Mobeus Income & Growth 2 VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Financial Statements

for the year ended 31 March 2017

mobeus EQUITY PARTNERS

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 it.

Further information on boiler room scams and who to contact, should you believe that you have been approached by such a company, is included in the reply to the FAQ "What should I do if I receive an unsolicited offer for my shares?", in the Investor Area of the Investment Adviser's website www.mobeusequity.co.uk. Details of any share dealing facilities that the Company endorses will be included in Company mailings. Detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/consumer/scams. For further information, shareholders may also contact Mobeus, the Company Secretary.

Financial Highlights

Annual results for the year ended 31 March 2017

- Net Asset Value ("NAV") Total Return per share was 1.7% and Share Price Total Return per share for the year was 4.0%.
- Shareholders received an interim dividend of 5 pence per share and a second interim dividend of 10 pence per share for the year ended 31 March 2017, paid on 8 August 2016 and 31 March 2017 respectively. This brings total dividends paid to date since inception of the current share class[1] to 62 pence per share.
- £2.70 million[2] was invested during the year into five new investments totalling £2.21 million[2] with a further £0.49 million invested into an existing investment.
- The current total liquid assets available are £12.58 million.

Note: The above data does not reflect the benefit of income tax relief.

[1] The first allotment of the former "C" share class, now the current share class, took place on 5 January 2006.

[2] Includes £0.45 million previously held in a company preparing to trade.

Performance Summary

The NAV per share as at 31 March 2017 was 106.70 pence.

The table below shows the recent past performance of the current share class, first raised in 2005/06 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 tables on pages 65 – 66 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[2] (NAV basis) (p)	Cumulative total return per share since launch[2] (Share price basis) (p)	Dividends paid and proposed in respect of each year (p)
31 March 2017	38.06	106.70	94.50	62.00	168.70	156.50	15.00
31 March 2016	43.14	119.61	105.25	47.00	166.61	152.25	5.00
31 March 2015	42.10	115.45	104.50	42.00	157.45	146.50	19.00
31 March 2014[3]	33.88	120.73	103.50	23.00	143.73	126.50	4.90
30 April 2013	25.70	106.75	70.30	18.00	124.75	88.30	4.10

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

[2] Cumulative total return per share comprises either the NAV per share (NAV basis) or the mid-market price per share (Share Price Basis) plus cumulative dividends paid since shares were first allotted in the fund in December 2005.

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

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2017.

Overview

This has been a year of transition for your Company. The adoption of the new Investment Policy, approved by shareholders at last year's Annual General Meeting in response to the new VCT measures introduced by the Finance (No 2) Act 2015 ("New VCT Rules"), meant that we could no longer make investments to finance management buyouts ("MBO"). Consequently, although we can retain the MBOs in which we had already invested because they continue to be qualifying investments, we are now focusing on investing in younger and smaller companies requiring capital to finance their expansion.

Performance

The Net Asset Value ("NAV") Total Return was 1.7% for the year (compared with 7.9% for the previous year). These returns (expressed in pence per share) were derived from:

Year ended 31 March	2017 (p)	2016 (p)
Realised and net unrealised gains on the investment portfolio	0.86	7.82
Income on the investment portfolio and on liquidity	4.71	4.81
Share buybacks and adjustments	0.13	0.10
Gross return	5.70	12.73
Less: Investment Adviser's fees and other expenses	(3.61)	(3.57)
Net return	2.09	9.16

After accounting for the dividends of 15.00 pence paid during the year and this net return of 2.09 pence, the NAV at 31 March 2017 was 106.70 pence, compared to 119.61 pence at the start of the year. The share price total return for the year, also after accounting for the dividends paid, was 4.0% (compared with 5.5% for the previous year).

Your Board regards these returns as satisfactory in the context of the significant changes in the New VCT Rules concerning qualifying investments.

At 31 March 2017, your Company was rated 3rd out of 43 VCTs, over the last 5 years, in the Association of Investment Companies' analysis of NAV Cumulative Total Return for all Generalist VCTs. For further performance details please turn to page 7 of this Annual Report.

Target return

You will recall that in 2011 the Board set a minimum average annual total NAV return target of 8.0% from 30 April 2010. During the subsequent six years to 31 March 2016, the actual average return was 12.0% per annum.

As explained in my Statement last year, your Board decided to consider what an appropriate target should now be. In recognition of the disruption caused by the significant changes in the rules concerning qualifying investments, we decided to exclude the year ended 31 March 2017 and to reset the target from 1 April 2017.

Over the past six years, MBO investments have yielded good income and capital returns for your VCT. Over the next five years, we assume these returns will continue, as the majority of the portfolio is still comprised of such investments, but will gradually decline as the VCT realises its remaining MBO investments. At the same time, it will continue to make growth capital investments, causing the portfolio mix and returns to move towards being substantially comprised of growth capital investments. The Board believes the income return on growth capital investments is likely to be a lower proportion of total returns, replaced by a higher share represented by capital returns, albeit with a more volatile profile.

As well as returns from portfolio investments, a key component of overall NAV return is the proportion of liquidity held by the VCT on deposit or in money market funds. Given the current minimal rate of interest available to the VCT on cash, the Board remains mindful that excess liquidity will reduce overall returns. Finally, the Board has also considered the projected level of Investment Adviser's fees and other annual expenses. After considering all these factors, our conclusion is to set an unchanged minimum average return target of 8.0% per annum.

Dividends

Dividends paid in respect of the year ended 31 March 2017 totalled 15 pence per share (2016: one interim dividend of 5 pence). On 8 August 2016, a special interim dividend of 5 pence per share was paid, followed by payment of a second interim dividend of 10 pence per share, on 31 March 2017. Of this second interim dividend, 5 pence per share was paid as a further special dividend. The balance of 5 pence per share fulfilled the Company's annual dividend target of paying a dividend in respect of each financial year of not less than 5 pence per share. Dividends are in part paid to help the VCT comply with the requirements of VCT legislation. Cumulative dividends paid per share since the launch of the current share class have increased to 62 pence per share.

Investment portfolio

This year, all investments made by the Company were in accordance with the New VCT Rules. In summary, VCT capital is to be applied:-

- to provide companies with funds for growth and development purposes;
- to companies that are generally under seven years old;
- where the maximum amount of funds such companies can receive from State Aid risk finance is subject to two limits, firstly, of £5 million per annum (already in place) and secondly, of an overall lifetime amount (generally £12 million).

In response to these changes, the Company targeted its investment activity towards younger and smaller companies seeking growth capital funding. Partly as a consequence, the total cost of new investment completed by the Company was lower in the year under review than in previous years, which occurred across the whole of the VCT generalist sector.

This slower rate of investment coincided with the first half of the year when the Board and the Investment Adviser continued to adapt to the changes in investment criteria, required by these New VCT Rules. In the second half of the financial year, the rate of new investment picked up. A total of £2.70 million (2016: £4.51 million), including £0.45 million previously held in a company preparing to trade, has been invested in six (2016: six) new and existing companies. Although this amount of investment is lower than in recent previous years, it compares favourably with the levels achieved elsewhere, as Mobeus advised VCTs invested around 15% of the total invested by the VCT generalist sector over a comparable period. These investments were made into MPB, BookingTek (including a small follow-on), Biosite, Preservica (an existing portfolio company), Tapas Revolution, and Buster & Punch during the year. An investment of £0.35 million in MyTutor has been made after the year-end.

The average transaction size of these new investments is around half of that last year, which again reflects the change in investment focus to younger, smaller companies outlined above. Further details of all of these transactions are included in the Investment Review on pages 10 – 12.

In addition to these new investments already made, the Investment Adviser is reporting a growing pipeline of opportunities, from which we expect a healthy level of new investment to be maintained. While the Board remains of the view that the changes in the VCT legislation clearly restrict the universe of companies that the Company can invest in, it has been encouraged by the numbers and quality of the opportunities identified by the Investment Adviser so far. The Board also believes that such earlier stage investments will carry higher risk alongside potentially higher, but more variable, capital returns, and that loan stock income will represent a lower proportion of total returns from such investments. Transactions to date have sought to mitigate these factors by use of the capital structure applied to that investment.

Shareholders should note that, at the year-end, 86.1% of the value of the investment portfolio (excluding companies preparing to trade) is still held in investments made under the previous MBO-focused investment strategy. A number of companies in the portfolio have experienced more mixed results but the performance of the portfolio as a whole remained satisfactory. Overall, performance of this principal portion of the portfolio remains solid, and should continue to yield annual income returns to shareholders, supplemented by capital returns as they are realised over time.

Net proceeds totalling £3.81 million were received during the year under review. Of this total, £3.67 million was via partial loan stock repayments and £0.14 million was received in the form of partial realisation proceeds, which included £0.08 million as deferred consideration arising from the previous year's realisations of Focus Pharma and MachineWorks. Unless a compelling case for exit is presented, the Board and Investment Adviser would prefer to develop this portfolio to further maturity.

These portfolio movements for the year are summarised below.

	£m
Portfolio value at 31 March 2016	29.33
New investments	2.25
Disposal proceeds	(3.81)
Realised gains	0.08
Valuation movements	0.23
Portfolio value at 31 March 2017	**28.08**

Industry and regulatory developments

There remain several areas of the New VCT Rules where further clarity is still required and the VCT, the Investment Adviser and the VCT industry as a whole, are continuing to work constructively with Government departments, through its industry bodies, to develop an improved practical approach. It welcomes the inclusion of VCTs in the Government's Patient Capital Review, where it believes VCT funding provides strong support to helping small companies grow successfully.

Liquidity

At 31 March 2017, net assets were £38.06 million (2016: £43.14 million), comprising principally £25.44 million (2016: £22.60 million) in investments (66.8% of net assets (2016: 52.3%)) and liquidity was £12.58 million (2016: £20.44 million) which includes liquidity held in companies preparing to trade of £2.64 million (2016: £6.74 million). Liquidity thus represents 33.1% (2016: 47.4%) of net assets at the year-end.

Liquidity comprises £7.84 million held in a selection of money market funds with AAA credit ratings and £4.74 million held in deposit accounts in a number of well-known financial institutions. Alternative ways of prudently investing cash continue to be sought, although the risk of a loss of capital remains the overriding consideration.

Fundraising

The Board has decided to launch a further fundraising in the current tax year (2017/18), to ensure the Company has adequate levels of funds to pursue its current strategy for the foreseeable future. More details will be announced later this year.

Audit tender

New legislation has been introduced in the UK on audit firm rotation, resulting from the new European Audit Regulation Directive, making it mandatory for listed companies to undergo a tender process for the audit of their company at least every ten years. An auditor can, however, be appointed for up to twenty years provided a public tender process has been carried out after ten years. The Company therefore held an audit tender process over the summer of 2016. The Board, on the recommendation of the Audit Committee, has decided to recommend the reappointment of BDO LLP as the Company's external auditor. For further information on the audit tender, please see the Audit Committee section of the Corporate Governance Statement on page 31 of this Annual Report.

Share buybacks

During the year ended 31 March 2017, the Company bought back 1.1% (2016: 1.1%) 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.

Shareholder communications

The annual shareholder event was held on Tuesday 24 January 2017 at the Royal Institute of British Architects in central London. This annual event included presentations on the Mobeus advised VCTs' investment activity and performance and presentations from investee companies. There were separate day-time and evening sessions, and feedback from those who attended indicated that they found it informative and worthwhile.

Succession planning

As I mentioned in my Half-Year Statement, the Board has been planning Board succession. I am pleased to report the appointment to the Board of Ian

Blackburn with effect from 1 July 2017. Ian will bring to the Board a wealth of experience of investing in, advising and managing small and medium-sized companies; a short CV is set out on page 23. Ian will stand for election at the forthcoming AGM.

In the light of this appointment, Kenneth Vere Nicoll will not be seeking re-election at the AGM. He joined the Board at the launch of the Company in 2000 and has given it 17 years' valuable service. His experience and wisdom over the years have made a major contribution to the Company's success. We wish him well in his future endeavours.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 am on Thursday, 14 September 2017 at a new venue: **The Clubhouse, 8 St James's Square, London SW1Y 4JU**. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will 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 68 – 70 of this Annual Report.

Future prospects

The political uncertainty arising from the recent general election is a risk to both the effective management of the UK economy and the ability to negotiate a satisfactory exit from the European Union. In this environment, the Company and the Investment Adviser will continue to adopt a measured and cautious approach to investment appraisal and maintain active engagement with existing portfolio companies.

The portfolio has a solid foundation of investments made under the previous MBO strategy, the majority of which are mature and profitable companies providing consistent income returns. Over the coming years as these investments are realised, the proportion of investments in younger growth capital companies will increase. Your Board is confident that, with the Investment Adviser's expanded management team, interesting investment opportunities will continue to be identified. The Board remains optimistic about the Company's future prospects.

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

Nigel Melville
Chairman

21 June 2017

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2017. The purpose of this Report is to inform shareholders and help them 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.

Summary of Investment Policy

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

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

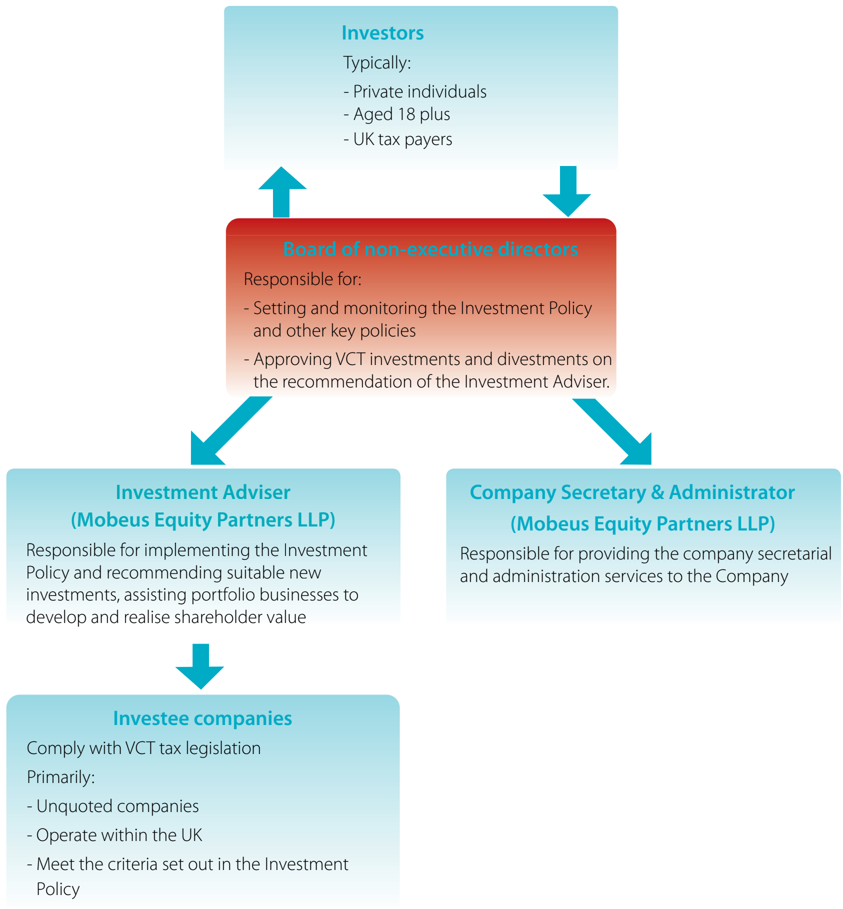
The Company will seek to make investments in accordance with the requirements of prevailing VCT legislation. A summary of this is set out on the next page, in the table "Summary of VCT Regulation".

The Company and its Business Model

The Company is a Venture Capital Trust (VCT). Its Objective and its Investment Policy 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" 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's business model is set out in the diagram below.



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 in proportion to the relative net assets of each VCT at the date the investment proposal is submitted to each Board.

The total percentage of equity held by all funds advised by Mobeus is shown in the Investment Portfolio Summary on pages 17 – 19.

Private individuals invest in the Company to benefit from both income and capital returns on good investment performance. By subscribing for shares 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 67 contains 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 Investment Policy.

Summary of VCT Regulation

To maintain its 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; and
- Non-qualifying investments can no longer be made, except for certain exemptions in managing the Company's short-term liquidity.

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

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

*VCT tax value means as valued in accordance with prevailing VCT legislation, which may not be the actual cost or fair value of the investment shown in the Investment Portfolio Summary on pages 17 – 19.

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

Performance and Key Performance Indicators

The Board has identified six key performance indicators that it uses in its own assessment of the Company's progress and which are typical for VCTs. 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 2017, 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

The Board has a target of Net asset value ("NAV") Total Return of at least 8% per year. However this target has not been applied to performance in the current year as explained earlier in the Chairman's Statement. The average annual NAV Total Return has exceeded the target for the six years to 31 March 2016. The 8% target will once again be applied from 1 April 2017 onwards.

Total shareholder returns per share for the year

The NAV and share price total return per share for the year ended 31 March 2017 were 1.7% and 4.0% respectively, as shown below:

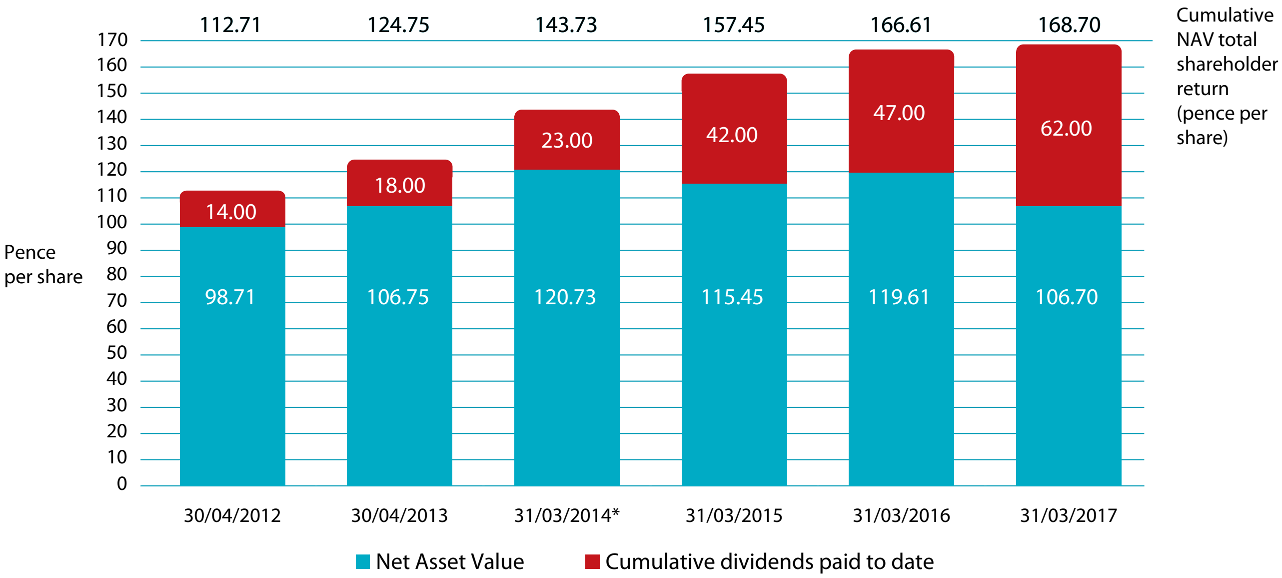
	NAV basis (p)
Closing NAV per share	106.70
Plus: dividends paid in year	15.00
Total for year	**121.70**
Less: opening NAV per share	119.61
Return for year per share	**+2.09**
% return for year	1.7%*

	Share price basis (p)
Closing share price	94.50
Plus: dividends paid in year	15.00
Total for year	**109.50**
Less: opening share price	105.25
Return for year per share	**+4.25**
% return for year	4.0%*

*The share price total return differs from the NAV total return, due to the following. The year-end share price is at an approximate discount of 10.0% to the NAV announced for the Company's previous quarter, not the year-end NAV. In the final quarter of both the 2016 and 2017 year ends, the NAV increased, but this movement is not reflected in the share price until the NAV at 31 March is announced in the 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:-



*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 65 – 66 on this Annual Report.

Review of financial results for the year ended 31 March 2017

	31 March 2017 £m	31 March 2016 £m
Capital (loss)/profit	(0.27)	2.23
Revenue profit	0.97	1.04
Total profit	**0.70**	**3.27**

The capital loss of £0.27 million for the year is due to investment gains of £0.31 million (realisations and revaluations of portfolio companies still held) being outweighed by Investment Adviser's fees (net of tax relief) of £0.57 million.

The revenue profit for the year of £0.97 million is a small fall from the previous year, mainly due to a fall in loan interest income, although the impact of this was reduced by an increase in dividend income.

2. Performance against comparable VCTs

The Board places emphasis on benchmarking the Company's performance against a peer group of generalist VCTs and aims to maintain the Company's performance within the top quartile of this peer group over a 5 year period. Using the benchmark of NAV Cumulative total return on an investment of £100:

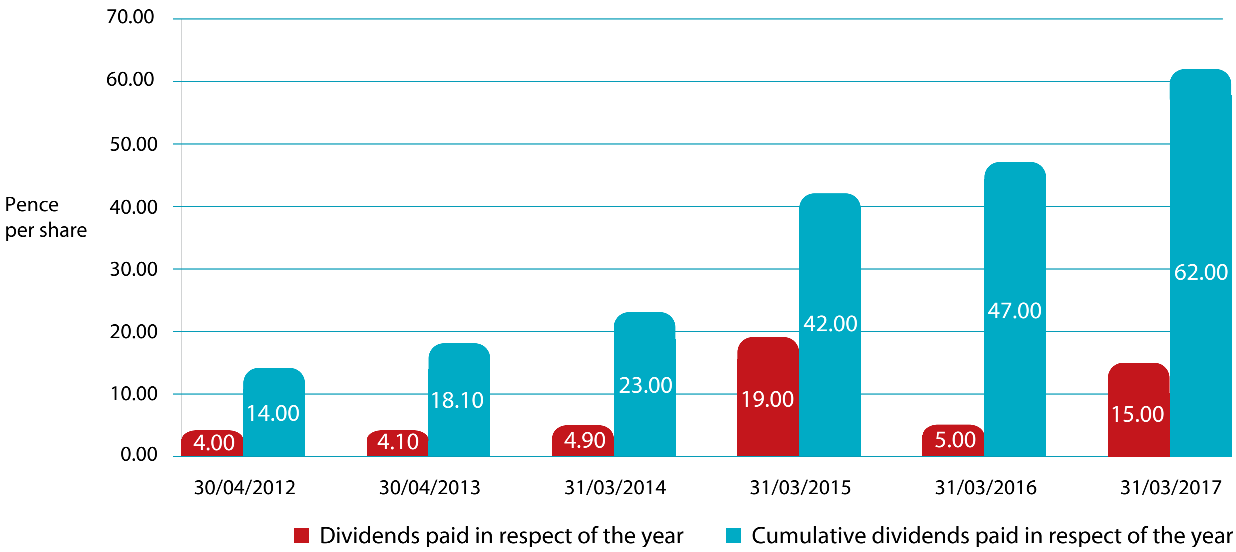
Period to 31 March 2017	Ranking	Number of VCTs (AIC generalist VCTs)
10 years	3rd	26
5 years	3rd	43
3 years	12th	47
1 year	39th	47

Source: Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2017.

The one year figures are included for completeness but are more sensitive to short-term fluctuations such as investment realisations and liquidity levels.

3. Dividends

The Board has set a target of paying a dividend of not less than 5p per share in respect of each financial year. In the absence of unforeseen circumstances, the Board will maintain or increase the regular dividend paid in the previous year (currently 5.00 pence having increased from 4.00 pence in 2014). 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 Company has met this target for the past six years.



4. Compliance with 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". Throughout the year ended 31 March 2017, the Company continued to meet these tests.

5. Share buyback and discount

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 10.0% or less. It has succeeded in carrying out this objective in the year.

The Board considers that a 10.0% 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 2017, 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 102.25-106.0 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 aims to maintain the ratio of ongoing charges at not more than 3.00%.

	2017	2016
Ongoing charges	2.99%	2.80%
Performance fee	0.01%	0.00%
	3.00%	**2.80%**

Strategic Report

The Board monitors costs using the Ongoing Charges Ratio which was 2.99% for the year (2016: 2.80%). In the current year, a performance fee is also payable to the Investment Adviser. This fee is £2,692 and so including this, the ratio increases by 0.01% to 3.00%. The Ongoing Charges Ratio has been calculated using the Association of Investment Companies ("AIC") recommended methodology, which calculates the ratio as annualised ongoing charges divided by the average net asset value throughout the year. 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 2017 (2016: £nil).

The increase in the ratio from 2.80% to 2.99% over the year reflects the reduction in net assets over the same period, itself principally due to the payment of a significant level of dividends.

Investment Adviser fees and other expenses

In line with the fall in net assets, Investment Adviser fees charged to both revenue and capital have decreased from £0.99 million to £0.95 million whilst other expenses of £0.30 million have increased marginally.

Further details of these are contained in the Notes to the Financial Statements on pages 45 – 47 of this Annual Report.

Investment Review

Portfolio review

This has been a year of continued progress within the portfolio. The exceptional level of disposals in 2014 and 2015 has reduced the age of the remaining portfolio such that 49.5% by value (51.6% by number) of the current portfolio comprises investments made since the start of 2014. The year has seen investment in six (plus one after the year-end) new growth capital opportunities, which, along with the investment in Redline in February 2016, at the date of this Report represent 15.0% of the portfolio. Many of the MBO portfolio companies are generating cash, have made repayments of their loan stock and are trading well.

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

The value of the portfolio that was held at 31 March 2016 increased by 1.0% over the year. This like-for-like* basis comprised uplifts via realised gains of £0.08 million and net unrealised increases in valuations of £0.23 million.

* - Like-for-like basis is calculated by dividing the value of the portfolio at 31 March 2017 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 2016.

Investment by market sector at valuation

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

Impact of Changes in VCT Rules

The amendments to VCT legislation in November 2015 were a significant change for the VCT industry and required all VCTs to reconsider the type of investments that VCTs can make in future. The Investment Adviser has responded to this by adding experienced growth capital investment resource to its existing team. In common with other investment advisers in the industry, Mobeus has focused on gaining familiarity with the practical implications of the rules on the types of investment opportunities it can now consider for VCT investment. That process is continuing, including discussions with HMRC in response to their draft Guidance to the legislation. The Investment Adviser is also gaining additional practical experience from assessing prospective opportunities at a detailed level and from continuing to seek HMRC Advance Assurance in respect of new investments as appropriate.

There was an inevitable initial slowdown in new deal activity in the first half of the year. This resulted from both the more restrictive criteria for VCT investment under the New VCT Rules and delays at HMRC in processing applications for Advance Assurance. Independent research shows that the amount of completed new investment across the generalist VCT industry in the 2016 calendar year had fallen by 28.5% and 47.1% compared to 2015 and 2014 respectively. We are pleased that the rate of new investment has recently picked up.

Impact of Brexit

It is too early to comment on the eventual impact of the UK leaving the EU upon the portfolio, as the particular form that departure will take is subject to considerable political and economic uncertainty. Whilst the SME sector will not be immune to any general downturn in the UK economy, the portfolio has historically proved to be resilient and we believe will continue to be so. Portfolio companies with foreign currency exposure routinely cover this exposure and any negative effects of a longer term adjustment in exchange rate have not yet emerged. Some portfolio companies will be beneficiaries of a weaker pound. Faced with such uncertainty, the Investment Adviser will maintain its cautious stance to new investment and monitoring of the companies in the existing portfolio.

Investment Review

Strategic Report

New Investment

Against this background outlined on the previous page, we are therefore pleased to have made eight new investments since the implementation of the New VCT Rules in November 2015. A total of £2.70 million (including £0.45 million via a company preparing to trade) was invested in six companies during the year under review. This comprised new investments into MPB, BookingTek, Biosite, Preservica (an existing portfolio company), Tapas Revolution and Buster & Punch. After the year-end, £0.35 million was invested into MyTutor. Further details are set out below.

Principal new investments in the year

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

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 its platform globally, with launches into both the US and German markets. The company's latest audited accounts for the year ended 31 March 2016 show turnover of £8.37 million and loss before interest, tax and amortisation of goodwill of £0.001 million.

	Company	Business	Date of investment	Amount of new investment (£m)
BookingTek	BookingTek	Direct booking software for hotels	October 2016	0.45

Based in London, BookingTek has developed software that enables hotels to reduce their reliance on third-party booking systems by means of a real-time booking platform for meeting rooms and restaurant reservations. The investment is to support further growth. The company's latest audited accounts for the year ended 31 July 2016 show turnover of £2.03 million and loss before interest, tax and amortisation of goodwill of £0.29 million.

	Company	Business	Date of investment	Amount of new investment (£m)
BIOSITE®	Biosite	Workforce management	November 2016	0.50

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

	Company	Business	Date of investment	Amount of new investment (£m)
TAPAS REVOLUTION	Tapas Revolution	Restaurant	January 2017	0.45

Based in London, Ibericos Etc. Limited (which trades as Tapas Revolution) is a leading Spanish restaurant chain in the casual dining sector focusing on shopping centres sites with high footfall. Having opened its first restaurant in Shepherd's Bush Westfield, the business has since opened a further six restaurants. The investment provided growth capital to a high-calibre team with significant restaurant rollout experience who have spent the past five years building and refining their offer and are now well placed to capitalise on a strong pipeline of new sites. The company's latest accounts for the year ended 25 October 2016 show a turnover of £4.25 million and loss before interest, tax and amortisation of goodwill of £0.25 million.

	Company	Business	Date of investment	Amount of new investment (£m)
Buster + Punch	Buster & Punch	Retailer	March 2017	0.44

Chatfield Services Limited (trading as Buster & Punch) is a London-based interiors brand founded in 2012 by architect and industrial designer Massimo Buster Minale. Buster + Punch (www.busterandpunch.com) started in a small garage in East London, where it built the "world's first designer LED light bulb" (Buster Bulb) and made its name with its industrial-inspired lighting. Its products are now sold in over 50 countries, both directly to end-consumers, designers and architects, and through well-known retailers including John Lewis, Harvey Nichols and Harrods. The investment will support the business's international expansion plans and the broadening of its product range. The company's latest accounts for the year ended 31 March 2016 show turnover of £1.98 million and profit before interest, tax and amortisation of goodwill of £0.47 million.

Further investment into existing portfolio companies in the year

	Company	Business	Date of investment	Amount of new investment (£m)
	Preservica	Sellers of proprietary digital archiving software	December 2016	0.49

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

New investment post year-end

	Company	Business	Date of investment	Amount of new investment (£m)
	MyTutor	Online tutoring	May 2017	0.35

Mytutorweb Limited is a digital marketplace that connects school pupils who are seeking private one-to-one tutoring with university students. The business is satisfying a growing demand from both schools and parents to improve pupils' exam results to enhance their academic and career prospects. This investment represents an opportunity to consolidate the sizeable £2bn UK tutoring market and the investment will be used to drive technological development and build MyTutor's market presence. For the year ended 31 December 2016, the business delivered around 27,000 tutorials with Gross Booking Value of £0.55 million.

Realisations

There have been no full realisations during the year under review although the Company received total cash proceeds of £3.81 million (2016: £5.00 million). This was in the form of loan stock repayments of £3.67 million (2016: £2.06 million) detailed below, deferred consideration of £0.08 million from Focus Pharma and MachineWorks, realised in a previous period and other receipts of £0.06 million.

Loan stock repayments

Loan stock repayments totalled £3.67 million for the year. These are summarised below:-

Company	Business	Month	Amount (£000's)
Backhouse Management	Company preparing to trade	January	679
Barham Consulting	Company preparing to trade	December, March	679
Creasy Marketing	Company preparing to trade	March	679
McGrigor Management	Company preparing to trade	January, February	679
Hollydale Management	Company preparing to trade	March	531
Chatfield Services	Company preparing to trade	March	380
Jablite	Expanded polystyrene products	April	42
Total			**3,669**

Largest investments in the portfolio

at 31 March 2017 by valuation

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost	£1,953,000
Valuation	£2,340,000

Basis of valuation
Earnings multiple

Equity % held
8.0%

Income receivable in year
£148,752

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2016
Turnover	£12,375,000
Operating profit	£1,346,000
Net assets	£6,517,000
Year ended	31 December 2015[1]
Turnover	£11,488,000
Operating profit	£1,526,000
Net assets	£5,236,000

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

Additions/disposals during the year

None.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost	£2,092,000
Valuation	£2,258,000

Basis of valuation
Earnings multiple

Equity % held
10.3%

Income receivable in year
£172,601

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

Year ended	30 September 2016
Turnover	£16,096,000
Operating profit	£1,715,000
Net liabilities	£(2,813,000)
Year ended	30 September 2015
Turnover	£15,361,000
Operating profit	£1,442,000
Net liabilities	£(2,450,000)

Additions/disposals during the year

None.

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£2,009,000
Valuation	£1,835,000

Basis of valuation
Earnings multiple

Equity % held
11.6%

Income receivable in year
£57,944

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

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

Additions/disposals during the year

None.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost £1,284,000

Valuation £1,762,000

Basis of valuation
Earnings multiple

Equity % held
6.4%

Income receivable in year
£122,619

Business
Online wine retailer

Location
Norwich

Original transaction
Management buyout

Audited financial information

Year ended	30 June 2016
Turnover	£38,005,000
Operating profit	£2,036,000
Net assets	£3,329,000
Year ended	30 June 2015
Turnover	£37,117,000
Operating profit	£2,424,000
Net assets	£1,465,000

Additions/disposals during the year

None.

Entanet Holdings Limited

www.enta.net

Cost £1,444,000

Valuation £1,550,000

Basis of valuation
Earnings multiple

Equity % held
8.7%

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

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

Additions/disposals during the year

None.

Turner TopCo Limited (trading as ATG Media)

www.antiquestradegazette.com

Cost £1,321,000

Valuation £1,151,000

Basis of valuation
Earnings multiple

Equity % held
3.2%

Income receivable in year
£nil

Business
Publisher and online auction platform operator

Location
London

Original transaction
Secondary buyout

Audited financial information

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

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

Additions/disposals during the year

None.

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

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

Largest investments in the portfolio

at 31 March 2017 by valuation

Fullfield Limited (trading as Motorclean)

www.motorclean.net

Cost	£1,025,000
Valuation	£1,053,000

Basis of valuation
Earnings multiple

Equity % held
8.9%

Income receivable in year
£94,760

Business
Vehicle cleaning and valet services

Location
Laindon, Essex

Original transaction
Management buyout

Audited financial information

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

Additions/disposals during the year

None.

RDL Corporation Limited

www.rdlcorp.com

Cost	£1,000,000
Valuation	£1,031,000

Basis of valuation
Earnings multiple

Equity % held
9.1%

Income receivable in year
£133,169

Business
Recruitment consultants for the pharmaceutical, business intelligence and IT industries

Location
London

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2015
Turnover	£17,550,000
Operating profit	£573,000
Net liabilities	£(1,499,000)
Year ended	31 December 2014
Turnover	£15,871,000
Operating profit	£762,000
Net liabilities	£(502,000)

Additions/disposals during the year

None.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost	£817,000
Valuation	£1,001,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£61,640

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Acquisition capital

Audited financial information

Year ended	31 January 2016
Turnover	£37,826,000
Operating profit	£1,662,000
Net assets	£11,090,000
Year ended	31 January 2015
Turnover	£38,982,000
Operating profit	£2,289,000
Net assets	£10,367,000

Additions/disposals during the year

None.

Vian Marketing Limited (trading as Red Paddle Co)

www.tushingham.com

Cost	£717,000
Valuation	£988,000

Basis of valuation
Earnings multiple

Equity % held
5.6%

Income receivable in year
£45,033

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

Location
Totnes, Devon

Original transaction
Growth Capital and equity release

Audited financial information

Year ended	29 February 2016[1]
Turnover	£9,602,000
Operating profit	£523,000
Net assets	£2,340,000
Year ended	28 February 2015[1]
Turnover	£7,045,000
Operating profit	£954,000
Net assets	£1,918,000

[1] The financial information quoted above relates to the operating subsidiary, Red Paddle Co Limited (formerly Tushingham Sails Limited).

Additions/disposals during the year

None.

Gro-Group Holdings Limited

www.gro.co.uk

Cost	£1,123,000
Valuation	£974,000

Basis of valuation
Earnings multiple

Equity % held
7.6%

Income receivable in year
£62,512

Business
Manufacturer and distributor of baby sleep products

Location
Ashburton, Devon

Original transaction
Management buyout

Audited financial information

Period ended	31 December 2015[1]
Turnover	£21,018,000
Operating profit	£1,304,000
Net assets	£1,030,000
Year ended	30 June 2014
Turnover	£12,854,000
Operating profit	£1,352,000
Net assets	£1,415,000

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

Additions/disposals during the year

None.

Tharstern Group Limited

www.tharstern.com

Cost	£790,000
Valuation	£942,000

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 2016
Turnover	£4,460,000
Operating profit	£799,000
Net assets	£1,146,000
Year ended	31 January 2015
Turnover	£4,536,000
Operating profit	£826,000
Net assets	£1,420,000

Additions/disposals during the year

None.

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

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

Investment Portfolio Summary

as at 31 March 2017

	Date of first investment and Sector	Total Book cost at 31 March 2017 £	Valuation at 31 March 2016 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2017 £	Change in valuation for year £	% of net assets by value
Qualifying investments								
ASL Technology Holdings Limited Printer and photocopier services	**December 2010** Support services	2,092,009	2,397,086	-	-	2,258,388	(138,698)	5.9%
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Software and Computer Services	1,733,500	1,733,500	-	-	2,119,958	386,458	5.6%
Virgin Wines Holding Company Limited Online wine retailer	**November 2013** General retailers	1,284,333	1,886,136	-	-	1,761,822	(124,314)	4.6%
Entanet Holdings Limited Wholesale voice and data communications provider	**February 2014** Fixed Line Telecommunications	1,444,090	2,045,102	-	-	1,550,227	(494,875)	4.1%
Turner Topco Limited (trading as ATG Media) Publisher and online auction platform operator	**October 2008** Media	1,320,963	798,686	-	-	1,151,484	352,798	3.0%
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	**July 2011** Support services	1,025,152	1,281,548	-	-	1,053,281	(228,267)	2.8%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Support services	1,000,000	669,057	-	-	1,031,100	362,043	2.7%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** General retailers	817,185	842,686	-	-	1,001,498	158,812	2.6%
Manufacturing Services Investment Limited Company seeking to carry on business in the manufacturing sector	**February 2014** Support services	1,000,300	1,000,300	-	-	1,000,300	-	2.6%
Vian Marketing Limited (trading as Red Paddle Co) Design, manufacture and sale of stand-up paddleboards and windsurfing sails	**July 2015** Leisure goods	717,038	717,038	-	-	987,739	270,701	2.6%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	910,360	-	-	979,875	69,515	2.6%
Gro-Group Holdings Limited Baby sleep products	**March 2013** General retailers	1,123,088	751,930	-	-	973,928	221,998	2.6%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software and Computer Services	789,815	977,681	-	-	942,138	(35,543)	2.5%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General Industrials	999,568	889,634	-	-	888,418	(1,216)	2.3%
TPSFF Holdings Limited (formerly The Plastic Surgeon Holdings Limited) Snagging and finishing of domestic and commercial properties	**April 2008** Support services	392,348	767,053	-	-	881,275	114,222	2.3%

Strategic Report

	Date of first investment and Sector	Total Book cost at 31 March 2017 £	Valuation at 31 March 2016 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2017 £	Change in valuation for year £	% of net assets by value
Redline Worldwide Limited Provider of security services to the aviation industry	**February 2016** Support services	682,222	682,222	-	-	837,283	155,061	2.2%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Support services	967,780	974,052	-	-	715,856	(258,196)	1.8%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Support services	437,030	738,939	-	-	526,492	(212,447)	1.4%
Master Removers Group Limited (formerly Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)) A specialist logistics, storage and removals business	**December 2014** Support services	369,625	534,927	-	-	526,134	(8,793)	1.4%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare Equipment & Services	757,101	626,517	-	-	504,586	(121,931)	1.3%
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	**November 2016** Software and computer services	495,479	-	495,479	-	495,479	-	1.3%
Preservica Limited[1] Seller of proprietary digital archiving software	**December 2015** Software and Computer Services	485,770	-	485,770	-	485,770	-	1.3%
Ibericos Etc. Limited (trading as Tapas Revolution) Spanish restaurant chain	**January 2017** Travel & leisure	451,248	-	451,248	-	451,248	-	1.2%
BookingTek Limited Software for hotel groups	**October 2016** Software and Computer Services	450,442	-	450,442	-	450,442	-	1.2%
Chatfield Services Limited (trading as Buster & Punch)[2] Industrial inspired lighting and interiors retailer	**March 2017** General retailers	436,391	848,500	-	412,109	436,391	-	1.1%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Support services	60,293	271,156	-	-	403,701	132,545	1.1%
Jablite Holdings Limited Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	281,398	788,021	-	42,425	401,864	(343,732)	1.1%
MPB Group Limited Online marketplace for photographic and video equipment	**June 2016** General retailers	374,244	-	374,244	-	374,244	-	1.0%
Hollydale Management Limited Company seeking to carry on a business in the food sector	**March 2015** Support Services	566,400	885,000	-	318,600	354,000	-	0.9%
Backhouse Management Limited Company seeking to carry on a business in the motor sector	**April 2015** Support Services	441,220	848,500	-	407,280	169,700	-	0.4%
Barham Consulting Limited Company seeking to carry on a business in the catering sector	**April 2015** Support Services	441,220	848,500	-	407,280	169,700	-	0.4%

[1] A further £485,770 was invested into Preservica Limited, adding to the Company's existing shareholding that was received as part of the disposal of Tessella Holdings Limited in December 2015.

[2] £848,500 invested in Chatfield Services Limited, a company preparing to trade, was used for the investment into Buster & Punch. This resulted in a net repayment to the company of £412,109.

Investment Portfolio Summary

as at 31 March 2017

	Date of first investment and Sector	Total Book cost at 31 March 2017 £	Valuation at 31 March 2016 £	Additions at cost £	Disposals at valuation £	Valuation at 31 March 2017 £	Change in valuation for year £	% of net assets by value
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	**April 2015** Support Services	441,220	848,500	-	407,280	169,700	-	0.4%
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	**April 2015** Support Services	441,220	848,500	-	407,280	169,700	-	0.4%
Lightworks Software Limited Provider of software for CAD and CAM vendors	**April 2006** Software and Computer Services	25,727	65,592	-	-	92,737	27,145	0.2%
Racoon International Holdings Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	1,045,985	167,458	-	-	83,729	(83,729)	0.2%
Newquay Helicopters (2013) Limited (in members' voluntary liquidation) Helicopter service operators	**June 2006** Support services	30,469	66,169	-	35,700	-	(30,469)	0.0%
Total qualifying investments		**26,869,061**	**27,710,350**	**2,257,183**	**2,437,954**	**26,400,187**	**169,088**	**69.1%**[1]
Non-qualifying investments								
Media Business Insight Limited	as above	561,884	794,824	-	-	855,516	60,692	2.3%
Manufacturing Services Investment Limited	as above	608,000	608,000	-	-	608,000	-	1.6%
Tovey Management Limited (trading as Access IS)	as above	219,873	219,873	-	-	219,873	-	0.6%
365 Agile Group plc Development of energy saving devices for domestic use	**March 2001** Electronic and electrical equipment	254,586	8	-	-	-	(8)	0.0%
Total non-qualifying investments		**1,644,343**	**1,622,705**	**-**	**-**	**1,683,389**	**60,684**	**4.5%**
Total investment portfolio per note 8, page 51		**28,513,404**	**29,333,055**	**2,257,183**	**2,437,954**	**28,083,576**	**229,772**	**73.6%**
Cash and current asset investments[2]			13,702,539	-	-	9,935,913	-	26.1%
Total investments including cash and current asset investments		**28,513,404**	**43,035,594**	**2,257,183**	**2,437,954**	**38,019,489**	**229,772**	**99.7%**
Other current assets			266,308			185,596		0.6%
Current liabilities			(160,890)			(144,100)		(0.3)%
Totals		**28,513,404**		**2,257,183**	**2,437,954**			
Net assets at the year end			**43,141,012**			**38,060,985**		**100.0%**

1 As at 31 March 2017, 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.

2 Disclosed as Current asset investments and Cash at bank within Current assets in the Balance Sheet on page 40.

Key policies

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

Investment Policy

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

Investments

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

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

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

Liquidity

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

Borrowing

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

Other policies

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

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

These are set out in the Directors' Report on pages 24 and 25 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 page 30.

The risk profile of the Company has changed as a result of the recent changes to VCT regulation. As the Company is now focusing 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 remains 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 liquidity which may be a drag on performance. The Board has partially addressed this through the payment of a special interim dividend in August 2016 and the payment of a second interim dividend at the year-end. These issues will continue to be monitored by the Board during the year. 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 impact of the UK's withdrawal from the EU upon the UK economy is uncertain.	• *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 changes caused by withdrawal from the EU and 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.* • *The Investment Adviser is appointed to the Board of each new investee company.*

Strategic Report

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.*
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 is also aware that VCTs are to be considered within the Government's Patient Capital Review.	• *The Board receives advice from PHA in respect of these requirements, including those that may arise from the withdrawal from the EU, and conducts its affairs in order to comply with these requirements.*
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 and remains focused on the investments being at fair value, after considering many factors, including the impact of market movements.* • *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 54 – 61.*
Cyber and Data Security	The Company and its shareholders may suffer losses in the event of the IT systems at principal suppliers being compromised by cyber attack.	• *Cyber security matters are kept under review and continually monitored.* • *The Board monitors and seeks assurance from the VCT's principal suppliers in respect of the systems and processes they have adopted to counter these risks.*

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 – 4. 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 Note 15 on pages 54 – 61. 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 following the date of this Report that may impact on its ability to operate as a going concern. In particular, the Directors have continued to consider 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 UK Corporate Governance Code includes a requirement for companies to include a "Viability Statement", addressed to shareholders with the intention of providing a 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, which they currently believe to be an appropriate period (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 New VCT Rules. The long-term viability of the Company is also dependent on future changes in legislation. The Board is not aware of impending legislation or other factors that could affect the Company's viability beyond the next three years, although it awaits the outcome of the Patient Capital Review.

The Directors' assessment 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 20 and 21. 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.

The Directors have reached this conclusion after giving careful consideration to the Company's strategy. They believe the Company's current strategy of providing "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" 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 MBO investments to growth capital opportunities will gradually alter the portfolio over the next 3-5 years. The focus of new investment has moved to financing primarily growth capital opportunities, but it is still anticipated that positive returns will continue to be achievable from future investments and from the existing portfolio. The Company has already made eight new investments in compliance with the new Investment Policy and the Investment Adviser has built a healthy pipeline of such investments.

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 executing such investments, and the prospective returns thereon are currently less clear until such investments are made over the next three years at least. The Board considers that the Company's liquidity, while currently at adequate levels, will require a further fundraising later this year, to meet the requirements of the Company's objective. It 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. If the fundraising planned later this year does result in new shares being issued, this vote will be deferred to the new fifth anniversary.

Future prospects

For a discussion of the Company's future prospects (both short and medium term), please see the Chairman's Statement on pages 2 – 4 and the Investment Review on page 10.

Nigel Melville
Chairman

21 June 2017

Board of Directors

Non-Executive Directors

Nigel Melville (Chairman)

Appointed to the Board: 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 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.

Ken intends to retire from the Board at the conclusion of this year's Annual General Meeting.

Ian Blackburn

To be appointed to the Board: 1 July 2017

Experience: Ian is an FCA who specialised in Corporate Finance at KPMG before building and selling two listed food groups. He has extensive UK and European strategic, operations and finance experience as CEO and FD of Perkins Foods Plc and Zetar Plc. Currently he is an active investor in a number of SMEs including Chairman and Non Executive roles with Mood Foods (manufacture of Ombar raw cocoa chocolate bars), Kinteract (education sector App) and Peppersmith (oral health care). He is also a trustee/treasurer of The Thomas Fryer Charity.

For details of the share interests, remuneration and attendance record of the Directors, please see pages 32 – 34 of the Directors' Remuneration Report.

Directors' Report

The Directors present the seventeenth Annual Report and Audited Financial Statements of the Company for the year ended 31 March 2017.

The Board believes that the Annual Report and Financial Statements 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.

During the year under review the Company did not issue any new shares.

The issued share capital of the Company as at 31 March 2017 was £356,724 (2016: £360,685) and the number of shares in issue at this date was 35,672,387 (2016: 36,068,463).

The Company bought back 396,076 (2016: 400,169) for cancellation at a cost of £411,261 (2016: £420,387) (including expenses). These shares represented 1.1% (2016: 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.

Substantial interests

As at the date of this report the Company had not been notified of any beneficial interest exceeding 3.0% of the issued share capital.

Dividends

A second interim dividend of 10.00 pence was paid on 31 March 2017. Of this dividend, 5 pence per share was paid as a special dividend, following on from the special interim dividend of 5 pence per share paid on 8 August 2016 in respect of the year ended 31 March 2017. The 5p balance of the second interim dividend fulfilled the Company's annual dividend target of paying a dividend in respect of each financial year of not less than 5 pence per share, (2016: interim dividend of 5 pence). Dividends paid in respect of the year ended 31 March 2017 totalled 15 pence per share and cumulative dividends paid per share since the launch of the current share class have increased to 62 pence per share.

Directors

Details of each Director's interest in the Company's shares are set out on page 34 of this Annual Report. None of the Directors held interests in investee companies throughout the year.

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.

Disclosure of information to the Auditor

So far as each of the Directors in office at 31 March 2017 are aware, there is no relevant audit information of which the auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' and officers' liability insurance

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

Directors' Indemnity

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

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).

Post balance sheet events

For a full list of the post balance sheet events that have occurred since 31 March 2017, please see Note 18 to the Accounts on page 62.

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.

Social and Environmental Policies

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-year 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.

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

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 54 – 61 of this Annual Report.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM") of the Company to be held at 11 am on Thursday 14 September 2017, at a new venue, **The Clubhouse, 8 St James's Square, London SW1Y 4JU** is set out on pages 68 – 70 of this Annual Report. A proxy form for the AGM is enclosed separately with shareholders' copies of this Annual Report. Proxy votes may also be submitted electronically via the Capita Shareholder Portal www.signalshares.com and those shareholders who have elected to receive information from the Company by email will have received a link to this site. Please see page 63 for further information.

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

The Company is not seeking shareholder authority to allot shares and disapply pre-emption rights at the AGM. As the Company has decided to launch a fundraising, it intends to write to shareholders to convene a general meeting to approve such authorities before the AGM.

The following is an explanation of resolution 10, which along with resolutions 1 to 9 will be proposed at the meeting.

Authority to purchase the Company's own shares (Resolution 10)

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 5,347,291 shares representing approximately 14.99% of the issued share capital of the Company as at the date of this Annual Report or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 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 that to do so would result in an increase in net assets per share, which would be in the interests of shareholders generally. This resolution will expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2018 except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

Recommendation

The Board recommends that shareholders vote in favour of the resolutions 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% of the issued share capital as at 20 June 2017, this being the latest practicable date prior to publication of this document).

Voting rights of shareholders

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

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

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

21 June 2017

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2014 ("the AIC Code") for the financial year ended 31 March 2017. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The AIC Code was endorsed by the Financial Reporting Council (FRC) on 14 July 2016. 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 Board considers that the Company has complied with the AIC 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 relating to the role of the chief executive and executive director's remuneration are relevant to the Company. Firstly, as the Company does not employ a chief executive, nor any executive directors, the provisions of the UK Code relating to the role 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 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.

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

Internal control

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

The Company's internal control system aims 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 Policy and regular reviews of the financial results and investment performance.

The Board has put in place ongoing procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process, an annual review of the control systems is carried out. The review covers a consideration of the key business, operational, compliance and financial risks facing the Company and includes a review of the risks in relation to the financial reporting process. The Board reviews a schedule of key risks and the management accounts at each quarterly Board meeting.

The Board has delegated, contractually to third parties, the management of the investment portfolio, the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the financial control systems in operation at the service providers in so far as they relate to the affairs of the Company. The Board regularly monitors these controls from a risk perspective and receives reports from the Registrar and Investment Adviser and Administrator when appropriate.

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

- Internal controls are in place for the preparation and reconciliation of the valuations prepared by the Investment Adviser;
- Independent reviews of the valuations of investments within the portfolio are undertaken quarterly by the Board;
- The information contained in the Annual Report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information prior to publication.

This system of internal control and the procedure for the review of control systems has been in place and operational throughout the year under review and up to the date of this Report. An assessment of the effectiveness of internal controls in managing risk was conducted on the basis of reports from the relevant service providers. The last review took place on 14 June 2017. The Board has identified no significant problems with the Company's internal control mechanisms.

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.

Board

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 buy back the Company's own shares on behalf of the Company.

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 Committee; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Re-election of Directors

All directors, with the exception of Kenneth Vere Nicoll who is not seeking re-election, will be subject to election or re-election by shareholders at the forthcoming Annual General Meeting on 14 September 2017.

In accordance with the AIC Code, Nigel Melville, who has served on the Board for 17 years, and Adam Kingdon and Sally Duckworth, who have both served on the Board for over 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 recommended each director's election or re-election to shareholders.

Ian Blackburn will be appointed as a Director on 1 July 2017 following the year-end and will be seeking election at the AGM. The Board recommends the election of Ian Blackburn to shareholders and believe that he will bring additional skills to the Board. Biographical details for him are available on page 23.

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.

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.

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. These are not included in the meetings schedule on page 33.

During the year investment matters were discussed extensively at Board meetings and the Committee advised the Board on the development and implementation of the 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. Additional meetings of the Committee have been held during the year to consider succession issues and consider candidates for appointments to the Board. Job descriptions are prepared for new vacancies as they arise. No appointments were made during the year under review. However, Ian Blackburn will be appointed as a Director on 1 July 2017.

In light of Ian Blackburn's appointment Kenneth Vere Nicoll will not seek re-election at the forthcoming Annual General Meeting.

Remuneration Committee

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

It is intended that Ian Blackburn will succeed Kenneth Vere Nicoll from 14 September 2017.

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.

Corporate Governance Statement

Following the year-end the Board reviewed the Committee structure and have proposed that the responsibilities of both the Nomination and Remuneration Committees be amalgamated into a Nomination & Remuneration Committee under the chairmanship of Ian Blackburn from 14 September 2017.

A full description of the work of the Committee is included within the Directors' Annual Remuneration Report on page 34.

Investment management and service providers

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

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 45 – 46.

In addition the Investment Adviser received fees totalling £206,909 during the year ended 31 March 2017 (2016: £236,504), being £67,353 (2016: £111,903) in arrangement fees and £139,556 (2016: £124,601) 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.

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 in 2014 and 2015. The Board believes that the Investment Adviser had continued to exercise independent judgement while producing consistent valuations which reflected fair value.

The Board was pleased to note that the Investment Adviser has recruited a new partner who has 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 14 June 2017.

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 are set out in Note 4(b) to the Financial Statements on page 46 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.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

21 June 2017

Report of the Audit Committee

The Audit Committee (chaired by Adam Kingdon) comprises all four Directors. A summary of the Audit Committee's principal activities for the year ended 31 March 2017 is provided below:

Audit Tender

In compliance with the European Audit Regulation Directive, the committee undertook an audit tender process during the year. For further details please see page 31.

Financial statements

The Half-Year and Annual Report were thoroughly reviewed by the Committee prior to submission to the Board for approval.

Internal control

The Committee has monitored the system of internal controls throughout the year under review as described in more detail in this Report on page 27. It receives a report, by exception, on the Company's progress against internal controls at its annual and half-year results meetings and reviews a schedule of key risks at each meeting. In a wider context, the Board has continued to identify the key risks faced by the Company and established appropriate controls. This was explained further earlier in the Corporate Governance section under internal controls on page 27. The Committee also monitors these controls and reviews any incidences of non-compliance.

Valuation of Investments

The Investment Adviser prepared valuations of the investments in the portfolio at the end of each quarter and these were considered in detail and agreed by the Investment Committee for recommendation to the Board. The Audit Committee continues to monitor the adequacy of the controls over the preparation of these valuations. As part of this process, it focused on ensuring that both the bases of the valuations and any assumptions used were reasonable and in accordance with the IPEV Valuation Guidelines. The Committee received a report on the valuations from the external auditor as part of both the year-end audit process and the half-year review. These reports were discussed by the Committee with the Auditor and the Investment Adviser before a recommendation to approve the valuations was made to the Board.

The key accounting and reporting issues considered by the Committee in addition to those described above during the year included:

Going concern and long term viability

The Committee monitors the Company's resources at each quarterly board meeting and is satisfied that the Company has an adequate level of resources for the foreseeable future. It has assessed the viability of the Company for three years and beyond. Consideration is given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments. See page 22 of the Strategic Report for further details.

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.

Compliance with the VCT tests

The Company engaged the services of a VCT Status Adviser (Philip Hare & Associates LLP) 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. The Committee has continued to consider the risk and compliance aspects of changes to the VCT Rules introduced by the Finance Act (No.2) 2015 as the implications of the changes have become clearer. As an essential part of this work, the Committee has held ongoing discussions with the Company's VCT Status Adviser throughout the year.

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.

Key risks faced by the Company

The Board has identified the key risks faced by the Company, as disclosed in the Strategic Report on pages 20 and 21, and established appropriate controls. The Committee monitors these controls and reviews any incidences of non-compliance. Further details are set out in the section of this report that discusses the Company's system of internal controls (page 27).

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

Corporate Governance Statement

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 external Auditor's independence and objectivity. As part of this, it reviews the nature and extent of services supplied by the Auditor to ensure that independence is maintained.

The Committee is also currently reviewing, with BDO, the implications of the Financial Reporting Council's ("FRC") Ethical Reporting Standard 2016 which includes a list of prohibited non-audit services that cannot be provided by the external Auditor and in particular, the ongoing appropriateness of the provision of tax services by the external auditor.

The Audit Committee's current policy is that it is in the interests of the Company to purchase certain non-audit services, subject to regulatory requirements, from the external Auditor given its knowledge of the Company and considers these to be acceptable under the FCA's ethical standard. The Services contracted for during the year were tax compliance services, iXBRL tagging and a review of the half-year report.

Subsequent to its review, the Audit Committee was satisfied that the audit independence had been maintained as the fees involved for non-audit services were relatively small compared to those for the audit. Also, with the exception of the half-year review the work is undertaken by separate teams and none of the services involved undertaking any management role in preparing the information reported in the Financial Statements.

Re-appointment of the external auditor

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

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

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

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

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 on page 24.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

21 June 2017

Directors' Remuneration Report

Dear Shareholder

I am pleased to introduce the Director's Annual Remuneration Report for the year ended 31 March 2017.

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 Remuneration Committee has reviewed the fees paid in the year ended 31 March 2017 and decided to increase Directors' fees by £1,000 per annum with effect from 1 April 2017. 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 at the forthcoming Annual General Meeting to be held on 14 September 2017.

I would welcome any comments you may have.

Kenneth Vere Nicoll
Remuneration Committee Chairman
21 June 2017

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 34 of this Annual Report, and this is explained further in the Auditor's Report to shareholders on pages 36 – 38.

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. It was agreed that this policy would be subject to shareholder approval every three years. Therefore an ordinary resolution to approve the Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting of the Company to be held on 14 September 2017.

The resolution to approve the Directors' Remuneration Report as set out in the Annual Report for the year ended 31 March 2016 was approved by shareholders at the Annual General Meeting of the Company held on 15 September 2016. An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 14 September 2017 for approval of the Directors' Remuneration Report as set out on page 68.

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

All four of the Directors have served on the Board for at least nine years, although Kenneth Vere Nicoll will not be seeking re-election at the forthcoming Annual General Meeting. In accordance with the AIC Code of Corporate Governance, the remaining Directors have each agreed to offer themselves for re-election this year. Ian Blackburn will be appointed as a director on 1 July 2017 and will seek election at the AGM on 14 September 2017.

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 agreements 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.

Directors' Remuneration Report

A Director's appointment may be terminated on three months' notice being given by the Company. This policy applied throughout the year ended 31 March 2017 and will continue to apply to the current year ending 31 March 2018.

Future policy

The table below illustrates how the Company's Objective is supported by its Remuneration Policy. It sets out details of each component of the pay package and the minimum amount receivable during the forthcoming year by each Director. The Nomination and Remuneration committees and the Board review the fees paid to Directors annually in accordance with the remuneration Policy set out on page 32 and may decide that an increase in fees is appropriate in respect of subsequent years. No performance conditions are attached to any aspect of any fee paid to the Directors.

Company Objective

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.

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, and Chairman, Nomination Committee**	**Director's fee**	£20,000	None
		Supplement payable to Company Chairman	£6,000	
		Total	**£26,000**	
Adam Kingdon	**Chairman, Audit Committee**	**Director's fee**	£20,000	None
		Supplement payable to Chairman of the Audit Committee	£3,000	
		Total	**£23,000**	
Sally Duckworth	**Chairman, Investment Committee**	**Director's fee**	£20,000	None
		Supplement payable to Chairman of the Investment Committee	£3,000	
		Total	**£23,000**	
Kenneth Vere Nicoll	**Chairman, Remuneration Committee**	**Director's fee**	£20,000	None
		Supplement payable to Chairman of the Remuneration Committee	£3,000	
		Total	**£23,000**	
		Total fees payable	**£95,000**	

*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.

Ian Blackburn will be appointed as a Director of the Company on 1 July 2017 and will replace Kenneth Vere Nicoll as Chairman of the Nomination and Remuneration Committee from 14 September 2017.

The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year to 31 March 2017. 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	4	2	2	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

Annual Remuneration Report

The Company's Directors' Remuneration Policy as set out on page 32 of this Annual Report will continue to be implemented throughout the year ending 31 March 2018, subject to shareholder approval.

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. It is intended that Ian Blackburn will replace Kenneth Vere Nicoll as chairman following Kenneth's retirement. 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.

Following the year-end the Board revised the committee structure and formed a Nomination & Remuneration Committee. The responsibilities of these committees will be amalgamated into a single committee under the chairmanship of Kenneth Vere Nicoll. Ian Blackburn will succeed Kenneth on 14 September 2017.

Directors' emoluments (audited information)

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

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Nigel Melville	25,000	25,000
Adam Kingdon	22,000	22,000
Sally Duckworth	22,000	22,000
Kenneth Vere Nicoll	22,000	22,000
Total	**91,000**	**91,000**

Aggregate fees paid in respect of qualifying services amounted to £91,000 (2016: £91,000).

Directors' interests in the Company's shares (audited information)

The Directors who held office throughout the year under review and their interests as at 31 March 2017 were:

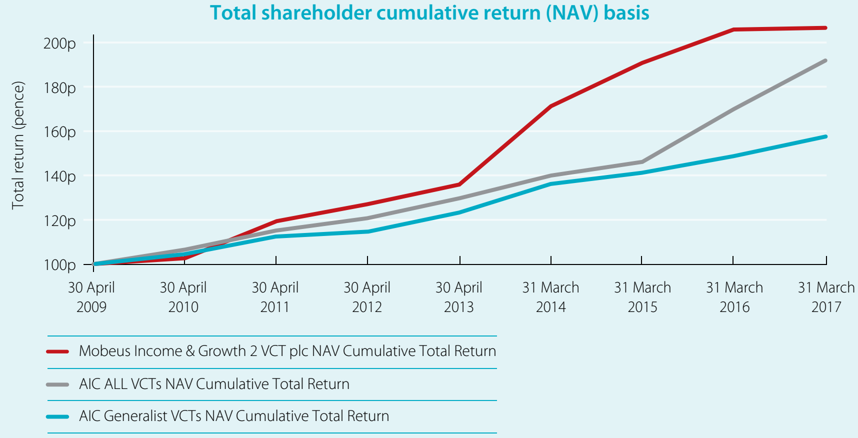
Director	Holdings at 31 March 2017	Holdings at 31 March 2016
Nigel Melville	52,302	52,302
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-
Kenneth Vere Nicoll	54,705	54,705

Relative importance of spend on Directors' fees

Year ended 31 March	2017 £	2016 £
Total Directors' fees	91,000	91,000
Dividends paid and payable in respect of the year	5,366,566	1,810,924
Share buybacks	411,261	420,387
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends	1.7%	5.0%
Total fees and expenses	7.2%	7.1%

Total shareholder return

The graph below charts the total cumulative shareholder return of the Company (assuming all dividends are not re-invested) over the past eight years compared with that of an index of all VCTs and an index of generalist VCTs which are members of the AIC based on figures provided by Morningstar. The Board considers these indices to be the most appropriate indices against which to measure the Company's performance over the medium to long term. The total returns have each been re-based to 100 pence at 30 April 2009.



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 6 – 9 and in the Investment Review and Investment Portfolio Summary on pages 10 – 19.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

21 June 2017

Statement of Directors' Responsibilities

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

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

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

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

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

For and on behalf of the Board

Nigel Melville
Chairman

21 June 2017

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

Our opinion on the financial statements

In our opinion Mobeus Income & Growth VCT 2 plc financial statements for the year ended 31 March 2017, which have been prepared by the directors in accordance with applicable law and and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes.

Respective responsibilities of directors and auditor

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

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

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

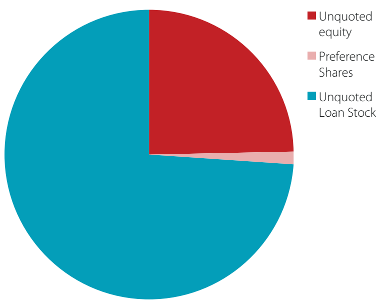
Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Adviser and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions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

Valuation of investments

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

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

Investments by type



In respect of unquoted investments our sample for testing was stratified according to risk, having regard to the subjectivity of the inputs to the valuations. 19% of the portfolio is based on price of recent investment or cost, including cash held within companies seeking to acquire a trade. For such investments, we verified the cost or price of recent investment to supporting documentation and reviewed the Investment Adviser's determination of whether there were any reasons why the valuation did not remain appropriate, including obtaining evidence of the cash balance where appropriate.

81% of the investment portfolio is valued in accordance with more subjective techniques, mainly on an earnings multiple basis, as described in note 8. In respect of the sample selected for detailed testing (representing 99% by value of the investments valued using more subjective techniques) we:

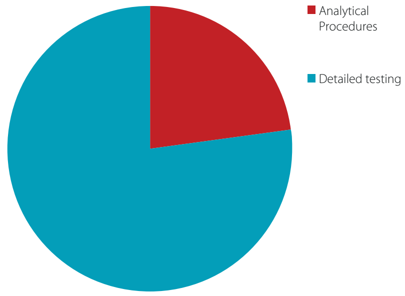
- Recalculated the value attributable to the Company;
- Reviewed and challenged the inputs to the valuation and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Reviewed the historical financial statements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

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

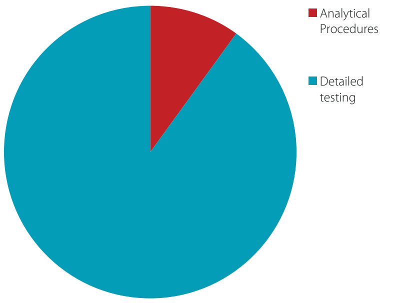
The remainder of the portfolio was subject to analytical procedures to confirm there were no unexpected movements in value warranting further investigation.

The extent of our testing is detailed below:

Investments by number



Investments by value



Revenue recognition

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

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

We considered whether the accounting policy had been applied correctly by management in determining provisions against income where recovery is considered doubtful, considering management information relevant to the ability of the investee company to service the loan and the reasons for any arrears of loan interest. We considered the appropriateness of the accounting treatment of other fixed returns, including redemption premia.

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

The audit committee's consideration of their key issues is set out on pages 30 – 31.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key

considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (2% value of investments) –	Assessing whether the financial statements as a whole present a true and fair view	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	560,000
Specific materiality – classes of transactions and balances which impact on revenue profits (10% revenue return before tax)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• The level of net income return	110,000

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity,
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated,
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, or
- 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 Report and Accounts 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 Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit committee which we consider should have been disclosed. In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.	We have nothing to report in respect of these matters.
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	We have nothing to report in respect of these matters.
Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2). The Listing Rules also require that we review the directors' statements set out on page 22 regarding going concern and longer term viability.	We have nothing to report in respect of these matters.

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

Date 21 June 2017

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

Income Statement

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 Revenue £	Capital £	Total £	Year ended 31 March 2016 Revenue £	Capital £	Total £
Unrealised gains on investments	8	-	229,772	229,772	-	1,089,897	1,089,897
Realised gains on investments	8	-	76,067	76,067	-	1,732,241	1,732,241
Income	3	1,679,033	-	1,679,033	1,736,490	-	1,736,490
Investment Adviser's fees	4a	(237,791)	(713,374)	(951,165)	(246,651)	(739,953)	(986,604)
Investment Adviser's performance fees	4a & b	-	(2,692)	(2,692)	-	-	-
Other expenses	4c	(304,306)	-	(304,306)	(302,518)	-	(302,518)
Profit/(loss) on ordinary activities before taxation		1,136,936	(410,227)	726,709	1,187,321	2,082,185	3,269,506
Taxation on profit/(loss) on ordinary activities	5	(172,122)	143,213	(28,909)	(147,991)	147,991	-
Profit/(loss) for the year and total comprehensive income		**964,814**	**(267,014)**	**697,800**	**1,039,330**	**2,230,176**	**3,269,506**
Basic and diluted earnings per ordinary share:	7	**2.69p**	**(0.75)p**	**1.94p**	**2.86p**	**6.14p**	**9.00p**

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 and performance 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 2014 Statement of Recommended Practice ("SORP") (updated in January 2017) by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of profit attributable to equity shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 274 Income Tax Act 2007.

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

The notes on pages 44 – 62 form part of these Financial Statements.

Balance Sheet

as at 31 March 2017

Company No. 03946235

	Notes	31 March 2017 £	31 March 2016 £
Fixed assets			
Investments at fair value	8	28,083,576	29,333,055
Current assets			
Debtors and prepayments	10	185,596	266,308
Current asset investments	11	5,197,301	9,337,621
Cash at bank	11	4,738,612	4,364,918
		10,121,509	13,968,847
Creditors: amounts falling due within one year	12	(144,100)	(160,890)
Net current assets		9,977,409	13,807,957
Net assets		**38,060,985**	**43,141,012**
Capital and reserves			
Called up share capital	13	356,724	360,685
Share premium reserve		15,901,497	15,901,497
Capital redemption reserve		87,583	83,622
Revaluation reserve		2,001,764	1,783,724
Special distributable reserve		7,540,615	8,524,729
Realised capital reserve		11,142,462	15,529,419
Revenue reserve		1,030,340	957,336
Equity shareholders' funds		**38,060,985**	**43,141,012**
Basic and diluted net asset value per ordinary share	14	**106.70p**	**119.61p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 21 June 2017 and are signed on their behalf by:

Nigel Melville
Chairman

The notes on pages 44 – 62 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2017

	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 2016	**360,685**	**15,901,497**	**83,622**	**1,783,724**	**8,524,729**	**15,529,419**	**957,336**	**43,141,012**
Comprehensive income for the year								
Profit/(loss) for the year	-	-	-	229,772	-	(496,786)	964,814	697,800
Total comprehensive income for the year	**-**	**-**	**-**	**229,772**	**-**	**(496,786)**	**964,814**	**697,800**
Contributions by and distributions to owners								-
Shares bought back (note c)	(3,961)	-	3,961	-	(411,261)	-	-	(411,261)
Dividends paid	-	-	-	-	-	(4,474,756)	(891,810)	(5,366,566)
Total contributions by and distributions to owners	**(3,961)**	**-**	**3,961**	**-**	**(411,261)**	**(4,474,756)**	**(891,810)**	**(5,777,827)**
Other movements								-
Realised losses transferred to special reserve (note a)	-	-	-	-	(572,853)	572,853	-	-
Realisation of previously unrealised appreciation	-	-	-	(11,732)	-	11,732	-	-
Total other movements	**-**	**-**	**-**	**(11,732)**	**(572,853)**	**584,585**	**-**	**-**
At 31 March 2017	**356,724**	**15,901,497**	**87,583**	**2,001,764**	**7,540,615**	**11,142,462**	**1,030,340**	**38,060,985**

Notes

a): The cancellation of the formerly named C Share Fund's share premium reserve (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 reserve 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 £572,853 from the realised capital reserve to the special distributable 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 396,076 of its own shares at the prevailing market price for a total cost of £411,261, which were subsequently cancelled. The difference between the total cost above of £411,261 and that per the Statement of Cash Flows of £412,046 is due to a stamp duty creditor at 31 March 2016 of £785.

The composition of each of these reserves is explained below:

Called up share capital

The nominal value of shares originally issued, increased for subsequent share issues either via a 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 44 – 62 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 £	Realised capital reserve £	Revenue reserve £	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	(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	-	-	-	-	(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 - 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's fee and 100% of any performance 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 (subsequently transferred to the Special distributable reserve along with the related tax effect) 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 44 – 62 form part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Cash flows from operating activities			
Profit for the financial year		697,800	3,269,506
Adjustments for:			
Net unrealised gains on investments		(229,772)	(1,089,897)
Net gains on realisations on investments		(76,067)	(1,732,241)
Tax charge for the current year		28,909	-
Decrease/(increase) in debtors		80,712	(86,327)
Decrease in creditors and accruals		(44,914)	(47,047)
Net cash inflow from operating activities		**456,668**	**313,994**
Cash flows from investing activities			
Purchase of investments	8	(2,257,183)	(9,164,569)
Disposal of investments	8	3,812,501	5,001,367
Decrease/(increase) in bank deposits with a maturity over three months		507,061	(7,061)
Net cash inflow/(outflow) from investing activities		**2,062,379**	**(4,170,263)**
Cash flows from financing activities			
Equity dividends paid	6	(5,366,566)	(1,810,924)
Purchase of own shares		(412,046)	(376,756)
Net cash outflow from financing activities		**(5,778,612)**	**(2,187,680)**
Net decrease in cash and cash equivalents		**(3,259,565)**	**(6,043,949)**
Cash and cash equivalents at start of year		13,195,478	19,239,427
Cash and cash equivalents at end of the year		**9,935,913**	**13,195,478**
Cash and cash equivalents comprise:			
Cash equivalents	11	5,197,301	8,830,560
Cash at bank and in hand	11	4,738,612	4,364,918

The notes on pages 44 – 62 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2017

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

The Company has elected to apply early the revised disclosure requirements as set out in Amendments to FRS102 - 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 2017 has been classified as capital and has been included within gains on investments.

	2017 £	2016 £
Income from bank deposits	29,594	49,237
Income from investments		
– from equities	181,950	87,073
– from overseas based OEICs	15,605	14,913
– from UK based OEICs	8,549	6,493
– from loan stock	1,443,335	1,578,774
	1,649,439	1,687,253
Total income	**1,679,033**	**1,736,490**
Total income comprises		
Dividends	206,104	108,479
Interest	1,472,929	1,628,011
	1,679,033	**1,736,490**

Total loan stock interest due but not recognised in the year was £275,960 (2016: £166,537).

Notes to the Financial Statements for the year ended 31 March 2017

4 Investment Adviser's fees and Other expenses

All expenses are accounted for on an accruals basis.

a) Investment Adviser's 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. This is because although the incentive fee is linked to an annual dividend target, it is ultimately based upon the achievement of capital growth.

	Revenue £	Capital £	2017 Total £	Revenue £	Capital £	2016 Total £
Mobeus Equity Partners LLP						
Investment Adviser's fees	237,791	713,374	951,165	246,651	739,953	986,604
Investment Adviser's performance fee	-	2,692	2,692	-	-	-
	237,791	**716,066**	**953,857**	**246,651**	**739,953**	**986,604**

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 Adviser's fees 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 2017, the expense cap has not been breached (2016: £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 £67,353 (2016: £111,903) and £139,556 (2016: £124,601) respectively. The fees for supplying directors and/or monitoring services were from 28 (2016: 26) investee companies during the year.

b) Performance fees

Performance incentive agreement

The following performance incentive fee arrangement 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 Fees 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.

Clarifications to the agreement

During the year ended 31 March 2016, the Board and the Investment Adviser 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 fee is paid 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 inclusion in the incentive fee calculations and to identify the proportion of all 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 Incentive Agreement, rather than changes to it, there was no need to seek shareholder approval for them.

Position at 31 March 2017

The cumulative dividends paid exceeded the annual cumulative dividend target at 31 March 2017 by 0.05p per share (£13,458 surplus in aggregate being 78.1% of the total surplus) 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 7.55p per share at the year-end after adjustment for RPI. The Base NAV was 106.14 per share at the year-end and an average of 106.13p for the year, compared to an average NAV for the year of 116.23p.

Accordingly, an Incentive payment of £2,692 is payable for the year, being 20% of the surplus of £13,458 referred to above.

Notes to the Financial Statements for the year ended 31 March 2017

c) Other expenses

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

	2017 £	2016 £
Directors' remuneration (including NIC of £5,080 (2016: £6,080)) (note a)	96,080	97,080
IFA trail commission	15,395	27,009
Broker's fees	12,000	12,000
Auditors' fees – Audit of Company (excluding VAT)	22,550	27,947
– tax compliance services (note b) (excluding VAT)	3,550	3,707
– audit related assurance services (note b) (excluding VAT)	4,510	4,767
Registrar's fees	30,707	26,914
Printing	33,215	24,194
Legal & professional fees	13,059	6,091
VCT monitoring fees	8,400	7,500
Directors' insurance	8,310	8,838
Listing and regulatory fees	23,219	20,810
Sundry	18,466	10,818
Running costs	**289,461**	**277,675**
Provision against loan interest receivable (note c)	14,845	24,843
Other expenses	**304,306**	**302,518**

a): See analysis in Directors' emoluments table on page 34, which excludes the NIC above. The key management personnel are the 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 £14,845 (2016: £24,843) is a provision made against loan stock interest recognised in previous years.

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 realised capital reserve and a corresponding amount is charged against revenue. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

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

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

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

	Revenue £	Capital £	2017 Total £	Revenue £	Capital £	2016 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	172,122	(143,213)	28,909	147,991	(147,991)	-
Total current tax charge	**172,122**	**(143,213)**	**28,909**	**147,991**	**(147,991)**	**-**
Corporation tax is based on a rate of 20% (2016: 20%)						
b) Profit/(loss) on ordinary activities before tax	1,136,936	(410,227)	726,709	1,187,321	2,082,185	3,269,506
Profit/(loss) on ordinary activities multiplied by small company rate of corporation tax in the UK of 20% (2016: 20%)	227,387	(82,046)	145,341	237,464	416,437	653,901
Effect of:						
UK dividends	(36,390)	-	(36,390)	(17,414)	-	(17,414)
Unrealised gains not taxable	-	(45,954)	(45,954)	-	(217,979)	(217,979)
Realised gains not taxable	-	(15,213)	(15,213)	-	(346,449)	(346,449)
Utilisation of losses on which deferred tax not recognised	(18,875)	-	(18,875)	(72,059)	-	(72,059)
Actual tax charge	**172,122**	**(143,213)**	**28,909**	**147,991**	**(147,991)**	**-**

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 (2016: £nil). There is an unrecognised deferred tax asset of £nil (2016: £18,875).

6 Dividends paid and payable

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

A key judgement in applying the above accounting policy is in determining the amount of minimum income dividend to be paid in respect of a year. The Company's status as a VCT means it has to comply with Section 259 of the 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.

Amounts recognised as distributions to equity shareholders in the year:

Dividend	Type	For year ended 31 March	Pence per share	Date Paid	2017 £	2016 £
Interim	Income	2016	2.50p	18/03/2016	-	905,462
Interim	Capital	2016	2.50p	18/03/2016	-	905,462
Interim	Capital	2017	5.00p	08/08/2016	1,799,327	-
Second Interim	Income	2017	2.50p	31/03/2017	891,810	-
Second Interim	Capital	2017	7.50p	31/03/2017	2,675,429	-
					5,366,566	**1,810,924**

Notes to the Financial Statements for the year ended 31 March 2017

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	2017 £	2016 £
Revenue available for distribution by way of dividends for the year					**964,814**	**1,039,330**
Interim	Income	2016	2.50p	18/03/2016	-	905,462
Second Interim	Income	2017	2.50p	31/03/2017	891,810	-
Total income dividends for the year					**891,810**	**905,462**

7 Basic and diluted earnings and return per share

	2017 £	2016 £
Total earnings after taxation:	697,800	3,269,506
Basic and diluted earnings per share (note a)	**1.94p**	**9.00p**
Net revenue earnings from ordinary activities after taxation	964,814	1,039,330
Basic and diluted revenue earnings per share (note b)	**2.69p**	**2.86p**
Unrealised capital gains	229,772	1,089,897
Realised capital gains	76,067	1,732,241
Capital Investment Adviser's fees (net of taxation)	(570,161)	(591,962)
Investment Adviser's performance fee	(2,692)	-
Total capital earnings	(267,014)	2,230,176
Basic and diluted capital earnings per share (note c)	**(0.75)p**	**6.14p**
Weighted average number of shares in issue in the year	35,877,280	36,312,815

Notes:

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

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

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

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

8 Investments at fair value

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at "fair value through profit and loss" (FVTPL). All investments held by the Company are classified as FVTPL and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, as updated in December 2015. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

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

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

All investments are held at the price of a recent investment for an appropriate period where there is considered to have been no change in fair value. Where such a basis is no longer considered appropriate, each investment is considered as a whole on a 'unit of account' basis, alongside the following factors:

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

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

  a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Adviser compared to the sector including, inter alia, a lack of marketability).

  or:-

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

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

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

A key judgement made in applying the above accounting policy relates to investments that are permanently impaired. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Adviser, will agree the values that represent the extent to which an investment loss has become realised and treated as a realised loss in the Income Statement. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value.

Movements in investments during the year are summarised as follows:

	Traded on AIM £	Unquoted equity shares £	Unquoted preference shares £	Unquoted Loan Stock £	Total £
Cost at 31 March 2016	254,586	10,176,306	23,311	19,698,819	30,153,022
Permanent impairment at 31 March 2016	(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**
Purchases at cost	-	1,933,524	-	323,659	2,257,183
Sale proceeds (note a)	-	(144,214)	-	(3,668,287)	(3,812,501)
Reclassification at value	-	(84)	84	-	-
Realised (losses)/gains on investments	-	(1,222,413)	-	1,298,480	76,067
Unrealised (losses)/gains on investments (note b)	(8)	(1,886,002)	378,155	1,737,627	229,772
Valuation at 31 March 2017	**-**	**6,933,864**	**399,774**	**20,749,938**	**28,083,576**
Cost at 31 March 2017	254,586	10,571,020	23,395	17,664,403	28,513,404
Permanent impairment at 31 March 2017 (note c)	(254,586)	(1,365,869)	(739)	(810,398)	(2,431,592)
Unrealised (losses)/gains at 31 March 2017	-	(2,271,287)	377,118	3,895,933	2,001,764
Valuation at 31 March 2017	**-**	**6,933,864**	**399,774**	**20,749,938**	**28,083,576**

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 17 – 19.

Major movements in investments

Note a) Disposals of investment portfolio companies during the year were:

Company	Type	Investment Cost £	Disposal Proceeds £	Opening Valuation £	Realised gain in year £
Chatfield Services Limited	Share buyback and loan repayment	412,109	412,109	412,109	-
Backhouse Management Limited	Loan repayment	407,280	678,800	407,280	-[1]
Barham Consulting Limited	Loan repayment	407,280	678,800	407,280	-[1]
Creasy Marketing Services Limited	Loan repayment	407,280	678,800	407,280	-[1]
McGrigor Management Limited	Loan repayment	407,280	678,800	407,280	-[1]
Hollydale Management Limited	Loan repayment	318,600	531,000	318,600	-[1]
Jablite Holdings Limited	Loan repayment	30,693	42,425	42,425	-
Others		35,700	111,767	35,700	76,067
		2,426,222	**3,812,501**	**2,437,954**	**76,067**

[1] – The gain on the loan repayments above of £1,298,480 has been set against an equivalent permanent impairment in the equity instrument of the investments in these companies (see note c). Thus, no gain or loss resulted.

Note b) Within net unrealised gains of £229,772 for the year, the significant gains in value compared to last year were as follows: £386,458 in Tovey Management Limited (trading as Access IS), £362,043 in RDL Corporation Limited, £352,798 in Turner Topco Limited (trading as ATG Media), and £270,701 in Vian Marketing Limited (trading as Red Paddle Co). These gains were partially set off by unrealised falls in valuation compared to last year, being: £494,875 in Entanet Holdings Limited, £343,732 in Jablite Holdings Limited, £258,196 in Veritek Global Limited, and £228,267 in Fullfield Limited (trading as Motorclean).

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

Note c) During the year, permanent impairments of the cost of investments have reduced from £2,603,691 to £2,431,592. The net reduction of £172,099 is due to a) two investee companies being dissolved in the year, which removes the cost and related impairment of these investments of £1,470,579 from these Financial Statements, and b) impairments of equity of five investee companies of £1,298,480, referred to in note a) above.

9 Significant interests

At 31 March 2017 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Ordinary Shares £	Loan stock and preference shares £	Total investment (at cost) £	MIG 2 VCT (% of equity)	All Mobeus VCTs[1] (% of equity)
ASL Technology Holdings Limited	372,184	1,719,825	2,092,009	10.3%	47.5%
Media Business Insight Holdings Limited[2]	803,628	1,205,444	2,009,072	11.6%	67.5%
Tovey Management Limited (trading as Access IS)[3]	693,222	1,260,151	1,953,373	8.0%[4]	45.0%
Manufacturing Services Investment Limited	304,000	1,304,300	1,608,300	7.6%	50.0%
Entanet Holdings Limited	273,617	1,170,473	1,444,090	8.7%[4]	57.5%
Turner Topco Limited (trading as ATG Media)	3,863	1,317,100	1,320,963	3.2%[4]	16.4%
Virgin Wines Holding Company Limited	30,541	1,253,792	1,284,333	6.4%	42.0%
Gro-Group Holdings Limited	105,880	1,017,208	1,123,088	7.6%[4]	48.0%
Racoon International Holdings Limited	906,935	139,050	1,045,985	22.7%[4]	47.5%
Fullfield Limited (trading as Motorclean)	418,765	606,387	1,025,152	8.9%	46.0%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%[4]	45.2%
CGI Creative Graphics International Limited	328,613	670,955	999,568	4.5%	28.1%
Veritek Global Limited	26,001	941,779	967,780	6.2%[4]	44.0%
Tharstern Group Limited	245,115	544,700	789,815	8.8%[4]	52.5%
Bourn Bioscience Limited	216,316	540,785	757,101	5.1%	23.8%
Vian Marketing Limited (trading as Red Paddle Co)	216,675	500,363	717,038	5.6%[4]	31.5%
Redline Worldwide Limited	219,053	463,169	682,222	5.5%	30.0%
Hollydale Management Limited	354,000	212,400	566,400	8.9%	50.0%
Pattern Analytics Limited (trading as Biosite)	495,479	-	495,479	3.7%[4]	20.5%
Preservica Limited	485,770	-	485,770	3.3%[4]	20.2%
Ibericos Etc. Limited (trading as Tapas Revolution)	270,748	180,500	451,248	4.5%	25.0%
Backhouse Management Limited	339,400	101,820	441,220	8.5%	50.0%
Barham Consulting Limited	339,400	101,820	441,220	8.5%	50.0%
Creasy Marketing Services Limited	339,400	101,820	441,220	8.5%	50.0%
McGrigor Management Limited	339,400	101,820	441,220	8.5%	50.0%
Blaze Signs Holdings Limited	419,549	17,481	437,030	13.5%	52.5%
Chatfield Services Limited (trading as Buster & Punch)	306,953	129,438	436,391	3.7%	20.0%
TPSFF Holdings Limited (formerly The Plastic Surgeon Holdings Limited)	39,229	353,119	392,348	7.5%	38.0%
MPB Group Limited	285,138	89,106	374,244	4.2%[4]	23.5%
Master Removers Group Limited (formerly Leap New Co Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van))	369,455	170	369,625	3.1%[4]	18.4%
Jablite Holdings Limited	254,380	27,018	281,398	6.8%	40.1%
Vectair Holdings Limited	60,075	218	60,293	5.2%	24.0%
Newquay Helicopters (2013) Limited	30,469	-	30,469	10.0%	34.9%
Lightworks Software Limited	25,727	-	25,727	11.6%[4]	45.0%

[1] - Mobeus Equity Partners LLP also advises The Income & Growth VCT plc, Mobeus Income & Growth VCT plc and Mobeus Income & Growth 4 VCT plc.

[2] - Includes a loan of £561,884 to Media Business Insight Limited.

[3] - Includes a loan of £219,873 to Access IS Limited.

[4] - The percentage of equity shown for these companies represents a fully diluted figure if, for example, management of the investee company exercises share options.

Notes to the Financial Statements for the year ended 31 March 2017

It is considered that, under FRS102 s9.9, "Consolidated and Separate Financial Statements", the investments on the previous page 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 FRS102 14.4B.

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

10 Debtors

	2017 £	2016 £
Amounts due within one year:		
Accrued income	179,669	260,401
Prepayments	5,927	5,907
	185,596	**266,308**

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 within three months of acquisition date. 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.

	2017 £	2016 £
OEIC Money market funds	5,197,301	6,327,301
Bank deposits that mature within three months but are not immediately repayable	-	2,503,259
Cash and cash equivalents per Statement of Cash Flows	5,197,301	8,830,560
Bank deposits that mature after three months	-	507,061
Current asset investments	**5,197,301**	**9,337,621**
Cash at bank	**4,738,612**	**4,364,918**

12 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	3,992	52,840
Other creditors	13,730	12,673
Accruals and deferred income	97,469	95,377
Corporation tax	28,909	-
	144,100	**160,890**

13 Called up share capital

	2017 £	2016 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 35,672,387 (2016: 36,068,463)	**356,724**	**360,685**

Purchased	Date of purchase	Nominal value £
81,919	29 June 2016	819
161,800	29 September 2016	1,618
115,000	02 December 2016	1,150
37,357	15 December 2016	374
396,076		3,961

During the year the Company repurchased 396,076 (2016: 400,169) of its own ordinary shares (representing 1.1% (2016: 1.1%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £411,261 (2016: £420,387).

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 35,672,387 (2016: 36,068,463) ordinary shares, being the number of ordinary shares in issue on that date.

15 Financial instruments

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

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

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

The accounting policy for determining the fair value of investments is set out in Note 8 to the Financial Statements. The composition of investments held is shown below and in Note 8.

Loans and receivables such as cash at bank and current asset investments, and other financial liabilities are stated at amortised cost which the Directors consider is equivalent to fair value.

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2017:

	2017 (Fair value) £	2016 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	28,083,576	29,333,055
Loans and receivables held at amortised cost		
Current asset investments	5,197,301	9,337,621
Cash at bank	4,738,612	4,364,918
Accrued income and other debtors	179,669	260,401
Liabilities held at amortised cost		
Other creditors	(104,153)	(160,890)
Total for financial instruments	38,095,005	43,135,105
Non financial instruments	(34,020)	5,907
Net assets	**38,060,985**	**43,141,012**

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

The investment portfolio principally consists of unquoted investments of 100.0% (2016: 100.0%). The investment portfolio has a 100.0% (2016: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 73.8% (2016: 68.0%) 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 26.1% (2016: 31.8%) of net assets at the year end.

The main risks arising from the Company's financial instruments are the investment risk and the liquidity risk of the unquoted portfolio. Other important risks are credit risk, fluctuations in market prices (market price risk), and cash flow interest rate risk, although currency risk is also discussed later. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised 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 £9,935,913 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 £	2017 Total £
Other creditors	**78,208**	**25,945**	**-**	**-**	**104,153**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2016 Total £
Other creditors	**121,259**	**39,631**	**-**	**-**	**160,890**

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:

	2017 £	2016 £
Loan stock investments	20,749,938	21,058,459
Preference shares	399,774	21,535
Current asset investments	5,197,301	9,337,621
Accrued income and other debtors	179,669	260,401
Cash at bank	4,738,612	4,364,918
	31,265,294	**35,042,934**

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 £179,669 was all due within four months of the year end, with £14,814 still receivable three 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 management's expectations of when it is likely that such loans may be repaid.

Repayable within	2017 £	2016 £
0 to 1 year	2,066,372	2,576,650
1 to 2 years	9,646,808	1,039,957
2 to 3 years	4,071,832	6,740,235
3 to 4 years	3,360,345	5,853,077
4 to 5 years	1,604,581	4,848,540
Total	**20,749,938**	**21,058,459**

There are two loans with a total carrying value of £1,781,074 which are past their relevant capital repayment dates, but have 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 have already been set out under market price risk overleaf.

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

	0-6 months £	6-12 months £	over 12 months £	2017 Total £
Loans to investee companies past due	**734,548**	**2,222,175**	**964,118**	**3,920,841**

	0-6 months £	6-12 months £	over 12 months £	2016 Total £
Loans to investee companies past due	**760,262**	-	-	**760,262**

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 £5,197,301 are all triple A rated funds, along with bank deposits of £4,738,612 at four 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 £2,489,647 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 £28,083,576, 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% (2016: 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% (2016: 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 £25.44 million, after excluding the value of the companies preparing to trade of £2.64 million. The latter are vehicles that currently solely hold cash, so are not sensitive to market price risk at the year-end.

	2017 Profit and net assets £	2016 Profit and net assets £
If overall share prices rose/fell by 20% (2016: 20%), with all other variables held constant – increase/(decrease)	5,088,495 / (5,088,495)	4,519,451 / (4,519,451)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	14.26p / (14.26)p	12.53p / (12.53)p

The impact of a change of 20% (2016: 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.

The interest rate profile of the Company's financial net assets at 31 March 2017 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	6,933,864	-	-	6,933,864		
Preference shares	-	399,774	-	399,774	-	-
Loan stocks	-	18,825,958	1,923,980	20,749,938	7.8	2.4
Current asset investments	-	-	5,197,301	5,197,301	0.2	
Cash at bank	-	-	4,738,612	4,738,612	0.2	
Debtors	179,669	-	-	179,669		
Creditors	(104,153)	-	-	(104,153)		
Total for financial instruments	7,009,380	19,225,732	11,859,893	38,095,005		
Non-financial instruments	(34,020)	-	-	(34,020)		
Total net assets	**6,975,360**	**19,225,732**	**11,859,893**	**38,060,985**		

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	-	0.6
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**		

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

	2017 £ Profit and net assets	2016 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	94,879 / (94,879)	132,584 / (132,584)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.27p / (0.27p)	0.37p / (0.37p)

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.

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.

Unquoted investments are valued as Level 3 and Current asset investments and Cash at bank are valued at Level 1.

The valuation techniques used by the company are explained in the accounting policies in note 8 and the start of this note.

Financial assets at fair value through profit and loss At 31 March 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	-	-	6,933,864	6,933,864
Preference shares	-	-	399,774	399,774
Loan stock investments	-	-	20,749,938	20,749,938
Total	**-**	**-**	**28,083,576**	**28,083,576**

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
Total	**8**	**-**	**29,333,047**	**29,333,055**

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

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

	Equity investments £	Preference shares £	Loan stock investments £	Total £
Opening balance at 1 April 2016	8,253,053	21,535	21,058,459	29,333,047
Purchases	1,933,524	-	323,659	2,257,183
Sales	(144,214)	-	(3,668,287)	(3,812,501)
Reclassification*	(84)	84	-	-
Total (losses)/gains included in Income Statement:				-
- on assets sold	(1,222,413)	-	1,298,480	76,067
- on assets held at the year end	(1,886,002)	378,155	1,737,627	229,780
Closing balance at 31 March 2017	**6,933,864**	**399,774**	**20,749,938**	**28,083,576**

* - There was one transaction 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 is 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 IPEV guidelines as follows:

	2017 £	2016 £
Investment methodology		
Cost (reviewed for impairment)	83,729	-
Recent investment price	5,334,674	10,255,891
Earnings multiple	22,665,173	19,010,987
Estimated realisation proceeds	-	66,169
	28,083,576	**29,333,047**

* - 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 2016 and 31 March 2017:

Change in investment methodology (2016 to 2017)	Carrying value as at 31 March 2017 £	Explanatory note
Recent investment price to earnings multiple	4,164,853	Sufficient time has elapsed since investment such that earnings multiple is a more appropriate basis for determining fair value.
Recent investment price to Cost (reviewed for impairment)	83,729	Impairment review

The valuation will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the December 2015 IPEV guidelines. The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 31 March 2017.

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 Board 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 3 May 2017, TPSFF Holdings Limited (formerly The Plastic Surgeon Holdings Limited) repaid loan stock of £0.04 million.

On 22 May 2017, £0.35 million was invested into MyTutor.

Shareholder Information

Communication with Shareholders

We aim to communicate regularly with our shareholders. In addition to the Half-Year and Annual Reports, shareholders receive a twice-yearly VCT newsletter from the Investment Adviser, approved by the Board. The 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. The Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts. The Investment Adviser holds an annual shareholder event, the most recent of which was held on 24 January 2017.

Shareholders wishing to follow the Company's progress can visit the Company website at www.mig2vct.co.uk. The website includes up-to-date details on fund performance and dividends as well as publicly available information on the Company's portfolio of investments and copies of the company reports. There is also a link to the London Stock Exchange's website at www.londonstockexchange.com where shareholders can obtain details of the price and latest NAV announcements, etc.

Financial calendar

21 June 2017	Annual Report for the year ended 31 March 2017 to be circulated to shareholders
14 September 2017	Annual General Meeting
November 2017	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 30 September 2017 to shareholders
First quarter 2018	Shareholder Event
31 March 2018	Year-end

Mobeus website

Shareholders can check the performance of the VCT by visiting the Investment Adviser's website at: www.mobeusequity.co.uk. This is regularly updated with information on your investments including case studies of portfolio companies.

Annual General Meeting

The Company's next Annual General Meeting will be held **at 11.00 am on Thursday 14 September 2017 at a new venue, The Clubhouse, 8 St James's Square, London SW1Y 4JU**. A copy of the notice of the meeting can be found on pages 68 – 70. A proxy form for the meeting is included with shareholders' copies of this Annual Report.

Dividends

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by contacting the Company's Registrars, Capita Asset Services at the address given on page 71.

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

Selling your shares

The Company's Shares are listed on the London Stock Exchange and as such they can be sold in the same way as any other quoted company through a stockbroker. **However, to ensure that you obtain the best price, if you wish to sell your shares, you are strongly advised to contact the Company's stockbroker, Panmure Gordon, by telephoning 020 7886 2717 before agreeing a price with your stockbroker.** Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

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.signalshares.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 ("CRS") and Foreign Account Tax Compliance Act ("FATCA")

New tax legislation was introduced with effect from 1st January 2016 under the Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information. The legislation requires investment trust companies to provide personal and financial account information to HMRC on certain investors who purchase their shares including details of their shareholding and income from the shares. As an affected entity, the Company has to provide information annually to HMRC relating to a number of non-UK based certificated shareholders who are deemed to be resident for tax purposes in any of the 90 plus countries who have joined CRS. All new shareholders, excluding those whose shares are held in CREST, who are entered onto the share register from 1 January 2016 will be asked to provide the relevant information. Additionally, HMRC changed its policy position on FATCA in June 2016. We understand that this will mean that, as a result of the restricted secondary market in VCT shares, the Company's shares will not be considered to be "regularly traded". This will mean that the Company will also be an affected entity for the purposes of this legislation and as such will have to provide information annually to HMRC relating to shareholders who are resident for tax purposes in the United States.

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

Shareholder enquiries

For enquiries concerning the investment portfolio or the Company in general, please contact the Investment Adviser, Mobeus Equity Partners. To contact the Chairman or any member of the Board, please contact the Company Secretary, also Mobeus Equity Partners LLP, in the first instance at vcts@mobeusequity.co.uk.

The Registrars may be contacted via their Shareholder Portal, post or telephone for queries relating to your shareholding or dividend payments, dividend mandate forms, change of address, etc.

Full contact details for each of Mobeus and Capita are included under Corporate Information on page 71 of this Annual Report.

Performance Data at 31 March 2017

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 and in the more recent fundraisings, 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 2017. 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 2017 **94.50p[1]**

NAV per share as at 31 March 2017 **106.70p**

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 2016 (NAV basis) (p)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	62.00	**156.50**	**168.70**	**1.3%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	58.00	**152.50**	**164.70**	**1.3%**
Funds raised 2013/14						
09 January 2014	117.92[4]	**82.54**	44.00	**138.50**	**150.70**	**1.4%**
11 February 2014	118.22[4]	**82.75**	44.00	**138.50**	**150.70**	**1.4%**
31 March 2014	119.28[4]	**83.49**	39.00	**133.50**	**145.70**	**1.5%**
03 April 2014	119.82[4]	**83.87**	39.00	**133.50**	**145.70**	**1.5%**
04 April 2014	119.08[4]	**83.36**	39.00	**133.50**	**145.70**	**1.5%**
06 June 2014	118.66[4]	**83.06**	39.00	**133.50**	**145.70**	**1.5%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	25.00	**119.50**	**131.70**	**1.6%**
17 February 2015	124.35[4]	**87.05**	25.00	**119.50**	**131.70**	**1.6%**
10 March 2015	120.18[4]	**84.13**	20.00	**114.50**	**126.70**	**1.7%**

Former Ordinary Share Fund

Share price as at 31 March 2017 **78.15p**

NAV per share as at 31 March 2017 **88.24p**

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

Allotment date(s)	Allotment price (p)	Net allotment price[2] (p)	Cumulative dividends paid per share[3] (p)	Total return per share to shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% increase since 31 March 2016 (NAV basis) (p)
Funds raised 2000/01[5]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	73.13	**151.28**	**161.37**	**1.1%**

[1] - Source: Panmure Gordon & Co (mid-price basis) based upon the latest NAV announced of 114.94p at 31 December 2016, since when a dividend of 10.00 pence per share paid on 31 March 2017 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 opposite.

[4] - Average effective offer price.

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

Information for Shareholders

Cumulative dividends paid per share

	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)
31 March 2017	8.27[1]	10.00	10.00	10.00	10.00
08 August 2016	4.14[1]	5.00	5.00	5.00	5.00
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				
	73.13	**62.00**	**58.00**	**44.00**	**25.00**

[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.

Information for Shareholders

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 or acquire ordinary shares in a VCT. 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.

(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) **Exemption from capital gains tax on disposal**

A disposal by an investor of ordinary shares in a VCT required 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. Exemption from capital gains tax on disposal is also available to purchasers of existing VCT shares within the annual £200,000 limit.

(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.

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. In September 2016, the Company formally changed its investment strategy to invest in growth capital investments.

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 14 September 2017 at The Clubhouse, 8 St James's Square, London SW1Y 4JU for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 9 will be proposed as ordinary resolutions and resolution 10 will be proposed as a special resolution:

1. To receive and adopt the annual report and accounts of the Company for the year ended 31 March 2017 ("Annual Report"), together with the auditor's report thereon.
2. To approve the remuneration policy as set out in the Annual Report.
3. To approve the directors' remuneration report as set out in the Annual Report.
4. To re-appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next annual general meeting of the Company.
5. To authorise the directors to determine the remuneration of BDO LLP as auditor of the Company.
6. To elect Ian Blackburn as a director of the Company.
7. To re-elect Nigel Melville as a director of the Company.
8. To re-elect Adam Kingdon as a director of the Company.
9. To re-elect Sally Duckworth as a director of the Company.
10. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Companies Act 2006 ("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 5,347,291 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 2018; and

    (v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Shares in pursuance of any such contract.

BY ORDER OF THE BOARD OF DIRECTORS

Registered Office
30 Haymarket,
London SW1Y 4EX

Mobeus Equity Partners LLP
Company Secretary

Dated: 21 June 2017

Information for Shareholders

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, not including non-business days, 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 to request additional copies of the proxy form, 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. 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 12 September 2017 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.signalshares.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 12 September 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. As at 20 June 2017 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 35,672,387 Ordinary Shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 20 June 2017 were 35,672,387.

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
Ian Blackburn (from 1 July 2017)

Secretary
Mobeus Equity Partners LLP
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London
SW1Y 4EX

Company's Registered Office and Head Office
30 Haymarket
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Company Registration Number
03946235

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Services LLP
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Solicitors
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No 1 Colmore Square
Birmingham
B4 6AA

Registrar
Capita Asset Services
The Registry
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