment decisions. The Company 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. The Company offers Shareholders the opportunity to sign-up for electronic communications which means that they receive an email notifying them when published information is available to download from the Company's website thus reducing the volume of paper that the Company uses to produce its reports.

Authorisation of conflicts of interest

The Directors were granted the authority to authorise conflicts or potential conflicts of interest under the Companies Act at the Annual General Meeting of the Company held on 16 May 2008. Since implementation of these new statutory requirements on 1 October 2008, they have exercised this authority in accordance with the Company's Articles of Association effectively following the procedures set out therein. Each of the Directors has a small interest (not exceeding 0.01%) in each of Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc.

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. 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, the work is undertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

Directors' and officers' liability insurance

The Company maintains a Directors' and Officers' Liability Insurance policy. The policy does not provide cover for fraudulent or dishonest actions by the Directors.

Going concern

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report which is included within the Chairman's Statement, the Investment Portfolio Summary, the Investment Manager's Review and the Directors' Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and it is currently raising additional funds. The majority of companies in the portfolio continue to trade profitably and the portfolio taken as a whole remains resilient and well-diversified. The major cash outflows of the Company (namely investments, buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its liquidity risk and its capital are shown in Note 19 on page 50 and in Note 20 on page 52 respectively. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related party transactions

As part of the arrangements for the VCT Linked Offer launched on 20 January 2012 ("the 2012 Offer"), the Company paid Mobeus Equity Partners (formerly Matrix Private Equity Partners), the Company's Manager the sum of 5.50% of the gross proceeds by way of a promoter's fee out of which Mobeus paid all of the expenses of the Offer (excluding trail commission to financial intermediaries which continues to be paid by the Company).

The Company also appointed Matrix Corporate Capital (MCC) as sponsor to the Offer at a fee based on 0.12% of funds raised. A total of £6,880, including an additional charge for two supplementary prospectuses that were issued in respect of the offer, was paid to MCC in respect of the Company. This fee was paid by the Manager as promotor for the offer. The Manager was at that time part of the Matrix Group as detailed in the Chairman's Statement on pages 4 – 6 of this report.

As part of the arrangements for the Mobeus VCTs Linked Offer launched on 29 November 2012 ("the Offer"), Mobeus, as promoter to the Offer will receive a fee of an amount equal to 5.50% of funds raised ignoring the early investment incentive (as defined in the Offer documentation) and any reinvestment of intermediary commission (through applications received and accepted before 30 December 2012). For funds raised after this date, Mobeus will be paid an amount equal to 3.25% of those funds raised (ignoring any reinvestment of intermediary commission). Out of this fee, Mobeus will pay all costs and expenses arising from the Offer, including the early investment incentive and any reinvestment of intermediary commission (save for permissible trail commission to financial intermediaries which will continue to be paid by the Company).

These transactions are all deemed to be related party transactions under the Listing Rules of the UK Listing Authority.

Post balance sheet events

On 14 January 2013, the Company issued a further 2,086,509 new Shares at a price of 94.6 pence under the Linked Offer launched on 29 November 2012

On 18 February 2013, the VCT invested a further £1.34 million into Fullfield Limited (including £1 million from the acquisition vehicle, Almsworthy Trading Limited)

On 13 March 2013, the Court granted authority to the Company to cancel the balance of its share premium account.

On 14 March 2013, the VCT invested £1,857,764 (including £1 million from Fosse Management Limited) to support the MBO of Gro-group.

Voting rights of Shareholders

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

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

Annual General Meeting

Notice of the ninth Annual General Meeting of the Company to be held at 10.30 am on 8 May 2013 at the offices of Mobeus Equity Partners LLP, 30 Haymarket (4th Floor), London SW1Y 4EX is set out on pages 56 – 58 of this Annual Report. A proxy form for the meeting is enclosed separately with Shareholders' copies of this Annual Report.

The notice of the meeting includes a resolution to re-appoint Bridget Guérin, who is retiring by rotation in accordance with the Articles of Association of the Company, as a Director. Brief biographical details of Mrs Guérin are published on page 15 of this Annual Report.

Resolutions 1-7 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and resolutions 8 and 9 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting.

An explanation of resolutions 7 to 9 is set out below:

Authorities for the Directors to allot Shares (Resolution 7) and disapply pre-emption rights (Resolution 8) under sections 551, 570 and 573 of the Companies 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 7 will enable the Directors to allot new Shares up to an aggregate nominal amount of £144,017 representing approximately 30% of the existing issued Share Capital of the Company as at the date of the notice convening the annual general meeting. The authority granted by this resolution will expire on the fifth anniversary of the date of the passing of this resolution.

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

(i) with an aggregate nominal value of up to £120,000 in connection with offer(s) for subscription; and

(ii) with a nominal value of up to 5% of the issued Share Capital of the Company from time to time

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

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

Resolution 8 will expire on the conclusion of the annual general meeting of the Company to be held in 2014.

The Directors may allot securities after the expiry dates given above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved at the annual general meeting held on 10 May 2012.

The Directors launched a Linked Offer for Subscription with The Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc on 29 November 2012 to raise up to £7 million for each company and/or allot up to 10 million Shares in each company. It is the Directors' intention that new Shares may be issued pursuant to the Offer under this authority (to the extent that existing authorities do not apply). The Directors have no further immediate intention of exercising the above powers.

Authority to purchase the Company's own Shares (Resolution 9)

This resolution authorises the Company to purchase its own Shares pursuant to section 701 of the Companies Act. The authority is limited to the purchase of an aggregate of 7,200,000 Shares representing approximately 14.99% of the issued Share Capital of the Company as at the date of the notice convening the annual general meeting. The maximum price that may be paid for a Share will be the higher of (i) an amount that is not more than five per cent above the average of the middle market quotations of the Shares as dervied from the Daily Official List of the UK Listing Authority for the five business days preceding such purchase and (ii) the price stipulated by Article 5 (1) of the Buyback and Stabilisation Regulation. The minimum price that may be paid for a Share is 1 penny, being the nominal value thereof.

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

It is the Directors' intention to cancel any Shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless they believe to do so would result in an increase in net assets per Share which would be in the interests of Shareholders generally. This resolution will expire at the conclusion of the Annual General Meeting of the Company to be held in 2014.

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

20 March 2013

Directors' Remuneration Report

This Report has been prepared by the Directors in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the Report will be proposed at the Annual General Meeting to be held on 8 May 2013. The Company's auditor is required to give its opinion on the specified information provided on Directors' emoluments and this is explained further in its report to Shareholders on page 28.

Remuneration Committee

The remuneration of individual Directors is determined by the Nominations and Remuneration Committee. The Committee comprises all three Directors, Keith Niven, Bridget Guérin and Tom Sooke who are all considered to be independent from the Manager. Bridget Guérin attended meetings by invitation until 30 June 2012 as she was, until that date, when the Manager completed its MBO from Matrix Group, not considered to be independent of the Manager. The Committee was chaired by Keith Niven until 28 February 2013 and is currently chaired by Bridget Guérin (from 1 March 2013). It meets at least once a year and makes recommendations to the Board within its terms of reference. Its duties include responsibility for reviewing the remuneration of the Directors and the appropriateness and relevance of the remuneration policy. The Committee has access to independent advice where it considers it appropriate.

Remuneration policy

The remuneration policy is set by the Board. When considering the level of Directors' fees, the Nominations and Remuneration Committee is directed to take account of remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles.

In 2011, the Nominations and Remuneration Committee commissioned a review of directors' remuneration from Trust Associates, a leading firm of consultants with specialist knowledge of the investment trust industry. This review concluded that the Directors had unusually demanding roles and therefore there was a strong case for an increase in annual fees to £30,000 per Director with appropriate premiums payable to the Chairman of the Board and to the Chairman of the Audit Committee. On the recommendation of the Committee, the Board agreed to phase-in these increases over a three year period starting from 1 January 2012. Details of the Directors' remuneration are disclosed below and in Note 5 on page 37.

It is not considered appropriate at the current time to relate any portion of the fees paid to the Directors, who are all non-executive, to performance. The Directors do not have any plans to introduce any further incentive schemes at the present time and will seek Shareholder approval for any such schemes should they be proposed in the future.

It is intended that this policy will continue for the year ended 31 December 2013.

Terms of appointment

All of the Directors are non-executive. 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. Subject to the provisions of the Companies Act, one-third of the Directors retire from office by rotation at each Annual General Meeting, or if their number is not a multiple of three, the number nearest to but not greater than one-third. The Director retiring at each Annual General Meeting shall be the Director who has been longest in office since their last re-election.

Tom Sooke has been appointed a Director of the Company under separate service and consultant's agreements originally entered into on 1 October 2008. Each of the agreements may be terminated by either party by giving not less than three months notice in writing. The employment under the service agreement is on a continuous basis and the consultant's agreement is subject to review after twelve months. The service agreement does not make any provision for compensation payable for loss of office. The remaining Directors have received a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the fees pertaining to the appointment. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment and Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment. A Director's appointment may be terminated on three months' notice being given by the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the Share Capital of the Company.

Directors' emoluments

(Audited information)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below. The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to their Directors' fees.

Total Directors' fees

	year ended	
	31 Dec 2012 £	31 Dec 2011 £
Keith Niven	32,000	25,000
Bridget Guérin	24,000	20,000
Tom Sooke	30,000	25,000
Total	86,000	70,000

The Directors received no further emoluments in respect of their services. Aggregate fees in respect of qualifying services for all Directors amounted to £86,000 (2011: £70,000). £24,000 (2011: 20,000) of Tom Sooke's fee was paid to his consultancy business, CitiCourt Associates.

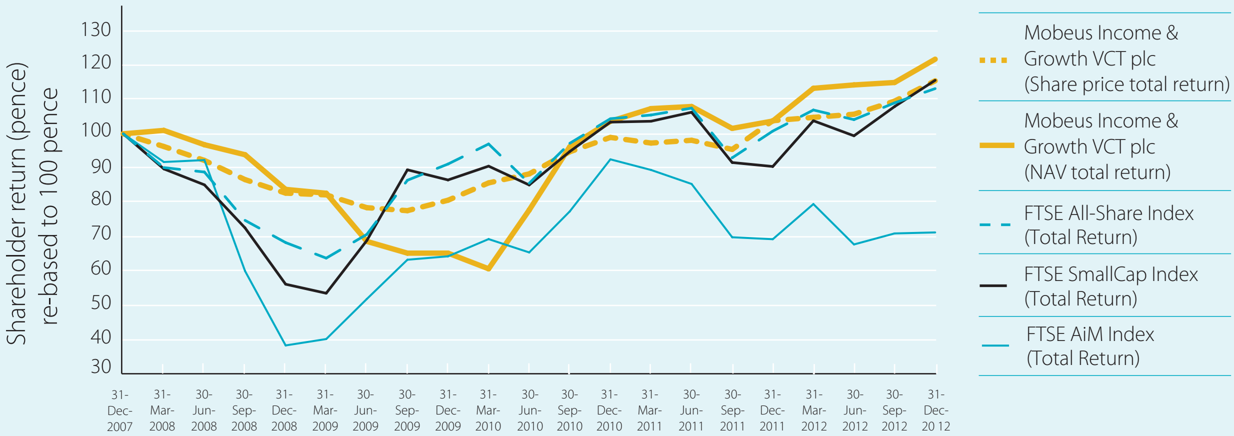
Total Shareholder return

The following graph charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) over the past five years compared with the total cumulative returns of the FTSE All-Share, Small Cap and AiM indices. These indices represent broad equity market indices against which investors can measure the performance of the Company over the medium to long term.

The total returns have each been re-based to 100 pence. An explanation of the recent performance of the Company is given in the Chairman's Statement and the Investment Manager's Review.

The net asset value (NAV) total Shareholder return for the Company has been shown separately on the graph because the Directors believe that for a very long term investment such as a VCT, this represents a fairer reflection of the Company's long term value than the share price.

Total cumulative Shareholder return over the past five years compared with the total return of the FTSE All-Share, Small Cap and AiM indices



By order of the Board of Directors

Mobeus Equity Partners LLP

Company Secretary

20 March 2013

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2010 ("the AIC Code") for the financial year ended 31 December 2012. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 30 September 2010. The FRC has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The AIC Code is available online on the AIC website: www.theaic.co.uk.

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

The Board considers that the Company has fully complied with the AIC Code and the relevant provisions of the UK Code, as set out below.

Compliance with the UK Code

The UK Code includes provisions relating to:

– The role of the chief executive
– Executive directors' remuneration
– 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 investment management and administration systems and procedures provided by Mobeus, the provision of VCT monitoring services by PricewaterhouseCoopers LLP, as well as the of the Company's operations, give the Board full confidence that an internal audit function is not necessary.

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers these provisions are not relevant to the Company, being an externally managed VCT. The Company has therefore not reported further in respect of these provisions.

The Board

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

In respect of the year under review, and since the year-end, the Board has considered whether each Director is independent in character and judgment and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgment and has concluded that all of the Directors are independent of the 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. Bridget Guérin was a shareholder and, until March 2011, an employee of the Matrix Group. During the year, the Manager completed an MBO from the Matrix Group (which subsequently went into administration in November 2012) and became a fully independent firm on 1 July 2012. The Board has concluded that Bridget Guérin should be considered an independent director with effect from this date notwithstanding her former relationship with Matrix Group.

The Board assessed the independence of the Chairman on appointment and concluded that he fully met the independence criteria as identified in the UK Code, as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the Directors monitor the continuing independence of the Chairman and inform the Chairman of their discussions. The significant directorships and time commitments of the Chairman and the other Directors are considered by the Board and are disclosed on page 15.

The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. For the year under review, none of the Directors was a director of or had any other interest in any of the investee companies.

The Directors have declared any existing or potential conflicts of interest and these are reviewed and authorised by the Board as appropriate in accordance with the procedures under the Articles of Association and applicable rules and regulations. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Nominations & Remuneration Committee undertakes an annual review of the authorisations given by the Board.

The Board has appointed Tom Sooke as the Senior Independent Director whom Shareholders may contact if they have concerns which contact through the Chairman or Manager has failed to resolve or for which such contact is inappropriate.

The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years or to set an age limit for the retirement of directors. The AIC Code does not explicitly make recommendations on the overall length of tenure for directors and has stated that it does not believe that there is any evidence that an individual director's length of service on a board may compromise his/her independence in the case of investment companies. It has specifically stated that investment company boards are perhaps more likely than most to benefit from having at least one director with considerably longer than nine years' experience. As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhance its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board. Nonetheless, in accordance with the provisions of the AIC Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by Shareholders. None of the Directors has presently served for nine years or more.

As is common practice among Venture Capital Trusts, the Directors are not appointed for fixed terms, as the AIC Code requires. However, they 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. Further information is given in the Remuneration Report on page 21.

The Directors were subject to election by Shareholders at the first Annual General Meeting after their appointment and retire by rotation thereafter.

Bridget Guérin will retire by rotation from the Board at the forthcoming AGM to be held on 8 May 2013 and has been nominated for re-election.

Appointment letters for new directors will include an assessment of the expected time commitment for each Board position and new directors will be asked to give an indication of their other significant time commitments.

The effectiveness of the Board and of the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has continued to implement an annual performance evaluation review during the year ended 31 December 2012.

A formal training programme has not been required during the year under review as all the Directors are experienced directors of listed companies. All of the Directors attend conferences and workshops relevant to the VCT industry.

Board committees

The Audit Committee comprises all three Directors: Tom Sooke (Chairman), Keith Niven and Bridget Guérin (attended by invitation until 30 June 2012). The Committee meets at least twice a year to review the half-yearly and annual financial statements before submission to the Board and meets with the independent auditor at least once during each year. The Committee makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor. It is responsible for monitoring the effectiveness of the Company's internal control systems and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Audit Committee held two formal meetings during the year with full attendance from the Directors and has met informally on other occasions.

The Management Engagement Committee comprises all three Directors: Keith Niven, Bridget Guérin (attended by invitation until 30 June 2012) and Tom Sooke. It has been chaired by Bridget Guérin since 14 November 2012 (Keith Niven until 14 November 2012). The Committee meets at least annually to review the Company's contracts with its service providers and at other times as and when necessary. The Committee met once during the year under review with full attendance from the Directors.

The Nominations and Remuneration Committee comprises all three Directors: Keith Niven, Bridget Guérin (attended by invitation until 30 June 2012) and Tom Sooke. It has been chaired by Bridget Guérin since 1 March 2013 (Keith Niven until 28 February 2013). The Committee meets at least once a year. All members of the Committee are considered to be independent of the Manager In considering nominations, it is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and its Committees; the periodic review of the composition of the Board and its Committees; and the annual performance review of the Board, the Directors and the Chairman including the ongoing review of each Director's actual or potential conflicts of interest which may arise as a result of the external business activities of Board members. In considering remuneration, it is responsible for reviewing the remuneration of the Directors and the Company's remuneration policy to ensure that it reflects the duties, responsibilities and value of time spent by the Directors on the business of the Company and makes recommendations to the Board accordingly. The Committee held one formal meeting during the year with full attendance from the Directors and met informally on other occasions.

The Board has satisfied itself that each of its Committees has sufficient resources to undertake their duties. 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: www.migvct.co.uk.

Board meetings and the relationship with the Manager

The Board meets at least quarterly and is in regular contact with the Manager between these meetings. The Board held eleven formal meetings during the year of which eleven were attended by Tom Sooke and nine were attended by each of Keith Niven and Bridget Guérin. The Board met informally on other occasions.

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

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

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include: compliance with the requirements of the Companies Act and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; changes to the Company's capital structure or its status as a plc; Board and committee appointments as recommended by the Nominations and Remuneration Committee and terms of reference of committees; and material contracts of the Company and contracts of the Company not in the ordinary course of business.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary are matters for the Board as a whole. Where Directors have concerns about the running of the Company or about 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.

The Board reviews annually and at other times as and when necessary, the Investment Services Agreement and the performance of the Manager, as well as service providers including the administrator, auditor, VCT status adviser, solicitors, bankers and registrars. Particular emphasis is placed on reviewing the Manager, in terms of investment performance, quality of information provided to the Board and remuneration. This work forms part of the Board's overall internal control procedures as discussed elsewhere.

Internal control

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

The Directors are responsible for the internal control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information used for publication and upon which business decisions are made and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance.

The Board has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Turnbull guidelines for internal control. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. Each risk is considered with regard to: the controls exercised at Board level; reporting by service providers; controls relied upon by the Board; exceptions for consideration by the Board; responsibilities for each risk and its review period; and risk rating. As part of this process, investment risk is spread by means of a diverse investment portfolio, which is described in more detail in the Investment Manager's Review and Investment Portfolio Summary on pages 7 – 14. 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 therefrom, prepared by the Manager.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the procurement of safekeeping services for the documents of title to the Company's investments, the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and the other service providers as appropriate, in addition to ad hoc reports and information which are supplied to the Board as required. It remains the responsibility of the Board to keep under review the terms of the investment management agreement with the Manager. The Directors carry out an Annual Review of the performance of, and contractual arrangements with, the Manager.

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

– Controls are in place around the preparation and reconciliation of the valuations prepared by the Manager;

- The Board reviews quarterly reports from the Investment Manager on the valuation of the investments within the portfolio, recent developments at each of the investee companies and additions and disposals;
- The Board reviews quarterly reports on the Company's income and expenditure, cashflow, liquid assets and liabilities;
- The Board reviews the Company's position with regard to compliance with the venture capital trust regulations on a quarterly basis supported by half yearly reports from PwC;
- Bank and money-market fund reconciliations are carried out monthly by the Manager;
- Limits have been set by the Board for the authorisation of expenditure;
- The information contained in the Annual Report and other financial reports is reviewed by the Board prior to publication

This system of internal controls and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk included consideration of reports from the relevant service providers. The last review took place on 11 March 2013. The Board has not identified any issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

Shareholder communications

The Company communicates with Shareholders and solicits their views where it is appropriate to do so. The Manager publishes a twice-yearly VCT shareholder newsletter which contains information on the portfolio, recent investment and corporate activity. It holds an annual shareholder workshop for the Mobeus VCTs at which Shareholders are encouraged to contribute their views on any aspect of the Company and its performance. Shareholders are welcome at the Annual General Meeting which provides a forum for Shareholders to ask questions of the Directors and to discuss issues affecting the Company with them. The Board takes account of Shareholders' comments and questions at general meetings. Shareholders may contact the Senior Independent Director, Tom Sooke, if they have concerns which contact through the Chairman or Manager has failed to resolve or for which such contact is inappropriate. Please see Shareholder Information on page 53 for contact details.

The Board as a whole approves the Annual Report to Shareholders. The Directors aim to ensure that the Chairman's Statement, Financial Highlights and the Investment Manager's Review and Investment Portfolio Summary (which comprises a full list of all the VCT investments in the Company's portfolio) present a balanced and understandable assessment of the Company's position and future prospects and that Shareholders are provided with sufficient information to enable them to understand the risk:reward balance to which they are exposed by investing in the Company.

The Board normally has a direct involvement in the content of communications regarding major corporate events even if the Manager is asked to act as spokesman.

The notice of the Annual General Meeting accompanies this Annual Report, which is normally sent to Shareholders allowing a minimum of 20 working days before each meeting. Separate resolutions are proposed for each substantive issue. The number of proxy votes received for each resolution is announced after each resolution has been dealt with on a show of hands and is published on the Company's website: www.migvct.co.uk.

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

A Directors' Remuneration Report, prepared in compliance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, is contained on pages 21 – 22 of this Annual Report. The Report includes an explanation of the procedure for developing policy and determining the remuneration for individual directors.

Restrictions on voting rights

There are no restrictions on voting rights.

Appointment and replacement of directors

The rules concerning the election of directors are set out in the paragraph headed 'Terms of appointment' on page 21 of the Directors' Remuneration Report.

Amendment of the Company's Articles of Association

The Company may amend its articles of association ("the Articles") by special resolution in accordance with section 21 of the Companies Act 2006.

Share Capital

Details of the Company's Share Capital and substantial shareholdings can be found in the Directors' Report on page 17.

Powers of the directors

The powers of the Directors have been granted by company law, the Company's Articles and resolutions passed by the Company's members in general meeting. Resolutions are proposed annually at each annual general meeting of the Company to authorise the Directors to allot shares, disapply the pre-emption rights of members and buy back the Company's own shares on behalf of the Company. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM of the Company to be held on 8 May 2013.

By order of the Board of Directors

Mobeus Equity Partners LLP

Company Secretary

20 March 2013

Statement of 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. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge that:

(a) the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the 2009 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP), give a true and fair view of the assets, liabilities, financial position and the profit of the Company; and

(b) the management report, comprising the Chairman's Statement, Investment Manager's Review, Investment Portfolio Summary and Directors' 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 15.

For and on behalf of the Board of Directors:

Keith Niven

Chairman

20 March 2013

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

We have audited the Financial Statements of Mobeus Income & Growth VCT plc for the year ended 31 December 2012 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 Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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 Corporate Governance Statement set out on pages 23 – 26 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about 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 19 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; 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 PKF (UK) LLP,
Statutory auditor
London, UK

20 March 2013

Income Statement
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 Revenue £	Capital £	Total £	Year ended 31 December 2011 Revenue £	Capital £	Total £
Unrealised gains on investments	9	–	3,488,447	3,488,447	–	688,724	688,724
Realised gains on investments	9	–	286,530	286,530	–	520,219	520,219
Income	2	1,797,530	–	1,797,530	1,681,991	–	1,681,991
Investment management fees	3	(243,545)	(730,634)	(974,179)	(230,025)	(690,074)	(920,099)
Other expenses	4	(263,893)	–	(263,893)	(307,214)	–	(307,214)
Profit on ordinary activities before taxation		**1,290,092**	**3,044,343**	**4,334,345**	**1,144,752**	**518,869**	**1,663,621**
Tax on profit on ordinary activities	6	(192,913)	192,913	–	(181,181)	181,181	–
Profit for the year		**1,097,179**	**3,237,256**	**4,334,435**	**963,571**	**700,050**	**1,663,621**
Basic and diluted earnings per Ordinary Share:	**8**	**2.42p**	**7.13p**	**9.55p**	**2.25p**	**1.64p**	**3.89p**

All the items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year. The total column is the profit and loss account of the Company. There were no other recognised gains or losses in the year.

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

The notes on pages 33 – 52 form part of these financial statements.

Balance Sheet
as at 31 December 2012
Company no. 5153931

	Notes	31 December 2012 £	31 December 2011 £
Fixed assets			
Investments at fair value	9	34,857,675	27,418,790
Current assets			
Debtors and prepayments	11	215,525	329,659
Current investments	12,18	3,632,668	11,123,681
Cash at bank	18	4,713,008	2,085,082
Total current assets		8,561,201	13,538,422
Creditors: amounts falling due within one year	13	(130,353)	(231,037)
Net current assets		8,430,848	13,307,385
Net assets		**43,288,523**	**40,726,175**
Capital and reserves			
Called up Share Capital	14	459,465	426,061
Capital redemption reserve	15	75,583	56,182
Share premium account	15	27,018,629	22,034,106
Revaluation reserve	15	4,886,524	3,455,913
Special distributable reserve	15	8,989,989	11,161,745
Profit and loss account	15	1,858,333	3,592,168
Equity Shareholders' funds	**15**	**43,288,523**	**40,726,175**
Basic and diluted net asset value per Ordinary Share	**16**	**94.22p**	**95.59p**

The notes on pages 33 – 52 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2013 and were signed on its behalf by:

Chairman

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Opening Shareholders' funds		40,726,175	38,450,907
Net Share Capital subscribed for in the year	14	5,037,328	5,236,341
Net Share Capital bought back in the year	14	(1,588,947)	(2,222,097)
Profit for the year		4,334,435	1,663,621
Dividends paid in the year	7	(5,220,468)	(2,402,597)
Closing Shareholders' funds	**15**	**43,288,523**	**40,726,175**

The notes on pages 33 – 52 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Operating activities			
Investment income received		1,880,902	1,577,644
Other income		11,759	3,873
Investment management fees paid		(974,179)	(920,099)
Other cash payments		(336,669)	(322,439)
Payment of merger costs of the Company		–	(9,555)
Net cash inflow from operating activities	17	581,813	329,424
Investing activities			
Acquisition of investments	9	(7,793,526)	(3,645,194)
Disposals of investments	9	4,129,618	8,478,349
Net cash (outflow)/inflow from investing activities		(3,663,908)	4,833,155
Equity Dividends			
Payment of dividends	7	(5,220,468)	(2,402,597)
Cash (outflow)/inflow before liquid resource management and financing		**(8,302,563)**	**2,759,982**
Management of liquid resources			
Decrease/(increase) in current investments	18	7,491,013	(3,657,544)
Financing			
Share Capital raised		5,037,328	5,236,341
Share Capital bought back		(1,597,852)	(2,368,369)
		3,439,476	2,867,972
Increase in cash for the year	**18**	**2,627,926**	**1,970,410**

The notes on pages 33 – 52 form part of these financial statements.

Notes to the Accounts
for the year ended 31 December 2012

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' ("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 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 measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in September 2009. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

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

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

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

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

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

a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the 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 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 access, or repayable within one year and as such are treated as current investments and have been valued 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 now shown within the Income Statement for the year.

(iii) Special distributable reserve
The cost of share buybacks is charged to this reserve. In addition, any realised losses on the sale of investments, 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 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.

2. Income

	2012 £	2011 £
Income from bank deposits	64,180	12,879
Income from investments		
– from equities	206,304	425,919
– from overseas based OEICs	32,373	59,178
– from loan stock	1,482,914	1,184,015
	1,721,591	1,669,112
Other income	11,759	–
Total income	**1,797,530**	**1,681,991**
Total income comprises		
Dividends	238,677	485,097
Interest	1,547,094	1,196,894
Other income	11,759	–
	1,797,530	**1,681,991**
Income from investments comprises		
Listed overseas securities	32,373	59,178
Unlisted UK securities	206,304	425,919
Loan stock interest	1,482,914	1,184,015
	1,721,591	**1,669,112**

Total loan stock interest due but not recognised in the year was £523,534 (2011: £514,475).

3. Investment Manager's fees

	Revenue 2012 £	Capital 2012 £	Total 2012 £	Revenue 2011 £	Capital 2011 £	Total 2011 £
Mobeus Equity Partners LLP	**243,545**	**730,634**	**974,179**	**230,025**	**690,074**	**920,099**

Under the terms of a revised investment management agreement dated 20 May 2010, Mobeus Equity Partners LLP ("Mobeus") (formerly Matrix Private Equity Partners LLP ("MPEP")) provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum of closing net assets, paid in advance, calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fixed fee of £126,225 per annum up to 30 June 2012 (and £130,089 per annum thereafter), the latter inclusive of VAT and subject to annual increases in RPI.

The investment management fee includes provision for a cap on expenses excluding irrecoverable VAT and exceptional items set at 3.6% of closing net assets at the year-end. In accordance with the investment management agreement, any excess expenses are borne by the Manager. The excess expenses during the year amounted to £nil (2011: £nil).

Under an incentive agreement dated 9 July 2004, the Manager was entitled to receive an annual performance-related incentive fee of 20% of the excess above an agreed hurdle rate in the annual dividends paid to Shareholders. The hurdle rate was 6 pence per Share for the Company's first three annual reporting periods and increased annually thereafter in line with the Retail Price Index. The performance fee was only payable if the mean net asset value per share over the period relating to payment had remained at or above 100 pence and any cumulative shortfalls below the annual hurdle rate have been recovered.

Under a deed of variation to the Performance Incentive Agreement, dated 20 May 2010, the Company and MPEP agreed to amend the agreement to provide weighted average hurdles linked to the performance of the Company and Matrix Income & Growth 3 VCT plc up to the date of the Merger and so that it applied across the enlarged Company after that date. As a result, the hurdle rate of dividends to be paid in a year before an incentive could become payable was set at 6.13 pence per Share, at the date of the Merger, which became 6.77 pence by 31 December 2012 . The cumulative shortfall of dividends paid below the annual hurdle rate at the date of the Merger was 13.67 pence, which had become 14.04 pence at the year-end. The base net asset value of 100p that must be maintained for an incentive fee to be payable has been amended to 97.71 pence per Share, (previously 97.33 pence following further rebasing from 96.91 pence after last year's allotment of further Shares) to allow for the impact of further Shares being allotted during the year at an average price of 100.8 pence per Share.

No performance incentive fee is payable to date.

Under the terms of the Linked Offer for Subscription launched on 20 January 2012 jointly with Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc, Mobeus Equity Partners LLP were entitled to 5.5% of gross investment subscriptions, which amounted to £703,097 across all three VCTs involved in the Offer.

Under the terms of a similar Linked Offer for Subscription launched on 29 November 2012, Mobeus are entitled to fees of 5.5% of gross investment subscriptions up to 30 December 2012 and 3.25% of gross investment subscriptions after 30 December 2012. As at the date of this document, these amounted to £587,752 across all three VCTs involved in the Offer.

4. Other expenses

	2012 £	2011 £
Directors' remuneration (including NIC) (see note 5)	91,661	74,146
IFA trail commission	24,122	125,408
Broker's fees	14,400	14,400
Auditors' fees – Audit	20,995	24,747
– other services supplied relating to taxation	2,940	3,846
– other assurance services	4,500	6,666
Registrar's fees	29,919	23,639
Printing	16,089	5,739
Legal & professional fees	1,405	1,944
VCT monitoring fees	7,680	3,917
Directors' insurance	10,472	11,231
Listing and regulatory fees	21,765	18,979
Provision against loan interest receivable (note a)	16,018	–
Sundry	1,927	(7,448)
	263,893	**307,214**

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 a: Provision against loan interest receivable above relates to an amount of £16,018 (2011: £nil), being a provision made against loan stock interest regarded as collectable in previous years.

5. Directors' remuneration

	2012 £	2011 £
Directors' emoluments		
Keith Niven	32,000	25,000
Bridget Guérin	24,000	20,000
Tom Sooke	30,000	25,000
	86,000	70,000
Employer's NIC and VAT	5,661	4,146
	91,661	**74,146**

No pension scheme contributions or retirement benefit contributions were paid (2011: £nil). 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 its Directors.

6. Tax on ordinary activities

	2012 Revenue £	2012 Capital £	2012 Total £	2011 Revenue £	2011 Capital £	2011 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	192,913	(192,913)	–	181,181	(181,181)	–
Total current tax charge/(credit)	**192,913**	**(192,913)**	**–**	**181,181**	**(181,181)**	**–**
Corporation tax is based on a rate of 20% (2011: 20.25%)						
b) Profit on ordinary activities before tax	1,290,092	3,044,343	4,334,435	1,144,752	518,869	1,663,621
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2011: 20.25%)	258,018	608,869	866,887	231,812	105,072	336,884
Effect of:						
UK dividends	(41,261)	–	(41,261)	(86,249)	–	(86,249)
Unrealised gains not allowable	–	(697,689)	(697,689)	–	(139,467)	(139,467)
Realised gains not taxable	–	(57,306)	(57,306)	–	(105,344)	(105,344)
Losses brought forward	(70,631)	–	(70,631)	(5,824)		(5,824)
Marginal rate	46,787	(46,787)	–	41,442	(41,442)	–
Actual current tax charge	**192,913**	**(192,913)**	**–**	**181,181**	**(181,181)**	**–**

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

Investment Trust companies are exempt from tax on capital gains if they meet the HMRC criteria set out in section 274 of the ITA.

Deferred taxation

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. There is an unrecognised deferred tax asset of £31,225 (2011: £99,621) in respect of unrelieved surplus management expenses.

7. Dividends paid and payable

	2012 £	2011 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2011 of 1.25p (income) (2010: 0.5p); 5p (capital) (2010: 4.5p) per Ordinary Share	2,894,707	2,184,361
Interim dividend for the year ended 31 December 2012 of 0.5p (income) and 4.5p (capital) (2011: 0.5p (income) per Ordinary Share)	2,325,761	218,236
	5,220,468	2,402,597
Proposed distributions to equity holders at the year-end:		
Final dividend for the year ended 31 December 2012 of 1.5p (income) (2011: 1.25p); 0.5p (capital) (2011: 5p) per Ordinary Share	960,660	2,746,532

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 259 of the Income Tax Act 2007 are considered.

	2012 £	2011 £
Revenue available for distribution by way of dividends for the year	1,097,179	963,571
Interim income dividend of 0.5p (2011: 0.5p) paid during the year	232,576	218,236
Final income dividend proposed for the year ended 31 December 2012 of 1.5p (2011: 1.25p) per Ordinary Share	720,495	549,306
	953,071	767,542

8. Basic and diluted earnings per Share

	2012 £	2011 £
Total earnings after taxation:	4,334,435	1,663,621
Basic and diluted earnings per Share (note a)	**9.55p**	**3.89p**
Revenue profit from ordinary activities after taxation	1,097,179	963,571
Basic and diluted revenue earnings per Share (note b)	**2.42p**	**2.25p**
Net unrealised capital gains on investments	3,488,447	688,724
Net realised capital gains on investments	286,530	520,219
Capital management fees less taxation	(537,721)	(508,893)
Total capital return	3,237,256	700,050
Basic and diluted capital earnings per Share (note c)	**7.13p**	**1.64p**
Weighted average number of Shares in issue in the year	45,383,141	42,820,660

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 profit after taxation divided by the weighted average number of Shares in issue.

c) Capital earnings per Share is the total capital profit 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 earnings per Share.

9. Investments at fair value

Movements in investments during the year are summarised as follows:

	Traded on AiM £	Unquoted ordinary shares £	Unquoted preference shares £	Loan stock £	Total £
Cost at 31 December 2011	305,000	6,389,408	50,438	20,342,450	27,087,296
Net unrealised (losses)/gains at 31 December 2011	(44,481)	1,213,331	(13,548)	(287,411)	867,891
Permanent impairment in value of investments	–	(438,104)	(1,829)	(96,464)	(536,397)
Valuation at 31 December 2011	**260,519**	**7,164,635**	**35,061**	**19,958,575**	**27,418,790**
Purchases at cost	–	2,914,286	–	4,879,240	7,793,526
Sales proceeds	–	(2,110,798)	(3,306)	(2,060,602)	(4,174,706)
Realised gains	–	319,301	–	12,317	331,618
Reclassification at value	–	(119,327)	–	119,327	–
Net unrealised gains/(losses) for the year	146,145	3,870,286	1,000	(528,984)	3,488,447
Closing valuation at 31 December 2012	**406,664**	**12,038,383**	**32,755**	**22,379,873**	**34,857,675**
Cost at 31 December 2012	305,000	9,846,540	45,303	22,898,727	33,095,570
Net unrealised gains/(losses) at 31 December 2012	101,664	2,629,947	(10,719)	(422,390)	2,298,502
Permanent impairment in value of investments	–	(438,104)	(1,829)	(96,464)	(536,397)
Valuation at 31 December 2012	**406,664**	**12,038,383**	**32,755**	**22,379,873**	**34,857,675**

Within net unrealised gains of £3,488,447 for the year, the significant gains were £918,090 in Blaze Signs Holdings Limited, £1,097,940 in ATG Media Holdings Limited, £708,443 in DiGiCo Global Limited, £481,240 in EMaC Limited, £420,487 in Machineworks Software Limited, £497,168 in Focus Pharma Holdings Limited, £423,074 in CB Imports Group Limited; the significant losses were as follows: £987,553 in ASL Technology Holdings Limited, £294,800 in Faversham House Holdings Limited and £235,033 in British International Holdings Limited.

Reconciliation of cash movements in investment transactions

The cash flow from investment proceeds shown above of £4,174,706 differs from the sale proceeds shown in the cash flow statement of £4,129,618, due to transaction costs of £45,088. These transaction costs also account for the difference in realised gains between £331,618 shown above and £286,530 disclosed in the Income Statement.

10. Significant interests

At 31 December 2012 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
DiGiCo Global Limited	4,647	2,588,022	2,592,669	4.7%
British International Holdings Limited	225,000	1,801,316	2,026,316	17.5%
CB Imports Group Limited	350,000	1,650,000	2,000,000	11.6%
ASL Technology Holdings Limited	452,130	1,460,815	1,912,945	10.3%
Ingleby (1879) Limited (trading as EMaC Limited)	528,700	1,233,636	1,762,336	8.8%
Tessella Holdings Limited	280,673	1,374,458	1,655,131	7.2%
Fullfield Limited (trading as Motorclean)	582,789	1,012,211	1,595,000	12.6%
RDL Corporation Limited	271,044	1,287,290	1,558,334	14.1%
ATG Media Holdings Limited	530,975	955,239	1,486,214	14.0%
Monsal Holdings Limited	406,211	892,871	1,299,082	10.8%
PXP Holdings Limited (Pinewood)	1,277,722	–	1,277,722	15.1%
Racoon International Holdings Limited	262,258	950,777	1,213,035	23.3%
Focus Pharma Holdings Limited	384,663	658,309	1,042,972	5.1%
Youngman Group Limited	100,052	900,000	1,000,052	8.5%
Almsworthy Trading Limited	400,000	600,000	1,000,000	12.5%
Culbone Trading Limited	400,000	600,000	1,000,000	12.5%
Madacombe Trading Limited	400,000	600,000	1,000,000	12.5%
Ackling Management Limited	400,000	600,000	1,000,000	12.5%
Fosse Management Limited	400,000	600,000	1,000,000	12.5%
Peddars Management Limited	400,000	600,000	1,000,000	12.5%
Blaze Signs Holdings Limited	472,125	255,346	727,471	20.8%
Westway Services Holdings (2010) Limited	214,336	388,442	602,778	5.1%
Faversham House	200,036	327,178	527,214	9.5%
Plastic Surgeon Holdings Limited	39,029	439,392	478,421	11.1%
Lightworks Software Limited	222,584	–	222,584	20.0%
Machineworks Software Limited	222,584	–	222,584	20.0%
Vectair Holdings Limited	138,074	500	138,574	12.0%
Watchgate Limited	1,000	–	1,000	33.3%

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.

Mobeus Equity Partners LLP also advises The Income and Growth VCT plc, Mobeus Income and Growth 2 VCT plc (formerly Matrix Income & Growth 2 VCT plc) and Mobeus Income and Growth 4 VCT plc (formerly Matrix Income and Growth 4 VCT plc), which have investments as at 31 December 2012 in the following:

	The Income & Growth VCT plc at cost £	Mobeus Income and Growth 2 VCT plc at cost £	Mobeus Income and Growth 4 VCT plc at cost £	Total at cost £	% of equity held by funds managed by Mobeus %
ASL Technology Holdings Limited	1,769,790	1,360,130	1,257,135	4,387,055	34.00
Ingleby (1879) Limited (trading as EMaC)	1,878,124	1,095,723	1,263,817	4,237,664	30.00
Tessella Holdings Limited	1,745,351	906,762	1,250,433	3,902,546	24.00
Fullfield Limited (trading as Motorclean)	1,489,097	1,005,809	1,110,096	3,605,002	41.00
DiGiCo Global Limited (formerly Newincco 1124 Limited)	876,497	1,334,292	1,334,292	3,545,081	11.00
RDL Corporation Limited	1,441,667	1,000,000	1,000,000	3,441,667	45.20
EOTH Limited (trading as Equip Outdoor Technologies)	1,383,313	817,185	951,471	3,151,969	8.00
Almsworthy Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
Culbone Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
Madacombe Trading Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
Ackling Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
Fosse Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
Peddars Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.00
PXP Holdings Limited (trading as Pinewood Structures)	965,371	1,220,579	712,925	2,898,875	32.90
ATG Media Holdings Limited	888,993	768,011	888,993	2,545,997	38.40
Youngman Group Limited	1,000,052	1,000,052	500,026	2,500,130	29.70
British International Holdings Limited	590,909	1,160,000	295,455	2,046,364	34.90
Monsal Holdings Limited	468,610	847,614	699,444	2,015,668	27.70
CB Imports Group Limited	1,000,000	–	1,000,000	2,000,000	23.20
Racoon International Holdings Limited	550,852	878,527	406,805	1,836,184	49.00
Blaze Signs Holdings Limited	621,510	644,930	283,252	1,549,692	52.50
Focus Pharma Holdings Limited	405,407	517,827	605,837	1,529,071	12.70
The Plastic Surgeon Holdings Limited	406,082	392,264	458,837	1,257,183	30.00
Faversham House Holdings Limited	487,744	374,870	346,488	1,209,102	31.40
Omega Diagnostics Group plc	279,996	214,998	199,998	694,992	9.80
Westway Services Holdings (2010) Limited	353,588	–	236,096	589,684	13.00
Legion Group plc (in administration)	150,000	150,106	150,102	450,208	0.00
Vectair Holdings Limited	53,400	60,293	24,732	138,425	24.00
Lightworks Software Limited	20,471	25,727	9,329	55,527	45.00
Machineworks Software Limited	20,471	25,727	9,329	55,527	45.00
Watchgate Limited	1,000	–	1,000	2,000	100.00

11. Debtors

	2012 £	2011 £
Amounts due within one year:		
Accrued income	200,660	311,809
Prepayments	14,865	17,726
Other debtors	–	124
	215,525	**329,659**

12. Current Investments

	2012 £	2011 £
Monies held pending investment	**3,632,668**	**11,123,681**

This comprises cash invested in six Dublin based OEIC money market funds, subject to immediate access and £2,000,000 in a bank deposit, repayable within one year. These sums are regarded as monies pending investment and are treated as liquid resources.

13. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	37,647	52,313
Other creditors	8,707	7,046
Accruals	83,999	171,678
	130,353	**231,037**

14. Called up Share Capital

	2012 £	2011 £
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 45,946,513 (2011: 42,606,052)	459.465	426,061
	459,465	**426,061**

Under the Joint VCT Offer for Subscription launched on 20 January 2012 and which closed on 30 June 2012, 5,280,531 Ordinary Shares were allotted at an average issue price of 100.77 pence per Share, raising net proceeds of £5,037,328.

During the year the Company made the following Share repurchases for a total consideration of £1,588,947 (2011: £2,222,097).

Purchased	Date of purchase	Nominal value
425,000	08 March 2012	4,250
500,000	28 March 2012	5,000
247,320	25 April 2012	2,473
51,000	28 June 2012	510
65,152	29 June 2012	652
82,850	22 August 2012	829
269,294	29 August 2012	2,693
185,447	21 November 2012	1,854
44,007	20 December 2012	440
70,000	20 December 2012	700
1,940,070		**19,401**

15. Movement in Share Capital and reserves

	Called up Share capital £	Capital redemption reserve £	Share Premium reserve £	Revaluation reserve £	Special distributable reserve (note b) £	Profit and loss account (note b) £	Total £
At 1 January 2012	426,061	56,182	22,034,106	3,455,913	11,161,745	3,592,168	40,726,175
Shares issued	52,805	–	4,984,523	–	–	–	5,037,328
Shares bought back	(19,401)	19,401	–	–	(1,588,947)	–	(1,588,947)
Write off to special reserve (note a)	–	–	–	–	(582,809)	582,809	–
Realisation of previously unrealised gains	–	–	–	(2,057,836)	–	2,057,836	–
Dividends paid	–	–	–	–	–	(5,220,468)	(5,220,468)
Profit for the year	–	–	–	3,488,447	–	845,988	4,334,435
As at 31 December 2012	**459,465**	**75,583**	**27,018,629**	**4,886,524**	**8,989,989**	**1,858,333**	**43,288,523**

Note a: The cancellation of the share premium account (as approved at the Extraordinary General Meeting held on 30 June 2004 and by the order of the Court dated 24 August 2006) has provided the Company with a special distributable reserve. The purpose of the reserve is to fund market purchases of the Company's own Shares and to write off existing and future capital losses, now that the Company has revoked its investment company status and is obliged to take into account capital losses in determining distributable reserves. The transfer of £582,809 to the profit and loss account from the special distributable reserve is the total of realised capital losses incurred by the Company during the year.

Note b: These reserves total £10,848,322 (2011: £14,753,913) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to Shareholders.

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 45,946,513 (2011: 42,606,052) 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

	2012 £	2011 £
Profit on ordinary activities before taxation	4,334,435	1,663,621
Net gains on realisation of investments	(286,530)	(520,219)
Net unrealised gains on investments	(3,488,447)	(688,724)
Decrease/(increase) in debtors	114,134	(98,437)
Decrease in creditors and accruals	(91,779)	(26,817)
Net cash inflow from operating activities	**581,813**	**329,424**

18. Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	2,085,082	11,123,681	13,208,763
Cash flows	2,627,926	(7,491,013)	(4,863,087)
At 31 December 2012	**4,713,008**	**3,632,668**	**8,345,676**

19. Financial instruments

The Company's financial instruments in both years comprise:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective; and
- Cash, current investments 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 31 December 2012:

	2012 (Book value) £	2012 (Fair value) £	2011 (Book value) £	2011 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	34,857,675	34,857,675	27,418,790	27,418,790
Current investments	3,632,668	3,632,668	11,123,681	11,123,681
Loans and receivables				
Accrued income	200,660	200,660	311,809	311,809
Other debtors	–	–	124	124
Cash at bank	4,713,008	4,713,008	2,085,082	2,085,082
Liabilities at amortised cost or equivalent				
Other creditors	(130,353)	(130,353)	(231,037)	(231,037)
Total for financial instruments	43,273,658	43,273,658	40,708,449	40,708,449
Non financial instruments	14,865	14,865	17,726	17,726
Total net assets	**43,288,523**	**43,288,523**	**40,726,175**	**40,726,175**

The investment portfolio principally consists of unquoted investments – 98.8% (2011: 99.0%) and AiM quoted stocks – 1.2% (2011: 1.0%). The investment portfolio has a 100% (2011: 100%) concentration of risk towards small UK based, £ denominated companies and represents 80.5% (2011: 67.3%) of net assets at the year-end.

Current investments are money market funds and a bank deposit, discussed under credit risk below, which represent 8.4% (2011: 27.3%) 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.

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.

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 at the front 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 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 £ denominated investments in small companies.

Although one of these assets is quoted on AiM, all others are unquoted. All of the investments made by the 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% (2011: 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% (2011: 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.

	2012 Profit and net assets £	2011 Profit and net assets £
If overall share prices rose/fell by 20% (2011: 20%), with all other variables held constant – increase/(decrease)	6,971,535 / (6,971,535)	5,483,758 / (5,483,758)
Increase/(decrease) in earnings and net asset value per Ordinary share (in pence)	15.17p / (15.17)p	12.87p / (12.87)p

The impact of a change of 20% (2011: 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.

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:

	2012 £	2011 £
Loan stock investments	22,379,873	19,958,575
Current investments	3,632,668	11,123,681
Accrued income	200,660	311,809
Cash at bank	4,713,008	2,085,082
	30,926,209	**33,479,147**

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 and other debtor shown above was all due within two 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	2012 £	2011 £
0 to 1 year	3,404,073	1,406,202
1 to 2 years	3,872,706	6,788,589
2 to 3 years	3,157,994	2,522,480
3 to 4 years	6,970,642	3,458,261
4 to 5 years	4,974,458	5,783,043
Total	**22,379,873**	**19,958,575**

Five loans valued at £2,892,526 are now past their repayment date but have not been renegotiated. The 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.

An aged analysis of the value of 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 under the loan's contractual terms (such as payment of interest or redemption date) is received late or missed. We are required to report in this format and include the full value of the loan even though, in some cases it is only in respect of interest that they are in default.

Past due loan stock assets:

	0 - 6 months £	6 - 12 months £	over 12 months £	2012 Total £
Loans to investee companies past due	–	753,917	3,234,987	3,988,904

	0 - 6 months £	6 - 12 months £	over 12 months £	2011 Total £
Loans to investee companies past due	636,364	–	4,464,744	5,101,108

There is also a risk of default by the money market funds included within 'Current Investments' 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, along with the bank deposit of £2,000,000 at the Co-operative Bank plc, held within 'Current Investments', credit risk is considered to be relatively low in recent circumstances. The cash at bank figure of £4,713,008 is held with NatWest Bank plc, where the risk of default is considered to be low.

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

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 net assets at 31 December 2012 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate (see note) %	Average period to maturity (years)
Equity shares	12,445,047	–	–	12,445,047		
Preference shares	–	32,755	–	32,755	0.27%	1.16
Loan stocks	–	18,412,720	3,967,153	22,379,873	5.73%	3.02
Current investments	–	2,000,000	1,632,668	3,632,668	1.83%	–
Cash	–	–	4,713,008	4,713,008		
Debtors	200,660	–	–	200,660		
Creditors	(130,353)	–	–	(130,353)		
Total for financial instruments	12,515,354	20,445,475	10,312,829	43,273,658		
Non financial instruments	14,865	–	–	14,865		
Total net assets	**12,530,219**	**20,445,475**	**10,312,829**	**43,288,523**		

The interest rate profile of the Company's financial net assets at 31 December 2011 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate (see note) %	Average period to maturity (years)
Equity shares	7,425,154	–	–	7,425,154		
Preference shares	–	35,061	–	35,061	–	1.44
Loan stocks	–	19,591,422	367,153	19,958,575	7.68%	2.15
Current investments	–	–	11,123,681	11,123,681	0.64%	–
Cash	–	–	2,085,082	2,085,082		
Debtors	311,933	–	–	311,933		
Creditors	(231,037)	–	–	(231,037)		
Total for financial instruments	7,506,050	19,626,483	13,575,916	40,708,449		
Non financial instruments	17,726	–	–	17,726		
Total net assets	**7,523,776**	**19,626,483**	**13,575,916**	**40,726,175**		

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 have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

Cash flow interest rate sensitivity

Although the Company holds investments in loan stocks that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes in isolation upon the value of the unquoted investment portfolio, as interest rate changes are only one factor affecting the market price movements that are discussed above under market price risk.

However, as the Company has a substantial proportion of its assets in money market funds, the table below shows the sensitivity of income earned to changes in interest rates:

	2012 £ Profit and net assets	2011 £ Profit and net assets
If interest rates rose / fell by 1%, with all other variables held constant – increase / (decrease)	98,503 / (98,503)	108,607 / (108,607)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.21p / (0.21)p	0.25p / (0.25)p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and therefore they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. 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 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 and bank deposits which are, all accessible on an immediate basis, save for one bank deposit.

Currency risk

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

Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy.

Financial assets at fair value through profit and loss At 31 December 2012	Level 1 £	Level 2 £	Level 3 £'	Total £
Equity investments	406,664	–	12,038,383	12,445,047
Preference shares	–	–	32,755	32,755
Loan stock	–	–	22,379.873	22,379,873
Current investments	3,632,668	–	–	3,632,668
Total	**4,039,332**	**–**	**34,451,011**	**38,490,343**

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. 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 January 2012	7,164,635	35,061	19,958,575	27,158,271
Purchases	2,914,286	–	4,879,240	7,793,526
Sales	(2,110,798)	(3,306)	(2,060,602)	(4,174,706)
Reclassification at value *	(119,327)	–	119,327	–
Total gains/(losses) included in the Income Statement				
– on assets sold	319,301	–	12,317	331,618
– on assets held at the year end	3,870,286	1,000	(528,984)	3,342,302
Closing balance at 31 December 2012	**12,038,383**	**32,755**	**22,379,873**	**34,451,011**

* - The equity of an acquisition vehicle 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:

	31 December 2012 £	31 December 2011 £
Investment methodology		
Cost (reviewed for impairment)	8,026,316	4,900,751
Asset value supporting security held	700,992	700,992
Recent investment price	1,886,643	2,709,895
Earnings Multiple	23,837,060	18,846,633
	34,451,011	**27,158,271**

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2011 and 31 December 2012:

Change in valuation methodology (2011 to 2012)	Carrying value as at 31 December 2012 £	Explanatory note
Recent investment price to earnings multiple	3,301,112	More appropriate basis for determining fair value
Cost (reviewed for impairment) to earnings multiple	5,365,261	More appropriate basis for determining fair value
Cost (reviewed for impairment) to recent investment price	114,286	More appropriate basis for determining fair value
Earnings multiple to cost (reviewed for impairment)	2,026,316	More appropriate basis for determining fair value

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV guidelines. The Directors believe that, within these parameters, these are the most appropriate methods of valuation which would be reasonable as at 31 December 2012.

The Standard requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. The portfolio has been reviewed and both downside and upside reasonable possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives, the value of the unquoted investments would be £2,358k or 6.8% lower. Using the upside alternatives the value would be increased by £2,978k or 8.5%. In arriving at both these figures, a 5% change to earnings multiples was applied. In addition, for the upside alternatives, for one investee company, an enterprise value based upon break up sale proceeds was used.

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 commensurately 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, 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 Company 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. Post balance sheet events

On 14 January 2013, 2,086,509 new Ordinary Shares were allotted at a price of 94.6 pence per Share, under the Linked Offer for Subscription launched on 29 November 2012, raising net funds of £1,869,866.

On 18 February 2013, the Company made a further investment into Fullfield Limited (trading as Motorclean) to enable it to acquire rival Company, Forward Valeting Services Limited. The Company used its existing investment of £1 million in the acquisition vehicle, Almsworthy Trading Limited to fund the transaction, along with a further £336,154 from the Company's cash reserves.

On 13 March 2013, the Court granted authority to the Company to cancel the balance on its share premium account of £28,867,689..

On 14 March 2013, the Company invested £1,857,764 (including £1,000,000 from Fosse Management Limited, one of the company's acquisition companies) to support the MBO of Gro-group, the market leader for baby sleep time products in the UK and Australia.

Shareholder Information

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

The Manager circulates a twice-yearly newsletter to its VCT shareholders in July and January of each year. The newsletter includes contains information on the investment portfolio, the latest performance figures and details of the VCT's latest investment activity.

Net asset value per Share

The Company's NAV per Share as at 31 December 2012 was 94.22 pence per Share. The Company announces its unaudited NAV on a quarterly basis.

Dividend

The Directors are recommending a final dividend in respect of the year ended 31 December 2012 of 2.00 pence per Share (comprising 0.50 pence from capital and 1.50 pence from income). The dividend will be paid on 15 May 2013 to Shareholders on the Register on 19 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, Computershare Investor Services PLC at the address below.

Financial calendar

Late March 2013	Annual Report for the year ended 31 December 2012 to be circulated to Shareholders
19 April 2013	Record date for Shareholders to be eligible for final dividend
8 May 2013	Annual General Meeting
15 May 2013	Final dividend in respect of the year ended 31 December 2012 to be paid to Shareholders.
August 2013	Announcement of Half-Yearly Results and circulation of Half-Yearly Report for the six months ended 30 June 2013 to Shareholders
31 December 2013	Year-end

Annual General Meeting

The next Annual General Meeting of the Company will be held on 8 May 2013 at 2.30 pm at the offices of Mobeus Equity Partners LLP, 30 Haymarket (4th Floor), London SW1Y 4EX. Please try to arrive 10 minutes before the meeting starts when tea and coffee will be served to Shareholders. A short presentation will be given by the Investment Manager during the AGM. The Notice of the meeting is included on pages 56 - 58 of this Annual Report. A proxy form for use at the Meeting is enclosed separately with Shareholders' copies of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Computershare Investor Services PLC, to arrive no later than 2.30 pm on 6 May 2013.

Shareholder enquires:

For enquiries concerning the Fund, 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, Computershare Investor Services PLC, on 0870 707 1155 or write to them at PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH or should you prefer visit their website at www-uk.computershare.com.

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

Performance Data at 31 December 2012

The following table shows, for all investors in Mobeus Income & Growth VCT plc and the former Matrix Income & Growth 3 VCT plc (MIG 3 VCT), how their investment has 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 a NAV basis as at 31 December 2012. 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.

MIG VCT Fundraisings

Share price as at 31 December 2012 **80.50 pence[1]**
NAV per Share as at 31 December 2012 **94.22 pence**

Allotment date(s)	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per Share[3] (p)	Total return per Share to Shareholders since allotment (Share price basis) (p)	(NAV basis) (p)
Funds raised 2004/5					
Between 05/10/2004 and 29/06/2005	100.00	**60.00**	38.05	**118.55**	**132.27**
Funds raised 2010/11					
21/01/2011	98.00	**68.60**	16.75	**97.25**	**110.97**
28/02/2011	102.30	**71.61**	16.75	**97.25**	**110.97**
22/03/2011	102.30	**71.61**	16.75	**97.25**	**110.97**
01/04/2011	102.30	**71.61**	16.75	**97.25**	**110.97**
05/04/2011	102.30	**71.61**	16.75	**97.25**	**110.97**
10/05/2011	100.60	**70.42**	16.75	**97.25**	**110.97**
06/07/2011	95.30	**66.71**	11.75	**92.25**	**105.97**
Funds raised 2011/12					
08/03/2012	101.20	**70.84**	11.25	**91.75**	**105.47**
04/04/2012	101.20	**70.84**	11.25	**91.75**	**105.47**
05/04/2012	101.20	**70.84**	11.25	**91.75**	**105.47**
10/05/2012	101.20	**70.84**	11.25	**91.75**	**105.47**
10/07/2012	95.50	**66.85**	5.00	**85.50**	**99.22**

MIG 3 VCT Fundraising

Share price as at 31 December 2012 **85.77 pence**
NAV per Share as at 31 December 2012 **100.39 pence**

Shareholders in the former Matrix Income & Growth 3 VCT plc received approximately 1.0655 Shares in the Company for each MIG 3 VCT share that they held on 20 May 2010, when the two VCTs merged. Both the share price and the NAV per share shown above have been adjusted using this merger ratio.

Funds raised 2005/06 (formerly Matrix Income & Growth 3 VCT plc)					
Between 24/01/2006 and 05/04/2006	100.00	**60.00**	27.40	**113.17**	**127.79**

[1] - Source: London Stock Exchange.

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

[3] - For derivation, see table on page 55.

Cumulative dividends paid

	Funds raised 2004/05 (p)	Funds raised 2005/06 (p)	Funds raised 2010/11 (p)	Funds raised 2011/12 (p)
27 September 2005	0.30			
16 May 2006	0.70			
14 September 2006	0.80			
18 May 2007	1.40	1.25		
20 September 2007	1.00	1.00		
21 May 2008	7.80	1.50		
11 September 2008	3.30	1.00		
15 May 2009	1.00	0.80		
21 April 2010	5.00	4.00		
20 May 2010: Merger of MIG VCT and MIG 3 VCT				
27 May 2011	5.00	5.33[1]	5.00	
15 September 2011	0.50	0.53[1]	0.50	
22 May 2012	6.25	6.66[1]	6.25	6.25
20 September 2012	5.00	5.33[1]	5.00	5.00
	38.05	**27.40**	**16.75**	**11.25**

[1] - The dividends paid after the merger, on MIG VCT shareholdings arising from former MIG3 shareholdings, have been restated for the merger conversion ratio of 1.0655.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the ninth annual general meeting of Mobeus Income & Growth VCT plc ("the Company") will be held at 10.30 am on Wednesday, 8 May 2013 at the offices of Mobeus Equity Partners LLP, 30 Haymarket (4th floor), London SW1Y 4EX for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

1. To receive and adopt the annual report and accounts of the Company for the year ended 31 December 2012 ("Annual Report"), together with the auditor's report thereon.

2. To approve the directors' remuneration report, which is set out in the Annual Report.

3. To re-appoint PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP as auditor to the Company until the conclusion of the next annual general meeting.

4. To authorise the directors to determine the remuneration of PKF (UK) LLP as auditor to the Company.

5. To re-elect Bridget Guérin as a director of the Company.

6. To approve the payment of a final dividend in respect of the year ended 31 December 2012 of 2 pence per ordinary share of 1 penny each in the capital of the Company.

7. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £144,017, provided that this authority shall expire on the fifth anniversary of the date of the passing of this resolution unless previously renewed, revoked or varied by the Company in general meeting (except that the Company may, before such expiry, make offers or agreements which would or might require shares in the Company to be allotted or rights to be granted after such expiry and notwithstanding such expiry the directors of the Company may allot shares in the Company or grant rights in pursuance of such offers or agreements).

8. That, subject to the passing of resolution 7 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreement to allot equity securities (as defined in section 560(1) of the Act) for cash, either pursuant to the authority conferred upon them by resolution 7 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:

   (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding £120,000 in connection with offer(s) for subscription; and

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

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

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

   (i) the maximum aggregate number of shares authorised to be purchased shall not exceed 7,200,000;

   (ii) the minimum price which may be paid for a share is 1 penny (the nominal value thereof);

   (iii) the maximum price which may be paid for a share (excluding expenses) shall be the higher of (a) an amount equal to 5% above the average of the middle market quotations for a share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

Notice of the Annual General Meeting

(iv) the authority conferred by this resolution shall (unless previously renewed or revoked) expire on 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.

By order of the Board of Directors

Mobeus Equity Partners LLP
Company Secretary
20 March 2013

Registered Office
30 Haymarket
London SW1Y 4EX

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrars helpline on 0870 707 1155.

2. Shareholders may appoint a proxy either by (a) completing a hard copy of the form of proxy or other instrument appointing a proxy and sending it to be received by post or (during normal business hours only) or delivering it by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or (b) submitting their votes electronically through registering with Computershare's Investor Centre at www.investorcentre.co.uk/eproxy. In each case, the proxy votes submitted must be received not later than 10.30 am on 6 May 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.

3. To vote electronically, shareholders will be asked to provide the Control Number, their individual Shareholder Reference Number (SRN) and PIN, details of which are contained on the form of proxy, or the electronic broadcast message issued by the Company. Computershare's Investor Centre is the only acceptable means by which proxy instructions may be submitted electronically.

4. The return of a completed proxy form, other such instrument or any electronic Proxy Instruction (as described in paragraph 2 above) will not prevent a shareholder attending the annual general meeting and voting in person if he/she wishes to do so.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general 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 (ie 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 it 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. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

8. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, to be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 10.30 am on 6 May 2013 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

10. Any member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting and the Company is obliged to answer any such questions under section 319A of the Act. However, no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website www.migvct.co.uk in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

12. By attending the meeting, Members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the shares of the Company made at the meeting.

13. As at 20 March 2013 (being the date of this notice) the Company's issued share capital consisted of 48,033,022 Ordinary Shares, each carrying one vote. Therefore, the total voting rights in the Company as at 20 March 2013 were 48,033,022.

14. The Register of Directors' Interests, copies of Keith Niven's and Bridget Guérin's directors' appointment letters and the service contract and consultant's agreement with Tom Sooke shall be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) and at the place of the meeting for at least fifteen minutes prior to and during the meeting.

15. A copy of this notice, and other information required by section 311A of the Act, can be found at www.migvct.co.uk.

Corporate Information

Directors

Keith Niven (Chairman)
Bridget Guérin
Tom Sooke (Senior Independent Director)

All of whom are non-executive and of:

30 Haymarket
London
SW1Y 4EX

Manager, Promoter, Company Secretary and Administrator

Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
Tel: 020 7024 7616
www.mobeusequity.co.uk

Company Registration Number:

5153931

Email

mig@mobeusequity.co.uk

Website

www.migvct.co.uk

Auditor

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EC1M 3AP

Solicitors

SGH Martineau LLP
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Birmingham
B4 6AA

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Receiving Agent

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Edinburgh
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Bankers

National Westminster Bank plc
City of London Office
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1 Princes Street
London
EC2R 8BP

VCT Tax Advisers

PricewaterhouseCoopers LLP
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London
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Corporate Broker

Panmure Gordon & Co
One New Change
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