Mobeus Income & Growth 2 VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Financial Statements
for the year ended 31 March 2016

Mobeus Income & Growth 2 VCT plc, ("MIG2", the "Company", "VCT", or the "Fund") is a Venture Capital Trust ("VCT") advised by Mobeus Equity Partners LLP ("Mobeus"), investing primarily in established, unquoted companies.

Objective of Company

The Objective of the Company is to provide investors with a regular income stream, arising both from the income generated by companies selected for the portfolio and from realising any growth in capital, while continuing at all times to qualify as a VCT.

Dividend Policy

The Company seeks to pay dividends at least annually out of income and capital as appropriate, and subject to fulfilling certain regulatory requirements. More details are provided on page 8.

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WARNING TO SHAREHOLDERS

Boiler room fraud and unsolicited communications to shareholders

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

Further information on boiler room scams and who to contact, should you believe that you have been approached by such a company, is included on the Company's website www.mig2vct.co.uk

Financial Highlights

Annual results for the year ended 31 March 2016

- Net Asset Value ("NAV") and Share Price Total Return per share for the year was 7.9% and 5.5% respectively.
- Shareholders received an interim dividend of 5.00 pence per share on 18 March 2016.
- A special interim dividend of 5.00 pence per share for the year ending 31 March 2017 has been declared by the Board, payable on 8 August 2016. This will bring total dividends paid since inception of the current share class* to 52.00 pence per share.
- £4.51 million was invested during the year into four new investments totalling £4.19 million with a further £0.32 million invested into existing investments.
- A total of £5.00 million was received as net cash proceeds from realisations, compared with a total cost of £2.84 million.
- Total liquid assets available for investment are £20.44 million.

Note: The above data does not reflect the benefit of income tax relief.
*The first allotment of the former "C" share class, now the current share class, took place on 23 December 2005.

Performance Summary

The NAV per share as at 31 March 2016 was 119.61 pence.

The table below shows the recent past performance of the current share class, first raised in 2005 at an original subscription price of 100p per share before the benefit of income tax relief. Performance data for all fundraising rounds are shown in the tables on pages 69 and 70 of this Annual Report and Financial Statements (the "Annual Report").

Reporting date as at	Net assets (£ m)	Net asset value (NAV) per share (p)	Share price (mid-market price) (p)[1]	Cumulative dividends paid per share (p)	Cumulative total return per share since launch (NAV basis) (p)[2]	Cumulative total return per share since launch (Share price basis) (p)[3]
31 March 2016	43.14	119.61	105.25	47.00	166.61	152.25
31 March 2015	42.10	115.45	104.50	42.00	157.45	146.50
31 March 2014[4]	33.88	120.73	103.50	23.00	143.73	126.50
30 April 2013	25.70	106.75	70.30	18.00	124.75	88.30
30 April 2012	24.53	98.71	67.00	14.00	112.71	81.00

[1] Source: London Stock Exchange.

[2] NAV as at the reporting date plus cumulative dividends paid since shares were first allotted in the fund in December 2005.

[3] Mid-market share price as at the reporting date plus cumulative dividends paid since shares were first allotted in the fund in December 2005.

[4] Data relates to an 11 month period, as the Company shortened its accounting period by 1 month during the year.

The data in the table above excludes the benefit of any income tax relief.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2016.

Overview of performance

It has been a solid year for the Company. The Net Asset Value ("NAV") Total Return was 7.9% (2015: 11.4%) for the year.

This year's return benefited from one realisation at a substantial gain over both cost and its valuation at the start of the year, as well as several other partial, profitable realisations. In addition, a number of existing investee companies have returned good performances in the portfolio, causing an increase in their valuations.

At 31 March 2016, your Company was rated 5th out of 31 VCTS, 2nd out of 44 VCTs, 3rd out of 53 VCTs and 21st out of 55 VCTs over the previous 10, 5, 3 and 1 years respectively in the Association of Investment Companies' analysis of NAV Cumulative Total Return for all Generalist VCTs.

Further details of the calculations demonstrating the Company's performance for the year are contained in the Strategic Report on page 7.

Shareholders will have noted that the UK Finance (No2) Act 2015, which became law in November 2015, requires some changes to the type of investment that the VCT is now permitted to make. These regulatory changes will require the Company to amend its Investment Policy. For further explanation, please refer to the Industry developments and Changes to the Investment Policy sections below.

Dividends

The Company paid an interim dividend of 5.00 pence (2015: two interim dividends of 14.00 pence and 5.00 pence) per share on 18 March 2016, meeting the Company's annual dividend target of a minimum of 5.00 pence per share for the year.

Shareholders will be pleased to note that a special interim dividend of 5.00 pence per share, in respect of the financial year ending 31 March 2017, has been declared by the Board. It will be paid on 8 August 2016 to shareholders on the register on 1 July 2016. This will bring cumulative dividends paid to 52.00 pence per share since the launch of the current share class.

Investment portfolio

There has been a steady flow of new investments resulting in a total of £4.51 million being successfully invested in six new and existing investee companies during the year. £4.19 million related to investments into Jablite, Tushingham, Access IS and Redline. A further £0.32 million was invested into existing companies.

Cash proceeds totalled £5.00 million in the year, reflecting principally £2.10 million received from one sale, £0.84 million of deferred consideration received from sales in the previous year and £2.06 million received from loan repayments from existing companies. Realised gains over the original cost of investments sold or partially sold were £2.16 million.

Full details of all of these transactions are included in the Investment Review on pages 10 to 13.

A number of companies in the portfolio continued to perform well, although several have experienced more mixed results but the performance of the portfolio as a whole remained good. The current portfolio at the year-end was valued at £29.33 million (2015: £22.35 million). The movement in value is due to new investment of £9.16 million (including companies preparing to trade), and an increase in valuations of £1.09 million less disposals (at opening valuation) of £3.27 million, in the year.

Industry developments

The UK Finance (No 2) Act 2015 became law on 18 November 2015. This introduced rules designed to ensure that VCTs comply with the new European Union ("EU") State Aid rules, while remaining able to provide finance to small and growing businesses.

The UK's VCT scheme must comply with EU State Aid rules, as the tax relief given to investors is deemed to be State Aid to the companies in which the VCTs invest. They prohibit governments from providing State Aid to companies which are deemed capable of raising finance from investors, banks and financial assistance without such support.

The new VCT rules have introduced new criteria regarding:

- a requirement that VCT investment is to be used for growth and development purposes only; and
- the maximum age of companies that are eligible for investments (generally seven years); and
- besides an annual limit of £5 million, already in place, there is now also a lifetime cap on the total amount of State Aid risk finance investment a company can receive (generally £12 million).

Impact on the Company's Investment Policy

The practical consequences of the application of these EU State Aid rules by the UK Finance (No 2) Act 2015 are that the range and size of potential investments open to generalist VCTs, such as Mobeus Income & Growth 2 VCT plc, will reduce. The Government has decided that VCT investments made to finance the purchase of existing business owners' shareholdings and the acquisition of businesses will no longer be permitted. Previous legislation had prevented such transactions if they used the VCT's funds raised after 5 April 2012. The UK Finance (No 2) Act 2015 has extended this restriction firstly, to apply to previously exempted monies raised prior to 5 April 2012 and secondly, to prevent such investment, even if it would be a non-qualifying holding. The new rules will prevent all VCTs' future participation in funding management buyout ("MBO") transactions. However, such investments that have already been made remain qualifying investments as part of our investment portfolio.

The UK Finance (No 2) Act 2015 requires the VCT to re-adjust its focus for new investments to provide growth capital to younger companies, which is likely to alter the balance of the portfolio of the Company over a number of years. The UK Government has also announced an intention to permit VCTs to provide some replacement capital finance within investments, subject to agreement with the EU State Aid authorities. If this comes to pass, it would enlarge the pool of possible investment opportunities for VCTs compared to the more restricted regime that now applies under the new VCT Rules.

Chairman's Statement

How could these changes affect returns?

The change in focus to investments in younger, smaller companies requiring growth (and possibly replacement) capital carries a higher risk, but also the prospect of higher, but more variable, returns. Generating the level of consistently high returns achieved over the last six years in particular is likely to be more challenging.

Shareholders should note that the nature of the more restrictive range and size of new potential investments is likely to reduce gradually the overall income yield on the portfolio as a whole, although there should be a commensurate increase in the level of capital returns albeit with a more volatile profile. However, shareholders should note that the existing portfolio is comprised almost exclusively of MBO investments whose full potential should be realised over the next five years or so and thus changes to the balance of the portfolio and therefore to the risk and reward metrics are likely to be gradual.

Previously, the Board has set a minimum average return target of 8% per annum that the Company should achieve. The Board is now considering an appropriate target to take account of the changed circumstances outlined above.

How is the Company responding?

Your Board has questioned the Investment Adviser on its ability to comply with the new rules. The Board is pleased to note that recruitment of two senior hires with extensive experience of growth capital has already taken place and further recruitment is planned. The Board has confidence in the Investment Adviser, justified by the past strong returns to shareholders, being able to adapt its investment approach to the new rules so as to generate attractive returns in the future.

Changes to the Investment Policy

The new VCT legislation above requires revisions to this VCT's current Investment Policy (the "Policy") which, in turn, will require the approval by shareholders of an ordinary resolution that will be proposed at the Annual General Meeting. Although the proposed changes to the Policy appear substantial, the underlying investment methodology remains broadly similar with one principal exception. The current Investment Policy makes particular reference to investing in MBO transactions, which we propose to remove as VCTs are no longer permitted to fund them.

The current policy also includes some of the key specific VCT legislative requirements, which we propose are removed, to be replaced by an intent that every investment will meet the requirements of prevailing VCT legislation. This should reduce the requirement to amend the Policy, which can be a costly and time-consuming process, each time VCT legislation changes.

The proposed Policy retains flexibility to enable the Board and the Investment Adviser to consider a wide range of opportunities amongst established businesses to provide growth capital under the new VCT legislative environment. These amendments should also ensure that your Company complies with the new EU State Aid Rules and thereby continues to retain its VCT qualifying status. The potential impact of the changes on the VCT's portfolio and investment risk is set out under Industry developments above.

Further details of the proposed changes to the Policy itself are contained in the Directors' Report, on page 29, explaining the ordinary resolution to approve a revised Policy. The Board strongly recommends that shareholders approve the resolution. If the resolution is not approved, the Company is unlikely to continue to operate under current VCT regulations, and the Board will need to explore alternative strategies which may have a substantial impact on the Company and its shareholders.

Your Directors continue to work closely with Mobeus and our other professional advisers to understand the full implications of the new rules, so as to apply the revised Policy at a practical level. There remain many detailed points to be clarified in interpreting the new legislation. The draft VCT Guidance published by HMRC in May has provided some clarification in respect of the application of the new rules, which the Investment Adviser is now reviewing. Practical experience in applying the Guidance to particular transactions, once the former is finalised, will also be needed.

Share buybacks

During the year ended 31 March 2016, the Company bought back 1.1% (2015: 2.2%) of its share capital in issue at the beginning of the year, maintaining an average discount of 10%. Further details are included in the Strategic Report and the Directors' Report.

Liquidity

At 31 March 2016, net assets were £43.14 million (2015: £42.10 million), comprising principally £22.60 million (2015: £19.97 million) in investments (52.3% of net assets (2015: 47.4 %)) and liquidity of £20.44 million (2015: £22.12 million) (47.4% of net assets (2015: 52.5%)). £6.74 million (2015: £2.38 million) of this liquidity was invested in companies preparing to trade. This factor explains why the return on the investment portfolio of 12.6% for the year exceeds the NAV return of 7.9%.

These figures indicate a relatively high level of liquidity currently held by the Company, bolstered by last year's fundraising and substantial realisation proceeds over the last two years. The Board is conscious that this level of liquidity may reduce overall returns in the short term, until further sums are applied to new investments. The unexpected changes in the VCT Rules are likely to slow down the rate of new investment initially. In the meantime, the Company continues to seek opportunities to increase returns on its liquid assets without compromising the overriding requirement that any risk to the liquid assets within the portfolio be minimised. Of the liquidity above, £7.38 million is spread across deposit and term accounts at four UK banks and £13.06 million is held in a selection of money market funds with AAA credit ratings.

Fundraising

Having considered the level of liquidity above, the Board has concluded that there is no need to raise further funds in the current tax year.

Industry awards for the Investment Adviser

Your Board is pleased to see the Investment Adviser, once again, winning significant industry awards. The Investment Adviser was named VCT House of the Year for the fourth consecutive year at the unquote" British Private Equity Awards 2015 and also received the award for Exit of the Year for Focus Pharmaceuticals. In addition, Mobeus was named VCT Manager of the Year by Investor Allstars. These three awards recognised again the continuing high level of performance achieved by the Investment Adviser in all areas of its activity including deals, exits, portfolio management and fundraising.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 15 September 2016 at 33 St James's Square, London SW1Y 4JS. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will provide shareholders with the opportunity to ask questions and to receive a presentation from the Investment Adviser on the investment portfolio. The Notice of the meeting is included on pages 72 to 74 of this Annual Report, which includes a resolution approving the proposed changes in the Investment Policy, which I referred to above under "Changes to the Investment Policy".

Shareholder Communications

The annual shareholder event was held on Tuesday 26 January 2016 at the Royal Institute of British Architects in central London. This annual event included presentations on the Mobeus advised VCTs' investment activity and performance including presentations by the Chief Executives of Jablite and Plastic Surgeon. There were separate day-time and evening sessions, and feedback from those who attended found it informative and worthwhile.

A similar event will be held on 24 January 2017, again at the Royal Institute of British Architects in central London. Further details and an invitation will be sent to shareholders in due course.

Future prospects

A number of global uncertainties continue to overshadow investment markets, which in turn could affect the VCT.

As indicated, we are proposing changes to the Company's current Investment Policy at the forthcoming AGM to ensure full compliance with the provisions of the UK Finance (No 2) Act 2015. There may be a reduction in the level of new investment in the shorter term while the Investment Adviser identifies opportunities that comply with the requirements of the new legislation.

The Company and its Investment Adviser are confident that they will be able to adjust to the changes in VCT regulation introduced by the UK Finance (No 2) Act 2015, and still produce attractive returns in the future. The existing portfolio continues to perform well and to provide a good foundation for future performance.

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

Nigel Melville
Chairman

23 June 2016

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2016. The purpose of this Report is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

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

Company Objective

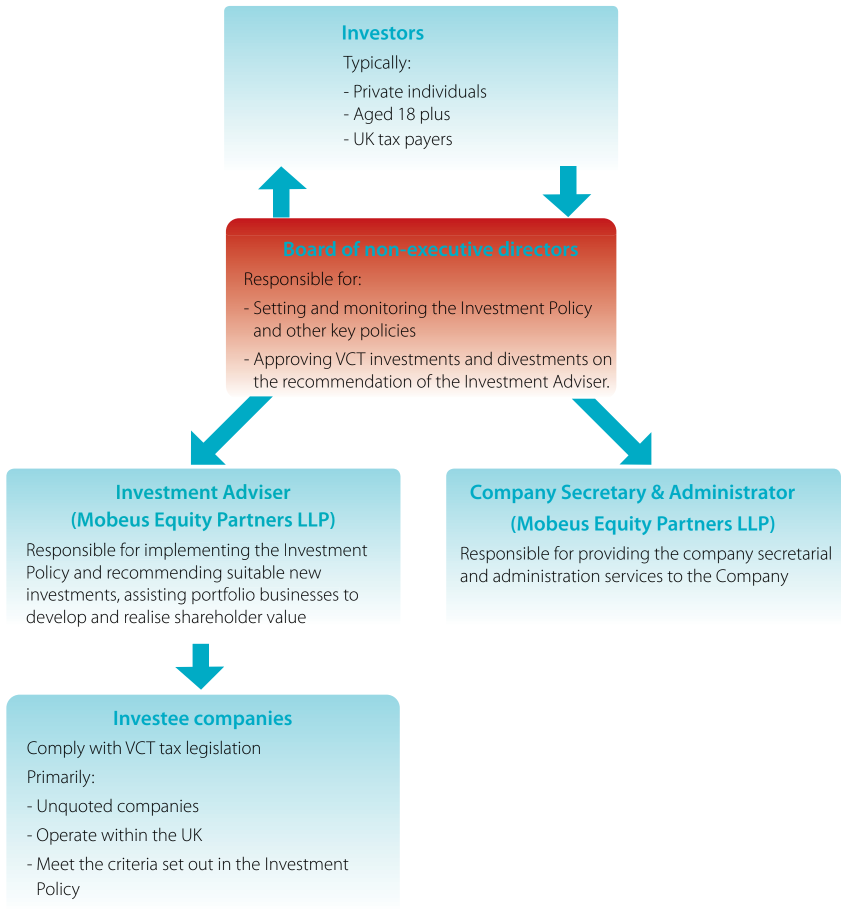
The Objective of the Company is to provide investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital, while continuing at all times to qualify as a VCT.

Investment Policy

The full text of the Company's current Investment Policy is set out on page 21 of this Strategic Report.

Shareholders should note that, as a result of the regulatory developments referred to in the Chairman's Statement, this Policy requires revision and a resolution to approve changes to the Policy will be submitted to shareholders for approval at the AGM.

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



Business Model

The Company is a Venture Capital Trust (VCT). Its Objective and Investment Policy (whether current or proposed) are designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC") whilst maximising returns to shareholders from both income and capital. A summary of the most important rules that determine VCT approval is contained in the section headed "Summary of VCT regulation for the Company" on the next page.

The Company is a fully listed company on the London Stock Exchange, which also fulfils a VCT regulatory requirement. 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 review and approval by the Directors.

The Company may invest alongside three other VCTs advised by Mobeus (see page 21 for the current Investment Policy for further details and Note 9 to the Financial Statements on pages 55 and 56 for a breakdown of the amounts invested by these VCTs).

Private individuals invest in the Company to benefit from both income and capital returns from investment performance. By investing in a VCT they also receive immediate income tax relief (currently 30% of the amount subscribed for new shares by an investor), as well as tax-free dividends received from the Company and are not liable for 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. Page 71 contains further information setting out the tax benefits for an investor in VCT shares.

The Company's investee companies are primarily unquoted businesses and operate in the UK. These businesses fulfil the criteria and characteristics as set out in the current and proposed Investment Policy.

Summary of VCT regulation for the Company

To achieve continued status as a VCT, the Company must meet a number of conditions, the most important of which are that:-

- 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 30% by VCT tax value (70% for funds raised on or after 6 April 2011) must be in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules);
- 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.

To be VCT qualifying holdings, 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;
- where the 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.

The above takes into account legislation up to the UK Finance (No2) Act 2015. The recent 2016 Budget proposes that non-qualifying investments can no longer be made, except for certain exceptions in managing the Company's short-term liquidity.

The VCT tax benefits for investors are set out on page 71.

Industry developments

The UK Finance (No2) Act 2015 became law on 18 November 2015. This introduced rules designed to ensure that VCTs would comply with European Union ("EU") State Aid rules, while remaining able to provide finance to small and growing businesses.

The practical consequences of these new rules are that the size and range of investments open to VCTs will be reduced. Investments to finance the purchase of existing businesses will be closed to all VCTs. As a result the VCT will re-adjust its investment focus to provide growth capital to younger companies. More details on this matter were contained in the Chairman's Statement.

Strategic Report

Performance

Key Performance Indicators used to measure performance

The Board has identified six key performance indicators that it uses in its own assessment of the Company's progress. These are intended to provide shareholders with sufficient information to assess how the Company has performed against its Objective in the year to 31 March 2016, and over the longer term, through the application of its investment and other principal policies:

1. Annual and cumulative returns per share for the year

Total shareholder returns per share for the year

The Net Asset Value ("NAV") and share price total return per share for the year ended 31 March 2016 were 7.9% and 5.5% respectively, as shown below:

	NAV basis (p)
Closing NAV per share	119.61
Plus: dividends paid in year	5.00
Total for year	**124.61**
Less: opening NAV per share	115.45
Return for year per share	**+9.16**
% return for year	7.9%*

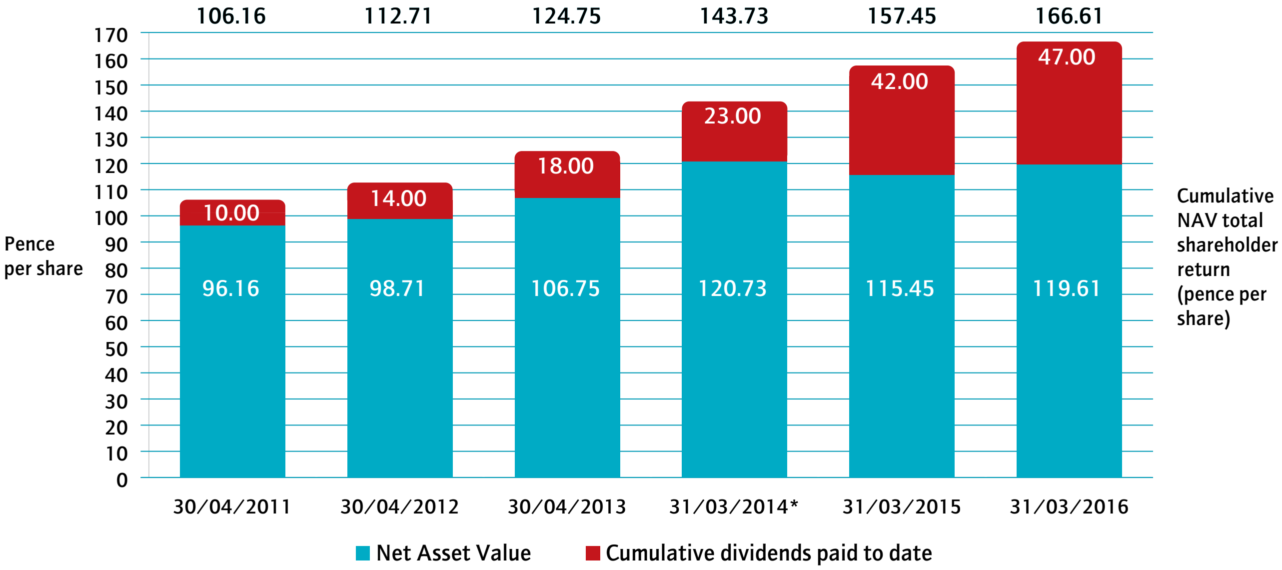
	Share price basis (p)
Closing share price	105.25
Plus: dividends paid in year	5.00
Total for year	**110.25**
Less: opening share price	104.50
Return for year per share	**+5.75**
% return for year	5.5%*

*The share price return differs from the NAV return, due to the following. The year-end share price is at an approximate discount of 10% to the NAV announced for the Company's previous quarter, not the year-end NAV. In the final quarter of the year, the NAV increased, but this will only be reflected in the share price once the NAV at 31 March is announced in this Annual Report.

Cumulative total shareholder returns per share (NAV basis)

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

Cumulative total shareholder return per share (NAV basis)



*All data for 31 March 2014 relates to an 11 month period throughout this Strategic Report.

For similar performance data to that shown above for each allotment in each fundraising since the inception of the Company, please see the Performance Data on pages 69 and 70 of this Annual Report.

Review of financial results for the year ended 31 March 2016

For the year ended	31 March 2016 £(m)	31 March 2015 £(m)
Capital return	2.23	3.06
Revenue return	1.04	1.24
Total profit	**3.27**	**4.30**

The capital profit of £2.23 million for the year is mainly due to the profitable realisation of Tessella and deferred proceeds received in respect of investments realised in a prior year.

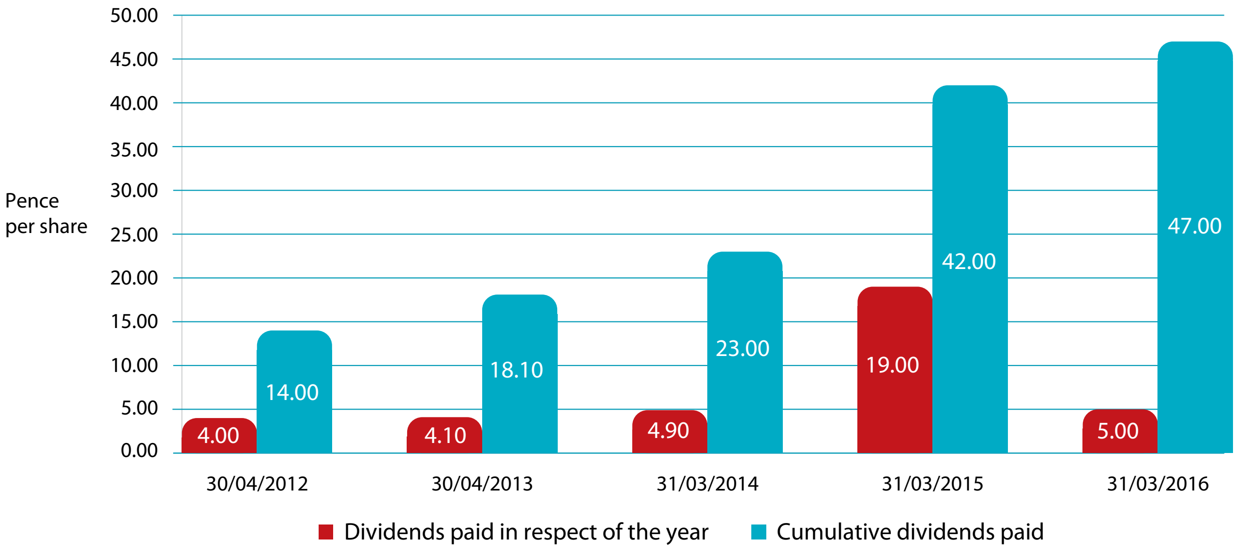
The revenue profit for the year of £1.04 million is a fall from the previous year, mainly due to a fall in dividend income from £0.29 million to £0.09 million.

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

The Board places emphasis on benchmarking the Company's performance against a peer group of VCTs. Using the benchmark of NAV Cumulative total return on an investment of £100, the VCT is ranked 5th out of 31 over 10 years, 2nd out of 44 over five years, 3rd out of 53 over three years, and 21st out of 55 over one year amongst generalist VCTs by the Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2016.

3. Dividend policy

The Board has set a target of paying a consistent and over time an increasing dividend in respect of each financial year, whilst maintaining the net asset value of the Company. In the absence of unforeseen circumstances, the Board will maintain or increase the dividend paid in the previous year (currently 5.00 pence). 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.



The Board has also declared a special interim dividend of 5.00 pence per share for the year ending 31 March 2017. This has not been included in the data above.

4. Compliance with current VCT legislation

In order to comply with VCT tax legislation, the Company must meet a number of tests set by HMRC as set out on page 6 under "Summary of VCT Regulation for the Company". At 31 March 2016, the Company continued to meet these tests. The changes to the VCT rules require a refocusing of the Company's investment strategy (as explained more fully in the Chairman's Statement) and a resolution to approve an amended Investment Policy will be put to shareholders at the AGM.

5. Share buyback and discount policy

Subject to the Company having sufficient available funds and distributable reserves, it is the Board's current intention to pursue a buyback policy with the objective of maintaining the discount to the latest published NAV per share at which the shares trade at approximately 10% or less. It has succeeded in carrying out this objective in the year.

The Board considers that a 10% discount represents a fair balance between assisting investors who wish to sell shares and the majority of investors who wish to continue to invest in a portfolio of investments in unquoted shares. Any future purchases will be subject to the Company having appropriate authorities from shareholders and sufficient funds available for this purpose. Share buybacks will also be subject to the Listing Rules and any applicable law at the relevant time. Shares bought back in the market are always cancelled.

Continuing shareholders benefit from the difference between the NAV and the price at which the shares are bought back and cancelled.

During the year ended 31 March 2016, shareholders holding 0.40 million shares, expressed their desire to sell their investments. The Company instructed its brokers, Panmure Gordon (UK) Limited ("Panmure Gordon"), to purchase these shares at prices representing discounts of 10.0% to the previously announced NAV per share. The Company subsequently purchased these shares at prices between 103.5-105.8 pence per share and cancelled them.

In total, during the year the Company has bought back 1.1% of the issued share capital of the Company at the beginning of the year.

6. Costs

The Board monitors costs using the Ongoing Charges Ratio which was 2.80% for the year (2015: 3.04%). In both years, these ratios were before and after performance fees, as there were no such fees due in either year. The Ongoing Charges Ratio has been calculated using the Association of Investment Companies ("AIC") recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based upon historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

The Ongoing Charges Ratio replaces the Total Expense Ratio previously reported although the latter will still form the basis of any expense cap, which may be borne by the Investment Adviser. There was no breach of the expense cap for the year ended 31 March 2016 (2015: £nil).

The fall in the ratio from 3.04% to 2.80% over the year reflects the benefit of spreading the element of costs that are fixed across a larger asset base.

Investment Adviser fees and other expenses

In line with the rise in net assets, Investment Adviser fees charged to both revenue and capital have increased from £0.89 million to £0.99 million whilst other expenses have also increased slightly from £0.29 million to £0.30 million.

Further details of these are contained in the Financial Statements on page 48 to 50 of this Annual Report.

Investment Review

Portfolio review

This has been another positive year for the investment portfolio. The market continued to provide a healthy pipeline of good investment opportunities and conditions have remained favourable for both new investment and realisations. The portfolio is performing well, demonstrated by the fact that the valuation of the portfolio as a whole has increased by 12.6% during the year on a like-for-like basis*. The portfolio continues to be cash generative and many companies made partial repayments of their loan stock during the year.

Investments are spread across a number of sectors, primarily in support services, general retailers, media and fixed line telecommunications and software and computer services.

The Company made four new and two follow-on investments in the year, investing £4.51 million in total. Realisations totalled £5.00 million, the highlight being the sale of Tessella in December 2015. This realised cash proceeds of £2.10 million, and a gain over current cost of £1.39 million, being 3.85 pence per share. Total proceeds over the life of the investment were £2.55 million, representing a return of 2.8 times the original cost of the investment of £0.91 million, over the three and a half years that this investment was held.

Further proceeds from several investments sold in previous years totalled £0.84 million. Finally, £2.06 million, comprising loan repayments from companies held within the portfolio, make up the balance of total net realisation proceeds of £5.00 million.

Further details of the portfolio transactions above are included later under New investment and Realisations.

Impact of changes in VCT Rules

The changes to VCT Rules, introduced by the UK Finance (No2) Act 2015, have required all VCTs to reconsider the type of investments that they can make in future. This process is not yet complete and we anticipate a phase of familiarisation with the practical application of the rules. The new environment in which your Company is now operating is better defined than it was when first announced (but further clarity is needed) and this will support the Company in applying its Investment Policy at a detailed level to be consistent with the new VCT Rules. It is hoped that finalisation of the draft guidance recently published by HMRC will also assist this process. Nevertheless we have been able to make two investments under the new rules, in Redline in February 2016, and in MPB Group Limited after the year end in June 2016.

In response to the changes, we also intend to recruit additional investment professionals, who will focus primarily upon growth capital transactions and supplement our current resources. Mobeus are pleased to have already recruited both a senior experienced individual to head up this team, and another senior experienced individual, who both have a good track record of profitable investments in the VCT growth capital sector.

Mobeus Equity Partners LLP

* "Like-for-like" basis is calculated by dividing the value of the portfolio at 31 March 2016 plus the proceeds of any realisations that occurred in the year less the total cost of new investments made in the year, with the portfolio valuation at 31 March 2015.

Investment Review

New investment

A total of £4.51 million was invested in new deals during the year under review. This included £4.19 million in new investments into Jablite, Tushingham, Access IS and Redline and £0.32 million in two follow-on investments in CGI Creative Graphics International and Racoon International.

	Company	Business	Date of investment	Amount of new investment (£m)
Jablite	Jablite	Expanded polystyrene products	April 2015	0.84 *

Jablite is the UK's largest domestic manufacturer of Expanded Polystyrene products operating under two divisions manufacturing packaging (Styropack) and construction (Jablite) products. The business was acquired from its Dutch parent and operates from five production sites in the UK. For the year ended 31 December 2014, Jablite Limited and Styropack (UK) Limited generated annual sales of £32.83 million and £15.17 million respectively and profit before interest, tax and amortisation of goodwill of £2.01 million and £0.34 million respectively.

* £0.84 million was invested into Duncary 16, a company preparing to trade, on 2 April 2015. This enabled Duncary 16 to acquire Jablite on 23 April 2015. Duncary 16 has subsequently changed its name to Jablite Holdings Limited.

	Company	Business	Date of investment	Amount of new investment (£m)
Tushingham	Tushingham Sails	Supplier of watersports equipment	July 2015	0.72*

Tushingham Sails is a supplier of sails to the UK windsurfing market. It has recently moved into the young and rapidly expanding watersport of stand-up paddleboarding, as the manufacturer of its own fast growing brand called Red Paddle. The Company's design ethos and historical market knowledge have enabled Tushingham to penetrate this world market and we are optimistic that its strong growth will continue. The Company had a turnover of £7.54 million and generated an adjusted profit before interest, tax and amortisation of goodwill of £1.08 million during the year ended 28 February 2015.

* £0.85 million was invested in Vian Marketing, a company preparing to trade, which acquired Tushingham Sails Limited. This resulted in a net repayment to the Company of £0.13 million.

	Company	Business	Date of investment	Amount of new investment (£m)
Access IS	Access IS	Data capture and scanning hardware	October 2015	1.95*

Access IS is a leading provider of data capture and scanning hardware. The company has a significant share of the worldwide market for this technology in airports and strong positions in the fast growing markets of both ID & Security and Transport & Ticketing. This was an opportunity to invest in a longstanding and profitable business that is well positioned in its niche market. The company's latest audited accounts for the year ended 31 December 2014 show annual sales of £9.95 million and profit before interest, tax and amortisation of goodwill of £1.22 million.

*£0.85 million invested into Tovey Management Limited, a company preparing to trade and £0.88 million held in Knighton Management Limited, a company preparing to trade held at 31 March 2015, along with £0.22 million from the Company, were used for this investment.

	Company	Business	Date of investment	Amount of new investment (£m)
REDLINE ASSURED SECURITY	Redline Worldwide	Provision of security products and services	February 2016	0.68*

Redline Worldwide Limited ("Redline") is a market leader in the provision of security consultancy and training services to airlines, governments, institutions, airports and global distribution companies. Redline currently operates predominantly in the aviation security market and is at the forefront of counter terrorism training and services. The investment will be 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 2015 show turnover of £4.81 million and profit before interest, tax and amortisation of goodwill of £0.82 million.

* £0.85 million invested in Pound FM Consultants Limited, a company preparing to trade, was used for this investment. This resulted in a net repayment of £0.17 million to the Company. Pound FM Consultants Limited has subsequently changed its name to Redline Worldwide Limited.

New Investment after the year-end

	Company	Business	Date of investment	Amount of new investment (£m)
	MPB Group	Online marketplace for used photo and video equipment	June 2016	0.37

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 their platform globally, with launches into both the US and German markets. The company's latest audited accounts for the year ended 31 March 2015 show turnover of £7.49 million and profit before interest, tax and amortisation of goodwill of £0.30 million.

Further investment into existing portfolio companies in the year

	Company	Business	Date of investment	Amount of new investment (£m)
	CGI	Producer of adhesive decorative graphics for vehicles	June 2015	0.27

CGI Creative Graphics International is a leading specialist provider of adhesive decorative graphics to the automotive, recreational vehicle and airline markets. It operates from two centres, in Bedford, England and Cape Town, South Africa. The VCT made a further loan stock investment in June 2015 which had been negotiated at the time of the original investment in June 2014. The Company's latest audited accounts for the year ended 28 February 2015 show annual sales of £9.19 million and profits before interest, tax and amortisation of goodwill of £1.30 million.

	Company	Business	Date of investment	Amount of new investment (£m)
	Racoon International	Hair extension, hair care products and training	October 2015	0.05

Racoon International is a premier supplier of ethically sourced hair for hair extensions. A small further investment had been made in January 2015 with the expectation that this, together with the appointment of a successful sales-orientated Mobeus operating partner to the management team of the business, will add value to a previously unsuccessful investment. A further £0.05 million was advanced in October 2015 to provide working capital. Racoon has a £1.57 million turnover and generated profit before interest, tax and amortisation of goodwill in the year ended 31 March 2015 of £0.01 million.

The VCT also invested a further £4.25 million into new companies preparing to trade, in April 2015 and a further investment of £1.00 million into an existing company preparing to trade, in July 2015.

Investment Review

Realisations

As noted in the portfolio review above, the sale of Tessella Holdings Limited generated attractive returns, realising sale proceeds in the year totalling £2.10 million. Other capital receipts were £0.84 million being a further consideration of £0.68 million received in respect of investments realised in earlier periods, most notably Focus Pharma (£0.37 million), Monsal Holdings (£0.09 million) and Youngman (£0.07 million), and £0.16 million from Newquay Helicopters (2013) Limited, as interim distributions resulting from the members' voluntary liquidation of the company. With the loan repayments of £2.06 million (listed below), total net cash proceeds for the year amounted to £5.00 million.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
	Tessella	Science powered technology and consulting services	July 2012 – December 2015	£2.55 million 2.8 times cost

The VCT sold its investment in Tessella to the French engineering consultancy, Altran Group plc for £2.10 million. Founded in 1980, Tessella is now a global business. In 2011 the company received the prestigious Queen's Award for Enterprise in innovation for its work on preserving the integrity of digital information over long periods of time, irrespective of numerous changes in technology. As part of the sale transaction, the Company has retained a small investment in this data archiving business, Preservica, which was previously held within Tessella. The sale returned an IRR of 42% and during the three and a half years of this investment, revenue has increased by 43% from £18.5 million in 2012 to £26.5 million forecast for the current financial year.

Loan stock repayments

Loan stock repayments totalled £2.74 million for the year, including £0.68 million as part of the proceeds from the Tessella realisation above. Positive cash flow at four other companies contributed to the balance of £2.06 million, summarised below:-

Company	Business	Month	Amount (£000's)
Leap New Co (Ward Thomas)	Logistics, storage and removals business	May-January	849
Jablite	Expanded polystyrene products	May-November	730
Motorclean	Vehicle cleaning and valeting services	April-February	251
Vian Marketing	Company preparing to trade	July	131
Tessella	Consultancy services	June-September	50
Pound FM Consultants	Company preparing to trade	February	46
Total			**2,057**

Twelve largest investments in the portfolio

at 31 March 2016 by valuation

ASL Technology Holdings Limited

www.aslh.co.uk

Cost	£2,092,000
Valuation	£2,397,000

Basis of valuation
Earnings multiple

Equity % held
10.3%

Income receivable in year
£173,549

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	£1,444,000
Valuation	£2,045,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£133,069

Business
Wholesale voice and data communications provider

Location
Telford, Shropshire

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2014[1]
Turnover	£29,824,000
Operating profit	£2,309,000
Net assets	£4,246,000
Period ended	31 December 2013[1]
Turnover	£29,415,000
Operating profit	£2,782,000
Net assets	£2,332,000

[1] The financial information quoted above is for Entanet International Limited, the operating subsidiary of Entanet Holdings Limited.

Movements during the year

None.

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost	£1,953,000
Valuation	£1,953,000

Basis of valuation
Recent investment price

Equity % held
8.0%

Income receivable in year
£74,385

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2014[1]
Turnover	£9,952,000
Operating profit	£1,220,000
Net assets	£3,765,000
Year ended	31 December 2013[1]
Turnover	£8,191,000
Operating profit	£1,228,000
Net assets	£2,609,000

[1] The financial information quoted above is for Access Limited prior to the MBO which completed in October 2015.

Movements during the year

New investment made in October 2015.

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.

Twelve largest investments in the portfolio

at 31 March 2016 by valuation

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£1,284,000
Valuation	£1,886,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£132,509

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Period ended	3 July 2015[1]
Turnover	£37,117,000
Operating profit	£2,402,000
Net assets	£8,212,000
Period ended	27 June 2014[1]
Turnover	£35,695,000
Operating profit	£1,580,000
Net assets	£6,175,000

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

Movements during the year

None.

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£2,009,000
Valuation	£1,705,000

Basis of valuation
Earnings multiple

Equity % held
11.6%

Income receivable in year
£175,268

Business
A publishing and events business focused on the creative production industries

Location
London

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2014[1]
Turnover	£8,378,000
Operating profit	£1,139,000
Net assets	£1,796,000
Year ended	31 December 2013[1]
Turnover	£8,238,000
Operating profit	£1,456,000
Net assets	£1,588,000

[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.

Fullfield Limited (trading as Motorclean)

www.motorclean.net

Cost	£ 1,025,000
Valuation	£1,282,000

Basis of valuation
Earnings multiple

Equity % held
8.9%

Income receivable in year
£108,944

Business
Vehicle cleaning and valet services

Location
Laindon, Essex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2015
Turnover	£41,166,000
Operating profit	£1,358,000
Net assets	£1,586,000
Year ended	31 March 2014
Turnover	£38,155,000
Operating profit	£2,554,000
Net assets	£2,567,000

Movements during the year

Fullfield made loan repayments totalling £0.25 million during the year.

Tharstern Group Limited

www.tharstern.com

Cost £790,000

Valuation £978,000

Basis of valuation
Earnings multiple

Equity % held
8.8%

Income receivable in year
£64,176

Business
Software-based Management Information Systems to the print sector

Location
Colne, Lancashire

Original transaction
Management buyout

Audited financial information

Year ended	31 January 2015[1]
Turnover	£4,536,000
Operating profit	£1,209,000
Net assets	£916,000

Year ended	31 January 2014[1]
Turnover	£3,995,000
Operating profit	£799,000
Net assets	£885,000

[1] The financial information quoted above is for Tharstern Limited, the trading subsidiary of Tharstern Group Limited.

Movements during the year

None.

Veritek Global Holdings Limited

www.veritekglobal.com

Cost £968,000

Valuation £974,000

Basis of valuation
Earnings multiple

Equity % held
6.2%

Income receivable in year
£108,224

Business
Maintenance of imaging equipment

Location
Eastbourne, East Sussex

Original transaction
Management buyout

Audited financial information

Year ended	31 March 2015
Turnover	£22,301,000
Operating profit	£2,379,000
Net liabilities	£(72,000)

Year ended	31 March 2014[1]
Turnover	£14,443,000
Operating profit	£249,000
Net liabilities	£(804,000)

[1] The financial information quoted above is from proforma unaudited figures for the year ended 31 March 2014.

Movements during the year

None.

CGI Creative Graphics International Limited

www.cgi-visual.com

Cost £1,000,000

Valuation £890,000

Basis of valuation
Earnings multiple

Equity % held
4.3%

Income receivable in year
£92,672

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	£1,046,000
Net assets	£800,000

Year ended	28 February 2015[1]
Turnover	£12,124,000
Operating profit	£1,682,000
Net assets	£2,521,000

[1] The turnover and operating profit figures are from proforma financial statements for the 12 months to 28 February 2015.

Movements during the year

Further investment of £0.27 million made in June 2015.

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.

Twelve largest investments in the portfolio

at 31 March 2016 by valuation

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost	£817,000
Valuation	£843,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£78,444

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Acquisition capital

Audited financial information

Year ended	31 January 2015
Turnover	£38,982,000
Operating profit	£2,029,000
Net assets	£9,983,000
Year ended	31 January 2014
Turnover	£34,644,000
Operating profit	£3,417,000
Net assets	£9,436,000

Movements during the year

None.

Turner TopCo Limited (trading as ATG Media)

www.antiquestradegazette.com

Cost	£1,321,000
Valuation	£799,000

Basis of valuation
Earnings multiple

Equity % held
3.3%

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 three month period.

Movements during the year

None.

Jablite Holdings Limited

www.jablite.co.uk

Cost	£312,000
Valuation	£788,000

Basis of valuation
Earnings multiple

Equity % held
6.8%

Income receivable in year
£27,193

Business
Manufacturer of expanded polystyrene products

Location
Belvedere, Kent

Original transaction
Management buyout

Financial information (unaudited)

Year ended	31 December 2015[1]
Turnover	£42,970,000
Operating profit	£3,547,000
Net assets	£2,675,000
Year ended	31 December 2014[1]
Turnover	£40,039,000
Operating profit	£2,053,000
Net assets	£23,000

[1] The financial information quoted above is based on proforma consolidated figures for the original trading companies Jablite Limited and Styropack (UK) Limited.

Movements during the year

New investment made in April 2015. A total of £0.73 million (including premium) has been received in loan stock repayments.

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 March 2016

	Date of first investment/ Sector	Total Book cost at 31 March 2016 £	Valuation at 31 March 2015 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2016 £	Change in valuation for year £	% of net assets by value
Qualifying investments								
Unquoted investments								
ASL Technology Holdings Limited Printer and photocopier services	**December 2010** Support services	2,092,009	2,394,873	-	-	2,397,086	2,213	5.6%
Entanet Holdings Limited Wholesale voice and data communications provider	**February 2014** Fixed Line Telecommunications	1,444,090	2,180,042	-	-	2,045,102	(134,940)	4.7%
Virgin Wines Holding Company Limited Online wine retailer	**November 2013** General retailers	1,284,333	1,374,970	-	-	1,886,136	511,166	4.4%
Tovey Management Limited (trading as Access IS)[1] Provider of data capture and scanning hardware	**October 2015** Software and Computer Services	1,733,500	885,000	848,500	-	1,733,500	-	4.0%
Manufacturing Services Investment Limited Company seeking to carry on a business in the manufacturing sector	**February 2014** Support services	1,608,300	608,000	1,000,300	-	1,608,300	-	3.7%
Fullfield Limited (trading as Motorclean Limited) Vehicle cleaning and valet services	**July 2011** Support services	1,025,152	930,735	-	251,452	1,281,548	602,265	3.0%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software and Computer Services	789,815	789,815	-	-	977,681	187,866	2.3%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Support services	967,780	1,089,947	-	-	974,052	(115,895)	2.2%
Media Business Insight Holdings Limited (formerly South West Services Investment Limited) A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	1,447,188	-	-	910,360	(536,828)	2.1%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General Industrials	999,568	731,032	268,536	-	889,634	(109,934)	2.1%
Hollydale Management Limited Company seeking to carry on a business in the food sector	**March 2015** Support Services	885,000	885,000	-	-	885,000	-	2.0%
Backhouse Management Limited Company seeking to carry on a business in the motor sector	**April 2015** Support Services	848,500	-	848,500	-	848,500	-	2.0%
Barham Consulting Limited Company seeking to carry on a business in the catering sector	**April 2015** Support Services	848,500	-	848,500	-	848,500	-	2.0%
Chatfield Services Limited Company seeking to carry on a business in the retail sector	**April 2015** Support Services	848,500	-	848,500	-	848,500	-	2.0%
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	**April 2015** Support Services	848,500	-	848,500	-	848,500	-	2.0%
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	**April 2015** Support Services	848,500	-	848,500	-	848,500	-	2.0%

[1] £848,500 invested in Tovey Management Limited, a company preparing to trade, was used to acquire Knighton Management Limited, a company preparing to trade held at 31 March 2015, and Access IS, on 2 October 2015.

Investment Portfolio Summary

as at 31 March 2016

	Date of first investment/ Sector	Total Book cost at 31 March 2016 £	Valuation at 31 March 2015 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2016 £	Change in valuation for year £	% of net assets by value
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** General retailers	817,185	915,779	-	-	842,686	(73,093)	2.0%
Turner Topco Limited (trading as ATG Media) Publisher and online auction platform operator	**October 2008** Media	1,320,963	1,317,247	-	-	798,686	(518,561)	1.8%
Jablite Holdings Limited (formerly Duncary 16 Limited)[1] Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	312,091	-	840,015	527,924	788,021	475,930	1.8%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	**April 2008** Support services	392,348	511,002	84	-	767,053	255,967	1.8%
Gro-Group Holdings Limited Baby sleep products	**March 2013** General retailers	1,123,088	695,892	-	-	751,930	56,038	1.7%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Support services	437,030	816,333	-	-	738,939	(77,394)	1.7%
Vian Marketing Limited (trading as Tushingham Sails)[2] Design, manufacture and sale of stand-up paddleboards and windsurfing sails	**July 2015** Leisure goods	717,038	-	848,500	131,462	717,038	-	1.7%
Redline Worldwide Limited (formerly Pound FM Consultants)[3] Provider of security services to the aviation industry	**February 2016** Support services	682,222	-	848,500	166,278	682,222	-	1.6%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Support services	1,000,000	607,325	-	-	669,057	61,732	1.5%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare Equipment & Services	757,101	607,329	-	-	626,517	19,188	1.4%
Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)[4] A specialist logistics, storage and removals business	**December 2014** Support services	369,625	1,221,841	-	852,216	534,927	165,302	1.2%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Support services	60,293	190,542	-	-	271,156	80,614	0.6%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	1,045,985	119,613	47,845	-	167,458	-	0.4%
Newquay Helicopters (2013) Limited (in members' voluntary liquidation) Helicopter service operators	**June 2006** Support services	66,169	226,000	-	159,831	66,169	-	0.2%

1 £840,015 was invested into Duncary 16 Limited on 2 April 2015, a company preparing to trade. This enabled Duncary 16 to acquire Jablite on 23 April 2015. Duncary 16 has subsequently changed its name to Jablite Holdings Limited.

2 £717,038 invested in Vian Marketing Limited, a company preparing to trade, was used to acquire Tushingham Sails Limited. This resulted in a net repayment to the Company of £131,462.

3 £682,222 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 £166,278. Pound FM Consultants Limited subsequently changed its name to Redline Worldwide Limited.

4 On 31 July 2015, Leap New Co Limited (trading as Ward Thomas and Bishopsgate) acquired Aussie Man & Van Limited via a share for share exchange plus a small amount of cash. The figures represent the combined holding which was the position at 31 March 2016.

	Date of first investment/ Sector	Total Book cost at 31 March 2016 £	Valuation at 31 March 2015 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2016 £	Change in valuation for year £	% of net assets by value
Lightworks Software Limited Provider of software for CAD and CAM vendors	**April 2006** Software and Computer Services	25,727	60,279	-	-	65,592	5,313	0.1%
Preservica Limited[1] Seller of proprietary digital archiving software	**December 2015** Software and Computer Services	-	-	-	-	-	-	0.0%
PXP Holdings Limited (no longer trading) Design, manufacture and supply of timber frames for buildings	**December 2006** Construction and materials	1,220,579	-	-	-	-	-	0.0%
Tessella Holdings Limited Provider of science powered technology and consulting services	**July 2012** Support services	-	1,179,963	-	1,179,963	-	-	0.0%
Total unquoted investments		**28,866,679**	**21,785,747**	**8,944,780**	**3,269,126**	**28,318,350**	**856,949**	**65.6%**
AIM quoted investments								
365 Agile Group plc (formerly Iafyds plc) Development of energy saving devices for domestic use	**March 2001** Electronic and electrical equipment	254,586	-	-	-	8	8	0.0%
Total AIM quoted investments		**254,586**	**-**	**-**	**-**	**8**	**8**	**0.0%**
Total qualifying investments		**29,121,265**	**21,785,747**	**8,944,780**	**3,269,126**	**28,318,358**	**856,957**	**65.6%**[2]
Non-qualifying investments								
Media Business Insight Limited	as above	561,884	561,884	-	-	794,824	232,940	1.8%
Tovey Management Limited (trading as Access IS)[3]	as above	219,873	-	219,873	-	219,873	-	0.5%
Century 3370 plc (formerly Fuse 8 plc) Promotional goods and services agency	**March 2004** Support Services	250,000	-	-	-	-	-	0.0%
Total non-qualifying investments		**1,031,757**	**561,884**	**219,873**	**-**	**1,014,697**	**232,940**	**2.3%**
Total investments per note 8, page 54		**30,153,022**	**22,347,631**	**9,164,653**	**3,269,126**	**29,333,055**	**1,089,897**	**67.9%**
Cash and current asset investments[4]		**13,702,539**	**19,739,427**	**-**	**-**	**13,702,539**		**31.8%**
Total investments including cash and current asset investments		**43,855,561**	**42,087,058**	**9,164,653**	**3,269,126**	**43,035,594**	**1,089,897**	**99.7%**
Other assets		266,308	180,065			266,308		0.6%
Current liabilities		(160,890)	(164,306)			(160,890)		(0.3)%
Totals		**43,960,979**		**9,164,653**	**3,269,126**			
Net assets at the year end			**42,102,817**			**43,141,012**		**100.0%**

1 The Company realised its investment in Tessella Holdings Limited in December 2015. As part of the consideration, in addition to cash, the Company received a small shareholding in Preservica Limited, a subsidiary of Tessella Holdings that was demerged as part of the transaction. The fair value of the holding received was deemed to be zero at the date of the transaction and therefore, the investment cost is zero.

2 As at 31 March 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 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.

3 The Company also advanced a non-qualifying loan of £219,873 to Access IS Limited on 20 October 2015.

4 Disclosed as Current asset investments and Cash at bank within Current assets in the Balance Sheet on page 43.

Strategic Report

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.

The Board will be recommending a revised Investment Policy to shareholders to take account of the new VCT Rules introduced by the UK Finance (No2) Act 2015. The text of the proposed Policy is set out on page 29 in the Directors' Report. The current Policy is set out below.

Current Investment Policy

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

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

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

UK Companies

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

VCT Regulation

The Investment Policy is designed to ensure that the VCT continues to qualify and is approved as a VCT by HM Revenue & Customs ("HMRC").

Amongst other conditions, the VCT may not invest more than 15% of its investments in a single company or group of companies and must have at least 70% by value of its investments throughout the year in shares or securities comprised VCT qualifying holdings, of which a minimum overall of 30% by value (70% for funds raised from 6 April 2011) must be in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules). In addition, although the VCT can invest less than 30% by value (70% for funds raised from 6 April 2011) of an investment in a specific company in ordinary shares it must, however, have at least 10% by value of its total investments in each VCT qualifying company in ordinary shares which carry no preferential rights (save as may be permitted under VCT rules).

Asset Mix

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

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses across different industry sectors. To reduce the risk of high exposure to equities, each qualifying investment is structured using a significant proportion of loan stock.

Co-investment

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

Borrowing

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

Cash available for investment and liquidity

The Company's cash and liquid resources are held in a range of instruments of varying maturities including liquid, low risk Money Market Funds and bank deposits, subject to the overriding criterion that the risk of loss of capital be minimised.

The Company has participated in the Mobeus VCTs' linked fundraising in 2014 and the joint fundraising in 2015 in order to maintain a sufficient level of funds that can be deployed in meeting the day-to-day expenses of the Company, dividend distributions and purchases of the Company's own shares. This enabled money raised prior to 6 April 2012 to be allocated for future MBO investment until 18 November 2015 when the new VCT Rules referred to in the Chairman's Statement became effective.

Diversity

The Directors have considered diversity in relation to the composition of the Board and have concluded that its membership is diverse in relation to gender and breadth of experience. The Board comprises three men and one woman. The Company does not have any senior managers or employees. The Board has made a commitment to consider diversity in making future appointments.

Environmental and social responsibility

The Board recognises its obligations under Section 414C of the Companies Act to provide information in this respect about environmental matters (including the impact of the Company's business on the environment), human rights and social and community issues, including information about any policies the Company has in relation to these matters and the effectiveness of these policies.

The Board seeks to maintain high standards of conduct in respect of ethical, environmental, governance and social issues and to conduct the Company's affairs responsibly. It considers relevant social and environmental matters when appropriate and particularly with regard to investment decisions. The Investment Adviser encourages good practice within the companies in which the VCT invests. The Board seeks to avoid investing in certain areas which it considers to be unethical and does not invest in companies which do not operate within relevant ethical, environmental and social legislation or otherwise fail to comply with appropriate industry standards. Environmental, social and governance issues are identified by the Investment Adviser prior to each investment and are drawn to the attention of the Board where appropriate.

The Company does not have any employees or officers and the Board therefore believes that there is limited scope for developing environmental, social or community policies. The Company has however adopted electronic communications for shareholders as a means of reducing the volume of paper that the Company uses to produce its reports. It uses mixed source paper from well-managed forests as endorsed by the Forest Stewardship Council for the printing of its circulars and annual and half-yearly reports. The Investment Adviser is conscious of the need to reduce its impact on the environment and has taken a number of initiatives in its offices including recycling and the reduction of its energy consumption.

Further policies

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

- Human rights
- Anti-bribery
- Global greenhouse gas emissions
- Whistleblowing

These are set out in the Directors' Report on page 27 of this Annual Report.

Principal risks

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. Further details of these are contained in the Corporate Governance section of the Directors' Report on pages 35 to 37. The principal risks identified by the Board are set out below:

Risk	Possible consequence	How the Board manages risk
Economic	Events such as an economic recession and movements in interest rates could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	• *The Board monitors (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies and (2) developments in the macro-economic environment such as movements in interest rates.*
Investment and strategic	Investment in unquoted small companies can involve a higher degree of risk than investment in larger, and/or 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 investment strategy.* • *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.*
Loss of approval as a Venture Capital Trust	The Company must comply with section 274 of the Income Tax Act 2007 ("ITA") which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and that future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.	• *The Board receives regular reports from Philip Hare & Associates LLP ("PHA") who have been retained to undertake an independent VCT status monitoring role.* • *The Company's VCT qualifying status is continually reviewed by PHA and the Investment Adviser on a regular basis.*

Strategic Report

VCT Regulatory changes	The Company is required to comply with frequent changes to the VCT specific regulations relating to European State Aid regulations as enacted by the UK Government. Non-compliance would result in a loss of VCT status.	• *The Board receives advice from PHA in respect of these requirements and conducts its affairs in order to comply with these requirements. Please see the Chairman's Statement on page 2 for further details of the provisions of the UK Finance (No2) Act 2015.*
Regulatory	The Company is required to comply with the Companies Act, the listing rules of the UK Listing Authority and United Kingdom Accounting Standards. Changes to and breaches of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.	• *Regulatory and legislative developments are kept under review by the Company's solicitors and the Board.*
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.* • *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 investments may be difficult to realise.	• *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	Shareholders may find it difficult to sell their shares at a price which is close to the net asset value given the limited secondary market in VCT shares.	• *The Board has a share buyback policy which seeks to mitigate market liquidity risk. This policy is reviewed at each quarterly Board meeting.*
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 under 'Credit risk' in Note 15 to the Financial Statements on pages 60 and 61.*

The risk profile of the Company has changed as a result of the recent changes to VCT regulation. As the Company will now focus its investment on growth capital investments in younger companies, it is anticipated that investment returns will be more volatile and will have a higher risk profile. The Board remain confident that the Investment Adviser can adapt to these changing investment requirements. The combination of high liquidity levels in the Company and the challenge of the new VCT rules may also result in continuing higher than usual liquidity which may be a drag on performance. These issues will be monitored by the Board during the year.

Going Concern and Long-Term Viability of the Company

The Board has assessed the Company's operation as a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 4 and the preceding section of this Strategic Report on pages 6, 22 and 23. The Directors have satisfied themselves that the Company has an adequate cash position. 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 Notes 15 and 16 on pages 58 to 66. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Furthermore, the Directors have considered whether there are any material uncertainties that the Company may face during the twelve months to 31 March 2017 that may impact on its ability to operate as a going concern. In particular, the Directors are considering the impact of the new VCT Tax Rules on the Company's Investment Policy and this is discussed further below. No further material uncertainties have been identified by the Board.

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 businesses. The Directors have chosen a period of three years, as explained further below.

The Directors have carried out a robust assessment of the principal risks facing the Company which are listed above. 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. 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. The chosen three year period should accommodate any necessary transitioning of the Company's Investment Policy to focus upon growth capital transactions in line with the regulatory developments for VCTs, referred to in the Chairman's Statement.

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 Company's principal risks and how these are managed, as described on pages 22 and 23. 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.

In reaching this conclusion the Directors also gave careful consideration to the Company's Objective. They believe the Company's current Objective of "maximising the stream of tax-free dividend distributions from the income and capital gains from a diverse and carefully selected portfolio of investments, while continuing at all times to qualify as a VCT" remains valid.

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 overall portfolio over the next three to five years. The focus of new investment has moved to financing primarily growth capital opportunities, and the Board anticipates that positive returns should continue to be achievable from future investments and from the existing portfolio.

The Directors' conclusion has been reached on the assumption that the Resolution to approve the new Investment Policy is passed. If that does not happen, while the Company will have adequate liquidity to remain viable for three years, it will not be able to operate under the new VCT legislation, and the Directors are likely to have to seek alternatives which would have a substantial impact on the Company and its shareholders.

The Board will be monitoring the assumption of positive returns on a regular basis as the change in focus will take time to manifest itself in building a portfolio of growth capital investments, and the prospective returns thereon are currently less clear until such investments are made over the next three years. The Board considers that the Company's liquidity is currently at adequate levels. It has no present plans to raise further capital but intends to maintain liquidity at a satisfactory level at all times.

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 on 10 March 2015 under the 2014/15 Offer, 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 (both short and medium term), please see the Chairman's Statement on page 4 and the Investment Review on page 10.

Nigel Melville
Chairman

23 June 2016

Board of Directors

Non-Executive Directors

Nigel Melville (Chairman)

Date of appointment: 10 May 2000 (Elected Chairman: 5 September 2006).

Experience: Nigel was an investment banker, latterly as a director of Barings responsible for international corporate finance between 1972 and 1995. In 1995 he established Melville Partners to provide strategic consultancy to a range of international companies.

Adam Kingdon

Appointed to the Board: 29 September 2006.

Experience: Adam has over twenty years' experience as a turnaround specialist and of restoring companies to profitability. He has turned around more than ten loss-making engineering and technology companies in the UK, France, Germany, Holland and Belgium. In 2005 he founded i20 Water to develop innovative technology for the international water sector. In February 2015 he left i20 Water to found Utonomy, a supplier of software for intelligent utility networks.

Sally Duckworth

Appointed to the Board: 1 January 2007.

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

Kenneth Vere Nicoll

Appointed to the Board: 10 May 2000.

Experience: Ken has over 40 years of corporate finance experience. He was a non-executive director of Unicorn AIM VCT II plc until March 2010, when it merged with Unicorn AIM VCT plc.

For details of the share interests and remuneration of the Directors, please see pages 31 and 32 of the Directors' Remuneration Report. Details of the attendance record of the Directors is reported in the Corporate Governance Statement on page 34.

Directors' Report

The Directors present the sixteenth Annual Report and Accounts of the Company for the year ended 31 March 2016.

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 03946235).

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

To enable capital profits to be distributed by way of dividends, the Company revoked its status as an investment company as defined in section 833 of the Companies Act 2006 ("the Companies Act") on 7 July 2005. The Company does not intend to re-apply for such status.

Share capital

The former 'O' Fund ordinary shares of 1.00 pence each in the capital of the Company were first admitted to the Official List of the UK Listing Authority and to trading on 11 July 2000.

The current class of ordinary shares of 1.00 pence were first admitted to the Official List of the UK Listing Authority and to trading on 21 December 2005. Following the merger of the 'O' and 'C' ordinary shares, the listing of the 'C' shares was amended on the Official List to ordinary shares of 1.00 pence in the capital of the Company ("ordinary shares") on 10 September 2010 and the 'O' share listing was cancelled.

Issue of shares

During the year under review the Company did not issue any new shares. In 2015 a total of 9,027,285 shares were issued under an Offer for subscription launched on 10 December 2014.

Buyback of shares

At the annual general meeting held on 10 September 2015, shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to make market purchases of up to 5,466,648 of its own shares representing 14.99% of the issued share capital of the Company. This authority has been in place throughout the year under review. A resolution to renew this authority will be proposed to shareholders at the forthcoming Annual General Meeting ('AGM") to be held on 15 September 2016.

During the year under review, the Company bought back 400,169 (2015: 620,793) for cancellation at a cost of £420,387 (2015: £652,628) (including expenses). These shares represented 1.1% of the issued share capital of the Company at the beginning of the year.

All shares bought back by the Company were subsequently cancelled.

Issued share capital

The issued share capital of the Company as at 31 March 2016 was £360,685 (2015: £364,686) and the number of shares in issue at this date was 36,068,463 (2015: 36,468,632).

Dividends

An interim dividend of 5.00 pence (2015: two interim dividends of 14.00 pence and 5.00 pence) per share was paid on 18 March 2016 to shareholders on the register on 19 February 2016, for the year under review.

The Directors have declared a special interim dividend of 5.00 pence per share in respect of the current financial year ending 31 March 2017. This dividend will be paid on 8 August 2016 to shareholders on the register on 1 July 2016. This dividend, once paid, will increase cumulative dividends paid since inception of the Company to 52.00 pence per share.

Directors

Copies of the Directors' appointment letters will be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

Details of each Director's interest in the Company's shares are set out on page 32 of the Directors' Annual Remuneration Report.

None of the Directors held interests in investee companies throughout the year.

Powers of the directors

The powers of the Directors have been granted by company law, the Company's articles and resolutions passed by the Company's members in general meeting. Resolutions are proposed 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 next annual general meeting of the Company to be held on 15 September 2016.

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.

Disclosure of information to the Auditor

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

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.

Directors' Report

Fees paid to the Investment Adviser

The fees paid to the Investment Adviser are set out in Note 4 to the Financial Statements on pages 48 and 49.

In addition the Investment Adviser received fees totalling £236,504 during the year ended 31 March 2016 (2015: £287,094), being £111,903 (2015: £150,817) in arrangement fees and £124,601 (2015: £136,277) 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.

Human rights policy

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

Anti-bribery policy

The VCT has adopted a zero tolerance approach to bribery. The following is a summary of its policy:

- It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships where it operates.
- Directors and service providers must not promise, offer, give, request, agree to receive or accept a financial or other advantage in return for favourable treatment, to influence a business outcome or to gain any other business advantage on behalf of themselves or of the Company or encourage others to do so.
- The Company has communicated its anti-bribery policy to each of its service providers. It expects and requires each of its service providers to have policies in place which reflect the key principles of this policy and procedures, and which demonstrate that they have adopted procedures of an equivalent standard to those instituted by the Company.

Global greenhouse gas emissions

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

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 service providers under which staff may, in confidence, raise concerns. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters.

Financial risk management

The main risks arising from the Company's financial instruments are due to fluctuations in the market price, investment risk, liquidity risk, interest rates and credit 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 58 to 65 of this Annual Report.

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 March 2016, please see Note 18 to the Financial Statements on page 66.

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 2013).

Articles of association

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

Substantial interests

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

Voting rights of shareholders

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

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

Annual General Meeting

The Notice of the Annual General Meeting ("AGM") of the Company to be held at 11 am on Thursday 15 September 2016 at 33 St James's Square, London SW1Y 4JS is set out on pages 72 to 74 of this Annual Report. Proxy Forms for the AGM are enclosed with shareholder's copies of this Annual Report. Proxy votes may also be submitted electronically via the Capita Shareholder Portal **www.capitashareportal.com** and 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 and 12 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 is an explanation of resolutions 9, 10, 11 and 12, which along with resolutions 1 to 8 will be proposed at the meeting.

Authorities for the Directors to allot shares in the Company (Resolution 9) and disapply the pre-emption rights of members (Resolution 10) under sections 551 and 570(1) of the Companies Act 2006 ("the Act").

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

Resolution 9 will authorise the Directors to allot new shares up to an aggregate nominal value of £136,068 representing approximately 37.73 per cent. of the Company's issued share capital of the Company as at the date of the notice convening the AGM.

Under section 561(1) of the Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing shareholders in proportion to their current holdings. It is proposed by resolution 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 £100,000 in connection with offer(s) for subscription; and

(ii) otherwise than pursuant to (i) above, with an aggregate nominal value of up to 10 per cent. of the issued share capital of the Company from time to time;

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

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 2017. 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 held on 10 September 2015.

The Directors have no plans at the current time to fundraise for the Company or any other further immediate intention of exercising the above powers. The Board is, however, intending to give consideration to a possible fundraising once the implications for the Company of the UK Finance (No2) Act 2015 have been clarified and/or the Board considers that the Company's projected liquidity indicates a requirement to raise more funds. It is therefore seeking authority to allot shares and dissapply the pre-emption rights of members to take account of this contingency.

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 Act. The authority is limited to the purchase of an aggregate of 5,406,662 shares representing approximately 14.99 per cent. of the issued share capital of the Company as at the date of this Annual Report or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99 per cent. 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 five per cent. 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 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 2017 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.

Resolution 12 is discussed on the next page.

Directors' Report

Changes to the Company's Investment Policy (Resolution 12)

Resolution 12 proposes changes to the Company's Investment Policy, the new proposed version of which is shown below. An explanation of the rationale behind these changes is set out in the Chairman's Statement on pages 2 and 3.

Proposed Investment Policy

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.

Recommendation

The Board believes that the proposed revised Investment Policy, as set out in the box and explained in the Chairman's Statement on pages 2 and 3, is in the best interests of the shareholders as a whole and recommends that shareholders vote in favour of the resolution to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings of 112,716 shares (representing 0.31 per cent. of the issued share capital as at 23 June 2016, this being the latest practicable date prior to publication of this document).

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

23 June 2016

Directors' Annual Remuneration Report

Dear Shareholder

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

This report sets out the Company's forward looking Directors' Remuneration Policy and the Annual Remuneration Report which describes how this policy has been applied during the year.

The Committee has reviewed the fees paid in the year ended 31 March 2016 and decided not to make any changes to the level of fees paid 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 Directors were last increased on 13 May 2015 by £1,000 (effective from 1 April 2015) to reflect an increase in regulatory requirements since the last increase on 11 May 2011.

The Directors' Remuneration Policy was subject to shareholder approval last in 2014 and will be reconsidered by shareholders in 2017.

I would welcome any comments you may have.

Kenneth Vere Nicoll
Remuneration Committee Chairman
23 June 2016

Introduction

This report has been prepared by the Directors in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies Act 2006 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 on page 32 of this Annual Report, and this is explained further in the Auditor's Report to shareholders on pages 39 to 41.

The resolution to approve the Directors' Remuneration Policy as set out in the Annual Report for the year ended 31 March 2014 was approved by shareholders at the Annual General Meeting of the Company held on 11 September 2014. The Remuneration Policy will next be put to shareholders at the Annual General Meeting of the Company to be held in 2017.

The resolution to approve the Directors' Annual Remuneration Report as set out in the Annual Report for the year ended 31 March 2015 was approved by shareholders at the Annual General Meeting held on 10 September 2015. An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 15 September 2016 for approval of the Directors' Annual Remuneration Report as set out on page 72.

Directors' Remuneration Policy

The Directors fees are reviewed annually. When considering the level of Directors' fees, the Remuneration Committee takes account of the workload required to be performed by the non-executive Directors, and is aware of the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully and reflect the time commitment and responsibilities of the roles. The Committee may choose to take independent advice where and when it considers it appropriate.

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

Performance related remuneration

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

Recruitment remuneration

Remuneration of any new Director who may subsequently be appointed to the Board will be in line with the Remuneration Policy set out in this Report and the levels of remuneration stated therein.

Additional benefits

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

Shareholders' views on remuneration

The Board welcomes any views of shareholders, through discussion at general meetings of the Company or otherwise. It takes views expressed by shareholders into account, where appropriate, when formulating its remuneration policy.

Directors' terms of appointment

As of this year all four of the Directors have now served on the Board for nine years. Last year, two of the four directors were in that position. In accordance with the AIC Code of Corporate Governance, the Directors have each agreed to offer themselves for re-election this year.

All of the Directors are non-executive. The Articles of the Company provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to election at the first annual general meeting following their appointment.

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities and the fees pertaining to their appointment. Each of the appointments may be terminated by either party by giving not less than three months notice in writing. Appointment letters for new Directors will in future contain an assessment of the anticipated time commitment of the appointment and Directors will be asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant time commitments to the Board before appointment.

This policy applied throughout the year ended 31 March 2016 and will continue to apply to the current year ending 31 March 2017.

Directors' Annual Remuneration Report

Future policy

The table below displays details of each component of Directors' pay and gives the maximum payment receivable per annum by each Director for the current year and going forward. It also shows a summary of the Company's strategy and how this is supported by the current remuneration policy.

Company Objective

To provide investors with an attractive return, by maximising the stream of dividend distributions from the income and capital gains generated by a diverse and carefully selected portfolio of investments, while continuing at all times to qualify as a VCT.

Remuneration Policy

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

Director	Role	Components of pay package	Maximum payment per annum*	Performance conditions
Nigel Melville	**Chairman**	**Director's fee**	£19,000	None
		Supplement payable to Company Chairman	£6,000	
		Total	**£25,000**	
Adam Kingdon	**Chairman, Audit Committee**	**Director's fee**	£19,000	None
		Supplement payable to Chairman of the Audit Committee	£3,000	
		Total	**£22,000**	
Sally Duckworth	**Chairman, Investment Committee**	**Director's fee**	£19,000	None
		Supplement payable to Chairman of the Investment Committee	£3,000	
		Total	**£22,000**	
Kenneth Vere Nicoll	**Chairman, Remuneration Committee**	**Director's fee**	£19,000	None
		Supplement payable to Chairman of the Remuneration Committee	£3,000	
		Total	**£22,000**	
		Total fees payable	**£91,000**	

*No maximum amount payable to the Directors is contained in the Company's Articles of Association. The Articles state that remuneration levels are determined by the Remuneration Committee.

Annual Remuneration Report

The Company's Directors' Remuneration Policy as set out on pages 30 and 31 of this Annual Report was implemented throughout the year ended 31 March 2016.

Remuneration committee

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

Total shareholder return

The graph opposite charts the total NAV cumulative shareholder return of the Company (assuming all dividends are not re-invested) over the past seven 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 performance over the medium to long term. The total returns have each been re-based to 100 pence at 30 April 2009.

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 March 2016 £	Year ended 31 March 2015 £
Nigel Melville	25,000	24,000
Adam Kingdon	22,000	21,000
Sally Duckworth	22,000	21,000
Kenneth Vere Nicoll	22,000	21,000
Total	**91,000**	**87,000**

Aggregate fees paid in respect of qualifying services amounted to £91,000 (2015: £87,000).

Directors' interests in the Company's shares

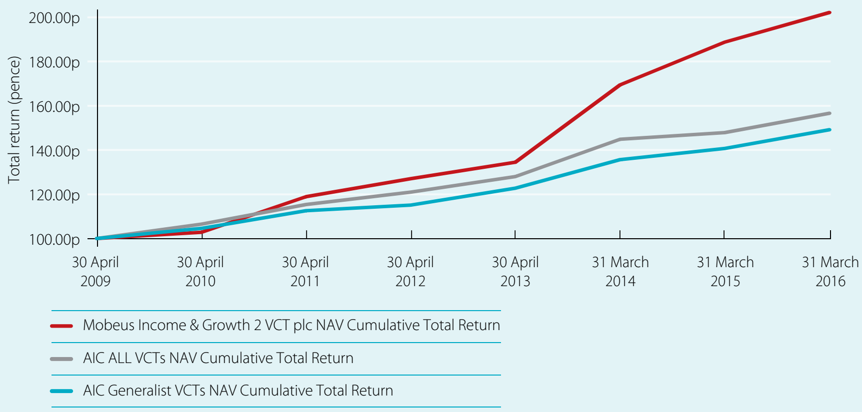
The Directors who held office throughout the year under review and their interests as at 31 March 2016 were:

Director	Holdings at 31 March 2016	Holdings at 31 March 2015
Nigel Melville	52,302	52,302
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-
Kenneth Vere Nicoll	54,705	54,705

Relative importance of spend on Directors' fees

Year ended 31 March	2016 £	2015 £
Total directors' fees	91,000	87,000
Dividends paid and payable in respect of the year	1,810,924	6,010,031
Share buybacks	420,387	652,628
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends	5.0%	1.5%
Total fees and expenses	7.1%	7.4%

Total shareholder cumulative return (NAV) basis



An explanation of the recent performance of the Company is given in the Chairman's Statement on page 2, the Performance section of the Strategic Report on pages 7 to 9 and in the Investment Review and Investment Portfolio Summary on pages 10 to 20.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

23 June 2016

Corporate Governance Statement

The Board of Mobeus Income & Growth 2 VCT plc has considered the principles and recommendations of the Association of Investment Companies (AIC) Code of Corporate Governance 2014 ("the AIC Code") by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 18 February 2015. In adopting the AIC Code, the Company will therefore meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Statement of Compliance

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

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code throughout the year under review, except as explained in the following paragraphs. 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.mig2vct.co.uk

As an externally managed VCT, most of the Company's operations are delegated to third parties. The Board has therefore concluded, for the reasons set out in the AIC Guide, that not all the provisions of the UK Code are relevant to the Company. Firstly, as the Company does not employ a chief executive, nor any executive directors, the provisions of the AIC Code relating to the rate of the chief executive and executive director's remuneration are not relevant to the Company. Secondly, the system and procedures of the Investment Adviser, the provision of VCT monitoring services by Philip Hare & Associates LLP (formerly Robertson Hare LLP) as well as the size of the Company's operations, give the Board full confidence that an internal audit function is not necessary. The Company has therefore not reported further in respect of these provisions.

A table providing an explanation of how the Company has complied with the AIC Code during the year is provided on the Company's website www.mig2vct.co.uk and select Corporate Governance.

Additional information relevant to the corporate governance of the Company is set out below.

Re-election of Directors

All directors will be subject to re-election by shareholders at the forthcoming Annual General Meeting on 15 September 2016.

In accordance with the AIC Code, Nigel Melville and Kenneth Vere Nicoll, who have both served on the Board for 16 years, and Adam Kingdon and Sally Duckworth, who have both served on the Board for 9 years, have agreed to retire annually from the Board and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Following a review of each Director's performance, the Board agreed that each director continues to make a substantial contribution to the Board and that their length of service is an asset to the Company. The Board also considers that each director continues to offer valuable skills and experience and has no hesitation in recommending each director's re-election to shareholders.

Board

The Board (chaired by Nigel Melville) 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 Committees; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Board committees

The Board has established four Committees with responsibilities for specific areas of its activity. Each of the Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these by making a written request to the Company Secretary or via the Company's website: www.mig2vct.co.uk

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

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

Directors	Board Meetings (4)		Audit Committee Meetings (2)		Remuneration Committee Meeting (1)		Nomination Committee Meeting (1)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Nigel Melville	4	4	2	2	1	1	1	1
Adam Kingdon	4	3	2	1	1	1	1	1
Sally Duckworth	4	4	2	2	1	1	1	1
Kenneth Vere Nicoll	4	4	2	2	1	1	1	1

Investment Committee

The Investment Committee (chaired by Sally Duckworth) comprises all four Directors.

The Committee's key responsibilities are to consider and approve investment recommendations from the Investment Adviser. The Committee meets frequently on an ad hoc basis by telephone as necessary to discuss and, if appropriate, to approve investment recommendations from the Investment Adviser. It is therefore not included in the above meetings schedule.

During the year investment matters were discussed extensively at Board meetings and the Committee advised the Board on the development and implementation of the proposed new Investment Policy. It also led the process for the ongoing monitoring of investee companies and the Company's investment therein. Investment guidelines have been issued to the Investment Adviser and the Committee ensures that these guidelines are adhered to. New investments and divestments are approved by written resolution of the Committee following discussion between Committee members and are subsequently ratified by the Board. Investment matters are discussed at Board meetings. During the year, the Committee formally approved all investment and divestment decisions and met informally on numerous occasions.

The Committee considers and agrees all unquoted investment valuations, on the advice of the Investment Adviser, for recommendation to the Board. Investments are valued in accordance with IPEVC Valuation Guidelines under which investments will be valued at the fair value as defined in those guidelines. Any AIM or other quoted investment would be valued at the closing bid price of its shares as at the relevant reporting date, in accordance with generally accepted accounting practice.

Nomination Committee

The Nomination Committee (chaired by Nigel Melville) comprises all four Directors.

The Committee meets at least once a year and is responsible for making recommendations to the Board concerning new appointments to the Board and Board Committees. It carries out a periodic review of the composition of the Board and its Committees and considers actual or potential conflicts of interest which may arise as a result of the outside business activities of Board members. It is intended that job descriptions will be prepared for new vacancies as they arise. No appointments have been made during the year under review.

Remuneration Committee

The Remuneration Committee (chaired by Kenneth Vere Nicoll) comprises all four Directors.

The Committee meets at least once a year and is responsible for setting the Remuneration Policy and considering the levels and composition of remuneration payable to the Directors.

A full description of the work of the Committee is included within the Directors' Annual Remuneration Report on page 32.

Audit Committee

The Audit Committee (chaired by Adam Kingdon) comprises all four Directors.

The Audit Committee meets to:

- Review the half-year and annual financial statements before submission to the Board, including meeting with the independent auditor;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- Monitor the effectiveness of the Company's internal control systems; and
- Review the scope and results of the audit including ensuring its cost effectiveness.

The Audit Committee held two formal meetings during the year and in addition the Committee met informally on other occasions.

During the year the Committee's principal activities were as 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 valuation 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

Corporate Governance Statement

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 May 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.

Going concern and long term viability

The Committee monitors the Company's resources to satisfy itself that the Company has an adequate level of resources for the foreseeable future. Consideration is given to the cash balances and holdings in money market funds and projections of cash flows, together with the ability of the Company to realise its investments. The Committee has considered the new 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).

Compliance with the VCT tests

The Company engaged the services of a VCT Status Adviser to advise on its ongoing compliance with the legislative requirements relating to VCTs. A report on the Company's compliance supported by the tests carried out is produced by the VCT Status Adviser on a bi-annual basis and reviewed by the Committee for recommendation to the Board. 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 VCT Rules introduced by the UK Finance (No2) Act 2015. Subsequent to this, the Company's VCT Status Adviser, Philip Hare & Associates LLP attended three of the quarterly Board meetings held during the year to provide advice.

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 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.

Counterparty risk

The Committee has given 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. During the year, the Board added funds to a number of AAA rated money market funds, to increase the spread of risk across underlying counterparties, as permitted by the UK Finance Acts.

Recognition of impairment and realised losses

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

Internal control and key risks

The Committee has monitored the system of internal of controls throughout the year under review as described in more detail in this Statement. It received a report on exceptions at its Annual and Half-Yearly results meetings. In a wider context, the Board has continued to identify the key risks faced by the Company and established appropriate controls. This is again explained further in the section on internal controls on page 36. The Committee also monitors these controls and reviews any incidences of non-compliance.

AIFM registration

The Committee continued to monitor the Company's obligations as its own Alternative Investment Fund Manager ("AIFM") in compliance with the European Commission's Alternative Investment Fund Manager's Directive. The Company is registered as a small AIFM, and is therefore exempt from the principal requirements of the Directive.

Safekeeping of the Company's documents of title to its investments

The Committee has established procedures for the safekeeping of the Company's documents of title under which named company secretarial staff are now directly responsible to the Board, under its instruction, for accessing and dealing with these documents.

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.

The Audit 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:

- 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;
- provided 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.

Non-audit services

The Committee regularly reviews and monitors the potential impact such services could have upon the external auditor's independence and objectivity. It reviews the nature and extent of non-audit services supplied by the Auditor to ensure that independence is maintained. The services are tax compliance and assurance related services, such as the review of the Half-Yearly Report. The Audit Committee has concluded that it was in the interests of the Company to purchase these services from the external auditor, given its knowledge of the Company and hence to benefit from greater efficiency. Furthermore, the Committee believes that audit independence had been maintained. It was satisfied that the nature of the services being provided did not result in a self-review threat, as the fees involved are relatively small compared to those for the audit, the work is undertaken by separate teams and does not involve undertaking any management role in preparing the information reported in the accounts.

Re-appointment of the external auditor

It is the Company's policy that the audit services contract should be put out to tender at least every ten years and the last tender process took place in 2007. The Committee is planning a further tender later this year.

The Audit Committee assesses the effectiveness of the external audit process annually and makes a recommendation to the Board on the re-appointment of the Auditor. This is considered by the Board prior to agreeing the recommendation to shareholders for the re-appointment of the Auditor at each annual general meeting of the Company.

As part of its review, the Audit Committee considers the performance of the Auditor and whether it has met the agreed audit plan, the quality of its reporting in its management letter and the cost-effectiveness of the services provided as well as the manner in which it has handled key audit issues and responded to the Committee's questions. The Committee has 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.

If the audit tender process results in a different auditor being appointed, the Board will review the matter in time for the 2017 year-end annual audit.

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, solicitors, bankers and registrars.

Particular emphasis is placed on reviewing the Investment Adviser, and this forms part of the Board's overall internal control procedures. The Board considers the arrangements for the provision of investment advisory and other services to the Company on an ongoing basis and a formal review is conducted annually.

As part of this annual review, the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. The Board concluded that the Investment Adviser had returned a good performance and that the Company's investment portfolio had performed well. The Board places significant emphasis on the Company's performance against benchmarks and is satisfied that the VCT's performance compares satisfactorily to the benchmark used on a consistent basis. The Board further considered the Investment Adviser's commitment to the promotion of the Company and was satisfied that this was prioritised highly by the Investment Adviser, evidenced by the Linked VCT fundraisings which had taken place annually since 2010. The Board believes that the Investment Adviser had continued to exercise independent judgment while producing consistent valuations which reflected fair value.

As noted in the Chairman's Statement, in response to the changes in VCT legislation, the Board had concluded that the Investment Adviser has the ability to amend its investment approach to comply with the new VCT rules.

The Board was pleased to note that the Investment Adviser has recruited a new partner and another senior hire who have extensive experience in the provision of growth capital to younger, smaller companies and is building a team to increase its specialism in this area.

The Directors 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 15 June 2016.

The principal terms of the Company's Investment Management Agreement with the Investment Adviser dated 10 September 2010 and the incentive fee arrangements dated 20 September 2005 (the latter of which were clarified in the year) are set out in Note 4(a) to the Financial Statements on pages 48 and 49 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.

Internal control

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

Internal controls 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.

Corporate Governance Statement

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 at each quarterly Board meeting and reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the administrator.

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

The Company has engaged the services of Philip Hare & Associates LLP (formerly Robertson Hare LLP) to advise on its compliance with the tax legislation requirements relating to VCT's. As such, they advise on compliance with requirements of the Venture Capital Trust tax legislation. Mobeus, on behalf of the VCT, also seeks professional advice in relation to the application of the venture capital trust legislation to any company in which the Company is proposing to invest. The Directors monitor the continuing tests for the Company's VCT status at Board meetings.

This system of internal control and the procedure for the review of control systems referred to above has been in place and operational throughout the year under review and up to the date of this Report. The assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 15 June 2016. The Board has identified no significant problems with the Company's internal control mechanisms.

Additional disclosures in the Directors' Report

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

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

23 June 2016

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 and 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 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' Annual Remuneration Report which comply with the requirements of the Companies Act 2006.

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

Website publication

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

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

The Directors confirm to the best of their knowledge that:

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

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

The Board considers that the Annual Report and Accounts, 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. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

The names and functions of the Directors are stated on page 25.

For and on behalf of the Board

Nigel Melville
Chairman

23 June 2016

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

Our opinion on the financial statements

In our opinion the Mobeus Income & Growth 2 VCT plc financial statements for the year ended 31 March 2016, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; 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;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- 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

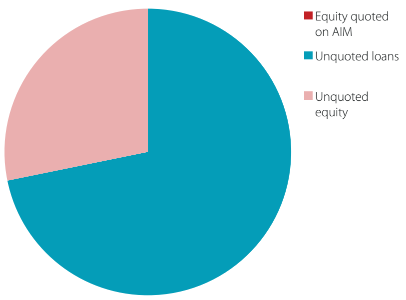
Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Adviser and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions 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.

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

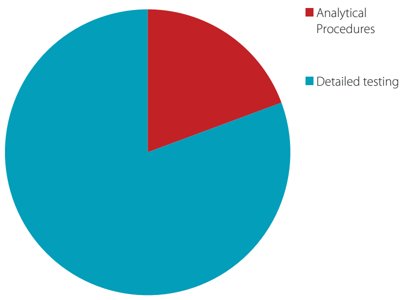


In respect of unquoted investments our sample for testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. 35% of the portfolio is based on price of recent investment or cost (where the investment was recently acquired within the last 12 months). For 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. 65% of the unquoted investment portfolio is valued in accordance with more subjective techniques, mainly on an earnings multiple basis. In respect of the sample selected for detailed testing (representing 95% by value of the investments valued using more subjective techniques) we:

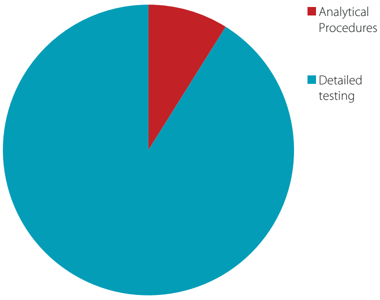
- Reviewed and challenged the assumptions inherent in the valuation of unquoted investments and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements;
- Reviewed the historical financial statements and recent 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.

In respect of equity investments quoted on AIM, we confirmed that bid price had been used as the most appropriate indication of fair value.

Investments by number



Investments by 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 sensitisations 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.

Revenue recognition

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

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on loan instruments and investigated any variations in amounts recognised to ensure they were valid.

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.

In respect of dividends receivable, we compared actual income to expectations set based on independent published data on dividends declared by the investee companies held. We tested the categorisation of dividends received from the investee companies between the revenue and capital.

The audit committee's consideration of their key issues is set out on pages 34 to 36.

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	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	580,000
Specific materiality – classes of transactions and balances which impact on revenue profits	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 revenue return	55,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

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; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 24, in relation to going concern and in relation to longer-term viability; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

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

Date 23 June 2016

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

Financial Statements

Income Statement

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 Revenue £	Capital £	Total £	Year ended 31 March 2015 Revenue £	Capital £	Total £
Unrealised gains/(losses) on investments	8	-	1,089,897	1,089,897	-	(1,032,124)	(1,032,124)
Realised gains on investments	8	-	1,732,241	1,732,241	-	4,618,332	4,618,332
Income	3	1,736,490	-	1,736,490	1,901,055	-	1,901,055
Investment Adviser's fees	4a	(246,651)	(739,953)	(986,604)	(222,228)	(666,684)	(888,912)
Other expenses	4b	(302,518)	-	(302,518)	(293,602)	-	(293,602)
Profit on ordinary activities before taxation		1,187,321	2,082,185	3,269,506	1,385,225	2,919,524	4,304,749
Taxation on profit on ordinary activities	5	(147,991)	147,991	-	(140,960)	140,960	-
Profit for the year and total comprehensive income		**1,039,330**	**2,230,176**	**3,269,506**	**1,244,265**	**3,060,484**	**4,304,749**
Basic and diluted earnings per ordinary share:	7	**2.86p**	**6.14p**	**9.00p**	**4.02p**	**9.88p**	**13.90p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the unrealised 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 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 47 - 66 form part of these Financial Statements.

Financial Statements

Balance Sheet

Company No. 03946235

as at 31 March 2016

	Notes	31 March 2016 £	31 March 2015 £
Fixed assets			
Investments at fair value	8	29,333,055	22,347,631
Current assets			
Debtors and prepayments	10	266,308	180,065
Current asset investments	11	9,337,621	8,227,301
Cash at bank	11	4,364,918	11,512,126
		13,968,847	19,919,492
Creditors: amounts falling due within one year	12	(160,890)	(164,306)
Net current assets		13,807,957	19,755,186
Net assets		**43,141,012**	**42,102,817**
Capital and reserves			
Called up share capital	13	360,685	364,686
Share premium reserve		15,901,497	15,901,497
Capital redemption reserve		83,622	79,621
Revaluation reserve		1,783,724	1,116,647
Special distributable reserve		8,524,729	9,537,078
Realised capital reserve		15,529,419	14,279,820
Revenue reserve		957,336	823,468
Equity shareholders' funds		**43,141,012**	**42,102,817**
Basic and diluted net asset value per ordinary share	14	**119.61p**	**115.45p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 23 June 2016 and are signed on their behalf by:

Nigel Melville
Chairman

The notes on pages 47 - 66 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2016

	Non-distributable reserves				Distributable reserves			
	Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve (Note a) £	Realised capital reserve (Note b) £	Revenue Reserve (Note b) £	Total £
At 1 April 2015	**364,686**	**15,901,497**	**79,621**	**1,116,647**	**9,537,078**	**14,279,820**	**823,468**	**42,102,817**
Comprehensive income for the year								
Profit for the year	-	-	-	1,089,897	-	1,140,279	1,039,330	3,269,506
Total comprehensive income for the year	**-**	**-**	**-**	**1,089,897**	**-**	**1,140,279**	**1,039,330**	**3,269,506**
Contributions by and distributions to owners								
Shares bought back (note c)	(4,001)	-	4,001	-	(420,387)	-	-	(420,387)
Dividends paid	-	-	-	-	-	(905,462)	(905,462)	(1,810,924)
Total contributions by and distributions to owners	**(4,001)**	**-**	**4,001**	**-**	**(420,387)**	**(905,462)**	**(905,462)**	**(2,231,311)**
Other movements								
Realised losses transferred to special reserve (note a)	-	-	-	-	(591,962)	591,962	-	-
Realisation of previously unrealised appreciation	-	-	-	(422,820)	-	422,820	-	-
Total other movements	**-**	**-**	**-**	**(422,820)**	**(591,962)**	**1,014,782**	**-**	**-**
At 31 March 2016	**360,685**	**15,901,497**	**83,622**	**1,783,724**	**8,524,729**	**15,529,419**	**957,336**	**43,141,012**

Notes

a): The cancellation of the formerly named C Share Fund's share premium account (as approved at the Extraordinary General meeting held on 10 September 2008 and by the order of the Court dated 28 October 2009), together with the previous cancellation of the share premium account attributable to the former Ordinary Share Fund and C Shares, has provided the Company with a special distributable reserve. The purpose of this reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer of £591,962 from the special distributable reserve to the realised capital reserve above is the total of realised losses incurred by the Company in the year.

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

c): During the year, the Company purchased 400,169 of its own shares at the prevailing market price for a total cost of £420,387, which were subsequently cancelled. The difference between the total cost above of £420,387 and that per the Statement of Cash Flows of £376,756 is due to a share buyback creditor at 31 March 2016 of £43,631.

The composition of each of these reserves is explained below and on the next page:

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 Offers for Subscription in 2014 and 2015.

The notes on pages 47 - 66 form part of these Financial Statements.

Financial Statements

Statement of Changes in Equity

for the year ended 31 March 2015

	Non-distributable reserves				Distributable reserves			
	Called up share capital £	Share Premium reserve £	Capital redemption reserve £	Revaluation reserve £	Special distributable reserve £	Realised capital reserve £	Revenue Reserve £	Total £
At 1 April 2014	**280,621**	**5,363,551**	**73,413**	**5,930,144**	**11,565,499**	**10,099,137**	**566,014**	**33,878,379**
Comprehensive income for the year								
Profit for the year	-	-	-	(1,032,124)	-	4,092,608	1,244,265	4,304,749
Total comprehensive income for the year	**-**	**-**	**-**	**(1,032,124)**	**-**	**4,092,608**	**1,244,265**	**4,304,749**
Contributions by and distributions to owners								
Shares issued via Linked Offer for Subscription	90,273	10,537,946	-	-	(45,871)	-	-	10,582,348
Shares bought back	(6,208)	-	6,208	-	(652,628)	-	-	(652,628)
Dividends paid	-	-	-	-	-	(5,023,220)	(986,811)	(6,010,031)
Total contributions by and distributions to owners	**84,065**	**10,537,946**	**6,208**	**-**	**(698,499)**	**(5,023,220)**	**(986,811)**	**3,919,689**
Other movements								
Realised losses transferred to special reserve	-	-	-	-	(1,329,922)	1,329,922	-	-
Realisation of previously unrealised appreciation	-	-	-	(3,781,373)	-	3,781,373	-	-
Total other movements	-	-	-	(3,781,373)	(1,329,922)	5,111,295	-	-
At 31 March 2015	**364,686**	**15,901,497**	**79,621**	**1,116,647**	**9,537,078**	**14,279,820**	**823,468**	**42,102,817**

Notes - continued from previous page

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 8), 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.

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's 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 47 - 66 form part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Cash flows from operating activities			
Profit for the financial year		3,269,506	4,304,749
Adjustments for:			
Net unrealised (gains)/losses on investments		(1,089,897)	1,032,124
Net gains on realisations on investments		(1,732,241)	(4,618,332)
(Increase)/decrease in debtors		(86,327)	216,588
(Decrease)/increase in creditors and accruals		(47,047)	54,945
Net cash inflow from operating activities		**313,994**	**990,074**
Cash flows from investing activities			
Purchase of investments	8	(9,164,569)	(7,374,456)
Disposal of investments	8	5,001,367	13,145,958
Increase in bank deposits with a maturity over three months		(7,061)	(500,000)
Net cash (outflow)/inflow from investing activities		**(4,170,263)**	**5,271,502**
Cash flows from financing activities			
Shares issued as part of Offer for subscription		-	12,782,668
Equity dividends paid	6	(1,810,924)	(6,010,031)
Purchase of own shares		(376,756)	(680,302)
Net cash (outflow)/inflow from financing activities		**(2,187,680)**	**6,092,335**
Net (decrease)/increase in cash and cash equivalents		**(6,043,949)**	**12,353,911**
Cash and cash equivalents at start of year		19,239,427	6,885,516
Cash and cash equivalents at end of the year		**13,195,478**	**19,239,427**
Cash and cash equivalents comprise:			
Cash equivalents	11	8,830,560	7,727,301
Cash at bank and in hand	11	4,364,918	11,512,126

The notes on pages 47 - 66 form part of these Financial Statements.

Notes to the Financial Statements

for the year ended 31 March 2016

1 Company Information

Mobeus Income and Growth 2 VCT plc is a public limited company incorporated in England, registration number 03946235. The registered office is 30 Haymarket, London, SW1Y 4EX.

2 Basis of preparation

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 within an outlined box.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, 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.

This is the first year in which the financial statements have been prepared under FRS102. There has been no material change in the accounting policies and so there has been no restatement of comparatives, other than in relation to Cash at bank and Current asset investments which was just a presentational change and had no effect on net assets. The Company has elected to apply early the revised disclosure requirements as set out in Amendments to FRS 102 – Fair Value hierarchy disclosures issued in March 2016.

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 March 2016 has been classified as capital and has been included within realised gains on investments.

	2016 £	2015 £
Income from bank deposits	49,237	29,815
Income from investments		
– from equities	87,073	286,492
– from overseas based OEICs	14,913	10,873
– from UK based OEICs	6,493	4,811
– from loan stock	1,578,774	1,566,646
	1,687,253	1,868,822
Other income	-	2,418
Total income	**1,736,490**	**1,901,055**
Total income comprises		
Dividends	108,479	302,176
Interest	1,628,011	1,596,461
Other	-	2,418
	1,736,490	**1,901,055**

	2016 £	2015 £
Income from investments comprises		
Listed overseas securities	14,913	10,873
Unlisted UK securities	93,566	291,303
Loan stock interest	1,578,774	1,566,646
	1,687,253	**1,868,822**

Total loan stock interest due but not recognised in the year was £166,537 (2015: £103,565).

4 Investment Adviser's fees and Other expenses

All 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 £	Capital £	2016 Total £	Revenue £	Capital £	2015 Total £
Investment Adviser's fees	**246,651**	**739,953**	**986,604**	**222,228**	**666,684**	**888,912**

Under the terms of a revised investment management agreement dated 10 September 2010, Mobeus Equity Partners LLP ("Mobeus") provides investment advisory, administrative and company secretarial services to the Company, for a fee of 2% per annum calculated on a quarterly basis by reference to the net assets at the end of the preceding quarter, plus a fee of £113,589 per annum, the latter being subject to changes in the retail prices index each year. In 2013, Mobeus has agreed to waive such further increases due to indexation, until otherwise agreed by the Board. In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board's expectation of the long-term split of returns from the investment portfolio of the Company.

Under the terms of the management agreement the total Investment Adviser and administration expenses of the Company excluding any irrecoverable VAT, exceptional costs and any performance incentive fee, are linked to a maximum of 3.6% of the value of the Company's closing net assets. For the year ended 31 March 2016, the expense cap has not been breached (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 accordance with general market practice, the Investment Adviser earned arrangement fees and fees for supplying Directors and/or monitoring services from investee companies. The share of such fees attributable to the investments made by the Company were £111,903 (2015: £150,817) and £124,601 (2015: £136,277) respectively. The fees for supplying directors and/or monitoring services were from 26 (2015: 30) investee companies during the year. These figures are not part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2016

Performance incentive agreement

The following performance incentive fee agreement dated 20 September 2005 continues to be in place, and operated as detailed below:

New Ordinary and former C share fund shares

Basis of Calculation

The performance incentive fee payable is calculated as an amount equivalent to 20 per cent of the excess of a "Target rate" comprising:-

i) an annual dividend target (indexed each year for RPI) and

ii) a requirement that any cumulative shortfalls below the annual dividend target must be made up in later years. Any excess is not carried forward, whether a fee is payable for that year or not.

Payment of a fee is also conditional upon the average Net Asset Value ("NAV") per share for each such year equalling or exceeding the average "Base NAV" per share for the same year. Base NAV commenced at £1 per share when C fund shares were first issued in 2005, which is adjusted for subsequent shares issued and bought back.

Any performance fee will be payable annually. It will be reduced to the proportion which the number of "Incentive Fee Shares" represent of the total number of shares in issue at any calculation date. Incentive Fee Shares are the only shares upon which an incentive fee is payable. They will be the number of C fund shares in issue just before the Merger of the two former share classes on 10 September 2010, (which subsequently became Ordinary shares) plus Ordinary shares issued under new fundraisings since the Merger. This total is then reduced by an estimated proportion of the shares bought back by the Company since the Merger, that are attributable to the Incentive Fee Shares.

Position at 31 March 2016

The cumulative dividend shortfall at 31 March 2016 is 7.40p per share (£2,085,484 in aggregate, being 78.1% of the total shortfall) at the year-end (where 78.1% is the proportion of Incentive Fee Shares to the total number of shares in issue at the year-end date) and taking into account the target rate of dividends and the dividends paid to shareholders.

The 6p annual dividend hurdle was 7.32p per share at the year-end after adjustment for RPI. The Base NAV was 106.12p per share at the year-end and an average of 106.11p for the year, compared to an average NAV for the year of 119.62p.

Accordingly, no Incentive payment is payable for the year, as there is a cumulative dividend shortfall at the year-end of 7.40p per share.

Clarifications in the year

The Board and the Investment Adviser have agreed to confirm and clarify in more detail a number of principles and interpretations applied to the agreement. The principal ones are reflected in the paragraphs above and explained below:-

First, the incentive payment is payable upon dividends paid in a year, not declared and paid in a year, as the original agreement stated. Secondly, the average NAV referred to above is calculated on a daily weighted average basis throughout the year. In turn, this average NAV is compared to a Base NAV that is also calculated on a daily weighted average basis throughout the year. Thirdly, the methodologies to account for new shares issued and buybacks of shares, their consequent impact upon the incentive fee calculations and to identify the proportion of Incentive Fee Shares upon which an incentive fee is payable, have been clarified.

Finally, it has been agreed that any excess of cumulative dividends paid over the cumulative annual dividend target is not carried forward, whether a fee is paid for that year or not.

These clarifications have been incorporated into the performance incentive agreement. The Board has been advised that, as these and a number of more minor clarifications, are clarifications of the performance incentive agreement, rather than changes to it, there is no need to seek shareholder approval for them.

b) 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) (note a)	97,080	92,614
IFA trail commission	27,009	49,642
Broker's fees	12,000	12,000
Auditor's fees – audit	33,537	21,060
– tax compliance services (note b)	4,448	2,160
– audit related assurance services (note b)	5,720	5,580
Registrar's fees	26,914	21,662
Printing	24,194	34,357
Legal & professional fees	6,091	8,772
VCT monitoring fees	7,500	10,320
Director's insurance	8,838	9,063
Listing and regulatory fees	20,810	24,359
Sundry	3,534	2,013
Running costs	**277,675**	**293,602**
Provision against loan interest receivable (note c)	24,843	-
Other expenses	**302,518**	**293,602**

a): See analysis in the Directors' emoluments table on page 32, which excludes the NIC above. The key management personnel are the four non-executive directors. The Company has no employees.

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

c): Provision against loan interest receivable of £24,843 (2015: £nil) is a provision made against loan stock interest recognised in previous years.

Notes to the Financial Statements

for the year ended 31 March 2016

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

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.

	Revenue £	Capital £	2016 Total £	Revenue £	Capital £	2015 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	147,991	(147,991)	-	140,960	(140,960)	-
Total current tax charge	**147,991**	**(147,991)**	**-**	**140,960**	**(140,960)**	**-**
Corporation tax is based on a rate of 20% (2015: 20%)						
b) Profit on ordinary activities before tax	1,187,321	2,082,185	3,269,506	1,385,225	2,919,524	4,304,749
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2015: 20%)	237,464	416,437	653,901	277,045	583,905	860,950
Effect of:						
UK dividends	(17,414)	-	(17,414)	(57,298)	-	(57,298)
Unrealised (gains)/losses not taxable	-	(217,979)	(217,979)	-	206,425	206,425
Realised gains not taxable	-	(346,449)	(346,449)	-	(923,666)	(923,666)
Marginal rate relief	-	-	-	7,624	(7,624)	-
Utilisation of losses on which deferred tax not recognised	(72,059)	-	(72,059)	(86,411)	-	(86,411)
Actual tax charge	**147,991**	**(147,991)**	**-**	**140,960**	**(140,960)**	**-**

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

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

There is no potential liability to deferred tax (2015: £nil). There is an unrecognised deferred tax asset of £18,875 (2015: £90,934).

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.

The Company's status as a VCT means it has to comply with Section 259 of the Income Tax Act 2007, 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. Accordingly, the Board is required to determine the amount of minimum income dividend.

Amounts recognised as distributions to equity shareholders in the year:

Dividend	Type	For year ended 31 March	Pence per share	Date Paid	2016 £	2015 £
Interim	Capital	2015	14.00p	20/10/2014	-	4,215,829
Interim	Income	2015	2.75p	20/03/2015	-	986,811
Interim	Capital	2015	2.25p	20/03/2015	-	807,391
Interim	Income	2016	2.50p	18/03/2016	905,462	-
Interim	Capital	2016	2.50p	18/03/2016	905,462	-
					1,810,924	**6,010,031**

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

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

Recognised income distributions in the financial statements for the year:

Dividend	Type	For year ended 31 March	Pence per share	Date Paid	2016 £	2015 £
Revenue available for distribution by way of dividends for the year					**1,039,330**	**1,244,265**
Interim	Income	2015	2.75p	20/03/2015	-	986,811
Interim	Income	2016	2.50p	18/03/2016	905,462	-
Total income dividends for the year					**905,462**	**986,811**

The Board has declared a special interim dividend of 5.00 pence per share in respect of the year ending 31 March 2017, which is not reflected in any of the figures above.

Notes to the Financial Statements

for the year ended 31 March 2016

7 Basic and diluted earnings per share

	2016 £	2015 £
Total earnings after taxation:	3,269,506	4,304,749
Basic and diluted earnings per share (note a)	**9.00p**	**13.90p**
Net revenue earnings from ordinary activities after taxation	1,039,330	1,244,265
Basic and diluted revenue earnings per share (note b)	**2.86p**	**4.02p**
Unrealised capital gains/(losses)	1,089,897	(1,032,124)
Realised capital gains	1,732,241	4,618,332
Capital expenses (net of taxation)	(591,962)	(525,724)
Total capital earnings	2,230,176	3,060,484
Basic and diluted capital earnings per share (note c)	**6.14p**	**9.88p**
Weighted average number of shares in issue in the year	36,312,815	30,966,734

Notes:

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

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

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

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

8 Investments at fair value

The most critical estimates, assumptions and judgments 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 ("IPEVCV") 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 IPEVCV guidelines:

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

(continued)

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 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 realised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value. None were identified in the year.

Movements in investments during the year are summarised as follows:

	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Loan Stock £	Total £
Cost at 31 March 2015	254,586	7,914,104	23,963	15,792,128	23,984,781
Permanent impairments at 31 March 2015	(254,586)	(1,688,074)	(739)	(810,398)	(2,753,797)
Unrealised (losses)/gains at 31 March 2015	-	(280,955)	19,974	1,377,628	1,116,647
Valuation at 31 March 2015	**-**	**5,945,075**	**43,198**	**16,359,358**	**22,347,631**
Purchases at cost	-	2,969,664	170	6,194,819	9,164,653
Sale proceeds	-	(2,264,020)	(1,000)	(2,736,347)	(5,001,367)
Reclassification at value	-	(122,903)	178	122,725	-
Realised gains	-	1,530,455	-	201,786	1,732,241
Unrealised gains/(losses) on investments	8	194,782	(21,011)	916,118	1,089,897
Closing valuation at 31 March 2016	**8**	**8,253,053**	**21,535**	**21,058,459**	**29,333,055**
Cost at 31 March 2016	254,586	10,176,306	23,311	19,698,819	30,153,022
Permanent impairments at 31 March 2016 (note a)	(254,586)	(1,537,968)	(739)	(810,398)	(2,603,691)
Unrealised gains/(losses) at 31 March 2016	8	(385,285)	(1,037)	2,170,038	1,783,724
Valuation at 31 March 2016	**8**	**8,253,053**	**21,535**	**21,058,459**	**29,333,055**

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 18 to 20.

a) During the year, permanent impairments of the cost of investments have reduced from £2,753,797 to £2,603,691. The reduction of £150,106 is due to an investee company being dissolved in the year, which removes the cost and related impairment of this investment from these accounts.

Reconciliation of investment transactions to Statement of Cash Flows

Purchases above of £9,164,653 are greater than that reported in the Statement of Cash Flows of £9,164,569 by £84. This relates to the purchase of shares through exercising options in an investee company, which completed in the year.

Notes to the Financial Statements

for the year ended 31 March 2016

9 Significant interests

At 31 March 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
ASL Technology Holdings Limited	372,184	1,719,825	2,092,009	10.3%[1]
Media Business Insight Holdings Limited[2]	803,628	1,205,444	2,009,072	11.6%
Tovey Management Limited (trading as Access IS)[3]	693,222	1,260,151	1,953,373	8.0%
Manufacturing Services Investment Limited	304,000	1,304,300	1,608,300	7.6%
Entanet Holdings Limited	273,617	1,170,473	1,444,090	6.4%[1]
Turner Topco Limited (trading as ATG Media)	3,863	1,317,100	1,320,963	3.3%
Virgin Wines Holding Company Limited	30,541	1,253,792	1,284,333	6.4%
PXP Holdings Limited (Pinewood) (no longer trading)	1,220,579	-	1,220,579	7.5%
Gro-Group Holdings Limited	105,880	1,017,208	1,123,088	6.0%[1]
Racoon International Holdings Limited	906,935	139,050	1,045,985	22.7%
Fullfield Limited (trading as Motorclean)	418,765	606,387	1,025,152	8.9%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%[1]
CGI Creative Graphics International Limited	328,613	670,955	999,568	4.3%[1]
Veritek Global Holdings Limited	26,001	941,779	967,780	6.2%[1]
Hollydale Management Limited	354,000	531,000	885,000	8.9%
Backhouse Management Limited	339,400	509,100	848,500	8.5%
Barham Consulting Limited	339,400	509,100	848,500	8.5%
Chatfield Services Limited	339,400	509,100	848,500	8.5%
Creasy Marketing Services Limited	339,400	509,100	848,500	8.5%
McGrigor Management Limited	339,400	509,100	848,500	8.5%
Tharstern Group Limited	245,115	544,700	789,815	8.8%[1]
Bourn Bioscience Limited	216,316	540,785	757,101	5.1%
Vian Marketing Limited (trading as Tushingham Sails)	216,675	500,363	717,038	5.6%[1]
Redline Worldwide Limited (formerly Pound FM Consultants Limited)	219,053	463,169	682,222	5.5%
Blaze Signs Holdings Limited	419,549	17,481	437,030	13.5%
The Plastic Surgeon Holdings Limited	39,313	353,035	392,348	7.4%
Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	369,455	170	369,625	3.2%[1]
Jablite Holdings Limited	254,380	57,711	312,091	6.8%
Newquay Helicopters (2013) Limited (in members' voluntary liquidation)	66,169	-	66,169	10.0%
Vectair Holdings Limited	60,075	218	60,293	5.2%
Lightworks Software Limited	25,727	-	25,727	11.6%[1]
Preservica Limited	-	-	-	3.3%

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

2 – Includes a loan of £561,884 to Media Business Insight Limited.

3 – Includes a loan of £219,873 to Access IS Limited.

It is considered that, under FRS 102 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 Mobeus Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc, who had investments as at 31 March 2016 in the following:

	Mobeus Income & Growth VCT plc* at cost £	Mobeus Income & Growth 4 VCT plc at cost £	The Income & Growth VCT plc at cost £	Total at cost £	% of equity held by other funds managed by Mobeus %
Media Business Insight Holdings Limited	3,282,263	2,722,760	3,666,556	9,671,579	67.5
Tovey Management Limited (trading as Access IS)	3,263,682	2,469,013	3,313,932	9,046,627	45.0
Entanet Holdings Limited	2,713,077	2,167,662	3,175,171	8,055,910	42.0
ASL Technology Holdings Limited	2,942,292	1,933,591	2,722,106	7,597,989	47.5
Manufacturing Services Investment Limited	2,666,700	2,016,900	2,708,100	7,391,700	50.0
Virgin Wines Holding Company Limited	2,439,352	1,930,813	2,745,503	7,115,668	42.0
Veritek Global Holdings Limited	2,045,275	1,620,086	2,289,858	5,955,219	44.0
Gro-Group Holdings Limited	1,975,007	1,577,977	2,398,928	5,951,912	37.6
Turner Topco Limited (trading as ATG Media)	2,501,087	1,529,075	1,529,075	5,559,237	17.1
CGI Creative Graphics International Limited	1,807,532	1,449,746	1,943,948	5,201,226	26.9
Fullfield Limited (trading as Motorclean)	1,625,672	1,131,444	1,517,733	4,274,849	46.0
Hollydale Management Limited	1,465,500	1,095,500	1,554,000	4,115,000	50.0
Backhouse Management Limited	1,513,500	1,134,000	1,504,000	4,151,500	50.0
Barham Consulting Limited	1,513,500	1,134,000	1,504,000	4,151,500	50.0
Chatfield Services Limited	1,513,500	1,134,000	1,504,000	4,151,500	50.0
Creasy Marketing Services Limited	1,513,500	1,134,000	1,504,000	4,151,500	50.0
McGrigor Management Limited	1,513,500	1,134,000	1,504,000	4,151,500	50.0
RDL Corporation Limited	1,558,334	1,000,000	1,441,667	4,000,001	45.2
Tharstern Group Limited	1,376,520	1,091,886	1,454,278	3,922,684	52.5
EOTH Limited (trading as Equip Outdoor Technologies)	1,298,031	951,471	1,383,313	3,632,815	8.0
Vian Marketing Limited (trading as Tushingham Sails)	1,188,950	899,074	1,207,437	3,295,461	31.5
Redline Worldwide Limited (formerly Pound FM Consultants Limited)	1,087,629	838,378	1,129,121	3,055,128	30.0
PXP Holdings Limited (Pinewood Structures) (no longer trading)	1,277,722	712,925	965,371	2,956,018	32.9
Bourn Bioscience Limited	-	1,132,521	1,610,379	2,742,900	23.8
Racoon International Holdings Limited	1,213,035	484,347	655,851	2,353,233	47.5
Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	614,444	511,855	682,183	1,808,482	19.0
Jablite Holdings Limited	556,687	417,103	553,195	1,526,985	40.1
The Plastic Surgeon Holdings Limited	478,580	458,935	406,169	1,343,684	37.5
Blaze Signs Holdings Limited	491,797	190,631	418,281	1,100,709	52.5
Lightworks Software Limited	222,584	9,329	20,471	252,384	45.0
Vectair Holdings Limited	138,574	24,732	53,400	216,706	24.0
Newquay Helicopters (2013) Limited (in members' voluntary liquidation)	66,169	16,542	33,084	115,795	34.9
Preservica Limited	-	-	-	-	20.2

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

Notes to the Financial Statements

for the year ended 31 March 2016

10 Debtors

	2016 £	2015 £
Amounts due within one year:		
Accrued income	260,401	174,166
Prepayments	5,907	5,815
Other debtors	-	84
	266,308	**180,065**

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 one year's 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	6,327,301	3,727,301
Bank deposits that mature within three months but are not immediately repayable	2,503,259	4,000,000
Cash equivalents per Statement of Cash Flows	8,830,560	7,727,301
Bank deposits that mature after three months	507,061	500,000
Current asset investments	**9,337,621**	**8,227,301**
Cash at bank	**4,364,918**	**11,512,126**

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	52,840	6,442
Other creditors	12,673	12,121
Accruals	95,377	145,743
	160,890	**164,306**

13 Called up share capital

	2016 £	2015 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 36,068,463 (2015: 36,468,632)	**360,685**	**364,686**

Purchased	Date of purchase	Nominal value £
92,873	26 June 2015	929
125,000	14 September 2015	1,250
32,296	29 September 2015	323
150,000	29 March 2016	1,500
400,169		4,002

During the year the Company repurchased 400,169 (2015: 620,793) of its own ordinary shares (representing 1.1% (2015: 2.2%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £420,387 (2015: £652,628).

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 36,068,463 (2015: 36,468,632) ordinary shares, being the number of ordinary shares in issue on that date.

15 Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss.

The Company's financial instruments comprise:

- Equity and preference shares and fixed and floating rate interest securities that are held in accordance with the Company's investment objective, and
- 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. 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 8. The composition of investments held is shown below and in note 8.

The fair value of cash at bank, current asset investments, short term debtors and creditors 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 March 2016

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2016:

	2016 (Book value) £	(Fair value) £	2015 (Book value) £	(Fair value) £
Financial assets				
Assets at fair value through profit and loss:				
Investment portfolio	29,333,055	29,333,055	22,347,631	22,347,631
Current asset investments	9,337,621	9,337,621	8,227,301	8,227,301
Cash at bank	4,364,918	4,364,918	11,512,126	11,512,126
Loans and receivables held at amortised cost				
Accrued income	260,401	260,401	174,166	174,166
Other debtors	-	-	84	84
Financial liabilities				
Liabilities held at amortised cost				
Other creditors	(160,890)	(160,890)	(164,306)	(164,306)
Total for financial instruments	43,135,105	43,135,105	42,097,002	42,097,002
Non financial instruments	5,907	5,907	5,815	5,815
Net assets	**43,141,012**	**43,141,012**	**42,102,817**	**42,102,817**

The investment portfolio principally consists of unquoted investments of 100.0% (2015: 100.0%). The investment portfolio has a 100.0% (2015: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 68.0% (2015: 53.1%) 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, which represent 31.8% (2015: 46.9%) 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 overleaf. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below and overleaf. 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/bank deposits of £13,702,539 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	**121,259**	**39,631**	-	-	**160,890**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2015 Total £
Other creditors	**127,273**	**37,033**	-	-	**164,306**

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	21,058,459	16,359,358
Preference shares	21,535	43,198
Current asset investments	9,337,621	11,512,126
Accrued income and other debtors	260,401	174,250
Cash at bank	4,364,918	8,227,301
	35,042,934	**36,316,233**

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 £260,401 was all due within three months of the year end, with £37,866 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 estimate using the Investment Adviser's expectations of when it is likely that such loans may be repaid.

Repayable within	2016 £	2015 £
0 to 1 year	2,576,650	39,057
1 to 2 years	1,039,957	2,589,022
2 to 3 years	6,740,235	1,512,680
3 to 4 years	5,853,077	5,018,856
4 to 5 years	4,848,540	7,199,743
Total	**21,058,459**	**16,359,358**

There are two loans which are past their capital repayment date. One loan has a carrying value of £423,408 and has been renegotiated and one loan has a carrying value of £669,057 that is past its capital repayment date but has not been renegotiated. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments are set out under market price risk below.

Notes to the Financial Statements

for the year ended 31 March 2016

An aged analysis of the loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due either because interest on the loan is outstanding or the loan has passed its contracted redemption date. 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	**760,262**	-	-	**760,262**

	0-6 months £	6-12 months £	over 12 months £	2015 Total £
Loans to investee companies past due	**423,408**	-	-	**423,408**

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. As the four OEIC money market funds holding £6,327,301 are all triple A rated funds, along with bank deposits of £7,043,387 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 £331,851 is held with Barclays Bank plc, so the risk of default is 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 financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £29,333,055, the fair value of the investment portfolio at the year-end.

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities. As, in a number of cases, the unquoted investments are valued by reference to price earnings ratios prevailing in quoted comparable sectors (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 on the inside front cover. 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 Investment Committee 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 mainly exposed to market price risk, as the Company is required to hold most of its assets in the form of sterling denominated investments in small companies.

All of these assets 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 above) 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 each of these sub categories of investments (shares, preference shares and loan stocks) held by the Company produces a movement overall of 20% (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 £22.59 million, after excluding the value of the companies preparing to trade of £6.74 million. The latter are vehicles that currently solely hold cash, so are not sensitive to market price risk at the year-end.

	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)	4,519,451 / (4,519,451)	3,993,926 / (3,993,926)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	12.53p / (12.53)p	10.95p / (10.95)p

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

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.

Notes to the Financial Statements

for the year ended 31 March 2016

The interest rate profile of the Company's financial net assets at 31 March 2016 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	8,253,061	-	-	8,253,061		
Preference shares	-	21,535	-	21,535	0.0	0.6
Loan stocks	-	16,677,659	4,380,800	21,058,459	7.8	3.1
Current asset investments	-	1,510,320	7,827,301	9,337,621	0.5	
Cash at bank	-	-	4,364,918	4,364,918	0.6	
Debtors	260,401	-	-	260,401		
Creditors	(160,890)	-	-	(160,890)		
Total for financial instruments	8,352,572	18,209,514	16,573,019	43,135,105		
Non-financial instruments	5,907	-	-	5,907		
Total net assets	**8,358,479**	**18,209,514**	**16,573,019**	**43,141,012**		

The interest rate profile of the Company's financial net assets at 31 March 2015 was:

	Financial net assets on which no interest paid £	Fixed rate financial assets £	Variable rate financial assets £	Total £	Weighted average interest rate %	Average period to maturity (years)
Equity shares	5,945,075	-	-	5,945,075		
Preference shares	-	43,198	-	43,198	0.2	2.2
Loan stocks	-	14,993,358	1,366,000	16,359,358	8.6	3.7
Current asset investments	-	500,000	11,012,126	11,512,126	0.6	
Cash at bank	-	-	8,227,301	8,227,301	0.5	
Debtors	174,250	-	-	174,250		
Creditors	(164,306)	-	-	(164,306)		
Total for financial instruments	5,955,019	15,536,556	20,605,427	42,097,002		
Non-financial instruments	5,815	-	-	5,815		
Total net assets	**5,960,834**	**15,536,556**	**20,605,427**	**42,102,817**		

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

Floating rate cash earns interest based on LIBOR rates.

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

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 cash, money market funds and variable rate loan stocks, the table below shows the sensitivity of income earned to changes in interest rates in these instruments:

	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)	132,584 / (132,584)	164,843 / (164,843)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.37p / (0.37p)	0.45p / (0.45p)

Currency risk

All assets and liabilities are denominated in sterling and therefore there is no currency risk, although a number of investee companies do trade overseas, so do face some exposure to currency risk in their operations.

Fair value hierarchy

The table below sets out fair value measurements using FRS 102 s11.27 fair value hierarchy, which has been adopted early.

Financial assets at fair value through profit and loss At 31 March 2016	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Equity investments	8	-	8,253,053	8,253,061
Preference shares	-	-	21,535	21,535
Loan stock investments	-	-	21,058,459	21,058,459
Current asset investments	9,337,621	-	-	9,337,621
Cash at bank	4,364,918	-	-	4,364,918
Total	**13,702,547**	**-**	**29,333,047**	**43,035,594**

Financial assets at fair value through profit and loss At 31 March 2015	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Equity investments	-	-	5,945,075	5,945,075
Preference shares	-	-	43,198	43,198
Loan stock investments	-	-	16,359,358	16,359,358
Current asset investments	8,227,301	-	-	8,227,301
Cash at bank	11,512,126	-	-	11,512,126
Total	**19,739,427**	**-**	**22,347,631**	**42,087,058**

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

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

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies in note 8.

Notes to the Financial Statements

for the year ended 31 March 2016

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 April 2015	5,945,075	43,198	16,359,358	22,347,631
Purchases	2,969,664	170	6,194,819	9,164,653
Sales	(2,264,020)	(1,000)	(2,736,347)	(5,001,367)
Reclassification*	(122,903)	178	122,725	-
Total gains/(losses) included in Income Statement:				-
- on assets sold	1,530,455	-	201,786	1,732,241
- on assets held at the year end	194,782	(21,011)	916,118	1,089,889
Closing balance at 31 March 2016	**8,253,053**	**21,535**	**21,058,459**	**29,333,047**

* - There were four transactions whereby the equity of a company preparing to trade was exchanged for equity and loan stock issued by the eventual acquirer of the target business, as well as one corporate restructuring.

As detailed in the accounting policy for note 8, where investments are valued on an earnings-multiple basis, the main inputs used for this basis of valuation are earnings and a suitable 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.

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

	2016 £	2015 £
Investment methodology		
Recent investment price*	10,255,891	7,249,373
Earnings multiple	19,010,987	14,872,258
Estimated realisation proceeds	66,169	226,000
	29,333,047	**22,347,631**

* - These are all investments made at original cost. Any follow-on investment was made at a price that was the same as the original investment.

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

Change in investment methodology (2015 to 2016)	Carrying value as at 31 March 2016 £	Explanatory note
Recent investment price to earnings multiple	2,240,111	Sufficient time has elapsed since investment such that an 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 2015 IPEVCV guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 31 March 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 and to provide an adequate return to shareholders by allocating its capital to assets commensurate with the level of risk.

By its nature, the Company has an amount of capital, at least 70% (as measured under the tax legislation) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the 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 Segmental analysis

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

18 Post balance sheet events

On 15 June 2016, the Company invested £0.37 million in MPB Group Limited.

Shareholder Information

Communication with shareholders

We aim to communicate regularly with our shareholders. In addition to the Half-Yearly and Annual Reports, shareholders receive a twice-yearly VCT Newsletter from the Investment Adviser, approved by the Board. The September annual general meeting provides 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.

Recent changes to the European Commission's Transparency Directive mean that the Company is no longer required to publish Interim Management Statements. However, the Board intends to continue doing so, in order to provide shareholders with updated information about the Company. The Investment Adviser holds an annual shareholder event and further information on this year's event, held in January, is given in the Chairman's Statement on page 4. **The next shareholder event will take place on 24 January 2017, again at the Royal Institute of British Architects in central London. Shareholders will be sent further details and an invitation nearer to the date.**

Shareholders wishing to follow the Company's progress can visit the Company website at www.mig2vct.co.uk which contains publicly available information or links to information about our largest investments, the latest NAV and the share price. It also includes performance tables and details of dividends paid as well as copies of past reports to shareholders. Videos of the presentations and Q & A sessions from the recent shareholder event can also be viewed here. The London Stock Exchange's website at www.londonstockexchange.com/prices-and-markets/stocks/stocks-and-prices.htm provides up to the minute details of the share price and latest NAV announcements, etc. A number of commentators such as Tax Efficient Review at www.taxefficientreview.com provide comparative performance figures for the VCT sector as a whole.

Mobeus website

The Investment Adviser's website can be accessed by going to www.mobeusequity.co.uk This is regularly updated with information on your investments including case studies of portfolio companies.

Financial calendar

1 July 2016	Annual Report for the year ended 31 March 2016 to be circulated to shareholders
8 August 2016	Payment of Interim dividend
15 September 2016	Annual General Meeting
November 2016	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 30 September 2016 to shareholders
24 January 2017	Shareholder Event
31 March 2017	Year-end

Shareholder enquiries and monitoring of their investment

For enquiries concerning the Company, please contact the Investment Adviser, Mobeus Equity Partners LLP, on 020 7024 7600 or by e-mail to vcts@mobeusequity.co.uk

To contact the Chairman or any member of the Board or for further information, 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.

For information on your holding, to notify the Company of a change of address or to request a dividend mandate form (should you wish to have future dividends paid directly into your bank account) please contact the Company's Registrars:

Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by email to vcts@capita.co.uk

The Capita VCT investor line: +44 (0)371 664 0324. Telephone lines are open 9.00am-5.30pm Monday-Friday excluding public holidays in England and Wales.

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 obtained by contacting the Company's Registrars, Capita Asset Services at the address given above.

Shareholders are encouraged to ensure that the Registrars maintain up-to-date details for them and check whether they have received and banked all dividends payable to them. This is particularly important if they have recently moved house or changed their bank. We are aware that a number of dividends remain unclaimed by shareholders and whilst we will endeavour to contact you 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 address and/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, if you wish to sell your shares, you are strongly advised to contact the Company's stockbroker, Panmure Gordon, by telephoning 020 7886 2716/7 before agreeing a price with your stockbroker**. Shareholders are also advised to discuss their individual tax position with their financial adviser before deciding to sell their shares.

Managing your shareholding online

For details on your individual shareholding and to manage your account online, shareholders may log into or register with the Capita Shareholder Portal at: www.capitashareportal.com

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

Common Reporting Standard

With effect from 1st January 2016 new tax legislation under The OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information ("The Common Reporting Standard") is being introduced. The legislation will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, Mobeus Income & Growth 2 VCT plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who are entered onto the share register from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

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

Boiler room fraud and unsolicited communications to shareholders

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

MIG 2 VCT is obliged by law to make its share register publicly available on request and, as a result, it is possible that shareholder address information could be used by third parties to obtain telephone numbers and/or send unsolicited mail. However, the Company has the right to challenge such a request when the reason given for the request is not acceptable to us and we will be taking advantage of these provisions as appropriate.

The practice of Boiler Room fraud has been highlighted by the FCA and the Institute of Chartered Secretaries and Administrators ("ICSA"), and their advice includes:

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

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

For further information, shareholders may also contact Mobeus, the Company Secretary, Tel : 020 7024 7600.

Performance Data At 31 March 2016

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

Total return data, which includes cumulative dividends paid to date, is shown on both a share price and NAV basis as at 31 March 2016. The NAV basis enables Shareholders to evaluate more clearly the performance of the Investment 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.

Ordinary Share Fund

Share price as at 31 March 2016 **105.25p**[1]

NAV per share as at 31 March 2016 **119.61p**

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)	% increase since 31 March 2015 (NAV basis) (p)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	47.00	**152.25**	**166.61**	**5.8%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	43.00	**148.25**	**162.61**	**6.0%**
Funds raised 2013/14						
09 January 2014	117.92[4]	**82.54**	29.00	**134.25**	**148.61**	**6.6%**
11 February 2014	118.22[4]	**82.75**	29.00	**134.25**	**148.61**	**6.6%**
31 March 2014	119.28[4]	**83.49**	24.00	**129.25**	**143.61**	**6.8%**
03 April 2014	119.82[4]	**83.87**	24.00	**129.25**	**143.61**	**6.8%**
04 April 2014	119.08[4]	**83.36**	24.00	**129.25**	**143.61**	**6.8%**
06 June 2014	118.66[4]	**83.06**	24.00	**129.25**	**143.61**	**6.8%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	10.00	**115.25**	**129.61**	**7.6%**
17 February 2015	124.35[4]	**87.05**	10.00	**115.25**	**129.61**	**7.6%**
10 March 2015	120.18[4]	**84.13**	5.00	**110.25**	**124.61**	**7.9%**

Former Ordinary Share Fund

Share price as at 31 March 2016 **87.04p**

NAV per share as at 31 March 2016 **98.92p**

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

Allotment date(s)	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share[3] (p)	Total return per share to shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% increase since 31 March 2015 (NAV basis) (p)
Funds raised 2000/01[5]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	60.72	**147.76**	**159.64**	**5.0%**

[1] - Source: London Stock Exchange (mid-price basis), based on the last NAV announced of 123.55p at 31 December 2015, since when a dividend of 5.00 pence per share paid on 18 March 2016 has reduced this NAV.

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

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

[4] - Average effective offer price.

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

Cumulative dividends paid

Date paid	Funds raised 2000/01 (p)	Funds raised 2005/06 (p)	Funds raised 2008/09 (p)	Funds raised 2013/14 (p)	Funds raised 2014/15 (p)
18 March 2016	4.14[1]	5.00	5.00	5.00	5.00
20 March 2015	4.14[1]	5.00	5.00	5.00	5.00
20 October 2014	11.58[1]	14.00	14.00	14.00	
21 March 2014	4.14[1]	5.00	5.00	5.00	
19 April 2013	3.31[1]	4.00	4.00		
20 April 2012	3.31[1]	4.00	4.00		
20 April 2011	3.31[1]	4.00	4.00		
10 September 2010 - Merger of Ordinary Share Fund and C Share Fund					
13 August 2010	-	1.00	1.00		
19 September 2009	-	1.00	1.00		
23 July 2008	6.00	2.50			
19 September 2007	6.00	1.50			
8 February 2006	6.00				
20 October 2005	6.00				
24 September 2003	0.51				
16 September 2002	1.35				
10 September 2001	0.93				
	60.72	**47.00**	**43.00**	**29.00**	**10.00**

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

Company History

The Company was launched in May 2000 as **Matrix e-Ventures Fund VCT**. In October 2001 the Company changed its name to **Matrix Venture Fund VCT**. In September 2005, the Company adopted a broader investment strategy, to invest in established, profitable and cash generative businesses across any sector. It also changed its name to **Matrix Income & Growth 2 VCT plc**. In June 2012 the Company changed its name to **Mobeus Income & Growth 2 VCT plc** to reflect the Investment Adviser's change of name.

VCT Tax Benefits for the Investor

Taxation benefits

VCTs provide investors with an attractive method of investing in small to medium-sized unquoted (including AIM listed) trading companies in the UK that would otherwise be difficult to invest in directly. The VCT is itself exempt from paying corporation tax on its chargeable gains. VCTs also offer substantial tax benefits to private investors.

Personal taxation benefits

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

Tax reliefs currently available to VCT investors:

(1) **Relief from income tax on investments**

An investor subscribing for new ordinary shares in a VCT is entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 (increased from £100,000 in respect of shares issued on or after 6 April 2004) in any tax year. The relief is given at 30% of the amount subscribed provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments used as security for, or financed by, a loan may not qualify for relief depending on the circumstances. The income tax relief for investments in new VCT shares was decreased from 40% to 30% in relation to VCT shares issued on or after 6 April 2006. Tax relief on subscription for shares in a VCT is restricted where, within six months (before or after) that subscription, the investor disposes of shares in the same VCT, or a VCT which merges with that VCT at any time. This restriction does not apply to shares acquired under a Dividend Reinvestment Scheme.

(2) **Capital gains tax reinvestment relief**

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

(3) **Dividend relief**

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

(4) **Relief from capital gains tax on disposal**

A disposal by an investor of ordinary shares in a VCT acquired within the annual limit of £200,000 will not be subject to UK capital gains tax.

(5) **Purchases in the market**

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

(6) **Withdrawal of relief**

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

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

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mobeus Income & Growth 2 VCT plc ("the Company") will be held at 11.00 am on Thursday 15 September 2016 at 33 St James's Square, London SW1Y 4JS for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 9 and 12 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive and adopt the annual report and accounts of the Company for the year ended 31 March 2016 ("Annual Report"), together with the auditor's report thereon.
2. To approve the directors' annual remuneration report as set out in the Annual Report.
3. 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.
4. To authorise the directors to determine the remuneration of BDO LLP as auditor of the Company.
5. To re-elect Nigel Melville as a director of the Company.
6. To re-elect Kenneth Vere Nicoll as a director of the Company.
7. To re-elect Adam Kingdon as a director of the Company.
8. To re-elect Sally Duckworth 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 convert any security into, Shares ("Rights") up to an aggregate nominal value of £136,068 provided that 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, at the conclusion of the annual general meeting of the Company to be held in 2017 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 9 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

    (i) with an aggregate nominal value of up to, but not exceeding, £100,000 in connection with offer(s) for subscription; and

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

    in each case where the proceeds of the allotment may be used, in whole or part, to purchase the Company's Shares in the market and provided that this authority 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 2017, 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 power 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:

    (i) the aggregate number of Shares which may be purchased shall not exceed 5,406,662 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99 per cent. of the Shares in issue at the date of passing this resolution;

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

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

    (iv) the authority conferred by this resolution shall (unless 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 2017; and

    (v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Shares in pursuance of any such contract.
12. That the Investment Policy of the Company be amended as set out on page 29 of the Annual Report.

BY ORDER OF THE BOARD OF DIRECTORS

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket,
London SW1Y 4EX

Dated: 23 June 2016

Notice of the Annual General Meeting

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, entitlement to attend and vote at the 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 of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or alternatively contact the Company's registrars, Capita Asset Services, on +44 (0)371 664 0324. Telephone lines are open between 9.00 am and 5.30 pm Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Asset Services will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
4. The statement of the rights of members in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment adviser or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.
7. A personal reply paid form of proxy is enclosed with this document. To be valid, it should be lodged, together with the power of attorney or other authority, if any, under which it is signed or a notarilly certified or office copy thereof, at the offices of the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11.00 am on 13 September 2016 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
8. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST CAPITA, PXS (This is all you need to write on the envelope, no other address details are required). You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com if not already registered for the share portal, you will need your investor code which can be found on your share certificate.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 am on 13 September 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. As at 23 June 2016 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 36,068,463 Ordinary Shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 23 June 2016 were 36,068,463.
14. The Register of Directors' Interests and Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The Directors do not have any service contracts with the Company.

15. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
16. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act to publish on a website.
17. At the meeting shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, www.mig2vct.co.uk in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
18. Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, www.mig2vct.co.uk

Corporate Information

Directors (Non-executive)
Nigel Melville (Chairman)
Sally Duckworth
Adam Kingdon
Kenneth Vere Nicoll

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