Mobeus Income & Growth 2 VCT plc

A VENTURE CAPITAL TRUST

Annual Report & Financial Statements

for the year ended 31 March 2018

mobeus
EQUITY PARTNERS

Mobeus Income & Growth 2 VCT plc, ("MIG2", the "Company", 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.

YOUR PRIVACY

We are committed to protecting and respecting your privacy. To understand how we collect, use and otherwise process personal data relating to you, or that you provide to us, please read our privacy notice, which can be found at www.mig2vct.co.uk.

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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 2018

Net assets: **£47.60 million**
Net Asset Value ("NAV") per share: **96.54 pence**

- NAV Total Return per share was 5.5% and Share Price Total Return per share was 8.5%.
- Paid an interim and second interim dividend of 7.00 pence and 9.00 pence per share respectively.
- A total of £5.29 million was received following two successful realisations of Entanet and Gro-Group.
- A total of £3.18[1] million was invested into five new investments and £0.86 million into three follow-on investments.
- £15 million raised from a successful Offer for Subscription which closed in March 2018, fully subscribed.
- Total liquid assets at the year-end are £21.59 million.

Note: The above data does not reflect the benefit of income tax relief.
[1] Includes £1.30 million previously held in a company preparing to trade.

Performance Summary

The NAV per share as at 31 March 2018 was 96.54 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 100 pence per share before the benefit of income tax relief. Performance data for all fundraising rounds are shown in tables on pages 68 and 69 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[1] (mid-market price) (p)	Cumulative dividends paid per share (p)	Cumulative total return per share since launch[2] (NAV basis) (p)	(Share price basis) (p)	Dividends paid and proposed in respect of each year (p)
31 March 2018	47.60	96.54	86.50	78.00	174.54	164.50	16.00
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

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

[2] Cumulative total return per share comprises 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 2014 accounting period by 1 month.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2018.

Overview

This has been a year of solid performance by the Company. Returns to shareholders have again been positive due to profitable portfolio investment realisations as well as a good income return, despite a fall in value of the remaining portfolio. Further comment can be found under the 'Performance' section below and in the Investment Review in the Annual Report.

The Company and the Investment Adviser have responded well to the significant changes to the VCT Rules introduced by the Finance (No 2) Act 2015, having completed twelve growth capital investments that reflect the change in the Company's investment policy in September 2016. The Investment Adviser has continued to recruit additional experienced growth capital investors into the team and reports a healthy pipeline of prospective investments.

Following the Patient Capital Review, additional changes to VCT legislation were proposed in the 2017 Autumn Budget and enacted in the Finance Act 2018. Your Board believes that these changes will not materially affect the Company's existing strategic objectives. Further details can be found under the 'Industry and Regulatory Developments' section of my Statement below.

Fundraising

As reported in my Half-Year Statement, the Company launched an Offer for Subscription on 6 September 2017 to raise up to £15 million (including £5 million from the use of an over allotment facility). The Offer closed on 13 March 2018 having raised the full amount. The Board is delighted with the strong support from investors for this fundraising. The Board appreciates continued support from existing shareholders and welcomes new shareholders.

A total of 14,303,289 shares were allotted to shareholders under the Offer at prices ranging between 95.21 pence and 110.99 pence.

Performance

The NAV total return per share for the year was 5.5%. (2017: 1.7%) (closing NAV per share plus dividends paid per share in the year less the opening NAV per share, as a percentage of the opening NAV per share). These returns, expressed by the number of shares in issue at the year-end, were derived from:

Year ended 31 March	2018 pence per share	2017 pence per share
Realised gains and net unrealised losses on the investment portfolio	4.08	0.86
Income on the investment portfolio and on liquidity	3.48	4.71
Share buybacks and adjustments	1.09	0.13
Gross return	8.65	5.70
Less: Investment Adviser's fees and other expenses	(2.81)	(3.61)
Net return	5.84	2.09

After accounting for interim dividends of 16.00 pence per share paid during the year and a net return of 5.84 pence, the NAV per share at 31 March 2018 was 96.54 pence, compared to 106.70 pence at the start of the year. The share price total return for the year, also after accounting for the dividends paid, was 8.5% (compared with 4.0% for the previous year).

Your Board regards these returns as satisfactory in the context of the significant changes in the VCT Rules and the resultant necessity to invest in younger companies.

At 31 March 2018, your Company was rated 1st out of 39 VCTs, over the last five 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 8 of this Annual Report.

For more details on the performance of your investment in the Company, please consult the Performance Data at 31 March 2018 on pages 68 and 69 of this Annual Report and on the Company's website.

Target Return

During the six years to 31 March 2016, the actual average annual total NAV return was 12.0% compared to the minimum target of 8.0%. The Board recognised that the investment strategy had to change significantly following VCT Rule changes in 2015 and the previous 8.0% annual target was therefore suspended for the year ended 31 March 2017. As stated in last year's Annual Report, the Board reverted to the minimum average annual total NAV return target of 8.0% per annum, for the year ended 31 March 2018. The annual total return NAV for the year ended 31 March 2018 was 5.5% (2017: 1.7%).

Dividends

The Board declared two interim dividends in respect of the year ended 31 March 2018. The first interim dividend of 7.00 pence and the second interim dividend of 9.00 pence per share were paid on 27 July 2017 and on 22 January 2018 respectively. Therefore dividends paid in respect of the year ended 31 March 2018 amount to 16.00 pence (2017: 15.00 pence) per share and cumulative dividends paid since inception to 78.00 pence (2017: 62.00 pence) per share.

The Company's target of paying a regular dividend, at a current level of not less than 5.00 pence (increased from 4.00 pence per share in 2014) per share in respect of each financial year, has been exceeded in each of the last eight years. The dividends referred to above met this target during the year under review. While the Board still believes in the attainment of the dividend target, the recent focus towards growth capital investments is likely to result, at least in the medium term, in more variable dividends than have been paid in the recent past.

A chart showing the annual and cumulative dividends paid in respect of each of the last five years is included in the Strategic Report.

Investment Portfolio

For the year under review, the value of the investment portfolio increased by £2.02 million, due to an increase of £2.77 million on investments realised but a decrease of £0.75 million on investments still held. Investment realisations resulted in £2.61 million of capital gains over the original investment costs.

The portfolio movements for the year are summarised below:

	£m
Portfolio value at 31 March 2017	28.08
New and further investments (excluding use of CPTs)	2.73
Disposal proceeds	(5.94)
Realised gains	2.77
Valuation movements	(0.75)
Portfolio value at 31 March 2018	**26.89**

During the year £4.04 million (£1.30 million of which was previously held in a company preparing to trade) was invested into five new companies and three existing portfolio companies. The new growth capital investments were: My Tutorweb, an online tutoring business; Wetsuit Outlet, a leading online retailer in the water sports market; Proactive Investors, a provider of investor media services; SuperCarers, an online carer matching service; and Hemmels, a classic car restorer.

After the year-end a further £0.63 million was invested into My Tutorweb.

It is important to note that several of these growth investments are currently loss-making, as is often the case for early stage investment opportunities. Early receipts from dividends or interest payments are therefore likely to be limited while the companies build long term value. In accordance with International Private Equity Valuation ("IPEV") guidelines, valuations of some growth investments in the portfolio are consequently now based on a revenue or gross margin multiple, rather than an earnings multiple (more common for MBO investments).

Shareholders should note that, at the year-end, 54.4% of the value of the investment portfolio was held in MBO type investments and 45.6% was held in growth capital investments.

Overall, performance is steady, but some valuations have fallen whilst others have experienced gains. It is believed that the portfolio as a whole should continue to yield annual income returns to shareholders, supplemented by capital returns as they are realised over time.

Cash proceeds totalling £5.94 million were received; £5.29 million from the realisation of two investments; £0.35 million from loan repayments; and other receipts of £0.30 million. Of the realisation total, £3.26 million was received as cash from the disposal of Entanet Holdings Limited, (realising a gain of 3.68 pence per share) generating a return on the original investment of 2.5 times at completion. This may increase upon receipt of potential deferred consideration of up to £0.33 million. £2.03 million was also received following the profitable disposal of Gro-Group (realising a gain of 1.83 pence per share) generating a return on the original investment of 2.3 times.

Full details of the investment activity during the year and a summary of the performance highlights can be found in the Investment Review in the Annual Report.

Liquidity

At 31 March 2018, net assets were £47.60 million (2017: £38.06 million), comprising principally £25.85 million (2017: £25.44 million) in investments (54.3% of net assets (2017: 66.8%)) and liquidity was £21.59 million (2017: £12.58 million) which includes funds held in companies preparing to trade of £1.03 million (£2.64 million). Liquid assets thus represent 45.4% (2017: 33.1%) of net assets at the year-end.

Industry and regulatory developments

As mentioned in my overview, the 2017 Autumn Budget Statement outlined the key findings from the Patient Capital Review, which was tasked with identifying and tackling factors considered to be adversely affecting the supply of longer-term capital to small and developing firms. These findings have resulted in a number of legislative changes to the VCT scheme in the Finance Act 2018 which are designed to exclude tax motivated investments where capital is not at risk (that is, principally seeking to preserve investors' capital) and to encourage VCTs to put their funds to work faster.

Your Board notes the UK Government's intentions behind these changes, and whilst they include further restrictions on the way investments can be structured, it does not believe that they will materially affect the Company's existing investment strategy.

A summary of the current VCT regulations is included in the Annual Report on page 6.

Share buybacks

During the year ended 31 March 2018, the Company bought back 1.9% of the issued share capital of the Company for cancellation. Further details of the purchases are included in the Directors' Report on page 26.

Shareholder Communications

The annual shareholder event was held on Tuesday 30 January 2018 at the Royal Institute of British Architects in central London. This annual event included presentations on the Mobeus advised VCTs' investment activity and performance including presentations from investee companies. There were separate day-time and evening sessions which around 300 shareholders attended. The feedback received was that shareholders found it informative and worthwhile. The next shareholder event will be held in February 2019.

Succession planning

As announced on 14 June 2018, I have confirmed that I will be retiring as a Board member and Chairman following the forthcoming AGM on 12 September 2018, having served as a Board member since 10 May 2000 and as Chairman since 5 September 2006. I will therefore not be seeking re-election at the AGM.

Ian Blackburn, an existing non-executive director of the Company and chairman of the Nomination and Remuneration Committee, has agreed to become non-executive Chairman of the Company following the conclusion of the AGM on 12 September 2018, as announced on 14 June 2018. His brief biographical details are available on page 25.

Annual General Meeting

The Annual General Meeting of the Company will be held at 11.00 am on Wednesday, 12 September 2018 at **The Clubhouse, 8 St James's Square, London SW1Y 4JU**. Both the Board and the Investment Adviser look forward to welcoming shareholders to the meeting which will include a presentation from the Investment Adviser on the investment portfolio and provide an opportunity to ask questions of the Board and the Investment Adviser. The Notice of the meeting is included in the Annual Report and an explanation of the resolutions to be proposed can also be found in the Directors' Report on pages 27 and 28 of this Annual Report.

Future prospects

The UK economy is projected to continue to grow, albeit at lower levels than projected for other economies. Over the next year, the outcome of the Brexit negotiations, and their impact upon the UK economy, should become clearer. In the meantime, the share of the portfolio represented by the new growth investments will increase. As I stated last year, these investments inevitably carry not only higher risk but also the prospect of potentially higher, but more variable, returns.

Your Board has noted how Mobeus has expanded its investment team to adapt to the new rules for VCTs and believe that your Company should benefit from this strengthened investment team.

Your Board remains of the opinion that your Company is well positioned to take advantage of the strong demand for growth capital investment, despite the uncertainties faced within the UK economy, outlined above. The portfolio has a solid foundation of investments made under the previous MBO strategy, and the Investment Adviser continues to source interesting growth capital investment opportunities to complement the portfolio.

Once again, I would like to take this opportunity to thank all Shareholders for their continued support and wish the Company continued success under Ian Blackburn's leadership.

Nigel Melville
Chairman

22 June 2018

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2018. 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 from both 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.

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.

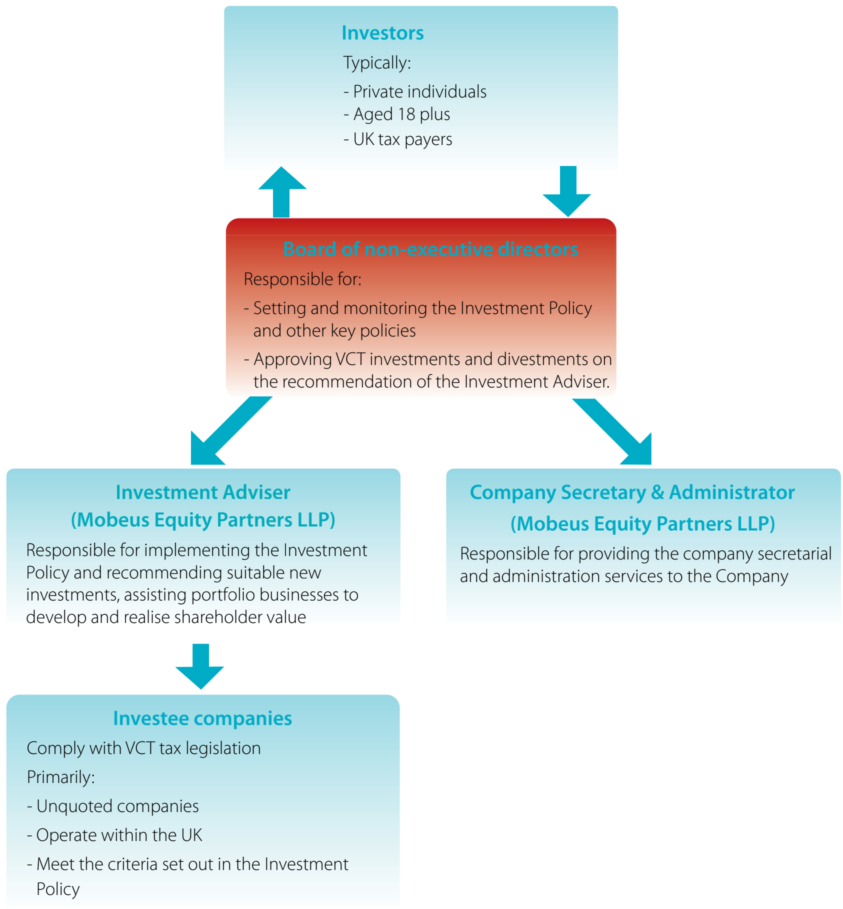
The Company is an externally advised fund with a Board comprising non-executive Directors. The Board has overall responsibility for the Company's affairs including the determination of its Investment Policy (material changes to which are subject to approval by shareholders). Investment advice and operational support are outsourced to external service providers (including the Investment Adviser, Company Secretary, 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 who 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 note 9 to the Financial Statements on page 55.

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 70 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.

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



Summary of VCT Regulation

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

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%[1], by VCT tax value[2], of its total investments (shares, securities and liquidity) in VCT qualifying holdings, within approximately three years of a fundraising;
- All qualifying investments made by VCTs after 5 April 2018, together with qualifying investments made by funds raised after 5 April 2011, are in aggregate required to comprise at least 70% by VCT tax value in "eligible shares", which carry no preferential rights (save as may be permitted under VCT rules)[3];
- 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;
- non-qualifying investments can no longer be made, except for certain exemptions in managing the Company's short-term liquidity; and
- VCTs are now required to invest 30% of funds raised in an accounting period beginning on or after 6 April 2018 in qualifying holdings within 12 months of the end of the accounting period.

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 (for knowledge intensive companies the lifetime limit is £20 million, and the annual limit is £10 million)[4], from VCTs and similar sources of State Aid funding;
- that use the funds received from VCTs for growth and development purposes;
- VCTs may no longer offer secured loans to investee companies, and any returns on loan capital above 10% must represent no more than a commercial return on the principal and
- VCTs may not make investments that do not meet the new 'risk to capital' condition (which requires a company, at the time of investment, to be an entrepreneurial company with the objective to grow and develop, and where there is genuine risk of loss of capital).

[1] For accounting periods beginning on or after 6 April 2019, this percentage will increase to 80%.

[2] VCT tax value means as valued in accordance with prevailing VCT legislation. The calculation of VCT tax value is arrived at using tax values, based on the cost of the most recent purchase of an investment instrument in a particular company, which differs from the actual cost of each investment shown in the Investment Portfolio Summary on pages 19 – 21.

[3] The requirement for VCTs to hold at least 30% of qualifying investments in "eligible shares" (broadly ordinary equity) from funds raised prior to 6 April 2011 has been withdrawn.

[4] But awaiting EU State Aid approval.

Note: The following further change to VCT regulation, enacted in 2018, has yet to take effect:

From 6 April 2019, the period for reinvestment of proceeds on disposal of qualifying holdings investments will increase from 6 to 12 months.

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 ended 31 March 2018, 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 NAV Total Return of at least 8.00% per year. The average annual NAV Total Return had exceeded the target for the six years to 31 March 2016. The 8.00% target was suspended for the year ended 31 March 2017, but re-applied from 1 April 2017 following a review.

Total shareholder returns per share for the year

The Net Asset Value ("the NAV") and Share Price total return per share for the year ended 31 March 2018 were 5.5% and 8.5% respectively, as calculated below:

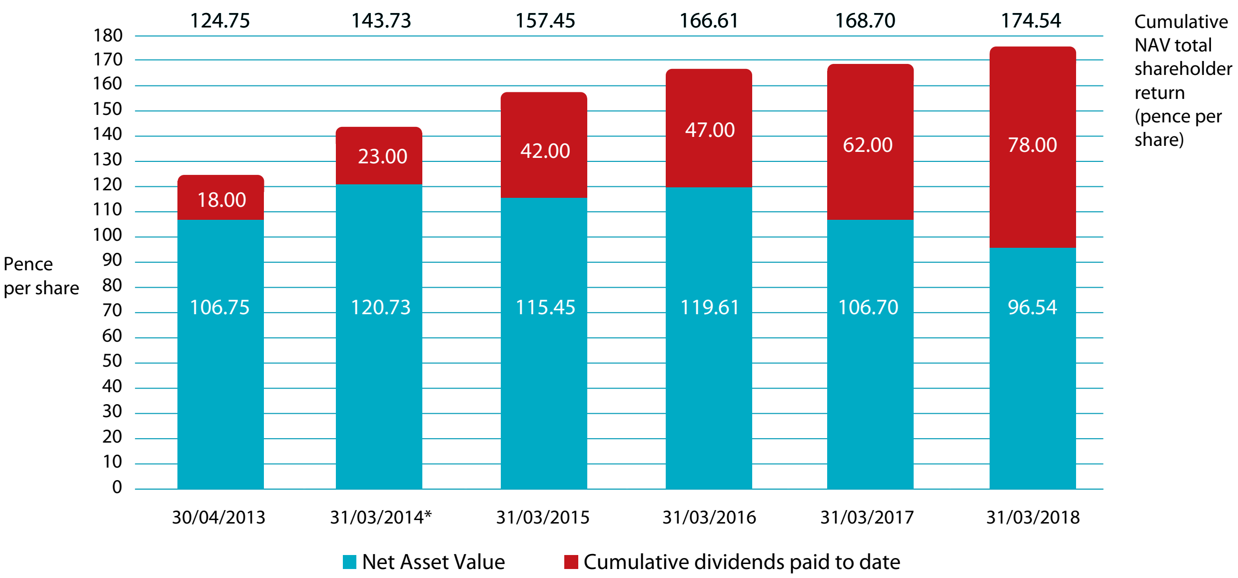
	NAV basis (p)
Closing NAV per share	96.54
Plus: dividends paid in year	16.00
Total for year	**112.54**
Less: opening NAV per share	106.70
Return for year per share	**+5.84**
% return for year	5.5%*

	Share price basis (p)
Closing share price	86.50
Plus: dividends paid in year	16.00
Total for year	**102.50**
Less: opening share price	94.50
Return for year per share	**+8.00**
% return for year	8.5%*

*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% to the NAV announced for the Company's previous quarter, not the year-end NAV. In the final quarter of the 2017 year-end, the NAV increased, but this movement was not reflected in the share price until the NAV at 31 March 2017 was announced in last year's Annual Report. There was only a marginal change in the NAV during the final quarter of the 2018 year-end.

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 68 – 69 on this Annual Report.

Review of financial results for the year ended 31 March 2018

	31 March 2018 £m	31 March 2017 £m
Capital profit/(loss)	1.41	(0.27)
Revenue profit	0.93	0.97
Total profit	**2.34**	**0.70**

The capital profit of £1.41 million for the year is due to investment gains of £2.02 million (realisations and revaluations of portfolio companies still held) being higher than Investment Adviser's fees (net of tax relief) of £0.61 million.

The revenue profit for the year of £0.93 million is marginally below the previous year, mainly due to an increase in Investment Adviser and trail commission fees, both arising from higher net assets as a result of funds raised under the Offer for Subscription. The impact of these increases was partially reduced by an increase in loan interest income.

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

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 five year period. Using the benchmark of NAV Cumulative total return on an investment of £100 performance is as follows:

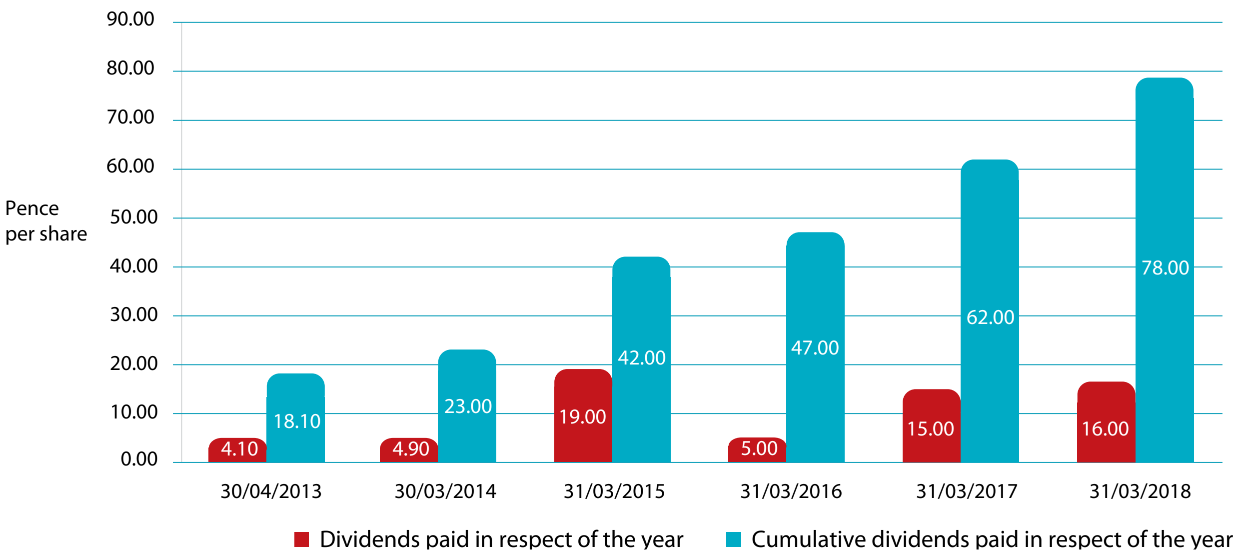
Period to 31 March 2018	Ranking	Number of VCTs (AIC generalist VCTs)
10 years	3rd	34
5 years	1st	39
3 years	24th	48
1 year	9th	48

Source: Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2018.

The Board considers performance against its peer group to be satisfactory.

3. Dividends

The Board has set a target of paying a regular dividend of not less than five pence 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). The Company has met this target for the past eight years. However, the ability of the Company to pay dividends in the future cannot be guaranteed and will be subject to performance and available cash and reserves.



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 2018, 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 2018, shareholders holding 0.67 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 85.50-92.75 pence per share and cancelled them.

In total, during the year the Company has bought back 1.9% 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 changes before any performance fees at not more than 3.00%.

	2018	2017
Ongoing charges	2.96%	2.99%
Performance fee	0.00%	0.01%
Ongoing charges plus accrued performance fee	**2.96%**	**3.00%**

The Board monitors costs using the Ongoing Charges Ratio which was 2.96% for the year (2017: 3.00%). In the current year, a performance fee is not payable to the Investment Adviser. The Ongoing Charges Ratio has been calculated using the Association of Investment Companies ("AIC") recommended methodology. This figure shows shareholders the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based upon historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the fund in the future.

The Ongoing Charges Ratio replaces the Total Expense Ratio previously reported although the latter will still form the basis of any expense cap, which may be borne by the Investment Adviser. There was no breach of the expense cap for the year ended 31 March 2018 (2017: £nil).

The slight decrease in the ratio from 3.00% to 2.96% over the year reflects the absence of a performance fee and a higher level of net assets as a result of the funds raised as part of the Offer for Subscription.

Investment Adviser fees and other expenses

In line with the increase in net assets in the latter half of the year, Investment Adviser fees charged to both revenue and capital have increased from £0.95 million to £0.99 million whilst other expenses of £0.35 million have increased by £0.05 million.

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

Investment Review

Patient Capital Review

The UK Government conducted this review to identify and tackle factors considered to be adversely affecting the supply of longer term capital to small and developing firms. The consultation period closed on 22 September 2017 and strong representations were made on behalf of the VCT industry by Mobeus as the Company's Investment Adviser, the Venture Capital Trust Association, and the Association of Investment Companies.

As the Chairman's Statement notes, the Company has faced further regulatory changes following the Government's Review and the resulting measures introduced in the Budget announced on 22 November 2017. These have now been enacted in the Finance Act 2018.

As the Company's Investment Adviser, Mobeus believes these regulatory changes should not overall affect the ability of the Company to continue to make successful growth capital investments. We hope for a period of relative stability in respect of these VCT rules. This should create an environment of greater certainty in which to make growth investments.

Portfolio Review

This has been a year of continued progress within the portfolio, with the addition of five new growth capital investments totalling £3.18 million, three existing investments receiving follow-on funding totalling £0.86 million, and two significant, profitable disposals. One disposal (Entanet) generated net proceeds of £3.26 million resulting in a 2.5 times multiple over cost over the three and a half year life of the investment, while the second (Gro-Group) generated net proceeds of £2.03 million representing a 2.3 times multiple over the four year and nine month life of the investment. Total cash proceeds were £5.94 million, comprising the two realisations above, loan repayments of £0.35 million and £0.30 million of other receipts.

The investment and divestment activity completed during the year has increased the proportion of the growth capital element of the investment portfolio to 45.6% by value. The Company now has £8.85 million at value in new growth capital investments made since the introduction of the changes to VCT regulations in 2015.

The value of the portfolio that was held at 31 March 2017 increased by 7.2% over the year. This like-for-like* basis comprised significant uplifts via realised gains generated from investment disposals of £2.77 million, but net of a reduction in the value of the remaining portfolio of £0.75 million.

* - Like-for-like basis is calculated by dividing the value of the portfolio at 31 March 2018 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 2017.

The decrease in value in the remaining portfolio was primarily due to reductions in the valuations of Motorclean, Media Business Insight and Veritek Global. This outweighed gains achieved elsewhere in the portfolio, including EOTH, as well as MPB and Preservica (both growth investments). Movements in valuations during the year under review are detailed in note 8 on pages 53 and 54. A small number of new growth investments have shown initial uplifts from cost, due in large part to the structure of the Company's investment, but also due to the underlying investee company performance. On the whole, we are encouraged by the early performance of the investments in the growth portfolio.

Demand for growth capital investment remains strong and there is a large pipeline of investment opportunities. We expect that follow on funding into existing companies to support growth plans will be a feature over the coming months and years.

Investment Review

New and Follow-on Investments

We are pleased to have made eight investments in the year, totalling £4.04 million. This comprised new investments into My Tutorweb, Wetsuit Outlet, Proactive Investors, SuperCarers and Hemmels as well as follow on investments into BookingTek, MPB, and Tapas Revolution which are existing portfolio growth companies. After the year-end, £0.63 million was further invested into My Tutorweb.

Principal new investments in the year

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

My Tutorweb 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 supports an opportunity to consolidate the sizeable £2 billion UK tutoring market, grow My Tutorweb's market presence and drive technological development within the company. The company's latest unaudited accounts for the year ended 31 December 2017 show turnover of £0.56 million and a loss before interest, tax and amortisation of goodwill of £1.40 million.

Since the year end, the company has invested a further £0.63 million as part of a larger £5.00 million funding round. This additional capital is to support further growth in order to capitalise on its position as now the largest provider of online tutoring into both private and school customers.

WetsuitOutlet	Wetsuit Outlet	Retailer	July 2017	1.72*

B2C Distribution Limited (trading as Wetsuit Outlet) has established itself as a leading online retailer in the water sports market, stocking an impressive brand portfolio including Musto, Billabong, Rip Curl, O'Neill, Red Paddle (an existing Mobeus VCT investment) and Gul. The investment is to fund working capital and growth in the existing activity and enter two new markets. Established in 2005, the company has developed into a successful and profitable business with revenues of £11.51 million and £1.98 million profit before interest, tax and amortisation of goodwill in the financial year ended 31 March 2017.

*£1.30 million previously held in Manufacturing Services Investment Limited, a company preparing to trade, along with £0.42 million from the Company was used for this investment.

proactiveinvestors	Proactive Investors	Investor media services	January 2018	0.29

Proactive Investors specialises in up-to-the-minute multi-media news provision, events organisation, digital services and investor research. Proactive provides breaking news, commentary and analysis on hundreds of small-cap listed companies and pre-IPO businesses across the globe, 24/7. The investment will enable Proactive to expand its services into the US market, which is the largest global market for investor media services in the world. The company's accounts for the year ended 30 June 2017 show turnover of £3.99 million and a profit before interest, tax and amortisation of goodwill of £0.53 million.

	Company	Business	Date of investment	Amount of new investment (£m)
	SuperCarers	Online care provision platform	March 2018	0.38

SuperCarers provides an online platform connecting people, typically family members seeking care for their elderly parents, with experienced independent carers. Carers and care-seekers manage care directly, thus reducing the administrative burden and the need for care managers, enabling care to be delivered with greater flexibility and more cost effectively. The company's accounts for the year ended 31 March 2017 generated revenues of £0.18 million and a loss before interest, tax and amortisation of goodwill of £0.72 million.

	Company	Business	Date of investment	Amount of new investment (£m)
	Hemmels	Classic car restoration	March 2018	0.44

Hemmels commenced trading in September 2016 and specialises in the sourcing, restoration, selling and servicing of high value classic cars. Hemmels currently focuses on classic Mercedes Benz, and plan to expand into the Porsche marque under a separate brand. The investment will enable Hemmels to proceed with its expansion plans and secure sufficient development stock. For the year ended 31 December 2017, the company generated revenues of £1.21 million and a loss before interest, tax and amortisation of goodwill of £0.31 million.

Further investment into existing portfolio companies in the year

	Company	Business	Date of investment(s)	Amount of new investment (£m)
	BookingTek	A provider of direct-booking systems to major hotel groups	November 2017	0.05

London-based BookingTek provides software that enables hotels to reduce their reliance on third-party booking systems through an enterprise-grade, real-time booking platform for meeting rooms and restaurant reservations. BookingTek's existing clients include two of the world's top 10 hotel groups and the UK's largest hotel chain. The company's latest audited accounts for the year ended 31 December 2017 show turnover of £2.15 million and a loss before interest, tax and amortisation of goodwill of £1.55 million.

Investment Review

	Company	Business	Date of investment(s)	Amount of new investment (£m)
	MPB Group	Online marketplace for used camera and video equipment	September 2017 / December 2017 / February 2018	0.45

MPB is Europe's leading online marketplace for used camera and video equipment. Based in Brighton, its 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. Having expanded into the US (opening a New York office) and German markets as part of the initial VCT investment round, this follow on investment, alongside funds provided by the Proven VCTs, is to support its continued growth plan. This investment will give the company sufficient capital to achieve its next planned expansion. The company's latest audited accounts for the year ended 31 March 2017 show turnover of £13.20 million and loss before interest, tax and amortisation of goodwill of £0.47 million.

	Tapas Revolution	Restaurant chain	March 2018	0.36

Based in London, Tapas Revolution is a leading Spanish restaurant chain in the casual dining sector focusing on shopping centre sites with high footfall. Having opened its first restaurant in Shepherd's Bush Westfield, the business now operates six established restaurants with the support of the initial VCT investment in 2017. This follow on investment is to finance the opening of several new locations around the UK. The company's latest audited 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 £0.28 million.

Realisations

There were two realisations during the year under review, namely Entanet Holdings Limited and Gro-Group Holdings Limited, as set out below.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
	Entanet	Wholesale voice and data communications provider	February 2014 to August 2017	£3.69 million 2.5 times cost

The Company sold its investment in Entanet to AIM quoted CityFibre Infrastructure Holdings Limited for £3.26 million in August 2017. Deferred consideration of up to £0.33 million is potentially receivable over the next two years. Excluding this deferred consideration, the Company has so far realised a gain over the life of the investment of £1.82 million, a multiple of 2.5 times cost, and has returned an IRR of 39% to date - an excellent outcome.

	Gro-Group	Baby sleep products	March 2013 to December 2017	£2.54 million 2.3 times cost

The Company sold its investment in Gro-Group for £1.96 million in December 2017 and subsequently received deferred consideration of £0.07 million. The Company realised a gain over the life of the investment of £1.42 million. This equates to a multiple of 2.3 times cost of £1.12 million and has returned an IRR of 21%.

Loan stock repayments

Loan stock repayments totalled £0.35 million for the year, all from TPSFF Holdings Limited (formerly Plastic Surgeon).

Funds available for investment

As a result of the successful fundraising (£14.64 million raised) and also the divestments referred to above (£5.29 million received), cash and other liquid investments amounted to £21.59 million. Of this, £2.27 million is held as cash in bank and deposit accounts, and the balance is placed in AAA rated money market funds. The returns on these funds remain low, but the Board retains its policy of seeking above all to preserve capital for its uninvested funds.

Largest investments in the portfolio

at 31 March 2018 by valuation

Strategic Report

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost £1,953,000

Valuation £2,247,000

Basis of valuation
Earnings multiple

Equity % held
7.7%

Income receivable in year
£149,167

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2016[1]
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, the trading entity of Tovey Management.

Additions/disposals during the year

None.

ASL Technology Holdings Limited

www.aslh.co.uk

Cost £2,092,000

Valuation £2,126,000

Basis of valuation
Earnings multiple

Equity % held
10.3%

Income receivable in year
£173,075

Business
Printer and photocopier services

Location
Cambridge

Original transaction
Management buyout

Audited financial information

Year ended	30 September 2017
Turnover	£19,929,000
Operating profit	£1,463,000
Net liabilities	£(2,697,000)

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

Additions/disposals during the year

None.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost £817,000

Valuation £1,522,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£71,907

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Growth capital

Audited financial information

Year ended	31 January 2017
Turnover	£44,382,000
Operating profit	£5,755,000
Net assets	£14,787,000

Year ended	31 January 2016
Turnover	£37,826,000
Operating profit	£1,662,000
Net assets	£11,090,000

Additions/disposals during the year

None.

Manufacturing Services Investment Limited (trading as Wetsuit Outlet)

www.wetsuitoutlet.co.uk

Cost	£1,717,000
Valuation	£1,717,000

Basis of valuation
Recent investment price

Equity % held
4.7%

Income receivable in year
£49,833

Business
Online retailer in the water sports market

Location
Southend on Sea, Essex

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2017[1]
Turnover	£11,511,000
Operating profit	£1,981,000
Net assets	£3,980,000
Year ended	31 March 2016[1]
Turnover	£8,635,000
Operating profit	£1,646,000
Net assets	£3,795,000

[1] The financial information quoted above is for B2C Distribution Limited prior to the investment into Wetsuit Outlet which completed in July 2017.

Additions/disposals during the year

New investment made in July 2017.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost	£1,284,000
Valuation	£1,371,000

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 2017
Turnover	£38,179,000
Operating profit	£2,336,000
Net assets	£3,155,000
Year ended	30 June 2016
Turnover	£38,051,000
Operating profit	£2,082,000
Net assets	£3,101,000

Additions/disposals during the year

None.

Mpb Group Limited

www.mpb.com

Cost	£820,000
Valuation	£1,254,000

Basis of valuation
Recent investment price

Equity % held
4.3%

Income receivable in year
£9,638

Business
Online marketplace for photographic and video equipment

Location
Brighton

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2017
Turnover	£13,200,000
Operating loss	£(466,000)
Net assets	£1,549,000
Year ended	31 March 2016
Turnover	£8,372,000
Operating loss	£(77,000)
Net assets	£354,000

Additions/disposals during the year

Follow on loan investments in September and December 2017. A second round equity investment was made in February 2018.

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 2018 by valuation

Media Business Insight Holdings Limited

www.mb-insight.com

Cost	£2,009,000
Valuation	£1,220,000

Basis of valuation
Earnings multiple

Equity % held
11.6%

Income receivable in year
£153,240

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 2016
Turnover	£12,668,000
Operating profit	£683,000
Net assets	£1,212,000
Year ended	31 December 2015
Turnover	£10,387,000
Operating profit	£405,000
Net assets	£3,205,000

Additions/disposals during the year

None.

CGI Creative Graphics International Limited

www.cgi-visual.com

Cost	£1,000,000
Valuation	£1,031,000

Basis of valuation
Earnings multiple

Equity % held
4.5%

Income receivable in year
£99,550

Business
Vinyl graphics to global automotive and aerospace markets

Location
Kempston, Bedfordshire

Original transaction
Management buyout

Audited financial information

Year ended	28 February 2017
Turnover	£13,753,000
Operating profit	£135,000
Net liabilities	£(403,000)
Year ended	28 February 2016
Turnover	£12,528,000
Operating profit	£518,000
Net assets	£800,000

Additions/disposals during the year

None.

Vian Marketing Limited (trading as Red Paddle Co)

www.tushingham.com

Cost	£717,000
Valuation	£987,000

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	28 February 2017[1]
Turnover	£11,185,000
Operating profit	£982,000
Net assets	£3,220,000
Year ended	28 February 2016[1]
Turnover	£9,602,000
Operating profit	£523,000
Net assets	£2,340,000

[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.

Tharstern Group Limited

www.tharstern.com

Cost	£790,000

Valuation	£888,000

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 2017
Turnover	£4,852,000
Operating profit	£437,000
Net assets	£482,000

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

Additions/disposals during the year

None.

Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)

www.ward-thomas.co.uk

Cost	£370,000

Valuation	£874,000

Basis of valuation
Earnings multiple

Equity % held
3.4%

Income receivable in year
£35,921

Business
A specialist logistics, storage and removals business

Location
London

Original transaction
Growth capital and equity release

Audited financial information

Year ended	30 September 2017
Turnover	£24,855,000
Operating profit	£3,636,000
Net assets	£14,960,000

Year ended	30 September 2016
Turnover	£21,325,000
Operating profit	£3,249,000
Net assets	£12,598,000

Additions/disposals during the year

None.

Preservica Limited

www.preservica.com

Cost	£486,000

Valuation	£866,000

Basis of valuation
Revenue multiple

Equity % held
6.2%

Income receivable in year
£nil

Business
Seller of proprietary digital archiving software

Location
Abingdon, Oxfordshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2017
Turnover	£2,032,000
Operating loss	£(1,157,000)
Net assets	£2,606,000

Year ended	31 March 2016
Turnover	£2,080,000
Operating profit	£25,000
Net assets	£1,008,000

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 2018

	Date of first investment and Sector	Total Book cost at 31 March 2018 £	Valuation at 31 March 2017 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2018 £	% of net assets by value
Qualifying investments								
Unquoted investments								
ASL Technology Holdings Limited Printer and photocopier services	**December 2010** Support services	2,092,009	2,258,388	-	-	(132,009)	2,126,379	4.5%
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Software and Computer Services	1,733,500	2,119,958	-	-	(92,376)	2,027,582	4.3%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** General retailers	817,185	1,001,498	-	-	520,375	1,521,873	3.2%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)[1] Online retailer in the water sports market	**July 2017** General retailers	1,412,992	1,000,300	412,692	-	-	1,412,992	3.0%
Virgin Wines Holding Company Limited Online wine retailer	**November 2013** General retailers	1,284,333	1,761,822	-	-	(390,332)	1,371,490	2.9%
MPB Group Limited Online marketplace for photographic and video equipment	**June 2016** General retailers	819,773	374,244	445,529	-	434,341	1,254,114	2.6%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General Industrials	999,568	888,418	-	-	142,309	1,030,727	2.2%
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	987,739	-	-	(560)	987,179	2.1%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software and Computer Services	789,815	942,138	-	-	(54,268)	887,870	1.9%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	**December 2014** Support services	369,625	526,134	-	-	348,183	874,317	1.8%
Preservica Limited Seller of proprietary digital archiving software	**December 2015** Software and Computer Services	485,770	485,770	-	-	379,896	865,666	1.8%
Ibericos Etc. Limited (trading as Tapas Revolution) Spanish restaurant chain	**January 2017** General retailers	812,248	451,248	361,000	-	41,976	854,224	1.8%
Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media)) SaaS based online auction market place platform	**October 2008** Media	1,317,100	1,151,484	-	-	(373,839)	777,645	1.6%
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	**November 2016** Support services	495,479	495,479	-	-	247,740	743,219	1.6%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Support services	60,293	403,701	-	-	336,969	740,670	1.6%
TPSFF Holdings Limited (formerly The Plastic Surgeon Holdings Limited) Snagging and finishing of domestic and commercial properties	**April 2008** Support services	101,942	881,275	-	(348,485)	198,733	731,523	1.5%

[1] £1,716,992 was invested into Wetsuit Outlet, a leading online retailer in the water sports market. This investment utilised £1,304,300 previously held in Manufacturing Services Investment Limited, a company preparing to trade, after a net repayment to the Company of £304,000. A further £412,692 was invested directly by the Company into Wetsuit Outlet.

	Date of first investment and Sector	Total Book cost at 31 March 2018 £	Valuation at 31 March 2017 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2018 £	% of net assets by value
BookingTek Limited Software for hotel groups	**October 2016** Software and Computer Services	504,336	450,442	53,894	-	209,875	714,211	1.5%
Redline Worldwide Limited Provider of security services to the aviation industry	**February 2016** Support services	682,222	837,283	-	-	(148,236)	689,047	1.4%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	979,875	-	-	(328,650)	651,225	1.4%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Support services	437,030	526,492	-	-	112,850	639,342	1.3%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare Equipment & Services	757,101	504,586	-	-	54,034	558,620	1.2%
Buster and Punch Holdings Limited (formerly Chatfield Services Limited) Industrial inspired lighting and interiors retailer	**March 2017** General retailers	436,391	436,391	-	-	117,505	553,896	1.2%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Support services	1,000,000	1,031,100	-	-	(515,624)	515,476	1.1%
Hemmels Limited Company specialising in the sourcing, restoration, selling and servicing of high price, classic cars	**March 2018** Automobiles and Parts	437,238	-	437,238	-	-	437,238	0.9%
Fullfield Limited (trading as Motorclean) Vehicle cleaning and valet services	**July 2011** Support services	1,025,152	1,053,281	-	-	(619,342)	433,939	0.9%
Super Carers Limited Online platform that connects people seeking home care from experienced independent carers	**March 2018** Support services	384,720	-	384,720	-	-	384,720	0.8%
My Tutorweb Limited Digital marketplace connecting school pupils seeking one-to-one online tutoring	**May 2017** Support services	349,661	-	349,661	-	-	349,661	0.7%
Proactive Group Holdings Inc Provider of media services and investor conferences for companies primarily listed on secondary public markets	**January 2018** General financial	288,952	-	288,952	-	-	288,952	0.6%
Jablite Holdings Limited Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	281,398	401,864	-	-	(229,933)	171,931	0.4%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Support services	967,780	715,856	-	-	(612,884)	102,972	0.1%
Lightworks Software Limited Provider of software for CAD and CAM vendors	**April 2006** Software and Computer Services	25,727	92,737	-	-	(31,574)	61,163	0.1%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	906,935	-	-	-	-	-	0.0%
Newquay Helicopters (2013) Limited (in members' voluntary liquidation) Helicopter service operators	**June 2006** Support services	30,469	-	-	-	-	-	0.0%
Entanet Holdings Limited Wholesale voice and data communications provider	**February 2014** Fixed Line Telecommunications	-	1,550,227	-	(1,550,227)	-	-	0.0%
Gro-Group Holdings Limited Baby sleep products	**March 2013** General retailers	-	973,928	-	(973,928)	-	-	0.0%
Total qualifying investments		**24,270,970**	**25,283,658**	**2,733,686**	**(2,872,640)**	**(384,841)**	**24,759,863**	**52.0%[1]**

[1] As at 31 March 2018, 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.

Strategic Report

Investment Portfolio Summary

as at 31 March 2018

	Date of first investment and Sector	Total Book cost at 31 March 2018 £	Valuation at 31 March 2017 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2018 £	% of net assets by value
Non-qualifying investments								
Media Business Insight Limited	as above	561,884	855,516	-	-	(286,940)	568,576	1.2%
Hollydale Management Limited Company seeking to carry on a business in the food sector	**March 2015** Support Services	566,400	354,000	-	-	-	354,000	0.7%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)[1]	as above	304,000	608,000	-	(304,000)	-	304,000	0.6%
Tovey Management Limited (trading as Access IS)	as above	219,873	219,873	-	-	-	219,873	0.5%
Backhouse Management Limited Company seeking to carry on a business in the motor sector	**April 2015** Support Services	441,220	169,700	-	-	-	169,700	0.4%
Barham Consulting Limited Company seeking to carry on a business in the catering sector	**April 2015** Support Services	441,220	169,700	-	-	-	169,700	0.4%
Creasy Marketing Services Limited Company seeking to carry on a business in the textile sector	**April 2015** Support Services	441,220	169,700	-	-	-	169,700	0.4%
McGrigor Management Limited Company seeking to carry on a business in the pharmaceutical sector	**April 2015** Support Services	441,220	169,700	-	-	-	169,700	0.4%
Racoon International Group Limited	as above	139,050	83,729	-	-	(83,729)	-	0.0%
365 Agile Group plc (formerly Iafyds plc) Development of energy saving devices for domestic use	**March 2001** Electronic and electrical equipment	254,586	-	-	-	-	-	0.0%
Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media))	as above	3,863	-	-	-	-	-	0.0%
Total non-qualifying investments		**3,814,536**	**2,799,918**	**-**	**(304,000)**	**(370,669)**	**2,125,249**	**4.6%**
Total investment portfolio per note 8, page 53		**28,085,506**	**28,083,576**	**2,733,686**	**(3,176,640)**	**(755,510)**	**26,885,112**	**56.6%**[2]
Cash and current asset investments[3]			9,935,913	-	-		20,559,774	43.1%
Total investments including cash and current asset investments		**28,085,506**	**38,019,489**	**2,733,686**	**(3,176,640)**	**(755,510)**	**47,444,886**	**99.7%**
Current assets			185,596				339,187	0.7%
Current liabilities			(144,100)				(185,876)	(0.4)%
Totals		28,085,506		2,733,686	(3,176,640)			
Net assets at the year end			**38,060,985**				**47,598,197**	**100.0%**

1 £1,716,992 was invested into Wetsuit Outlet, a leading online retailer in the water sports market. This investment utilised £1,304,300 previously held in Manufacturing Services Investment Limited, a company preparing to trade, after a net repayment to the Company of £304,000. A further £412,692 was invested directly by the Company into Wetsuit Outlet.

2 As at 31 March 2018, the Company held more than 70% of its total investments in qualifying holdings, and therefore complied with the VCT Qualifying Investment test. For the purposes of the VCT qualifying test, the Company is permitted to disregard disposals of investments for six months from the date of disposal. It also has up to three years to bring in new funds raised, before these need to be included in the qualifying investment test.

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

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.

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.

Other policies

In addition to the Investment Policy and Diversity 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:

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

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

Principal risks

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. Further details of these are contained in the Corporate Governance section of the Directors' Report on page 29.

The risk profile of the Company has changed as a result of the changes to the VCT Rules. As the Company's investment focus is 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 is confident that the Investment Adviser will continue to adapt to changes in investment requirements. The Company continues to have high liquidity levels in advance of the proceeds of the fundraising being deployed, which may have an adverse impact on performance.

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 and will likely have more variable returns. 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.*
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 become 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 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 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 57 to 64.*
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 to 4 and the Strategic Report on page 10. The Directors have satisfied themselves that the Company continues to maintain a significant 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 57 to 64. Accordingly, the Directors consider it appropriate to adopt the going concern basis for a period of at least twelve months from the date of approval of the 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 approval of the financial statements that may impact on its ability to operate as a going concern. In particular, the Directors have continued to consider the impact of changes to VCT legislation. 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" in the Strategic Report, addressed to shareholders with the intention of providing an improved and broader assessment of long term solvency and liquidity. The Code does not define "long term" but expects the period to be longer than twelve months with individual companies choosing a period appropriate to the nature of their own businesses. The Directors have chosen a period of three years as explained further below.

The Directors have carried out a robust assessment of the principal risks facing the Company and these are listed on pages 22 to 24. 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 Directors confirm that they consider a three year period is most appropriate given the frequency with which it is necessary to review and assess the impact of past, current and proposed regulatory changes. 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 page 29. 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.

In compliance with the VCT Rules, the Board has focused on financing growth capital investment opportunities. At 31 March 2018, the Company holds 45.6% (£11.81 million) of its portfolio in growth capital investments, £8.85 million of which value was invested since the introduction of the new VCT Rules in 2015.

The Board will continue to monitor returns from growth capital investments on a regular basis and the prospective returns thereon over the next three years at least. The Board considers that the Company has sufficient liquidity to maintain its present investment role in the short to medium term.

Shareholders should be aware that, under the Company's Articles, it is required to hold a continuation vote at the AGM falling after the fifth anniversary of the last share allotment. As shares were last allotted in March 2018 (under the Offer for Subscription), this factor has not affected the Board's assumptions for the next three years.

Future prospects

For a discussion of the Company's future prospects (both short and medium term), please see the Chairman's Statement on pages 3 and 4 and the Investment Review on page 10.

Nigel Melville
Chairman

22 June 2018

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 advises growth companies and is Chairman of Stormagic Limited, a supplier of hyper converged infrastructure software.

Ian Blackburn

Appointed to the Board: 1 July 2017

Experience: Ian is 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 Limited (manufacture of Ombar raw cocoa chocolate bars), Make It Plain Limited (trading as Kinteract, an education sector App), Slimline Wine Limited (zero sugar/carbohydrate wines) and Freshly Cut Limited (trading as Peppersmith, an oral health care products provider). He is also a trustee and treasurer of The Thomas Fryer Charity.

For details of the share interests, remuneration and attendance of the Directors, please see pages 35 and 36 of the Directors' Annual Remuneration Report.

Directors' Report

The Directors present the eighteenth Annual Report and Audited Accounts of the Company for the year ended 31 March 2018.

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 principal activity of the Company is to operate as a Venture Capital Trust, making growth capital investments in the equity and loan stock of primarily unquoted companies, in compliance with VCT legislation.

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.

Statements relating to dividends and future developments are included in the Chairman's Statement on pages 2 to 4 and in the Strategic Report on pages 7 to 10 of this Annual Report.

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 issued a total of 14,303,289 new ordinary shares through the Offer for Subscription launched on 6 September 2017 which closed on 13 March 2018.

The nominal value of the issued share capital of the Company as at 31 March 2018 was £493,042 (2017: £356,724) and the number of ordinary shares in issue at this date was 49,304,159 (2017: 35,672,387).

The Company bought back 671,517 ordinary shares (2017: 396,076) for cancellation at a cost of £616,121 (2017: £411,261) (including expenses). These shares represented 1.9% of the issued share capital of the Company at the beginning of the financial 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% of the issued share capital.

Dividends

A second interim dividend of 9.00 pence was paid on 22 January 2018, following on from the special interim dividend of 7.00 pence per share paid on 27 July 2017 in respect of the year ended 31 March 2018. 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 5.00 pence per share, (2017: interim dividend of 5.00 pence). Dividends paid in respect of the year ended 31 March 2018 totalled 16.00 pence per share and cumulative dividends paid per share since the launch of the current share class increased to 78.00 pence per share.

Directors

The names and brief biographical details on each of the Directors are given on page 25 of this Annual Report. Details of each Director's interest in the Company's shares are set out on page 36 of this Annual Report. None of the Directors held interests in investee companies throughout the year.

Disclosure of information to the Auditor

So far as each of the Directors in office at 31 March 2018 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 2018, please see Note 18 to the Financial Statements on page 65.

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.

Key Information Document

The European Union's Packaged Retail Investment and Insurance based Products ('PRIIP's') Regulations cover VCTs and require boards to prepare a key information document ("KID") in respect of their companies. Your Company's KID is available on the Company's website. Investors should note that the processes for calculating the risks, costs and

Directors' Report

potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or content of the document. The illustrated performance returns in the KID cannot be guaranteed and, together with the prescribed cost calculation and risk categorisation, may not reflect figures for the Company derived using other methods. Accordingly the Board recommends that investors also take account of information from other sources, including the Annual Report.

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.

Anti-Tax Evasion

The Company has adopted a zero tolerance approach towards the criminal facilitation of tax evasion and the corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion in compliance with the Criminal Finances Act 2017. The Company has applied due diligence procedures, taking an appropriate risk based approach, in respect of persons who perform services on behalf of the Company, in order to mitigate identified risk.

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 57 to 64 of this Annual Report.

Annual General Meeting

The Notice of the Annual General Meeting ("AGM") of the Company to be held at 11.00 am on Wednesday 12 September 2018, at **The Clubhouse, 8 St James's Square, London SW1Y 4JU** is set out on pages 71 to 73 of this Annual Report. Proxy Forms for the AGM are enclosed with shareholders' copies of this Annual Report. Proxy votes may also be submitted electronically via the Link 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 66 for further information.

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

The following is an explanation of the main resolutions to be proposed at the meeting:

Authorities for the Directors to allot shares (Resolution 7) and disapply the pre-emption rights (Resolution 8).

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

Resolution 7 will authorise the Directors to allot new shares up to an aggregate nominal value of £100,000 representing approximately 30% of the Company's existing issued share capital as at the date of the notice convening the AGM.

The Directors recognise that the level of authority being sought for the issuing of shares without pre-emption rights pursuant to Resolutions 7 and 8 exceeds recommended guidelines of 5%. It is not, however, uncharacteristic for Venture Capital Trusts to seek shareholder approval for such authorities which would provide the Company with the maximum degree of flexibility when it comes to raising additional funds in furtherance of its Objective. By seeking such approval at the Annual General Meeting, this avoids the need to convene a further general meeting which would otherwise add further time and expense to the fundraising cycle.

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

(i) with an aggregate nominal value of up to £100,000 in connection with offer(s) for subscription; and

(ii) otherwise than pursuant to (i) above, with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time,

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

The Company normally allots shares at prices based on the prevailing net asset value per share of the existing shares on the date of the allotment (less costs). The Directors thus seek to manage any potential dilution of existing shareholders as a result of the disapplication of members' pre-emption rights proposed in Resolution 8.

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

Both of these authorities, unless previously renewed varied, or revoked will expire on the date falling fifteen months after the passing of the resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2019. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions renew previous authorities approved by shareholders on 14 September 2017.

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

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is limited to the purchase of an aggregate of 7,390,693 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 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding the date such shares are contracted to be purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid for a share is 1 penny, being the nominal value thereof.

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

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless they believe to do so would result in an increase in net assets per share, which would be in the interests of shareholders generally. This resolution will expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's annual general meeting to be held in 2019 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 112,289 shares (representing 0.23% of the issued share capital as at 15 June 2018, 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

22 June 2018

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies (AIC) Code of Corporate Governance 2016 ("the AIC Code") for the financial year ended 31 March 2018. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, 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 recommendations of the AIC Code and relevant provisions of the UK Code throughout the year under review. A table providing further explanations of how the Company has complied with the AIC Code during the year is available in the Corporate Governance section of the Company's website: www.mig2vct.co.uk.

As an externally managed VCT, most of the Company's operations are delegated to third parties and the Company has no executive directors, employees or internal operations. The Board has therefore concluded, for the reasons set out in the AIC Guide, that not all the provisions of the UK Code are relevant to the Company. Firstly, as the Company does not employ a chief executive, nor any executive directors, the provisions of the AIC Code relating to the rate of the chief executive and executive director's remuneration are not relevant to the Company. Secondly, the system and procedures of the Investment Adviser, the provision of VCT monitoring services by Philip Hare & Associates LLP, 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 on the following pages:

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 regular reviews of signing authorities, quarterly management accounts and the processes by which investments in the portfolio are valued. The Board also provides 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 Half-Year and Annual Reports 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. The Audit Committee and the Board carried out an assessment of the effectiveness of internal controls in managing risk. The assessment was conducted on the basis of reports from the relevant service providers. The last review took place on 13 June 2018. 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.

Re-election of Directors

As announced on 13 June 2018, Nigel Melville will not be standing for re-election at the forthcoming Annual General Meeting ("AGM") on 12 September 2018 and will retire from the Board following the meeting.

Ian Blackburn, was appointed as a Director on 1 July 2017 and was elected as a Director at the AGM held on 14 September 2017. He is therefore subject to re-election on a rotating basis and will not be required to stand for re-election until the AGM to be held in 2020.

In accordance with the AIC Code, 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 AGM. Following a review of each Director's performance, the Board agreed that both Adam Kingdon and Sally Duckworth continued to make a substantial contribution to the Board and that their length of service was an asset to the Company. The Board also considers that they continues to offer valuable skills and experience and recommends their re-election to shareholders.

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

The Board and its Committees

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. These authorities are currently in place and resolutions to renew them will be proposed at the next AGM to be held on 12 September 2018.

The Board (Chaired by Nigel Melville until 12 September 2018 following which Ian Blackburn will be appointed Chairman of the Company) 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.

Board committees

The Board has established three 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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Ian Blackburn and comprises all Directors.

A full description of the work of the Committee with regard to remuneration is included within the Directors' Remuneration Report on page 36.

In considering nominations, the Committee is responsible for making recommendations to the Board concerning new appointments of Directors to the Board and its committees; the periodic review of the composition of the Board and its committees; and the annual performance review of the Board, the Directors and the Chairman. This includes the ongoing review of each Director's actual or potential conflicts of interest which may arise as a result of the external business activities of Board members. Ian Blackburn was appointed as a Director of the Company on 1 July 2017. The Board has made a commitment to consider diversity, including gender as part of the recruitment process for future appointments.

Investment Committee

The Investment Committee (chaired by Sally Duckworth) comprises all 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 35.

During the year investment matters were discussed extensively at Board meetings and the Committee advised the Board on the application of the Investment Policy. 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. It also led the process for the ongoing monitoring of investee companies and the Company's investment therein. Investments are valued in accordance with IPEV 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.

Management Engagement Committee

The Board established a Management Engagement Committee on 13 June 2018. The committee will be chaired by Ian Blackburn and currently comprises all four independent Directors.

The Committee will meet annually to review the Company's contracts with its service providers and at other times when

Corporate Governance Statement

necessary, and makes recommendations to the Board.

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 48 and 49.

In addition the Investment Adviser received fees totalling £250,282 during the year ended 31 March 2018 (2017: £206,909), being £85,289 (2017: £67,353) in arrangement fees and £164,993 (2017: £139,556) in non-executive director's 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 satisfactory 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 recent VCT fundraising and other 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 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 13 June 2018.

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 to the Financial Statements on pages 48 and 49 of this Annual Report. The Board seeks to ensure that the terms of these Agreements represent an appropriate balance between cost and incentivisation of the Investment Adviser.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

22 June 2018

Report of the Audit Committee

The Audit Committee (chaired by Adam Kingdon) comprises all Directors. A summary of the Audit Committee's principal activities for the year ended 31 March 2018 is provided below:

Tax Compliance Services

Following the disengagement of BDO from part of the provision of Tax Compliance Services in respect of years ending 31 March 2018 onwards, in compliance with EU Regulation, tenders were sought from other providers for the provision of this work. As a result of the tender process, Philip Hare & Associates LLP have been appointed to provide part of such services for the 2018 and subsequent financial years.

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 29. 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 also explained further earlier in the Corporate Governance section under internal controls on page 29. 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 valuation methodology in respect of the capital growth investments has been under discussion during the year. Following consultations, a valuation methodology has been arrived at, in respect of certain of the growth investments. The valuation methodology will be the most appropriate in the circumstances. This is an evolving process and is subject to periodic review.

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 24 of the Strategic Report for further details.

Recognition of realised losses

If an investment has fallen in value 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 and the recent measures contained in the Autumn Budget of November 2017, enacted in the Finance Act 2018. 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 22 to 24, 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 29).

Cyber Security

The Board has sought assurances during the year from both the Investment Adviser and the Registrars and other service providers concerning their cyber security procedures and policies. Assurances have been provided by these principal service providers.

Anti-tax evasion

In compliance with The Criminal Finances Act 2017 the Company adopted a zero tolerance towards the criminal facilitation of tax evasion, detailed on page 27 of the Annual Report.

Report of the Audit Committee

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 Committee undertook an audit tender process in 2016, in compliance with the requirements on audit firm rotation under the European Audit Regulation Directive. As a consequence, BDO were reappointed as Auditor. BDO, or its predecessor firms, has been the independent auditor to the Company since 2008.

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

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

This review constituted the Audit Committee's annual assessment of the effectiveness of the external audit process. The Audit Committee concluded that the re-appointment of BDO LLP is in the best interest of the Company and shareholders and the Board recommends their re-appointment by shareholders at the forthcoming AGM.

Non-audit services

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

The Committee has reviewed 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.

The Audit Committee, on the advice of the external Auditor, has concluded that it is in the interests of the Company to purchase certain non-audit services, such as tax compliance services, from a separate firm. BDO will continue to provide some non-audit services, namely, iXBRL tagging and a review of the Half-Year Report. The services paid for during the year were tax compliance services and iXBRL tagging in respect of the prior year, and the Half-Year Report. Arising from the review above and after consultation with the Auditor, the agreement to receive tax compliance services from the auditor was terminated before the year end and Philip Hare & Associates LLP has been appointed to provide these tax compliance services in respect of the current financial year.

Subsequent to its review, the Audit Committee was satisfied that the audit independence had been maintained as the fees involved 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.

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 26.

By order of the Board

Adam Kingdon
Chairman of the Audit Committee

22 June 2018

Reports of the Directors

Directors' Annual Remuneration Report

Dear Shareholder

I am pleased to introduce the Directors' Annual Remuneration Report for the year ended 31 March 2018.

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.

After the AGM, the Board will reduce from four to three directors. The Nomination and Remuneration Commitee has reviewed the fees paid in the year ended 31 March 2018. To reflect a continuing increase in regulation and workload for the remaining three Board members, the Committee has decided to increase Director's fees and to simplify the renumeration structure. With effect from 1 October 2018, supplements payable for individual committee chairmanships of £3,000 and a supplement of £6,000 for the Chairman of the Company, will be removed. Total Director's fees will be increased by £7,000 to £30,000 per annum, and by £10,000 to £36,000 for the Chairman. Shareholders should note that these increases represent only a small rise in the overall cost of the Board.

I would welcome any comments you may have.

Ian Blackburn
Nomination and Remuneration Committee Chairman
22 June 2018

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) (Amendment) Regulations 2013, 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 information provided on Directors' emoluments and Director's interests on page 36 of this Annual Report and this is explained further in the Auditor's Report to shareholders on pages 38 to 41.

The resolutions to approve the Directors' Remuneration Policy and Directors' Annual Remuneration Report as set out in the Annual Report for the year ended 31 March 2017 were approved by shareholders at the Annual General Meeting of the Company held on 14 September 2017. It was agreed that the remuneration policy would be subject to shareholder approval every three years, and therefore a resolution to approve the Remuneration Policy will be put to shareholders at the Annual General Meeting of the Company in 2020.

An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 12 September 2018 for approval of the Directors' Annual Remuneration Report as set out on page 36.

Directors' Remuneration Policy

The Directors' fees are reviewed annually and as stated above the Committee resolved to increase fees from 1 October 2018. When considering the level of Directors' fees, the Nomination and Remuneration Committee takes account of the workload required to be performed by the non-executive Directors, and is aware of the remuneration levels elsewhere in the Venture Capital Trust industry and other relevant information. It considers the levels and make-up of remuneration which are sufficient to attract, retain and motivate 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

Three of the Directors have served on the Board for over nine years. As announced on 13 June 2018, Nigel Melville will not be seeking re-election at the forthcoming Annual General Meeting. In accordance with the AIC Code of Corporate Governance, Adam Kingdon and Sally Duckworth, as the longest serving Directors, have both agreed to offer themselves for re-election each year.

All of the Directors are non-executive. The Articles of the Company provide that Directors may be appointed either by an ordinary resolution of the Company or by the Board provided that a person appointed by the Board shall be subject to election at the first annual general meeting following their appointment. Ian Blackburn having been appointed as a Director on 1 July 2017 offered himself for election at the last AGM (held on 14 September 2017) and will from now on retire by rotation and will therefore offer himself for re-election at the AGM in 2020.

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 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 their appointment.

This policy applied throughout the year ended 31 March 2018 and will continue to apply to the current year ending 31 March 2019.

Directors' Annual Remuneration Report

Shareholder approval of the Company's remuneration policy

A resolution to approve the Director's Remuneration Policy as set out in the Annual Report for the year ended 31 March 2017 was approved unanimously by shareholders on a show of hands at the AGM held on 14 September 2017. The Company also received proxy votes in favour of the resolution representing 94.09% (including those who appointed the Chairman to vote at his discretion) of the votes received (against 5.91%).

The Board is required to ask shareholders to approve the Remuneration Policy every three years. The Directors will therefore recommend that shareholders approve the Policy again at the AGM to be held in 2020.

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 Committee and the Board review the fees paid to Directors annually in accordance with the remuneration Policy as set out below 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	Pre 1 October 2018 total annual fees	From 1 October 2018 total annual fees	Expected total fees year ending 31 March 2019[3]	Performance conditions
Nigel Melville[1] Chairman	£26,000	-	£11,781	None
Adam Kingdon Chairman, Audit Committee	£23,000	£30,000	£26,500	None
Sally Duckworth Chairman, Investment Committee	£23,000	£30,000	£26,500	None
Ian Blackburn[2] Chairman, Nomination and Remuneration Committee	£23,000	£36,000	£29,641	None
Total fees payable	**£95,000**	**£96,000**	**£94,422**	

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 Nomination and Remuneration Committee.

[1] Nigel Melville will retire at the forthcoming AGM.

[2] Ian Blackburn will be appointed Chairman of the Company, following Nigel Melville's retirement.

[3] Directors' fees will be increased to a fixed £30,000 per annum for Directors and £36,000 per annum for the Chairman from 1 October 2018, having removed supplements payable to the Chairman of committees and of the Company.

The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year to 31 March 2018. 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
Ian Blackburn[1]	3	3	1	1	-	-	-	-
Kenneth Vere Nicoll[2]	1	1	1	1	1	1	1	1

[1] Ian Blackburn was appointed as a director of the Company on 1 July 2017.

[2] Kenneth Vere Nicoll retired as a Director of the Company on 14 September 2017.

Annual Remuneration Report

The Company's Directors' Remuneration Policy as set out on pages 34 and 35 of this Annual Report applied throughout the year ended 31 March 2018 and will continue to apply to the current year ending 31 March 2019.

The Annual Remuneration Report was last approved at the Annual General Meeting held on 14 September 2017. The Company received proxy votes in favour of the resolution representing 94.16% (including those who appointed the Chairman to vote at his discretion) of the votes received (against 5.84%).

Nomination and Remuneration Committee

The remuneration of individual Directors is determined by the Nomination and Remuneration Committee within the framework set by the Board. The Committee comprises the full Board and is chaired by Ian Blackburn. 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. Following their review, the Committee are recommending an increase in Directors' fees as outlined on pages 34 and 35. 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.

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 2018 £	Year ended 31 March 2017 £
Nigel Melville	26,000	25,000
Adam Kingdon	23,000	22,000
Sally Duckworth	23,000	22,000
Ian Blackburn	16,587	-
Kenneth Vere Nicoll	10,468	22,000
Total	**99,055**	**91,000**

Aggregate fees paid in respect of qualifying services amounted to £99,055 (2017: £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 2018 were:

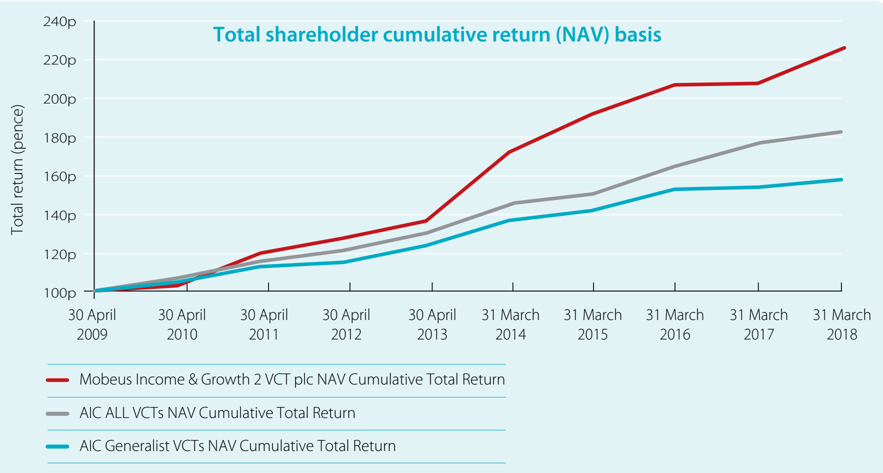
Director	Holdings at 31 March 2018	Holdings at 31 March 2017
Nigel Melville	58,117	52,302
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-
Ian Blackburn	48,463	-
Kenneth Vere Nicoll	N/A	54,705

Relative importance of spend on Directors' fees

Year ended 31 March	2018 £	2017 £
Total Directors' fees	99,055	91,000
Dividends paid and payable in respect of the year	6,821,660	5,366,566
Share buybacks	616,121	411,261
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends	1.5%	1.7%
Total fees and expenses	7.4%	7.2%

Total shareholder return

The following graph charts the total cumulative shareholder return of the Company (assuming all dividends are not re-invested) over the past nine 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 7 to 9 and in the Investment Review and Investment Portfolio Summary on pages 19 to 21.

By order of the Board

Mobeus Equity Partners LLP
Company Secretary

22 June 2018

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 25.

For and on behalf of the Board

Nigel Melville
Chairman

22 June 2018

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

Opinion

We have audited the financial statements of Mobeus Income & Growth 2 VCT plc ("the Company") for the year ended 31 March 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

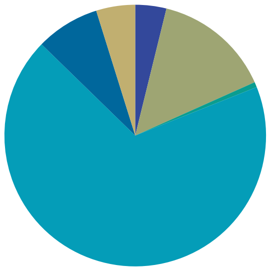
Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, 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 Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Valuation of unquoted investments We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company. The Company's accounting policy for assessing the fair value of investments is disclosed on page 53 in note 8 and disclosures regarding the fair value estimates are given on page 54 in note 8.	Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. A breakdown of the investment portfolio valuation technique is shown below.  For all Investments in our sample we: ● Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102; ● Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies; For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we: ● Verified the cost or price of recent investments to supporting documentation; ● Considered whether the investment was an arm's length transaction; and ● Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we: ● Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding 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 any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations; ● Considered the revenue or earnings multiples applied by reference to observable listed Company market data; and ● Challenged the consistency and appropriateness of 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.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of 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 as a whole.

The application of these key considerations gives rise to two measures of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality Measure [Basis]	Purpose	Key considerations	2018 Quantum (£)	2017 Quantum (£)
Financial Statement Materiality [2% value of investments]	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	530,000	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	110,000

Performance materiality is application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the company's overall control environment, our judgment was that overall performance materiality for the company should be 75% (2017: 75%) of materiality, namely £400,000 (2017: £420,000).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £5,500 (2017: £7,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable– the statement given by the directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code- the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following a recommendation of the Audit Committee, we were appointed by The Board of Directors to audit the financial statements for the year ended 30 April 2009 and subsequent financial periods. Following a re-tender we were reappointed as auditors in respect of the year ended 31 March 2017 and subsequent financial periods by the Board. The period of total uninterrupted engagement is 10 years, covering the years ending 30 April 2009 to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

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

Date 22 June 2018

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

Income Statement

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 Revenue £	Capital £	Total £	Year ended 31 March 2017 Revenue £	Capital £	Total £
Unrealised (losses)/gains on investments	8	-	(755,510)	(755,510)	-	229,772	229,772
Realised gains on investments	8	-	2,766,722	2,766,722	-	76,067	76,067
Income	3	1,715,664	-	1,715,664	1,679,033	-	1,679,033
Investment Adviser's fees	4a	(247,177)	(741,530)	(988,707)	(237,791)	(713,374)	(951,165)
Investment Adviser's performance fees	4b	-	-	-	-	(2,692)	(2,692)
Other expenses	4c	(348,568)	-	(348,568)	(304,306)	-	(304,306)
Profit/(loss) on ordinary activities before taxation		1,119,919	1,269,682	2,389,601	1,136,936	(410,227)	726,709
Taxation on profit/(loss) on ordinary activities	5	(191,512)	140,891	(50,621)	(172,122)	143,213	(28,909)
Profit/(loss) for the year and total comprehensive income		**928,407**	**1,410,573**	**2,338,980**	**964,814**	**(267,014)**	**697,800**
Basic and diluted earnings per ordinary share:	7	**2.25p**	**3.43p**	**5.68p**	**2.69p**	**(0.75)p**	**1.94p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the unrealised (losses)/gains and realised gains on investments and the proportion of the Investment Adviser's fee 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 47 - 65 form part of these Financial Statements.

Balance Sheet

as at 31 March 2018

Company No. 03946235

	Notes	31 March 2018 £	31 March 2017 £
Fixed assets			
Investments at fair value	8	26,885,112	28,083,576
Current assets			
Debtors and prepayments	10	339,187	185,596
Current asset investments	11	18,287,301	5,197,301
Cash at bank	11	2,272,473	4,738,612
		20,898,961	10,121,509
Creditors: amounts falling due within one year	12	(185,876)	(144,100)
Net current assets		20,713,085	9,977,409
Net assets		**47,598,197**	**38,060,985**
Capital and reserves			
Called up share capital	13	493,042	356,724
Share premium reserve		30,498,349	15,901,497
Capital redemption reserve		94,298	87,583
Revaluation reserve		1,398,656	2,001,764
Special distributable reserve		6,052,525	7,540,615
Realised capital reserve		7,943,475	11,142,462
Revenue reserve		1,117,852	1,030,340
Equity shareholders' funds		**47,598,197**	**38,060,985**
Basic and diluted net asset value per ordinary share	14	**96.54p**	**106.70p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 June 2018 and are signed on their behalf by:

Nigel Melville
Chairman

The notes on pages 47 – 65 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2018

	Notes	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 £
		Non-distributable reserves				Distributable reserves			
At 1 April 2017		**356,724**	**15,901,497**	**87,583**	**2,001,764**	**7,540,615**	**11,142,462**	**1,030,340**	**38,060,985**
Comprehensive income for the year									
(Loss)/profit for the year		-	-	-	(755,510)	-	2,166,083	928,407	2,338,980
Total comprehensive income for the year		**-**	**-**	**-**	**(755,510)**	**-**	**2,166,083**	**928,407**	**2,338,980**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription (note c)	13	143,033	14,596,852	-	-	(103,872)	-	-	14,636,013
Shares bought back (note d)	13	(6,715)	-	6,715	-	(616,121)	-	-	(616,121)
Dividends paid	6	-	-	-	-	-	(5,980,765)	(840,895)	(6,821,660)
Total contributions by and distributions to owners		**136,318**	**14,596,852**	**6,715**	**-**	**(719,993)**	**(5,980,765)**	**(840,895)**	**7,198,232**
Other movements									-
Realised losses transferred to special reserve (note a)		-	-	-	-	(768,097)	768,097	-	-
Realisation of previously unrealised depreciation		-	-	-	152,402	-	(152,402)	-	-
Total other movements		**-**	**-**	**-**	**152,402**	**(768,097)**	**615,695**	**-**	**-**
At 31 March 2018		**493,042**	**30,498,349**	**94,298**	**1,398,656**	**6,052,525**	**7,943,475**	**1,117,852**	**47,598,197**

Note 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 £768,097 from the realised capital reserve to the special distributable reserve above is the total of realised losses incurred by the Company in the year.

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

Note c): Under an Offer for Subscription launched on 6 September 2017, 14,303,289 shares were allotted between September 2017 and March 2018, raising net funds of £14,636,013 for the Company. This figure is net of issue costs of £260,115. Having raised the full amount of funds sought, the Offer was closed on 13 March 2018.

Note d): During the year, the Company purchased 671,517 of its own shares at the prevailing market price for a total cost of £616,121, which were subsequently cancelled.

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.

The notes on pages 47 – 65 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 £	Realised capital reserve £	Revenue reserve £	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	(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	-	-	-	-	(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 - 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 (excluding transaction costs) of an investment, or if an investment has permanently fallen in value, and 75% of the Investment Adviser fee and 100% of any performance fee expense, and the related tax effect, are transferred from the realised capital reserve to this reserve. The cost of any IFA facilitation fee payable as part of the Offer for Subscription is also charged 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 47 – 65 form part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Cash flows from operating activities			
Profit for the financial year		2,338,980	697,800
Adjustments for:			
Net unrealised losses/(gains) on investments		755,510	(229,772)
Net gains on realisations on investments		(2,766,722)	(76,067)
Tax charge for the current year		50,621	28,909
(Increase)/decrease in debtors		(100,281)	80,712
Increase/(decrease) in creditors and accruals		20,273	(44,914)
Net cash inflow from operations		298,381	456,668
Corporation tax paid		(29,118)	-
Net cash inflow from operating activities		**269,263**	**456,668**
Cash flows from investing activities			
Purchase of investments	8	(2,733,686)	(2,257,183)
Disposal of investments	8	5,890,052	3,812,501
No change/decrease in bank deposits with a maturity over three months		-	507,061
Net cash inflow from investing activities		**3,156,366**	**2,062,379**
Cash flows from financing activities			
Shares issued as part of Offer for subscription	13	14,636,013	-
Equity dividends paid	6	(6,821,660)	(5,366,566)
Purchase of own shares	13	(616,121)	(412,046)
Net cash inflow/(outflow) from financing activities		**7,198,232**	**(5,778,612)**
Net increase/(decrease) in cash and cash equivalents		**10,623,861**	**(3,259,565)**
Cash and cash equivalents at start of year		9,935,913	13,195,478
Cash and cash equivalents at end of the year		**20,559,774**	**9,935,913**
Cash and cash equivalents comprise:			
Cash equivalents	11	18,287,301	5,197,301
Cash at bank and in hand	11	2,272,473	4,738,612

The notes on pages 47 – 65 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2018

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.

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 2018 has been classified as capital and has been included within gains on investments.

	2018 £	2017 £
Income from bank deposits	11,161	29,594
Income from investments		
– from equities	114,698	181,950
– from overseas based OEICs	21,687	15,605
– from UK based OEICs	11,450	8,549
– from loan stock	1,551,995	1,443,335
– from interest on preference share dividend arrears	218	-
	1,700,048	**1,649,439**
Other income	4,455	-
Total income	**1,715,664**	**1,679,033**
Total income comprises		
Dividends	147,835	206,104
Interest	1,563,374	1,472,929
Other	4,455	-
	1,715,664	**1,679,033**

Total loan stock interest due but not recognised in the year was £243,675 (2017: £275,960).

Financial Statements

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 £	2018 Total £	Revenue £	Capital £	2017 Total £
Mobeus Equity Partners LLP						
Investment Adviser's fees	247,177	741,530	988,707	237,791	713,374	951,165
Investment Adviser's performance fee	-	-	-	-	2,692	2,692
	247,177	**741,530**	**988,707**	**237,791**	**716,066**	**953,857**

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 with the Board. In accordance with the policy statement published under "Management and Administration" in the Company's prospectus dated 10 May 2000, the Directors have charged 75% of the investment management expenses to the capital account. This is in line with the Board's expectation of the long-term split of returns from the investment portfolio of the Company.

Under the terms of the management agreement the total Investment Adviser and administration expenses of the Company excluding any irrecoverable VAT, exceptional costs and any performance incentive fee, are linked to a maximum of 3.6% of the value of the Company's closing net assets. For the year ended 31 March 2018, the expense cap has not been breached (2017: £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 £85,289 (2017: £67,353) and £164,993 (2017: £139,556) respectively. The fees for supplying directors and/or monitoring services were from 34 (2017: 28) investee companies during the year.

Notes to the Financial Statements for the year ended 31 March 2018

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 in to 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 2018

The cumulative dividends paid exceeded the annual cumulative dividend target at 31 March 2018 by 7.24p per share (£2,788,162 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 7.80p per share at the year-end after adjustment for RPI. The Base NAV was 105.97 per share at the year-end and an average of 106.09p for the year, compared to an average NAV for the year of 103.51p.

Therefore no Incentive fee is payable for the year (2017: £2,692).

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.

	2018 £	2017 £
Directors' remuneration (including NIC of £5,318 (2017: £5,080) (note a)	104,373	96,080
IFA trail commission	47,511	15,395
Broker's fees	12,000	12,000
Auditor's fees – Audit of Company (excluding VAT)	22,807	22,550
– tax compliance services (note b) (excluding VAT)	1,503	3,550
– audit related assurance services (note b) (excluding VAT)	4,562	4,510
Registrar's fees	46,614	30,707
Printing	41,250	33,215
Legal & professional fees	8,129	13,059
VCT monitoring fees	8,400	8,400
Directors' insurance	8,094	8,310
Listing and regulatory fees	24,760	23,219
Sundry	18,565	18,466
Running costs	**348,568**	**289,461**
Provision against loan interest receivable (note c)	-	14,845
Other expenses	**348,568**	**304,306**

a): See analysis in Directors' emoluments table on page 36, which excludes the NIC above. The key management personnel are the four non-executive directors. The Company has no employees.

b): The Directors consider the Auditor was best placed to provide the other services disclosed above. The audit related assurance services are in relation to the review of the Financial Statements within the Company's Half-Year Report. The Audit Committee reviews the nature and extent of these services to ensure that auditor independence is maintained. In this regard, compliance tax services (excluding iXBRL services), with effect from the current year, are to be carried out by another firm, so are included within legal and professional fees.

c): Provision against loan interest receivable of £nil (2017: £14,845) 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.

Notes to the Financial Statements for the year ended 31 March 2018

	Revenue £	Capital £	2018 Total £	Revenue £	Capital £	2017 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits for the year	191,512	(140,891)	50,621	172,122	(143,213)	28,909
Total current tax charge	**191,512**	**(140,891)**	**50,621**	**172,122**	**(143,213)**	**28,909**
Corporation tax is based on a rate of 19% (2017: 20%)						
b) Profit/(loss) on ordinary activities before tax	1,119,919	1,269,682	2,389,601	1,136,936	(410,227)	726,709
Profit on ordinary activities multiplied by small company rate of corporation tax in the UK of 19% (2017: 20%)	212,785	241,239	454,024	227,387	(82,046)	145,341
Effect of:						
UK dividends	(21,792)	-	(21,792)	(36,390)	-	(36,390)
Unrealised losses/(gains) not deductible/taxable	-	143,547	143,547	-	(45,954)	(45,954)
Realised gains not taxable	-	(525,677)	(525,677)	-	(15,213)	(15,213)
Unrelieved expenditure	310	-	310	-	-	-
Utilisation of losses on which deferred tax not recognised	-	-	-	(18,875)	-	(18,875)
Under provision in prior period	209	-	209	-	-	-
Actual tax charge	**191,512**	**(140,891)**	**50,621**	**172,122**	**(143,213)**	**28,909**

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 (2017: £nil). There is no unrecognised deferred tax asset in 2018 (2017: £nil)..

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	2018 £	2017 £
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
Interim	Capital	2018	7.00p	27/07/2017	2,497,067	-
Second interim	Income	2018	1.75p	22/01/2018	840,894	-
Second interim	Capital	2018	7.25p	22/01/2018	3,483,699	-
					6,821,660	**5,366,566**

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	2018 £	2017 £
Revenue available for distribution by way of dividends for the year					**928,407**	**964,814**
Second interim	Income	2017	2.50p	31/03/2017	-	891,810
Second interim	Income	2018	1.75p	22/01/2018	840,894	-
Total income dividends for the year					**840,894**	**891,810**

7 Basic and diluted earnings and return per share

	2018 £	2017 £
Total earnings after taxation:	2,338,980	697,800
Basic and diluted earnings per share (note a)	**5.68p**	**1.94p**
Net revenue earnings from ordinary activities after taxation	928,407	964,814
Basic and diluted revenue earnings per share (note b)	**2.25p**	**2.69p**
Unrealised capital (losses)/gains	(755,510)	229,772
Realised capital gains	2,766,722	76,067
Capital Investment Adviser's fees (net of taxation)	(600,639)	(570,161)
Investment Adviser's performance fee	-	(2,692)
Total capital earnings	1,410,573	(267,014)
Basic and diluted capital earnings per share (note c)	**3.43p**	**(0.75)p**
Weighted average number of shares in issue in the year	41,190,198	35,877,280

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.

Notes to the Financial Statements for the year ended 31 March 2018

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 "fair value through profit and loss" ("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. Where the terms of a disposal state that consideration may be received at some future date and, subject to the conditionality and materiality of the amount of deferred consideration, an estimate of the fair value, discounted for the time value of money may be recognised through the Income Statement. In other cases, the proceeds will only be recognised once the right to receive payment is established and there is no reasonable doubt that payment will be received.

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 consideration of:

(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) a multiple basis. The shares may be valued by applying a suitable price-earnings ratio, revenue or gross profit multiple to that company's historic, current or forecast post-tax earnings before interest and amortisation, revenue, or gross profit (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 they 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 a multiple or cost less impairment basis is not appropriate and overriding factors apply, a discounted cash flow, net asset valuation or realisation proceeds basis may be applied.

Capital gains and losses on investments, whether realised or unrealised, are dealt with in the profit and loss and revaluation reserves, and movements in the period are shown in the Income Statement.

All investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the Income Statement.

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

The methods of fair value measurement are classified into hierarchy based on the reliability of the information used to determine the valuation.

– Level 1 – Fair value is measured based on quoted prices in an active market.

– Level 2 – Fair value is measured based on directly observable current market prices or indirectly being derived from market prices.

– Level 3 – Fair value is measured using valuation techniques using inputs that are not based on observable market data.

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 2017	254,586	10,571,020	23,395	17,664,403	28,513,404
Permanent impairment at 31 March 2017	(254,586)	(1,365,869)	(739)	(810,398)	(2,431,592)
Unrealised gains/(losses) 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**
Purchases at cost	-	1,810,907	-	922,779	2,733,686
Sale proceeds (notes a and b)	-	(3,069,069)	(1,236)	(2,873,057)	(5,943,362)
Reclassification at value (note c)	-	445,804	-	(445,804)	-
Realised gains on investments (note a)	-	2,765,069	1,236	417	2,766,722
Unrealised gains/(losses) on investments (note d)	-	1,844,353	(719)	(2,599,144)	(755,510)
Valuation at 31 March 2018	**-**	**10,730,928**	**399,055**	**15,755,129**	**26,885,112**
Cost at 31 March 2018	-	12,398,820	22,159	15,664,527	28,085,506
Permanent impairment at 31 March 2018 (note e)	-	(1,704,184)	(739)	(894,127)	(2,599,050)
Unrealised gains at 31 March 2018	-	36,292	377,635	984,729	1,398,656
Valuation at 31 March 2018	**-**	**10,730,928**	**399,055**	**15,755,129**	**26,885,112**

A breakdown of the increases and decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 19 to 21.

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 £
Entanet Holdings Limited[1]	Full exit	1,444,090	3,259,328	1,550,227	1,709,101
Gro-Group Holdings Limited	Full exit	1,123,088	2,026,442	973,928	1,052,514
TPSFF Holdings Limited	Loan repayments	290,406	348,485	348,485	-
Manufacturing Services Investment Limited	Share buyback	304,000	304,000	304,000	-
Others		-	5,107	-	5,107
		3,161,584	**5,943,362**	**3,176,640**	**2,766,722**

[1]– Deferred contingent consideration of £0.33 million is potentially receivable over the next 9-15 months. There are conditions attached to this deferred consideration such that the amount receivable is uncertain and so has not been recognised in the current year's financial statements.

Note b) The cash flow from investment proceeds shown above of £5,943,362 differs from the sales proceeds shown in the Statements of Cash Flows of £5,890,052, by £53,310. These are deferred proceeds payable from the sale of Gro-Group and are held in debtors at the year end.

Note c) During the year, Manufacturing Services Investment Limited, a company preparing to trade, acquired Wetsuit Outlet. Part of the original holding was reorganised whereby £445,804 of loan stock was reclassified into ordinary shares.

Note d) Within net unrealised losses of £755,510 for the year, the significant losses in value compared to last year were as follows: £619,342 in Fullfield Limited (trading as Motorclean), £615,590 in Media Business Insight Holdings Limited, £612,884 in Veritek Global Limited, £515,624 in RDL Corporation Limited, £390,332 in Virgin Wines Holding Company Limited and £373,839 in Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media)). These losses were partially offset by unrealised gains in valuation compared to last year, including: £520,375 in EOTH Limited, £434,341 in MPB Group Limited, £379,896 in Preservica Limited, £348,183 in Master Removers Group Limited and £336,969 in Vectair Limited.

The decrease 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 e) During the year, permanent impairments of the cost of investments have risen from £2,431,592 to £2,599,050. The increase of £167,458 is due to the impairment of one investee company's remaining investment cost.

Notes to the Financial Statements for the year ended 31 March 2018

9 Significant interests

At 31 March 2018 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (Ordinary Shares) £	Investment in loan stock and preference shares £	Total investment (at cost) £	Percentage of investee company's total equity	% of equity held by all funds managed by Mobeus[1]
ASL Technology Holdings Limited	372,184	1,719,825	2,092,009	10.3%[4]	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	7.7%[4]	43.4%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	858,496	858,496	1,716,992	4.7%	27.5%
Turner Topco Limited (trading as Auction Technology Group (formerly ATG Media))	3,863	1,317,100	1,320,963	3.3%	17.1%
Virgin Wines Holding Company Limited	30,541	1,253,792	1,284,333	6.4%	42.0%
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 Holdings Limited	26,001	941,779	967,780	7.1%[4]	46.0%
MPB Group Limited	552,455	267,318	819,773	4.3%[4]	24.1%
EOTH Limited	81,719	735,466	817,185	1.5%[4]	8.0%
Ibericos Etc. Limited (trading as Tapas Revolution)	270,748	541,500	812,248	4.5%	25.0%
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%
BookingTek Limited	450,283	54,053	504,336	2.7%[4]	14.9%
Pattern Analytics Limited (trading as Biosite)	495,479	-	495,479	3.7%[4]	20.5%
Preservica Limited	485,770	-	485,770	6.2%[4]	38.0%
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%	47.5%
Hemmels Limited	53,671	383,567	437,238	2.5%[4]	12.5%
Blaze Signs Holdings Limited	419,549	17,481	437,030	13.5%	52.5%
Buster and Punch Holdings Limited	306,953	129,438	436,391	3.7%	20.0%
Super Carers Limited	384,720	-	384,720	3.4%[4]	18.7%
Master Removers Group Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van)	369,455	170	369,625	3.4%[4]	20.1%
My Tutorweb Limited	349,661	-	349,661	3.4%[4]	19.3%
Proactive Group Holdings, Inc	288,952	-	288,952	1.4%[4]	7.1%
Jablite Holdings Limited	254,380	27,018	281,398	6.8%	40.1%
TPSFF Holdings Limited (formerly The Plastic Surgeon Holdings Limited)	39,229	62,713	101,942	7.5%	38.0%
Vectair 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.

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

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

10 Debtors

	2018 £	2017 £
Amounts due within one year:		
Accrued income	280,423	179,669
Prepayments	5,454	5,927
Other debtors	53,310	-
	339,187	**185,596**

Other debtors of £53,310 are deferred proceeds from the disposal of Gro-Group received after the year-end.

11 Current asset investments and Cash at bank

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

	2018 £	2017 £
OEIC Money market funds (Cash equivalents per Statement of Cash Flows)	18,287,301	5,197,301
Current asset investments	**18,287,301**	**5,197,301**
Cash at bank	**2,272,473**	**4,738,612**

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	18,495	3,992
Other creditors	13,496	13,730
Accruals	103,472	97,469
Corporation tax	50,413	28,909
	185,876	**144,100**

Notes to the Financial Statements for the year ended 31 March 2018

13 Called up share capital

	2018 £	2017 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 49,304,159 (2017: 35,672,387)	**493,042**	**356,724**

Purchased	Date of purchase	Nominal value £
19,956	07 July 2017	200
159,264	28 September 2017	1,592
100,000	29 September 2017	1,000
279,297	20 December 2017	2,793
113,000	27 March 2018	1,130
671,517		6,715

During the year, the Company repurchased and subsequently cancelled 671,517 (2017: 396,076) of its own Ordinary shares (representing 1.9% (2017: 1.1%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £616,121 (2017: £411,261).

Under the Offer for Subscription launched on 6 September 2017, a total of 14,303,289 ordinary shares were allotted at offer prices ranging from 95.21 pence to 110.99 pence, raising net funds of £14,636,013.

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 49,304,159 (2017: 35,672,387) Ordinary shares, being the number of ordinary shares in issue on that date.

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

15 Financial instruments

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

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

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

The accounting policy for determining the fair value of investments is set out in Note 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 2018:

	2018 (Fair value) £	2017 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	26,885,112	28,083,576
Loans and receivables held at amortised cost		
Current asset investments	18,287,301	5,197,301
Cash at bank	2,272,473	4,738,612
Accrued income	280,423	179,669
Other debtors	53,310	-
Liabilities held at amortised cost		
Creditors and accruals	(135,463)	(104,153)
Total for financial instruments	47,643,156	38,095,005
Non-financial instruments	(44,959)	(34,020)
Net assets	**47,598,197**	**38,060,985**

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

The investment portfolio principally consists of unquoted investments of 100.0% (2017: 100.0%). The investment portfolio has a 100.0% (2017: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 56.5% (2017: 73.8%) of net assets at the year end.

Current asset investments are money market funds which, along with Cash at bank are discussed under credit risk below, which represent 43.2% (2017: 26.1%) of net assets at the year end.

The main risks arising from the Company's financial instruments are the investment risk and the liquidity risk of the unquoted portfolio. Other important risks are credit risk, fluctuations in market prices (market price risk), and cash flow interest rate risk, although currency risk is also discussed overleaf. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised 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 takes a seat on the Board of each investee company, thus being able to monitor its progress on a regular basis and contribute to the strategic direction of the company.

Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £20,559,774 (2017: £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 £	2018 Total £
Other creditors	**87,402**	**48,061**	**-**	**-**	**135,463**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2017 Total £
Other creditors	**78,208**	**25,945**	**-**	**-**	**104,153**

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:

	2018 £	2017 £
Loan stock investments	15,755,129	20,749,938
Preference shares	399,055	399,774
Current asset investments	18,287,301	5,197,301
Accrued income and other debtors	333,733	179,669
Cash at bank	2,272,473	4,738,612
	37,047,691	**31,265,294**

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 £333,733 was all due within six months of the year end, with £31,189 still receivable two months after the year-end.

The following table shows the maturity of the loan stock investments referred to above. In some cases, the loan maturities are not the contractual ones, but are the best estimate using management's expectations of when it is likely that such loans may be repaid.

Repayable within	2018 £	2017 £
0 to 1 year	1,128,539	2,066,372
1 to 2 years	3,416,325	9,646,808
2 to 3 years	7,295,537	4,071,832
3 to 4 years	1,355,808	3,360,345
4 to 5 years	2,558,920	1,604,581
Total	**15,755,129**	**20,749,938**

There are two loans with a total carrying value of £949,415 which are past their relevant capital repayment dates, but have not been renegotiated, and there is one loan with a carrying value of £799,739 which is past its relevant capital repayment date, but has 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 been set out under market price risk below.

An aged analysis of the loan stock investments included above, which are past due but not individually impaired, is set out below. For this purpose, these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The loans in the table below are all considered to be past due 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 £	2018 Total £
Loans to investee companies past due	**536,911**	**-**	**2,535,016**	**3,071,927**

	0-6 months £	6-12 months £	over 12 months £	2017 (restated) Total £
Loans to investee companies past due	**799,739**	**2,809,319**	**908,797**	**4,517,855**

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 £18,287,301 are all triple A rated funds, along with bank deposits of £2,272,473 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 included within the bank deposit figure above 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 the unquoted portfolio held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies (Investment risk), as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £26,885,112 at the year-end, representing the fair value of the investment portfolio.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equities and loan stock investments is determined by the requirement to meet the Company's Objective, as set out on page 5 in the Strategic Report. As part of the investment management process, the Board seeks to maintain an appropriate spread of market risk, and also has full and timely access to relevant information from the Investment Adviser. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The Investment Committee meets regularly and reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Company does not use derivative instruments to hedge against market risk.

Market price risk sensitivity

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

All of the investments made by the Investment Adviser are in unquoted companies, and 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 estimated enterprise value of the portfolio's unquoted companies. The table below shows the impact on profit and net assets if there were to be a 20% (2017: 20%) movement in overall share prices, and has used a 20% change in the quoted market comparator multiple as a proxy for this.

The sensitivity analysis below assumes 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 small, unquoted companies which may have other factors which may influence the extent of the valuation change, e.g. a strong niche brand may limit the valuation fall compared to comparators, or may be more affected by external market factors than larger companies.

For each of the companies in the investment portfolio that are valued on a multiple basis, the calculation below has applied plus and minus 20% to the multiple (such as earnings or revenue) derived from quoted market comparators that are used to value the companies. The companies valued on a multiple basis represent £21.25 million of the total investment portfolio of £26.89 million. The remainder of the portfolio is valued at either price of recent investment or net asset value, as shown below.

The impact of a change of 20% (2017: 20%) has been selected as this is considered reasonable given the level of volatility observed both on a historical basis and market expectations for future movement.

	2018 Profit and net assets £	2017 Profit and net assets £
If overall share prices rose/fell by 20% (2017: 20%), with all other variables held constant – increase/(decrease)	3,113,530 / (3,421,988)	3,238,870 / (3,873,152)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	6.31p / (6.94)p	9.08p / (10.86)p

Cash flow interest rate risk

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

Due to the short time to maturity of some of the Company's floating rate investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

The Company's assets include fixed and floating rate interest instruments, as shown below. The rate of interest earned is regularly reviewed by the Board, as part of the risk management processes applied to these instruments, already disclosed under market price risk above.

The interest rate profile of the Company's financial net assets at 31 March 2018 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	10,730,928	-	-	10,730,928		
Preference shares	-	399,055	-	399,055	6.2	3.7
Loan stocks	-	15,135,449	619,680	15,755,129	8.6	2.7
Current asset investments	-	-	18,287,301	18,287,301	0.4	
Cash at bank	-	-	2,272,473	2,272,473	0.5	
Debtors	333,733	-	-	333,733		
Creditors	(135,463)	-	-	(135,463)		
Total for financial instruments	10,929,198	15,534,504	21,179,454	47,643,156		
Non-financial instruments	(44,959)	-	-	(44,959)		
Net assets	**10,884,239**	**15,534,504**	**21,179,454**	**47,598,197**		

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	0.0	0.0
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)		
Net assets	**6,975,360**	**19,225,732**	**11,859,893**	**38,060,985**		

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.

Notes to the Financial Statements for the year ended 31 March 2018

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:

	2018 £ Profit and net assets	2017 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	171,554 / (171,554)	94,879 / (94,879)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.35p / (0.35p)	0.27p / (0.27p)

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 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Equity investments	-	-	10,730,928	10,730,928
Preference shares	-	-	399,055	399,055
Loan stock investments	-	-	15,755,129	15,755,129
Total	**-**	**-**	**26,885,112**	**26,885,112**

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**

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 2017	6,933,864	399,774	20,749,938	28,083,576
Purchases	1,810,907	-	922,779	2,733,686
Sales	(3,069,069)	(1,236)	(2,873,057)	(5,943,362)
Reclassification*	445,804	-	(445,804)	-
Total gains/(losses) included in Income Statement:				-
- on assets sold	2,765,069	1,236	417	2,766,722
- on assets held at the year end	1,844,353	(719)	(2,599,144)	(755,510)
Closing balance at 31 March 2018	**10,730,928**	**399,055**	**15,755,129**	**26,885,112**

* - There was one transaction whereby part of the loan stock of a company preparing to trade was exchanged for equity issued by the eventual acquirer of the target business.

As detailed in the accounting policy for Note 8, where investments are valued on an earnings-multiple basis, the main input used for this basis of valuation is a suitable price-earnings ratio taken from a comparable sector on the quoted market, 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:

	2018 £	2017 £
Investment methodology		
Cost (reviewed for impairment)	-	83,729
Net asset value	171,931	-
Recent investment price	5,464,477	5,334,674
Multiple of earnings, revenues or gross margin, as appropriate	21,248,704	22,665,173
	26,885,112	**28,083,576**

The unquoted equity investments had the following movements between valuation methodologies between 31 March 2017 and 31 March 2018:

Change in investment methodology (2017 to 2018)	Carrying value as at 31 March 2018 £	Explanatory note
Recent investment price to multiple basis	3,017,005	Sufficient time has elapsed since investment to move to a more appropriate basis for determining value.
Earnings multiple to net asset value	171,931	Earnings multiple no longer appropriate.

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 2018.

Notes to the Financial Statements for the year ended 31 March 2018

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 30 April 2018, TPSFF Holdings Limited made a loan repayment of £0.07 million to the Company.

On 25 May 2018, MPB Group Limited made a loan repayment of £0.09 million to the Company.

On 31 May 2018, the Company invested a further £0.63 million into My Tutorweb.

On 15 June 2018, the Company invested £0.06 million as loan stock into Proactive Investors.

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 30 January 2018.

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

22 June 2018	Annual Report for the year ended 31 March 2018 to be circulated to shareholders
12 September 2018	Annual General Meeting
December 2018	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 30 September 2018 to shareholders
February 2019	Shareholder Event
31 March 2019	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 Wednesday 12 September 2018, at The Clubhouse, 8 St James's Square, London SW1Y 4JU**. A copy of the notice of the meeting can be found on pages 71 to 73. 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, Link Asset Services at the address given on page 74.

Shareholders are encouraged to ensure that the Registrars have the correct up-to-date details for their accounts and to check that they have received all dividends payments. This is particularly important if a shareholder has recently moved house or changed their bank. We are aware that a number of dividends remain unclaimed by shareholders and whilst we will endeavour to contact them, 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.

Selling your shares

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

Managing your shareholding online

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

You can use the Shareholder Portal to change and update your preferences including changing 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 communications from the Company.

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

Tax legislation was introduced with effect from 1 January 2016 under the Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information. The legislation requires investment trust companies to provide personal and financial information to HMRC on certain investors who purchase their 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, entered onto the share register from 1 January 2016 will be asked to provide the relevant information. Additionally, HMRC's policy on FATCA now means that, as a result of the restricted secondary market in VCT shares, the Company's shares are not considered to be "regularly traded". The Company is therefore also an affected entity for the purposes of this legislation and so has to provide information annually to HMRC relating to shareholders who are resident for tax purposes in the United States.

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, Link Asset Services, may be contacted via the Link Shareholder Portal, by post or telephone for queries relating to your shareholding including dividend payments, dividend mandate forms, change of address, etc.

Full contact details for each of Mobeus and Link Asset Services are included under Corporate Information on page 74 of this Annual Report.

Performance Data at 31 March 2018

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 2018. 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 2018 **86.50p**[1]

NAV per share as at 31 March 2018 **96.54p**

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 2017 (NAV basis) (p)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	78.00	**164.50**	**174.54**	**3.5%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	74.00	**160.50**	**170.54**	**3.5%**
Funds raised 2013/14						
09 January 2014	117.92[4]	**82.54**	60.00	**146.50**	**156.54**	**3.9%**
11 February 2014	118.22[4]	**82.75**	60.00	**146.50**	**156.54**	**3.9%**
31 March 2014	119.28[4]	**83.49**	55.00	**141.50**	**151.54**	**4.0%**
03 April 2014	119.82[4]	**83.87**	55.00	**141.50**	**151.54**	**4.0%**
04 April 2014	119.08[4]	**83.36**	55.00	**141.50**	**151.54**	**4.0%**
06 June 2014	118.66[4]	**83.06**	55.00	**141.50**	**151.54**	**4.0%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	41.00	**127.50**	**137.54**	**4.4%**
17 February 2015	124.35[4]	**87.05**	41.00	**127.50**	**137.54**	**4.4%**
10 March 2015	120.18[4]	**84.13**	36.00	**122.50**	**132.54**	**4.6%**
Funds raised 2017/2018						
28 September 2017	104.73[4]	**73.31**	9.00	**95.50**	**105.54**	**-**
20 October 2017	105.07[4]	**73.55**	9.00	**95.50**	**105.54**	**-**
09 November 2017	105.79[4]	**74.05**	9.00	**95.50**	**105.54**	**-**
20 November 2017	107.44[4]	**75.21**	9.00	**95.50**	**105.54**	**-**
21 November 2017	107.39[4]	**75.17**	9.00	**95.50**	**105.54**	**-**
24 January 2018	97.81[4]	**68.47**	-	**86.50**	**96.54**	**-**
13 March 2018	100.79[4]	**70.55**	-	**86.50**	**96.54**	**-**

[1] - Source: Panmure Gordon & Co (mid-price basis) based upon the latest NAV announced of 105.61p at 31 December 2017. Since then a dividend of 9.00 pence per share paid on 22 January 2018 has reduced this NAV.

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

[3] - For derivation, see table on page 69.

[4] - Average effective offer price.

Former Ordinary Share Fund

NAV per share as at 31 March 2018 **79.84p**

Share price as at 31 March 2018 **71.54p**

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[1] (p)	Cumulative dividends paid per share[2] (p)	Total return per share to shareholders since allotment (Share price basis) (p)	(NAV basis) (p)	% increase since 31 March 2017 (NAV basis) (p)
Funds raised 2000/01[3]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	86.36	**157.90**	**166.20**	**3.0%**

[1] - Net allotment price is the allotment price less applicable tax relief. The tax relief was 20% up to 5 April 2004.

[2] - For derivation, see table below.

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

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)	Funds raised 2017/18 (p)
22 January 2018	7.44[1]	9.00	9.00	9.00	9.00	9.00
27 July 2017	5.79[1]	7.00	7.00	7.00	7.00	
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					
	86.36	**78.00**	**74.00**	**60.00**	**41.00**	**9.00**

[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.

VCT Tax Benefits for the Investor

Taxation benefits

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

Personal taxation benefits

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

Tax reliefs currently available to VCT investors:

(1) Relief from income tax on investments

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

(2) Capital gains tax reinvestment relief

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

(3) Dividend relief

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

(4) Relief from capital gains tax on disposal

A disposal by an investor of ordinary shares in a VCT 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.

(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 Wednesday 12 September 2018 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 7 will be proposed as ordinary resolutions and Resolutions 8 and 9 will be proposed as special resolutions. An explanation of the main business to be proposed is included in the Directors' Report on pages 27 and 28:

1. To receive and adopt the annual report and accounts of the Company for the year ended 31 March 2018 ("Annual Report"), together with the auditor's report thereon.
2. To approve the directors' annual remuneration report as set out in the Annual Report.
3. To re-appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditor to the Company until the conclusion of the next annual general meeting of the Company.
4. To authorise the directors to determine the remuneration of BDO LLP as auditor of the Company.
5. To re-elect Adam Kingdon as a director of the Company.
6. To re-elect Sally Duckworth as a director of the Company.
7. That, in substitution for any existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot ordinary shares of 1 penny each in the capital of the Company ("Shares") and to grant rights to subscribe for, or convert any security into, Shares ("Rights") up to an aggregate nominal value of £149,304 provided that the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2019 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.
8. That, subject to the passing of resolution 7 set out in this notice and in substitution for any existing authorities, the directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) for cash, pursuant to the authority conferred upon them by resolution 7 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

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

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

    in each case where the proceeds of the allotment may be used, in whole or part, to purchase the Company's Shares in the market and provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2019, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
9. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own Shares provided that:

    (i) the aggregate number of Shares which may be purchased shall not exceed 7,390,693 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 2019; and

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

BY ORDER OF THE BOARD OF DIRECTORS

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket,
London SW1Y 4EX

Dated: 22 June 2018

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, Link 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 Link 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, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, so as to be received not later than 11.00 am on 10 September 2018 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 PXS, 34 Beckenham Road, BR3 9ZA (This is all you need to write on the envelope, no other address details are required). You may submit your proxy electronically using the Link Shareholder Portal 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 10 September 2018. 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.

Notice of the Annual General Meeting

13. As at 21 June 2018 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 49,304,159 Ordinary Shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 21 June 2018 were 49,304,159.
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
Ian Blackburn

Secretary
Mobeus Equity Partners LLP
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SW1Y 4EX

Company's Registered Office and Head Office
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The City Partnership (UK) Limited
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Link Asset Services
The Registry
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VCT Status Adviser
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