Mobeus Income & Growth VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Accounts
for the year ended 31 December 2013

mobeus
EQUITY PARTNERS

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 advised by Mobeus Equity Partners LLP ("Mobeus").

Timeline of the Company

July 2004	Company launched as Matrix Income & Growth VCT plc, advised by Matrix Private Equity Partners LLP
June 2005	Company completed first fundraising
September 2005	Matrix Income & Growth 3 VCT plc launched and advised by Matrix Private Equity Partners LLP
April 2006	Matrix Income & Growth 3 VCT plc completed first fundraising
May 2010	Matrix Income & Growth 3 VCT plc merged into Matrix Income & Growth VCT plc
June 2012	Matrix Private Equity Partners LLP became a fully independent firm owned by its partners and renamed itself, Mobeus Equity Partners LLP. Matrix Income & Growth VCT plc changed its name to Mobeus Income & Growth VCT plc to be consistent with the Investment Adviser's change of name
2010 – 2013	The Company launched four linked fundraisings with other Mobeus VCTs

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WARNING TO SHAREHOLDERS –

– Boiler room fraud and unsolicited communications to shareholders

We are aware that from time to time our shareholders have received unsolicited telephone calls and/or mail which purport to come from the Company or to be authorised by the VCT.

Further information on boiler room scams and who to contact, should you believe that you have been approached by such a company, is included within Shareholder Information on page 64.

Financial Highlights

Results for the year ended 31 December 2013

- Net asset value ("NAV") total return per share for the year was 14.8%.
- Share price total return per share for the year was 16.2%.
- Shareholders received an interim dividend of 4.00 pence per share in September 2013. Together with the proposed final dividend of 3.25 pence per share, this will bring total dividends paid in respect of the year to 7.25 pence per share.
- The cash position has been enhanced by the Mobeus VCT Linked Offer in 2013, which raised £8.28 million (before costs) for the Company and the current fundraising, in which the Company has raised a further £8.09 million to date.
- The Company invested a total of £9.76 million into new investments during the year, including the management buyouts ("MBOs") of Gro-Group, Veritek Global and Virgin Wines and additional investment to enable existing portfolio companies ATG Media and Motorclean to fund strategic acquisitions.

Performance Summary

The net asset value per share of the Company at 31 December 2013 was 102.18 pence

The table below shows the recent performance of the original funds raised in 2004/05. Performance data for all fundraising rounds and for former Matrix Income & Growth 3 VCT shareholders are shown in tables on pages 69 and 70 of this Annual Report.

Reporting date as at	Net assets (£m)	NAV per share (p)	Share price (mid-market price)[1] (p)	Cumulative dividends paid per share (p)	Cumulative total return per share[2] (NAV basis) (p)	Cumulative total return per share[2] (Share price basis) (p)	Dividends per share in respect of the year (p)
31 December 2013	54.27	102.18	87.50[3]	44.05	146.23	131.55	7.25*
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] Cumulative 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.

[3] The discount on the Company's shares at 31 December 2013 was 9.6% based on the NAV per share at 30 September 2013 of 96.75 pence, which was the latest published figure at that time.

* Proposed final dividend

The figure in the above table for dividends per share in respect of the year ended 31 December 2013 includes a proposed final dividend of 3.25 pence. This dividend comprises 1.50 pence from capital and 1.75 pence from income and will be recommended to shareholders at the Annual General Meeting of the Company to be held on 7 May 2014. If approved, the dividend will be paid on 14 May 2014 to shareholders on the Register on 22 April 2014 and will bring total dividends paid in respect of the year ended 31 December 2013 to 7.25 pence per share.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth VCT plc for the year ended 31 December 2013.

Performance

This has been another positive year for the VCT. The Company produced a NAV total return per share of 14.8% (2012: 10.3%) for the year to 31 December 2013 while the total share price return was 16.2% (2012: 16.5%), continuing the good performance achieved in 2012. The share price has risen over the year from 80.50 pence at 31 December 2012 to 87.50 pence, reflecting the rise in NAV per share. For details of these calculations for the current year, please see page 5 of the Strategic Report.

Many of the companies in the portfolio have continued to achieve strong growth in their niche markets. The steady performance of your portfolio supports the view that well-managed and prudently financed businesses can succeed in differing market conditions. The portfolio is well-positioned to take advantage of the more promising near term outlook for the UK economy.

Dividends

Your Directors are pleased to recommend a final dividend in respect of 2013 of 3.25 pence (2012: 2.00 pence) per share, comprising 1.50 pence (2012: 0.50 pence) per share from capital and 1.75 pence (2012: 1.50 pence) per share from income. Subject to shareholder approval, this dividend will be paid on 14 May 2014 to shareholders on the Register on 22 April 2014.

Shareholders received an interim dividend of 4.00 pence per share in September 2013 and this, together with the proposed final dividend, will bring total dividends paid in respect of the year to 7.25 pence (2012: 7.00) per share and cumulative dividends paid since inception to 47.30 pence (2012: 40.05) per share.

The Company's target of paying a dividend of at least 4.00 pence per share in respect of each financial year has been comfortably exceeded in each of the last five years. A table showing the dividends paid in respect of each of the last five years and cumulative dividends paid is included in the Strategic Report on page 9.

Investment portfolio

During the year under review, the Company has invested a total of £9.76 million (including £5.00 million which was previously held in acquisition vehicles) to support the MBOs of Gro-Group, Veritek Global and Virgin Wines and two substantial strategic acquisitions by existing portfolio companies, Motorclean and ATG Media. This is a record level of new investment and Mobeus, the Company's Investment Adviser ("Adviser"), reports that dealflow continues to be strong. Following the year-end, the VCT has already completed one further new investment in February 2014. This was to support the MBO of Entanet International Limited, a wholesale provider of internet connectivity solutions. The prospects are good for further new investment during the current year.

Sale proceeds for the year have totalled £5.87 million, including £2.26 million received from Newquay Helicopters (formerly British International) as part of this company's realisation strategy, £0.40 million received from Faversham House and £3.21 million received from other portfolio companies making partial loan stock repayments. Following the year-end, in April 2014, the VCT received £1.56 million in cash proceeds from the successful realisation of Machineworks. A number of companies are pursuing their options for possible exits and we expect that some of these will complete during 2014.

Strategic Report

Shareholders may be aware that a number of significant changes have been introduced by recent legislation which affect the way in which companies are now required to present information in the narrative sections of their annual reports. In particular, you will see that this year's Annual Report contains a Strategic Report for the first time. The purpose of this Report, on pages 4 – 22, is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company. The Report sets out the Company's Objective, Investment Policy and Business Model. The Performance section on pages 5 – 9 provides information on how, and to what extent, the Company has achieved its Objective during the year and over the longer term, together with a description of the key performance indicators which the Directors monitor in order to measure the success of the Company. That section is followed by the Investment Review, which includes key data on the top ten investments and an analysis of the full investment portfolio. The Report goes on to provide context to this performance, giving information on what the Board regards as the key risks faced by the Company, how those risks are dealt with and the Company's other key policies. In summary this Report should give shareholders an overview of your Company's progress in the year, supported by further detail that you can review, as you wish, in other sections of the Annual Report.

To avoid repetition, much of the detail that would previously have been included in the Chairman's Statement can now be found within the Strategic Report. I would be interested to receive shareholders' views on whether you find this new format helpful and informative as well as your suggestions on any improvements you believe could be made.

Review of longer term performance

Shareholders who invested in 2004 at the launch of the Company have seen a total return of 146.23 pence per share compared with their initial investment cost of 100 pence per share, or a net cost (after initial income tax relief of 40 pence) of 60 pence per share. As part of this return 44.05 pence in dividends have been received. This is an average annual yield upon that initial 60 pence net investment of 7.9%. The balance of the total return, the underlying net asset value, is 102.18 pence per share.

Legislative and regulatory developments

The Finance Bill 2014 ("the Bill") has introduced measures to discourage VCT shareholders from selling their existing shares within six months before or after the date of making a new investment in the same VCT. Investors are now only able to claim income tax relief to the extent that the value of the new shares they

Chairman's Statement

subscribe for in respect of that VCT exceeds the proceeds from the shares which were sold. The Bill also contains measures that will prevent VCTs from returning share capital to investors within three years of the end of the accounting period in which the VCT issued the shares. Distributions made from realised profits will not be affected by this change. These changes will apply to shares issued after 6 April 2014.

The VCT is required to appoint an Alternative Investment Fund Manager ("AIFM") before July 2014 to comply with new legislation which implements the European Commission's Alternative Investment Fund Managers' Directive. This development has tightened the rules on alternative investments, The Board is considering the Company's options in respect of the new legislation and is seeking clarification of the requirements. However, at the current time, given the information currently available, the nature of the Company's business and the fact that the Adviser has been appointed under a non-discretionary mandate, the Board believes that the most appropriate action will probably be for the Company to appoint itself as its own AIFM to comply with the specific requirements of the legislation. Mobeus will continue to provide investment advisory and administrative services to the Company under the current agreement.

Recent changes to the European Commission's Transparency Directive will mean that the Company will shortly no longer be required to publish quarterly Interim Management Statements. However, the Board intends to continue to announce the NAV per share on a quarterly basis.

Board of Directors

Following a review of the composition of the Board by the Nomination and Remuneration Committee, the Board intends to appoint a new Director as part of its succession planning shortly.

Fundraising

The Company raised £8.28 million (£8.09 million after issue costs) in the Mobeus Linked VCT Offer launched on 29 November 2012, which closed on 30 June 2013.

The Company launched a further linked fundraising with the other three Mobeus VCTs on 28 November 2013 to raise up to £24 million, which has since been increased to £34 million, across the four VCTs. The funds raised for the VCT will further improve the Company's liquidity, ensuring it can take part in the expected increased dealflow and enabling it to spread its fixed running costs over a larger asset base. The monies raised 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 MBO deals. Details of the Offer were posted to shareholders in December 2013. This Offer has been well received and a total of £8.09 million of applications has been received by this VCT to date, representing one quarter of the funds raised.

The Offer will remain open until 30 April 2014 although the Directors of the four VCTs reserve the right to extend the closing date at their discretion. It will close earlier if fully subscribed.

The Board is currently of the view that regular fundraisings are needed, to provide adequate levels of capital to enable the Company to pursue its Objective. Therefore, subject to any changes in the regulatory and/or investment environment, the Board is considering a further fundraising to be launched during the 2014/15 tax year.

Annual General Meeting

The Annual General Meeting of the Company will be held at 2.00 pm on Wednesday, 7 May 2014 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. Both the Board and the Adviser look forward to welcoming shareholders to the meeting which will provide shareholders with the opportunity to ask questions and to receive a presentation from the Adviser on the investment portfolio. The Notice of the meeting is included on pages 66 – 68 of this Annual Report.

Industry award for the Company

We are pleased to report to shareholders that the Company was awarded VCT of the Year 2013 at last year's Investment Week Investment Company Awards. The award recognised the strong and consistent all-round performance of the Company.

Future prospects

We have seen clear signs of improvement in the outlook for the UK economy since the end of the half-year in June 2013. Some business surveys reveal a cautious optimism in the corporate sector and the Office for Budget Responsibility is currently forecasting growth of 2.7% for 2014. Against this more optimistic tone, other commentators are concerned about how solid such a recovery may be in the medium term, while others argue that interest rates should be raised sooner rather than later, to prevent certain parts of the economy from overheating. Despite these concerns and the increased tensions between Russia and the West, the Board and the Adviser believe that the recent pick-up in growth in the UK economy will be sustainable and that interest rates and inflation will remain relatively low for the foreseeable future.

The Adviser is also of the view that there are many promising new opportunities to invest in established, profitable businesses on attractive terms. In addition, there continue to be several opportunities to provide further finance to certain businesses in the portfolio to enable them to make acquisitions. The VCT's strong cash position will enable it to capitalise on the opportunities for new investment.

The Board continues to believe that its Investment Policy, set out on pages 4 and 20 of the Strategic Report, mitigates many of the risks inherent in investing in smaller UK companies and that it should continue to generate attractive returns for shareholders.

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

Keith Niven
Chairman
14 April 2014

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 December 2013. The purpose of this Report is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

The Report has been prepared by the Directors in accordance with section 414 of the Companies 2006 ("the Act").

Company Objective

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

The Company and its business model

The Company is a Venture Capital Trust ("VCT"). Its Investment Policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC") whilst maximising returns to shareholders from both income and capital. One of the rules to remain a VCT is that it must remain a fully listed company on the London Stock Exchange, and thus must also comply with the listing rules governing such companies.

The Company is an externally advised fund with a Board comprising non-executive Directors. The Board has overall responsibility for the Company's affairs including the determination of its Investment Policy. Investment advisory and operational support are outsourced to external service providers including the Adviser, Company Secretary and Administrator and Registrar, with the key strategic and operational framework and key policies set and monitored by the Board. Investment and divestment proposals are originated, negotiated and recommended by the Adviser and are then subject to comment and approval by the Directors.

Private individuals invest in the Company to benefit from both income and capital returns generated by investment performance. By investing in a VCT they also receive immediate income tax relief (currently 30% of the amount subscribed for new shares by an investor), as well as tax-free dividends received from the Company and are not liable for any capital gains tax upon the eventual sale of the shares.

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

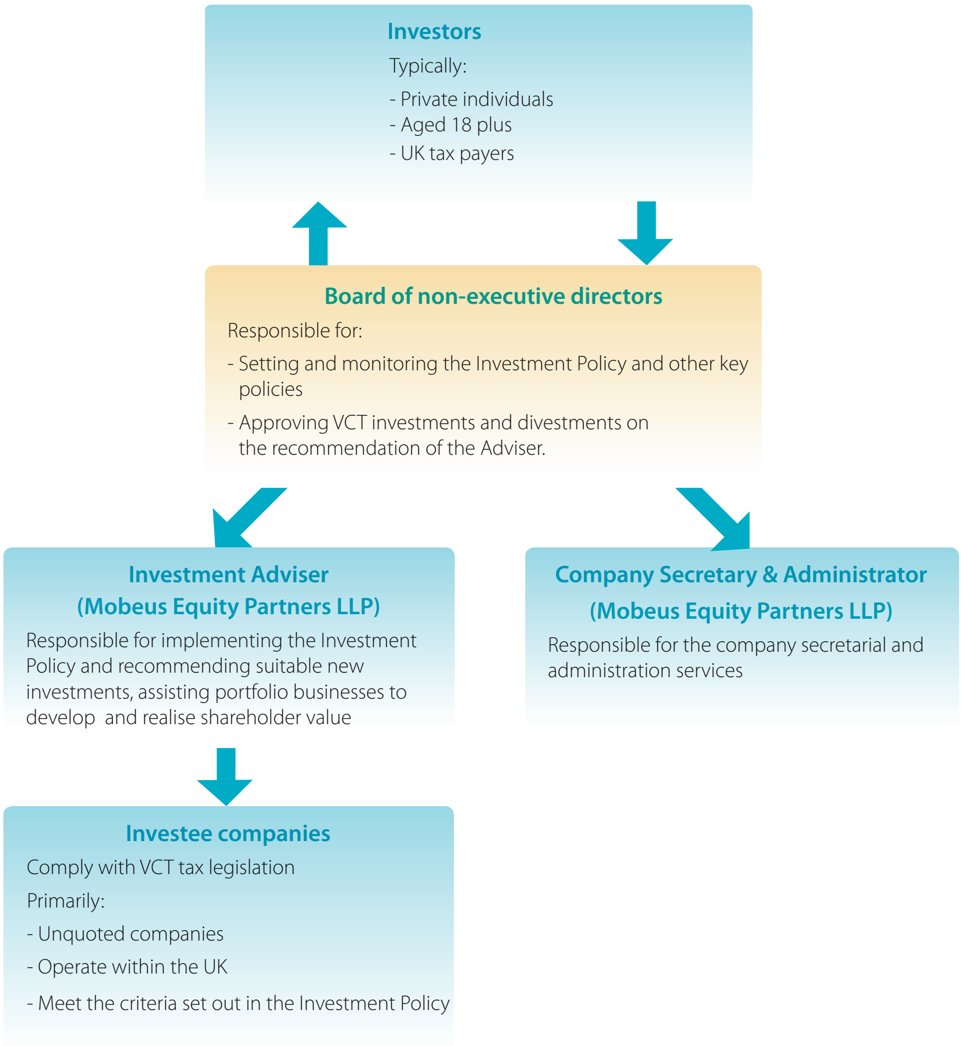
Summary of Investment Policy

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 to reduce the risk of investing in smaller companies and in order to generate regular income from existing investments and capital gains from realisations.

Risk is further reduced by investing in a number of different businesses across different industry sectors. Investments are made selectively, primarily in MBO transactions in companies that are established and profitable. 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 recommended by the Adviser of up to £5 million in each business per year.

The Company aims to maintain around 80% of net funds raised in qualifying investments. Uninvested funds are held in a portfolio of readily realisable interest-bearing investments and deposits.

The full text of the Company's Investment Policy is set out on page 20 of this Strategic Report.



Strategic Report

Performance

The Board has identified six key performance indicators that it uses in its own assessment of the Company's progress. These are intended to provide shareholders with sufficient information to assess how the Company has performed in 2013 and over the longer term against its Objective, resulting from the application of its investment and other principal policies:

1. Annual and cumulative returns per share for the year

Total shareholder returns per share for the year

The NAV and share price total returns per share for the year ended 31 December 2013 were 14.8% and 16.2% respectively, as shown below:

	NAV basis (p)
Closing NAV per share at 31 December 2013	102.18
Plus: dividends paid in year	6.00
Total	**108.18**
Less: opening NAV per share	(94.22)
Return for year	**+ 13.96**
% return for year	**+14.8%**

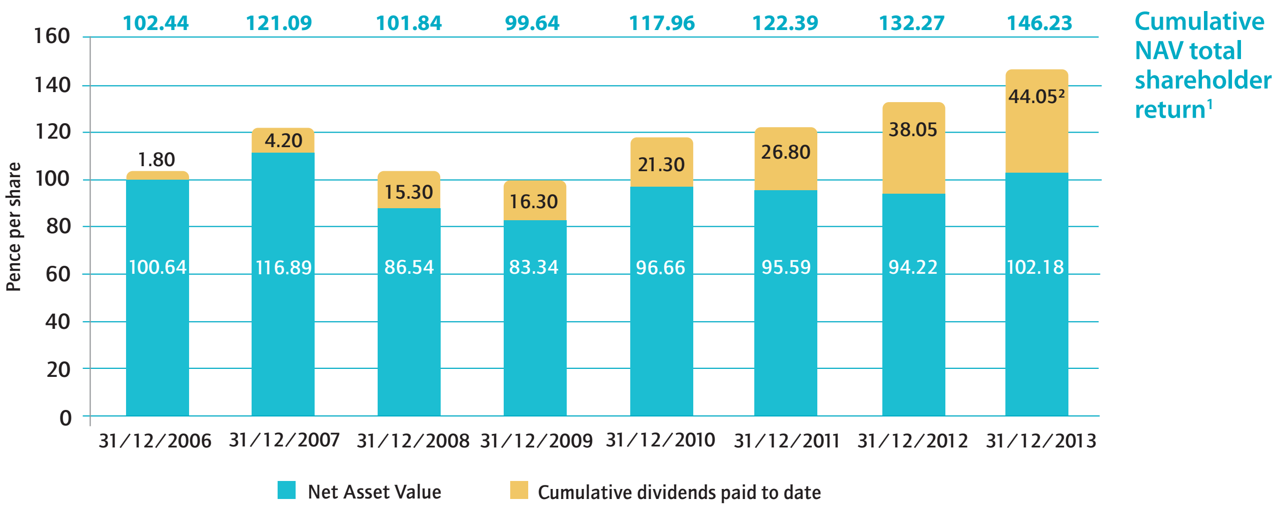
	Share price basis (p)
Closing share price at 31 December 2013	87.50
Plus: dividends paid in year	6.00
Total	**93.50**
Less: opening share price	(80.50)
Return for year	**+ 13.00**
% return for year	**+16.2%**

The Board considers both the NAV and share price returns for the year to be satisfactory.

For similar performance data to that shown above 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 pages 69 and 70 of this Annual Report.

Cumulative total shareholder return per share (NAV basis)

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



[1] Cumulative NAV total shareholder return is net asset value plus cumulative dividends paid to date, per share. It therefore excludes dividends proposed but not yet paid.

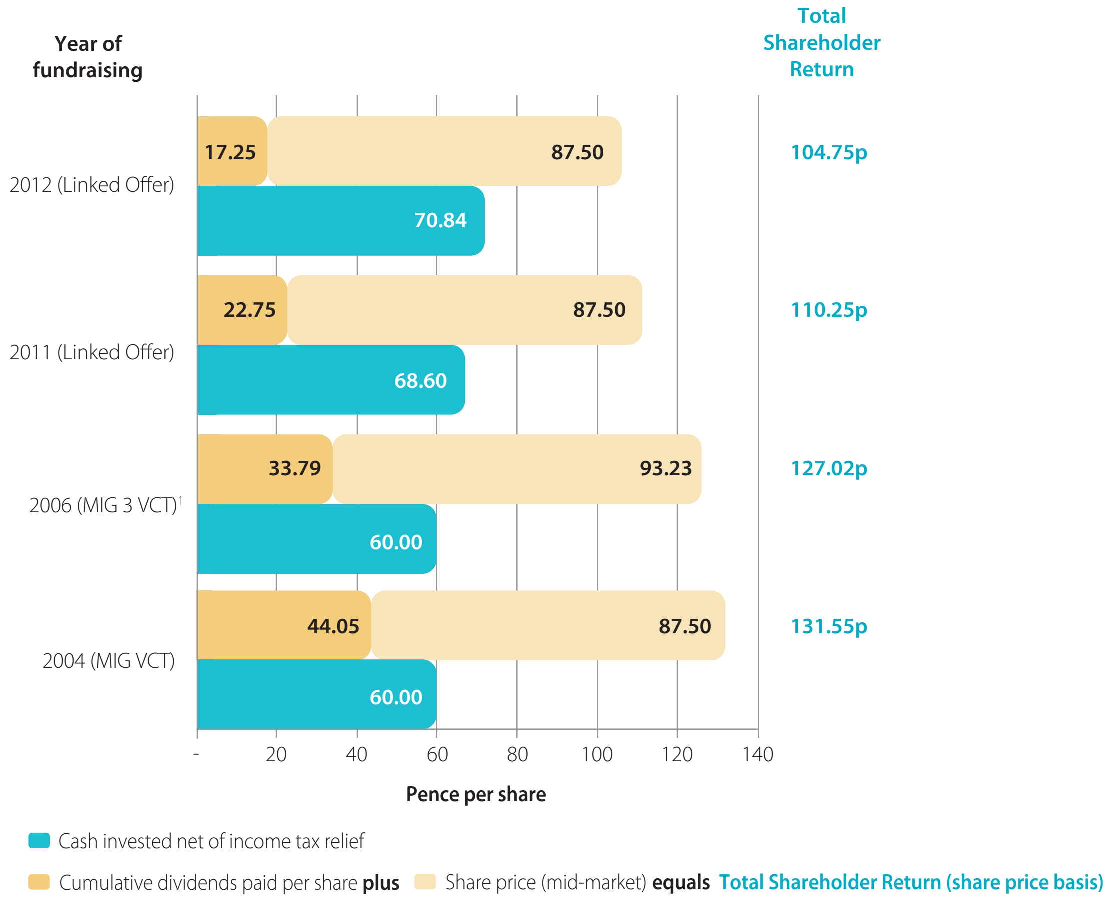
[2] A final dividend of 3.25 pence per share will be recommended to shareholders at the Annual General Meeting and, if approved, will bring cumulative dividends paid to date to 47.30 pence per share and the NAV per share will reduce by a corresponding 3.25 pence.

Taking into account initial income tax relief, founder shareholders have seen an internal rate of return of 11.8% (2012: 10.5%) per annum since the launch of the Company. This is the annual discount rate that equates the net investment cost of 60 pence per share at the date of the original investment, with the value of subsequent dividends received and the latest NAV per share.

The figures quoted in the information given above are for the shares subscribed in the original offer for subscription in 2004/05.

Shareholder returns

The chart below shows the amounts that shareholders who invested in the first allotment of each fundraising round have received to date in dividends together with the year-end, mid-market share price at 31 December 2013, compared with the amount invested (net of income tax relief also received).



The returns for shareholders are:

- Initial income tax relief received treated as a cash return at the time of the initial investment and deducted from the cash then invested. The amount returned was 40% of the initial investment for the tax years 2004/05 and 2005/06 and 30% for the tax years 2006/07 onwards;
- Tax-free dividends received as further cash returns since that initial investment;
- The closing mid-market share price.

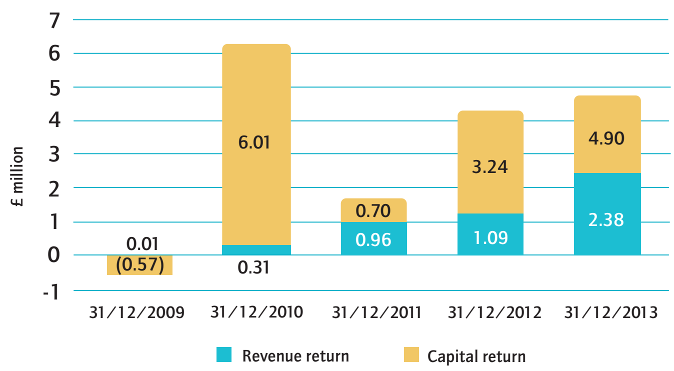
[1] Data for the second oldest fundraising above are for Matrix Income & Growth 3 VCT ("MIG 3 VCT"), which merged with the Company in May 2010. Dividends paid to former MIG 3 VCT shareholders, and the share price, have been adjusted to reflect that a MIG 3 VCT shareholder received 1.0655 shares in the Company for each MIG 3 VCT share they owned, at the date of the merger.

Strategic Report

Review of financial results for the year

For the year	2013 £(m)	2012 £(m)
Capital return	4.90	3.24
Revenue return	2.38	1.09
Total profit	**7.28**	**4.33**

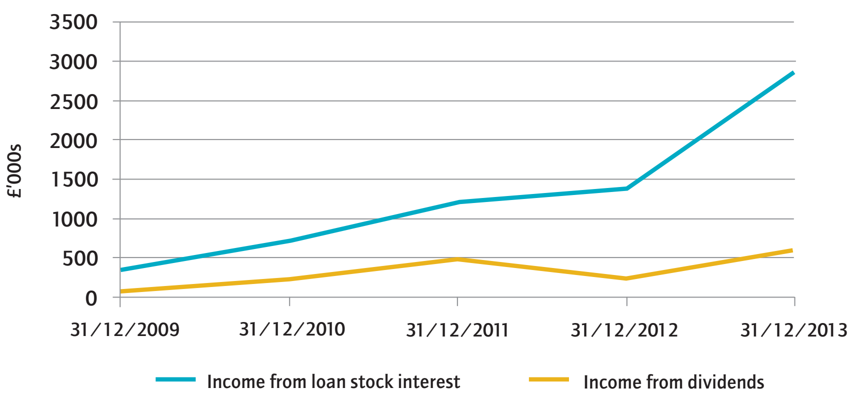
Over the last 5 years:



The positive capital return of £4.90 million for the year is due to a healthy uplift in portfolio valuations of a net £4.83 million on investments held at the year-end and gains realised in the year from disposals of £0.73 million. Management fees charged to capital returns were a net £0.66 million.

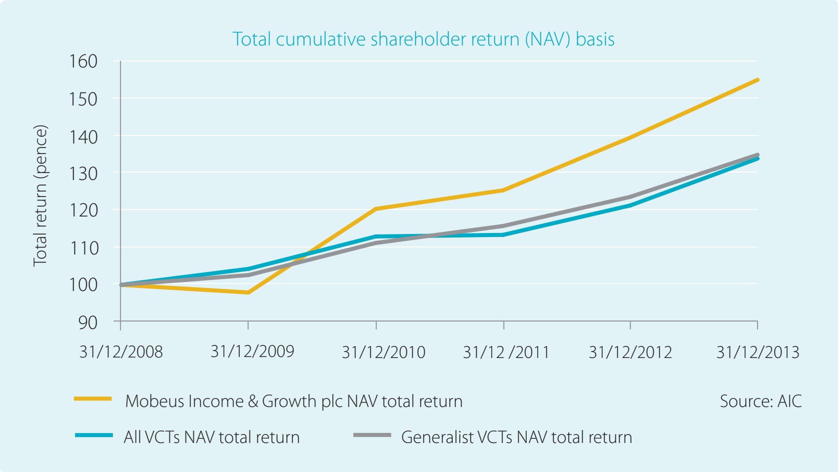
The increase in the revenue return for the year of £1.29 million is mainly due to a rise in income of £1.66 million, from £1.80 million to £3.46 million, explained in the table below:

Income	2013 £'000	2012 £'000	% Change	Reason
Loan interest from investee companies	2,724	1,483	+83.7 %	Due to new loan stock investments and an exceptional receipt from Newquay Helicopters, settling arrears.
Dividend income from investee companies	577	206	+180.1 %	Higher and maiden dividends received in the year including preference dividend arrears from Newquay Helicopters.
Return on cash	158	97	+62.9 %	Higher amounts placed in bank deposits.
Other income	–	12	–	
Totals	3,459	1,798	+92.4 %	



In addition to capital returns from increases in valuations, and gains on realisations, of investee companies, the portfolio is structured to generate regular income from loan stocks and dividends from equity investments. A five year history of these is shown here, which is marked by the rise in loan stock interest, as larger sums have been held in these loan instruments, alongside the increase in the size of the Company.

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



The Board places emphasis on benchmarking the Company's performance against its peer group of VCTs. The graph opposite compares the NAV total return of the Company to an index of all VCTs and an index of generalist VCTs, which are members of the Association of Investment Companies ("AIC") over the last five years based on figures published by Morningstar.

Statistics produced by the AIC demonstrate that the Company's total return per share on a NAV basis has been maintained in the first or second quartile of the VCT's peer group on a one, three and five year basis.

Industry awards for the Company and the Investment Adviser

The Company was awarded VCT of the Year 2013 at last year's Investment Week Investment Company Awards. The performance of the Adviser was also recognised in the unquote" British Private Equity Awards 2013, where Mobeus was named VCT House of the Year 2013 for the second consecutive year. These awards recognised the high level of consistency achieved by the Company and the Adviser during the year in maintaining high standards in all areas of its activity including deals, exits, portfolio management and fundraising.

3. Compliance with VCT legislation

In order to comply with VCT tax legislation, the Company must meet a number of tests set by HMRC as detailed on page 20 under VCT Regulation within the Investment Policy. At 31 December 2013, the Company continued to meet these tests.

4. Costs

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

	2013	2012
Ongoing charges	2.7%	2.8%
Performance fee	0.0%	0.0%
Ongoing charges plus accrued performance fee	2.7%	2.8%

The Ongoing Charges Ratio has been calculated using the AIC recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the ongoing charges figure is based upon historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

The Ongoing Charges Ratio replaces the Total Expense Ratio previously reported, although the latter will still form the basis of any expenses in excess of the expense cap, that would be borne by the Adviser. There was no breach of the expense cap for the year ended 31 December 2013 (2012: £nil).

The fall in the ratio over the year reflects the benefit of spreading the element of costs that are fixed across a larger asset base.

Management fees and other expenses

In line with the rise in net assets, Adviser fees charged to both revenue and capital have increased from £0.97 million to £1.15 million whilst other expenses have risen slightly from £0.26 million to £0.29 million.

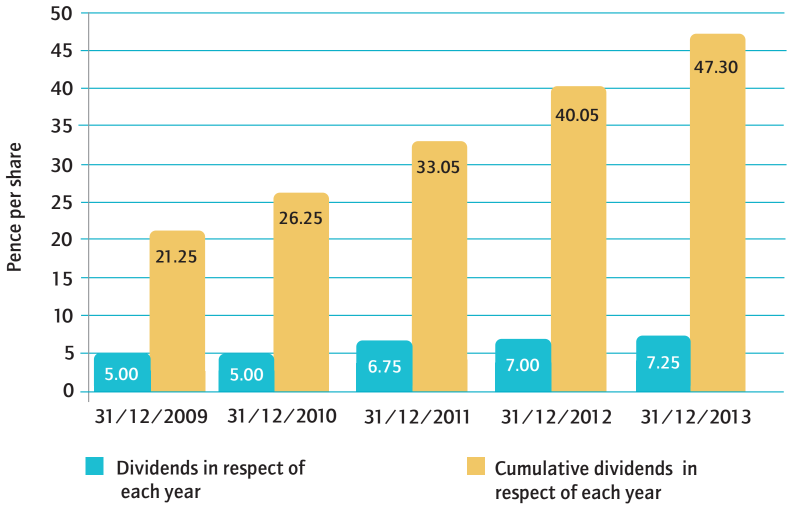
Strategic Report

In addition to its Investment Policy, the Board also monitors the key performance indicators arising from applying its Dividend and Share Buyback Discount Policies. These indicators are respectively dividends paid in respect of each year and the discount to NAV at which shares are bought back by the Company.

5. Dividend policy

The Company has a target of paying an annual dividend of at least 4.00 pence per share in respect of each financial year. It has comfortably exceeded this target in each of its last five financial years.

However, the ability of the Company to pay dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.



- **Dividends per share in respect of the financial year ended 31 December 2013 are 7.25 pence, subject to shareholder approval of the proposed final dividend of 3.25 pence per share.**
- **Cumulative dividends paid to date are 44.05 pence per share. Subject to shareholder approval of the proposed final dividend of 3.25 pence per share, cumulative dividends paid will increase to 47.30 pence per share.**

6. Share buyback and discount policy

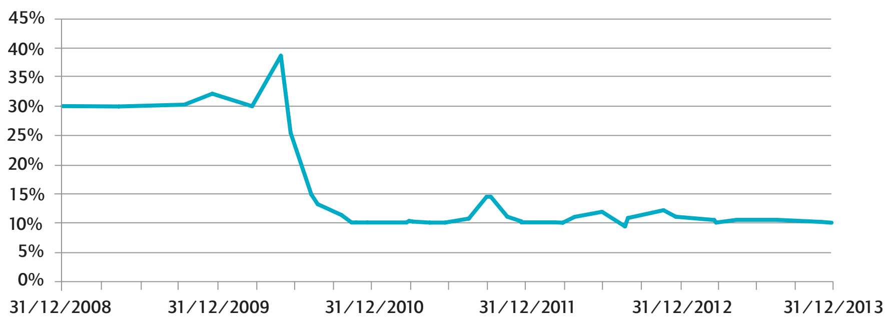
Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV at which the shares trade at approximately 10%. Continuing shareholders benefit from the difference between the net asset value and the price at which the shares are bought back and cancelled.

The table below shows how the discount of the share price to the NAV per share has moved over the last five years. The discount of approximately 10% has been maintained for much of the last three years, since the Board stated its intent to target such a discount level.

During the year ended 31 December 2013, shareholders holding 1.22 million shares expressed their desire to sell their investments. The Company instructed its brokers, Panmure Gordon (UK) Limited ("Panmure Gordon"), to purchase these shares at prices representing discounts of approximately 10% to the previously announced NAV per share. The Company subsequently purchased these shares at prices of between 80.00-87.00 pence per share and cancelled them.

In total, the Company has bought back 2.7% of the issued share capital of the Company at the beginning of the year during the year.

Discount to NAV per share at which the Company's shares were bought back throughout the last five years



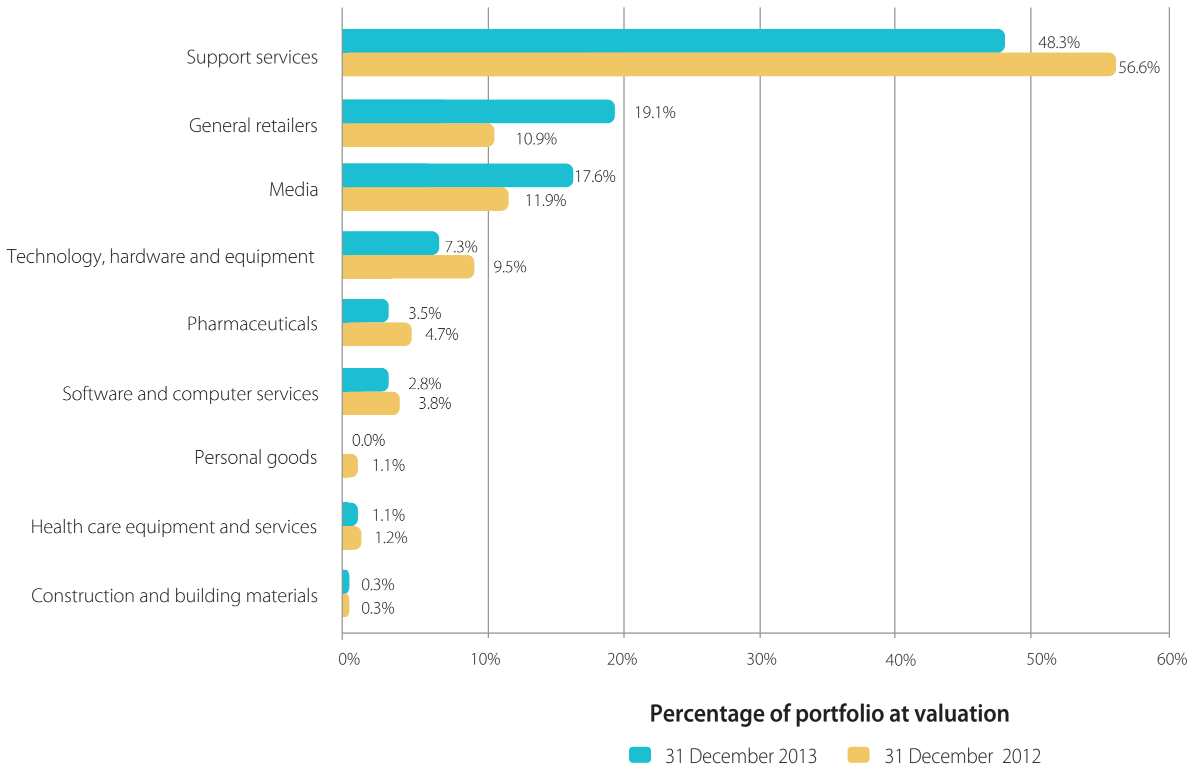
Investment Review

The strong dealflow reported at the half-yearly stage has continued in the second half of the year. The Adviser is increasingly confident that new investment activity will continue at a high rate in 2014. The Adviser believes the healthy level of dealflow reflects both improved business confidence and the continued perception that the UK banking industry remains unable to meet the funding needs of smaller businesses.

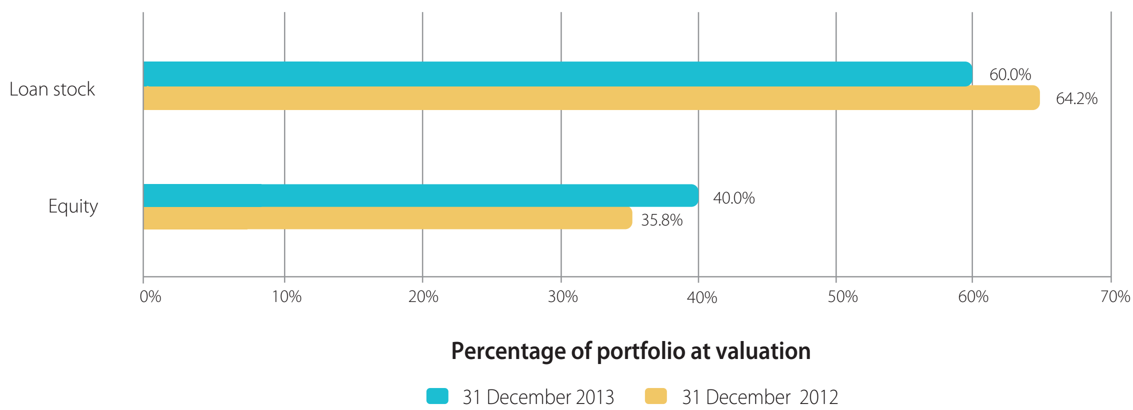
The valuation of the portfolio has increased by 16.0% during the year on a like-for-like basis. This is due to the strong trading performance of, and repayment of borrowings by, a number of companies in the portfolio.

Investments remain diversified across a number of sectors primarily in support services, general retailers, media and technology.

Investments by market sector at valuation



Investments by instrument at valuation



Strategic Report

New investment

A total of £9.76* million was invested into new deals during the year under review. including substantial new investments to support the MBOs of Gro-Group, Veritek Global and Virgin Wines.

The Adviser has also focussed on opportunities for expansion by acquisition within the existing portfolio. As a result of this, the VCT has funded two substantial strategic acquisitions by Motorclean and ATG Media. The additional investment in Motorclean was provided to support its ambitions as a consolidator in its market, increasing its depth and range of geographical coverage. For ATG Media, the acquisition finance enabled it to acquire an established position in the USA and broaden its sector coverage.

Principal new investments in the year

	Company	Business	Month	Amount of new investment (£m)
	Motorclean	Vehicle cleaning and valet services	February	**1.34**

Motorclean acquired Forward Valeting Services Limited to create the UK's largest provider of car cleaning and valeting services to the motor industry with a turnover in excess of £35 million and around 450 dealership sites across the country. The VCT's total investment in this company is now £2.58 million.

	Company	Business	Month	Amount of new investment (£m)
	Gro-Group	Baby sleep products	March	**1.93**

Devon based Gro-Group created the original, and now internationally renowned, Gro-bag which has become the leading baby sleep bag brand in the UK and Australia. Market penetration of the product has increased to around 90% since the company was founded in 2000 and annual turnover has grown to £11.44 million.

	Company	Business	Month	Amount of new investment (£m)
	ATG Media	Publisher and online auction platform operator	April	**1.64**

ATG Media acquired Bidspotter Inc, a US based business engaged in providing live bidding and auction software to industrial and commercial liquidation auctioneers. The VCT's total investment in this company is now £3.12 million.

	Company	Business	Month	Amount of new investment (£m)
	Veritek Global	Maintenance of imaging equipment	July	**2.05**

Veritek Global provides technical service, support and maintenance of complex and valuable equipment to world-leading brands throughout the photo imaging, healthcare, digital cinema, digital print and graphics sectors across Europe. The company's latest full year accounts show annual sales of £24.68 million and profit before interest, tax and goodwill of £1.50 million.

	Company	Business	Month	Amount of new investment (£m)
	Virgin Wines	Online wine retailer	November	**2.53**

Virgin Wines is an online wine merchant and the Virgin Group Partner with the sole UK rights to use the Virgin brand to source and sell boutique, handcrafted wines from all over the world. The company's latest full year accounts show annual sales of £34.48 million and profit before interest, tax and goodwill of £2.01 million.

* Each of the above investments utilised £1 million from one of the Company's acquisition vehicles, totalling £5 million, which is included in the above figures. For further details please see the Investment Portfolio Summary on pages 17 – 19.

Post year-end

The VCT made a new investment to support the MBO of Entanet International Limited, including £1 million from an acquisition vehicle.

	Company	Business	Month	Amount of new Investment (£m)
	Entanet	Wholesale provider of internet connectivity solutions	February 2014	**1.71**

The VCT has also invested a further £2.29 million into two new acquisition vehicle investments.

Realisations in the year

Company	Business	Date of original investment/ Realisation	Total proceeds over life of investment/ Multiple over cost
Faversham House	Publisher, exhibition organiser and operator	December 2010 December 2013	£0.53 million 0.93 times cost

Faversham's progress had fallen short of expectations and we took the opportunity to agree with management a phased realisation of our holding. In March 2013, the VCT sold part of its loan stock and its entire equity investment. The residual loan stock investment was realised in two phases later in the year. £0.37 million was received in loan stock repayments during the year, as included in the table below.

Partial loan stock repayments

Newquay Helicopters	Helicopter Service Operators	June 2006 Ongoing	£3.30 million 1.97 times cost

Newquay sold its principal operating subsidiary, British International Helicopter Services, to Patriot Aerospace in May 2013 as part of its asset realisation strategy. The VCT had made a further loan of £0.29 million in March 2013 to provide working capital to support this process which is continuing. £2.26 million was received in loan stock repayments during the year, as included in the table below.

Positive cash flow at a number of companies has contributed to a healthy level of loan stock repayments totalling £5.85 million for the year, which figure includes the two companies above, as summarised below: -

Company	Business	Month	Amount (£m)
Newquay Helicopters	Helicopter service operator	May	2.26
DiGiCo Global	Manufacturer of audio mixing desks	April/July/October	0.98
Focus Pharma	Licensing and distribution of pharmaceuticals	September/November	0.78
Faversham House	Publisher, exhibition organiser and operator	March-December	0.37
EMaC	Provider of service plans to the motor trade	August	0.37
Motorclean	Vehicle cleaning and valet services	February	0.35
Blaze Signs	Signs and sign maintenance	October	0.35
Westway	Installation, service and maintenance of air conditioning systems	April/August	0.25
Tessella	Consultancy	Quarterly	0.10
Monsal	Engineering services	July	0.04
		Total	**5.85**

Post year-end

Company	Business	Month	Total proceeds over life of investment/ Multiple over cost
Machineworks	Software for CAM and machine tool vendors	April 2006 April 2014	£2.39 million 4.09 times cost

The VCT has also received £0.11 million as a partial loan stock repayment from Westway.

Investment outlook

The increase in the number and the continuing quality of investment opportunities that we have seen in recent months is encouraging. We see this as a result of the upturn in business confidence as the UK consolidates its emergence from recession. We are being approached by sellers with much more realistic expectations of the value of their businesses and the commitment to see deals through to completion. As a result of our prudent approach to new investment during the downturn, the Company still retains a strong level of liquidity which will enable it to take advantage of this more positive environment. We believe that the current encouraging performance of the portfolio, and the improved outlook for new investment, should create value for shareholders in the medium term.

Strategic Report

Ten largest investments in the portfolio by valuation

ATG Media Holdings Limited

www.antiquestradegazette.com

Cost	£3,122,000
Valuation	£6,913,000

Basis of valuation:
Earnings multiple

Equity % held
14.0%

Income receivable in year
£245,189

Business
Publisher and on-line auction platform operator

Location
London

Original transaction
MBO

Audited financial information

Year ended	30 September 2012
Turnover	£10,900,000
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

Movements during the year

An additional investment of £1.64 million was made into ATG Media in April 2013.

Fullfield Limited

www.motorclean.net

Cost	£2,577,000
Valuation	£2,964,000

Basis of valuation:
Earnings multiple

Equity % held
12.6%

Income receivable in year
£231,841

Business
Provider of vehicle cleaning and valet services

Location
Laindon, Essex

Original transaction
MBO

Audited financial information

Year ended	31 March 2013
Turnover	£25,156,000
Operating profit	£1,234,000
Net assets	£2,576,000
Period ended	31 March 2012
Turnover	£17,320,000
Operating profit	£1,210,000
Net assets	£2,408,000

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

Movements during the year

An additional investment of £1.34 million was made into Motorclean in February 2013.

Blaze Signs Holdings Limited

www.blaze-signs.com

Cost	£492,000
Valuation	£2,613,000

Basis of valuation:
Earnings multiple

Equity % held
20.8%

Income receivable in year
£160,814

Business
Manufacturer and installer of signs

Location
Broadstairs, Kent

Original transaction
MBO

Audited financial information

Year ended	31 March 2013
Turnover	£22,741,000
Operating profit	£2,301,000
Net assets	£3,323,000
Year ended	31 March 2012
Turnover	£20,878,000
Operating profit	£1,761,000
Net assets	£2,918,000

Movements during the year

Blaze Signs made loan stock repayments totalling £0.35 million in the year.

Culbone Trading Limited

www.virginwines.co.uk

Cost £2,526,000

Valuation £2,526,000

Basis of valuation:
Cost

Equity % held
12.2%

Income receivable in year
£32,619

Business
Online wine retailer

Location
Norwich

Original transaction
MBO

Audited financial information

Year ended	28 June 2013[1]
Turnover	£34,475,000
Operating profit	£2,010,000
Net assets	£4,952,000
Year ended	28 June 2012[1]
Turnover	£37,390,000
Operating profit	£2,404,000
Net assets	£7,210,000

[1] The financial information quoted above relates to the operating subsidiary, Virgin Wine Online Limited and includes figures relating the performance of this company prior to the MBO which completed in November 2013.

Movements during the year

MBO investment made in November 2013.

DiGiCo Global Limited

www.digico.biz

Cost £1,612,000

Valuation £2,857,000

Basis of valuation:
Earnings multiple

Equity % held
4.7%

Income receivable in year
£230,455

Business
Designer and manufacturer of audio mixing desks

Location
Chessington, Surrey

Original transaction
Secondary buyout

Audited financial information

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

[1] The financial information for 2011 relates to DiGiCo Europe Limited prior to its secondary buyout in 2011. Thus, the net assets reported above are for two different entities.

Movements during the year

DiGiCo made loan stock repayments totalling £0.98 million in the year.

Ingleby (1879) Limited

www.emac.co.uk

Cost £1,395,000

Valuation £2,372,000

Basis of valuation:
Earnings multiple

Equity % held
8.8%

Income receivable in year
£150,609

Business
Provider of service plans for the motor trade

Location
Crewe

Original transaction
MBO

Audited financial information

Year ended	31 December 2012[1]
Turnover	£6,047,000
Operating profit	£2,347,000
Net assets	£3,510,000
Year ended	31 December 2011[1]
Turnover	£4,990,000
Operating profit	£867,000
Net assets	£1,535,000

[1] The financial information quoted above relates to the operating subsidiary, EMaC Limited and includes figures relating the performance of this company prior to the MBO which completed in October 2011.

Movements during the year

EMaC made loan stock repayments totalling £0.37 million in the year.

Strategic Report

Tessella Holdings Limited

www.tessella.com

Cost	£1,559,000
Valuation	£2,088,000

Basis of valuation:
Earnings multiple

Equity % held
7.2%

Income receivable in year
£162,229

Business
Provider of science powered technology and consulting services

Location
Abingdon, Oxfordshire

Original transaction
MBO

Audited financial information

Year ended	31 March 2013[1]
Turnover	£20,870,000
Operating profit	£3,021,000
Net assets	£5,560,000
Year ended	31 March 2012[1]
Turnover	£18,533,000
Operating profit	£278,000
Net assets	£2,404,000

[1] The financial information quoted above relates to the operating subsidiary, Tessella Limited and includes figures relating the performance of this company prior to the MBO which completed in July 2012.

Movements during the year

Tessella made quarterly loan stock repayments totalling £0.10 million in the year.

Madacombe Trading Limited

www.veritekglobal.com

Cost	£2,045,000
Valuation	£2,045,000

Basis of valuation:
Cost

Equity % held
13.0%

Income receivable in year
£100,260

Business
Maintenance of imaging equipment

Location
Eastbourne, East Sussex

Original transaction
MBO

Audited financial information

Year ended	31 March 2013[1]
Turnover	£24,684,000
Operating profit	£1,500,000
Net assets	£6,245,000
Year ended	31 March 2012[1]
Turnover	£25,412,000
Operating profit	£1,561,000
Net assets	£7,043,000

[1] The financial information quoted above is for Veritek Global Limited prior to the MBO which completed in July 2013.

Movements during the year

MBO investment made in July 2013.

Gro-Group Holdings Limited

www.gro.co.uk

Cost	£1,928,000
Valuation	£1,928,000

Basis of valuation:
Cost

Equity % held
10.5%

Income receivable in year
£115,263

Business
Manufacturer and distributor of baby sleep product

Location
Ashburton, Devon

Original transaction
MBO

Audited financial information

Year ended	30 June 2013[1]
Turnover	£11,444,000
Operating profit	£775,000
Net assets	£1,178,000
Year ended	30 June 2012[1]
Turnover	£10,945,000
Operating profit	£663,000
Net assets	£1,080,000

[1] The financial information quoted above is for Gro-Group Holdings Limited's only active subsidiary and includes figures prior to the MBO which completed in March 2013.

Movements during the year

MBO investment made in March 2013.

Country Baskets

CB Imports Group Limited

www.countrybaskets.co.uk

Cost	£2,000,000
Valuation	£1,746,000

Basis of valuation:
Earnings multiple

Equity % held
12.0%

Income receivable in year
£154,897

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

Location
East Ardsley, West Yorkshire

Original transaction
MBO

Audited financial information

Year ended	31 December 2012
Turnover	£24,440,000
Operating profit	£1,386,000
Net assets	£4,528,000

Year ended	31 December 2011
Turnover	£23,130,000
Operating profit	£969,000
Net assets	£4,220,000

Movements during the year

No movements during the year.

The remaining 18 investments in the portfolio had a current cost of £13.34 million and were valued at 31 December 2013 at £11.27 million.

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

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

Strategic Report

Investment Portfolio Summary

as at 31 December 2013

	Market sector	Date of investment	Total book cost £'000	Valuation £'000	Like for like valuation increase/ (decrease) over year[1]	% value of net assets	% of equity held by funds advised by Mobeus[2]
Qualifying investments							
Unquoted investments							
ATG Media Holdings Limited[4] Publisher and on-line auction platform operator	Media	Oct-08	3,122	6,913	31.2%	12.7%	38.4%
Fullfield Limited (trading as Motorclean)[4] Provider of vehicle cleaning and valet services	Support services	Jul-11	2,577	2,964	10.6%	5.5%	41.0%
Blaze Signs Holdings Limited Manufacturer and installer of signs	Support services	Apr-06	492	2,613	100.1%	4.8%	52.5%
Culbone Trading Limited (trading as Virgin Wine Online)[4] Online wine retailer	General retailers	Nov-13	2,526	2,526	New investment	4.7%	42.0%
Ingleby (1879) Limited (trading as EMaC) Provider of service plans for the motor trade	Support services	Nov-11	1,395	2,372	22.1%	4.4%	30.0%
Tessella Holdings Limited Technology consultancy	Support services	Jul-12	1,559	2,088	32.0%	3.8%	24.0%
Madacombe Trading Limited (trading as Veritek Global)[4] Maintenance of imaging equipment	Support services	Jul-13	2,045	2,045	New investment	3.8%	44.0%
Gro-Group Holdings Limited[4] Baby sleep products	General retailers	Mar-13	1,928	1,928	New investment	3.6%	37.6%
CB Imports Group Limited (trading as Country Baskets) Importer and distributor of artificial flowers and floral sundries	General retailers	Dec-09	2,000	1,746	(29.6)%	3.2%	23.2%
Focus Pharma Holdings Limited Licensor and distributer of generic pharmaceuticals	Pharmaceuticals	Oct-07	387	1,360	30.0%	2.5%	13.0%
ASL Technology Holdings Limited Printer and photocopier services	Support services	Dec-10	1,913	1,357	80.0%	2.5%	34.0%
Westway Services Holdings (2010) Limited Installation, service and maintenance of air conditioning systems	Support services	Jun-09	395	1,096	59.9%	2.0%	13.0%
Ackling Management Limited Acquisition vehicle used following the year-end to support the MBO of Entanet International Limited	Support services	Apr-12	1,000	1,000	–	1.8%	50.0%
EOTH Limited (trading as RAB and Lowe Alpine) Branded outdoor equipment and clothing	General retailers	Oct-11	1,000	981	(1.9)%	1.8%	8.0%
Machineworks Software Limited Provider of software for CAM and machine tool vendors	Software and computer services	Apr-06	223	913	(19.9)%	1.7%	45.0%
RDL Corporation Limited Recruitment consultant for the pharmaceutical, business intelligence and IT industries	Support services	Oct-10	1,558	719	(36.2)%	1.3%	45.2%
Youngman Group Limited Manufacturer of ladders and access towers	Support services	Oct-05	1,000	701	–	1.3%	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	645	20.1%	1.2%	30.0%
Vectair Holdings Limited Designer and distributor of washroom products	Support services	Jan-06	139	642	39.9%	1.2%	24.0%
Newquay Helicopters (2013) Limited (formerly British International Holdings Limited) Helicopter service operator	Support services	Jun-06	226	396	31.1%	0.7%	34.9%

	Market sector	Date of investment	Total book cost £'000	Valuation £'000	Like for like valuation increase/ (decrease) over year[1]	% value of net assets	% of equity held by funds advised by Mobeus[2]
Lightworks Software Limited Provider of software for CAD vendors	Software and computer services	Apr-06	223	200	14.4%	0.4%	45.0%
PXP Holdings Limited (trading as Pinewood Structures) Designer, manufacturer and supplier of timber-frames for buildings	Construction and building materials	Dec-06	1,278	114	–	0.2%	32.9%
Monsal Holdings Limited Supplier of engineering services to water and waste sectors	Support services	Dec-07	1,259	78	–	0.1%	29.4%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Personal goods	Dec-06	1,213	1	(99.7)%	0.0%	49.0%
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%
Total unquoted investments			**30,087**	**35,398**		**65.2%**	
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	445	9.3%	0.8%	6.0%
Total AiM quoted investments			**305**	**445**		**0.8%**	
Total qualifying investments			**30,392**	**35,843**		**66.0%**	
Non-qualifying investments							
DiGiCo Global Limited[3] Designer and manufacturer of digital sound mixing consoles	Technology, hardware and equipment	Dec-11	1,612	2,857	16.2%	5.3%	11.0%
EOTH Limited	General retailers	Oct-11	298	324		0.6%	–
Newquay Helicopters (2013) Limited	Support services	Nov-09	293	293		0.5%	–
Total non-qualifying investments			**2,203**	**3,474**		**6.4%**	
Total portfolio investments			**32,595**	**39,317**	**16.0%**	**72.4%**	

[1] - This percentage change in 'like for like' valuations is the result of dividing the total of the closing valuation of the investment plus any proceeds in the year from partial disposals minus any additions, with the valuation at the start of the year.

[2] - The other funds advised by Mobeus include Mobeus Income & Growth 2 VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc. Details are contained in Note 10 to the Accounts on page 52.

[3] - Original investment was in DiGiCo Europe Limited in July 2007. This was partially realised in December 2011, since when part of the loan stock issued then has also been realised. Therefore, this represents the cost and valuation of the remainder of the continuing investment.

[4] - Each of these new investments utilised funds of £1,000,000 already held in an acquisition vehicle as follows: Virgin Wine Online Limited via Culbone Trading Limited, Madacombe Trading Limited (trading as Veritek Global) via Madacombe Trading Limited, Gro-Group Holdings Limited via Fosse Management Limited, ATG Media Holdings Limited via Peddars Management Limited and Fullfield Limited (trading as Motorclean) via Almsworthy Trading Limited. The amounts invested into ATG Media Holdings Limited and Fullfield Limited (Motorclean) were additional funds invested into existing portfolio companies and provided those companies with acquisition finance.

Strategic Report

Investment Portfolio Summary

as at 31 December 2013

	Market sector	Date of investment	Total book cost £'000	Valuation £'000	Like for like valuation increase/ (decrease) over year[1]	% value of net assets	% of equity held by funds advised by Mobeus[2]
Brought forward: Total portfolio investments			**32,595**	**39,317**		**72.4%**	
Current investments and cash at bank							
Cash at NatWest Bank plc[1]			5,157	5,157		9.5%	
Barclays Bank plc[2]			2,004	2,004		3.7%	
HSBC Bank plc[2]			2,003	2,003		3.7%	
Lloyds Bank plc[2]			2,002	2,002		3.7%	
Nationwide International[2]			2,000	2,000		3.7%	
GS Funds plc (Goldman Sachs)[2]			430	430		0.8%	
Global Treasury Funds plc (Royal Bank of Scotland)[2]			387	387		0.7%	
Insight Liquidity Funds plc (HBOS)[2]			271	271		0.5%	
Institutional Cash Series plc (BlackRock)[2]			256	256		0.5%	
SWIP Global Liquidity Fund plc (Scottish Widows)[2]			176	176		0.3%	
Fidelity Institutional Cash Fund plc[2]			114	114		0.2%	
Total current investments and cash at bank			**14,800**	**14,800**		**27.3%**	
Total investments			**47,395**	**54,117**		**99.7%**	
Other assets				609		1.1%	
Current liabilities				(458)		(0.8)%	
Net assets				**54,268**		**100.0%**	

[1] - Disclosed as Cash at bank within Current assets in the Balance Sheet on page 41.

[2] - Disclosed as Current investments within Current assets in the Balance Sheet on page 41.

Key policies

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

Investment Policy

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

Investments are made selectively across a number of sectors, primarily in 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 lower 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 comprising 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 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 reduced 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 Adviser of up to £5 million in each business year.

Borrowing

The Company's Articles of Association ("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.

Other key policies

Cash available for investment and liquidity

The Company's cash and liquid resources are held in a range of instruments of varying maturities including liquid, low risk Money Market Funds and bank deposits, subject to the overriding criterion that the risk of loss of capital be minimised. The Company has participated in the Mobeus VCTs' annual linked fundraising since 2010 in order to maintain a sufficient level of funds that can be deployed in meeting the day-to-day expenses of the Company, dividends distributions and purchases of the Company's own shares. This enables money raised prior to 6 April 2012 to be allocated for future MBO investment.

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 and breadth of experience. The Board comprises two men and one woman. The Company does not have any senior managers or employees. The Board has made a commitment to consider diversity in making future appointments.

Further policies

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

- Human rights
- Anti-bribery policy
- Environmental and social responsibility
- Global greenhouse gas emissions

and these are set out in the Directors' Report on page 25.

Strategic Report

Principal risks

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly board meeting. Further details of these are contained in the Corporate Governance Statement on pages 35 – 36. The principal risks identified by the Board are set out below.

Risk	Possible consequence	How the Board manages risk
Economic risk	Events such as an economic recession and movements in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	• *The Board monitors (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies and (2) developments in the macro-economic environment such as movements in interest rates.*
Risk of loss of approval as a Venture Capital Trust	A breach of the VCT tax rules may lead to the Company losing its approval as a VCT, which would result in qualifying shareholders who have not held their shares for the designated period having to repay the income tax relief they obtained and that future dividends paid by the Company would be subject to tax. The Company would also lose its exemption from corporation tax on capital gains.	• *The Company's VCT qualifying status is continually reviewed by the Adviser.* • *The Board receives regular reports from PricewaterhouseCoopers LLP ("PwC") who have been retained by the Board to undertake an independent VCT status monitoring role.*
Investment and strategic risk	Investment in unquoted small companies involves a higher degree of risk than investment in fully listed companies. Smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.	• *The Board regularly reviews the Company's Objective and Investment Policy.* • *Investee companies are carefully selected by the Adviser for recommendation to the Board. The investment portfolio is reviewed by the Board on a regular basis.*
Regulatory risk	The Company is required to meet its legal and regulatory obligations as a VCT and listed company. Failure to comply might result in suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.	• *Regulatory and legislative developments are kept under review by the Company's Solicitors and by the Board.*
Financial and operating risk	Failure of the systems at any of the third party service providers that the Company has contracted with could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation or insecurity of assets.	• *The Board carries out an annual review of the internal controls in place and reviews the risks facing the Company at each quarterly Board meeting.* *It reviews the performance of the service providers annually.*
Market risk	Movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.	• *The Board receives quarterly valuation reports from the Adviser.* • *The Adviser alerts the Board about any adverse movements.*

Risk	Possible consequence	How the Board manages risk
Asset liquidity risk	The Company's investments may be difficult to realise.	• *The Board receives reports from the Adviser and reviews the portfolio at each quarterly board meeting. It carefully monitors investments where a particular risk has been identified.*
Market liquidity risk	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value.	• *The Board has a share buyback policy which seeks to mitigate the Market Liquidity risk. This policy is reviewed at each quarterly Board Meeting.*
Counterparty risk	A counterparty may fail to discharge an obligation or commitment that it has entered into with the Company.	• *The Board regularly reviews and agrees policies for managing these risks. Further details can be found in the discussion on 'credit risk' in Note 19 to the accounts on pages 57 – 58.*

Future prospects

For a discussion of the Company's future prospects, please see the Chairman's Statement on page 3.

By order of the Board

Keith Niven
Chairman

14 April 2014

Board of Directors

Keith Niven

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 a non-executive director of one other investment trust, Schroder Income Growth Fund plc. Keith is also an investment adviser to the Rolls-Royce Pension Fund and a member of the University of Glasgow Investment Advisory Committee. Keith was chairman of Matrix Income & Growth 3 VCT plc which was merged with the Company in May 2010.

Length of service as at 31 December 2013:
9.5 years

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

Number of Board and Committee meetings attended 2013: 15/15

Relevant relationships with the Adviser or other service providers:
None.

Relevant relationships with the Investee companies:
None.

Shareholding in the Company (including connected persons):
48,721 ordinary shares.

Bridget Guérin

Independent Non-Executive Director

Experience: Bridget has over 28 years' experience 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, Cayman Islands CTA Funds and Schroder Income Growth Fund plc, a London listed investment trust and Charles Stanley Group plc. She is a member of the York Racecourse Committee and is a trustee of the York Racecourse Pension Fund. Bridget was a director of Matrix Income & Growth 3 VCT plc which was merged with the Company in May 2010.

Length of service as at 31 December 2013:
9.5 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 Nomination and Remuneration Committee (Chairman from 1 March 2013)

Number of Board and Committee meetings attended 2013: 13/15

Relevant relationships with the Adviser 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 the Investee companies:
None.

Shareholding in the Company:
34,495 ordinary shares.

Tom Sooke

Independent Senior Independent Director (Non-executive)

Experience: Tom is an experienced venture capitalist and is chairman of Travel à la carte Limited and The Greek Property Agency 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, 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 was merged with the Company in May 2010.

Length of service as at 31 December 2013:
9.5 years

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

Number of Board and Committee meetings attended 2013: 13/15

Relevant relationships with the Adviser or other service providers:
None.

Relevant relationships with the Investee companies:
None.

Shareholding in the Company:
21,784 ordinary shares.

Directors' Report

The Directors present the Annual Report and Accounts of the Company for the year ended 31 December 2013.

The Company is registered in England and Wales as a Public Limited Company (registration number 5153931).

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

To enable capital profits to be distributed by way of dividends, the Company revoked its status as an investment company as defined in section 833 of the Companies Act 2006 ("the Companies Act") on 19 December 2007. The Company does not intend to re-apply for such status.

Share capital

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

Issue of shares

During the year under review, the Company issued a total of 18,259,745 (2012: 5,280,531) shares as set out below:

	Year to 31 December 2013	2012
Mobeus VCTs Linked Offer	8,691,440	5,280,531
Enhanced Buyback Facility ("EBF")	9,568,305	–
Total	**18,259,745**	**5,280,531**

Buyback of shares

Shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to buy back up to 24 million of its own shares in respect of the EBF which took place in April 2013. A further authority was granted by shareholders to the Company under this section of the Companies Act to make market purchases of up to 7.2 million of its own shares representing 14.99% of the issued share capital of the Company on 20 March 2013, at the annual general meeting held on 8 May 2013. This authority has been in place throughout the year under review. A resolution to renew this authority will be proposed to shareholders at the forthcoming Annual General Meeting.

During the year under review, the Company bought back 1,220,300 of its own shares in the market at an average price of 84.44 (2012: 81.49) pence per share and a total cost of £1.04 million including expenses (2012: £1.59 million). These shares, represented 2.7% (2012: 4.6%) of the issued share capital of the Company at the beginning of the year.

These shares were purchased by the Company in addition to the shares bought back as part of the EBF as follows

Number of the Company's own shares bought back by the Company	Year to 31 December 2013	2012
Market purchases	1,220,300	1,940,070
EBF	9,873,393	–
Total	**11,093,693**	**1,940,070**

All shares bought back by the Company were subsequently cancelled by the Company.

Issued share capital

The issued share capital of the Company as at 31 December 2013 was £531,126 (2012: £459,465) and the number of shares in issue at this date was 53,112,565 (2012: 45,946,513), subject to the cancellation from the Register of the shares bought back by the Company up until this date.

Following the year-end, the Company issued a further 7,419,575 new shares under the Mobeus VCTs' Linked Offer for Subscription launched on 28 November 2013 raising a total of £7,405,079. The Company has also bought back a further 210,000 of its own shares for cancellation following the year-end at a price of 87.00 pence per share. The issued share capital of the Company as at the date of this Report is therefore £603,221 and the number of shares in issue is 60,322,140.

Share premium account

The cancellation of the amount standing to the credit of the Company's share premium account during the year was confirmed by a Court Order dated 13 March 2013. A further cancellation of share premium account occurred after the year-end, as described in Note 21 to the accounts on page 62. The purpose of both cancellations was to provide a special distributable reserve capable of being used for the purpose, inter alia, of funding future purchases of the Company's own shares.

Dividend

The Directors are proposing a final dividend of 3.25 (2012: 2.00) pence per share comprising 1.50 (2012: 0.50) pence from capital and 1.75 (2012: 1.50) pence from income in respect of the year ended 31 December 2013, payable on 14 May 2014 to shareholders on the Register on 22 April 2014. This dividend, if paid, will increase cumulative dividends paid since inception to 47.30 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 23 of this Annual Report. The current Directors were all appointed to the Board on 1 July 2004. Each of the Directors has served on the Board for more than nine years and in accordance with the recommendation of the AIC Code of Corporate Governance ("the AIC Code") has agreed to stand for re-election annually. Following the performance evaluation of each of the Directors during the year, the Board confirms that each of the Directors continues to demonstrate commitment to his/her role and to be effective in carrying out his/her duties on behalf of the Company. Further details on the performance review are given in the Corporate Governance Statement on page 32.

The Directors who held office throughout the year under review and their interests (including those of their connected persons) as at 31 December 2013 were:

	Shares held on 31 December 2013	31 December 2012
Keith Niven	43,559	40,098
Bridget Guérin	32,052	27,338
Tom Sooke	20,236	20,742

Since the year-end, the following Directors (including their connected persons) have applied for and been issued shares in the Company as follows:

	Holding at 31 December 2013	Shares issued since the year-end	Holding at 14 April 2014
Keith Niven	43,559	5,162	48,721
Bridget Guérin	32,052	2,443	34,495
Tom Sooke	20,236	1,548	21,784

Directors' Report

Keith Niven and Tom Sooke, or their connected persons, held 43,559 and 21,784 shares respectively in nominee accounts at 14 April 2014.

Copies of the Directors' appointment letters and service and consultant's agreements, where appropriate, will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

No options over the share capital of the Company have been granted to the Directors. The Company does not have any employees.

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 Annual General Meeting of the Company to be held on 7 May 2014.

Appointment and replacement of directors

The Company's Articles and the Companies Act 2006 contain provisions relating to the appointment, election and replacement of Directors. These are set out in the paragraph headed 'Terms of appointment' on pages 28 – 29 of the Directors' Remuneration Report.

Principal risks, management and regulatory environment

A summary of the principal risks faced by the Company is set out on pages 21 – 22 of the Strategic Report.

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 Strategic Report. The Directors have satisfied themselves that the Company continues to maintain a significant cash position and 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, share buybacks and dividends) are within the Company's control. The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in Note 19 on pages 55 – 61. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor's right to information

So far as the Directors in office at 31 December 2013 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.

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.

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 December 2013, please see Note 21 to the accounts on page 62.

Social and environmental policies

Human rights policy

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

Anti-bribery policy

The VCT has adopted a zero tolerance approach to bribery. The following is a summary of the Company's 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 has adopted electronic communication for shareholders. This gives shareholders the opportunity to elect to receive email notifications of when published information is available to download from the Company's website in place of hard copies, thus reducing the volume of paper that the Company uses to produce its reports. The Company uses mixed sources paper from well-managed forests as endorsed by the Forest Stewardship Council for the printing of its Circulars and Annual and Half-Year Reports.

Global greenhouse gas emissions for the year to 31 December 2013

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, (including those within the Company's underlying investment portfolio).

Additional disclosures

Articles of Association

The Company may amend its Articles by special resolution in accordance with section 21 of the Companies Act.

Substantial interests

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

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 of their 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.

Restrictions on voting rights

There are no restrictions on voting rights and no agreements between holders of securities that may prevent or restrict the transfer of securities or voting rights.

Annual General Meeting

The notice of the Annual General Meeting of the Company to be held at 2.00 pm on 7 May 2014 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG is set out on pages 66 – 68 of this Annual Report. A proxy form for the meeting is enclosed separately with shareholders' copies of this Annual Report. Shareholders who have elected to receive communications from the Company via email, have been notified of how to submit their proxy votes electronically.

Resolutions 1-10 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and Resolutions 11 and 12 will be proposed as Special Resolutions requiring the approval of at least 75% of the votes cast at the meeting. The following is an explanation of the business to be proposed at the meeting.

Annual Report and Accounts (Resolution 1)

Shareholders will be asked to receive and adopt the Annual Report and Accounts of the Company for the year ended 31 December 2013, including the Auditor's Report thereon.

Remuneration Policy and Report (Resolutions 2 and 3)

Following a change in legislation, shareholders will have the opportunity to vote for the first time on the Company's Remuneration Policy which is set out on page 28 of this Annual Report (Resolution 2). The result of this resolution will be binding upon the Directors. A second resolution will be put to the meeting for the approval of the Annual Remuneration Report which describes how the policy will be implemented during the coming year (Resolution 3).

External Auditor (Resolutions 4 and 5)

With effect from 28 March 2013, the Company's Auditor, PKF (UK) LLP ("PKF") entered into a business combination with BDO LLP to become part of BDO LLP ("BDO"). The Board subsequently appointed BDO as the Company's Auditor to fill the vacancy arising as a result of the resignation of PKF following the business combination. The Company wrote to shareholders on 20 June 2013 informing them of this change. Resolution 4 proposes to appoint BDO as Auditor to the Company and Resolution 5 seeks authority for the Directors to determine the remuneration of the Auditor.

Re-election of the Directors (Resolutions 6 to 8)

As referred to earlier on page 24, all three Directors will be standing for re-election at the Annual General Meeting.

Final dividend (Resolution 9)

The Directors are proposing a final dividend in respect of the year ended 31 December 2013 of 3.25 pence per share comprising 1.50 pence from capital and 1.75 pence from income. Subject to approval at the Annual General Meeting to be held on 7 May 2014, the dividend will be payable to shareholders on the Register on 22 April 2014 and will be paid on 14 May 2014.

Authorities for the Directors to allot shares in the Company (Resolution 10) and disapply the pre-emption rights of members (Resolution 11).

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 10 will enable the Directors to allot new shares up to an aggregate nominal amount of £180,960 representing approximately 30% of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting.

Under section 561(1) of the Companies Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by Resolution 11 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 £150,800 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 in the market.

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

Both resolutions will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2015. The Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved at the annual general meeting of the Company held on 8 May 2013.

The Directors launched a Linked Offer for Subscription with the other three Mobeus VCTs on 28 November 2013 ("the Offer") to raise up to £24 million, subsequently increased to £34 million, in aggregate across the four VCTs. It is the Directors' intention that new shares may be issued pursuant to the Offer under these authorities (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 12)

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 9,042,290 shares representing approximately 14.99% of the issued share capital of the Company as at the date of this Annual Report or, if lower, such number of shares (rounded down to

Directors' Report

the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding 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 on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2015 except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

14 April 2014

Directors' Remuneration Report

Dear Shareholder

I am pleased to introduce the Remuneration Report for the financial year ended 31 December 2013.

This year, for the first time, this Report reflects the recent changes in reporting requirements on remuneration matters for companies, particularly to Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies Act 2006 and the Listing Rules of the UK Listing Authority. I hope that this new format will provide greater transparency than in previous years.

Over the next few pages we have set out the Company's forward looking Directors' Remuneration Policy, which for the first time is subject to a separate vote by shareholders at the Annual General Meeting.

In 2011, we commissioned a review of our Directors' remuneration from a remuneration consultancy, Trust Associates. Following their recommendation, we agreed to phase in increases in the pay of Directors over a three year period including appropriate supplements paid to the Chairman of the Board and to the Chairmen of the other Board Committees. The tables on pages 29 and 30 show the remuneration paid to each of the three non-executive Directors during the year and to be paid in 2014.

The Directors do not anticipate that any further increases will be paid over the next two years.

I would welcome any comments you may have.

Bridget Guérin

Nomination and Remuneration Committee Chairman

14 April 2014

Introduction

The Company's external 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 pages 38 – 39.

Ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 7 May 2014 for the approval of the Directors' Remuneration Policy and the Annual Remuneration Report as set out below. The Remuneration Policy will be put to shareholders every three years.

Directors' Remuneration Policy

The Directors fees are reviewed annually. When considering the level of Directors' fees, the Nomination and Remuneration Committee takes account of the workload required to be performed by the non-executive Directors, and is aware of the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate experienced directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Committee may choose to take independent advice where and when it considers it appropriate. However, it was not considered necessary to take any such advice during the year under review as the Committee was implementing advice taken in 2011.

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

Performance related remuneration

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

Recruitment remuneration

Remuneration of any new Director who may subsequently be appointed to the Board will be in line with the above policy and the levels of remuneration stated therein.

Additional benefits

The Company does not have any schemes in place to pay any of the Directors bonuses or benefits in addition to the Directors' fees. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. None of the Directors receive pension benefits from the Company and the Company has not granted any Director any options over the share capital of the Company. Each of the Directors has elected not to claim travel or subsistence expenses in relation to their work as Directors of the Company.

Shareholders' views on remuneration

The Board prioritises the views of shareholders very highly and encourages a free and frank discussion at general meetings of the Company. It takes shareholders' views into account, where appropriate when formulating its remuneration policy.

Directors' shareholdings and share interests

The Company does not require the Directors to hold shares in the Company. The Directors, however, believe that it is in the best interests of the Company and its shareholders for each Director to maintain an interest in the Company. Full details of each Director's interest in the Company's shares are set out on pages 24 – 25 of the Directors' Report.

Terms of appointment

All of the Directors are non-executive. The Articles of the Company provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to election at the first annual general meeting following their appointment. The Articles of the Company state that, 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. However, all three current Directors have served on the Board for more than nine years and

Directors' Remuneration Report

have therefore agreed to offer themselves for re-election annually.

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities and the fees pertaining to the appointment. 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 Director's appointments may be terminated by either party by giving not less than three month's notice in writing. Mr Sooke's employment under the service agreement is on a continuous basis and his consultant's agreement was subject to review after twelve months. The service agreement does not make any provision for compensation payable for loss of office. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment. New directors will be asked to undertake that they will have sufficient time to carry out their responsibilities to the Company 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. This policy applied throughout the year ended 31 December 2013 and will continue to apply to the current year ending 31 December 2014.

The table below displays the maximum payment receivable per annum by each Director for the current year and going forward, together with the Company's Objective and how this is supported by the current remuneration policy.

Director	Role	Components of Pay Package	Maximum payment per annum	Performance conditions
Keith Niven	**Chairman**	**Director's fee**	**£25,000**	**None**
		Supplement payable to Company Chairman	£15,000	
		Total	**£40,000**	
Bridget Guérin	**Chairman, Nomination and Remuneration and Management Engagement Committees**	**Director's fee**	**£25,000**	**None**
		Supplement payable to Chairman of Nomination and Remuneration and Management Engagement Committees	£5,000	
		Total	**£30,000**	
Tom Sooke	**Chairman, Audit Committee and Senior Independent Director**	**Director's fee**	**£25,000**	**None**
		Supplement payable to Chairman of Audit Committee	£10,000	
		Total	**£35,000**	
		Total fees payable	**£105,000**	

Company Objective

To provide investors with a regular income stream, by way of tax-free dividends generated from income and capital returns.

Remuneration Policy

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

Annual Remuneration Report

The Company's Directors' Remuneration Policy as set out on pages 28 – 29 will continue to be implemented throughout the year ending 31 December 2014.

Nomination and Remuneration Committee

The remuneration of individual Directors is determined by the Nomination and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Bridget Guérin (Keith Niven until 28 February 2013). The Committee meets at least once a year and is responsible for setting the remuneration policy for the Board and reviewing its ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on remuneration policy and the level of Directors' fees. The Committee may, at its discretion, recommend to the Board that individual Directors should be awarded additional payments in respect of extra-curricular work carried out on behalf of the Company. It is responsible for the appointment of remuneration consultants, if this should be considered necessary, including establishing the selection criteria and terms of reference for such an appointment. The Committee met twice during the year under review with full attendance from all its members.

Directors' emoluments

(audited information)

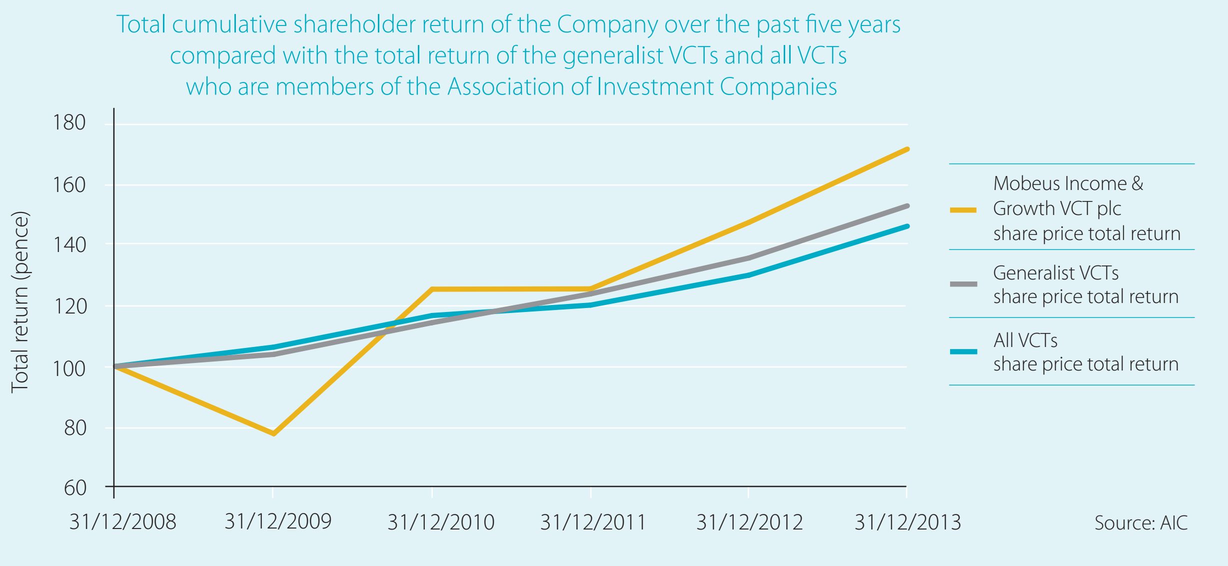
The total emoluments in respect of qualifying services of each person who served as a Director during the year were as set out in the table below. These emoluments are in line with the planned phased increases in Directors' fees recommended by Trust Associates in their review.

	Year ended 31 December 2013	**Year ended 31 December 2012**
Keith Niven	36,000	32,000
Bridget Guérin	27,000	24,000
Tom Sooke	33,750	30,000
Total	**96,750**	**86,000**

Aggregate fees paid in respect of qualifying services amounted to £96,750 (2012: £86,000). £27,000 (2012: £24,000) of the fees paid to Tom Sooke were paid to his consultancy business, CitiCourt Associates, during the year under review.

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 that of an index of all VCTs and an index generalist VCTs which are members of the AIC based on figures provided by Morningstar. The Board considers these indices to be the most appropriate indices against which to measure the Company's performance over the medium to long term. The total returns have each been re-based to 100 pence at 1 January 2009.



An explanation of the recent performance of the Company is given in the Chairman's Statement and the Strategic Report.

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

14 April 2014

Corporate Governance Statement

The Board acknowledges its responsibility for the governance of the Company's affairs. This Statement has been produced in accordance with the requirement under the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rule ("DTR") 7.2 to produce a Corporate Governance Statement and paragraph 9.8.6 of the FCA's Listing Rules which requires all listed companies to set out how they have complied with the provisions of the UK Corporate Governance Code ("The UK Code").

The Financial Reporting Council ("FRC") confirmed on 22 January 2013 that, in complying with the Association of Investment Companies' Code of Corporate Governance 2012 ("the AIC Code"), investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. 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 Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The Board considers that reporting against the principles and recommendations of the AIC Code, including reference to the AIC Guide (which incorporates the UK Code), will provide the most appropriate information to shareholders.

The Directors have therefore adopted the AIC Code for the financial year ended 31 December 2013. The AIC Code is available on the AIC's website, www.theaic.co.uk.

Statement of compliance

The Board considers that throughout the financial year ended 31 December 2013, the Company has complied with the provisions of the AIC Code, insofar as they are relevant to the business of the Company, and has complied with the relevant provisions of the UK Code.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no employees apart from its Directors who are all non-executive. The Board has therefore concluded that not all the provisions of the UK Code are relevant to the Company.

The UK Code contains provisions relating in particular, to the role of the chief executive, executive directors' remuneration, the requirement for an internal audit function and terms of appointment for directors. For the reasons set out in the AIC Guide, and as explained in the preamble to the UK Code, the Board considers that these provisions of the UK Code are not relevant to the Company as an externally managed VCT. The investment management and administration systems and procedures provided by Mobeus, the provision of VCT monitoring services by PwC, as well as the size of the Company's operations, also give the Board full confidence that an internal audit function is not necessary. The Company has therefore not reported further in respect of these provisions.

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.

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 is a matter for the Board as a whole. Where Directors have concerns, which cannot be resolved about the running of the Company or a proposed action, 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.

Director's independence and conflicts of interest

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 Director's judgment. The Board has concluded that all three Directors were independent of the Adviser throughout the year ended 31 December 2013.

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 set out in the Articles of the Company 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 Nomination and Remuneration Committee undertakes an annual review of the authorisations given by the Board. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. None of the Directors have held an interest, at any time since their appointment, in any of the Company's investee companies and none of the Directors currently have any conflicts of interest approved by the Board or shareholders under the terms of Articles.

Appointment letters for new Directors include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. The Board regularly considers the time commitments of each Director and the significant directorships of the Chairman and the other Directors, are included in the biographical details on each Director on page 23. 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 and as re-stated in principle 1 of the AIC Code. As recommended by the AIC Code, the remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions.

For the reasons described above, as well as in terms of their professional and personal integrity and experience, the Board has no hesitation in emphasising to shareholders the independent nature of each individual Director in terms of both their character and judgment.

Tenure

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 or 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 enhances 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. In particular, the Board considers that the Chairman's service of nine years as a Director of Company is an asset that he brings to the Board.

However, notwithstanding the above, it is a policy of the Company that Directors of the Company who have served for more than nine years will offer themselves for re-election annually.

Recruitment and appointment of new directors

The Board has adopted a formal process of recruitment for the appointment of new Directors including, as appropriate, the use of advertising and recruitment consultants as well as drawing on Board members' extensive range of business contacts to attract the optimum number of high quality candidates. The Board will consider diversity, including gender, in making future appointments. The selection process involves interviews with the Board and meetings with Partners of the Adviser. New Directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Adviser and the Administrator.

Performance review

The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the year ended 31 December 2013. As part of its review, the Directors considered the performance of each of the Directors and of the Board as a whole in relation to specific areas of their activity. Such areas included the composition of the Board, its procedures, investment matters, shareholder value, individual performance and relationships with the Company's main service providers. The performance of the Chairman was assessed separately. The Board as a whole discussed the outcome of the performance evaluation and, led by the Chairman, considered and agreed a plan of action to rectify any shortcomings where appropriate.

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 participate in continuing professional development and regularly attend conferences and workshops relevant to the VCT industry. This is considered annually as part of the performance review of the directors.

Board committees

The Board has established three committees with responsibilities for specific areas of its activity. Each of the committees has 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.

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

Audit Committee Report

The Audit Committee comprises all three Directors, Tom Sooke (Chairman), Keith Niven and Bridget Guérin. The Committee meets at least twice a year to review the half-yearly and annual financial statements before submission to the Board, including meeting with the external Auditor. 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 system and for reviewing the scope and results of the audit and ensuring its cost effectiveness. The Committee held three formal meetings during the year with full attendance from each of the Directors on each occasion. The Committee met informally on other occasions.

A summary of the Audit Committee's principal activities during the year is provided below:

Financial statements
The Half-Yearly and Annual Reports to shareholders for the year under review were carefully reviewed prior to submission to the Board for approval.

Internal control
The Committee monitored the system of internal controls throughout the year under review as described in more detail later in this Report on pages 35 – 36. It received reports by exception at its annual and half-yearly results meetings and reviewed a schedule of key risks at each meeting.

Valuation of investments
The valuation of the investments in the portfolio were considered in detail and agreed by the Committee for recommendation to the Board for the half-year and annual accounts. The Committee considered a report from BDO on its review of the Company as part of the year-end audit process. The report included a review of the valuations which the Committee discussed in full with the Auditor and the Adviser.

Annual Audit
The Audit Committee, in consultation with the Company's Auditor, oversaw and set the programme for the annual audit. The appropriate level of materiality

Corporate Governance Statement

agreed by the Committee, was arrived at following discussion with the Auditor. In agreeing an appropriate level, the Audit Committee took into consideration any recommendations made by the Auditor, based on such factors as industry developments, financial stability and reporting requirements. The Auditor determined materiality in order to determine the scope of its audit and the audit tests and to assist in evaluating the known and likely misstatements in the financial statements.

The key accounting and reporting issues considered by the Committee during the year have included:

Going concern
The Audit Committee monitored the Company's resources to satisfy itself that the Company has an adequate level of resources for the foreseeable future. Consideration was given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments.

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

Key risks faced by the Company
The Board has identified the key risks faced by the Company and established appropriate controls. The Committee monitors these controls and reviews any incidences of non-compliance. Further details are set out in the section of this Report that discusses the Company's system of internal controls (pages 35 – 36).

Compliance with the VCT tests
The Committee considered a report from PWC on the Company's compliance with the VCT tests as set out in the ITA on a bi-annual basis for recommendation to the Board.

Relationship with the external auditor

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

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

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- allocated an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process and engaged with the Committee Chairman and other key individuals within the business;
- provided a clear explanation of the scope and strategy of the audit;
- demonstrated the ability to communicate clearly and promptly with the members of the Committee and the Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

The Board regularly reviews and monitors the external Auditor's independence and objectivity. As part of this process it reviews the nature and extent of services supplied by the Auditor to ensure that independence is maintained. The Committee has concluded that it is in the interests of the Company to purchase certain non-audit services from the external Auditor given its knowledge of the Company. The services contracted for during the year were tax compliance services, the review of the Half-Yearly Report and iXBRL tagging. Subsequent to its review, the Committee was satisfied that audit independence has been maintained as the fees involved are relatively small compared with those for the audit. With the exception of the Half-Yearly Review, the work is undertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

The Auditor prepares an audit strategy document on an annual basis. This provides information on the audit team and timetable, audit scope and objectives, evaluation of materiality, initial assessment of key audit and accounting risks, confirmation of independence and proposed fees. This is reviewed and approved by the Committee and provides the Committee with an opportunity to consider the audit approach and to raise any queries with the Auditor. The Committee Chairman meets with the Auditor at the audit planning stage.

The outcome of the review together with any actions that have arisen are formally minuted and a summary is submitted to the Board for consideration.

The Committee makes recommendations to the Board for the appointment and re-appointment of the external Auditor. It is the Company's policy that the audit services contract should be put out to tender at least every ten years and the last tender process took place in 2012. However, should the Committee be dissatisfied with the standard of service received from the incumbent Auditor in the interim, a tender process would be undertaken.

The Committee assesses the effectiveness of the external audit process annually and makes a recommendation to the Board on the re-appointment of the Auditor. This is considered by the Board prior to agreeing the recommendation to shareholders for the re-appointment of the Auditor at each annual general meeting of the Company. As part of its review, the Committee considers the performance of the Auditor and whether it has met the agreed audit plan, the quality of its reporting in its management letter and the cost-effectiveness of the service provided as well as the manner in which it has handled key audit issues and responded to the Committee's questions. The Committee concluded that the appointment of BDO as Auditor was in the best interests of the Company and of shareholders and its recommendation was endorsed by the Board. BDO was appointed during the year to fill the vacancy created following the merger of BDO with PKF (UK) LLP, the Company's previous auditor.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises all three Directors, Bridget Guérin (Chairman since 1 March 2013), Keith Niven (Chairman until 28 February 2013) and Tom Sooke. The Committee meets at least once a year and met twice during the year under review with full attendance from the Directors.

A full description of the work of the Committee with regard to remuneration is included within the Directors' Remuneration Report on pages 28 – 30.

In considering nominations, the Committee 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. No appointments have been made during the year under review. Following a review of the composition of the Board, the Committee has recommended to the Board that a new Director be appointed during the first half of 2014 as part of its succession planning.

Management Engagement Committee

The Management Engagement Committee comprises all three Directors, Bridget Guérin (Chairman), Keith Niven and Tom Sooke. The Committee meets at least annually to review the Company's contracts with its service providers and at other times as and when necessary, and makes recommendations to the Board. The Committee met once during the year under review with full attendance from the Directors.

Investment Adviser

Mobeus acts as Adviser and also provides administrative and company secretarial services to the Company.
The annual review of the Adviser forms part of the Board's overall internal control procedures as discussed elsewhere. As part of this review, the Management Engagement Committee and the Board consider the quality and continuity of the investment management team, investment performance, quality of information provided to the Board, remuneration of the Adviser, the investment process and the results achieved to date. A review of the performance of the Company is included in the Strategic Report. The Board concluded that the Adviser has performed consistently well over the medium term and has returned a satisfactory performance in respect of the year under review. The Company's investment portfolio has performed well, demonstrating the success of the Adviser's strategy of investing primarily in MBOs of established companies. The strength of the Adviser in its sector is further evidenced by the fact that Mobeus was voted VCT House of the Year 2013 in unquote" British Private Equity Awards 2013, for the second consecutive year and Private Equity House of the Year at the Insider South West Dealmakers Awards 2013 by the corporate finance community.

The Board places significant emphasis on the Company's performance against its peers and further information on this has been included in the Strategic Report on page 5. The Board further considered the Adviser's commitment to the promotion of the Company and was satisfied that this was highly prioritised by the Adviser as evidenced by, inter alia, the Linked VCT fundraisings and shareholder workshops which had taken place annually since 2010. The Board believes that the Adviser had continued to exercise independent judgement while producing valuations which reflected fair value. Overall, the Board continues to believe that the Adviser possesses the experience, knowledge and resources that are required to support the Board in achieving the Company's long term investment objectives. The Directors therefore believe that the continued appointment of Mobeus as Adviser to the Company on the terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 6 November 2013.

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 46 – 47 of this Annual Report. The Board seeks to ensure that the terms of this Agreement represent an appropriate balance between cost and incentivisation of the Adviser.

Board meetings and the relationship with the Adviser

The Board meets at least quarterly and is in regular contact with the Adviser between these meetings. The Board held ten formal meetings during the year with full attendance from each of the Directors (except that three conference calls were held by only two out of the three directors). The Board met informally on other occasions.

The Board and the Adviser aim to 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 Adviser 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 Adviser covering key operational issues. All investment, divestment and variation decisions are made by the Board having considered formal recommendations from the Adviser. The Adviser updates 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 Adviser authority to attend and vote at general meetings of each of the investee companies in the portfolio as its Corporate Representative. The Adviser 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.

Corporate Governance Statement

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 and has since 2008 held, together with the Adviser, an annual strategy meeting. The Board monitors the investments made by the Adviser 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 2006 and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; strategy and management of the Company; changes relating to the Company's capital structure or its status as a plc; financial reporting and controls; board and committee appointments as recommended by the Nomination and Remuneration Committee and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Custody of documents of title for unquoted investments

The Board has delegated to the Company Secretary responsibility for the safekeeping of the documents of title in respect of all the venture capital investments in the Company's portfolio. The Adviser has recently received the required permission from the FCA to hold these on behalf of the Company. A system of controls has been agreed by the Audit Committee to monitor the safe-keeping and regular audit of these documents.

VCT status monitoring

The Company has retained PWC to advise on its compliance with the tax legislative requirements relating to VCTs. As such, they advise on compliance with requirements of the Venture Capital Trust tax legislation that applies to VCTs on the basis of information provided by Mobeus. Mobeus also seeks professional advice in relation to the application of the legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

Internal control

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

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 approval of investment decisions and regular reviews of the financial results and investment performance.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out 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 reduced by means of a diversified investment portfolio, as more fully described in the Investment Review and set out in the Investment Portfolio Summary on pages 10 – 19). 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 Board meeting reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the administrator.

Both the Administrator and Adviser report by exception on matters that may be of relevance to financial reporting and on other matters as appropriate on a quarterly basis.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Adviser and information is supplied to the Board as required. It remains the role of the Board to keep under review the terms of the Investment Management Agreement. The Directors carry out an Annual Review of the performance of and contractual arrangements with the Adviser.

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:

– Full internal controls are in place for the preparation and reconciliation of the valuations prepared by the Adviser;
– The Board undertakes a quarterly review of the valuations of the investments within the portfolio recommended by the Adviser. In addition to this internal review, the Board considers and takes comfort from the external Auditor's reports on the valuations produced at the half-year stage and as part of the annual audit of the Company;

- Bank and money-market fund reconciliations are carried out monthly by the Administrator;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

This system of internal control 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 was conducted on the basis of reports from the relevant service providers. The last review took place on 19 March 2014. The Board has identified no significant problems with the Company's internal control mechanisms.

Shareholder communications

The Board has a duty to promote the success of the Company and to ensure that its obligations to shareholders are met. The Company communicates with shareholders and solicits their views where it is appropriate to do so. The Adviser publishes a twice-yearly VCT shareholder newsletter which contains information on the portfolio and recent investment and corporate activity. Shareholders are welcome at annual general meetings of the Company which provide forums for them to ask questions of the Directors and the Adviser and to discuss issues affecting the Company with them. The Adviser organises an annual shareholder workshop in which shareholders are encouraged to participate.

Shareholders may contact the Chairman of the Audit Committee if they have concerns which contact through the Chairman or Adviser has failed to resolve or for which such contact is inappropriate.

The Board approves the Annual Report to shareholders The Board normally has a direct involvement in the content of communications regarding major corporate events even if the Adviser is asked to act as spokesperson.

The notice of the Annual General Meeting to be held on 7 May 2014 accompanies this Annual Report. Notices of general meetings are 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.

Additional disclosures in the Directors' Report

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

By order of the Board

Mobeus Equity Partners LLP

Company Secretary

14 April 2014

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. 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 for the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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;
- prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

Website publication

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

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

The Directors confirm to the best of their knowledge that:

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

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

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

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

The names and functions of the Directors are stated on page 23.

For and on behalf of the Board:

Keith Niven

Chairman

14 April 2014

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 2013 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement, and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement and our audit approach to these risks

We identified the following risks that we consider to have had the greatest impact on our audit strategy and scope:

- **The assessment of the carrying value of investments, particularly unquoted investments**

  This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Adviser, who is remunerated based on the net asset value of the fund, derived using those valuations.

  We challenged the assumptions inherent in the valuation of unquoted investments, which are mainly valued on an earnings multiple basis, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. Our audit procedures included reviewing the historical financial statements and recent management information available for the unquoted investments used to support assumptions about maintainable earnings used in the valuations, consideration of the earnings multiples applied by reference to observed listed company market data and we challenged the adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted. Where alternative assumptions could reasonably be applied, we developed our own point estimates and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

  Where other valuation approaches were adopted, in addition to challenging the assumptions used, we considered the appropriateness of the valuation techniques adopted by reference to both the circumstances of the investee company and the International Private Equity and Venture Capital Valuation guidelines.

  We also considered the controls over the valuation of quoted investments and tested the prices used to independent sources.

- **Revenue recognition**

  Revenue consists of dividends receivable from investee companies and interest earned on loans to investee companies and cash balances. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors. In particular, as the Company invests primarily in unquoted companies, dividends receivable can be difficult to predict.

  We considered the controls relating to revenue recognition and undertook testing of interest income by comparing actual income to expectations generated using the interest rates in the loan instruments. We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest. We also tested dividends receivable through comparing actual income to expectations set, based on independent published data on dividends declared by the investee companies held. We tested the categorisation of dividends received from investee companies between revenue and capital.

- **Completeness of expenditure**

  In view of industry practice to compare the performance of funds, partly based on the level of their on-going charges, as well as the existence of an expense cap on the management fee there is an increased risk of management override in the recognition of costs. We agreed recurring costs to expectations set based on prior years flexed for known changes, agreed engagement terms with suppliers and agreement to invoices on a sample basis. We also confirmed the appropriateness of the classification of costs of the share buyback and the linked offer fundraising being charged to reserves.

  The Audit Committee's consideration of these key issues is set out on pages 32 – 33.

Purpose of this report

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

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

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

Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

Scope of the audit of the financial statements and our application of materiality

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

We determined materiality for the financial statements as a whole to be £730,000. In determining this, we based our assessment on a percentage of fixed asset investments held at fair value which reflects the underlying level of precision within the valuation of the investment portfolio and the range of reasonably possible alternative valuations that could be expected to apply to the unquoted investments. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement was that performance materiality for the financial statements should be 75% of materiality for the financial statements as a whole, namely £547,500. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £730,000 for the financial statements as a whole.

International Standards on Auditing (UK & Ireland) also require the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to those classes of transactions and balances which impact on the costs and the net realised returns of the Company. We determined materiality for this area to be £220,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £14,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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 Strategic Report and 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 31 to 36 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 25 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

We have nothing to report in respect of these matters.

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

14 April 2014

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

Income Statement
for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 Revenue £	Capital £	Total £	Year ended 31 December 2012 Revenue £	Capital £	Total £
Unrealised gains on investments	9	–	4,832,261	4,832,261	–	3,488,447	3,488,447
Realised gains on investments	9	–	725,905	725,905	–	286,530	286,530
Income	2	3,459,318	–	3,459,318	1,797,530	–	1,797,530
Investment adviser's fees	3	(286,839)	(860,517)	(1,147,356)	(243,545)	(730,634)	(974,179)
Other expenses	4	(290,635)	–	(290,635)	(263,893)	–	(263,893)
Profit on ordinary activities before taxation		2,881,844	4,697,649	7,579,493	1,290,092	3,044,343	4,334,435
Tax on profit on ordinary activities	6	(504,213)	200,070	(304,143)	(192,913)	(192,913)	–
Profit for the year		**2,377,631**	**4,897,719**	**7,275,350**	**1,097,179**	**3,237,256**	**4,334,435**
Basic and diluted earnings per ordinary share:	8	**4.56p**	**9.41p**	**13.97p**	**2.42p**	**7.13p**	**9.55p**

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 44 – 62 form part of these financial statements.

Balance Sheet
as at 31 December 2013

Company number: 5153931

	Notes	31 December 2013 £	31 December 2012 £
Fixed assets			
Investments at fair value	9	39,317,184	34,857,675
Current assets			
Debtors and prepayments	11	609,464	215,525
Current investments	12,18	9,642,587	3,632,668
Cash at bank	18	5,157,499	4,713,008
		15,409,550	8,561,201
Creditors: amounts falling due within one year	13	(458,366)	(130,353)
Net current assets		14,951,184	8,430,848
Net assets		**54,268,368**	**43,288,523**
Capital and reserves			
Called up share capital	14	531,126	459,465
Capital redemption reserve	15	186,520	75,583
Share premium reserve	15	15,361,612	27,018,629
Revaluation reserve	15	9,867,216	4,886,524
Special distributable reserve	15	25,580,251	8,989,989
Profit and loss account	15	2,741,643	1,858,333
Equity shareholders' funds	**15**	**54,268,368**	**43,288,523**
Basic and diluted net asset value per ordinary share	**16**	**102.18p**	**94.22p**

The notes on pages 44 – 62 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 14 April 2014 and were signed on its behalf by:

Keith Niven
Chairman

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Opening shareholders' funds		43,288,523	40,726,175
Net share capital subscribed for in the year – net of expenses	15	17,393,270	5,037,328
Net share capital bought back in the year – including expenses	15	(10,474,734)	(1,588,947)
Profit for the year		7,275,350	4,334,435
Dividends paid in the year	7	(3,214,041)	(5,220,468)
Closing shareholders' funds	**15**	**54,268,368**	**43,288,523**

The notes on pages 44 – 62 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Operating activities			
Investment income received		3,066,706	1,880,902
Other income		3,615	11,759
Investment adviser fees paid		(1,147,356)	(974,179)
Other cash payments		(286,453)	(336,669)
Net cash inflow from operating activities	17	1,636,512	581,813
Investing activities			
Acquisition of investments	9	(4,765,043)	(7,793,526)
Disposals of investments	9	5,863,541	4,129,618
Net cash inflow/(outflow) from investing activities		1,098,498	(3,663,908)
Equity Dividends			
Payment of dividends	7	(3,214,041)	(5,220,468)
Cash outflow before liquid resource management and financing		(479,031)	(8,302,563)
Management of liquid resources			
(Increase)/decrease in current investments	18	(6,009,919)	7,491,013
Financing			
Shares issued as part of joint fundraising offer for subscription	14	8,092,536	5,037,328
Shares issued as part of the Enhanced Buyback Facility	15c	250,000	–
Shares bought back as part of Enhanced Buyback Facility (including expenses)	15c	(388,289)	–
Share capital bought back		(1,020,806)	(1,597,852)
		6,933,441	3,439,476
Increase in cash for the year	**18**	**444,491**	**2,627,926**

The notes on pages 44 – 62 form part of these financial statements.

Notes to the Accounts
for the year ended 31 December 2013

1. Accounting policies

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

a) Basis of accounting

The accounts have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("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 which are in accordance with FRS 26.

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 Investment Adviser compared with the sector including, inter alia, a lack of marketability).

or:-

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

(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.

Notes to the Accounts
for the year ended 31 December 2013

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 adviser 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 adviser fee expense and the related tax effect are transferred from the Profit and Loss Account reserve to this reserve.

(iv) Share premium reserve
This reserve contains the excess of gross proceeds less issue costs over the nominal value of share allotted under recent Offers for Subscription.

(v) Capital redemption reserve
The nominal value of shares bought back and cancelled is held in this reserve, so that the Company's capital is maintained.

g) Expenses

All expenses are accounted for on an accruals basis.

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

100% of any performance incentive fee payable for the 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

	2013 £	2012 £
Income from bank deposits	152,013	64,180
Income from investments		
– from equities	577,422	206,304
– from overseas based OEICs	6,146	32,373
– from loan stock	2,723,737	1,482,914
	3,307,305	1,721,591
Other income	–	11,759
Total income	**3,459,318**	**1,797,530**
Total income comprises		
Dividends	583,568	238,677
Interest	2,875,750	1,547,094
Other income	–	11,759
	3,459,318	**1,797,530**
Income from investments comprises		
Listed overseas securities	6,146	32,373
Unlisted UK securities	577,422	206,304
Loan stock interest	2,723,737	1,482,914
	3,307,305	**1,721,591**

Total loan stock interest due but not considered collectable, and so not recognised in the year was £412,387 (2012: £523,534).

3. Investment Adviser's fees

	Revenue 2013 £	Capital 2013 £	Total 2013 £	Revenue 2012 £	Capital 2012 £	Total 2012 £
Mobeus Equity Partners LLP	**286,839**	**860,517**	**1,147,356**	**243,545**	**730,634**	**974,179**

Under the terms of a revised Investment Management Agreement dated 20 May 2010, Mobeus Equity Partners LLP 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, the latter inclusive of VAT and subject to annual increases in RPI. In 2013, Mobeus has agreed to waive such further increases due to indexation, until otherwise agreed with the Board.

The calculation of the Adviser's 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 Adviser. The excess expenses during the year amounted to £nil (2012: £nil).

Notes to the Accounts
for the year ended 31 December 2013

Under an incentive agreement dated 9 July 2004, and a variation of this agreement dated 20 May 2010, the Adviser is 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. At 31 December 2013, this hurdle rate had become 6.95 pence per share (2012: 6.77 pence) and the cumulative shortfall of dividends paid below the annual hurdle rate was 14.99 pence per share at the year end. In addition, the performance fee will only be payable if the average "base net asset value" per share over the period relating to the payment has remained above 97.55 pence per share (2012: 97.71 pence). The base net asset value may change, as a result of any change in share capital, such as the allotment of new shares, in any period.

No performance incentive fee is payable to date.

Under the terms of a Linked Offer for Subscription launched on 29 November 2012, Mobeus was 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. These amounted to £587,752 across all three VCTs involved in the Offer.

Under the terms of a Linked Offer for Subscription launched 28 November 2013, Mobeus will be entitled to fees of 3.25% of the investment amount received from investors. Based upon a fully subscribed offer of £34 million this would equal £1,105,000, across all four VCTs involved in the Offer, out of which all the costs associated with the Offer will be met.

4. Other expenses

	2013 £	2012 £
Directors' remuneration (including NIC) (see note 5)	103,320	91,661
IFA trail commission	35,382	24,122
Broker's fees	14,400	14,400
Auditor's fees – audit of the statutory financial statements	23,400	20,995
– other services supplied relating to taxation - note a	1,860	2,940
– other assurance services - note a	4,200	4,500
Registrar's fees	34,522	29,919
Printing	20,500	16,089
Legal & professional fees	10,045	1,405
VCT monitoring fees	9,600	7,680
Directors' insurance	7,732	10,472
Listing and regulatory fees	23,957	21,765
Sundry	1,717	1,927
	290,635	247,875
Provision against loan interest receivable (note b)	–	16,018
	290,635	**263,893**

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

Note b: Provision against loan interest receivable above relates to an amount of £nil (2012: £16,018), being a provision made against loan stock interest regarded as collectable in previous years.

5. Directors' remuneration

	2013 £	2012 £
Directors' emoluments		
Keith Niven	36,000	32,000
Bridget Guérin	27,000	24,000
Tom Sooke	33,750	30,000
	96,750	86,000
Employer's NIC and VAT	6,570	5,661
	103,320	**91,661**

No pension scheme contributions or retirement benefit contributions were paid (2012: £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 profit/(loss) on ordinary activities

	2013 Revenue £	2013 Capital £	2013 Total £	2012 Revenue £	2012 Capital £	2012 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	504,213	(200,070)	304,143	192,913	(192,913)	–
Total current tax charge/(credit)	**504,213**	**(200,070)**	**304,143**	**192,913**	**(192,913)**	**–**
Corporation tax is based on a rate of 23.25% (2012: 20.00%)						
b) Profit on ordinary activities before tax	2,881,844	4,697,649	7,579,493	1,290,092	3,044,343	4,334,435
Profit on ordinary activities multiplied by main company rate of corporation tax in the UK of 23.25% (small company rate 2012: 20.00%)	670,029	1,092,204	1,762,233	258,018	608,869	866,887
Effect of:						
UK dividends	(134,251)	–	(134,251)	(41,261)	–	(41,261)
Unrealised gains not allowable	–	(1,123,501)	(1,123,501)	–	(697,689)	(697,689)
Realised gains not taxable	–	(168,773)	(168,773)	–	(57,306)	(57,306)
Losses brought forward	(31,565)	–	(31,565)	(70,631)	–	(70,631)
Marginal rate	–	–	–	46,787	(46,787)	–
Actual current tax charge	**504,213**	**(200,070)**	**304,143**	**192,913**	**(192,913)**	**–**

Tax relief relating to the Investment Adviser's 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 £nil (2012: £31,225) in respect of unrelieved surplus management expenses.

Notes to the Accounts
for the year ended 31 December 2013

7. Dividends paid and payable

	2013 £	2012 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2012 of 1.50p (income) (2011: 1.25p); 0.50p (capital) (2011: 5.00p) per ordinary share	1,073,757	2,894,707
Interim dividend for the year ended 31 December 2013 of 2.00p (income) (2012: 0.50p); 2.00p (capital) (2012: 4.50p) per ordinary share)	2,140,284	2,325,761
	3,214,041	5,220,468
Proposed distributions to equity holders at the year-end:		
Final dividend for the year ended 31 December 2013 of 1.75p (income) (2012: 1.50p); 1.50p (capital) (2012: 0.50p) per ordinary share	1,960,470	960,660

Any proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Set out below are the total income dividends payable in respect of the financial year, which is the basis on which the requirements of Section 259 of the ITA are considered.

	2013 £	2012 £
Revenue available for distribution by way of dividends for the year	2,377,631	1,097,179
Interim income dividend of 2.00p (2012: 0.50p) paid during the year	1,070,141	232,576
Final income dividend proposed for the year ended 31 December 2013 of 1.75p (2012: 1.50p) per ordinary share	1,055,637	720,495
	2,125,778	953,071

8. Basic and diluted earnings per share

	2013 £	2012 £
Total earnings after taxation:	7,275,350	4,334,435
Basic and diluted earnings per share (Note a)	**13.97p**	**9.55p**
Revenue profit from ordinary activities after taxation	2,377,631	1,097,179
Basic and diluted revenue earnings per share (Note b)	**4.56p**	**2.42p**
Net unrealised capital gains on investments	4,832,261	3,488,447
Net realised capital gains on investments	725,905	286,530
Capital adviser fees less taxation	(660,447)	(537,721)
Total capital return	4,897,719	3,237,256
Basic and diluted capital earnings per share (Note c)	**9.41p**	**7.13p**
Weighted average number of shares in issue in the year	52,090,673	45,383,141

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 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**
Purchases at cost	–	1,909	–	4,762,975	4,764,884
Sale proceeds	–	(21,862)	–	(5,852,192)	(5,874,054)
Realised gains	–	21,862	–	714,556	736,418
Reclassification at value	–	(1,619,564)	2,463	1,617,101	–
Net unrealised gains/(losses) for the year	38,125	4,818,088	750	(24,702)	4,832,261
Closing valuation at 31 December 2013	**444,789**	**15,238,816**	**35,968**	**23,597,611**	**39,317,184**
Cost at 31 December 2013	305,000	8,028,849	47,766	24,213,431	32,595,046
Net unrealised gains/(losses) at 31 December 2013	139,789	7,911,329	(8,720)	217,137	8,259,535
Permanent impairment in value of investments	–	(701,362)	(3,078)	(832,957)	(1,537,397)
Valuation at 31 December 2013	**444,789**	**15,238,816**	**35,968**	**23,597,611**	**39,317,184**

Within net unrealised gains of £4,832,261 for the year, the significant gains were £1,480,407 in Blaze Signs Holdings Limited, £1,255,722 in ATG Media Holdings Limited, £603,032 in ASL Technology Holdings Limited, £529,793 in Tessella Holdings Limited, £503,707 in Westway Services Holdings (2010) Limited, and £495,667 in EMaC Limited; the significant losses were as follows: £735,449 in CB Imports Group Limited, £407,848 in RDL Corporation Limited, £387,101 in Racoon International Limited, and £226,942 in Machineworks Software Limited.

The difference between unrealised gains/(losses) at 31 December 2013 above of £8,259,535 and that shown on note 15 of £9,867,216 is £1,607,681 relating to the current balance of proceeds as received in the form of loan stock as part of the secondary buyout of DiGiCo Europe Limited in December 2011.

Reconciliation of investment transactions to cash and income statement movements

The cash flow from investment proceeds shown above of £5,874,054 differs from the sale proceeds shown in the cash flow statement of £5,863,541 due to transaction costs of £10,513. These transaction costs also account for the difference in realised gains between £736,418 shown above and £725,905 disclosed in the Income Statement.

The difference between purchases of investments above of £4,764,884 and the outflow of £4,765,043 shown by the Cash Flow Statement is £159. This related to purchasing share options in an investee company that had not completed by the year end.

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10. Significant interests

At 31 December 2013 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (Ordinary shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity
ATG Media Holdings Limited	532,884	2,589,381	3,122,265	14.0%
Fullfield Limited (trading as Motorclean)	664,072	1,912,466	2,576,538	12.6%
Culbone Trading Limited (trading as Virgin Wine Online)	58,008	2,468,463	2,526,471	12.2%
Madacombe Trading Limited (trading as Veritek Global)	54,950	1,990,325	2,045,275	13.0%
CB Imports Group Limited	350,000	1,650,000	2,000,000	12.0%
Gro-Group Holdings Limited	186,195	1,741,356	1,927,551	10.5%
ASL Technology Holdings Limited	452,130	1,460,815	1,912,945	10.3%
DiGiCo Global Limited	4,647	1,607,681	1,612,328	4.7%
Tessella Holdings Limited	280,673	1,278,022	1,558,695	7.2%
RDL Corporation Limited	271,044	1,287,290	1,558,334	14.1%
Ingleby (1879) Limited (trading as EMaC)	528,700	866,483	1,395,183	8.8%
PXP Holdings Limited (trading as Pinewood)	1,277,722	–	1,277,722	15.1%
Monsal Holdings Limited	406,211	853,796	1,260,007	11.5%
Racoon International Holdings Limited	262,258	950,777	1,213,035	23.3%
Youngman Group Limited	100,052	900,000	1,000,052	8.5%
Ackling Management Limited	400,000	600,000	1,000,000	12.5%
Newquay Helicopters (2013) Limited	225,000	294,382	519,382	17.5%
Blaze Signs Holdings Limited	472,125	19,672	491,797	20.8%
The Plastic Surgeon Holdings Limited	39,029	439,392	478,421	11.1%
Westway Services Holdings (2010) Limited	214,336	180,215	394,551	5.1%
Focus Pharma Holdings Limited	384,663	1,953	386,616	5.1%
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 and Mobeus Income and Growth 4 VCT plc, which have investments as at 31 December 2013 in the following:

	The Income & Growth VCT plc at cost £	Mobeus Income & Growth 2 VCT plc at cost £	Mobeus Income & Growth 4 VCT plc at cost £	Total £	% of equity held by funds managed by by Mobeus %
Culbone Trading Limited (trading as Virgin Wine Online)	2,843,557	1,330,202	1,999,771	6,173,530	42.0
Fullfield Limited (trading as Motorclean)	2,405,464	1,624,768	1,793,231	5,823,463	41.0
Madacombe Trading Limited (trading as Veritek Global)	2,289,858	967,781	1,620,086	4,877,725	44.0
ATG Media Holdings Limited	1,529,754	1,316,236	1,889,006	4,734,996	38.4
ASL Technology Holdings Limited	1,769,790	1,360,130	1,257,133	4,387,053	34.0
Gro-Group Holdings Limited	2,341,286	1,096,102	1,540,061	4,977,449	37.6
Tessella Holdings Limited	1,620,060	841,669	1,177,577	3,639,306	24.0
RDL Corporation Limited	1,441,667	1,000,000	1,000,000	3,441,667	45.2
Ingleby (1879) Limited (trading as EMaC)	1,486,848	867,447	1,000,522	3,354,817	30.0
EOTH Limited (trading as Equip Outdoor Technologies)	1,383,313	817,185	951,471	3,151,969	8.0
PXP Holdings Limited (trading as Pinewood Structures)	965,371	1,220,579	712,925	2,898,875	32.9
Youngman Group Limited	1,000,052	1,000,052	500,026	2,500,130	29.7
Ackling Management Limited	1,000,000	1,000,000	1,000,000	3,000,000	50.0
DiGiCo Global Limited	545,075	829,768	829,769	2,204,612	11.0
CB Imports Group Limited	1,000,000	–	1,000,000	2,000,000	23.2
Monsal Holdings Limited	454,461	821,982	678,300	1,954,743	29.4
Racoon International Holdings Limited	550,852	878,527	406,805	1,836,184	49.0
Blaze Signs Holdings Limited	418,281	437,030	190,631	1,045,942	52.5
The Plastic Surgeon Holdings Limited	406,082	392,264	458,837	1,257,183	30.0
Newquay Helicopters (2013) Limited	196,824	393,647	98,412	688,883	34.9
Focus Pharma Holdings Limited	181,722	232,114	271,566	685,402	13.0
Omega Diagnostics Group plc	279,996	–	199,998	479,994	6.0
Legion Group plc	150,000	150,106	150,102	450,208	N/A
Westway Services Holdings (2010) Limited	195,141	–	130,298	325,439	13.0
Vectair Holdings Limited	53,400	60,293	24,732	138,425	24.0
Lightworks Software Limited	20,471	25,727	9,329	55,527	45.0
Machineworks Software Limited	20,471	25,727	9,329	55,527	45.0
Watchgate Limited	1,000	–	1,000	2,000	100.0

11. Debtors

	2013 £	2012 £
Amounts due within one year:		
Accrued income	593,273	200,660
Prepayments	16,032	14,865
Other debtors	159	–
	609,464	**215,525**

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for the year ended 31 December 2013

12. Current investments

	2013 £	2012 £
Monies held pending investment	**9,642,587**	**3,632,668**

This comprises cash invested in six Dublin based OEIC money market funds and in four bank deposits. £1,633,110 (2012: £1,632,668) of this sum is subject to immediate access and £8,009,477 (2012: £2,000,000) is in bank deposits, repayable within one year. These sums are regarded as monies pending investment and are treated as liquid resources in the Cash Flow Statement.

13. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	52,472	37,647
Other creditors	9,734	8,707
Corporation tax	304,143	–
Accruals	92,017	83,999
	458,366	**130,353**

14. Called up share capital

	2013 £	2012 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 53,112,565 (2012: 45,946,513)	531,126	459,465
	531,126	**459,465**

As part of the Linked Offer launched on 29 November 2012, a total of 8,691,440 ordinary shares were allotted at prices ranging from 94.60 pence to 99.80 pence per share, raising net funds of £8,092,536.

Under the terms of the Enhanced Buyback Facility ("EBF") offered to shareholders on 25 January 2013, the EBF transaction was completed in two tranches, on 4 April 2013 and 8 April 2013. Across both dates, a total of 9,873,393 ordinary shares were bought back at a price of 94.20 pence per share, and immediately following this 9,568,305 ordinary shares were allotted at a price of 97.20 pence per share.

During the year, excluding the EBF, the Company made the following share repurchases for a total consideration of £1,035,711 (2012: £1,588,947).

Number of shares purchased	Date of purchase	Nominal value £
250,000	21 March 2013	2,500
211,024	25 March 2013	2,110
79,388	13 May 2013	794
90,915	26 June 2013	909
74,256	28 June 2013	743
120,209	16 August 2013	1,202
335,867	29 November 2013	3,359
58,641	23 December 2013	586
1,220,300		**12,203**

15. Movement in share capital and reserves

	Called up share capital	Capital redemption reserve	Share premium reserve	Revaluation reserve	Special distributable reserve*	Profit and loss account*	Total
	£	£	£	£	£	£	£
At 1 January 2013	459,465	75,583	27,018,629	4,886,524	8,989,989	1,858,333	43,288,523
Shares issued via offer for subscription	86,915	–	8,005,621	–	–	–	8,092,536
Shares issued under enhanced buyback facility (note c)	95,683	–	9,205,051	–	–	–	9,300,734
Shares bought back under enhanced buyback facility (note c)	(98,734)	98,734	–	–	(9,300,734)	–	(9,300,734)
Expenses of shares issued and bought back via enhanced buyback facility (note d)	–	–	–	–	(138,289)	–	(138,289)
Shares bought back	(12,203)	12,203	–	–	(1,035,711)	–	(1,035,711)
Cancellation of share premium account (note a)	–	–	(28,867,689)	–	28,867,689	–	–
Write off to special reserve (note a)	–	–	–	–	(1,802,693)	1,802,693	–
Realisation of previously unrealised losses	–	–	–	148,431	–	(148,431)	–
Dividends paid	–	–	–	–	–	(3,214,041)	(3,214,041)
Profit for the year	–	–	–	4,832,261	–	2,443,089	7,275,350
As at 31 December 2013	**531,126**	**186,520**	**15,361,612**	**9,867,216**	**25,580,251**	**2,741,643**	**54,268,368**

* - These reserves total £28,321,894 (2012: £10,848,322) and are regarded as distributable reserves for the purpose of assessing the Company's ability to pay dividends to shareholders.

Note a: The cancellation of £28,867,689 from the share premium account (as approved at the General Meeting held on 22 February 2013 and by order of the Court dated 13 March 2013) has increased the Company's special distributable reserve out of which it can fund buybacks of shares as and when it is considered by the Board to be in the interests of the shareholders, and to absorb an existing and future realised losses. As a result, the Company has a special reserve of £25,580,251. The transfer of £1,802,693 to the special reserve from the realised capital reserve above is the total of realised losses incurred by the Company this year.

Note b: The realised capital reserve and the revenue reserve together comprise the Profit and Loss Account of the Company shown in the Balance Sheet.

Note c: Reconciliation of the Cash Flow Statement to reserves above

The Cash Flow Statement discloses an inflow of funds of £250,000, and an outflow of funds of £388,289 from shares bought back under the EBF including expenses. The amount of £388,289 is comprised of an initial £250,000 remitted to the Company's broker to finance the EBF and £138,289 of expenses related to the EBF (see note d). With the initial receipt of £250,000 from the Company, the Company's broker and registrars then processed £9,300,734 of shares bought back under the EBF, and £9,300,734 of shares issued under the EBF. As these cash movements did not pass through the Company's bank accounts, the Cash Flow Statement does not reflect the full figures disclosed in the reserve movements above.

Note d: These are the expenses of the EBF of £138,289. These costs are borne by those shareholders who participated in the EBF. No fees were charged by the Adviser. The EBF transaction was completed in two tranches, on 4 April and 8 April 2013. Across both dates, a total of 9,873,393 ordinary shares were bought back at a price of 94.20 pence per share, and immediately following this 9,568,305 ordinary shares were allotted at a price of 97.20 pence per share.

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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 53,112,565 (2012: 45,946,513) ordinary shares, being the number of ordinary shares in issue on that date.

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

	2013 £	2012 £
Profit on ordinary activities before taxation	7,579,493	4,334,435
Net gains on realisations of investments	(725,905)	(286,530)
Net unrealised gains on investments	(4,832,261)	(3,488,447)
(Increase)/decrease in debtors	(393,780)	114,134
Increase/(decrease) in creditors and accruals	8,965	(91,779)
Net cash inflow from operating activities	**1,636,512**	**581,813**

18. Analysis of changes in net funds

	Cash £	Liquid resources £	Total £
At beginning of year	4,713,008	3,632,668	8,345,676
Cash flows	444,491	6,009,919	6,454,410
At 31 December 2013	**5,157,499**	**9,642,587**	**14,800,086**

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 Policy; 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 2013:

	2013 (Book value) £	2013 (Fair value) £	2012 (Book value) £	2012 (Fair value) £
Assets at fair value through profit and loss:				
Investment portfolio	39,317,184	39,317,184	34,857,675	34,857,675
Current investments	9,642,587	9,642,587	3,632,668	3,632,668
Loans and receivables				
Accrued income	593,273	593,273	200,660	200,660
Other debtors	159	159	–	–
Cash at bank	5,157,499	5,157,499	4,713,008	4,713,008
Liabilities at amortised cost or equivalent				
Other creditors	(458,366)	(458,366)	(130,353)	(130,353)
Total for financial instruments	54,252,336	54,252,336	43,273,658	43,273,658
Non financial instruments	16,032	16,032	14,865	14,865
Total net assets	**54,268,368**	**54,268,368**	**43,288,523**	**43,288,523**

The investment portfolio principally consists of unquoted investments (98.9%; 2012: 98.8%) and AiM quoted stocks (1.1%; 2012: 1.2%). The investment portfolio has a 100% (2012: 100%) concentration of risk towards small UK based, £ denominated companies and represents 72.4% (2012: 80.5%) of net assets at the year-end.

Current investments are money market funds and bank deposits which, along with cash, are discussed under credit risk below, which represent 27.3% (2012: 19.3%) 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 Policy. 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 Policy, 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 Investment Adviser. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Audit 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.

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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 Investment Adviser in unquoted companies, irrespective of the instruments the Company actually holds, (whether shares, preference shares or loan stock) carry a full market risk, even though some of the loan stocks may be secured on assets, but behind any prior ranking bank debt in the investee company.

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

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

	2013 Profit and net assets £	2012 Profit and net assets £
If overall share prices rose/fell by 20% (2012: 20%), with all other variables held constant – increase/(decrease)	7,863,437 / (7,863,437)	6,971,535 / (6,971,535)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	14.81p / (14.81)p	15.17p / (15.17)p

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

Credit risk

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

The Company's maximum exposure to credit risk is:

	2013 £	2012 £
Loan stock investments	23,597,611	22,379,873
Current investments	9,642,587	3,632,668
Accrued income	593,273	200,660
Cash at bank	5,157,499	4,713,008
	38,990,970	**30,926,209**

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

The accrued income shown above was all due within 5 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 estimates using the Adviser's expectations of when it is likely that such loans may be repaid.

Repayable within	2013 £	2012 £
0 to 1 year	2,622,927	3,404,073
1 to 2 years	4,006,085	3,872,706
2 to 3 years	5,982,824	3,157,994
3 to 4 years	2,107,118	6,970,642
4 to 5 years	8,878,657	4,974,458
Total	**23,597,611**	**22,379,873**

Included within loan stock investments above are loans at a carrying value of £1,044,925, which are past their repayment date but have been renegotiated. Three loans with values totalling £1,347,330 are now past their repayment date but have not yet 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 £	2013 Total £
Loans to investee companies past due	**293,382**	**–**	**2,058,941**	**2,352,323**

	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**

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 bank deposits of £8,009,477 at four well-known financial institutions, held within 'Current Investments', credit risk is considered to be relatively low in recent circumstances. The cash at bank figure of £5,157,499 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.

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Cash flow interest rate risk

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

Due to the short time to maturity of some of the Company's floating rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held. The Company's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk above.

The interest rate profile of the Company's financial net assets at 31 December 2013 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	15,683,605	–	–	15,683,605		
Preference shares	–	35,968	–	35,968	0.4	0.43
Loan stocks	–	22,997,611	600,000	23,597,611	8.1	3.27
Current investments	–	2,000,000	7,642,587	9,642,587	0.7	
Cash	–	–	5,157,499	5,157,499		
Debtors	593,432	–	–	593,432		
Creditors	(458,366)	–	–	(458,366)		
Total for financial instruments	15,818,671	25,033,579	13,400,086	54,252,336		
Non-financial instruments	16,032	–	–	16,032		
Total net assets	**15,834,703**	**25,033,579**	**13,400,086**	**54,268,368**		

The interest rate profile of the Company's financial 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	0.3	1.16
Loan stocks	–	18,412,720	3,967,153	22,379,873	5.7	3.02
Money market funds	–	2,000,000	1,632,668	3,632,668	1.8	–
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**		

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:

	2013 £ Profit and net assets	2012 £ Profit and net assets
If interest rates rose / fell by 1%, with all other variables held constant – increase/(decrease)	107,201 / (107,201)	98,503 / (98,503)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.20p / (0.20)p	0.21p / (0.21)p

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and 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 Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £14,800,086 which are all accessible at varying points over the next 12 months.

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 2013	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	444,789	–	15,238,816	15,683,605
Preference shares	–	–	35,968	35,968
Loan stock	–	–	23,597,611	23,597,611
Money market funds	9,642,587	–	–	9,642,587
Total	**10,087,376**	**–**	**38,872,395**	**48,959,771**

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 in accounting policies in note 1.

Notes to the Accounts
for the year ended 31 December 2013

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 on below:

	Equity investments £	Preference shares £	Loan stock £	Total £
Opening balance at 1 January 2013	12,038,383	32,755	22,379,873	34,451,011
Purchases	1,909	–	4,762,975	4,764,884
Sales	(21,862)	–	(5,852,192)	(5,874,054)
Reclassification at value *	(1,619,564)	2,463	1,617,101	–
Total gains/(losses) included in the Income Statement:				
– on assets sold	21,862	-	714,556	736,418
– on assets held at the year end	4,818,088	750	(24,702)	4,794,136
Closing balance at 31 December 2013	**15,238,816**	**35,968**	**23,597,611**	**38,872,395**

* - 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 2013 £	31 December 2012 £
Investment methodology		
Cost (reviewed for impairment)	1,689,882	8,026,316
Asset value supporting security held	700,992	700,992
Recent investment price	6,691,734	1,886,643
Earnings multiple	29,789,787	23,837,060
	38,872,395	**34,451,011**

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2012 and 31 December 2013:

Change in valuation methodology (2012 to 2013)	Carrying value as at 31 December 2013 £	Explanatory note
Cost (reviewed for impairment) to recent investment price	6,499,297	More appropriate basis for determining fair value
Earnings multiple to cost (reviewed for impairment)	1,000	More appropriate basis for determining fair value

The valuation results from the use of the most appropriate valuation methodology for an investment within its market and after considering the particular circumstances of that 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 2013.

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 £3.81 million or 9.7% lower. Using the upside alternatives the value would be increased by £3.68 million or 9.4%. In arriving at both these figures, a 5% change to earnings multiples was applied and for five investee companies, an adjusted maintainable earnings figure 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 16 January 2014, the Company invested £1,143,200 into South West Services Investment Limited, a new acquisition vehicle.

On 28 January 2014, Westway Services Holdings (2010) Limited repaid £107,749 of loan stock (including £33,669 premium).

On 20 February 2014, the Company invested £1,713,522 (including £1,000,000 from Ackling Management Limited, one of the Company's acquisition vehicles) to support the MBO of Entanet International Limited.

On 26 February 2014, the Company invested £1,142,000 into Manufacturing Services Investment Limited, a new acquisition vehicle.

As approved by the Company's shareholders on 22 February 2013, and confirmed by the Court on 12 March 2014, the Company cancelled the amount of £18,539,073 held in the Company's Share Premium account and Capital Redemption reserve on that date. This balance has been added to the Company's special distributable reserve.

On 20 March 2014, the Company bought back 210,000 of its own shares for cancellation at a price of 87.00 pence per share.

On 4 April 2014, the Company realised its investment in Machineworks Software Limited for cash proceeds of £1,561,985.

Since the year-end, a total of 7,419,575 new ordinary shares have been allotted at an average price of 103.82 pence per share raising net funds of £7,405,079 under the Linked Offer for Subscription launched on 28 November 2013.

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 Adviser circulates a twice-yearly newsletter to its VCT shareholders in July and January of each year. The newsletter includes contains certain 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 2013 was 102.18 pence. 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 2013 of 3.25 pence per share (comprising 1.50 pence from capital and 1.75 pence from income). The dividend will be paid on 14 May 2014 to shareholders on the Register on 22 April 2014.

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 ("Computershare") at the address given at the end of this section.

Financial calendar

Mid April 2014	Annual Report for the year ended 31 December 2013 to be circulated to shareholders
22 April 2014	Record date for shareholders to be eligible for final dividend
7 May 2014	Annual General Meeting
14 May 2014	Final dividend in respect of the year ended 31 December 2013 to be paid to shareholders.
August 2014	Announcement of Half-Yearly Results and circulation of Half-Yearly Report for the six months ended 30 June 2014 to shareholders
31 December 2014	Year-end

Annual General Meeting

The next Annual General Meeting of the Company will be held on 7 May 2014 at 2.00 pm at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG. 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 Adviser during the meeting. The Notice of the meeting is included on pages 66 – 68 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, to arrive no later than 2.00 pm on 2 May 2014.

Managing your shareholding online

For details on your individual shareholding and to manage your account on online shareholders may log into or register with the Computershare Investor Centre by going to:

www-uk.computershare.com/investor.

You can use the Investor Centre to change your address details, check your holding balance and transactions, view the dividends you have received, add and amend your bank details and manage how you receive your dividends.

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.

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 Adviser, approved by the Board. The May annual general meetings 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 Adviser.

Boiler room fraud and unsolicited communications to shareholders

We are aware that from time to time our shareholders have received unsolicited telephone calls and/or mail which purport to come from the Company or to be authorised by the VCT.

MIG VCT is obliged by law to make its share register publicly available on request and, as a result, it is possible that shareholder address information could be used by third parties to obtain telephone numbers and/or send unsolicited mail. However, the Company has the right to challenge such a request when the reason given for the request is not acceptable to us and we will be taking advantage of these provisions as appropriate.

The practice of boiler room fraud has been highlighted by the FCA and the Institute of Chartered Secretaries and Administrators ("ICSA"), and their warning notice to shareholders is reproduced below. Our registrars, Computershare , also have an informative FAQs section on boiler room scams on their website which can be accessed by going to: www-uk.computershare.com, selecting Investor Centre and then clicking on the button "Fraudsters' new tactics – Don't be a victim of scams".

Warning issued by the FCA and the ICSA (updated to reflect changes at the FCA)

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the FCA has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting www.fca.gov.uk/register/ and contacting the firm using the details on the register.
- Report the matter to the FCA either by contacting its consumer helpline on 0800 111 6768 or consumer.queries@fca.org.uk or visiting the consumer pages at their website which includes comprehensive information in the section on investment scams including a reporting form.
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme ("FSCS"). The FSCS can be contacted via their website at www.fscs.org.uk.

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the Money Advice Service website: www.moneyadviceservice.org.uk.

For further information, shareholders may also contact Mobeus, the Company Secretary, Tel : 020 7024 7000.

Shareholder workshop

The Adviser held its fourth annual investor workshop in January 2014. The workshop provided a forum for about 160 Mobeus VCT shareholders to hear presentations from the Adviser and to learn more about its investment activity in greater depth from the Managing Director and Chairman respectively, of two diverse portfolio companies, Gro-Group and Newquay Helicopters.

Shareholder Information

Mobeus website

The Adviser's website 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. Videos of the presentations and Q & A sessions from the recent investor workshop can also be viewed here.

Shareholder enquires:

For enquiries concerning the Fund, please contact the Adviser, 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 in writing or by phone:

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

Tel: 0870 707 1155.

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.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the tenth annual general meeting of Mobeus Income & Growth VCT plc ("the Company") will be held at 2.00 pm on Wednesday, 7 May 2014 at the offices of SGH Martineau LLP, One America Square, Crosswall, London EC3N 2SG for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 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 2013 ("Annual Report"), together with the auditor's report thereon.

2. To approve the remuneration policy as set out in the Annual Report.

3. To approve the directors' remuneration report as set out in the Annual Report.

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

5. To authorise the directors to determine the remuneration of BDO LLP as auditor to the Company.

6. To re-elect Keith Niven as a director of the Company.

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

8. To re-elect Tom Sooke as a director of the Company.

9. To approve the payment of a final dividend in respect of the year ended 31 December 2013 of 3.25 pence per ordinary share of 1 penny each in the capital of the Company, payable on 14 May 2014 to shareholders on the register on 22 April 2014.

10. 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 ("Rights") up to an aggregate nominal value of £180,960, provided that the authority conferred by this resolution shall expire (unless renewed, revoked or varied by the Company in general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2015 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

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

    (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding £150,800 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 of the allotment may be used in whole or in part to purchase the Company's shares in the market and provided that this authority shall expire (unless renewed, revoked or varied by the Company in general meeting) on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2015, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Notice of the Annual General Meeting

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

    (i) the aggregate number of shares which may be purchased shall not exceed 9,042,290 or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the shares in issue at the date of passing of this resolution;

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

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

    (iv) the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2015; 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

Mobeus Equity Partners LLP
Company Secretary
14 April 2014

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 Mobeus Equity Partners LLP, the Company Secretary at 30 Haymarket, London SW1Y 4EX or by email to: mig@mobeusequity.co.uk or telephone on 020 7024 7600.

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 (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 2.00 pm on 2 May 2014 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 financial 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 Uncertificated Securities Regulation 2001, entitlement to attend and vote at the annual general meeting (and the number of votes that may be cast thereat) will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members 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 (i) Members representing at least 5% of the total voting rights of all the Members or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100 (in accordance with section 527 of the Act) can require the Company to publish a statement on its website setting out any matter relating to (a) 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 meeting; or (b) any circumstances 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, that the Members propose to raise at the meeting. The Company cannot require the Members requesting the publication to pay its expenses in complying with sections 527 or 528 of the Act. Any statement required to be placed on the Company's website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website under section 527.

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 14 April 2014 the Company's issued share capital consisted of 60,322,140 ordinary shares, all of which carry one vote each. Therefore, the total voting rights in the Company as at 14 April 2014 were 60,332,140.

14. The Register of directors' interests and directors' appointment letters 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. The directors do not have any service contracts with the Company.

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

Performance Data at 31 December 2013

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

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

MIG VCT Fundraisings

Share price as at 31 December 2013 87.50 pence[1]
NAV per share as at 31 December 2013 102.18 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 2004/05					
Between 5 October 2004 and 29 June 2005	100.00	**60.00**	44.05	**131.55**	**146.23**
Funds raised 2010/11					
21 January 2011	98.00	**68.60**	22.75	**110.25**	**124.93**
28 February 2011	102.30	**71.61**	22.75	**110.25**	**124.93**
22 March 2011	102.30	**71.61**	22.75	**110.25**	**124.93**
01 April 2011	102.30	**71.61**	22.75	**110.25**	**124.93**
05 April 2011	102.30	**71.61**	22.75	**110.25**	**124.93**
10 May 2011	100.60	**70.42**	22.75	**110.25**	**124.93**
06 July 2011	95.30	**66.71**	17.75	**105.25**	**119.93**
Funds raised 2011/12					
08 March 2012	101.20	**70.84**	17.25	**104.75**	**119.43**
04 April 2012	101.20	**70.84**	17.25	**104.75**	**119.43**
05 April 2012	101.20	**70.84**	17.25	**104.75**	**119.43**
10 May 2012	101.20	**70.84**	17.25	**104.75**	**119.43**
10 July 2012	95.50	**66.85**	11.00	**98.50**	**113.18**
Funds raised 2012/2013					
14 January 2013	94.60	**66.22**	6.00	**93.50**	**108.18**
28 March 2013	97.40	**68.18**	6.00	**93.50**	**108.18**
04 April 2013	97.40	**68.18**	6.00	**93.50**	**108.18**
05 April 2013	97.40	**68.18**	6.00	**93.50**	**108.18**
10 April 2013 pre RDR[4]	99.80	**69.86**	6.00	**93.50**	**108.18**
10 April 2013 post RDR[4]	97.40	**68.18**	6.00	**93.50**	**108.18**
07 May 2013	95.40	**66.78**	4.00	**91.50**	**106.18**

[1] - Source: London Stock Exchange (mid-price).

[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 70.

[4] - RDR means the date of implementation of the Retail Distribution Review on 31 December 2012, which affected the level of charges in the allotment price for applications received before and after that date.

MIG 3 VCT Fundraisings

Share price as at 31 December 2013 93.23 pence[1]
NAV per share as at 31 December 2013 108.87 pence

Shareholders in the former MIG 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.

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 2006 (formerly Matrix Income & Growth 3 VCT plc)					
Between 24 January 2006 and 5 April 2006	100.00	**60.00**	33.79	**127.02**	**142.66**

[1] - Source: London Stock Exchange (mid-price), as adjusted for the merger ratio.
[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 below.

Cumulative dividends paid

	Funds raised 2004/05 (p)	Funds raised 2006 (p)	Funds raised 2010/11 (p)	Funds raised 2011/12 (p)	Funds raised 2013 (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	5.00		
15 September 2011	0.50	0.53	0.50		
22 May 2012	6.25	6.66	6.25	6.25	
20 September 2012	5.00	5.33	5.00	5.00	
15 May 2013	2.00	2.13	2.00	2.00	2.00
18 September 2013	4.00	4.26	4.00	4.00	4.00
Total dividends paid[2]	**44.05**	**33.79**	**22.75**	**17.25**	**6.00**

[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.
[2] - The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to shareholders by date of allotment is shown on page 69 and above.

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Keith Niven (Chairman)
Bridget Guérin
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