Mobeus Income & Growth VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Financial Statements

for the year ended 31 December 2016

mobeus
EQUITY PARTNERS

Mobeus Income & Growth VCT plc ("the Company", "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 unquoted companies, is advised by Mobeus Equity Partners LLP ("Mobeus" or "the Investment Adviser").

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, while continuing at all times to qualify as a VCT.

Contents

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 it.

Further information on boiler room scams and who to contact, should you believe that you have been approached in such a manner, is included in the reply to the FAQ, "What should I do if I receive an unsolicited offer for my shares?" in the VCT Investor area of the Investment Adviser's website (www.mobeusequity.co.uk). Details of any share dealing facilities that the Company endorses will be included in company mailings.

Financial Highlights

Results for the year ended 31 December 2016

- Net asset value ("NAV") total return per share for the year was 1.5% while the share price total return per share for the year was 4.3%.
- Shareholders received an interim dividend of 8.50 pence per share in September 2016. A second interim dividend in respect of 2016 of 6.00 pence per share has been declared, payable on 31 March 2017. This dividend will bring total dividends paid per share in respect of the year to 14.50 pence. Cumulative dividends paid per share from inception of the Company will increase to 95.80 pence.
- The Company invested a total of £3.95 million into four new growth capital investments and one existing portfolio company.

Performance Summary

The net asset value per share of the Company at 31 December 2016 was 83.53 pence.

The table below shows the recent past performance of the original fundraising launched in October 2004.

Reporting date as at	Net assets (£m)	NAV per share (p)	Share price[1] (p)	Cumulative dividends paid per share (p)	Cumulative total return per share to shareholders[2] (NAV basis) (p)	Cumulative total return per share to shareholders[2] (Share price basis) (p)	Dividends paid and proposed per share in respect of the year (p)
31 December 2016	63.15	83.53	74.75	89.80	173.33	164.55	14.50[3]
31 December 2015	74.11	97.54	86.50	74.30	171.84	160.80	10.00
31 December 2014	60.41	99.44	86.00	64.30	163.74	150.30	24.00
31 December 2013	54.27	102.18	87.50	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

[1] Source: Panmure Gordon & Co (mid-market price).

[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 since launch in October 2004.

[3] This figure of 14.50 pence includes the second interim dividend of 6.00 pence per share referred to in the Financial Highlights above, payment of which will reduce the net assets per share from the 31 December 2016 figure of 83.53 pence by the amount of the dividend.

Detailed performance data for all fundraising rounds and for former Matrix Income & Growth 3 VCT shareholders are shown in a table on pages 64 - 65 of this Annual Report. The tables, which give information by allotment date on NAVs and dividends paid per share, are also available on the Company's website at www.migvct.co.uk where they can be downloaded by clicking on "table" under "Reviewing the performance of your investment" on the home page.

Discount of share price to NAV - The discount of the Company's shares to NAV at 31 December 2016 was 10.0%, as the share price at that date was based on the NAV per share at 30 September 2016 of 83.02 pence, which was the latest published figure at that time.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth VCT plc for the year ended 31 December 2016.

This has been a stable year for the Company, due to steady portfolio performance overall and continued income returns. Six new investments have been made under the Company's new Investment Policy, which is an encouraging start.

Shareholders approved a new Investment Policy at last year's annual general meeting in May 2016, in response to the new VCT measures introduced by the Finance (No 2) Act 2015 ("New VCT Rules") in November 2015. I report upon the Company's progress in adapting to these changes under Investment portfolio below.

Performance

The NAV total return per share for the year ended 31 December 2016 was 1.5% (2015: 8.1%) (being the closing NAV plus dividends paid in the year, divided by opening NAV) while the share price total return was 4.3% (2015: 12.2%). As a result of this performance, the NAV cumulative total return per share (being the closing NAV plus total dividends paid to date since launch) rose during the year by 0.9% from 171.84 pence to 173.33 pence.

The small rise in NAV return over the year was principally due to continued revenue returns maintained from the previous year supported by stable capital returns on the investment portfolio.

Dividends

Your Company paid an interim dividend of 8.50 pence per share to shareholders on 20 September 2016, being 2.00 pence from income and 6.50 pence from capital of which 5.00 pence was paid from the Company's Special Distributable Reserve. The Directors have also declared a second interim capital dividend in respect of 2016 of 6.00 pence per share, also payable from the Company's Special Distributable Reserve. This dividend will be paid on 31 March 2017 to shareholders on the Register on 3 March 2017.

Once this payment has been made, total dividends in respect of the year will be 14.50 pence (2015: 10.00 pence) per share, bringing cumulative dividends paid since inception in 2004 to 95.80 pence (2015: 81.30 pence) 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 exceeded in each of the last seven years. While the Board still believes in the attainment of the target dividend, the gradual move of the portfolio to growth capital investments may make it harder to achieve in a given year without recourse to the Company's reserves. A full dividend history is contained in the Performance Data appendix on pages 64 and 65 and on the Company's website.

Investment portfolio

Partly as a consequence of the move towards investing in younger and smaller growth capital companies to comply with the New VCT Rules, the amount of new investment completed by the Company was lower in 2016 than 2015. These New VCT Rules contain more restrictive investment criteria, which caused a pause in new investment by the Company in the first half of the year (and across the whole of the VCT generalist sector), whilst the Board and the Investment Adviser assimilated the changes.

It was thus pleasing that the last quarter of the year saw a significant pick up in the pace of new investment such that a total of £3.95 million (2015: £10.72 million) was invested in five (2015: six) companies during the year, plus £0.69 million in another company just after the year-end. While this level of investment is lower than in previous years, it compares favourably to levels achieved elsewhere, as the Mobeus advised VCTs invested around a sixth of the total invested by the VCT generalist sector in the year. These investments were made into Redline, MPB, BookingTek, Pattern Analytics (Biosite), Preservica (an existing portfolio company) and finally, into Tapas Revolution just after the year end. The average transaction size of these new investments is less than half that of last year, reflecting the change in focus to younger, smaller companies required by the New VCT Rules. Further details of all of these transactions are included in the Investment Adviser's Review on pages 4 and 5.

In addition to these new investments, the Investment Adviser is reporting a growing pipeline of opportunities, from which we expect the rate of new investment to increase. The Board remains of the view that the changes in the VCT legislation clearly restrict the universe of companies that the Company can invest in, but has been encouraged by the number and quality of the opportunities identified by the Investment Adviser so far. As these are smaller, younger businesses, the Board believes that such investments carry higher risk alongside potentially higher, but more variable, returns and are less likely to yield income returns. Transactions to date have been structured to seek to mitigate these factors.

Shareholders should note that, at the year-end, 92.3% of the value of the investment portfolio (excluding companies preparing to trade) is still held in investments made under the previous MBO focused strategy. Overall, performance of this principal portion of the portfolio remained solid, and should continue to yield annual income returns to shareholders, supplemented by capital returns as investments are realised over time. The Company received cash proceeds in the year of £2.97 million, mostly as partial loan repayments, from nine companies held in this portion of the portfolio. Unless a compelling case for an exit opportunity is presented, the Board and the Investment Adviser would prefer to develop this portfolio to further maturity.

On a like-for-like basis, the value of the total portfolio increased by 0.8% over the year. Including companies preparing to trade, it is valued at £51.68 million (2015: £51.36 million) at the year-end, representing 104.2% (2015: 102.6%) of cost.

Review of longer term performance

Shareholders who invested in 2004 at the launch of the Company have seen a NAV cumulative total return of 173.33 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 their investment) of 60 pence per share. As part of this return 89.80 pence per share in dividends has been paid to shareholders. This represents an average annual dividend yield on the initial 100 pence investment, of 7.3% and 12.2% on the adjusted investment cost of 60 pence (net of 40 pence of initial income tax relief). The balance of the total return is the closing NAV of 83.53 pence per share.

The Board also regularly reviews the Company's total (income and capital) return performance on both an NAV and Share Price basis compared to its peer group. Based on statistics prepared by

Morningstar at 31 December 2016, the Company was ranked 6th on a NAV total return basis and 8th on a Share Price total return basis out of 29 generalist (including planned exit) VCTs monitored by the Association of Investment Companies ("AIC") over the last ten years. The Board believes this to be a satisfactory performance.

Buybacks of the Company's own shares

During the year ended 31 December 2016, the Company made three purchases of its shares, buying back a total of 375,480 shares, allowing shareholders who wanted to sell their shares to do so. The buyback represented 0.5% of the issued share capital of the Company at the beginning of the year. Further details are included in the Strategic Report on page 17. The shares bought back were subsequently cancelled by the Company.

Industry and regulatory developments

HMRC published its guidance on the New VCT Rules in May 2016 which has provided further information on the new requirements at a detailed level. There remain several areas where further clarity is still required and the Company, the Investment Adviser and the VCT industry as a whole, are continuing to work constructively with Government departments, through its industry bodies, to develop an improved practical approach. Notwithstanding the EU Referendum result, the Board is working on the assumption that there will be no further changes to the existing VCT legislation in the near future.

A summary of the current VCT regulations is included on page 15 of this Annual Report.

Fundraising and Liquidity

The Company held cash or near cash resources of £21.66 million, including the liquidity held in companies preparing to trade ("CPTs"), at 31 December 2016, representing 34.3% of net assets. This results partly from the impact of the unexpected changes to the VCT Rules which led to a lower than anticipated amount of new investment in the short term. However, the increasing pipeline of prospective deals since the introduction of the New VCT Rules should reduce this liquidity over time. The second interim dividend of 6.00 pence per share, to be paid to shareholders on 31 March 2017, will have a similar effect.

The Board considers that the Company's liquidity is currently at an adequate level, but it is considering a further fundraising in the 2017/18 tax year.

Audit tender

New legislation has been introduced in the UK on audit firm rotation, resulting from the new European Audit Regulation Directive, making it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years. An audit firm can, however be appointed for up to twenty years provided a public tender process has been carried out after ten years. The Company, therefore, held an audit tender process in August-September 2016. As a result of this, the Board, on the recommendation of the Audit Committee, has decided to recommend the reappointment of BDO LLP as the Company's external auditor. For further information on the audit tender, please see the Audit Committee section of the Corporate Governance Statement on page 28 of this Annual Report.

Shareholder Event

This year's annual shareholder event was held on Tuesday, 24 January 2017 at the Royal Institute of British Architects in Central London. Separate day time and evening sessions included presentations on the Mobeus advised VCTs' investment activity and performance. We have received positive feedback from many of those who attended the event and were pleased to hear that the overall impression of attendees was that they found the day informative and very worthwhile. If shareholders were unable to attend, some short portfolio company videos shown on the day, as well as those shown in previous years, are available on the Mobeus website (www.mobeusequity.co.uk/portfolio).

Annual General Meeting

The next Annual General Meeting of the Company will be held at 2.00 pm on Wednesday, 10 May 2017 at a new venue, **The Clubhouse, 8 St James's Square, London SW1Y 4JU**. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will include a presentation from the Investment Adviser on the investment portfolio. Shareholders are encouraged to attend and to ask questions of the Board and the Investment Adviser. The Notice of the meeting is included on pages 61 – 63 and an explanation of the resolutions to be proposed can be found in the Directors' Report on pages 23 and 24 of this Annual Report.

Board directors

As noted in the Half Year Report, Keith Niven retired as Chairman and director from the Board during the year, as did Tom Sooke, retiring as Chairman of the Audit Committee and director. On behalf of the Board, I would like to reiterate our thanks and appreciation for their substantial contribution and leadership since the inception of the Company in 2004. We wish them well for the future.

Future prospects

In the context of a global economy that is facing some uncertainty following the UK's Referendum vote and the US Presidential Election, the outlook for the UK economy in 2017 remains unclear and may remain so beyond 2017, until the outcome of the EU exit negotiations becomes evident. We will continue our measured and cautious approach to investment appraisal and with our active engagement with existing portfolio companies.

The portfolio has a solid foundation of investments made under the previous MBO strategy, the majority of which are mature and profitable companies providing attractive income returns. Over the coming years, the portfolio mix will change towards growth capital companies. In spite of the global political and economic uncertainties mentioned above, the Board and the Investment Adviser remain optimistic regarding the future prospects of the Company.

Finally, I would like to take this opportunity to thank all shareholders for their continued support.

Clive Boothman
Chairman

29 March 2017

Investment Portfolio

Investment Adviser's Review

This has been a year of continued progress within the portfolio. The exceptional level of disposals in 2014 and 2015 has reduced the age of the remaining portfolio such that 53% by value (48% by number) of the current portfolio comprises investments made since the start of 2014. The year has seen investment in five (plus one just after the year-end) new growth capital opportunities, which represent 11.3% of the portfolio. Many of the MBO portfolio companies are generating cash and have made repayments of their loan stock and are trading well.

Having experienced an unprecedented number of profitable realisations in 2014 and 2015, the Investment Adviser does not anticipate this level to be repeated in the near to medium term. Shareholders will note that the year-end valuation of the portfolio is only just above its cost. As the portfolio now has a younger profile, time is required for these more recent investments to grow in value. Unless a compelling offer is made for one of our investments, we plan to hold those that are performing, that are generating income and that show potential to grow in value further.

Investments by market sector at valuation

Investments remain spread across a number of sectors, primarily in support services, software and computer services and general retailers.

Impact of Changes in VCT Rules

The amendments to VCT legislation were a significant change for the VCT industry and required all VCTs to reconsider the type of investments that they can make in future. We have responded to this by adding experienced growth capital investment resource to our existing team. Along with other investment advisers in the industry, we have focused on gaining familiarity with the practical implications of the rules on the types of investment opportunities we can now consider for VCT investment. That process is continuing, including discussions with HMRC in response to their draft Guidance to the legislation. We are also gaining additional practical experience from assessing prospective opportunities at a detailed level and from continuing to seek HMRC Advance Assurance in respect of each new investment proposal.

There has been an inevitable initial slowdown in new deal activity, resulting from both the more restrictive criteria for VCT investment under the new VCT rules and delays at HMRC in processing applications for Advance Assurance. Independent research shows that as at 31 December 2016 the amount of completed new investment across the generalist VCT Industry for 2016 had fallen by 31% and 49% compared to the same periods in 2015 and 2014 respectively.

Impact of Brexit

It is too early to comment on the eventual impact of the UK leaving the EU upon the portfolio, whatever form that departure takes. Whilst the SME sector will not be immune to any general downturn in the UK economy, the portfolio has historically proved to be resilient and we believe will continue to be so. Portfolio companies with foreign currency exposure routinely cover this exposure and any negative effects of a longer term adjustment in exchange rate will not emerge for some months. Some portfolio companies will be beneficiaries of a weaker pound.

New Investment

Against this background we are therefore pleased to have made six new investments under the New VCT Rules. A total of £3.95 million (including £1.09 million from a company preparing to trade) was invested during the year under review. This comprised new investments into Redline, MPB, BookingTek, Pattern Analytics (Biosite) and Preservica, an existing portfolio company. Just after the year-end, the Company made another new investment of £0.69 million into Tapas Revolution. Further details are set out below.

Principal new investments in the year

	Company	Business	Date of investment	Amount of new investment (£m)
REDLINE ASSURED SECURITY	Redline	Provision of security products and services	February 2016	1.09*

Redline is a market leader in the provision of security consultancy and training services to airlines, governments, airports and global distribution companies. Redline currently operates predominantly in the aviation security market and is at the forefront of counterterrorism training and services. The investment is being applied to enable the Company to grow in its core aviation market and in other sectors. The company's latest accounts for the year ended 31 March 2016 show turnover of £5.01 million and underlying profit before interest, tax and amortisation of goodwill of £1.04 million.

* £1.51 million previously held in Pound FM Consultants Limited, a company preparing to trade, was used for this investment. This resulted in a net repayment of £0.42 million. Pound FM Consultants Limited has subsequently changed its name to Redline Worldwide Limited.

	Company	Business	Date of investment	Amount of new investment (£m)
mpb.com	MPB Group	Online marketplace for used photo and video equipment	June 2016	0.60

MPB is Europe's leading online marketplace for used photo and video equipment. Based in Brighton, their custom-designed pricing technology enables MPB to offer both buy and sell services through the same platform and offers a one-stop shop for all its customers. The investment is to fund expansion of its platform globally, with launches into both the US and German markets. The company's latest audited accounts for the year ended 31 March 2016 show turnover of £8.37 million and profit before interest, tax and amortisation of goodwill of £0.001 million.

	Company	Business	Date of investment	Amount of new investment (£m)
BookingTek	BookingTek	Direct booking software for hotels	October 2016	0.60

Based in London, BookingTek has developed software that enables hotels to reduce their reliance on third-party booking systems by means of a real-time booking platform for meeting rooms and restaurant reservations. The investment is to support further growth. The company's latest audited accounts for the year ended 31 July 2015 show turnover of £2.19 million and loss before interest, tax and amortisation of goodwill of £0.33 million.

	Company	Business	Date of investment	Amount of new investment (£m)
BIOSITE	Biosite	Workforce management	November 2016	0.76

Based in the Midlands, Pattern Analytics (Biosite) is a fast growing provider of biometric access control and software-based workforce management solutions for the construction sector. The investment will support the expansion of the team to facilitate the development of new site-management tools to enable managers to oversee all aspects of a construction project. The company's latest accounts for the year ended 31 July 2016 show turnover of £4.69 million and profit before interest, tax and amortisation of goodwill of £0.49 million.

Further investment into an existing portfolio company in the year

	Company	Business	Date of investment	Amount of new investment (£m)
Preservica Digital Preservation	Preservica	Sellers of proprietary digital archiving software	December 2016	0.90

Preservica has developed the world's leading software for the long-term preservation of digital records ensuring that long-term digital content remains accessible, irrespective of future changes in technology. Previously a subsidiary of Tessella, it was demerged prior to the sale of Tessella in December 2015. The new investment provided additional growth capital to finance the development of the business. The Company's latest accounts for the year ended 31 March 2016 show turnover of £1.78 million and profit before interest, tax and amortisation of goodwill of £0.16 million.

New investment post year-end

	Company	Business	Date of investment	Amount of new investment (£m)
TAPAS REVOLUTION	Tapas Revolution	Restaurant chain	January 2017	0.69

Based in London, Ibericos Etc. (which trades as Tapas Revolution) is a leading Spanish restaurant chain in the casual dining sector focusing on shopping centres sites with high footfall. Having opened its first restaurant in Shepherd's Bush: Westfield, the business has since opened four restaurants. The investment provided growth capital to a high-calibre team with significant restaurant roll-out experience who have spent the past five years building and refining their offer and are now well placed to capitalise on a strong pipeline of new sites. The Company's latest accounts for the year ended 25 October 2015 show turnover of £2.37 million and loss before interest, tax and amortisation of goodwill of £0.16 million.

Realisations

There have been no full realisations during the year ended 31 December 2016 (2015: £6.92 million from two realisations), although the Company received total cash proceeds of £2.97 million (2015: £10.28 million). This was in the form of loan stock repayments (£1.95 million) detailed below, deferred consideration (£0.62 million) from Focus Pharma and Westway, both realised in a previous period, and finally, other receipts of £0.40 million.

After the year-end, the Company sold the balance of its AIM quoted investment in Omega Diagnostics Group plc, realising proceeds of £0.37 million.

Loan stock repayments

Positive cash flow at a number of companies contributed to £1.95 million received as partial and full loan stock repayments during the year. These proceeds are summarised below:-

Company	Business	Month	Amount (£000's)
Ward Thomas	Logistics, storage and removals business	January	1,005
Barham Consulting	Company preparing to trade	December	605
Pound FM	Company preparing to trade	February	170
Motorclean	Vehicle cleaning and valeting services	February	92
Jablite	Expanded polystyrene products	April	76
Total			**1,948**

After the year-end, the Company received partial loan repayments totalling £5.12 million from Backhouse Management Limited, McGrigor Management Limited, Barham Consulting Limited, Hollydale Management Limited and Creasy Marketing Services Limited, all being companies preparing to trade.

Mobeus Equity Partners LLP
29 March 2017

Investment Portfolio

Principal investments in the portfolio at 31 December 2016 by valuation

Tovey Management Limited

www.access-is.com

Cost	£3,264,000
Valuation	£3,438,000

Basis of valuation
Earnings multiple

Equity % held
13.4%

Income receivable in year
£249,227

Business
Data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015[1]
Turnover	£11,488,000
Operating profit	£1,526,000
Net assets	£5,236,000
Year ended	31 December 2014[1]
Turnover	£9,952,000
Operating profit	£1,206,000
Net assets	£3,765,000

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

Movements during the year

None.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£2,439,000
Valuation	£3,393,000

Basis of valuation
Earnings multiple

Equity % held
12.2%

Income receivable in year
£233,313

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2015
Turnover	£37,117,000
Operating profit	£2,424,000
Net assets	£1,465,000
Period ended	30 June 2014[1]
Turnover	£25,813,000
Operating profit	£1,708,000
Net assets	£930,000

[1] The financial information above is for a 15 month period.

Movements during the year

None.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost	£2,942,000
Valuation	£3,170,000

Basis of valuation
Earnings multiple

Equity % held
14.4%

Income receivable in year
£243,417

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

Year ended	30 September 2015
Turnover	£15,361,000
Operating profit	£1,442,000
Net liabilities	£(2,450,000)
Year ended	30 September 2014
Turnover	£13,266,000
Operating profit	£1,176,000
Net liabilities	£(3,123,000)

Movements during the year

None.

Entanet Holdings Limited

www.enta.net

Cost	£2,713,000
Valuation	£2,820,000

Basis of valuation
Earnings multiple

Equity % held
16.4%

Income receivable in year
£250,000

Business
Wholesale voice and data communications provider

Location
Telford, Shropshire

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015
Turnover	£31,887,000
Operating profit	£269,000
Net liabilities	£(1,463,000)
Period ended	31 December 2014[1]
Turnover	£25,753,000
Operating profit	£1,053,000
Net liabilities	£(296,000)

[1] The financial information above is for an 11 month period.

Movements during the year

None.

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£3,282,000
Valuation	£2,674,000

Basis of valuation
Earnings multiple

Equity % held
19.0%

Income receivable in year
£46,158

Business
Publishing and events business

Location
London

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015[1]
Turnover	£8,768,000
Operating profit	£508,000
Net assets	£1,867,000
Year ended	31 December 2014[1]
Turnover	£8,378,000
Operating profit	£1,139,000
Net assets	£1,796,000

[1] The financial information quoted above is for Media Business Insight Limited, the trading subsidiary of Media Business Insight Holdings Limited.

Movements during the year

None.

Turner TopCo Limited

www.antiquestradegazette.com

Cost	£2,501,000
Valuation	£2,177,000

Basis of valuation
Earnings multiple

Equity % held
6.0%

Income receivable in year
£Nil

Business
Publisher and online auction platform operator

Location
London

Original transaction
Secondary buyout

Audited financial information

Year ended	30 September 2015
Turnover	£18,918,000
Operating profit	£601,000
Net liabilities	£(7,125,000)
Period ended	30 September 2014[1]
Turnover	£4,126,000
Operating loss	£(106,000)
Net liabilities	£(834,000)

[1] The financial information above is for a 3 month period.

Movements during the year

None.

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.

Principal investments in the portfolio by valuation

Fullfield Limited

www.motorclean.net

Cost	£1,626,000
Valuation	£2,097,000

Basis of valuation
Earnings multiple

Equity % held
14.1%

Income receivable in year
£151,892

Business
Vehicle cleaning and valet services

Location
Laindon, Essex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2016
Turnover	£49,632,000
Operating profit	£1,952,000
Net assets	£1,607,000
Year ended	31 March 2015
Turnover	£41,166,000
Operating profit	£1,358,000
Net assets	£1,586,000

Movements during the year

Fullfield made a loan repayment of £0.09 million during the year.

Gro-Group

www.gro.co.uk

Cost	£1,975,000
Valuation	£1,704,000

Basis of valuation
Earnings multiple

Equity % held
13.4%

Income receivable in year
£104,716

Business
Manufacturer and distributor of baby sleep products

Location
Ashburton, Devon

Original transaction
Management buyout

Audited financial information

Period ended	31 December 2015[1]
Turnover	£21,018,000
Operating profit	£1,304,000
Net assets	£1,110,000
Year ended	30 June 2014
Turnover	£12,854,000
Operating profit	£1,352,000
Net assets	£1,287,000

[1] The financial information above is for an 18 month period.

Movements during the year

None.

CGI Creative Graphics

www.cgi-visual.com

Cost	£1,808,000
Valuation	£1,635,000

Basis of valuation
Earnings multiple

Equity % held
7.8%

Income receivable in year
£180,018

Business
Vinyl graphics to global automotive, recreation vehicle and aerospace markets

Location
Kempston, Bedfordshire

Original transaction
Management buyout

Audited financial information

Year ended	29 February 2016
Turnover	£12,528,000
Operating profit	£518,000
Net assets	£800,000
Period ended	28 February 2015[1]
Turnover	£12,124,000
Operating profit	£902,000
Net assets	£2,521,000

[1] The financial information above is for a 9 month period.

Movements during the year

None.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost £1,298,000

Valuation £1,634,000

Basis of valuation
Earnings multiple

Equity % held
2.3%

Income receivable in year
£112,890

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Acquisition capital

Audited financial information

Year ended	31 January 2016
Turnover	£37,826,000
Operating profit	£1,748,000
Net assets	£11,090,000
Year ended	31 January 2015
Turnover	£38,982,000
Operating profit	£2,399,000
Net assets	£10,376,000

Movements during the year

None.

Veritek Global Holdings Limited

www.veritekglobal.com

Cost £2,045,000

Valuation £1,620,000

Basis of valuation
Earnings multiple

Equity % held
13.0%

Income receivable in year
£228,717

Business
Maintenance of imaging equipment

Location
Eastbourne, East Sussex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2016
Turnover	£18,953,000
Operating profit	£1,009,000
Net liabilities	£(322,000)
Year ended	31 March 2015
Turnover	£22,165,000
Operating profit	£2,379,000
Net liabilities	£(72,000)

Movements during the year

None.

Vian Marketing Limited

www.tushingham.com

Cost £1,189,000

Valuation £1,572,000

Basis of valuation
Earnings multiple

Equity % held
9.3%

Income receivable in year
£74,669

Business
Design, manufacture and sale of stand-up paddleboards and windsurfing sails

Location
Totnes, Devon

Original transaction
Growth capital and equity release

Audited financial information

Year ended	29 February 2016[1]
Turnover	£9,602,000
Operating profit	£523,000
Net assets	£2,340,000
Year ended	28 February 2015[1]
Turnover	£7,543,000
Operating profit	£1,079,000
Net assets	£2,017,000

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

Movements during the year

None.

The remaining 25 investments in the portfolio (including seven companies preparing to trade) had a cost of £22.53 million and were valued at £23.75 million at 31 December 2016.

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.

Investment Portfolio Summary

as at 31 December 2016

	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							
Virgin Wines Holding Company Limited Online Wine retailer	General retailers	Nov-13	2,439	3,393	(3.6)%	5.4%	42.0%
ASL Technology Holdings Limited Printer and photocopier services	Support services	Dec-10	2,942	3,170	(6.8)%	5.0%	47.5%
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	Software and computer services	Oct-15	2,979	3,153	5.8%	5.0%	45.0%
Entanet Holdings Limited Wholesale communications provider	Fixed line Telecommunications	Feb-14	2,713	2,820	(32.5)%	4.5%	57.5%
Turner Topco Limited (trading as ATG Media) Publisher and on-line auction platform operator	Media	Oct-08	2,501	2,177	60.7%	3.4%	16.4%
Fullfield Limited (trading as Motorclean) Provider of vehicle cleaning and valet services	Support services	Jul-11	1,626	2,097	10.4%	3.3%	46.0%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	Media	Jan-15	2,518	1,910	(3.9)%	3.0%	67.5%
Gro-Group Holdings Limited Baby sleep products	General retailers	Mar-13	1,975	1,704	19.6%	2.7%	48.0%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreational vehicle and aerospace markets	General Industrials	Jun-14	1,808	1,635	11.1%	2.6%	28.1%
Veritek Global Holdings Limited Maintenance of imaging equipment	Support services	Jul-13	2,045	1,620	(22.6)%	2.6%	44.0%
Vian Marketing Limited (trading as Tushingham Sails) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	Leisure goods	Jul-15	1,189	1,572	32.2%	2.5%	31.5%

[1] This percentage change in 'like for like' valuations is a comparison of the 31 December 2016 valuations with the 31 December 2015 valuations having adjusted for any partial disposals, loan stock repayments or new investments in the period.

[2] The other funds advised by Mobeus that also hold these investments are Mobeus Income & Growth 2 VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc.

[3] £1,513,500 invested in Pound FM Consultants Limited, a company preparing to trade, was used for the investment into Redline Assured Security Limited ("Redline"). This resulted in a net repayment to the Company of £425,871. Pound FM Consultants Limited subsequently changed its name to Redline Worldwide Limited.

	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]
Tharstern Group Limited Software based management information systems	Software and computer services	Jul-14	1,377	1,535	(19.8)%	2.4%	52.5%
Manufacturing Services Investment Limited Company seeking to carry on a business in the manufacturing sector	Company preparing to trade	Feb-14	1,524	1,524	-	2.4%	50.0%
Backhouse Management Limited Company seeking to carry on a business in the motor sector	Company preparing to trade	Apr-15	1,514	1,514	-	2.4%	50.0%
Chatfield Services Limited Company seeking to carry on a business in the retail sector	Company preparing to trade	Apr-15	1,514	1,514	-	2.4%	50.0%
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	Company preparing to trade	Apr-15	1,514	1,514	-	2.4%	50.0%
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	Company preparing to trade	Apr-15	1,514	1,514	-	2.4%	50.0%
Hollydale Management Limited Company seeking to carry on a business in the food sector	Company preparing to trade	Mar-15	1,465	1,465	-	2.3%	50.0%
The Plastic Surgeon Holdings Limited Supplier of snagging and finishing services to the domestic and commercial property markets	Support services	Apr-08	478	1,461	7.3%	2.3%	49.5%
RDL Corporation Limited Recruitment consultant for the pharmaceutical, business intelligence and IT industries	Support services	Oct-10	1,558	1,443	48.9%	2.3%	45.2%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	General retailers	Oct-11	1,000	1,310	24.6%	2.1%	8.0%
Redline Worldwide Limited (formerly Pound FM Consultants Limited)[3] Provider of security services to the aviation industry and other sectors	Support services	Feb-16	1,088	1,088	-	1.7%	30.0%
Vectair Holdings Limited Designer and distributor of washroom products	Support services	Jan-06	139	1,029	49.1%	1.6%	24.0%

Investment Portfolio

Investment Portfolio Summary

as at 31 December 2016

	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]
Blaze Signs Holdings Limited Manufacturer and installer of signs	Support services	Apr-06	492	1,018	(21.2)%	1.6%	52.5%
Barham Consulting Limited Company seeking to carry on a business in the catering sector	Company preparing to trade	Apr-15	1,150	908	-	1.4%	50.0%
Preservica Limited[3] Seller of proprietary digital archiving software	Software and computer services	Dec-15	900	900	New investment	1.4%	20.2%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	Support services	Dec-14	614	881	5.7%	1.4%	18.5%
Jablite Holdings Limited Manufacturer of expanded polystyrene products	Construction and materials	Apr-15	502	810	(39.5)%	1.3%	40.1%
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	Software and computer services	Nov-16	757	757	New investment	1.2%	20.4%
BookingTek Limited Direct booking software for hotels	Software and computer services	Oct-16	606	606	New investment	1.0%	14.7%
MPB Group Limited Online marketplace for used photographic and video equipment	General retailers	Jun-16	604	604	New investment	1.0%	23.5%
Lightworks Software Limited Provider of software for CAD vendors	Software and computer services	Apr-06	223	165	39.5%	0.3%	45.0%
Newquay Helicopters (2013) Limited (in creditors' voluntary liquidation) Helicopter service operator	Support services	Jun-06	49	-	(58.4)%	0.0%	34.9%
CB Imports Group Limited (trading as Country Baskets) Importer and distributor of artificial flowers and floral sundries.	General retailers	Dec-09	350	-	-	0.0%	23.2%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	Personal goods	Dec-06	1,213	-	-	0.0%	47.5%
Total unquoted investments			**46,880**	**48,811**		**77.3%**	

[1] This percentage change in 'like for like' valuations is a comparison of the 31 December 2016 valuations with the 31 December 2015 valuations having adjusted for any partial disposals, loan stock repayments or new investments in the period.

[2] The other funds advised by Mobeus that also hold these investments are Mobeus Income & Growth 2 VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc.

[3] A further £899,613 was invested into Preservica Limited, adding to the Company's existing shareholding that was received as part of the disposal of Tessella Holdings Limited in December 2015.

[4] At 31 December 2016, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT qualifying investment test. For the purposes of the VCT qualifying investment test, the Company is permitted to disregard disposals of investments for six months from the date of disposal. It also has up to three years to bring in new funds raised, before these need to be included in the qualifying investment test.

[5] Disclosed as Current asset investments and Cash at bank within Current assets in the Balance sheet on page 38.

	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]
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	245	357	13.2%	0.6%	5.6%
Total AIM quoted investments			**245**	**357**		**0.6%**	
Total qualifying investments			**47,125**	**49,168**		**77.9%[4]**	
Non-qualifying investments							
Manufacturing Services Investment Limited	Company preparing to trade	Feb-14	1,142	1,142		1.8%	50.0%
Media Business Insight Holdings Limited	Media	Jan-15	764	764	-	1.2%	67.5%
EOTH Limited (Rab and Lowe Alpine)	General retailers	Oct-11	298	324	-	0.5%	8.0%
Tovey Management Limited (trading as Access IS)	Software and computer services	Oct-15	285	285	-	0.5%	45.0%
Watchgate Limited Holding company	Support services	Nov-11	1	-	-	0.0%	100.0%
Total non-qualifying investments			**2,490**	**2,515**		**4.0%**	
Total investment portfolio			**49,615**	**51,683**		**81.9%**	
Current asset investments and cash at bank[5]			10,562	10,562		16.7%	
Total investments			**60,177**	**62,245**		**98.6%**	
Other assets				1,154		1.8%	
Current liabilities				(249)		(0.4)%	
Net assets				**63,150**		**100.0%**	

Strategic Report

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, while continuing, at all times, to qualify as a VCT.

Summary of Investment Policy

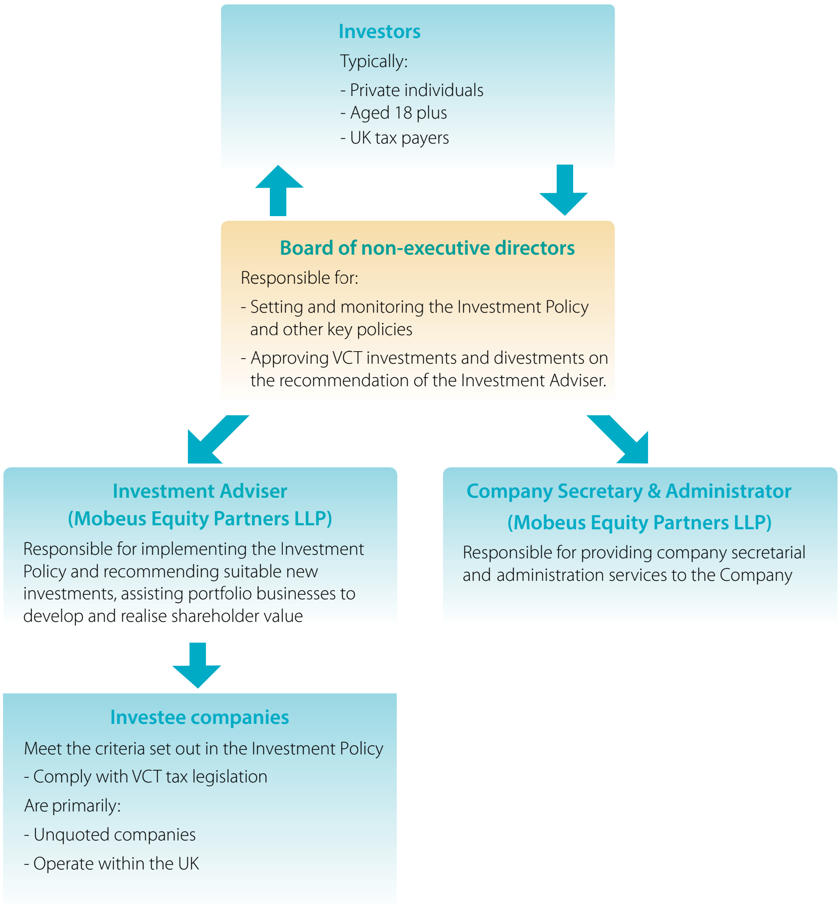
The VCT's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are generally structured as part loan and part equity in order to receive regular income, to generate capital gain upon sale and to reduce the risk of high exposure to equities. To spread the risk further, investments are made in a number of businesses across different industry sectors.

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

The Company seeks to make investments in accordance with the requirements of VCT regulation. A summary of this is set out on the opposite page.

The full text of the Company's Investment Policy is available on page 18 of this Strategic Report.

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



The Company and its business model

The Company is a Venture Capital Trust and its Objective and Investment Policy are designed to ensure that it continues to qualify as a VCT and continues to be approved as such by HMRC whilst maximising returns to shareholders from both income and capital. A summary of the most important rules that determine VCT approval is contained in the panel headed "Summary of VCT Regulation" on the opposite page.

MIG VCT is a fully listed company on the London Stock Exchange, which also fulfils a regulatory requirement for VCT approval. It is therefore also required to 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 (material changes to which are subject to approval by shareholders). Investment advice and operational support are outsourced to external service providers (including the Investment Adviser, Company Secretary and Administrator and Registrar), with the key strategic and operational framework and key policies set and monitored by the Board. Investment and divestment proposals are originated, negotiated and recommended by the Investment Adviser and are then subject to comment and approval by the Directors.

The Company usually invests alongside three other VCTs advised by Mobeus in proportion to the relative net assets of each VCT at the date the investment proposal is submitted to each Board. The total percentage of equity held by all funds advised by Mobeus is shown in the Investment Portfolio Summary on pages 10 - 13.

Private individuals invest in the Company to benefit from both income and capital returns from investment performance. By subscribing for shares in a VCT they also receive immediate income tax relief (currently 30% of the amount subscribed by an investor). Investors receive tax-free dividends from the Company, and incur no capital gains tax upon the eventual sale of the shares. These tax benefits are subject to the VCT maintaining its approved VCT status and the shares being held for a minimum of five years from the date of subscription.

Summary of VCT Regulation

To assist shareholders, the following table contains a summary of the most important rules that determine VCT approval.

- The Company must hold at least 70%, by VCT tax value*, of its total investments (shares, securities and liquidity) in VCT qualifying holdings, within approximately three years of a fundraising;
- Of these qualifying holdings, an overall minimum of 70% by VCT tax value* (30% for funds raised on or before 6 April 2011) must be in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules);
- No investment in a single company or group of companies may represent more than 15% (by VCT tax value*) of the Company's total investments at the date of investment;
- The Company must pay sufficient levels of income dividend from its revenue available for distribution so as not to retain more than 15% of its income from shares and securities in a year;
- The Company's shares must be listed on a regulated European stock market; and
- Non-qualifying investments can no longer be made, except for certain exemptions in managing the Company's short-term liquidity.

To be a VCT qualifying holding, new investments must be in companies:-

- which carry on a qualifying trade;
- which have no more than £15 million of gross assets at the time of investment and £16 million immediately following investment from VCTs;
- whose maximum age is generally seven years (ten years for knowledge intensive businesses);
- that receive no more than an annual limit of £5 million and a lifetime limit of £12 million (£20 million for knowledge intensive companies), from VCTs and similar sources of State Aid funding;
- that use the funds received from VCTs for growth and development purposes.

*VCT tax value means as valued in accordance with prevailing VCT legislation, which may be different to the investment cost or the carrying value of the investment shown in the Investment Portfolio Summary on pages 10 - 13.

The above takes into account legislation up to the Finance Act 2016 enacted in September 2016 but effective from 6 April 2016.

Performance

The Board has identified six key performance indicators that it uses to assess the Company's progress:

1 Relative shareholder total returns;

2 Relative NAV total returns;

3 Dividends paid compared with the dividend target;

4 Management of share price discount to NAV;

5 Compliance with VCT legislation; and

6 Management of expenses.

1 Relative shareholder total returns

The Board monitors the total returns received by shareholders. These total returns take into account both income received (dividends) and capital (share price) movements. The Company's total returns are then compared with those achieved by other similar VCTs. The Company has a target of maintaining performance in the top quartile of this peer group.

The total returns of the Company and its rankings against other companies in an Index of generalist VCTs which are members of the Association of Investment Companies ("AIC") have been as follows:

Period to 31 December 2016	Total return (Share Price basis) %	Ranking (AIC generalist VCTs)
1 year	5.2*	21st out of 49
3 years	45.0	7th out of 49
5 years	98.2	7th out of 44
10 years	142.2	8th out of 29

Source: AIC 31 December 2016

The above data was prepared by the AIC on the basis that dividends were reinvested in shares in the Company on the last trading day of the month in which the shares were quoted ex-dividend.

* The one year Share Price total return above of 5.2% differs to that reported in the Chairman's Statement of 4.3%. This is because the latter was calculated on the assumption that dividends were paid out as cash rather than invested into further shares as well as using a different price source. MIG VCT uses the mid-market price provided by the Company's broker, Panmure Gordon & Co.

Overall, the Board considers relative share price total returns to be satisfactory.

2 Relative NAV total returns

The Board also monitors relative NAV total returns. These returns are calculated as on the previous page but using NAVs rather than share prices. This removes the effects of changes in the discounts/premiums at which shares trade, relative to NAVs, over which the Investment Adviser has no direct influence or control. The Board uses NAV total returns to measure the relative performance of the Investment Adviser and has a target of maintaining performance in the top quartile of this peer group.

The total returns of the Company and its rankings against other companies in an Index of generalist VCTs which are members of the Association of Investment Companies ("AIC") have been as follows:

Period to 31 December 2016	Total return (NAV basis) %	Ranking (AIC generalist VCTs)
1 year	1.1*	32nd out of 49
3 years	37.7	2nd out of 49
5 years	66.8	4th out of44
10 years	108.1	6th out of 29

Source: AIC 31 December 2016

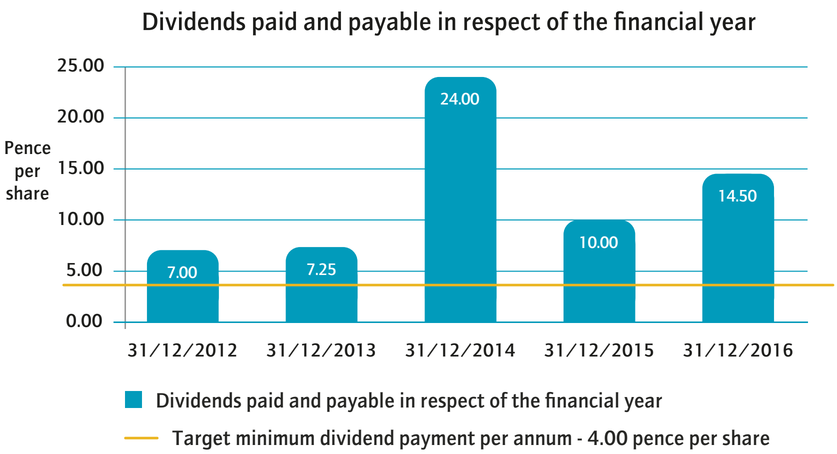
The above data was prepared by the AIC on the basis that dividends were reinvested in the Company on the last trading day of the month in which the shares were quoted ex-dividend.

* The one year NAV Total return per share above of 1.1% differs to that shown in the Chairman's Statement of 1.5%. There are two reasons for this difference. Firstly, the figure of 1.5% assumes dividends were paid out as cash rather than invested in further shares. Secondly, the AIC data does not include MIG VCT's year end NAV figure of 83.53 pence because this figure will not have been disclosed until the announcement of this Report.

Overall, the Board considers relative NAV total returns to be satisfactory.

3 Dividends paid compared with the dividend target

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 the last seven financial years, the last five of which are shown below. 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 paid and payable in respect of the financial year ended 31 December 2016 are 14.50 pence.

A second interim dividend of 6.00 pence per share for the year ended 31 December 2016, which will be paid to shareholders on 31 March 2017, has been included in the 14.50 pence for 2016.

Strategic Report

4 Management of share price discount to NAV

Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV per share at which the shares trade at approximately 10%. The discount for the Company's shares at 31 December 2016 was 10.0% (2015: 7.9%) based on the share price shown in the Performance Summary on page 1 and the NAV at 30 September 2016 of 83.02 pence.

The discount of approximately 10% has been maintained for the last five years, since the Board stated its intent to pursue such a discount level. Continuing shareholders benefit from the difference between the NAV and the price at which the shares are bought back and cancelled.

Shareholders granted the Directors authority to buyback up to 11.3 million of the Company's shares, representing 14.99% of the shares in issue at the date of the notice of the meeting, at the AGM held on 23 May 2016. Shares bought back under this authority are cancelled and 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. A resolution to renew this authority will be proposed at the forthcoming AGM. The resolution will grant authority for the Company to buyback up to 11.3 million of the Company's own shares representing 14.99% of the shares in issue and will normally expire at the AGM to be held in 2018.

During the year ended 31 December 2016, shareholders holding 375,480 shares, representing 0.5% of the issued share capital of the Company at the beginning of the year, 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 ranging from 74.75-86.00 pence per share and cancelled them.

5 Compliance with VCT legislation

In order to comply with VCT tax legislation, the Company must meet a number of tests contained in the VCT tax legislation. The principal tests are summarised in the panel entitled "Summary of VCT Regulation" on page 15. Throughout the year ended 31 December 2016 and to the date of this report, the Company continued to meet these tests.

6 Management of expenses

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

Financial year	2016	2015	2014	2013	2012
Ongoing charges ratio	2.72%	2.58%	2.65%	2.67%	2.84%

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 historic information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

The rise in the Ongoing Charges Ratio for the year is mainly due to the decrease in net assets, itself primarily due to the payment of dividends during the year ended 31 December 2016 totalling 15.50 pence per share.

Investment Adviser fees and other expenses

As net assets have fallen, Investment Adviser fees have decreased from £1.57 million to £1.54 million, charged to both revenue (decrease of £0.01 million) and capital (decrease of £0.02 million). Other expenses (all charged to revenue) have fallen from £0.46 million to £0.35 million. This is due principally to a fall in trail commission and professional fees as well as 2015 containing a provision made against interest receivable for one investee company, which had been recognised as income in a previous year.

Key policies

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

Investment Policy

The investment policy is designed to meet the Company's objective.

Investments

The Company invests primarily in a diverse portfolio of UK unquoted companies. Investments are made selectively across a number of sectors, principally in established companies. Investments are usually structured as part loan stock and part equity in order to produce a regular income stream and to generate capital gains from realisations.

There are a number of conditions within the VCT legislation which need to be met by the Company and which may change from time to time. The Company will seek to make investments in accordance with the requirements of prevailing VCT legislation.

Asset allocation and risk diversification policies, including the size and type of investments the Company makes, are determined in part by the requirements of prevailing VCT legislation. No single investment may represent more than 15% (by VCT tax value) of the Company's total investments at the date of investment.

Liquidity

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

Borrowing

The Company's articles of association permit borrowings of amounts up to 10% of the adjusted capital and reserves (as defined therein). However, the Company has never borrowed and the Board would only consider doing so in exceptional circumstances.

Other key policies

Diversity

The Directors have considered diversity in relation to the composition of the Board and have concluded that the Board's membership is diverse in relation to gender and breadth of experience. The Board currently comprises two women and one man. 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 and Diversity policy above and the policies on payment of dividends and share buybacks which were discussed earlier in this Strategy Report, the Board has considered its obligations and responsibilities as a VCT and where appropriate the Company has adopted a number of further policies relating to:

- Anti-bribery
- Whistleblowing
- Social and environmental responsibility
- Human rights
- Global greenhouse gas emissions

These are set out in the Directors' Report on pages 22 and 23 of this Annual Report.

Principal risks, management and regulatory environment

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. The principal risks identified by the Board, a description of the possible consequences of each risk and how the Board manages each risk are set out below:

Risk	Possible consequence	How the Board manages risk
Economic	Events such as the impact of the EU Referendum vote, an economic recession, a movement in sterling or 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 exchange or interest rates.*
Loss of approval as a Venture Capital Trust	A breach of the VCT Rules, which change on a frequent basis, may lead to the Company losing its approval as a VCT, which would inter alia result in: (1) qualifying shareholders who have not held their shares for the designated period having to repay the income tax relief they obtained; (2) future dividends paid by the Company being subject to tax; and (3) the Company losing its exemption from corporation tax on capital gains.	● *The Company's VCT qualifying status is continually reviewed by the Board and the Investment Adviser.* ● *The Board receives regular reports from its VCT Status Adviser who has been retained by the Board to monitor the VCT's compliance with the VCT Rules.*
Investment and strategic	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.* ● *Investments are made across a number of diverse sectors to mitigate risk. Investee companies are carefully selected by the Investment Adviser for recommendation to the Board. The investment portfolio is reviewed by the Board on a regular basis.*
Regulatory	The Company is required to meet its legal and regulatory obligations as a VCT, a listed company and its own AIFM. Failure to comply might result in suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or loss of its VCT status.	● *Regulatory and legislative developments are kept under review by the Company's solicitors and the Board. Please see the Chairman's Statement on pages 2 – 3 for latest details of the impact of recent VCT legislation. The Board is assuming that further significant changes to VCT related legislation will not occur at least for the next 3 years.*
Financial and operating	Failure of the systems at any of the third party service providers that the Company has contracted with could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation or insecurity of assets.	● *The Board carries out an annual review of the Internal controls in place and reviews the risks facing the Company at each quarterly Board meeting and receives reports by exception.* ● *It reviews the performance of the service providers annually.*
Market	Movements in the valuations of the VCT's investments will, inter alia, be connected to movements in UK Stock Market indices.	● *The Board receives quarterly valuation reports from the Investment Adviser.* ● *The Investment Adviser alerts the Board about any adverse movements.*
Asset liquidity	The Company's unquoted investments cannot be realised in a short timescale. Under-performing unquoted investments may be difficult to realise on any timescale.	● *The Board receives reports from the Investment Adviser and reviews the portfolio at each quarterly board meeting. It carefully monitors investments where a particular risk has been identified.*
Market liquidity	As a result of the limited secondary market in VCT shares, shareholders may find it difficult to sell their shares at a price which is close to the net asset value. Whilst demand has always been met to date, it may not be possible for the Company to buy back large percentages of the share capital, other than over several years.	● *The Board has a share buyback policy which seeks to mitigate market liquidity risk. This policy is reviewed at each quarterly Board meeting.*

Risk	Possible consequence	How the Board manages risk
Counterparty	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 15 to the accounts on pages 53 – 54.*
Key staff	A partner or key member of staff at the Investment Adviser may leave the organisation or the Investment Adviser may fail to maintain adequate levels of experience and expertise in its team. This may have an adverse effect on the standard of service that the Company receives from the Investment Adviser and therefore the performance of the Company.	● *The Board maintains a constant dialogue with Mobeus to ensure that (1) the team is adequately resourced; and (2) Partners and staff are well-incentivised and trained.*

Going Concern and Long-Term Viability of the Company

The Board is required to assess 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 preceding pages of this Strategic Report. The Directors are satisfied that the Company has adequate liquidity, which is partly based on the assumption that any additional fundraisings, if required, will be successfully concluded. 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 15 on pages 51 – 58. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Viability Statement

The Financial Reporting Council updated the UK Corporate Governance Code in September 2014. The updated Code includes proposals for companies to include a "Viability Statement" in the Strategic Report, addressed to shareholders with the intention of providing an improved and broader assessment of long term solvency and liquidity. The Code does not define "long term" but expects the period to be longer than twelve months with individual companies choosing a period appropriate to the nature of their own business.

The Directors have assessed the prospects of the Company over the three year period to 31 December 2019. This period has been chosen, as a period longer than three years creates a level of future uncertainty for which a Viability Statement cannot, in the Directors' view, be made meaningfully, although the Board is unaware of any existing factors that could operate beyond three years that would invalidate the conclusions it has drawn. The three year period will build on the start made in 2016 to focus new investment upon growth capital transactions under the New VCT Rules of November 2015.

The Directors' assessment of viability has been made with reference to the Company's current position and prospects, the Company's present strategy, the Board's risk appetite and the management of the Company's principal risks. The Directors have carried out a robust assessment of the principal risks facing the Company which are listed in the preceding section.

The Board has focused upon the range of future investments that the Company will be permitted to fund under the latest VCT legislation, where the move from mainly management buyout investments to growth capital opportunities will gradually alter the composition of the overall portfolio over the next three to five years. However, the Board anticipates that attractive returns should continue to be achievable from future investments and from the existing portfolio and will continue to monitor the investment programme, paying particular attention to the return potential and the impact of the newer growth capital investments. The Board considers that the Company's liquidity is currently at an adequate level, but it is considering a further fundraising in the 2017/18 tax year.

Subsequent to this review they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. The Board is mindful of the risks contained therein, but considers that its actions to manage those risks provide reasonable assurance that the Company's affairs are safeguarded for the stated period and that the risks are appropriate, given the Company's Investment Policy and Objective of "providing investors with a regular income stream, by way of tax-free dividends generated from income and capital returns, while continuing, at all times to qualify as a VCT".

Shareholders should be aware that, under the Company's Articles, it is required to hold a continuation vote at the next AGM falling after the fifth anniversary of last allotting shares. As shares were last allotted in March 2015, this factor has not affected the Board's assumptions for the next three years.

Future Prospects

For a discussion of the Company's future prospects and short term objectives, please see the Chairman's Statement on pages 2 – 3.

By order of the Board

Clive Boothman
Chairman
29 March 2017

Board of Directors

Clive Boothman

Independent, Non-executive Chairman

Experience: Clive has over 30 years' experience in the financial services industry. Initially, he qualified as a chartered accountant and worked for Arthur Young McClelland Moores (now Ernst & Young) and Moore Stephens (Bermuda). He was with Schroders for seventeen years from 1983 during which time he was, at different times, Managing Director, Schroder Unit Trusts for ten years and Managing Director of the Firm's Private Client Group for the final two years. Since leaving Schroders, he has been Chief Executive of the stockbroker, Gerrard Limited (2000 – 2001), the fund platform Cofunds Limited (2002 – 2003) and London Representative of Jersey Finance Limited (2009 – 2011). More recently, from 2004 until December 2014, he was non-executive chairman of Investment Funds Direct Limited (trading as Ascentric), a comprehensive, whole-of-market wrap platform. Since July 2014 he has been non-executive Chairman of Platform One Group Limited, another wrap platform, which specialises in providing services to international clients and their advisers as well as UK higher net worth clients. Since July 2016 he has also been a non-executive director of Professional Partners Administration Limited which, through its subsidiaries, provides Authorised Corporate Director services to open-ended funds.

Bridget Guérin

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

Experience: Bridget has over 30 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, both of which are Cayman Islands CTA Funds, Schroder Income Growth Fund plc, a London listed investment trust and Charles Stanley Group plc. She is a director of York and Beverley Racecourses 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.

Catherine Wall

Independent, Non-executive Director and Chair of Audit Committee

Experience: Catherine has 30 years experience in the private equity industry, having worked for Barclays Private Equity (now called Equistone Partners Europe) from 1984 to 1989 and also from 1994 to 2013, and for 3i plc from 1989 to 1993. As a director of Barclays Private Equity she led and managed numerous investments in management buy-outs. She later became UK portfolio director of Equistone Partners Europe, supervising the management of all the firm's UK investments. She held over 20 roles as non-executive director, non-executive chairman or shareholder representative on the boards of investee companies in which Barclays Private Equity/Equistone Partners Europe were invested; additionally, she was a non-executive director of Indigo Holdings Limited from August 2010 to December 2012 and served on the investment committee of the British Red Cross from 2004 to July 2014. She is currently chairman of Signum Technology Limited, a valve manufacturer and a non-executive director of Greenwood & Coope Limited (trading as Cormar Carpets). She is also a member of the Investment Panel for Westminster Abbey.

Directors' Report

The Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2016.

The Corporate Governance Statement on pages 25 – 26, including the Report of the Audit Committee on pages 27 – 28, form part of this Directors' Report.

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

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 ("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.

Information on likely developments in the business are referred to in the Chairman's Statement on page 3 and the Strategic Report on page 20.

Share capital

The Company's ordinary shares of 1.00 penny each ("shares") are listed on the London Stock Exchange ("LSE").

The Company did not issue any ordinary shares during the year under review, and bought back 375,480 (2015: 31,723) of its own shares. The shares bought back were subsequently cancelled.

The issued share capital of the Company as at 31 December 2016 was £755,975 (2015: £759,730) and the number of shares in issue at this date was 75,597,471 (2015: 75,972,951).

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.

Dividends

The Directors have declared a second interim capital dividend of 6.00 pence (all payable from the Company's Special Distributable Reserve) (2015: final dividend of 7.00 pence; capital: 6.00 pence; income: 1.00 pence) per share in respect of the year ended 31 December 2016, payable on 31 March 2017 to shareholders who are on the Register on 3 March 2017. This dividend will increase cumulative dividends paid since inception in 2004 to 95.80 pence per share.

Shareholders also received an interim dividend in respect of 2016 of 8.50 pence per share, comprising 6.50 pence per share from capital (of which 5.00 pence was payable from the Company's Special Distributable Reserve) and 2.00 pence from income, on 20 September 2016.

Directors

Clive Boothman was appointed as Chairman of the Company following the resignation of Keith Niven from the Board on 13 May 2016. Also, as previously announced, Tom Sooke's scheduled retirement meant he did not stand for re-election at the Annual General Meeting of the Company held on 23 May 2016.

Bridget Guerin was appointed as Senior Independent Director in succession to Tom Sooke. She also continues as Chair of the Nomination & Remuneration and Management Engagement Committees. Catherine Wall continues as Chair of the Audit Committee.

The Board has considered its composition and is satisfied that it comprises a good balance of experience in the different areas of the Company's activity. This matter will be kept under continuing review.

The names of the Directors are given on page 21 of this Annual Report. Further details of each Director's interests in the Company's shares are set out on page 31 of the Directors' Remuneration Report.

The powers of the Directors have been granted by company law, the Company's articles of association ("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 buyback 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 10 May 2017.

Disclosure of Information to the Auditor

So far as each of the Directors in office at 31 December 2016 are aware, there is no relevant audit information of which the external auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' and officers' liability insurance

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

Directors' indemnity

The Company's Articles grant the Board, subject to the provisions of UK legislation, the power to indemnify Directors of the Company out of the assets of the Company. No such indemnity is currently in place.

Anti-bribery policy

The Company has adopted a zero tolerance approach to bribery and has established an anti-bribery policy, a copy of which is available in the Corporate Governance section of the Company's website.

Whistleblowing

The Board has considered the recommendation made in the UK Corporate Governance Code with regard to a policy on whistleblowing and has reviewed the arrangements at the Investment Adviser under which staff may, in confidence, raise concerns. It has concluded that adequate arrangements are in place at the Investment Adviser for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken by the Investment Adviser. The Board has also asked each of its service providers to confirm that they have a suitable whistleblowing policy in place.

Environmental and social responsibility, human rights and greenhouse emissions

The Board recognises its obligations under section 414C of the Companies Act to provide information about environmental matters (including the impact of the Company's business on the environment), human rights and social and community issues. It has reviewed the Company's responsibilities in respect of these issues and concluded that, as an externally administered investment company, it is not appropriate for a company of MIG VCT's size and operations to develop policies on environmental and social responsibility, human rights and greenhouse emissions. The Board does however seek to maintain high standards of conduct in respect of ethical, environmental, governance and social issues and to conduct the Company's affairs responsibly. It seeks to comply with appropriate industry standards and considers these matters carefully when making investment decisions. It encourages good practice within the companies in which the VCT invests and avoids investing in certain areas which it considers to be unethical.

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Financial Statements on pages 51 to 58 of this Annual Report.

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 December 2016, please see Note 17 to the Financial Statements on page 58.

Additional disclosures

The following additional disclosures are made in accordance with Part 6 of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013).

Articles of association

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

Annual General Meeting

The Notice of the Annual General Meeting of the Company to be held at 2.00 pm on 10 May 2017 at a new venue, **The Clubhouse, 8 St James's Square, London SW1Y 4JU** is set out on pages 61 – 63 of this Annual Report. A proxy form for the meeting is enclosed separately with shareholders' copies of this Annual Report. Proxy votes may also be submitted electronically via Computershare's Investor Centre. Those shareholders who have elected to receive information from the Company by email will have received a link to this site.

Resolutions 1 to 9 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour and Resolutions 10 and 11 will be proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting. The following provides an explanation of the main business to be proposed at the meeting.

Remuneration Policy and Directors' Annual Remuneration Report (Resolution 2 and 3)

The Directors are proposing that shareholders approve the Company's Remuneration Policy as set out on pages 29 and 30 of the Annual Report as they are required to do once every three years (Resolution 2). The result of this resolution will be binding upon the Directors. Resolution 3 will propose the approval of the Annual Remuneration Report which describes how the policy was implemented during the year and how it will be implemented in the coming year.

Re-appointment of the external auditor (Resolution 4)

Following an audit tender process, the Directors are proposing the re-appointment of BDO LLP as the Company's external auditor. For further information, please see the Report of the Audit Committee on page 28 of the Annual Report.

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

Over and above the requirements of principle 3 of the AIC Code and the Company's policy on tenure, all Directors have agreed to retire annually from the Board. Being eligible, each of the Directors are offering themselves for re-election at the forthcoming Annual General Meeting of the Company.

Clive Boothman was appointed to the Board with effect from 1 August 2015 and was appointed as Chairman on 16 May 2016. He is now standing for re-election at the forthcoming Annual General Meeting. Following a review of his performance, the remaining Directors agree that he has made a substantial contribution to the Board since his appointment. The remaining Directors are confident that he will be a strong and effective Chairman and recommend his re-election to shareholders.

Bridget Guérin – Following a review of her performance, the remaining Directors agree that Bridget Guérin continues to make a substantial contribution to the work of the Board as Chair of both the Nomination and Remuneration and the Management Engagement Committees and demonstrates commitment to her role. The remaining Directors recommend her re-election to shareholders.

Catherine Wall - Following a review of her performance, the remaining Directors agree that Catherine Wall has continued to make a substantial contribution to the work of the Board as Chair of the Audit Committee during the year and has demonstrated strong leadership in her role. The remaining Directors recommend her re-election to shareholders.

Authorities for the Directors to allot shares in the Company (Resolution 9) and disapply the pre-emption rights of members (Resolution 10).

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

Resolution 9 will enable the Directors to allot new shares up to an aggregate nominal amount of £252,799 representing approximately one-third of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting.

Directors' Report

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

(i) with an aggregate nominal value of up to £215,000 in connection with offer(s) for subscription; and

(ii) otherwise than pursuant to (i) above, of equity securities with an aggregate nominal value of up to 5% of the issued share capital of the Company from time to time,

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

The Company normally allots shares at prices based on the prevailing net asset value per share of the existing shares on the date of the allotment (less costs). The Directors thus seek to manage any potential dilution of existing shareholdings as a result of the disapplication of members' pre-emption rights.

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

Both of these authorities, unless previously renewed, varied or revoked will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2018. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved by shareholders at the Annual General Meeting of the Company held on 23 May 2016.

The Directors are considering a further fundraising in the 2017/18 tax year.

Authority to purchase the Company's own shares (Resolution 11)

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 11,332,061 shares representing approximately 14.99% of the issued share capital of the Company as at the date of the Notice of the Meeting or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding the date such shares are contracted to be purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid for a share is 1.00 penny, being the nominal value 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 2018 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.

Voting rights of shareholders

Each shareholder has one vote on a show of hands, and one vote per share held on a poll, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares held by them have been paid up in full. Any instrument of proxy must be deposited at the place specified by the Directors no later than 48 hours before the time fixed for the meeting (ignoring any part of a day that is not a working day).

Restrictions on voting rights

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

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

29 March 2017

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report.

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2015 ("the AIC Code") for the financial year ended 31 December 2016.

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"). As well as setting out the principles of the AIC Code, the AIC Guide provides an overview of best practice with reference to the UK Corporate Governance Code ("the UK Code") and considers how each of the UK Code's principles applies to Investment Companies. The AIC Code also includes additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Board therefore considers that reporting against the AIC Code provides more relevant information to shareholders.

The current version of the AIC Code was endorsed by the Financial Reporting Council (FRC) on 14 July 2016. The FRC has confirmed that in adopting the AIC Code, the Company will meet its obligations in relation to the reporting requirements of the Financial Conduct Authority's Listing and Disclosure and Transparency Rules on corporate governance.

The AIC Code can be viewed on the AIC's website by going to the following link: www.theaic.co.uk/aic-code-of-corporate-governance-0.

Statement of compliance

The Board considers that the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code throughout the year under review. A table providing further explanations of how the Company has complied with the AIC Code during the year is available in the Corporate Governance section of the Company's website: www.migvct.co.uk.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no executive directors, employees or internal operations. The Board has therefore concluded, for the reasons set out in the AIC Guide, and explained in the UK Code, that the specific provisions of the UK Code that relate to the requirements for an internal audit function, the role of the chief executive and executive directors' pay are not relevant to the Company. The Company has therefore not reported further in respect of these provisions.

Internal control

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

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

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process, an annual review of the control systems is carried out. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. The Board reviews a schedule of key risks and the management accounts at each quarterly board meeting. Assisted by the Audit Committee, it carries out separate assessments in respect of the annual and half-year reports and other published financial information.

The Board has delegated, contractually to Mobeus, the management of the investment portfolio, the day-to-day accounting, company secretarial and administration requirements and to Computershare for the registration services.

The system of internal control and the procedure for the review of control systems has been in place and operational throughout the year under review and up to the date of this Report. An assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from Mobeus, the Investment Adviser and Administrator on 20 March 2017. The Board has identified no significant problems with the Company's internal control mechanisms.

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Financial Statements on pages 51 – 58 of this Annual Report.

Investment management and service providers

Mobeus acts as Investment Adviser and also provides administrative and company secretarial services to the Company.

The Board reviews annually and at other times, as and when necessary, the Investment Management Agreement and the performance of the Investment Adviser, and the other service providers including the Auditor, VCT Status Adviser, Solicitor and Registrar. The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually.

The annual review of the Investment 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 Investment Adviser, the investment process and the results achieved to date. A review of the performance of the Company is included in the Strategic Report on pages 15 – 17. The Board concluded that the Investment Adviser has performed consistently well over the medium term, has returned a satisfactory level of performance in respect of the year under review, and has made a strong start to executing the transition to the new investment strategy. Alongside completing six growth capital transactions, the Board was also pleased to note that the Investment Adviser has recruited a new partner who has extensive

Corporate Governance Statement

experience in the provision of growth capital to younger, smaller companies and is building a team to increase its resource and coverage in this area.

The Board places significant emphasis on the Company's performance against its peers. The Board further considered the Investment Adviser's commitment to the promotion of the Company and was satisfied that this remained highly prioritised by the Investment Adviser as evidenced by the 2016 and 2017 shareholder events. The Board believes that the Investment Adviser had continued to exercise independent judgement while producing valuations which reflected fair value.

Overall, the Board continues to believe that the Investment 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 Investment Adviser to the Company on the terms currently agreed is in the interests of shareholders and this was formally approved by the Board on 9 November 2016.

The principal terms of the Company's Investment Management Agreement and incentive agreement are set out in Note 4 to the Financial Statements on page 43-44 of this Annual Report. The Board seeks to ensure that the terms of these Agreements represent an appropriate balance between cost and incentivisation of the Investment Adviser.

Fees paid to the Investment Adviser

The fees paid to the Investment Adviser and any performance incentive fees paid are set out in Note 4 to the Financial Statements on pages 43 – 44.

In addition, the Investment Adviser received fees totalling £326,660 during the year ended 31 December 2016 (2015: £486,396), being £98,881 (2015: £268,246) in arrangement fees and £227,779 (2015: £218,150) in non-executive directors fees for its partners, and other senior managers, to sit on a number of investee company boards. These amounts are the share of such fees attributable to investments made by the Company. These figures are not part of the Financial Statements.

Alternative Investment Fund Manager ("AIFM")

The Board appointed the Company as its own AIFM in compliance with the European Commission's Alternative Investment Fund Management Directive with effect from 22 July 2014. The Company is registered as a small AIFM, and is therefore exempt from the principal requirements of the Directive. Mobeus continues to provide investment advisory and administrative services to the Company. However, in order for the Company to continue to discharge its safekeeping responsibilities for the documents of title to its investments, Mobeus company secretarial staff are now directly responsible to the Board, under its instruction, for accessing and dealing with these documents.

The Board and its Committees

Operation of the Board

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.

The Board has agreed that the Investment Adviser takes the initiative on most aspects of the Company's operations, under the guidance and formal approval of the Board. The Board has agreed policies with the Investment Adviser covering key operational issues.

Board committees

The Board has established three Committees, being the Nomination and Remuneration Committee, the Management Engagement Committee and the Audit Committee 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 by downloading these documents from 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, notwithstanding the reduction of two directors in the year.

Full descriptions of the work of the Audit and Nomination and Remuneration Committees are set out in the Report of the Audit Committee and the Directors' Remuneration Report on pages 27 – 28 and 29 – 32 respectively, of this Annual Report.

Management Engagement Committee

The Management Engagement Committee is chaired by Bridget Guérin and comprises all three independent Directors.

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.

By order of the Board

Mobeus Equity Partners LLP,
Company Secretary

29 March 2017

Reports of the Directors

Report of the Audit Committee

This Report of the Audit Committee forms part of the Directors' Report.

The Audit Committee is chaired by Catherine Wall and comprises all three independent Directors.

The Committee's principal activities during the year are summarised below:

Valuation of investments

Investments are mainly in unquoted companies, valuations of which are agreed quarterly by the Board. The Audit Committee monitors this process, and ensures that adequate controls operate for the preparation of these valuations throughout the year. The Committee ensured that both the bases of the valuations and any assumptions used are reasonable and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Discussions are held with the external Auditor, to review its findings from the year-end audit and the half-year review, before the Audit Committee makes its recommendations to the Board on the valuations. The Committee holds a separate meeting in February of each year, specifically to consider the year-end valuations of the investments and any issues identified by the Auditor.

Financial statements

The Committee carefully reviewed the half-year and annual reports to shareholders for the year under review before these were submitted to the Board for approval. Besides the subject of valuations referred to above, the Committee also considered whether the accounting policy in respect of revenue recognition had been satisfactorily applied, and whether all expenditure in the year had been included.

Income from investee companies

The Committee notes that revenue from loan stock and dividends may be uncertain given the type of companies in which the VCT invests. Dividends in particular may be difficult to predict. The payments received do however have a direct impact on the level of income dividends the Company is able to pay to shareholders. The Committee agrees policies for revenue recognition and reviews their application at each of its meetings. It considers schedules of income received and receivable from each of the investee companies and assesses, in consultation with the Investment Adviser, the likelihood of receipt of each of the amounts.

Internal control and key risks

The Committee has monitored the system of internal controls throughout the year under review and as described in more detail in the Corporate Governance Statement on page 25. It received reports by exception on the Company's progress against its internal controls at its annual and half-year results meetings and reviews a schedule of key risks at each meeting. A full review of the internal controls in operation by the Company was undertaken by the Committee on 20 March 2017.

The Board has identified the key risks faced by the Company and established appropriate controls. A list of the risks identified is set out on pages 19 – 20 of the Strategic Report. The Committee monitors these controls and reviews any incidences of non-compliance.

Compliance with the VCT tests

The Company has engaged Philip Hare & Associates LLP ("PHA") as its VCT Status Tax Adviser to advise on its compliance with the legislative requirements relating to VCTs. PHA produce six monthly reports on the Company's compliance with the VCT legislation which include a consideration of the Company's position against each of the VCT qualification tests. These reports were considered by the Audit Committee prior to presentation to the Board at the half and full year stages. One of the main areas of the Committee's work during the year has been to consider the risk and compliance aspects of changes to the new VCT Rules. As part of this, PHA attended both the half-year and full year Audit Committee meetings.

Going concern and long-term viability of the Company

The Board and the Committee monitored the Company's liquidity to satisfy themselves that the Company had an adequate level of resources for the foreseeable future. Consideration was given to cash flow projections which included assumptions on, inter alia, projected levels of new investment and the ability of the Company to realise its existing investments; the Company's cash balances and holdings in money market funds; and projected levels of dividends and share buybacks. The Committee has again considered the requirement to publish a Viability Statement in the Annual Report and has advised the Board on its review of the viability of the Company and the wording of the statement (including the period to which the statement should relate).

Counterparty risk

The Committee gave careful consideration to the credit worthy status of the banks with whom the Company's cash resources have been placed. The Committee took into account factors such as maturity, interest rate and credit rating across a number of financial institutions. The Board has a policy of spreading risk by placing funds across a number of financial institutions. In the year, the Board added funds to a number of AAA rated money market funds, as new VCT legislation prevented cash being held in bank deposits on more than 7 days' notice.

Relationship with the external auditor

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

Non-audit services

As part of this process the Committee reviews the nature and extent of services supplied by the Auditor to ensure that its independence and objectivity 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-year 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-year review, the work is undertaken

Report of the Audit Committee

by separate teams and does not involve undertaking any management role in preparing the information reported in the Financial Statements.

Re-appointment of the external auditor

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 Investment Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

During the year, Jason Homewood, who had been senior statutory auditor since 2012, rotated off the audit and was succeeded by Peter Smith.

The Committee undertook an audit tender process during the year in adherence to the new EU Audit Reform requirements on audit firm rotation, resulting from the new European Audit-Regulation Directive. These made it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years.

As part of the tender process, having invited three firms with demonstrable experience in the VCT sector to tender, the Audit Committee considered proposals from BDO, as the incumbent Auditor, and one other firm of auditors. The committee considered that BDO had made a strong presentation and had shown a clear understanding of the Company's requirements and its particular demands as a VCT as well as presenting a competitive estimate of fees.

As a result of the audit tender, the Committee concluded that the re-appointment of BDO as Auditor was in the best interests of the Company and of shareholders and its recommendation was endorsed by the Board.

By order of the Board

Catherine Wall
Chairman of the Audit Committee

29 March 2017

Directors' Remuneration Report

Dear Shareholder

I am pleased to introduce the Director's Remuneration Report for the financial year ended 31 December 2016.

Over the next few pages we have set out the Company's forward looking Directors' Remuneration Policy. The Directors' Annual Remuneration Report sets out in more detail how this Policy is being implemented.

The Board, on the recommendation of the Nomination and Remuneration Committee ("the Committee") has reviewed the fees paid to the Directors and decided not to make any changes to the level of fees paid to the Directors at the current time. As part of this review, it considered information on the fees paid to directors of a peer group of VCTs of a similar size operating in its sector. The fees paid to the directors have remained unchanged since 2014 following a phased introduction of increases from 2011-2014. The Committee has been considering succession planning for the Board over the last few years. As part of this process, Clive Boothman was appointed to the Board during the year and became Chairman on 13 May 2016 following Keith Niven's retirement from the Board as Chairman and a director on the same day. Also, as envisaged last year, Tom Sooke retired from the Board at the conclusion of the 2016 AGM.

Following a review of the composition of the Board, the Directors have confirmed their belief that the current Board of three directors have the skills and experience to run the Company effectively, but this may increase to four if the workload or the mix of skills required make this necessary.

The tables on pages 30 and 31 show the remuneration paid to each of the five non-executive Directors who have served during the year, and to be paid to the current three continuing Directors in 2017.

I would welcome any comments you may have.

Bridget Guérin
Nomination and Remuneration Committee Chairman

29 March 2017

Introduction

This Report has been prepared by the Directors in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, the Companies Act 2006 ("the Companies Act") and the Listing Rules of the UK Listing Authority ("the Listing Rules"). The Company's independent Auditor is required to give its opinion on the specified information provided on Directors' emoluments and Directors' interests on page 31 and this is explained further in its report to shareholders on pages 34 – 36.

Directors' Remuneration Policy

The Remuneration Policy is set by the Board on the recommendation of the Nomination and Remuneration Committee ("the Committee"). The level and make-up of remuneration is set at a point which is sufficient to attract, retain and motivate experienced directors of the quality required to run the Company successfully. When considering the level of Directors' fees, the Committee takes account of the workload and responsibilities of each role and the value and amount of time that a Director is required to commit to the Company. It considers the remuneration levels elsewhere in the Venture Capital Trust industry for companies of a similar size and structure and other relevant information. Supplements are paid to the Directors in respect of their chairmanships of the Board and its Committees as set out in the table on page 30.

The Directors' fees are reviewed annually in accordance with the Remuneration Policy. The Committee may choose to take independent advice where and when it considers it appropriate. However, the Committee has not considered it necessary to take any such advice during the year under review.

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.

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. It is Company policy not to pay travel or subsistence expenses to Directors in relation to their work for the Company.

Recruitment Remuneration

Remuneration of any new director who may subsequently be appointed to the Board will be in line with the above Remuneration Policy and the levels of remuneration stated therein as modified from time to time.

Shareholders' views on remuneration

The Board prioritises the views of shareholders 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' terms of appointment

All of the Directors are non-executive. The Articles of Association of the Company ("the Articles") 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 also contain provisions whereby, subject to the Companies Act, one-third of the Directors retire from office by rotation at each annual general meeting. However, the Board has agreed that each of the Directors will offer themselves for re-election annually.

All Directors receive a formal letter of appointment setting out the terms of their appointment, their specific duties and responsibilities and the fees pertaining to the appointment. Appointment letters for new directors contain an assessment of the anticipated time commitment of the appointment. New directors are 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. Each of the Director's appointments may be terminated by either

Directors' Remuneration Report

party by giving not less than three months' notice in writing and in certain other circumstances.

Shareholder approval of the Company's remuneration policy

This policy applied throughout the year ended 31 December 2016 and it will continue to apply to the current year ending 31 December 2017. An explanation of how the policy is being implemented is set out in the Annual Report on Remuneration on the next page.

A resolution to approve the Directors' Remuneration Policy as set out in the Annual Report for the year ended 31 December 2013 was approved by shareholders on a show of hands at the Annual General Meeting of the Company held on 7 May 2014. The Company also received proxy votes in favour of the resolution representing 94.3% of the votes received (including those who appointed the Chairman to vote at his discretion) (against: 5.7%).

The Board is required to ask shareholders to approve the Remuneration Policy every three years. The Directors are therefore recommending that shareholders approve such a resolution to be proposed at the forthcoming Annual General Meeting of the Company to be held on 10 May 2017.

Future policy

The table below illustrates how the Company's Objective is supported by its Remuneration Policy. It sets out details of each component of each Director's pay package and the maximum amount receivable during the forthcoming year by each Director. The Nomination & Remuneration Committee and the Board review the fees paid to Directors annually in accordance with the Remuneration Policy set out on page 29 and above and may decide that an increase in fees is appropriate in respect of subsequent years.

Director	Role	Components of Pay Package	Maximum payment per annum	Performance conditions
Clive Boothman	**Chairman**	**Director's fee**	**£25,000**	None
		Supplement payable to Company Chairman	£15,000	
		Total	**£40,000**	
Bridget Guérin	**Chair, Nomination & Remuneration and Management Engagement Committees**	**Director's fee**	**£25,000**	None
		Supplements payable to Chairman of the Nomination & Remuneration	£2,500	
		and Management Engagement Committees	£2,500	
		Total	**£30,000**	
Catherine Wall	**Chair, Audit Committee**	**Director's fee**	**£25,000**	None
		Supplement payable to Chairman of the 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, while continuing at all times to qualify as a VCT.

Remuneration Policy

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

Reports of the Directors

Directors' Annual Remuneration Report

This section of the report sets out how the Remuneration Policy described on the previous pages is being implemented.

A resolution to approve the Directors' Annual Remuneration Report as set out in the Annual Report for the year ended 31 December 2015 was approved on a show of hands by shareholders at the Annual General Meeting of the Company held on 23 May 2016. The Company also received proxy votes in favour of the resolution representing 97.3% of the votes submitted, including those who appointed the Chairman to vote at his discretion (against: 2.7%).

An ordinary resolution for the approval of the Annual Remuneration Report will be proposed at the Annual General Meeting of the Company to be held on 10 May 2017.

Nomination and Remuneration Committee

The Committee comprises the full Board and is chaired by Bridget Guérin. All members of the Committee are considered to be independent of the Investment Adviser. The Committee meets at least once a year and is responsible for making recommendations to the Board on remuneration policy and reviewing the Policy's ongoing appropriateness and relevance. It carries out an annual review of the remuneration of the Directors and makes recommendations to the Board on the level of Directors' fees. 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. However, it was not considered necessary to appoint any such consultants during the year under review.

No new appointments to the Board were made during the year under review. However, Clive Boothman was appointed Chairman following the resignation of Keith Niven on 13 May 2016. As indicated in last year's annual report, Tom Sooke did not stand for reelection at the AGM and therefore left the Board on 23 May 2016.

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. This includes 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.

Audited information

Directors' emoluments

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below.

Year ended 31 December	2016 £	2015 £
Clive Boothman [1]	34,519	10,417
Bridget Guérin	30,000	30,000
Catherine Wall [2]	35,000	30,000
Keith Niven [3]	14,616	30,000
Tom Sooke [4]	9,890	30,000
Total	**124,025**	**130,417**

[1] Appointed to the Board with effect from 1 August 2015 and Chairman from 13 May 2016.

[2] Audit Committee Chairman from 1 July 2015.

[3] Resigned as Chairman and Director on 13 May 2016.

[4] Audit Committee Chairman to 30 June 2015. Director until 23 May 2016.

Aggregate fees paid in respect of qualifying services amounted to £124,025 (2015: £130,417). £7,912 (2015: £24,000) of the director's fee paid to Tom Sooke was paid to his consultancy business, CitiCourt Associates, during the year under review.

Directors' interests in the Company's shares

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. The interests of the Directors (and their connected persons) in the shares of the Company at the beginning and end of the year are as set out in the table below:

	Shares held on: 31 December 2016	Shares held on: 31 December 2015
Clive Boothman	27,621	-
Bridget Guérin	123,151	123,151
Catherine Wall[1]	26,205	26,205
Keith Niven[1,2]	69,685	69,685
Tom Sooke[1,3]	34,262	34,262

[1] Catherine Wall holds shares in the Company in nominee accounts, as did Keith Niven and Tom Sooke.

[2] Shares held on retirement from the Board on 13 May 2016.

[3] Shares held on retirement from the Board on 23 May 2016.

Relative importance of spend on Directors' fees

Year ended	31 December 2016 £	31 December 2015 £
Total directors' fees	124,025	130,417
Dividends paid and payable in respect of the year	10,964,225	9,838,936
Share buybacks	318,277	26,306
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends paid and payable in respect of the year	1.1%	1.3%
Total fees and expenses	6.6%	5.7%

Reports of the Directors

Directors' Remuneration Report

Directors' attendance at Board and Committee meetings in 2016

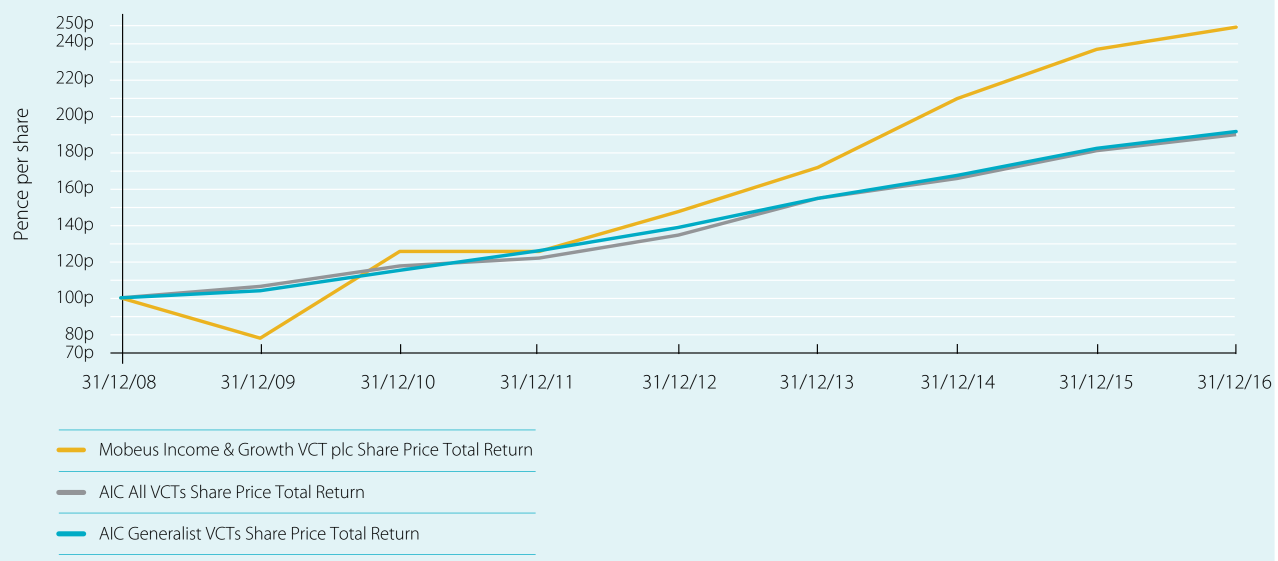
The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year ended 31 December 2016. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific issues as they arose.

Directors	Board Meetings		Audit Committee Meetings		Nomination & Remuneration Committee Meetings		Management Engagement Committee Meeting	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Clive Boothman	4	4	2	2	2	2	1	1
Bridget Guerin	4	4	2	2	2	2	1	1
Catherine Wall	4	4	2	2	2	2	1	1
Keith Niven	1	1	1	1	1	1	-	-
Tom Sooke	2	2	1	1	1	1	-	-

Company performance

The graph below charts the Share Price total return of the Company (assuming all dividends are re-invested in shares in the Company on the last trading day of the month in which the shares were quoted ex-dividend) over the past eight years compared with that of an index of all VCTs and an index of generalist VCTs which are members of the AIC, based on figures provided by Morningstar. The Board considers these indices to be the most appropriate indices against which to measure the Company's relative performance over the medium to long term. The total returns have each been re-based to 100 pence at 31 December 2008.

Share Price Total Return Performance Graph



An explanation of the recent performance of the Company is given in the Chairman's Statement on pages 2 and 3, in the section on the Investment Portfolio on pages 4 – 13 and in the Strategic Report on pages 15 – 17.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

29 March 2017

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 the Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Strategic Report, a Directors' Report and Directors' 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 have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and the profit of the Company.

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

Having taken advice from the Audit Committee, the Board considers that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's 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.

The names and functions of the Directors are stated on page 21.

For and on behalf of the Board

Clive Boothman
Chairman

29 March 2017

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

Our opinion on the financial statements

In our opinion Mobeus Income & Growth VCT plc financial statements for the year ended 31 December 2016, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and 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.,

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.

What our opinion covers

Our audit opinion on the financial statements covers the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes.

Respective responsibilities of directors and auditor

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

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

An overview of the scope of the audit including our assessment of the risk of material misstatement

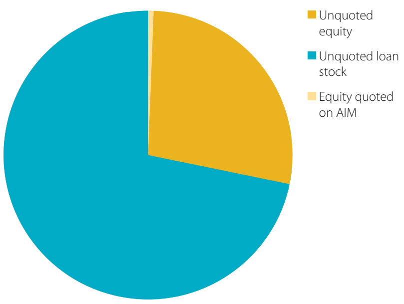
Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Adviser and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest effect on the overall audit strategy including the allocation of resources in the audit, and our audit response:

Valuation of investments

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the company. In addition, there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument and valuation method is shown below.

Investments by type



In respect of unquoted investments our sample for testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. 27% of the portfolio is based on price of recent investment or cost, including cash held within companies seeking to acquire a trade. For such investments, we verified the cost or price of recent investment to supporting documentation and reviewed the Investment Adviser's determination of whether there were any reasons why the valuation did not remain appropriate, including obtaining evidence of the cash balance where appropriate.

72% of the unquoted investment portfolio is valued in accordance with more subjective techniques, mainly on an earnings multiple basis, as described in note 7. In respect of the sample selected for detailed testing (representing 99% by value of the investments valued using more subjective techniques) we:

- Recalculated the value attributable to the Company;
- Reviewed and challenged the inputs to the valuation and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Reviewed the historical financial statements and recent management information available for unquoted investments used to support assumptions about maintainable earnings used in the valuations;
- Considered the earnings multiples applied by reference to observable listed company market data; and
- Challenged adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted.

Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

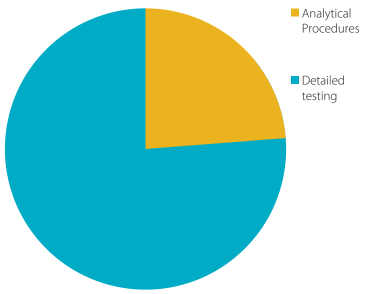
In respect of equity investments quoted on AIM (1% of the total portfolio value), we obtained the year end price and confirmed that bid price had been used as the most appropriate indication of fair value.

For all investments tested, we developed our own point estimate where alternative assumptions could reasonably be applied and considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.

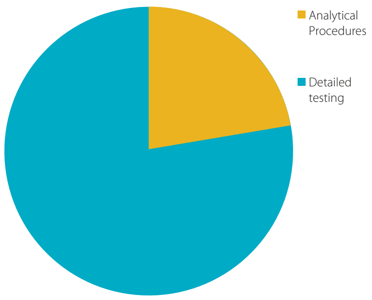
The remainder of the portfolio was subject to analytical procedures to confirm there were no unexpected movements in value warranting further investigation.

The extent of our testing is detailed below:

Investments by number



Investments by value



Revenue recognition

Revenue consists primarily of interest earned on loans to investee companies and cash balances, as well as dividends receivable from investee companies. Revenue recognition is considered to be a significant audit risk as it is one of the key drivers of dividend returns to investors.

We developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid. We traced a sample of interest income receipts to bank statements.

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 considered the appropriateness of the accounting treatment of other fixed returns, including redemption premia.

We considered the completeness of dividend income receivable by reviewing independent data including published dividend histories for AIM quoted investments and statutory and management information for a sample of unquoted investments. We traced dividend income received to bank and considered the appropriate classification of dividends between revenue and capital.

The audit committee's consideration of their key issues is set out on pages 27 to 28.

Materiality in context

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. Importantly, misstatements below this level 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. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (2% value of investments)-	Assessing whether the financial statements as a whole present a true and fair view	The value of investments The level of judgement inherent in the valuation The range of reasonable alternative valuation	1,000,000
Specific materiality – classes of transactions and balances which impact on revenue profits (10% revenue return before tax)	Assessing those classes of transactions, 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.	The level of net income return	185,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,000, 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.

In our opinion: based on the work undertaken in the course of the audit:

- 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 strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Statement regarding the directors' assessment of principal risks, going concern and longer term viability of the company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity,
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated,
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

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 Report and Accounts is fair, balanced and understandable and whether the Report and Accounts 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

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2). The Listing Rules also require that we review the directors' statements set out on page 20 regarding going concern and longer term viability.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of these matters.

Peter Smith
(senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
London

United Kingdom

29 March 2017

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

Income Statement for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 Revenue £	Capital £	Total £	Year ended 31 December 2015 Revenue £	Capital £	Total £
Unrealised (losses)/gains on investments	7	-	(196,760)	(196,760)	-	1,766,616	1,766,616
Realised gains on investments	7	-	628,948	628,948	-	4,538,894	4,538,894
Income	3	2,650,934	-	2,650,934	2,820,521	-	2,820,521
Investment Adviser's fees	4a	(383,672)	(1,151,015)	(1,534,687)	(391,279)	(1,173,838)	(1,565,117)
Investment Adviser's bonus payment	4a	-	-	-	-	(250,000)	(250,000)
Other expenses	4c	(349,892)	-	(349,892)	(462,989)	-	(462,989)
Profit/(loss) on ordinary activities before taxation		1,917,370	(718,827)	1,198,543	1,966,253	4,881,672	6,847,925
Taxation on profit/(loss) on ordinary activities	5	(339,532)	230,203	(109,329)	(369,305)	289,531	(79,774)
Profit/(loss) for the year and total comprehensive income		**1,577,838**	**(488,624)**	**1,089,214**	**1,596,948**	**5,171,203**	**6,768,151**
Basic and diluted earnings per ordinary share	9	**2.08p**	**(0.64)p**	**1.44p**	**2.16p**	**6.98p**	**9.14p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the unrealised (losses)/gains and realised gains on investments and the proportion of the Investment Adviser's fee charged to capital.

The total column is the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS"). In order to better reflect the activities of a VCT and in accordance with the Statement of Recommended Practice ("SORP") issued in November 2014 (updated in January 2017) by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

All the items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

The notes on pages 42 – 58 form part of these Financial Statements.

Balance Sheet as at 31 December 2016

Company No. 5153931

	Notes	31 December 2016 £	31 December 2015 £
Fixed assets			
Investments at fair value	7	51,682,768	51,355,611
Current assets			
Debtors and prepayments	10	1,154,144	848,390
Current asset investments	11	5,246,949	14,946,274
Cash at bank and in hand	11	5,314,539	7,221,793
		11,715,632	23,016,457
Creditors: amounts falling due within one year	12	(248,847)	(266,218)
Net current assets		11,466,785	22,750,239
Net assets		**63,149,553**	**74,105,850**
Capital and reserves			
Called up share capital	13	755,975	759,730
Capital redemption reserve		9,440	5,685
Share premium reserve		19,463,849	19,463,849
Revaluation reserve		3,523,180	3,785,072
Special distributable reserve		35,605,335	40,625,822
Realised capital reserve		2,733,792	7,716,009
Revenue reserve		1,057,982	1,749,683
Equity shareholders' funds		**63,149,553**	**74,105,850**
Basic and diluted net asset value per ordinary share	**14**	**83.53p**	**97.54p**

The notes on pages 42 – 58 form part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 29 March 2017 and were signed on its behalf by:

Clive Boothman
Chairman

Statement of Changes in Equity for the year ended 31 December 2016

	Notes	Non-distributable reserves Called up share capital £	Capital redemption reserve £	Share premium reserve £	Revaluation reserve £	Distributable reserves Special distributable reserve (note a) £	Realised capital reserve (note b) £	Revenue reserve (note b) £	Total £
At 1 January 2016		**759,730**	**5,685**	**19,463,849**	**3,785,072**	**40,625,822**	**7,716,009**	**1,749,683**	**74,105,850**
Comprehensive income for the year									
(Loss)/profit for the year		-	-	-	(196,760)	-	(291,864)	1,577,838	1,089,214
Total comprehensive income for the year		**-**	**-**	**-**	**(196,760)**	**-**	**(291,864)**	**1,577,838**	**1,089,214**
Contributions by and distributions to owners									
Shares bought back	13	(3,755)	3,755	-	-	(318,277)	-	-	(318,277)
Dividends paid	6	-	-	-	-	(3,781,398)	(5,676,297)	(2,269,539)	(11,727,234)
Total contributions by and distributions to owners		**(3,755)**	**3,755**	**-**	**-**	**(4,099,675)**	**(5,676,297)**	**(2,269,539)**	**(12,045,511)**
Other movements									
Realised losses transferred to special reserve (note a)		-	-	-	-	(920,812)	920,812	-	-
Realisation of previously unrealised appreciation		-	-	-	(65,132)	-	65,132	-	-
Total other movements		-	-	-	(65,132)	(920,812)	985,944	-	-
At 31 December 2016		**755,975**	**9,440**	**19,463,849**	**3,523,180**	**35,605,335**	**2,733,792**	**1,057,982**	**63,149,553**

Note a: The purpose of this reserve is to fund market purchases of the Company's own shares, to write off existing and future losses and for any other corporate purpose. All of this reserve arose from shares issued before 5 April 2014. The transfer of £920,812 to the special distributable reserve from the realised capital reserve above is the total of realised losses incurred by the Company in the year.

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

Statement of Changes in Equity for the year ended 31 December 2015

	Non-distributable reserves				Distributable reserves			
	Called up share capital	Capital redemption reserve	Share premium reserve	Revaluation reserve	Special distributable reserve	Realised capital reserve	Revenue reserve	Total
	£	£	£	£	£	£	£	£
At 1 January 2015	**607,500**	**5,367**	**4,938,201**	**3,734,981**	**41,911,188**	**7,388,319**	**1,824,521**	**60,410,077**
Comprehensive income for the year								
Profit for the year	-	-	-	1,766,616	-	3,404,587	1,596,948	6,768,151
Total comprehensive income for the year	**-**	**-**	**-**	**1,766,616**	**-**	**3,404,587**	**1,596,948**	**6,768,151**
Contributions by and distributions to owners								
Shares issued under Offer for Subscription	152,548	-	14,525,648	-	(124,753)	-	-	14,553,443
Shares bought back	(318)	318	-	-	(26,306)	-	-	(26,306)
Dividends paid	-	-	-	-	-	(5,927,729)	(1,671,786)	(7,599,515)
Total contributions by and distributions to owners	**152,230**	**318**	**14,525,648**	**-**	**(151,059)**	**(5,927,729)**	**(1,671,786)**	**6,927,622**
Other movements								
Realised losses transferred to special reserve	-	-	-	-	(1,134,307)	1,134,307	-	-
Realisation of previously unrealised appreciation	-	-	-	(1,716,525)	-	1,716,525	-	-
Total other movements	-	-	-	(1,716,525)	(1,134,307)	2,850,832	-	-
At 31 December 2015	**759,730**	**5,685**	**19,463,849**	**3,785,072**	**40,625,822**	**7,716,009**	**1,749,683**	**74,105,850**

The composition of each of these reserves is explained below:

Called up share capital - The nominal value of shares originally issued, increased for subsequent share issues either via an Offer for Subscription or reduced due to shares bought back by the Company.

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

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

Revaluation reserve - Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss (as recorded in note 7), all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

Special distributable reserve - The cost of share buybacks is charged to this reserve. In addition, any realised losses on the sale or impairment of investments (excluding transaction costs), and 75% of the Investment Adviser fee expense, and the related tax effect, are transferred from the realised capital reserve to this reserve. Capital dividends may also be payable from this reserve.

Realised capital reserve - The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition and disposal of investments;
- 75% of the Investment Adviser fee and 100% of any performance fee payable, together with the related tax effect to this reserve in accordance with the policies; and
- Capital dividends paid.

Revenue reserve - Income and expenses that are revenue in nature are accounted for in this reserve together with the related tax effect, as well as income dividends paid that are classified as revenue in nature.

The notes on pages 42 – 58 form part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Cash flows from operating activities			
Profit after tax for the financial year		1,089,214	6,768,151
Adjustments for:			
Net unrealised losses/(gains) on investments		196,760	(1,766,616)
Net gains on realisations of investments		(628,948)	(4,538,894)
Tax charge for current year		109,329	79,774
Increase in debtors		(38,554)	(85,867)
(Decrease)/increase in creditors		(82,593)	38,304
Net cash inflow from operations		**645,208**	**494,852**
Corporation tax paid		(44,108)	(146,884)
Net cash inflow from operating activities		**601,100**	**347,968**
Cash flows from investing activities			
Acquisitions of investments	7	(3,559,180)	(21,970,561)
Disposals of investments	7	3,397,012	9,862,770
Decrease in bank deposits with a maturity over three months		2,003,484	489,249
Net cash inflow/(outflow) from investing activities		**1,841,316**	**(11,618,542)**
Cash flows from financing activities			
Shares issued as part of Offer for subscription		-	14,553,443
Equity dividends paid	6	(11,727,234)	(7,599,515)
Share capital bought back		(318,277)	(47,683)
Net cash (outflow)/inflow from financing activities		**(12,045,511)**	**6,906,245**
Net decrease in cash and cash equivalents		**(9,603,095)**	**(4,364,329)**
Cash and cash equivalents at start of year		19,157,316	23,521,645
Cash and cash equivalents at end of year		**9,554,221**	**19,157,316**
Cash and cash equivalents comprise:			
Cash equivalents	11	4,239,682	11,935,523
Cash at bank and in hand	11	5,314,539	7,221,793

The notes on pages 42 – 58 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2016

1 Company Information

Mobeus Income and Growth VCT plc is a public limited company incorporated in England, registration number 5153931. The registered office is 30 Haymarket, London, SW1Y 4EX.

2 Basis of preparation of the Financial Statements

A summary of the principal accounting policies, all of which have been applied consistently throughout the year are set out at the start of the related disclosure throughout the Notes to the Financial Statements. All accounting policies are included within an outlined box at the top of each relevant note.

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS102"), with the Companies Act 2006 and the 2014 Statement of Recommended practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('the SORP') issued by the Association of Investment Companies (updated in January 2017). The Company has a number of financial instruments which are disclosed under FRS102 s11/12 as shown in Note 15.

3 Income

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

Interest income on loan stock is accrued on a daily basis. Provision is made against this income where recovery is doubtful or where it will not be received in the foreseeable future. Where the loan stocks only require interest or a redemption premium to be paid on redemption, the interest and redemption premium is recognised as income or capital as appropriate once redemption is reasonably certain. When a redemption premium is designed to protect the value of the instrument holder's investment rather than reflect a commercial rate of revenue return, the redemption premium is recognised as capital. The treatment of redemption premiums is analysed to consider if they are revenue or capital in nature on a company by company basis. Accordingly, the redemption premium recognised in the year ended 31 December 2016 has been classified as capital and has been included within gains on investments.

	2016 £	2015 £
Income from bank deposits	60,115	79,780
Income from investments		
– from equities	220,910	144,711
– from overseas based OEICs	31,429	8,297
– from loan stock	2,338,480	2,586,788
– from interest on preference share dividend arrears	-	945
	2,590,819	2,740,741
Total income	**2,650,934**	**2,820,521**
Total income comprises		
Dividends	252,339	153,008
Interest	2,398,595	2,667,513
	2,650,934	**2,820,521**
Income from investments comprises		
Listed overseas securities	31,429	8,297
Unlisted UK securities	220,910	144,711
Loan stock interest	2,338,480	2,586,788
	2,590,819	**2,739,796**

Total loan stock interest due but not recognised in the year was £602,221 (2015: £297,027).

4 Investment Adviser's fees and Other expenses

All fees and expenses are accounted for on an accruals basis

a) Investment Adviser's fees and performance fees

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

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

	Revenue 2016 £	Capital 2016 £	Total 2016 £	Revenue 2015 £	Capital 2015 £	Total 2015 £
Mobeus Equity Partners LLP						
Investment Adviser's fees	383,672	1,151,015	1,534,687	391,279	1,173,838	1,565,117
Investment Adviser's bonus payment	-	-	-	-	250,000	250,000
	383,672	1,151,015	1,534,687	391,279	1,423,838	1,815,117

Under the terms of a revised investment management agreement dated 20 May 2010, Mobeus Equity Partners LLP ("Mobeus") 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 £134,168 per annum, the latter inclusive of VAT and subject to annual increases in RPI. In 2013, Mobeus agreed to waive such further increases due to indexation, until otherwise agreed with the Board.

The Investment 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 Investment Adviser. The excess expenses during the year amounted to £nil (2015: £nil).

The Company is responsible for external costs such as legal and accounting fees, incurred on transactions that do not proceed to completion ("abort expenses") subject to the cap on total annual expenses referred to above.

In line with common practice, Mobeus retains the right to charge arrangement and syndication fees and directors' or monitoring fees to companies in which the Company invests. The Investment Adviser received fees totalling £326,660 during the year ended 31 December 2016 (2015: £486,396), being £98,881 (2015: £268,246) for arrangement fees and £227,779 (2015: £218,150) for acting as non-executive directors on a number of investee company boards. These fees attributable to MIG VCT are based upon the investment allocation applicable to MIG VCT which applied at the time of each investment. These figures are not part of these financial statements.

Incentive agreement

Under the Incentive Agreement dated 9 July 2004, and a variation of this agreement dated 20 May 2010, the Investment Adviser is entitled to receive an annual performance-related incentive fee of 20% of the dividends paid in a year in excess of a "Target Rate" comprising firstly, an annual dividend paid in a year target which started at 6.00 pence per share on launch (indexed each year for RPI) and secondly a requirement that any shortfall of cumulative dividends paid in each year beneath the cumulative annual dividend target is carried forward and added to the Target Rate for the next accounting period. Any excess of cumulative dividends paid above the cumulative annual dividend target is not carried forward, whether an incentive fee is payable for that year or not. Payment of a fee is also conditional upon the daily weighted average Net Asset Value ("NAV") per share throughout such year equalling or exceeding the daily weighted average Base NAV per share throughout the same year. The performance fee will be payable annually.

At 31 December 2016, the annual dividend target is 7.33 pence per share and there was an excess of cumulative dividends paid over the cumulative annual dividend target of 7.13 pence per share. However, the average NAV per share is 91.56 pence for the year, which was less than the average base NAV per share for the year of 98.53 pence. Accordingly, no performance incentive fee is payable for the year and the excess of cumulative dividends paid over the cumulative annual dividend target of 7.13 pence will not be carried forward.

For the year ended 31 December 2014, depending upon the interpretation of the terms contained in the original Incentive Agreement, a performance fee was potentially payable to the Investment Adviser. In light of the absence of sufficient clarity in several parts of the Incentive Agreement, and to recognise the particularly strong returns achieved by the Investment Adviser for the Company during the preceding eighteen months, the Board recommended the payment of an ex-gratia bonus of £250,000 to the Investment Adviser. This payment was approved by shareholders at a general meeting on 3 September 2015 and subsequently made on 30 September 2015. A contribution of £17,325 to the costs of the Circular sent to shareholders before the general meeting was made by the Investment Adviser.

b) Offer for subscription fees

No funds were raised by an offer by the VCT in the year (2015: £15 million). Accordingly, no subscription fees were payable to Mobeus in the year (2015: £0.49 million where all costs associated with the offer were met out of these fees by Mobeus, excluding any payments to financial advisers facilitated under the terms of the offer).

c) Other expenses

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

	2016 £	2015 £
Directors' remuneration (including NIC of £8,755 (2015: £7,449)) - note a)	132,780	137,866
IFA trail commission	53,684	90,116
Broker's fees	14,400	14,400
Auditor's fees – Audit of Company (excluding VAT)	23,575	23,063
– audit related assurance services - note b) (excluding VAT)	4,203	4,100
– tax compliance services - note b) (excluding VAT)	3,393	6,132
Registrar's fees	33,121	33,796
Printing	20,495	27,475
Legal & professional fees	8,544	19,578
VCT monitoring fees	9,000	9,300
Directors' insurance	8,349	9,248
Listing and regulatory fees	29,176	30,229
Sundry	9,172	10,100
Running costs	**349,892**	**415,403**
Provision against loan interest receivable (note c)	-	47,586
Other expenses	**349,892**	**462,989**

a) See analysis in the Directors' Remuneration Report on page 31, which excludes the NIC above. The key management personnel are the three non-executive Directors. The Company has no employees.

b) The Directors consider the Auditor was best placed to provide the audit-related services and tax compliance services disclosed above. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained.

c) Provision against loan interest receivable of £nil (2015: £47,586) is a provision made against loan stock interest recognised in previous years.

5 Taxation on profit/(loss) on ordinary activities

The tax expense for the year comprises current tax and is recognised in profit or loss. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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

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

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

	2016 Revenue £	2016 Capital £	2016 Total £	2015 Revenue £	2015 Capital £	2015 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/(losses) for the year	339,532	(230,203)	109,329	369,305	(289,531)	79,774
Total current tax charge/(credit)	**339,532**	**(230,203)**	**109,329**	**369,305**	**(289,531)**	**79,774**
Corporation tax is based on a rate of 20% (2015: 20.08%)						
b) Profit/(loss) on ordinary activities before tax	1,917,370	(718,827)	1,198,543	1,966,253	4,881,672	6,847,925
Profit/(loss) on ordinary activities multiplied by main company rate of corporation tax in the UK of 20% (2015: 20.08%)	383,474	(143,765)	239,709	394,867	980,347	1,375,214
Effect of:						
UK dividends	(44,182)	-	(44,182)	(29,061)	-	(29,061)
Unrealised losses/(gains) not taxable	-	39,352	39,352	-	(354,775)	(354,775)
Realised gains not taxable	-	(125,790)	(125,790)	-	(911,510)	(911,510)
Under/(over) provision in prior period	240	-	240	(94)	-	(94)
Marginal rate	-	-	-	3,593	(3,593)	-
Actual current tax charge	**339,532**	**(230,203)**	**109,329**	**369,305**	**(289,531)**	**79,774**

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

The Company is an Investment Trust and 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.

6 Dividends paid and payable

Dividends payable are recognised as distributions in the Financial Statements when the Company's liability to pay them has been established. This liability is established for interim dividends when they are paid, and for final dividends when they are approved by the shareholders, usually at the Company's Annual General Meeting.

A key judgement in applying the above accounting policy is in determining the amount of minimum dividend to be paid in respect of a year. The Company's status as a VCT means it has to comply with Section 259 of the ITA, which requires that no more than 15% of the income from shares and securities in a year can be retained from the revenue available for distribution for the year.

Amounts recognised as distributions to equity shareholders in the year:

Dividend	Type	For year ended 31 December	Pence per share	Date Paid	2016 £	2015 £
Second Interim	Income	2014	1.20p	30 April 2015	-	912,056
Second Interim	Capital	2014	5.80p	30 April 2015	-	4,408,271
Interim	Income	2015	1.00p	17 September 2015	-	759,730
Interim	Capital	2015	2.00p	17 September 2015	-	1,519,458
Final	Income	2015	1.00p	31 May 2016	756,980	-
Final	Capital	2015	6.00p	31 May 2016	4,541,877	-
Interim	Income	2016	2.00p	20 September 2016	1,512,559	-
Interim	Capital	2016	1.50p	20 September 2016	1,134,420	-
Interim	Capital	2016	5.00p	20 September 2016	3,781,398*	-
					11,727,234	**7,599,515**
Distributions to equity holders after the year-end:				**Date Payable**		
Second interim	Capital	2016	6.00p	31 March 2017	4,535,848*	-

* These dividends were and will be payable out of the Company's special distributable reserve.

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 concerning the Company not retaining more than 15% of its income from shares and securities, is considered.

Recognised income distributions in the financial statements for the year

Dividend	Type	For year ended 31 December	Pence per share	Date paid/payable	2016 £	2015 £
Revenue available for distribution by way of dividends for the year					**1,577,838**	**1,596,948**
Interim	Income	2015	1.00p	17 September 2015	-	759,730
Final	Income	2015	1.00p	31 May 2016	-	759,730
Interim	Income	2016	2.00p	20 September 2016	1,512,559	-
Total income dividends for the year					**1,512,559**	**1,519,460**

7 Investments at fair value

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at "fair value through profit and loss" (FVTPL). All investments held by the Company are classified as FVTPL and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, as updated in December 2015. 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 IPEV 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, each investment is considered as a whole on a 'unit of account' basis, alongside the following factors:

(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 to the sector including, inter alia, a lack of marketability).

or:-

b) where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate.

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

(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.

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently below 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 treated as a realised loss in the Income Statement. 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.

Notes to the Financial Statements for the year ended 31 December 2016

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 2015	305,030	15,950,645	29,850	33,775,769	50,061,294
Net unrealised gains at 31 December 2015	88,941	1,360,322	5,081	2,330,728	3,785,072
Permanent impairment in value of investments as at 31 December 2015	-	(1,442,685)	(3,078)	(1,044,992)	(2,490,755)
Valuation at 31 December 2015	**393,971**	**15,868,282**	**31,853**	**35,061,505**	**51,355,611**
Purchases at cost (note a)	-	2,723,364	-	143,920	2,867,284
Sale proceeds (note b)	(89,548)	(935,432)	-	(1,947,335)	(2,972,315)
Net realised gains (note c)	12,049	374,739	-	242,160	628,948
Net unrealised gains/(losses) for the year (note d)	40,834	(3,700,030)	(2,905)	3,465,341	(196,760)
Closing valuation at 31 December 2016	**357,306**	**14,330,923**	**28,948**	**36,965,591**	**51,682,768**
Cost at 31 December 2016	245,012	17,104,478	29,850	32,235,441	49,614,781
Net unrealised gains at 31 December 2016	112,294	(2,366,432)	2,176	5,775,142	3,523,180
Permanent impairment in cost of investments as at 31 December 2016 (note e)	-	(407,123)	(3,078)	(1,044,992)	(1,455,193)
Valuation at 31 December 2016	**357,306**	**14,330,923**	**28,948**	**36,965,591**	**51,682,768**

Reconciliation of investment transactions to Statement of Cash flows

Note a: Purchases above of £2,867,284 are less than that shown as Acquisitions of investments in the Statement of Cash flows of £3,559,180. This difference of £691,896 relates to an investment into Ibericos Etc. Limited (trading as Tapas Revolution) that completed after the year end. This amount is shown as held in a solicitor's client account within debtors at the year end.

Note b: The cash flow from investment proceeds shown above of £2,972,315 differs from the Disposals of investments shown in the Statement of Cash flows of £3,397,012 by £424,697. This is due to £89,548 of deferred cash sale proceeds not received until after the year-end, against which £514,245 of deferred cash sale proceeds were received during the year relating to a prior year.

Major movements in investments

Note c: Disposals of investment portfolio companies during the year were:

	Type	Investment cost £	Disposal proceeds £	Valuation at 31 December 2015 £	Realised gain in year £
Master Removers Group Limited	Loan repayment	1,004,547	1,004,547	1,004,547	-
Barham Consulting Limited	Loan repayment	363,240	605,400	605,400	-
Focus Pharma Holdings Limited	Deferred consideration	-	601,630	-	601,630
Pound FM Consultants Limited	Loan repayment and share buyback	425,871	425,871	425,871	-
Others	Loan payments/deferred consideration	242,417	334,867	307,549	27,318
		2,036,075	**2,972,315**	**2,343,367**	**628,948**

Note d: Within net unrealised losses of £196,760 for the year, the significant falls in value compared to last year were as follows: £1,357,565 in Entanet Holdings Limited, £578,850 in Jablite Holdings Limited, £474,707 in Veritek Global Limited, and £379,931 in Tharstern Group Limited. These losses were partially set off by significant unrealised gains in valuation compared to last year, being: £820,861 in Turner Topco Limited (trading as ATG Media), £473,686 in RDL Corporation Limited, £382,661 in Vian Marketing Limited (trading as Tushingham Sails) and £339,822 in Vectair Holdings Limited.

The increase in unrealised valuations of the loan stock investments above reflects the changes in the entitlement to loan premiums, and/or in the underlying enterprise value of the investee company. The increase does not arise from assessments of credit risk or market risk upon these instruments.

Note e: During the year, permanent impairments of the cost of investments have reduced from £2,490,755 to £1,455,193. The net reduction of £1,035,562 is due to a) an investee company being dissolved in the year, which removes the cost and related impairment of this investment from these Financial Statements, and b) an impairment of equity of one investee company.

8 Significant interests

At 31 December 2016 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
Media Business Insight Holdings Limited[1]	1,312,905	1,969,358	3,282,263	19.0%
Tovey Management Limited (trading as Access IS)[2]	1,191,303	2,072,379	3,263,682	13.4%
ASL Technology Holdings Limited	523,486	2,418,806	2,942,292	14.4%[3]
Entanet Holdings Limited	515,056	2,198,021	2,713,077	16.4%[3]
Manufacturing Services Investment Limited	571,200	2,095,500	2,666,700	14.3%
Turner Topco Limited (trading as ATG Media)	6,676	2,494,411	2,501,087	6.0%
Virgin Wines Holding Company Limited	58,008	2,381,344	2,439,352	12.2%
Veritek Global Limited	54,950	1,990,325	2,045,275	13.0%[3]
Gro-Group Holdings Limited	186,195	1,788,812	1,975,007	13.4%[3]
CGI Creative Graphics International Limited	594,236	1,213,296	1,807,532	7.8%[3]
Fullfield Limited (trading as Motorclean)	664,072	961,600	1,625,672	14.1%
RDL Corporation Limited	271,044	1,287,290	1,558,334	14.1%[3]
Backhouse Management Limited	605,400	908,100	1,513,500	15.1%
Chatfield Services Limited	605,400	908,100	1,513,500	15.1%
Creasy Marketing Services Limited	605,400	908,100	1,513,500	15.1%
McGrigor Management Limited	605,400	908,100	1,513,500	15.1%
Hollydale Management Limited	586,200	879,300	1,465,500	14.7%
Tharstern Group Limited	427,196	949,324	1,376,520	15.3%[3]
Vian Marketing Limited (trading as Tushingham Sails)	359,278	829,672	1,188,950	9.3%[3]
Barham Consulting Limited	605,400	544,860	1,150,260	15.1%
Redline Worldwide Limited	349,222	738,407	1,087,629	8.7%
Preservica Limited	899,613	-	899,613	6.1%
Pattern Analytics Limited (trading as Biosite)	757,336	-	757,336	5.6%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	614,162	282	614,444	5.2%[3]
BookingTek Limited	605,870	-	605,870	4.0%
MPB Group Limited	460,545	143,920	604,465	6.8%
Jablite Holdings Limited	453,747	48,192	501,939	12.1%
Blaze Signs Holdings Limited	472,125	19,672	491,797	20.8%
The Plastic Surgeon Holdings Limited	39,188	439,392	478,580	18.4%
CB Imports Group Limited	350,000	-	350,000	11.6%[3]
Lightworks Software Limited	222,584	-	222,584	20.0%[3]
Vectair Holdings Limited	138,074	500	138,574	12.0%
Newquay Helicopters (2013) Limited	49,369	-	49,369	17.5%
Watchgate Limited	1,000	-	1,000	33.3%

1 – Includes a loan of £764,797 to Media Business Insight Limited.

2 – Includes a loan of £284,682 to Access IS Limited.

3 – The percentage of equity held for these companies may be subject to further dilution of an additional 1% or move if, for example, management of the investee company exercises share options.

It is considered that, under FRS102 s9.9, "Consolidated and Separate Financial Statements", the above investments are held as part of an investment portfolio and that accordingly, their value to the Company lies in their marketable value as part of that portfolio and as such are not required to be consolidated. Also, the above investments are considered to be associates that are held as part of an investment portfolio and are accounted for in accordance with FRS 102 14.4B.

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. The total percentage of equity held by all funds advised by Mobeus is shown in the Investment Portfolio Summary on pages 10 to 13.

Notes to the Financial Statements for the year ended 31 December 2016

9 Basic and diluted earnings per share

	2016 £	2015 £
Total earnings after taxation:	1,089,214	6,768,151
Basic and diluted earnings per share (note a)	**1.44p**	**9.14p**
Revenue earnings from ordinary activities after taxation	1,577,838	1,596,948
Basic and diluted revenue earnings per share (note b)	**2.08p**	**2.16p**
Net unrealised capital (losses)/gains on investments	(196,760)	1,766,616
Net realised capital gains on investments	628,948	4,538,894
Capital Investment Adviser fees less taxation	(920,812)	(884,307)
Investment Adviser's bonus payment	-	(250,000)
Total capital earnings	(488,624)	5,171,203
Basic and diluted capital earnings per share (note c)	**(0.64)p**	**6.98p**
Weighted average number of shares in issue in the year	75,741,214	74,063,445

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 earnings after taxation divided by the weighted average number of shares in issue.

c) Capital earnings per share is the total capital earnings 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.

10 Debtors

	2016 £	2015 £
Amounts due within one year:		
Accrued income	354,338	310,553
Prepayments	17,277	23,421
Other debtors	90,633	514,416
Monies held in solicitor's client account	691,896	-
	1,154,144	**848,390**

Other debtors of £90,633 (2015: £514,416) are sale proceeds amounts received after the year end. £691,896 was held in a solicitor's client account pending completion of an investment in January 2017.

11 Current asset investments and Cash at bank

Cash equivalents, for the purposes of the Statement of Cash flows, comprises bank deposits repayable on up to three months' notice and funds held in OEIC money-market funds. Current asset investments are the same but also include bank deposits that mature after three months. Current asset investments are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at their carrying values at immediate or up to three months' notice. Cash, for the purposes of the Statement of Cash Flows is cash held with banks in accounts subject to immediate access. Cash at bank in the Balance Sheet is the same.

	2016 £	2015 £
OEIC Money market funds	4,239,682	9,434,251
Bank deposits that mature within up to three months	-	2,501,272
Cash equivalents per Statement of Cash Flows	4,239,682	11,935,523
Bank deposits that mature after three months but are not immediately repayable	1,007,267	3,010,751
Current asset investments	**5,246,949**	**14,946,274**
Cash at bank	**5,314,539**	**7,221,793**

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,949	3,636
Other creditors	14,484	16,566
Corporation tax	109,089	43,868
Accruals	123,325	202,148
	248,847	**266,218**

13 Called up share capital

	2016 £	2015 £
Allotted, called-up and fully paid:		
Ordinary Shares of 1p each: 75,597,471 (2015: 75,972,951)	**755,975**	**759,730**

During the year the Company purchased 375,480 (2015: 31,723) of its own shares for cash (representing 0.5% (2015: 0.1%) of the shares in issue at the start of the year) at the prevailing market price for a total cost of £318,277 (2015: £26,306). These shares were subsequently cancelled by the Company.

14 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 75,597,471 (2015: 75,972,951) ordinary shares, being the number of ordinary shares in issue on that date.

There are no instruments that will increase the number of shares in issue in future. Accordingly, the figures currently represent both basic and diluted net asset value per share.

15 Financial Instruments

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

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

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

The accounting policy for determining the fair value of investments is set out in Note 7 to the Financial Statements. The composition of investments held is shown below and in Note 7.

The fair value of Cash at bank and Current asset investments equates to their carrying value in the Balance Sheet. Loans and receivables and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

Notes to the Financial Statements for the year ended 31 December 2016

Classification of financial instruments

	2016 (Fair value) £	2015 (Fair value) £
Financial assets		
Assets at fair value through profit and loss:		
Investment portfolio	51,682,768	51,355,611
Current asset investments	5,246,949	14,946,274
Cash at bank	5,314,539	7,221,793
Loans and receivables		
Accrued income	354,338	310,553
Other debtors	782,529	514,416
Financial liabilities		
Liabilities at amortised cost or equivalent		
Other creditors	(139,758)	(266,218)
Total for financial instruments	63,241,365	74,082,429
Non financial instruments	(91,812)	23,421
Total net assets	**63,149,553**	**74,105,850**

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

The investment portfolio principally consists of unquoted investments (99.3%; 2015: 99.2%) and AIM quoted stocks (0.7%; 2015: 0.8%). The investment portfolio has a 100% (2015: 100%) concentration of risk towards small UK based, £ denominated companies and represents 81.8% (2015: 69.3%) of net assets at the year-end.

Current asset investments are money market funds and bank deposits which, along with Cash at bank, are discussed under credit risk below and represent 16.7% (2015: 29.9%) of net assets at the year-end.

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

Investment risk

The Company's investment portfolio is made up of predominantly UK companies which are not quoted on any recognised stock exchange. The companies held in the portfolio are usually smaller than those which are quoted on a stock exchange. They are therefore usually regarded as carrying more risk compared to larger companies, as they are more sensitive to changes in key financial indicators, such as a reduction in its turnover or an increase in costs. The Board is of the view that the Investment Adviser mitigates this risk as the investment in an investee company is held as part of a portfolio of such companies so that the performance of one company does not significantly affect the value of the portfolio as a whole. The Investment Adviser also usually only recommends companies for investment that have a proven business model, a sound financial record and a strong management team. The Investment Adviser also usually takes a seat on the Board of each investee company such that it is able to monitor its progress on a regular basis and contribute to the strategic direction of the company.

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and therefore they are not readily realisable. The ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers and, as the Company owns minority stakes, could require a number of months and the co-operation of other shareholders to achieve at a reasonable valuation. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. The maturity profile of the Company's loan stock investments disclosed within the consideration of credit risk below indicates that these assets are also not readily realisable until dates up to five years from the year-end.

To counter these risks to the Company's liquidity, the Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £5,246,949 which are all accessible at varying points over the next 12 months. The Board also receives regular cash flow projections in order to manage this liquidity risk.

The table below shows a maturity analysis of financial liabilities:

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2016 Total £
Other creditors	**69,587**	**70,171**	**-**	**-**	**139,758**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2015 Total £
Other creditors	**145,960**	**21,934**	**98,324**	**-**	**266,218**

The Company does not have any derivative financial liabilities.

Credit risk

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

The Company's maximum exposure to credit risk is:

	2016 £	2015 £
Loan stock investments	36,965,591	35,061,505
Current asset investments	5,246,949	14,946,274
Accrued income	354,338	310,553
Other debtors	782,529	514,416
Cash at bank	5,314,539	7,221,793
	48,663,946	**58,054,541**

The Company has an exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and in a minority of cases, such security ranks beneath any bank debt that an investee company may owe. The loan stock is held in companies with turnover under £50 million, which may be considered less stable than larger, longer established businesses. The Investment Adviser undertakes extensive financial and commercial due diligence before recommending an investment to the Board. The Investment Adviser usually takes a seat on the Board of each investee company and the Board of the VCT receives regular updates on each company at each quarter end.

The accrued income shown above of £354,338 was all due within five months of the year-end, with £40,749 still receivable two months after 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 management's expectations of when it is likely that such loans may be repaid.

Repayable within	2016 £	2015 £
0 to 1 year	9,290,372	1,270,320
1 to 2 years	8,768,157	801,798
2 to 3 years	8,760,880	8,477,166
3 to 4 years	7,087,301	11,815,647
4 to 5 years	3,058,881	12,696,574
Total	**36,965,591**	**35,061,505**

Included within loan stock investments above is one loan at a carrying value of £801,798 (2015: £801,798), which is past its repayment date but has been renegotiated. Two loans with a value of £2,713,377 are now past their repayment dates 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 are set out under market price risk below.

An aged analysis of the value of loan stock investments included on the previous page, 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 £	2016 Total £
Loans to investee companies past due	**1,270,320**	**2,673,961**	**1,443,057**	**5,387,338**

	0-6 months £	6-12 months £	over 12 months £	2015 Total £
Loans to investee companies past due	**969,371**	-	-	**969,371**

Credit risk also arises from cash and cash equivalents, deposits with banks and amounts held in liquidity funds. There is a risk of liquidity fund defaults such that there could be defaults within their underlying portfolios that could affect the values at which the Company could sell its holdings. However, as the five OEIC money market funds holding £4,239,682 are all triple A rated funds along with bank deposits and cash of £5,233,592 at five well-known financial institutions, credit risk is considered to be relatively low in current circumstances. The Board manages credit risk in respect of these money market funds and cash by ensuring a spread of such investments such that none should exceed 15% of the Company's total investment assets. The Company's current account totalling £1,088,214 is held with NatWest Bank plc, so 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.

Market price risk

Market price risk arises from uncertainty about the future valuations of the unquoted portfolio held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies (investment risk), as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £51,682,768, the fair value of the investment portfolio.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's objective, as set out in the Strategic Report. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk and also has full and timely access to relevant information from the Investment Adviser. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Board meets regularly and reviews the investment performance, financial results and prevailing market conditions as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Market price risk sensitivity

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

Although 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 their trading performance (discussed under investment risk earlier) and 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% (2015: 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 the value of each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company changes by plus or minus 20% overall (2015: 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.

The calculation below has applied plus and minus 20% to the value of the unquoted portfolio of £40.59 million, after excluding the value of the companies preparing to trade of £11.09 million. The latter are vehicles that currently solely hold cash, so are not sensitive to market price risk at the year-end.

The impact of a change of 20% (2015: 20%) has been selected as this is considered reasonable given the level of volatility observed both on a historical basis and market expectations for future movement.

	2016 Profit and net assets £	2015 Profit and net assets £
If overall share prices rose/fell by 20% (2015: 20%), with all other variables held constant – increase/(decrease)	8,117,694 / (8,117,694)	7,628,482 / (7,628,482)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	10.74p / (10.74)p	10.04p / (10.04)p

Cash flow interest rate risk

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

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

The interest rate profile of the Company's financial net assets at 31 December 2016 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	14,688,229	-	-	14,688,229		
Preference shares	-	28,948	-	28,948	-	0.2
Loan stocks	-	29,813,531	7,152,060	36,965,591	5.8	2.2
Current asset investments	-	-	5,246,949	5,246,949	0.4	
Cash	-	-	5,314,539	5,314,539	0.3	
Debtors	1,136,867	-	-	1,136,867		
Creditors	(139,758)	-	-	(139,758)		
Total for financial instruments	15,685,338	29,842,479	17,713,548	63,241,365		
Non-financial instruments	(91,812)	-	-	(91,812)		
Total net assets	**15,593,526**	**29,842,479**	**17,713,548**	**63,149,553**		

Financial Statements

Notes to the Financial Statements for the year ended 31 December 2016

The interest rate profile of the Company's financial net assets at 31 December 2015 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	16,262,253	-	-	16,262,253		
Preference shares	-	31,853	-	31,853	-	1.8
Loan stocks	-	26,638,105	8,423,400	35,061,505	7.7	3.2
Current asset investments	-	-	14,946,274	14,946,274	0.5	
Cash	-	-	7,221,793	7,221,793	0.5	
Debtors	824,969	-	-	824,969		
Creditors	(266,218)	-	-	(266,218)		
Total for financial instruments	16,821,004	26,669,958	30,591,467	74,082,429		
Non-financial instruments	23,421	-	-	23,421		
Total net assets	**16,844,425**	**26,669,958**	**30,591,467**	**74,105,850**		

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. Variable 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 do not yield interest and have no maturity date and their inclusion would distort the weighted average period information above.

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:

	2016 Profit and net assets £	2015 Profit and net assets £
If interest rates rose / fell by 1%, with all other variables held constant – increase / (decrease)	141,708 / (141,708)	228,679 / (228,679)
Increase / (decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.19p / (0.19)p	0.30p / (0.30)p

Currency risk

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

Financial Statements

Fair value hierarchy

The table below sets out fair value measurements using FRS102 s11.27 fair value hierarchy.

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.

Thus, the AIM quoted investment, Current asset investments and Cash at bank are valued as Level 1.

Unquoted investments are valued as Level 3.

The valuation techniques used by the Company are explained in the accounting policies in Notes 7, 10 and at the start of this note.

Financial assets at fair value through profit and loss At 31 December 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	357,306	-	14,330,923	14,688,229
Preference shares	-	-	28,948	28,948
Loan stock	-	-	36,965,591	36,965,591
Current asset investments	5,246,949	-	-	5,246,949
Cash at bank	5,314,539	-	-	5,314,539
Total	**10,918,794**	**-**	**51,325,462**	**62,244,256**

Financial assets at fair value through profit and loss At 31 December 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	393,971	-	15,868,282	16,262,253
Preference shares	-	-	31,853	31,853
Loan stock	-	-	35,061,505	35,061,505
Current asset investments	14,946,274	-	-	14,946,274
Cash at bank	7,221,793	-	-	7,221,793
Total	**22,562,038**	**-**	**50,961,640**	**73,523,678**

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

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 2016	15,868,282	31,853	35,061,505	50,961,640
Purchases	2,723,364	-	143,920	2,867,284
Sales	(935,432)	-	(1,947,335)	(2,882,767)
Total gains/(losses) included in the Income Statement:				-
- on assets sold	374,739	-	242,160	616,899
- on assets held at the year-end	(3,700,030)	(2,905)	3,465,341	(237,594)
Closing balance at 31 December 2016	**14,330,923**	**28,948**	**36,965,591**	**51,325,462**

As detailed in the accounting policy for note 7, where investments are valued on an earnings-multiple basis, the main inputs used for this basis of valuation are earnings and a price-earnings ratio taken from a comparable sector on the quoted market, which is then appropriately adjusted for points of difference. Thus, any change in share prices can have a significant effect on the fair value measurements of the Level 3 investments, as they may not be wholly offset by the adjustment for points of difference.

Notes to the Financial Statements for the year ended 31 December 2016

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

	31 December 2016 £	31 December 2015 £
Valuation methodology		
Estimated realisation proceeds	-	148,750
Recent investment price*	15,049,213	17,665,832
Earnings multiple	36,276,249	33,147,058
	51,325,462	**50,961,640**

* - These are all investments made during the year or the previous year. None arise from a follow on investment at a price that uplifted original cost.

The unquoted equity and loan stock investments had the following movements between valuation methodologies between 31 December 2015 and 31 December 2016:

Change in valuation methodology (2015 to 2016)	Carrying value as at 31 December 2016 £	Explanatory note
Recent investment price to earnings multiple	5,010,043	Sufficient time has elapsed since investment such that earnings multiple is a more appropriate basis for determining fair value.

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the December 2015 IPEV guidelines. The Directors believe that, within these parameters, these are the most appropriate methods of valuation which would be reasonable as at 31 December 2016.

16 Management of capital

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

By its nature, the Company has an amount of capital, at least 70% (as measured under the VCT 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.

17 Post balance sheet events

On 4 January 2017, the Company invested £0.69 million into Ibericos etc. Limited (trading as Tapas Revolution). This sum was held in a solicitor's client account at the year-end, and was included as part of debtors analysed in Note 10.

In January and February 2017, the Company sold its entire holding in Omega Diagnostics Group plc, realising £0.37 million of proceeds.

In January and February 2017, the Company received a further £0.13 million of deferred consideration as a result of the realisation of Focus Pharma Holdings Limited in a previous year.

Since the year-end, the Company has received partial loan repayments totalling £5.12 million from Backhouse Management Limited, McGrigor Management Limited, Barham Consulting Limited, Hollydale Management Limited and Creasy Marketing Services Limited, all being companies preparing to trade.

Shareholder Information

Communication with shareholders

We aim to communicate regularly with our shareholders. In addition to the half-Year and annual reports, shareholders receive a twice-yearly VCT newsletter from the Investment 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 Investment Adviser. The Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts.

The Adviser holds an annual shareholder event and further information on this year's event held in January 2017 is given in the Chairman's Statement on page 3.

Shareholders wishing to follow the Company's progress can visit its website at www.migvct.co.uk. The website includes up-to-date details on fund performance and dividends as well as publicly available information on the Company's portfolio of investments and copies of company reports. There is also a link to the London Stock Exchange's website at: www.londonstockexchange.com where shareholders can obtain up to the minute details of the share price and latest NAV announcements, etc.

Financial calendar

31 March 2017	Payment date for second interim dividend of 6.00 pence per share
10 May 2017	Annual General Meeting
August 2017	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 30 June 2017 to shareholders
September 2017	Payment of interim dividend, if declared
December 2017	Year-end
January 2018	Shareholder event

Annual General Meeting

The Company's next Annual General Meeting will be held **at 2.00 pm** on **Wednesday 10 May 2017 at a new venue: The Clubhouse, 8 St James's Square, London SW1Y 4JU**.

A copy of the notice of the meeting can be found on pages 61 – 63. A proxy form for the meeting is included with shareholders' copies of this Annual Report.

Dividends

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 updated online by visiting www.investorcentre.co.uk or, alternatively, they can be obtained by contacting the Company's Registrars, Computershare Investor Services PLC at the address given at the end of this section.

Shareholders are encouraged to ensure that the Registrars maintain up-to-date details for you and to check whether you have received all dividends payable to you. This is particularly important if you have recently moved house or changed your bank. We are aware that a number of dividends remain unclaimed by shareholders and whilst we will endeavour to contact shareholders if this is the case, we cannot guarantee that we will be able to do so if the Registrars do not have an up-to-date postal address or email address for you.

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, you are strongly advised to contact the Company's stockbroker, Panmure Gordon, by telephoning 020 7886 2727 before agreeing a price with your stockbroker**. Shareholders are also advised to discuss their individual tax position with their financial adviser before deciding to sell their shares.

Shareholder Information

Common Reporting Standard ("CRS") and Foreign Account Tax Compliance Act ("FATCA")

New tax legislation introduced with effect from 1 January 2016 under the Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information. The legislation requires investment trust companies to provide personal and financial account information to HMRC on certain investors who purchase their shares including details of their shareholding and income from the shares. As an affected entity, the Company has to provide information annually to HMRC relating to a number of non-UK based certificated shareholders who are deemed to be resident for tax purposes in any of the 90 plus countries who have joined CRS. All new shareholders, excluding those whose shares are held in CREST, who are entered onto the share register from 1 January 2016 will be asked to provide the relevant information.

Additionally, HMRC changed its policy on FATCA in June 2016. We understand that this will mean that, as a result of the restricted secondary market in VCT shares, the Company's shares will not be considered to be "regularly traded". This will mean that the Company will also be an affected entity for the purposes of this legislation and as such will have to provide information annually to HMRC relating to shareholders who are resident for tax purposes in the United States.

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

Shareholder enquiries:

The Registrars may be contacted via their website at the address given above, or by phone or post: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, tel: 0370 707 1155.

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

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirteenth annual general meeting of Mobeus Income & Growth VCT plc ("the Company") will be held at **2.00 pm on Wednesday, 10 May 2017 at The Clubhouse, 8 St James's Square, London SW1Y 4JU** ("Annual General Meeting") for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions, and resolutions 10 and 11 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 2016 ("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' annual remuneration report as set out in the Annual Report.

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

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

6. To re-elect Clive Boothman as a director of the Company.

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

8. To re-elect Catherine Wall as a director of the Company.

9. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act"), to exercise all the powers of the Company to allot ordinary shares of 1 penny each in the capital of the Company ("Shares") and to grant rights to subscribe for, or to convert any security into, Shares ("Rights") up to an aggregate nominal value of £252,799, provided that the authority conferred by this resolution shall (unless renewed, revoked or varied by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2018 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.

10. 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, pursuant to the authority conferred upon them by resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

    (i) with an aggregate nominal value of up to but not exceeding £215,000 in connection with offer(s) for subscription; and

    (ii) otherwise than pursuant to sub-paragraph (i) above of equity securities, with an aggregate nominal value of up to, but not exceeding 5 per cent. 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 (unless renewed, revoked or varied 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 2018, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

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

    a. the aggregate number of Shares which may be purchased shall not exceed 11,332,061 or, if lower, such number of shares (rounded down to the nearest whole Share) as represents 14.99 per cent. of the Shares in issue at the date of passing of this resolution;

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

Notice of the Annual General Meeting

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

d. 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 2018; and

e. 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

Dated: 29 March 2017

Registered Office
30 Haymarket
London SW1Y 4EX

Notes to the Notice of the Annual General Meeting

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: vcts@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 8 May 2017 or 48 hours before the time appointed for any adjourned meeting (ignoring any part of a day that is not a working day, before the time fixed for the 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 will not preclude a shareholder from attending the Annual General Meeting and voting in person if he/she wishes to do so.
5. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
6. 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.
7. 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 adviser 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.
8. 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.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 2.00 pm on 8 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. You may submit your proxy electronically using Computershare's Investor Centre at www.investorcentre.co.uk/eproxy.

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

12. 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.

13. 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.

14. 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.

15. Under section 527 of the Act (i) members representing at least 5 per cent. 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 financial statements (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 financial statements 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.

16. 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.

17. As at 28 March 2017 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 75,597,471 ordinary shares, all of which carry one vote each. Therefore, the total voting rights in the Company as at 28 March 2017 were 75,597,471.

18. 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.

19. 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 2016

The following table shows, for all investors in Mobeus Income & Growth VCT plc and the former Matrix Income & Growth 3 VCT plc, how their investment has performed since they were originally allotted shares in each fundraising.

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and a NAV basis as at 31 December 2016. 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 2016 **74.75p**[1]

NAV per share as at 31 December 2016 **83.53p**

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)	Total return per share to Shareholders since allotment (NAV basis) (p)
Funds raised 2004/05					
Between 5 October 2004 and 29 June 2005	100.00	**60.00**	89.80	**164.55**	**173.33**
Funds raised 2011 (Linked offer)					
21 January 11	98.00	**68.60**	68.50	**143.25**	**152.03**
28 February 11	102.30	**71.61**	68.50	**143.25**	**152.03**
22 March 11	102.30	**71.61**	68.50	**143.25**	**152.03**
01 April 11	102.30	**71.61**	68.50	**143.25**	**152.03**
05 April 11	102.30	**71.61**	68.50	**143.25**	**152.03**
10 May 11	100.60	**70.42**	68.50	**143.25**	**152.03**
06 July 11	95.30	**66.71**	63.50	**138.25**	**147.03**
Funds raised 2012 (Linked offer)					
08 March 12	101.20	**70.84**	63.00	**137.75**	**146.53**
04 April 12	101.20	**70.84**	63.00	**137.75**	**146.53**
05 April 12	101.20	**70.84**	63.00	**137.75**	**146.53**
10 May 12	101.20	**70.84**	63.00	**137.75**	**146.53**
10 July 12	95.50	**66.85**	56.75	**131.50**	**140.28**
Funds raised 2013 (Linked offer)					
14 January 13	94.60	**66.22**	51.75	**126.50**	**135.28**
28 March 13	97.40	**68.18**	51.75	**126.50**	**135.28**
04 April 13	97.40	**68.18**	51.75	**126.50**	**135.28**
05 April 13	97.40	**68.18**	51.75	**126.50**	**135.28**
10 April 13 pre RDR[4]	99.80	**69.86**	51.75	**126.50**	**135.28**
10 April 13 post RDR[4]	97.40	**68.18**	51.75	**126.50**	**135.28**
07 May 13	95.40	**66.78**	49.75	**124.50**	**133.28**
Funds raised 2014 (Linked offer)					
09 January 14	100.01[5]	**70.01**	45.75	**120.50**	**129.28**
11 February 14	100.28[5]	**70.20**	45.75	**120.50**	**129.28**
31 March 14	106.71[5]	**74.70**	45.75	**120.50**	**129.28**
03 April 14	107.19[5]	**75.03**	45.75	**120.50**	**129.28**
04 April 14	106.54[5]	**74.58**	45.75	**120.50**	**129.28**
06 June 14	108.50[5]	**75.95**	42.50	**117.25**	**126.03**
Funds raised 2015 (Joint offer)					
14 January 15	96.90[5]	**67.83**	25.50	**100.25**	**109.03**
17 February 15	98.37[5]	**68.86**	25.50	**100.25**	**109.03**
10 March 15	99.40[5]	**69.58**	25.50	**100.25**	**109.03**

[1] - Source: Panmure Gordon & Co (mid-price), when the latest announced NAV was 83.02p.

[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 65.

[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.

[5] - Average effective offer price. Shares were allotted pursuant to the 2013/14 and 2014/15 Offers at individual prices for each investor in accordance with the allotment formula as set out in each Offer's Securities Note.

MIG 3 VCT Fundraising

Share price as at 31 December 2016 **79.65p[1]**

NAV per share as at 31 December 2016 **89.00p**

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

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[3]					
Between 24 January 2006 and 5 April 2006	100.00	**60.00**	82.54	**162.19**	**171.54**

[1] - Source: Panmure Gordon & Co (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

Payment date	2004 (MIG VCT) (p)	2006 (MIG 3 VCT) (p)	2011 (Linked offer) (p)	2012 (Linked offer) (p)	2013 (Linked offer) (p)	2014 (Linked offer) (p)	2015 (Joint offer) (p)
27 September 2005	0.30						
16 May 2006	0.70						
14 September 2006	0.80						
18 May 2007	1.40	1.25					
20 September 2007	1.00	1.00					
21 May 2008	7.80	1.50					
11 September 2008	3.30	1.00					
15 May 2009	1.00	0.80					
21 April 2010	5.00	4.00					
20 May 2010 Merger of MIG VCT and MIG 3 VCT							
27 May 2011	5.00	5.33[1]	5.00				
15 September 2011	0.50	0.53[1]	0.50				
22 May 2012	6.25	6.66[1]	6.25	6.25			
20 September 2012	5.00	5.33[1]	5.00	5.00			
15 May 2013	2.00	2.13[1]	2.00	2.00	2.00		
18 September 2013	4.00	4.26[1]	4.00	4.00	4.00		
14 May 2014	3.25	3.46[1]	3.25	3.25	3.25	3.25	
17 September 2014	17.00	18.11[1]	17.00	17.00	17.00	17.00	
30 April 2015	7.00	7.46[1]	7.00	7.00	7.00	7.00	7.00
17 September 2015	3.00	3.20[1]	3.00	3.00	3.00	3.00	3.00
31 May 2016	7.00	7.46[1]	7.00	7.00	7.00	7.00	7.00
20 September 2016	8.50	9.06[1]	8.50	8.50	8.50	8.50	8.50
Total dividends paid[2]	**89.80**	**82.54**	**68.50**	**63.00**	**51.75**	**45.75**	**25.50**

[1] - The dividends paid after the merger, on MIG VCT shareholdings arising from former MIG 3 VCT shareholdings, have been restated for the merger conversion ratio.

[2] - The above data relates to an investor in the first allotment of each fundraising. The precise amount of dividends paid to shareholders by date of allotment is shown on page 64 and above.

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 becomes a fully independent firm owned by its partners and renames 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
November 2013	The Company is awarded 'VCT of the Year' at the 2013 Investment Week Investment Company of the Year Awards
2010 – 2015	The Company launched and completed five successful fundraisings with the other Mobeus VCTs
May 2016	New Investment Policy approved by shareholders to provide growth capital to investee companies.

Corporate Information

Directors
Clive Boothman (Chairman from 13 May 2016)
Bridget Guérin (Senior Independent Director from 23 May 2016)
Catherine Wall

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