Mobeus Income & Growth 2 VCT plc

A Venture Capital Trust

Annual Report & Financial Statements
for the year ended 31 March 2020

mobeus
Mobeus Income & Growth 2 VCT plc

Mobeus Income & Growth 2 VCT plc, (“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 the 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 4 of the Chairman’s Statement and page 10.

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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Financial Highlights

Results for the year ended 31 March 2020

As at 31 March 2020:
Net assets: **£43.57 million**
Net Asset Value ("NAV") per share: **72.99 pence**

- Net Asset Value ("NAV") total return per share was (0.6)% and Share Price total return per share was 12.9%.
- Shareholders received dividends in the year totalling 26.00 pence per share.
- The Company invested £5.19 million into six new growth capital investments and one follow-on investment.
- The Company realised investments for total consideration of £11.38 million, representing a net gain of £3.77 million for the year.
- An interim dividend for the year ending 31 March 2021 of 7.00 pence per share was paid on 19 June 2020.

Definitions of key terms and alternative performance measures shown above and throughout this report are provided in the Glossary of terms on page 79.

Performance Summary

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 the tables on pages 76 and 77 of this 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]		Dividends paid per year (p)
					(NAV basis) (p)	(Share price basis) (p)	
31 March 2020	43.57	72.99	70.50	109.00	181.99	179.50	26.00
31 March 2019	48.73	99.60	85.50	83.00	182.60	168.50	5.00
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

[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 to date on the current share class, launched in 2005.

Chairman's Statement

I am pleased to present the annual results of Mobeus Income & Growth 2 VCT plc for the year ended 31 March 2020.

Overview

The year under review saw strong progress prior to a very challenging final month for the portfolio as a result of the UK Government's lockdown and social distancing measures, in response to the outbreak of COVID-19. These measures had an immediate adverse impact on UK businesses with many companies experiencing a significant reduction in demand for their products and services, compounded by restrictions on their ability to operate.

The Board has liaised closely with Mobeus Equity Partners LLP ("the Investment Adviser") who has been actively engaged with portfolio companies. The focus has been to ensure that all practical steps are taken to enable each company to trade through the crisis and to seek to grow value thereafter.

The full impact of the COVID-19 crisis will only emerge as time passes but there has been an immediate adverse impact on the portfolio valuation largely due to the general market and comparable public valuations. Whilst there has been a negative impact on the majority of the portfolio, conversely, some companies are trading strongly as a result. This is set out in detail in the Investment Adviser's Review and summarised in my Statement overleaf.

Further information is contained within the Outlook on page 5 and the Investment Adviser's Review on page 12.

Overall, the Company made good progress in all areas, although the final month of the year proved challenging, resulting in a small net reduction in NAV total return per share for the year.

During the year, the Company invested in six new companies and provided follow-on funding to one existing portfolio company. The year was exceptional for realisations. The Company sold its holdings in five portfolio companies, including the first profitable exit of a younger growth capital investment, as well as achieving the most successful exit in the history of the Company, Auction Technology Group.

Further details of this investment activity can be found under the 'Investment Portfolio' section of my Statement overleaf and in the Investment Adviser's Review on pages 12 to 19.

Following the onset of the COVID-19 crisis, the Investment Adviser's focus has been to prioritise the funding requirements of the existing portfolio. A number of companies are continuing to experience significant growth and further investment is being made to capitalise on these opportunities with two investments made after the year end. Other portfolio companies continue to experience adverse trading because of the crisis and may require further investment funding. The Company is well capitalised and able to support the portfolio considering each case on merit should the need arise.

In the immediate term, the Investment Adviser is adopting a cautious approach when considering and recommending new investment opportunities. Adequate depth of investment appraisal and due diligence is challenging during the current lockdown, business performance is highly volatile and achievement of forecasts uncertain. However, looking further forward, the Board and Investment Adviser believe the investment landscape will become clearer to judge and a number of attractive opportunities may be brought forward.

We are delighted with the strong support from investors for our recent fundraising, which was launched on 25 October 2019 and became fully subscribed within two months.

Performance

This NAV total return, expressed on a pence per share basis, was derived as follows:

Year ended 31 March	2020 (pence per share)	2019 (pence per share)
Net realised and unrealised (losses)/ gains on the investment portfolio	(3.12)	6.41
Income from the investment portfolio and liquid assets	4.11	4.48
Share buybacks and adjustments	1.12	0.07
Gross return	2.11	10.96
Less: Investment Adviser's fees and other expenses	(2.72)	(2.90)
Net return	(0.61)	8.06
NAV total return per share	**(0.6)%**	**8.4%**

Despite the profitable realisations and a profitable revenue return, the impact of COVID-19 on portfolio valuations at the year-end has caused the Company's NAV total return per share in the year to fall by 0.6% (2019: 8.4% increase). This net return of (0.61) pence is derived by comparing the NAV per share at the year-end of 72.99 pence with the start of the financial year of 99.60 pence, after accounting for interim dividends totalling 26.00 pence per share paid during the year (discussed under Dividends overleaf) and as set out in the chart on page 8.

Whilst the aggregate portfolio valuation decreased due to reductions in the valuations of specific portfolio companies, reflecting the impact of COVID-19, this adverse impact was partly offset by a number of other factors. Firstly, the uplift achieved from the five profitable realisations in the year. Secondly, several of the Company's investment structures incorporate a preference, such that any reduction in enterprise value does not feed directly into the same reduction in the value of the Company's investment. Finally, the Company has significant liquidity which, in accordance with its policy, has been invested in lower risk liquidity funds and bank deposit accounts that have not fallen in value.

Given these specific factors, the Board therefore believes that the Company's performance has demonstrated a degree of resilience compared to other Generalist VCTs. At the financial year-end, your Company was ranked 15th out of 41 Generalist VCTs over five years and 1st out of 31 over 10 years, in the Association of Investment Companies' analysis of NAV Cumulative Total Return.

The Share Price total return for the year, after accounting for dividends paid, was 12.9% (2019: 4.6%). This figure has been enhanced by a reduction in the discount at which the shares trade (see Share Buybacks section overleaf).

For further details on the performance of the Company, please refer to the Performance section of the Strategic Report on pages 8 to 11 and the Performance Data on pages 76 and 77 of this Annual Report.

Target Return

Since the start of the financial year ended 31 March 2018, the Board reintroduced its target of achieving an average NAV total return of 8.0% per annum, following the target suspension in 2017 after the introduction of the new VCT rules. For the year under review this was (0.6)% (2019: 8.4%), while the average over three years is 4.4% per annum.

The Board reminds Shareholders that the impact of an exceptional event such as COVID-19 has adversely affected this year's returns but their investment returns should be viewed over the longer term.

Dividends

The Board paid two interim dividends of 15.00 and 11.00 pence per share (2019: 5.00 pence) in respect of the year ended 31 March 2020, which were paid to Shareholders on 20 September 2019 and 27 March 2020 respectively.

Additionally, a 7.00 pence per share interim dividend was declared for the year ending 31 March 2021 and paid on 19 June 2020. Cumulative dividends paid since inception amount to 116.00 pence (2019: 83.00 pence) per share.

The Board were able to declare these significant dividends following five successful realisations by the Company in the year under review, the adequacy of distributable reserves, and after taking into consideration the cash flow forecasts and transition to the new VCT regulations. The Board regularly monitors cash flow and qualifying ratio projections to ensure that it is able to maintain compliance with VCT regulations whilst performing optimally.

The Board's target of paying a regular dividend, at a current level of not less than 5.00 pence per share in respect of each financial year has been achieved or exceeded in each of the last ten years. Whilst the Board still believes this dividend target is attainable, it should be noted that the move of the portfolio to an increased proportion of younger growth capital investments may lead to increased volatility, which could offset the return in any one year.

Shareholders should also note that there may continue to be circumstances where the Company is required to pay dividends in order to maintain its regulatory status as a VCT, for example, to stay above the minimum percentage of assets required to be held in qualifying investments, which increased to 80% on 1 April 2020. Shareholders should also note that, to the extent this is necessary, it will correspondingly reduce the Company's NAV per share.

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

A full dividend history is contained in the Performance Overview on the Company's website: www.mig2vct.co.uk

Investment Portfolio

The portfolio valuation movements for the year were as follows:

	£m
Portfolio value at 31 March 2019	30.04
New and further investments	5.19
Disposal proceeds	(11.38)
Net realised gains	3.77
Valuation movements	(5.63)
Portfolio value at 31 March 2020	**21.99**

Following a detailed review by the Investment Adviser, and as agreed by the Board, the portfolio has been valued 6.2% lower (2019: 11.7% increase) compared to the value at the start of the year on a like-for-like basis. The reduction mainly occurred in the last quarter after the outbreak of COVID-19. The value of the investments still held decreased by £5.63 million, partially offset by the gain of £3.77 million from realised investments.

During the year under review, the Company invested a total of £5.19 million (2019: £2.90 million) into six (2019: two) new and one (2019: five) existing investments:

New – £4.83 million:

- **Parsley Box** – home delivered, ambient ready meals for the elderly;
- **Arkk Solutions** – a regulatory and reporting requirement service provider;
- **Active Navigation** – A data analysis software provider;
- **IPV** – A media asset software provider;
- **Bleach London** – A hair care brand;
- **Bella & Duke** – A premium frozen raw dog food provider.

Existing – £0.36 million:

- **MPB Group** - an online marketplace for used camera and video equipment.

After the year-end, £0.22 million was invested in Andersen EV, being an electric vehicle (EV) charging product business. This is the first new investment made since the onset of COVID-19. A total of £0.90 million was also invested to support the further expansion of another two existing portfolio companies:

- **MyTutor** – A digital marketplace for school tutoring;
- **Rotageek** –A workforce management software provider.

Details of this investment activity and the performance of the portfolio are contained in the Investment Adviser's Review on pages 12 to 19 and explained within Note 8 to the Financial Statements.

At the year-end, 68.9% by value of the investment portfolio was held in newer growth capital investments and 31.1% was held in more mature MBO type investments.

Cash proceeds totalling £11.38 million were received in the year from portfolio companies that were either sold, repaid loans or settled other capital proceeds. Of this total, £10.93 million was received as cash proceeds from the sales of The Plastic Surgeon, ASL Technology, Redline Worldwide, Biosite and Auction Technology Group.

The sales generated a net gain of £3.77 million on realised investments. The principal gains over opening valuation were from The Plastic Surgeon (£0.30 million), ASL (£0.49 million), Redline (£0.59 million), and Auction Technology Group (£2.41 million). Redline was the first profitable growth capital investment to be realised.

Further gains of £0.17 million were achieved by the receipt of proceeds, most notably relating to Entanet, an investment sold in a previous year and the partial exit from Master Removers Group. The Company's holding in Super Carers was deemed to be realised following the appointment of administrators after the year-end, resulting in a realised loss of £0.19 million.

Portfolio investments still held experienced a net decrease in unrealised valuations of £5.63 million for the year. The most significant falls were from Wetsuit Outlet, CGI Creative Graphics and Media Business Insight, offset by moderate increases at Proactive and Access IS.

These transactions and valuation movements are explained further in the Investment Adviser's Review on pages 12 to 18.

Liquidity

At 31 March 2020, the Company had net assets of £43.57 million (2019: £48.73 million), including £21.99 million in investments (2019: £30.04 million) and liquid assets of £21.81 million (2019:

£18.66 million). Liquid assets thus represented 50.1% (2019: 38.3%) of net assets at the year-end. This figure increased by £10.26 million due to the further allotment of shares after the year-end, and was then partly reduced by the dividend payment of £5.15 million (7.00 pence per share) in June 2020. The Company therefore remains in a very strong cash position.

Fundraising

On 25 October 2019, the Company launched an offer for subscription (the Offer") of £15 million with an over-allotment facility of an additional £5 million, alongside offers from the other Mobeus advised VCTs.

I am pleased to report that the Offer experienced such strong demand that the Company received subscriptions amounting to more than the full amount sought in early January 2020. In response to a further £2.10 million of applications received, the Company increased its Offer size in order to satisfy this additional demand.

In accordance with the Offer's prospectus, the first allotment took place on 8 January 2020, which included all applications received up to 20 December 2019 totalling £11.06 million. The balance of subscriptions of £10.76 million were allotted before the end of the tax year, on 2 April 2020.

Share buybacks

During the year under review, the Company bought back a total of 1,128,609 shares for cancellation. The buybacks represented 2.3% (2019: 0.8%) of the issued share capital of the Company at the beginning of the year. Further details of the Company's Share Buyback Policy are included in the Strategic Report on pages 10 and 11.

Shareholder Communications

This year's Shareholder event was held on Tuesday, 4 February 2020 at the National Gallery in central London. Separate daytime and evening sessions included presentations on the Mobeus advised VCTs' investment activity and performance. We have received positive feedback from many of the circa 400 people who attended the event and were pleased to hear that overall they found the day informative and worthwhile.

Fraud Warning

Boiler Room fraud and unsolicited communications to Shareholders.

We have been made aware of an increase in the number of Shareholders being contacted in connection with sophisticated but fraudulent financial scams which purport to come from the Company or to be authorised by it. This is often by a phone call or an email usually originating from outside of the UK, often claiming or appearing to be from a corporate finance firm offering to buy your VCT shares at an inflated price.

Further information and fraud advice plus details of who to contact, can be found in the Information for Shareholders section on page 75.

Shareholders are also encouraged to ensure their personal data is always held securely and that data held by the Registrars of the Company is up to date, to avoid cases of identity fraud.

Board Succession

Whilst the Board are cognizant of the tenure of the Board members, the succession plan and planning have currently been suspended due to COVID-19 and will resume during the next year.

Annual General Meeting

The next Annual General Meeting of the Company will be held at 11:00 am on Wednesday, 9 September 2020 at the office of the Investment Adviser, **Mobeus Equity Partners LLP, 30 Haymarket, London, SW1Y 4EX**.

The manner in which the AGM can be held is subject to the UK Government's guidelines associated with the COVID-19 pandemic. At the time of writing, it is not clear what restrictions might be in force in September. It may be the case that it becomes necessary to adjust the way in which this year's AGM is conducted.

Any updates on the AGM will be announced to the London Stock Exchange and on the Company's website: www.mig2vct.co.uk which Shareholders intending to attend should consult.

The Board encourages Shareholders to submit their vote by proxy form either by completing and returning the form enclosed with the Annual Report or submitting your proxy votes electronically via the Link Shareholder Portal www.signalshares.com. Shareholders are also advised to appoint the Chairman of the Meeting as their proxy as another nominated proxy may not be able to attend the meeting.

Before you lodge your proxy votes, any questions you may have about the resolutions to be passed at the AGM can be sent to the agm@mobeus.co.uk email address and a timely response will be provided.

If permitted by then, both the Board and the Investment Adviser look forward to welcoming Shareholders to the meeting which will include a presentation from the Investment Adviser on the investment portfolio. Shareholders are encouraged to attend (if allowed) and to ask questions of the Board and the Investment Adviser. The Notice of the meeting is included on pages 80 to 82 and an explanation of the resolutions proposed can be found in the Directors' Report on pages 34 to 36 of this Annual Report.

Outlook

The impact of COVID-19 has been immediate and wide reaching. The eventual effects of the pandemic, many of which remain unclear at present, are likely to be felt over the course of months and years to come. Nevertheless, your Board considers that your Company is well positioned and should be able to respond to most likely scenarios. Last year's successful realisations and the recent fundraising have given the Company good cash reserves with which to support the existing portfolio and to capitalise on opportunities arising, inside and outside the portfolio. The portfolio comprises a foundation of mature investments providing a healthy income return, as well as a younger, diversified growth capital portfolio seeking to achieve scale, to drive value. The Investment Adviser and the Board believe that as the economic environment stabilises, attractive new investment opportunities will emerge. The Board notes that the Investment Adviser, in its review at the end of the COVID-19 section, reports that the portfolio displayed encouraging signs of revenue/operational recovery since the year end low point.

Further details can be found in the Investment Adviser's Review on pages 12 to 19.

Finally, I would like to take this opportunity to thank all Shareholders for their continued support and, in particular, to extend a very warm welcome to our new Shareholders.

Ian Blackburn
Chairman

30 June 2020

Strategic Report

Introduction

The Directors are pleased to present the Strategic Report of the Company for the year ended 31 March 2020. The purpose of this Report is to inform Shareholders and help them assess how the Directors have performed their duty to promote the success of the Company.

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

Company Objective

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

Summary of Investment Policy

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

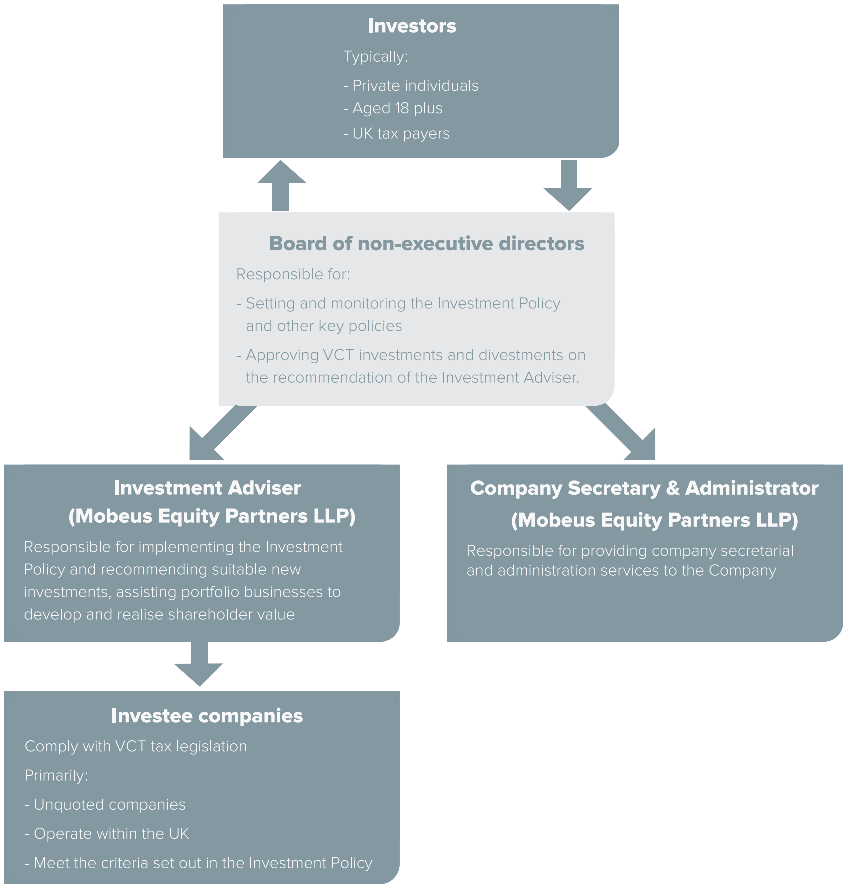
The Company's cash and liquid funds are held in a portfolio of readily realisable interest bearing investments which can be of varying maturities, subject to the overriding criterion that the risk of loss of capital be minimised.

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

The Company and its Business Model

The Company is a Venture Capital Trust (VCT). Its Objectives and 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's business model is set out in the diagram below.



The Company is a fully listed company on the London Stock Exchange, which also fulfils a VCT regulatory requirement. It is therefore also required to comply with the Listing Rules governing such companies.

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

The Company may invest alongside three other VCTs advised by Mobeus 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 64.

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 78 contains information setting out the tax benefits for an investor in VCT shares.

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

Summary of VCT Regulation

To 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%, by VCT tax value[1], of its total investments (shares, securities and liquidity) in VCT qualifying holdings, within approximately three years of a fundraising. For accounting periods beginning on or after 1 April 2020 this percentage increased to 80%. From that date, total investments also includes funds raised to 31 March 2018;
- 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);
- 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.

Since 6 April 2019:

- the period for reinvestment of proceeds on disposal of qualifying investments increased from 6 to 12 months.

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 no more than £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 annual limit is £10 million and the lifetime limit is £20 million), from VCTs and similar sources of State Aid funding;
- that use the funds received from VCTs for growth and development purposes.

In addition, VCTs may not:

- 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
- 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 a genuine risk of loss of capital).

[1] 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 may differ from the actual cost of each investment shown in the Investment Portfolio Summary on pages 24 - 26.

Strategic Report

Performance and Key Performance Indicators

The Board has identified six key performance indicators that it uses to assess the Company's progress. Some of these are classified as alternative performance measures ("APMs") in line with Financial Reporting Council ("FRC") guidance. See Glossary of Terms for details on page 79. APMs are measures of performance that are in addition to the data reported in the Financial Statements. These are intended to provide Shareholders with sufficient information to assess how the Company has performed against its Objective in the year to 31 March 2020 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 Net Asset Value ("NAV") total return target of at least 8.00% per year. The average annual NAV total return over the last three years was 4.4% per annum. The three-year return is below the average target despite the profitable realisations and a profitable revenue return. The impact of COVID-19 on portfolio valuations at the year-end has caused the Company's NAV total return per share in the year to fall by 0.6%.

The NAV basis reflects the net assets of the Company and share price basis reflects the price at which a Shareholder could expect to sell their shares. These measures are the most widely used measure of performance in the VCT sector.

Total returns per share for the year

The NAV and Share Price total return per share for the year ended 31 March 2020 were (0.6)% and 12.9% respectively, as calculated below:

	NAV basis (p)
Closing NAV per share	72.99
Plus: dividends paid in year	26.00
Total for year	**98.99**
Less: opening NAV per share	99.60
Return for year per share (Note 1)	**(0.61)**
% return for year	(0.6)%

	Share price basis (p)
Closing share price	70.50
Plus: dividends paid in year	26.00
Total for year	**96.50**
Less: opening share price	85.50
Return for year per share (Note 2)	**11.00**
% return for year	12.9%

The analysis of the source of the NAV total returns is set out below:

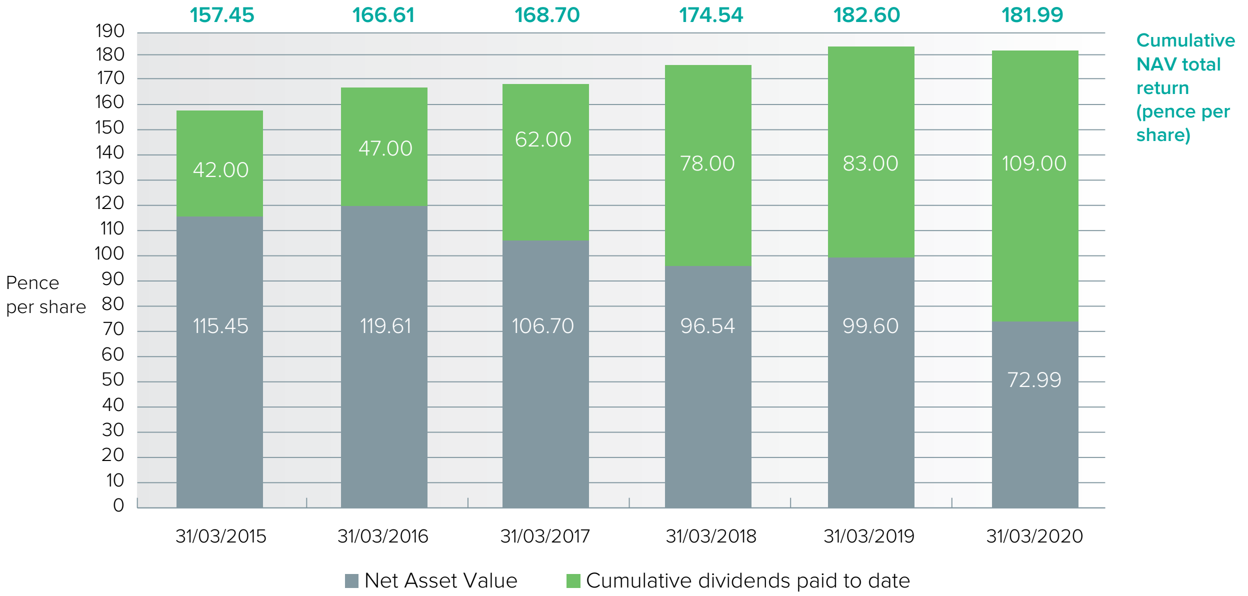
Note 1: NAV Return per share for the year is comprised of: Year ended 31 March	2020 (pence)	2019 (pence)
Gross portfolio capital returns	(3.12)	6.41
Gross income returns	4.11	4.48
Costs	(2.72)	(2.90)
Other movements	1.12	0.07
NAV return for the year (as above for 2020 only)	**(0.61)**	**8.06**

The contributions from portfolio returns and income are shown before deducting attributable costs. They are explained below under review of financial performance. Costs are referred to in section 6 on page 11.

Note 2: The Share Price return differs from the NAV total return for two principal reasons. Firstly, share price returns benefited this year from the narrowing of the discount to NAV at which the shares traded, mainly due to a change to the Board's share buyback policy during the year (see section 5. Share Buyback and discount policy below for details). Secondly, at the previous year-end, the Company's share price traded at an approximate discount of 10% to the NAV per share announced for the Company's previous quarter end of 31 December 2018, not the NAV per share at the previous year end - 31 March 2019. At that 31 March 2019 year-end, the NAV per share had increased by 3.95 pence over that final quarter. This uplift was only reflected in the share price once the year-end NAV was announced in last year's Annual Report. This timing difference increased share price returns for the current year.

Cumulative total returns per share (NAV basis)

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



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 76 and 77 of this Annual Report.

Review of financial results for the year ended 31 March 2020

	2020 £m	2019 £m
Capital (loss)/profit	(2.53)	2.51
Revenue profit	1.50	1.40
Total (loss)/profit	**(1.03)**	**3.91**

The capital loss for the year of £2.53 million ((4.24) pence of NAV return for the year per share, net of costs charged to capital) is comprised of a net decrease in the unrealised valuation of portfolio companies partially offset by net realised gains from ASL, The Plastic Surgeon, Redline Worldwide, and Auction Technology Group. The movement in capital return over the year from £2.51 million to £(2.53) million is due to a fall in net unrealised valuations of £5.63 million over the year but this was partially offset by an increase in net realised gains of £3.77 million as a result of an increase in the number and profitability of the realisations compared to 2019. The balance of the fall on the capital return is due to slightly higher Investment Adviser fees charged over the year.

The revenue profit for the year of £1.50 million (2.51 pence of NAV return for the year per share, net of costs charged to revenue) is derived from income, primarily loan interest and dividend income outweighing revenue expenses. The increase over the year is due to a significant receipt of loan interest arising from the realisation of Auction Technology Group. Outside of this significant event, loan interest and dividends received from the rest of the portfolio have fallen due to realisations, plus revenue profit has been impacted by an increase in other expenses. This increase in other expenses is primarily due to registrar and legal and professional costs.

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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.

Using the benchmark of NAV Cumulative total return on an investment of £100, performance is as follows:

Period to 31 March 2020	Ranking	Number of VCTs (AIC generalist VCTs)
10 years	1	31
5 years	15	41
3 years	13	47
1 year	20	47

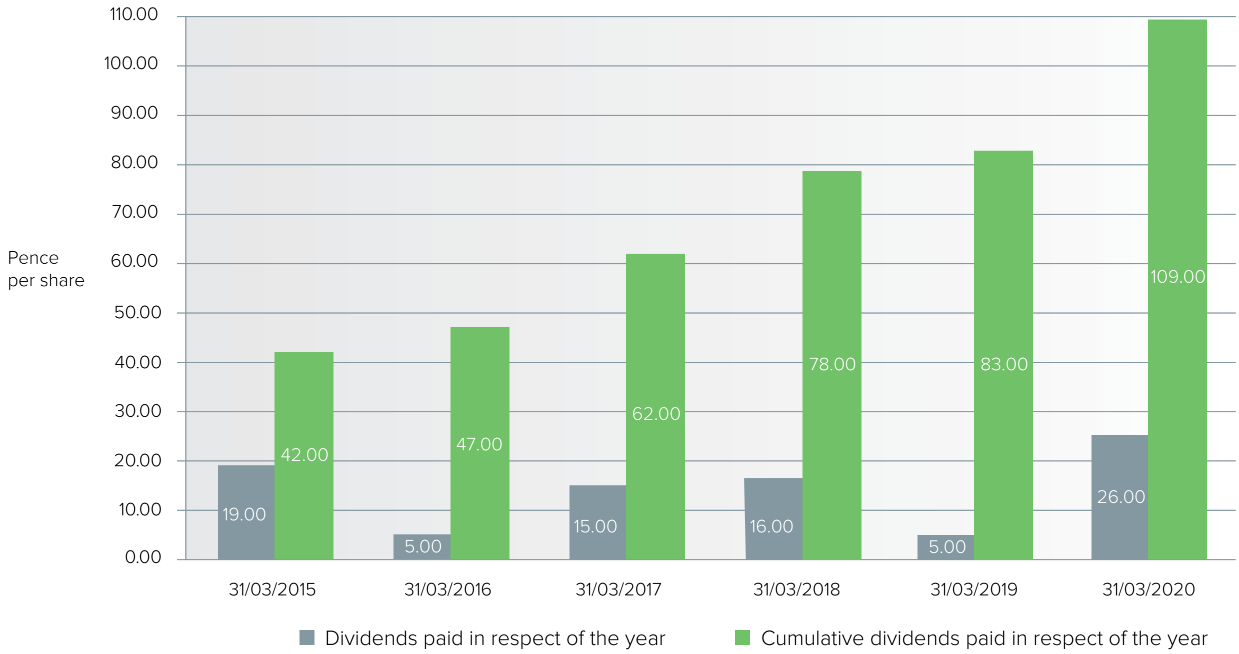
Source: Association of Investment Companies ("AIC") based on statistics prepared by Morningstar as at 31 March 2020.

The Board is pleased with the 10 year ranking but is seeking to improve upon the relative performance of more recent years.

3. Dividend policy

The Board has set a target of paying a regular dividend of not less than 5.00 pence per share in respect of each financial year.

Whilst the Board cannot guarantee future payments, it believes this target is still achievable although, as the proportion of more established income generating investments in the portfolio reduces, it will become more challenging.



On 14 May 2020, the Board declared a 7.00 pence per share interim dividend in respect of the year ending 31 March 2021 which was paid on 19 June 2020 to Shareholders on the register on 22 May 2020.

4. Compliance with VCT legislation

In making their investment in a VCT, Shareholders become eligible for several tax benefits under VCT tax legislation, as long as the Company also complies with VCT tax legislation. To achieve this, the Company must meet a number of tests set by HMRC as set out on page 7 under "Summary of VCT Regulation". Throughout the year ended 31 March 2020, the Company continued to meet these tests.

5. Share price and discount to NAV

The Board recognises that Shareholders may wish to sell their shares from time to time and that the secondary market for VCT shares can be limited. The impact of this limited secondary market is that the Company's share price will typically trade at a level which is less than the Company's NAV per share. **On 1 August 2019, the Board changed its share buyback policy objective of maintaining the discount to NAV at which the Company's shares may trade in the market from approximately 10% or less, to approximately 5% or less. 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 5% or less. It has succeeded in carrying out this objective in the year.**

The Board considers that a 5% 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 share are bought back and cancelled.

During the year ended 31 March 2020, Shareholders holding 1.13 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 5 - 10% to the previously announced NAV per share. The Company subsequently purchased these shares at prices between 76.92 and 89.50 pence per share and cancelled them.

In total, during the year the Company bought back 2.3% of the issued share capital of the Company at the beginning of the year.

6. Costs

Shareholders will be aware there are a number of costs involved in operating a VCT. Although Shareholders do not bear costs in excess of the expense cap of 3.25%, the Board aims to maintain the ratio before any performance fees at not more than 3%.

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

	2020	2019
Ongoing charges	3.05%	2.78%
Performance fee	0.00%	0.00%
Ongoing charges plus accrued performance fee	**3.05%**	**2.78%**

The Ongoing Charges Ratio has been calculated using the Association of Investment Companies ("AIC") recommended methodology.

The increase in the ratio from 2.78% to 3.05% over the year reflects the decline in the average net assets over the year combined with higher other expenses as explained below.

Investment Adviser fees and other expenses

Investment Adviser fees have increased from £1.04 million to £1.10 million, charged to both revenue (increase of £0.01 million) and capital (increase of £0.05 million). This was mainly due to the net asset value, upon which Investment Adviser's fees are calculated (quarterly in arrears) being higher for most of the year, but was also partly due to 2019 fees being reduced by 1% of the over-allotment facility of £5 million in the 2017/18 Offer. Other expenses (all charged to revenue) have increased by £0.06 million to £0.38 million. This was a combination of a rise in professional fees and registrar fees.

Further details of these are contained in note 4 to the Financial Statements on pages 57 to 59 of this Annual Report.

Investment Adviser's Review

Investment Adviser's Review

COVID-19

In March 2020, in response to the COVID-19 pandemic, the UK Government introduced lockdown and social distancing measures. These measures had an immediate adverse impact on UK business with many companies experiencing significant reduction in demand. Businesses' ability to trade was further impacted by restrictions on their employees' working practices and disruption to their supply chains.

The travel, hospitality, leisure, consumer and physical retail sectors have seen the most significant adverse impact. In contrast, there have been beneficiaries, including businesses in software and IT, online direct to consumer and those with in-contract business customers.

Many of the VCT's portfolio companies are encountering very challenging trading conditions, although the full extent and impact of COVID-19 will only emerge over time. The Investment Adviser has reviewed and evaluated the impact of COVID-19 on each company and upon the value of the portfolio as a whole. The Investment Adviser is fully engaged with the portfolio companies to ensure that all steps are being taken to assist each to trade through this crisis, restore and grow value thereafter. As part of this, Mobeus is reviewing the implications for new and follow-on investments with the recent fundraising and relatively high liquidity levels providing a solid foundation for such assessments.

Quoted markets have staged a meaningful recovery since the 31 March 2020 valuations. Trading in many portfolio companies has also proven more resilient in practice than could have been foreseen at the time of maximum uncertainty just after UK lockdown had been imposed on 23 March 2020. Whilst considerable uncertainty remains regarding the medium term impact of COVID-19 on the wider economy, your portfolio is robust and the near term outlook appears to be improving from its March low.

Portfolio review

The year to 31 March 2020 had seen very positive progress within the portfolio prior to the COVID-19 lockdown in late March. The Company invested a total of £5.19 million into six new growth capital investments and one existing portfolio company, and received net cash proceeds of £11.38 million, primarily from five profitable realisations.

The review of the impact of COVID-19 was a major factor in determining the year-end valuations of each investee company, leading to an overall net valuation reduction of £5.63 million.

Portfolio activity in the year is summarised as follows:

	2020 £m	2019 £m
Opening portfolio value	30.04	26.89
New and follow-on investments	5.19	2.90
Disposal proceeds	(11.38)	(2.88)
Net realised gains	3.77	0.60
Valuation movements	(5.63)	2.53
Portfolio value at 31 March	**21.99**	**30.04**

The investment and divestment activity during the year has increased the proportion of the portfolio of growth capital investments to 68.9% (2019: 50.0%) by value at the year-end.

After the year-end, the first new investment was made since the onset of COVID-19. £0.22 million was invested in Andersen EV, an electric vehicle (EV) charging product business. The Company also provided further investment totalling £0.90 million into two existing portfolio companies, Rotageek and MyTutor. This brings the total invested in growth capital investments (by value) made since the introduction of the new VCT regulations in 2015 to £13.77 million.

The portfolio's contribution to the overall results of the VCT is as follows:

Investment Portfolio Capital Movement	2020 £m	2019 £m
Increase in the value of unrealised investments	1.25	4.74
Decrease in the value of unrealised investments	(6.88)	(2.21)
Net (decrease)/ increase in the value of unrealised investments	**(5.63)**	**2.53**
Realised gains	3.96	0.84
Realised losses	(0.19)	(0.24)
Net realised gains in the year	**3.77**	**0.60**
Net (decrease)/ increase in value of investment portfolio in the year	**(1.86)**	**3.13**

Valuation changes of portfolio investments still held

The valuation reductions of £6.88 million are principally the result of an assessment of the impact of COVID-19 on each portfolio company.

At a summary level, there have been some clear beneficiaries of the COVID-19 crisis that are currently trading strongly. Although some of the fillip will subside, there can be a reasonable expectation that some of the behavioural change will prove structural. Other businesses are raising capital to ensure that they are ready to capitalise on demand when it returns. The majority of the portfolio has experienced a material impact but not sufficient to threaten their viability and/or require rescue financing. They have scaled back operations in response and are making full use of UK government assistance schemes where appropriate. Finally, there are a few businesses whose viability is now under threat. In the main, these are businesses that were already struggling and hence the Company's value had already been written down significantly. The value risk to the Company from this subset is therefore modest.

Within total valuation decreases, the main reductions were Wetsuit Outlet £0.85 million, CGI Creative Graphics £0.78 million and Media Business Insight £0.73 million. These three companies saw some of the most significant impact of sudden decline in demand for their product and services. By contrast some investee companies' trading has benefited from the lockdown, including Virgin Wines, Parsley Box, Bella & Duke, Bleach London and MyTutor.

Within total valuation increases, the principal contributors were Proactive £0.29 million, Access IS £0.27 million and Active Navigation £0.27 million. Access IS's valuation reflects the long-term nature of many of its projects, while the other two are underpinned by the Company's preferred investment structure.

Details of the valuation movements for each investee company are provided at the end of this Investment Adviser's Review.

Realised gains and losses from sales of investments

Cash proceeds totalling £11.38 million have been received, principally from five realisations during the year.

Strategic Report

In the first half of the financial year, the Company received proceeds from ASL Technology (£3.68 million) and The Plastic Surgeon (£1.18 million), generating gains of £0.49 million and £0.30 million respectively. Total proceeds received over the life of each investment resulted in a multiple over their original cost of 2.2x for the sale of ASL Technology and 5.6x for The Plastic Surgeon.

In December, the Company realised £0.93 million from its first growth capital investment made under the new VCT rules, Redline Worldwide, generating a gain of £0.59 million in the year. Over the time that this investment was held, a multiple of 1.7x cost has been achieved to date with further proceeds potentially receivable in due course.

In February, the Company exited investments held in Pattern Analytics (trading as Biosite) and Turner TopCo (trading as Auction Technology Group), generating a total realised gain in the year of £2.41 million. Biosite was realised for proceeds of £1.53 million which contributed to £1.60 million received over the life of the investment and a gain over original cost of 1.5x. Auction Technology Group generated proceeds of £3.61 million, contributing to a figure over the life of the investment of £7.80 million. Compared to an original cost of £1.73 million, this resulted in a multiple on cost of 4.5x over the 11 ½ years this investment was held – an exceptional return for Shareholders and the largest ever for the Fund.

The Company achieved a further gain of £0.17 million arising from the disposal of Entanet in 2017, increasing the final return on cost to 2.8x. The partial realisation of Master Removers Group during the year generated proceeds of £0.28 million and a nominal gain. A token amount was also received from the liquidation proceeds from H Realisations (2018) Limited (formerly Hemmels). Finally, following the sale of its trade and assets after the year-end the Company recognised a realised loss of £0.19 million in respect of Super Carers. After the year-end, the Company received a loan repayment of £0.05 million from BookingTek.

Investment portfolio yield

During the year under review, the Company received the following amounts in interest and dividend income:

Investment Portfolio Yield	2020 £m	2019 £m
Interest received in the year	2.05	1.55
Dividends received in the year	0.28	0.51
Total portfolio income in the year[1]	**2.33**	**2.06**
Portfolio value at 31 March	**21.99**	**30.04**
Portfolio Income Yield (Income as a % of Portfolio value at 31 March)	**10.6%**	**6.9%**

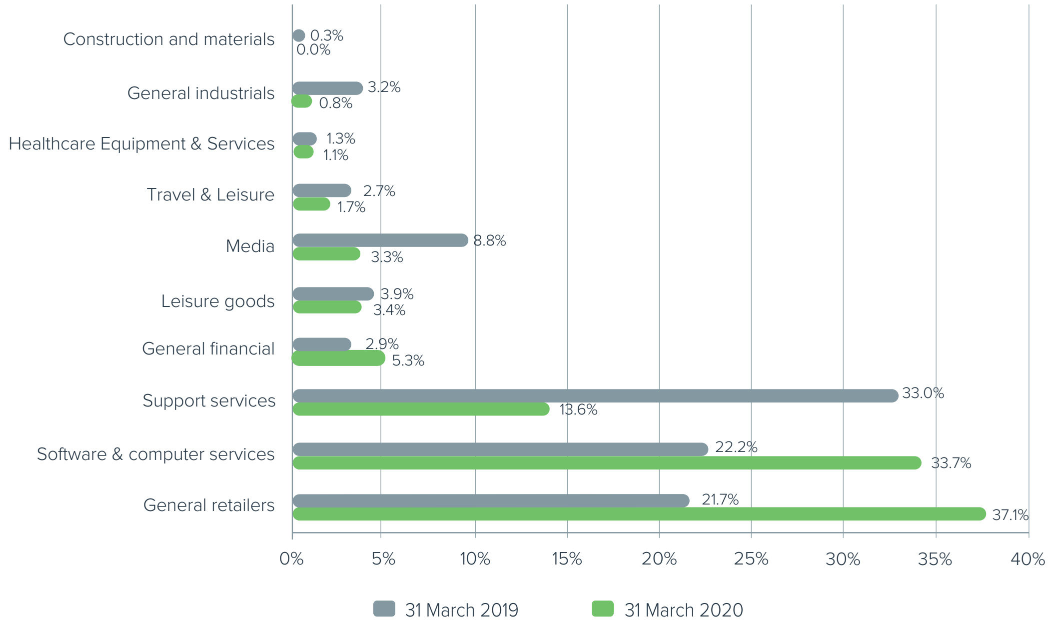
[1] Total portfolio income for the year is generated solely from investee companies within the portfolio. See Note 3 of the Financial Statements for all income receivable by the Company.

The increase in income was due to interest of £0.94 million upon the loan instruments in Auction Technology Group being paid, as part of the sale transaction, which had not previously been recognised.

Investment Adviser's Review

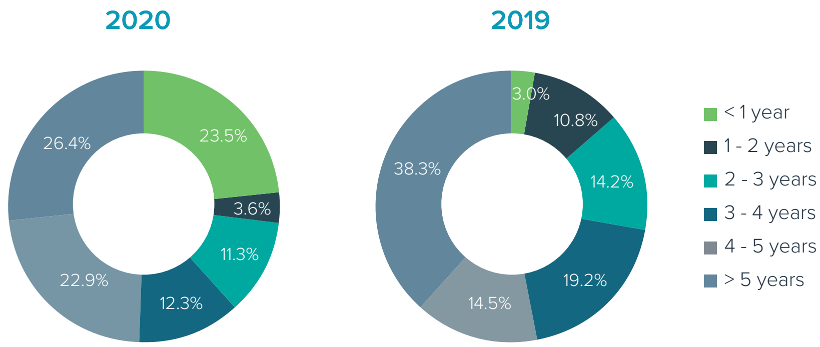
Investments by market sector

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

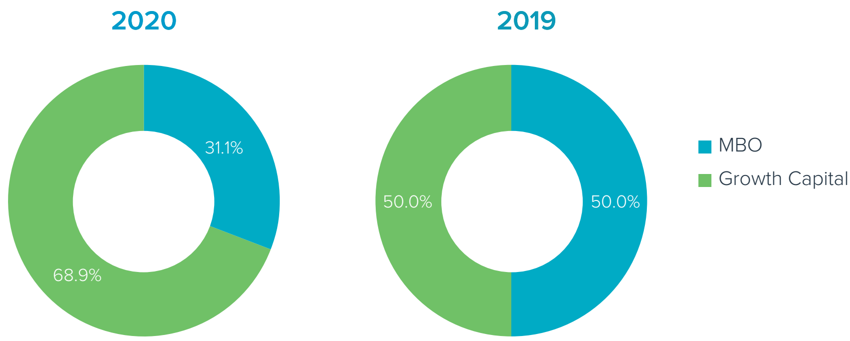


All of the General retail investments are branded online businesses, being Virgin Wines, Wetsuit Outlet, Bleach London, Parsley Box and Bella & Duke.

Age of the portfolio by value



Type of investment transaction by value



Growth Capital contains all investments made after the 2015 rule change which are young businesses using the Company's investment for growth and development purposes (as defined under VCT legislation). This category also contains a small number of growth capital style investments made before the 2015 rule change under the Investment Adviser's MBO strategy.

MBO contains MBO type investments made under the Investment Adviser's previous MBO strategy. This typically includes companies which are more mature compared to those invested under the growth capital strategy.

New investments in the year

A total of £4.83 million was invested into six new investments during the year as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
	Parsley Box	Home delivered ambient ready meals for the elderly	May 2019	0.55

Parsley Box is a UK direct to consumer supplier of home delivered, ambient ready meals for the elderly. Founded in 2017, Parsley Box has grown rapidly and has developed a unique meal delivery solution for its customers. The company supplies a diverse range of ambient meals via next day delivery which are easy to store and aim to contribute to a more independent and healthier lifestyle. The investment will scale the company's marketing strategy, enable it to process larger order volumes and continue to build out its team. Parsley Box's revenues grew by 270% between 2018 and 2019.

	Company	Business	Date of investment	Amount of new investment (£m)
	Arkk Consulting	Regulatory and reporting requirement service provider	May 2019	0.91

Arkk Consulting (trading as Arkk Solutions) provides services and software to enable organisations to remain compliant with regulatory reporting requirements. Arkk was established in 2009 and currently has over 800 clients across 20 countries. These include more than 80 of the FTSE 350, and half of the largest 20 accountancy firms in the UK. The investment will build on Arkk's reputation and customer base, to target the cloud-based period end reporting market by building the sales and marketing team. The company has shown good revenue growth of over 15% per annum between 2016 and 2018.

	Company	Business	Date of investment	Amount of new investment (£m)
	Active Navigation	Data analysis software	November 2019	0.94

Data Discovery Solutions (trading as Active Navigation) is a data analysis software solution which makes it easier for companies to clean up network drives, respond to new data protection laws and dispose of redundant and out dated documents. Active Navigation's solution is used by significant blue chip customers, particularly those in highly regulated industries such as energy and professional services, as well as government entities in the USA, Canada, Australia and the UK. Active Navigation will seek to drive continued growth from its file analysis platform with the recruitment of experienced sales and professional services staff. Since 2014 revenues have grown from £1.50 million to £5.00 million in its financial year to 30 June 2018.

	Company	Business	Date of investment	Amount of new investment (£m)
	IPV	Media asset software	November 2019	0.54

IPV has developed a media asset management software product called 'Curator'. This enables enterprise level customers to receive and search hours of video footage, edit into multiple short clips and broadcast to online video platforms (such as YouTube) and company intranets, in a very short time. This enables IPV's impressive list of blue-chip clients, such as Turner Sports, NASA and Sky, to improve efficiency in managing their video content. The company has built an impressive senior management team of proven operators and is targeting a media asset management market in the US and UK, worth an estimated £1 billion per annum. The investment will be used to build out a sales and marketing team and to fund lead generation for new direct and partner channels as well as supporting the existing partner network. From 2016 to 2018 recurring revenues grew over 50% annually and represented approximately 70% of total revenues in 2018.

	Company	Business	Date of investment	Amount of new investment (£m)
	Bleach London	Direct to consumer hair care brand	December 2019	0.44

Bleach London Holdings (trading as Bleach London) is an established branded, fast growing business which manufactures a range of haircare and colouring products. Bleach London is regarded as a leading authority in the hair colourant market having opened one of the world's first salons focused on colouring and subsequently launched its first range of products in 2013. The investment was part of a wider £5.60 million investment round alongside trade and angel investors. The funds will be used to drive continued growth in sales through retailers as well as capitalise on its strong social media presence whilst accelerating its growing direct to consumer channel. Bleach London delivered an impressive three times revenue growth between 2017 and 2018.

Investment Adviser's Review

	Company	Business	Date of investment	Amount of new investment (£m)
	Bella & Duke	Premium frozen raw dog food provider	February 2020	1.45

Bella & Duke is a direct to consumer subscription service, providing premium frozen raw dog food to pet owners in the UK. Founded in 2016, the business provides an alternative to standard meal options for dogs by focusing on the well documented health benefits of a raw food diet. This area is a growing niche in the large and established pet food market and is being driven by the premiumisation of dog food. The investment will seek to optimise its production and supply facilities, expand and enhance its team and develop alternative products (such as cat food). The company has grown revenues over 300% between 2018 and 2019.

Strategic Report

Further investments in existing portfolio companies in the year

£0.36 million was invested into one existing portfolio company during the year as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
	MPB	Online marketplace for used camera and video equipment	July 2019	0.36

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 also provided by other investors, is to support its continued growth plan. Having more than doubled its sales over the last two years, this investment will help drive the company's objective to create a £100m+ turnover internationally diverse and profitable re-commerce business.

New Investment after the year-end

£0.22 million was invested into a new company after the year-end as detailed below:

	Company	Business	Date of investment	Amount of new investment (£m)
ANDERSEN	Andersen EV	Electric vehicle (EV) chargers	June 2020	0.22

Muller EV Limited (trading as Andersen EV) is a design led manufacturer of premium electric vehicle (EV) chargers. Incorporated in 2016, this business has secured high profile partnerships with Porsche and Jaguar Land Rover, establishing an attractive niche position in charging points for the high end EV market. The Company's funds will be used to scale the business through investment in further products and software, sales and marketing and electric vehicle manufacturer partnerships. Andersen is well positioned in a nascent sector experiencing significant growth and has achieved sales ahead of budget in its latest year to February 2020, a trend which has continued in the year-to-date.

Further investments in existing portfolio companies after the year-end

	Company	Business	Date of investment	Amount of new investment (£m)
MyTutor	MyTutor	Digital marketplace connecting school pupils seeking one-to-one online tutoring	May 2020	0.53

MyTutorweb (trading as MyTutor) 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 further investment, alongside other existing shareholders, seeks to build and reinforce its position as a UK category leader in the online education market as well as to begin to develop a broader, personalised learning product offering. MyTutor has grown strongly over the last six months with average year on year growth of 70% and over 210,000 tutorials delivered in 2019. The COVID- 19 impact on the education sector has significantly heightened the awareness of online learning and tutoring.

	Company	Business	Date of investment	Amount of new investment (£m)
rotageek	Rotageek	Workforce management software	May 2020	0.37

Rotageek is a provider of cloud-based enterprise software to help larger retail and leisure organisations predict and meet demand to schedule staff effectively. This investment, alongside funds from a new VCT investor and existing shareholders will be used to capitalise on opportunities that will emerge as the retail sector recovers from lockdown restrictions. Rotageek will also be moving into healthcare to help address the workforce management issues of a sector that is chronically overburdened at present. For the year ended 31 December 2019, revenues have grown over 45% on the prior year.

Realisations during the year

The Company realised its investments in The Plastic Surgeon, ASL Technology, Redline Worldwide, Pattern Analytics (trading as Biosite) and Turner TopCo (trading as Auction Technology Group) during the year, generating an aggregate realised gain of £3.79 million. Net cash proceeds received from the sale of these investments totalled £10.93 million, as detailed below.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
Plastic Surgeon FINE FINISHERS	Plastic Surgeon	Supplier of snagging and finishing services to the property sector	April 2008 to May 2019	£2.19 million 5.6 x cost

The Company sold its remaining investment in The Plastic Surgeon to Polygon Group for £1.18 million (realised gain in the year: £0.30 million). Over the eleven years this investment was held, it generated proceeds of £2.19 million compared to an original investment cost of £0.39 million which is a multiple on cost of 5.6x and an IRR of 20.5%.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
ASL MANAGED • DOCUMENT • SOLUTIONS	ASL	Printer and photocopier services	December 2010 to June 2019	£4.57 million 2.2 x cost

The Company sold its investment in ASL Technology for £3.68 million (realised gain in the year of £0.49 million). Over the eight and a half years this investment was held, it generated proceeds of £4.57 million compared to an original investment cost of £2.09 million, which is a multiple on cost of 2.2x and an IRR of 12.6%.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
REDLINE® ASSURED SECURITY	Redline	Provider of security services to the aviation industry and other sectors	February 2016 to December 2019	£1.18 million 1.7 x cost

The Company sold its investment in Redline Worldwide for £0.93 million (realised gain in the year of £0.59 million) (including proceeds received after completion). Since investment in 2016, the investment has generated proceeds to date of £1.18 million compared to an original investment cost of £0.68 million, which is a multiple on cost to date of 1.7x. The investment generated an IRR at completion of 16.0%. Further proceeds may be payable in due course.

Investment Adviser's Review

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
BIOSITE	Biosite	Workforce management and security services	November 2016 to February 2020	£1.60 million 1.5 x cost

The Company sold its investment in Pattern Analytics Limited (trading as Biosite) to ASSA ABLOY for £1.53 million. Since investment in 2016, the investment has generated proceeds of £1.60 million compared to an original investment cost of £1.04 million, which is a multiple on cost of 1.5x and an IRR of 21.0%.

	Company	Business	Period of investment	Total cash proceeds over the life of the investment/ Multiple over cost
atg AUCTION TECHNOLOGY GROUP	Auction Technology Group	SaaS based online auction marketplace platform	October 2008 to February 2020	£7.80 million 4.5 x cost

The Company sold its investment in Turner Topco Limited (trading as Auction Technology Group) to TA Associates for £4.55 million (including £0.94 million loan interest due on completion; realised gain in the year of £2.41 million). This investment generated proceeds over the life of the investment (including proceeds received following a partial realisation from a sale to ECI Partners in June 2014) of £7.80 million. These returns generated a multiple on cost of 4.5x and an IRR of 28.9%.

There was also a partial realisation of Master Removers Group ("MRG") during the year which generated proceeds receivable of £0.28 million and a nominal realised gain. This occurred following a reorganisation of MRG's share capital resulting in the Company increasing its equity share in MRG from 3.4% to 5.2%.

Following the year-end , and continued under performance, the trade and assets of Super Carers were sold to Home Instead for a nominal sum. A realised loss of £0.19 million was recognised during the year in respect of Super Carers.

Loan stock repayments and other receipts

In addition to net realised gains for the year on the five disposals of £3.79 million, there were also realised gains of £0.17 million comprising consideration received from Entanet, an investment realised in a prior year, liquidation proceeds from H Realisations (2018) Limited (formerly Hemmels Limited) and MRG's partial realisation. Including a £0.19 million realised loss in respect of Super Carers, the total realised gains for the year were £3.77 million, as shown in both tables on page 12 of this review. After the year end, the Company received a loan repayment of £0.05 million from BookingTek.

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Investment Adviser

30 June 2020

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Twelve largest investments in the portfolio

at 31 March 2020 by valuation

Tovey Management Limited (trading as Access IS)

www.access-is.com

Cost £1,953,000

Valuation £2,809,000

Basis of valuation
Earnings multiple

Equity % held
7.7%

Income receivable in year
£150,081

Business
Provider of data capture and scanning hardware

Location
Reading

Original transaction
Management buyout

Audited financial information

Year ended	31 December 2019
Turnover	£18,781,000
Operating profit	£1,729,000
Net liabilities	£(358,000)
Year ended	31 December 2018
Turnover	£16,585,000
Operating profit	£659,000
Net liabilities	£(139,000)

Additions/disposals during the year

None.

MPB Group Limited

www.mpb.com

Cost £1,176,000

Valuation £1,733,000

Basis of valuation
Revenue multiple

Equity % held
4.2%

Income receivable in year
£19,247

Business
Online marketplace for photographic and video equipment

Location
Brighton

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2019
Turnover	£31,909,000
Operating loss	£(1,733,000)
Net assets	£2,455,000
Year ended	31 March 2018
Turnover	£21,708,000
Operating loss	£(2,004,000)
Net assets	£3,619,000

Additions/disposals during the year

Further investment of £0.36 million in July 2019.

Preservica Limited

www.preservica.com

Cost £1,133,000

Valuation £1,481,000

Basis of valuation
Revenue multiple

Equity % held
7.8%

Income receivable in year
£29,226

Business
Seller of proprietary digital archiving software

Location
Abingdon, Oxfordshire

Original transaction
Growth capital

Audited financial information

Year ended	31 March 2019
Turnover	Not disclosed
Operating profit	Not disclosed
Net assets	£978,000
Year ended	31 March 2018
Turnover	Not disclosed
Operating profit	Not disclosed
Net assets	£1,131,000

Additions/disposals during the year

None.

Bella & Duke Limited

www.bellaandduke.com

Cost £1,451,000

Valuation £1,451,000

Basis of valuation
Revenue multiple

Equity % held
10.0%

Income receivable in year
Nil

Business
A premium frozen raw dog food provider

Location
Edinburgh

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 March 2019
Turnover	Not disclosed
Operating profit	Not disclosed
Net assets	£524,000
Year ended	31 March 2018
Turnover	Not disclosed
Operating profit	Not disclosed
Net liabilities	£(95,000)

Additions/disposals during the year

New investment made in February 2020.

Virgin Wines Holding Company Limited

www.virginwines.co.uk

Cost £1,284,000

Valuation £1,426,000

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 2019
Turnover	£42,456,000
Operating profit	£2,011,000
Net assets	£2,763,000
Year ended	30 June 2018
Turnover	£39,888,000
Operating profit	£1,270,000
Net assets	£2,569,000

Additions/disposals during the year

None.

EOTH Limited (trading as Rab and Lowe Alpine)

www.equipuk.com

Cost £817,000

Valuation £1,404,000

Basis of valuation
Earnings multiple

Equity % held
1.5%

Income receivable in year
£204,792

Business
Branded outdoor equipment and clothing

Location
Alfreton, Derbyshire

Original transaction
Growth capital

Audited financial information

Year ended	31 January 2019
Turnover	£60,584,000
Operating profit	£14,096,000
Net assets	£26,302,000
Year ended	31 January 2018
Turnover	£54,161,000
Operating profit	£4,404,000
Net assets	£17,082,000

Additions/disposals during the year

None.

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

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

Strategic Report

Data Discovery Solutions Limited (trading as Active Navigation)

www.activenavigation.com

Cost	£943,000
Valuation	£1,210,000

Basis of valuation
Revenue multiple

Equity % held
5.4%

Income receivable in year
Nil

Business
Provider of a global market leading file analysis software for information governance, security and compliance

Location
Winchester

Original transaction
Growth capital

Audited financial information

Year ended	30 June 2018
Turnover	£5,022,000
Operating profit	£1,454,000
Net assets	£2,204,000
Year ended	30 June 2017
Turnover	£2,643,000
Operating profit	£300,000
Net assets	£739,000

Additions/disposals during the year

New investment in November 2019.

Proactive Group Holdings Inc

www.proactiveinvestors.co.uk

Cost	£635,000
Valuation	£1,172,000

Basis of valuation
Revenue multiple

Equity % held
2.2%

Income receivable in year
£7,199

Business
Provider of media services and investor conferences for companies primarily listed on secondary public markets

Location
London

Original transaction
Growth capital

Financial information (unaudited)

Year ended	30 June 2018
Turnover	Not disclosed
Operating profit	Not disclosed
Net liabilities	Not disclosed
Year ended	30 June 2017
Turnover	Not disclosed
Operating profit	Not disclosed
Net liabilities	Not disclosed

Additions/disposals during the year

None.

MyTutorWeb Limited

www.mytutor.co.uk

Cost	£980,000
Valuation	£980,000

Basis of valuation
Revenue multiple

Equity % held
5.4%

Income receivable in year
Nil

Business
Provider of a digital marketplace connecting school pupils seeking one-to-one online tutoring

Location
London

Original transaction
Growth capital

Financial information (unaudited)

Year ended	31 December 2018
Turnover	Not disclosed
Operating profit	Not disclosed
Net assets	£4,706,000
Year ended	31 December 2017
Turnover	Not disclosed
Operating profit	Not disclosed
Net assets	£2,001,000

Additions/disposals during the year

None.

Vectair Holdings Limited

www.vectairsystems.com

Cost	£60,000
Valuation	**£928,000**

Basis of valuation
Earnings multiple

Equity % held
5.2%

Income receivable in year
£121,566

Business
Designer and distributor of washroom products

Location
Basingstoke, Hampshire

Original transaction
Management buyout

Audited financial information

Year ended	31 October 2019
Turnover	£25,519,000
Operating profit	£3,542,000
Net assets	£10,014,000

Year ended	31 October 2018
Turnover	£22,274,000
Operating profit	£2,338,000
Net assets	£7,856,000

Additions/disposals during the year

None.

Arkk Consulting Limited

www.arkksolutions.com

Cost	£909,000
Valuation	**£759,000**

Basis of valuation
Revenue multiple

Equity % held
6.1%

Income receivable in year
Nil

Business
Provider of services and software to enable organisations to remain compliant with regulatory reporting requirements

Location
London

Original transaction
Growth capital

Audited financial information

Year ended	31 December 2018
Turnover	£3,365,000
Operating loss	£(343,000)
Net liabilities	£(13,000)

Year ended	31 December 2017
Turnover	£2,347,000
Operating profit	£119,000
Net assets	£87,000

Additions/disposals during the year

New investment in May 2019.

Vian Marketing Limited (trading as Red Paddle Co)

www.tushingham.com

Cost	£717,000
Valuation	**£739,000**

Basis of valuation
Earnings multiple

Equity % held
8.7%

Income receivable in year
£45,156

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 2019
Turnover	£14,845,000
Operating profit	£1,848,000
Net assets	£3,435,000

Year ended	28 February 2018
Turnover	£13,582,000
Operating profit	£1,594,000
Net assets	£2,748,000

Additions/disposals during the year

None.

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

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

Investment Portfolio Summary

as at 31 March 2020

	Date of first investment and Sector	Total Book cost at 31 March 2020 £	Valuation at 31 March 2019 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2020 £	% of net assets by value
Qualifying investments								
Unquoted investments								
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Electronic and electrical equipment	1,733,500	2,314,753	-	-	273,972	2,588,725	5.9%
MPB Group Limited Online marketplace for photographic and video equipment	**June 2016** General retailers	1,176,231	1,180,748	356,458	-	195,455	1,732,661	4.0%
Preservica Limited Seller of proprietary digital archiving software	**December 2015** Software and computer services	1,133,464	1,620,741	-	-	(139,369)	1,481,372	3.4%
Bella & Duke Limited A premium frozen raw dog food provider	**February 2020** General retailers	1,451,101	-	1,451,101	-	-	1,451,101	3.3%
Virgin Wines Holding Company Limited Online wine retailer	**November 2013** General retailers	1,284,333	1,556,726	-	-	(130,642)	1,426,084	3.3%
EOTH Limited (trading as Rab and Lowe Alpine) Branded outdoor equipment and clothing	**October 2011** General retailers	817,185	1,970,986	-	-	(566,961)	1,404,025	3.2%
Data Discovery Solutions Limited (trading as Active Navigation) Provider of global market leading file analysis software for information governance, security and compliance	**November 2019** Software and computer services	943,000	-	943,000	-	267,232	1,210,232	2.8%
Proactive Group Holdings Inc Provider of media services and investor conferences for companies primarily listed on secondary public markets	**January 2018** General financial	635,346	883,102	-	-	288,844	1,171,946	2.7%
MyTutorWeb Limited (trading as MyTutor) Digital marketplace connecting school pupils seeking one-to-one online tutoring	**May 2017** Support services	979,834	979,834	-	-	-	979,834	2.2%
Vectair Holdings Limited Designer and distributor of washroom products	**January 2006** Support services	60,293	972,093	-	-	(44,180)	927,913	2.1%
Arkk Consulting Limited (trading as Arkk Solutions) Provider of services and software to enable organisations to remain compliant with regulatory reporting requirements	**May 2019** Software and computer services	908,995	-	908,995	-	(149,762)	759,233	1.7%
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	1,180,612	-	-	(441,678)	738,934	1.7%
Parsley Box Limited Supplier of home delivered, ambient ready meals for the elderly	**May 2019** General retailers	551,400	-	551,400	-	105,370	656,770	1.6%
Tharstern Group Limited Software based management information systems to the print sector	**July 2014** Software and computer services	789,815	842,506	-	-	(235,196)	607,310	1.4%
Buster and Punch Holdings Limited Industrial inspired lighting and interiors retailer	**March 2017** General retailers	436,391	608,509	-	-	(20,992)	587,517	1.3%
Bleach London Holdings Limited Hair colourants brand	**December 2019** General retailers	445,332	-	445,332	-	116,029	561,361	1.3%
IPV Limited Provider of media asset software	**November 2019** Software and computer services	535,459	-	535,459	-	-	535,459	1.2%

Strategic Report

	Date of first investment and Sector	Total Book cost at 31 March 2020 £	Valuation at 31 March 2019 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2020 £	% of net assets by value
Rota Geek Limited Workforce management software	**August 2018** Support services	366,600	619,101	-	-	(107,490)	511,611	1.2%
Ibericos Etc. Limited (trading as Tapas Revolution) Spanish restaurant chain	**January 2017** Travel & Leisure	812,248	811,028	-	-	(426,205)	384,823	0.9%
Bourn Bioscience Limited Management of In-vitro fertilisation clinics	**January 2014** Healthcare equipment & services	757,101	383,189	-	-	(133,346)	249,843	0.6%
Kudos Innovations Limited Online platform that provides and promotes academic research dissemination	**November 2018** Support services	277,950	277,950	-	-	-	277,950	0.6%
CGI Creative Graphics International Limited Vinyl graphics to global automotive, recreation vehicle and aerospace markets	**June 2014** General industrials	999,568	964,132	-	-	(779,501)	184,631	0.5%
Blaze Signs Holdings Limited Manufacturing and installation of signs	**April 2006** Support services	437,030	807,949	-	-	(650,292)	157,657	0.4%
Master Removers Group 2019 Limited (trading as Anthony Ward Thomas, Bishopsgate and Aussie Man & Van) A specialist logistics, storage and removals business	**December 2014** Support services	251,763	1,113,167	-	(278,292)	(708,406)	126,469	0.3%
Media Business Insight Holdings Limited A publishing and events business focused on the creative production industries	**January 2015** Media	1,447,188	770,532	-	-	(726,297)	44,235	0.1%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	**July 2017** General retailers	1,412,992	893,985	-	-	(854,587)	39,398	0.1%
RDL Corporation Limited Recruitment consultants for the pharmaceutical, business intelligence and IT industries	**October 2010** Support services	1,000,000	494,929	-	-	(494,929)	-	0.0%
Super Carers Limited[1] Online platform that connects people seeking home care from experienced independent carers	**March 2018** Support services	384,720	192,360	-	(192,360)	-	-	0.0%
BookingTek Limited Software for hotel groups	**October 2016** Software and computer services	504,336	126,084	-	-	(126,084)	-	0.0%
Jablite Holdings Limited Manufacturer of expanded polystyrene products	**April 2015** Construction and materials	281,398	91,600	-	-	(91,600)	-	0.0%
Veritek Global Holdings Limited Maintenance of imaging equipment	**July 2013** Support services	967,780	49,432	-	-	(49,432)	-	0.0%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	906,935	-	-	-	-	-	0.0%
Realised in year								
ASL Technology Holdings Limited Printer and photocopier services	**December 2010** Support services	-	3,190,292	-	(3,190,292)	-	-	0.0%
Pattern Analytics Limited (trading as Biosite) Workforce management and security services for the construction industry	**November 2016** Software and computer services	-	1,531,481	-	(1,531,481)	-	-	0.0%

[1] The closing valuation of this investment is nil, as the remaining cost and valuation still held were permanently impaired during the year.

Investment Portfolio Summary

as at 31 March 2020

	Date of first investment and Sector	Total Book cost at 31 March 2020 £	Valuation at 31 March 2019 £	Additions at cost £	Disposals at opening valuation £	Change in valuation for year £	Valuation at 31 March 2020 £	% of net assets by value
Turner Topco Limited (trading as Auction Technology Group) SaaS based online auction market place platform	**October 2008** Media	-	1,198,168	-	(1,198,168)	-	-	0.0%
The Plastic Surgeon Holdings Limited Snagging and finishing of domestic and commercial properties	**April 2008** Support services	-	875,502	-	(875,502)	-	-	0.0%
Redline Worldwide Limited Provider of security services to the aviation industry	**February 2016** Support services	-	341,107	-	(341,107)	-	-	0.0%
Total qualifying investments		**25,406,326**	**28,842,598**	**5,191,745**	**(7,607,202)**	**(5,630,047)**	**20,797,094**	**47.8%[2]**
Non-qualifying investments								
Media Business Insight Limited A publishing and events business focused on the creative production industries	**January 2015** Media	561,884	672,742	-	-	-	672,742	1.5%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet) Online retailer in the water sports market	**July 2017** General retailers	304,000	304,000	-	-	-	304,000	0.7%
Tovey Management Limited (trading as Access IS) Provider of data capture and scanning hardware	**October 2015** Electronic and electrical equipment	219,873	219,873	-	-	-	219,873	0.5%
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%
Racoon International Group Limited Supplier of hair extensions, hair care products and training	**December 2006** Personal goods	139,050	-	-	-	-	-	0.0%
H Realisations (2018) Limited (formerly Hemmels Limited) Company specialising in the sourcing, restoration, selling and servicing of high price, classic cars	**March 2018** Automobiles and Parts	17,932	-	-	-	-	-	0.0%
Total non-qualifying investments		**1,497,325**	**1,196,615**	**-**	**-**	**-**	**1,196,615**	**2.7%**
Total investment portfolio per note 8, page 63		**26,903,651**	**30,039,213**	**5,191,745**	**(7,607,202)**	**(5,630,047)**	**21,993,709**	**50.5%**
Cash and current asset investments[3]			18,662,785				21,806,051	50.1%
Total investments including cash and current asset investments		**26,903,651**	**48,701,998**	**5,191,745**	**(7,607,202)**	**(5,630,047)**	**43,799,760**	**100.6%**
Other current assets			229,113				150,699	0.3%
Current liabilities			(201,154)				(385,165)	(0.9)%
Totals		**26,903,651**		**5,191,745**	**(7,607,202)**			
Net assets at the year-end			**48,729,957**				**43,565,294**	**100.0%**
Total Investment Portfolio split by type								
Growth focused portfolio		15,820,418	15,017,984	5,191,745	(2,343,240)	(2,701,950)	15,164,539	68.9%
MBO focused portfolio		11,083,233	15,021,229	-	(5,263,962)	(2,928,097)	6,829,170	31.1%
Investment Adviser's Total		**26,903,651**	**30,039,213**	**5,191,745**	**(7,607,202)**	**(5,630,047)**	**21,993,709**	**100.0%**

[2] As at 31 March 2020, 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 twelve 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 52.

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 Policy

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

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 pages 33 and 34 of this Annual Report.

Section 172(1) Statement

Under Section 172 of the Companies Act 2006 a director of a company is required to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our investors. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose and objectives together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management of the Company to an Investment Adviser and then to engage with the Investment Adviser in setting, approving and overseeing the execution of the business strategy and related policies. At every Board meeting a review of financial and operational performance, as well as legal and regulatory compliance is undertaken. The Board also review other areas over the course of the financial year including the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusivity; corporate responsibility; and governance, compliance and legal matters. This is done through the consideration and discussion of reports which are circulated in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its investors, suppliers, regulators and investee companies. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Board engages directly with stakeholder groups through either regular or annual meetings and investor presentations to assist the directors in understanding the issues to which they must have regard.

During the year we received information to help the Board to understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk and the outcomes of specific pieces of engagement (for example, the Investor event held on 4 February 2020). As a result of this, we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote the success of the company.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us.

- In deciding to enter into a fundraising for the 2019/2020 tax year, the Board considered:
  - the impact of dilution of Shareholder's holdings;
  - the ability to adhere to the dividend policy of the Company;
  - the effect on the Net Asset Value and the ability of the Company and its liquidity levels to be able to meet HMRC's VCT investment rules and timelines;
  - the costs involved in issuing a prospectus and charged to Shareholders;
  - the risk to performance; and
  - the equal treatment of investors across the four VCTs that Mobeus advises on and those the Company co-invests with.
- The Company's investment operations create employment, aid economic growth and generate wealth, thus benefiting the community and environment more generally.
- The operations and performance of each investee company are being continually assessed to remain responsive to the effects of COVID-19 upon the well-being of employees and viability of each investee and support offered where appropriate.
- The decision to narrow the discount to net asset value at which the Company's shares traded considered the interests of exiting and remaining Shareholders. The Board considered the advantages to Shareholders of meeting requests to buy back shares with the requirement for the Company to have adequate liquidity.

Principal risks

The Directors acknowledge the Board's responsibilities for the Company's internal control systems and have instigated systems and procedures for identifying, evaluating and managing the significant risks faced by the Company. This includes a key risk management review which takes place at each quarterly Board meeting. Further details of these are contained in the Corporate Governance section of the Directors' Report on pages 37 to 39.

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 occurrence of the COVID-19 pandemic has created heightened uncertainty, but has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The principal risks identified by the Board are set out below::

Risk	Possible consequence	How the Board manages risk
Political and Economic	Events such as an economic recession, Brexit negotiations, a protracted period of political uncertainty, COVID-19, movements in interest rates, could affect trading conditions for smaller companies and consequently the value of the Company's qualifying investments.	● *The Board monitors (1) the portfolio as a whole to ensure that the Company invests in a diversified portfolio of companies and (2) developments in the macro-economic environment such as interest rates.* ● *The Board and Investment Adviser have carried out an analysis of the portfolio, latterly with particular focus upon the impact of COVID-19 which will be kept under review.*
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 generally appoints a director to the Board of each 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 becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.	● *The Board receives regular reports from Philip Hare & Associates LLP ("PHA") who have been retained to undertake an independent VCT status monitoring role.* ● *The Company's VCT qualifying status is continually reviewed by PHA and the Investment Adviser on a regular basis.*
VCT Regulatory changes	The Company is required to comply with frequent changes to the VCT specific regulations relating to European State Aid regulations as enacted by the UK Government which still apply. 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.* • *The Board 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.*
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.	• *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 3 to 5 and the Strategic Report on pages 6 to 11. The majority of companies in the portfolio are well funded and the portfolio taken as a whole remains resilient and well diversified, although the impact of COVID-19 is likely to impose considerable demands upon the liquidity and trading prospects of many of these companies in the near-term. The Board believes the recent fundraising will assist the Company in meeting those needs for liquidity, where justified while the valuation of the Company's portfolio is likely to remain affected by COVID-19's impact for the foreseeable future. Outside this factor, the direct impact of COVID-19 upon the Company itself is not considered significant.

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 66 to 73. 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 Directors have carried out a robust assessment comprising of the emerging and principal risks facing the Company which are listed on pages 29 and above. Subsequent to this review they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors believe 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 the previous page and above. The Board is mindful of the risks contained therein but considers that its actions to manage those risks provide reasonable assurance that the Company's affairs are safeguarded for the stated period.

The Directors have reached this conclusion after giving careful consideration to the Company's strategy. They believe the Company's current strategy of providing "investors with a regular income stream, arising both from the income generated by the companies selected for the portfolio and from realising any growth in capital, while continuing at all times to qualify as a VCT" remains valid.

The Board will continue to monitor returns from capital growth 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 rate 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 next AGM falling after the fifth anniversary of last allotting shares. As shares were last allotted in April 2020 (under an 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 5 and the Investment Adviser's Review on page 12.

Ian Blackburn
Chairman

30 June 2020

Board of Directors

Ian Blackburn

Independent, Non-executive Chairman and Chair of Nomination and Remuneration Committee

Appointed to the Board: 1 July 2017.

Experience: Ian is an FCA who specialised in Corporate Finance at KPMG before building and selling two listed food groups. He has extensive UK and European strategic, operations and finance experience as CEO and FD of Perkins Foods Plc and Zetar Plc. Currently he is an active investor in a number of SMEs including Chairman and Non-Executive roles with Mood Foods Limited (manufacture of Ombar raw cocoa chocolate bars), Make it Plain Limited (Kinteract education sector app) and Slimline Wine (sugar free wines). He is also the treasurer of The Thomas Fryer Charity and a trustee of Rutland Learning Trust (Multi Academy Trust).

Adam Kingdon

Independent, Non-executive Director and Chair of Audit Committee

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

Independent, Non-executive Director and Chair of Investment Committee

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. She has extensive C-suite, Chairman and VC experience in investing in, growing, restructuring and exiting early and development stage technology companies. After qualifying as an ACA with Price Waterhouse she moved to JP Morgan as an investment banker and then became an early stage technology investor at Quester Capital Management, as part of their VCT investment team. After leaving Quester she founded an angel network, Endeavour Ventures before becoming COFO for Redkite Financial Service Services; a business they exited to NASDAQ listed NICE Actimize. She then spent 3 years as CEO of You at Work, a full service employee benefits provider, helping to restructure the business. She has sat on a large number of boards and currently chairs StorMagic, which was named a top 25 IOT solution provider by CIO Applications.

For details of the share interests, remuneration and attendance of the Directors, please see pages 43 and 44 of the Directors' Annual Remuneration Report.

Directors' Report

The Directors present the Annual Report and Audited Financial Statements of the Company for the year ended 31 March 2020.

The Corporate Governance Statement on pages 37 to 39, including the Report of the Audit Committee on pages 40 and 41, form part of this Directors' Report.

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

The Company is registered in England and Wales as a Public Limited Company (registration number 03946325).

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

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

Information on likely developments in the business are referred to in the Chairman's Statement on pages 3 to 5 and in the Strategic Report on pages 6 to 11.

Share capital

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

The issued share capital of the Company as at 31 March 2020 was £596,893 (2019: £489,251) and the number of shares in issue at this date was 59,689,299 (2019: 48,925,130).

Share buybacks

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

The reason the Company makes market purchases of its own shares is to enhance the liquidity of the Company's shares and to seek to manage the level and volatility of the discount to Net Asset Value at which the Company's shares may trade.

At the Annual General Meeting of the Company held on 11 September 2019, Shareholders granted the Company authority, pursuant to section 701 of the Companies Act, to make market purchases of up to 7,333,877 of its own shares, representing 14.99% of the issued share capital of the Company at that date. Such authority has been in place throughout the year under review and a resolution to renew this authority will be proposed to Shareholders at the forthcoming Annual General Meeting to be held on 9 September 2020.

During the year under review, the Company bought back 1,128,609 (2019: 379,029) of its own shares at an average price of 83.69 (2019: 86.46) pence per share and a total cost including expenses of £944,508 (2019: £322,702). These shares represented 2.3% 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 the Report, the Company had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Dividends

The Directors declared two interim dividends for the year ended 31 March 2020 of 15.00 and 11.00 pence per share paid to Shareholders on 20 September 2019 and 27 March 2020 respectively.

An interim dividend of 7.00 pence per share in respect of the year ending 31 March 2021, was paid to Shareholders on the Register on 22 May 2020, on 19 June 2020. These dividends have increased the cumulative dividends paid since the launch of the current share class in 2005 to 116.00 pence per share.

Directors

The names, dates of appointment and brief biographical details of each of the Directors are given on page 32 of this Annual Report. Further details of each Director's interests in the Company's shares are set out on page 44 of the Directors' Remuneration Report. None of the Directors held interests in the investee companies throughout the year.

The powers of the Directors have been granted by company law, the Company's articles of association (the "Articles") and resolutions passed by the Company's members in general meeting.

Disclosure of Information to the Auditor

So far as each of the Directors in office at 31 March 2020 are aware, there is no relevant audit information of which the external auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' and Officers' liability insurance

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

Directors' indemnity

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

Articles of Association

The Company may amend its Articles of Association by special resolution in accordance with section 21 of the Companies Act 2006.

Post balance sheet events

For a full list of post balance sheet events that have occurred since 31 March 2020, please see Note 18 to the Financial Statements on page 73.

Social and Environmental Policies

Environmental and social responsibility

The Board recognises its obligations under section 414c of the Companies Act to provide information about environmental matters (including the impact of the Company's business on the environment), human rights and social and community issues, 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

Directors' Report

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 investment 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 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. 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 minimize its impact on the environment and has taken a number of initiatives in its offices including recycling and the reduction of 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 policy

The Board has reviewed the arrangements the Investment Adviser has in place 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 whistle-blowing policy in place.

Anti-Tax Evasion

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

Financial risk management

The main risks arising from the Company's financial instruments are due to investment risk, fluctuations in the market price and interest rates, credit risk and liquidity risk. The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 15 to the Financial Statements on pages 66 to 73 of this Annual Report.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, to be held at 11:00 a.m. on Wednesday, 9 September 2020 at the Investment Adviser's office, 30 Haymarket, London, SW1Y 4EX is set out on pages 80 to 82 of this Annual Report. A proxy form for the meeting is enclosed separately with Shareholders' copies of this Annual Report. Proxy votes may also be submitted electronically via the Link Shareholder Portal at www.signalshares.com. To reduce the environmental impact of paper use and wastage, Shareholders are encouraged to submit proxy instructions online.

Currently, it is not clear what restrictions might be in force in September. It may be the case that it becomes necessary to adjust the way in which this year's AGM is conducted to comply with the UK Government's guidelines associated with the COVID-19 pandemic. As it may not be possible for you to attend the meeting due to Government restrictions, you are encouraged to lodge your proxy form and appoint the Chairman of the meeting as your proxy as any other appointed proxy may also not be allowed to attend the meeting.

Any updates on the AGM will be announced to the London Stock Exchange and on the Company's website: www.mig2vct.co.uk which Shareholders intending to attend are advised to consult. Shareholders may send any questions on the resolutions proposed to the following email address: agm@mobeus.co.uk . A response will be provided prior to the date by which proxy votes must be lodged.

Resolutions 1 to 8 are being proposed as ordinary resolutions requiring more than 50% of the votes cast at the meeting to be in favour. Resolutions 9 and 10 are being proposed as special resolutions requiring the approval of at least 75% of the votes cast at the meeting. The following provides an explanation of the business to be proposed at the meeting.

Resolution 1 – To receive and adopt the Annual Report and Financial Statements

The Directors are required to present the Financial Statements, Directors' report and Auditor's report for the financial year ended 31 March 2020 to the meeting.

Resolution 2 – To approve the Directors' Annual Remuneration Report

Under section 420 of the Companies Act 2006 (the "Act"), the Directors must prepare an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Nomination and Remuneration Committee (together the "Directors' Remuneration Report"). The Act also requires that a resolution be put to Shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 42 to 44. Resolution 2 is an advisory vote only.

Resolution 3 – To approve the Remuneration Policy

Under section 439A of the Companies Act, the Company is required to put the Remuneration Policy to Shareholders for approval every three years and is subject to a binding Shareholder vote. The Directors' Remuneration Policy was previously approved by Shareholders at the AGM held in 2017.

No changes are proposed to the Remuneration Policy which is set out below:

Remuneration Policy

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

Full details of Directors' remuneration can be found in the Directors' Remuneration Report on pages 42 to 44 of this Annual Report.

Resolutions 4 to 6 – To re-elect the Directors

All Directors have agreed to retire annually from the Board. This is in line with the recommendation of provision 18 of the revised UK Corporate Governance Code, published in July 2018, which applies to the Company from the start of the current financial year. Being eligible, each of the Directors are offering themselves for re-election.

The Board is of the view that a term of service in excess of nine years is not in itself prejudicial to a director's ability to carry out their duties effectively and, from an independent perspective, the nature of the Company's business is such that individual director's experience and continuity of non-executive board membership can significantly enhance the effectiveness of the Board as a whole.

Ian Blackburn - Following a review of his performance, the remaining Directors agree that Ian Blackburn continues to carry out his duties effectively and makes a substantial contribution to the Company's long-term sustainable success. The remaining Directors are confident that he is a strong and effective director and have no hesitation in recommending his re-election to Shareholders.

Sally Duckworth – Following a review of her performance, the remaining Directors agree that Sally Duckworth continues to make a substantial contribution to the work of the Board and continues to demonstrate commitment to her role. The remaining Directors have no hesitation in recommending her re-election to Shareholders.

Adam Kingdon - Following a review of his performance, the remaining Directors agree that Adam Kingdon has continued to make a substantial contribution to the work of the Board as Chair of the Audit Committee during the year and has demonstrated commitment in his role. The remaining Directors have no hesitation in recommending his re-election to Shareholders.

Resolution 7 – To reappoint BDO LLP as auditor of the Company, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the Directors to determine the remuneration of the auditor

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the reappointment of BDO LLP. This resolution also gives authority to the Directors to determine the remuneration of the auditor. For further information, please see the Report of the Audit Committee on pages 40 to 41.

Resolution 8 – Authorities for the Directors to allot shares in the Company and Resolution 9 - disapply the pre-emption rights of members

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 8 will enable the Directors to allot new shares up to an aggregate nominal amount of £245,392 representing approximately one-third of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting.

Under section 561(1) of the Companies Act, if the Directors wish to allot new shares or sell or transfer treasury shares for cash they must first offer such shares to existing Shareholders in proportion to their current holdings. It is proposed by Resolution 9 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, but not exceeding, £36,809 (representing approximately one-third of the existing issued share capital of the Company as at the date of the notice convening the Annual General Meeting) in connection with offer(s) for subscription; and

(ii) otherwise than pursuant to (i) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 5% of the issued share capital of the Company from time to time,

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

The Company normally allots shares at prices based on the prevailing net asset value per share of the existing shares on the date of the allotment (less costs).

The Directors thus seek to manage any potential dilution of existing shareholdings as a result of the disapplication of members' pre-emption rights proposed in resolution 9.

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 2021. However, the Directors may allot securities after the expiry dates specified above in pursuance of offers or agreements made prior to the expiration of these authorities. Both resolutions generally renew previous authorities approved by Shareholders at the Annual General Meeting of the Company held on 11 September 2019.

Resolution 10 – Authority to purchase the Company's own shares

This resolution authorises the Company to purchase its own shares pursuant to section 701 of the Act. The authority is

Directors' Report

limited to the purchase of an aggregate of 11,035,300 shares representing approximately 14.99% of the issued share capital of the Company as at the date of the Notice of the Meeting or, if lower, such number of shares (rounded down to the nearest whole share) as shall equal 14.99% of the issued share capital at the date the resolution is passed. The maximum price that may be paid for a share will be the higher of (i) an amount that is not more than 5% above the average of the middle market quotations of the shares as derived from the Daily Official List of the UK Listing Authority for the five business days preceding the date such shares are contracted to be purchased and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid for a share is 1 penny, being the nominal value thereof.

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

It is the Directors' intention to cancel any shares bought back under this authority. Shareholders should note that the Directors do not intend to exercise this authority unless they believe that to do so would result in an increase in net assets per share, which would be in the interests of Shareholders generally. This resolution will expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the Company's Annual General Meeting to be held in 2021, except that the Company may purchase its own shares after this date in pursuance of a contract or contracts made prior to the expiration of this authority.

Voting rights of Shareholders

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

Restrictions on voting rights

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

By order of the Board

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Company Secretary

30 June 2020

Reports of the Directors

Corporate Governance Statement

The Directors have adopted the Association of Investment Companies Code of Corporate Governance 2019 ("the AIC Code") for the financial year ended 31 March 2020. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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

The AIC Code was endorsed by the Financial Reporting Council (FRC) in February 2019. In adopting the AIC Code, the Company will therefore meet its obligations in relation to the reporting requirements of the Financial Conduct Authority's ("FCA") Listing and Disclosure and Transparency Rules on Corporate Governance.

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 systems 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.

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. It is assisted by the Audit Committee in respect of the Annual and Half-Year Reports and other published financial information.

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 was conducted on the basis of reports from the relevant service providers. The last review took place on 17 June 2020. 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,

Corporate Governance Statement

under its instruction, for accessing and dealing with these documents.

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 9 September 2020.

The Board has agreed a schedule of matters specifically reserved for decision by the Board. These include compliance with the requirements of the Companies Act 2006 and the Income Tax Act 2007, the UK Listing Authority and the London Stock Exchange; strategy and management of the Company; changes relating to the Company's capital structure or its status as a plc; financial reporting and controls; Board and committee appointments as recommended by the Nomination and Remuneration Committee; material contracts of the Company and contracts of the Company not in the ordinary course of business.

Board committees

The Board has established four Committees with responsibilities for specific areas of its activity. These are the Audit Committee, Management Engagement Committee, the Nomination and Remuneration Committee and the Investment Committee. Each of the Committees have written terms of reference, which detail their authority and duties. Shareholders may obtain copies of these 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. Full descriptions of the work of the Audit Committee and the Nomination and Remuneration Committee are set out in the Report of the Audit Committee on page 40 and the Directors' Remuneration Report on page 44 of this Annual Report. Further details on the work of the Investment Committee are set out in the next column.

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 43.

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

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

Management Engagement Committee

During the year under review, the Board established a separate Management Engagement Committee, the membership of which comprises all directors. The Committee has responsibility for carrying out a review of the performance of the Investment Adviser and other key service providers on an annual basis.

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 57 to 59.

In addition the Investment Adviser received fees totalling £305,323 during the year ended 31 March 2020 (2019: £244,556), being £129,795 (2019: £74,339) in arrangement fees and £175,528 (2019: £170,217) in non-executive directors fees for its partners, and other senior managers, to sit on a number of investee company boards. These amounts are the share of such fees attributable to investments made by the Company. These figures are not part of the Financial Statements.

The Board reviews annually, and at other times as and when necessary, the Investment Management Agreement and the performance of the Investment Adviser, and the other service providers including the auditor, VCT status adviser, solicitors, bankers and registrars.

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

As part of this annual review, the Board considers the quality and continuity of the investment management team, the investment process and the results achieved to date. The Board concluded that the Investment Adviser had returned a good performance and that the Company's investment portfolio had performed well, after allowing for the negative impact of COVID-19 in the final quarter. 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 2018/2017, 2014 and 2015. The Board believes that the Investment Adviser had continued to exercise independent judgment while producing consistent valuations which reflected fair value.

The Board also believes that the Investment Adviser responded swiftly and effectively to COVID-19's impact upon investee companies.

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 17 June 2020.

The principal terms of the Company's Investment Management Agreement with the Investment Adviser dated 10 September 2010 (as amended and restated on 15 September 2016) and the incentive fee arrangements dated 20 September 2005 are set out in Note 4 to the Financial Statements on page 58 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

Mobeus Equity Partners LLP
Company Secretary

30 June 2020

Report of the Audit Committee

The Audit Committee comprises all Directors and is chaired by Adam Kingdon.

The duties of the Committee are set out in the Terms of Reference which can be found on the Company's website in the Corporate Governance section: www.mig2vct.co.uk.

A summary of the Audit Committee's principal activities for the year ended 31 March 2020 is provided below:

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 37. 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. 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 Guidelines, updated in December 2018. COVID-19's impact was specifically considered. The Committee received a report summarising the findings of the annual audit and half-year review from the external auditor. The half-year review performed by BDO is an agreed upon procedure and not a detailed review as carried out for the annual audit. These reports were discussed by the Committee with the Auditor and the Investment Adviser before a recommendation to approve the valuations was made to the Board.

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

Going Concern and long-term viability

The Committee monitors the Company's resources at each quarterly board meeting and is satisfied that the Company has an adequate level of resources for the foreseeable future. It has assessed the viability of the Company for three years and beyond. Consideration is given to the cash balances and holdings in money market funds, together with the ability of the Company to realise its investments. See pages 30 and 31 of the Strategic Report for further details.

Recognition of Impairment and realised losses

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

Compliance with the VCT tests

The Company engaged the services of a VCT Status Adviser (Philip Hare & Associates LLP) to advise on its ongoing compliance with the legislative requirements relating to VCTs. A report on the Company's compliance supported by the tests carried out is produced by the VCT Status Adviser on a bi-annual basis and reviewed by the Committee for recommendation to the Board. The Committee has continued to consider the risk and compliance aspects of changes to the VCT Rules introduced by the Finance Act (No.2) 2015 and the Finance Act 2018. As part of this work, the Committee has held ongoing discussions with the Company's VCT Status Adviser throughout the year, in particular with regard to both the requirement for 80% of the Company's investments to be held in qualifying investments by 1 April 2020 and the new requirement to invest 30% of funds raised within a year of the end of the financial year in which the funds were raised.

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 29 to 30, 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 on page 37.

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.

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") Revised Ethical Standard 2019 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, from the auditor, BDO LLP, namely, certain agreed procedures in respect of the Half-Year Report. In prior years, BDO provided iXBRL tagging services to the Company. For the year ended 31 March 2020, an alternative provider is being sourced. Philip Hare & Associates LLP provide tax compliance services.

Subsequent to its review, the Audit Committee was satisfied that audit independence had been maintained as the fees involved were relatively small compared to those for the audit.

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 33.

By order of the Board

Adam Kingdon
Chairman of the Audit Committee

30 June 2020

Directors' Annual Remuneration Report

Dear Shareholder

I am pleased to introduce the Directors' Annual Remuneration Report for the year ended 31 March 2020.

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.

I would welcome any comments you may have.

Ian Blackburn
Nomination and Remuneration Committee Chairman
30 June 2020

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 44 of this Annual Report and this is explained further in the Auditor's Report to Shareholders on pages 46 to 50.

Directors' Remuneration Policy

The Directors' fees are reviewed annually and were last increased with effect from 1 October 2018 to reflect the additional work undertaken by the Directors. No further increase is anticipated in respect of the current financial year. 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 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

Over and above the requirements of principle 3 of the AIC Code and the Company's policy on tenure, all Directors have agreed to retire annually from the Board. This is in line with the recommendation of provision 18 of the revised UK Corporate Governance Code, published in July 2018, and which applies to the Company from the start of the year under review.

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

All Directors receive a formal letter of appointment setting out the terms of their appointment and their specific duties and responsibilities and the fees pertaining to their appointment. Each of the agreements may be terminated by either party giving not less than three months' notice in writing. Appointment letters for new Directors will 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.

A Director's appointment may be terminated on three months' notice being given by the Company. This policy applied throughout the year ended 31 March 2020 and will continue to apply to the current year ending 31 March 2021.

Shareholder approval of the Directors' Remuneration Policy

The resolution to approve the Directors' 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 Annual General Meeting of the Company 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%) It was agreed that this policy would be subject to Shareholder approval every three years, therefore a resolution to approve the Remuneration Policy will be put to Shareholders at the forthcoming Annual General Meeting of the Company on 9 September 2020.

Shareholder approval of the Directors' Annual Remuneration Report

The resolution to approve the Directors' Annual Remuneration Report, as set out in the Annual Report for the year ended 31 March 2019, was unanimously approved by Shareholders on a show of hands at the Annual General Meeting of the Company held on 11 September 2019. An ordinary resolution will be proposed at the forthcoming Annual General Meeting of the Company to be held on 9 September 2020 for approval of the Directors' Annual Remuneration Report as set out on page 34.

Future policy in relation to Directors' Remuneration

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 at the start of this report 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 and Role	Components of Pay Package	Maximum Payment per annum	Performance Conditions
Ian Blackburn Chairman of the Board, Chair of the Nomination and Remuneration Committee, Chair of the Management Engagement Committee	Director's fee (incl. fee for acting as Chairman of the Board)	£36,000	None
Adam Kingdon Chair of the Audit Committee	Director's fee	£30,000	None
Sally Duckworth Chair of the Investment Committee	Director's fee	£30,000	None
Total maximum fees payable		**£96,000**	

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

The table below sets out the Directors' attendance at quarterly Board meetings and Committee meetings held during the year to 31 March 2020. In addition to the quarterly Board meetings, the Board met on other occasions to consider specific matters as they arose.

Directors	Board Meetings (4)		Audit Committee Meetings (2)		Nomination and Remuneration Committee Meeting (1)		Management Engagement Committee Meeting (1)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ian Blackburn	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

Directors' Annual Remuneration Report

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 has recommended no increase in Directors' fees for the forthcoming year. 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 year under review with full attendance from all its members. There were no new appointments to the Board during the year under review.

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 ten 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 2010.

An explanation of the recent performance of the Company is given in the Chairman's Statement on page 3, the Performance section of the Strategic Report on pages 8 to 11 and in the Investment Review and Investment Portfolio Summary on pages 12 to 26.

By order of the Board

Mobeus Equity Partners LLP

Mobeus Equity Partners LLP
Company Secretary

30 June 2020

Audited information

Directors' emoluments

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

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Ian Blackburn	36,000	29,641
Adam Kingdon	30,000	26,500
Sally Duckworth	30,000	26,500
Nigel Melville*	-	11,781
Total	**96,000**	**94,422**

* Nigel Melville retired as a director on 12 September 2018.

Aggregate fees paid in respect of qualifying services amounted to £96,000 (2019: £94,422).

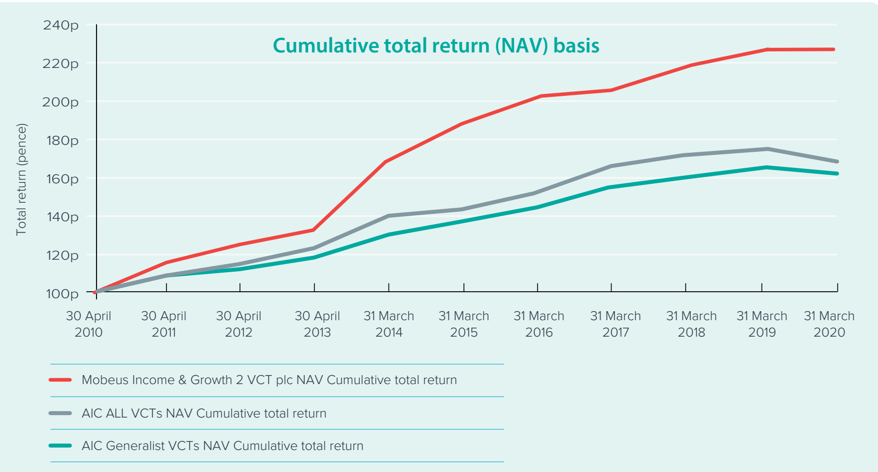
Directors' interests in the Company's shares

The Directors who held office during the year under review and their interests as at 31 March 2020 were:

Director	Holdings at 31 March 2020	Holdings at 31 March 2019
Ian Blackburn	48,463	48,463
Adam Kingdon	5,709	5,709
Sally Duckworth	-	-

Relative importance of spend on Directors' fees

Year ended 31 March	2020 £	2019 £
Total Directors' fees	96,000	94,422
Dividends paid and payable in respect of the year	13,878,041	2,459,246
Share buybacks	944,508	327,702
Directors' fees as a share of:		
Closing net assets	0.2%	0.2%
Dividends	0.7%	3.8%
Total fees and expenses	6.5%	7.0%



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.

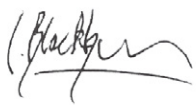
(b) The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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 32.

For and on behalf of the Board



Ian Blackburn
Chairman

30 June 2020

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 2020 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- 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 judgment, 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, including 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.

Key audit matter	How we addressed the Key Audit Matter in the Audit

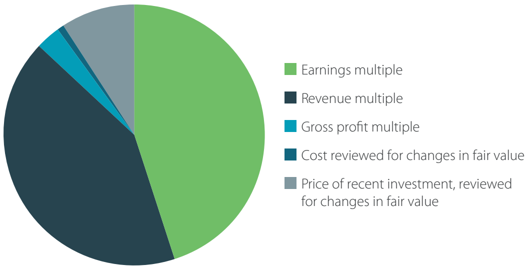
Valuation of unquoted investments

We consider the valuation of unquoted 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 investments 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 62 in Note 8 and disclosures regarding the fair value estimates are given on pages 62 to 64 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 applicable accounting standards;
- Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies;

For a sample of investments valued using less subjective valuation techniques (price of recent investment reviewed for changes in fair value) we:

- Agreed the cost or price of the recent investments to supporting documentation;
- Assessed whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company;
- Considered whether there were any indications that the cost or price of the 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; and
- Considered whether the price of the recent investment is supported by alternative valuation techniques.

For a sample of investments that were valued using more subjective techniques (earnings and revenue multiples) we:

- Challenged and agreed 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 by agreeing the adjusted multiples to independent sources and obtaining independent multiples and performing sensitivity analysis on the investment valuations.

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.

We also considered the completeness and clarity of disclosures regarding the valuation of investments in the financial statements.

Key observations:

Based on the procedures performed we did not identify any indications to suggest that the valuation of the unquoted investment portfolio was materially misstated. We consider the investment valuations to be within an appropriate range considering the level of estimation uncertainty.

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. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below 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	Purpose	Key considerations and benchmarks	2020 Quantum (£)	2019 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 valuations	440,000	600,000
Performance materiality 75% of materiality	The maximum error in an assertion that we would be prepared to accept and still conclude that the result from an audit procedure has achieved our objective.	• Financial statement materiality • Risk and control environment • History of prior errors	330,000	450,000

We have set a lower threshold for testing those items impacting revenue return of £179,000 which is based on 10% of revenue return before tax (2019: £160,000 based on 10% of revenue return before tax).

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,000 (2019: £8,000) 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 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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the Company losing various deductions and exemptions from corporation tax.

We designed audit procedures to respond to the risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the year; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 position, 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; and
- 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. The period of total uninterrupted engagement is 12 years, covering the periods ended 30 April 2009 to 31 March 2020.

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.

BDO LLP

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

30 June 2020

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

Income Statement
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 Revenue £	Capital £	Total £	Year ended 31 March 2019 Revenue £	Capital £	Total £
Net investment portfolio (losses)/gains	8	-	(1,860,406)	(1,860,406)	-	3,137,000	3,137,000
Income	3	2,454,166	-	2,454,166	2,189,574	-	2,189,574
Investment Adviser's fees	4a	(275,715)	(827,145)	(1,102,860)	(259,026)	(777,077)	(1,036,103)
Other expenses	4c	(383,905)	-	(383,905)	(320,722)	-	(320,722)
Profit/(loss) on ordinary activities before taxation		1,794,546	(2,687,551)	(893,005)	1,609,826	2,359,923	3,969,749
Taxation on profit/(loss) on ordinary activities	5	(292,105)	157,158	(134,947)	(208,983)	147,645	(61,338)
Profit/(loss) for the year and total comprehensive income		**1,502,441**	**(2,530,393)**	**(1,027,952)**	**1,400,843**	**2,507,568**	**3,908,411**
Basic and diluted earnings per ordinary share:	7	**2.94p**	**(4.95)p**	**(2.01)p**	**2.84p**	**5.09p**	**7.93p**

The revenue column of the Income Statement includes all income and expenses. The capital column accounts for the net investment portfolio (losses)/gains (unrealised losses 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 October 2019) 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 56 to 73 form part of these Financial Statements.

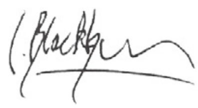
Balance Sheet

as at 31 March 2020

Company No. 03946235

	Notes	31 March 2020 £	31 March 2019 £
Fixed assets			
Investments at fair value	8	21,993,709	30,039,213
Current assets			
Debtors and prepayments	10	150,699	229,113
Current asset investments	11	19,419,301	16,117,301
Cash at bank	11	2,386,750	2,545,484
		21,956,750	18,891,898
Creditors: amounts falling due within one year	12	(385,165)	(201,154)
Net current assets		21,571,585	18,690,744
Net assets		**43,565,294**	**48,729,957**
Capital and reserves			
Called up share capital	13	596,893	489,251
Share premium reserve		10,673,405	30,498,349
Capital redemption reserve		5,157	98,089
Revaluation reserve		(3,206,720)	4,357,307
Special distributable reserve		24,090,692	4,391,645
Realised capital reserve		9,809,815	7,600,987
Revenue reserve		1,596,052	1,294,329
Equity Shareholders' funds		**43,565,294**	**48,729,957**
Basic and diluted net asset value per ordinary share	14	**72.99p**	**99.60p**

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 June 2020 and are signed on its behalf by:



Ian Blackburn
Chairman

The notes on pages 56 to 73 form part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2020

	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 2019		**489,251**	**30,498,349**	**98,089**	**4,357,307**	**4,391,645**	**7,600,987**	**1,294,329**	**48,729,957**
Comprehensive income for the year									
(Loss)/profit for the year		-	-	-	(5,630,047)	-	3,099,654	1,502,441	(1,027,952)
Total comprehensive income for the year		**-**	**-**	**-**	**(5,630,047)**	**-**	**3,099,654**	**1,502,441**	**(1,027,952)**
Contributions by and distributions to owners									
Shares issued via Offer for Subscription (Note c)	13	118,928	10,944,747	-	-	(106,495)	-	-	10,957,180
Issue costs	13	-	(271,342)	-	-	-	-	-	(271,342)
Shares bought back (Note d)	13	(11,286)	-	11,286	-	(944,508)	-	-	(944,508)
Dividends paid	6	-	-	-	-	(8,797,809)	(3,879,514)	(1,200,718)	(13,878,041)
Total contributions by and distributions to owners		**107,642**	**10,673,405**	**11,286**	**-**	**(9,848,812)**	**(3,879,514)**	**(1,200,718)**	**(4,136,711)**
Other movements									
Cancellation of share premum reserve (Note e)		-	(30,498,349)	(104,218)	-	30,602,567	-	-	-
Realised losses transferred to special reserve (Note a)		-	-	-	-	(1,054,708)	1,054,708	-	-
Realisation of previously unrealised gains		-	-	-	(1,933,980)	-	1,933,980	-	-
Total other movements		**-**	**(30,498,349)**	**(104,218)**	**(1,933,980)**	**29,547,859**	**2,988,688**	**-**	**-**
At 31 March 2020		**596,893**	**10,673,405**	**5,157**	**(3,206,720)**	**24,090,692**	**9,809,815**	**1,596,052**	**43,565,294**

Notes

a): The Company's special reserve is available to fund buybacks of shares as and when it is considered by the Board to be in the interests of Shareholders, and to absorb any existing and future realised losses and for other corporate purposes. At 31 March 2020, the Company has a special reserve of £24,090,692, £9,493,840 of which relates to shares issued on or before 5 April 2014, or that arise from shares issued more than three years ago. Reserves originating from share issues are not distributable under VCT rules if they are within three years of the end of an accounting period in which the shares were issued. The total transfer of £1,054,708 from the realised capital reserve to the special distributable reserve above is the total of realised losses incurred by the Company in the year.

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

c): Under an Offer for Subscription launched on 25 October 2019, 11,892,778 ordinary shares were allotted on 8 January 2020, raising net funds of £10,685,838 for the Company. This figure is net of issue costs of £271,342.

d): During the year, the Company purchased 1,128,609 of its own shares at the prevailing market price for a total cost of £944,508, which were subsequently cancelled. This figure is higher than that shown in the Statement of Cashflows of £883,588 by £60,920. This is due to £60,920 included in creditors at the year-end.

e): The cancellation of £30,498,349 from the Share Premium Reserve and £104,218 from the Capital Redemption Reserve (as approved at the Annual General Meeting on 11 September 2019 and by the court order dated 25 October 2019) has increased the Company's special reserve out of which it can fund buybacks of shares as and when it is considered by the Board to be in the interests of the Shareholders, and to absorb any existing and future realised losses, or for other corporate purposes.

The composition of each of these reserves is explained below and overleaf:

Called up share capital

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

The notes on pages 56 to 73 form part of these Financial Statements.

Statement of Changes in Equity
for the year ended 31 March 2019

	Notes	Non-distributable reserves Called up share capital £	Share premium reserve £	Capital redemption reserve £	Revaluation reserve £	Distributable reserves Special distributable reserve £	Realised capital reserve £	Revenue reserve £	Total £
At 1 April 2018		**493,042**	**30,498,349**	**94,298**	**1,398,656**	**6,052,525**	**7,943,475**	**1,117,852**	**47,598,197**
Comprehensive income for the year									
Profit/(loss) for the year		-	-	-	2,531,926	-	(24,358)	1,400,843	3,908,411
Total comprehensive income for the year		**-**	**-**	**-**	**2,531,926**	**-**	**(24,358)**	**1,400,843**	**3,908,411**
Contributions by and distributions to owners									-
Shares bought back		(3,791)	-	3,791	-	(327,702)	-	-	(327,702)
Dividends paid		-	-	-	-	-	(1,229,623)	(1,229,623)	(2,459,246)
Dividends refunded		-	-	-	-	-	5,040	5,257	10,297
Total contributions by and distributions to owners		**(3,791)**	**-**	**3,791**	**-**	**(327,702)**	**(1,224,583)**	**(1,224,366)**	**(2,776,651)**
Other movements									
Realised losses transferred to special reserve		-	-	-	-	(1,333,178)	1,333,178	-	-
Realisation of previously unrealised losses		-	-	-	426,725	-	(426,725)	-	-
Total other movements		**-**	**-**	**-**	**426,725**	**(1,333,178)**	**906,453**	**-**	**-**
At 31 March 2019		**489,251**	**30,498,349**	**98,089**	**4,357,307**	**4,391,645**	**7,600,987**	**1,294,329**	**48,729,957**

Notes - continued from previous page

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.

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
This reserve is created from cancellations of the balances upon the Share premium reserve, which are transferred to this reserve from time to time. The cost of share buybacks and any realised losses on the sale or impairment of investments (excluding transaction costs) are charged to this reserve. 75% of the Investment Adviser fee expense, and the related tax effect, that are charged to the realised capital reserve are transferred to this reserve. This reserve will also be charged any facilitation payments to financial advisers, which arose as part of the Offer for Subscription.

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; and
- 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 as well as 25% of the Investment Adviser fee together with the related tax effect, as well as income dividends paid that are classified as revenue in nature.

The notes on pages 56 to 73 form part of these Financial Statements.

Statement of Cash Flows
for the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Cash flows from operating activities			
(Loss)/profit for the financial year		(1,027,952)	3,908,411
Adjustments for:			
Net investment portfolio losses/(gains)		1,860,406	(3,137,000)
Tax charge for the current year		134,947	61,338
Decrease in debtors		17,494	56,764
Increase in creditors and accruals		83,422	4,341
Net cash inflow from operations		1,068,317	893,854
Corporation tax paid		(61,351)	(50,401)
Net cash inflow from operating activities		**1,006,966**	**843,453**
Cash flows from investing activities			
Purchase of investments	8	(5,191,745)	(2,898,440)
Disposal of investments	8	11,403,836	2,934,649
Net cash inflow from investing activities		**6,212,091**	**36,209**
Cash flows from financing activities			
Shares issued as part of Offer for subscription		10,957,180	-
Issue costs		(271,342)	-
Equity dividends paid	6	(13,878,041)	(2,459,246)
Dividends refunded		-	10,297
Purchase of own shares	13	(883,588)	(327,702)
Net cash outflow from financing activities		**(4,075,791)**	**(2,776,651)**
Net increase/(decrease) in cash and cash equivalents		**3,143,266**	**(1,896,989)**
Cash and cash equivalents at start of year		18,662,785	20,559,774
Cash and cash equivalents at end of the year		**21,806,051**	**18,662,785**
Cash and cash equivalents comprise:			
Cash equivalents	11	19,419,301	16,117,301
Cash at bank and in hand	11	2,386,750	2,545,484

The notes on pages 56 to 73 form part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2020

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. The Financial Statements have been prepared on a going concern basis which is deemed appropriate by the Board in light of the ongoing COVID-19 pandemic due to the strong liquidity of the Company following the recent fundraising and successful realisations, in addition to the Company's ability to control the outflow of funds.

These Financial Statements have also 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 October 2019) issued by the Association of Investment Companies.

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 2020 has been classified as capital and has been included within gains on investments.

	2020 £	2019 £
Income from bank deposits	18,525	13,644
Income from investments		
– from equities	275,221	512,578
– from overseas based OEICs	74,318	74,234
– from UK based OEICs	35,975	34,525
– from loan stock	2,049,810	1,521,722
– from interest on preference share dividend arrears	317	31,481
	2,435,641	**2,174,540**
Other income	-	1,390
Total income	**2,454,166**	**2,189,574**
Total income comprises		
Dividends	385,514	621,337
Interest	2,068,652	1,566,847
Other	-	1,390
	2,454,166	**2,189,574**

Total loan stock interest due but not recognised in the year was £231,708 (2019: £421,336). The decrease in the year is due to the realisation of one investee company whose interest was only recognised upon exit, offset by a number of investee company interest provisions in light of COVID-19.

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 £	2020 Total £	Revenue £	Capital £	2019 Total £
Mobeus Equity Partners LLP						
Investment Adviser's fees	275,715	827,145	1,102,860	259,026	777,077	1,036,103
	275,715	**827,145**	**1,102,860**	**259,026**	**777,077**	**1,036,103**

Under the terms of a revised investment management agreement dated 10 September 2010, (as amended and restated on 15 September 2016) Mobeus Equity Partners LLP 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. For 2019, the Investment Adviser's fee upon the net funds raised from use of the over-allotment facility of £5 million under the 2017/18 Offer was reduced from 2.0% to 1.0% per annum. From 1 July 2020, the Investment Adviser's fee upon the net funds raised under the 2019/2020 Offer for Subscription from the use of the over-allotment facility of £5 million will be reduced from 2.0% to 1.0% per annum for one year. In addition, under the 2019/20 Offer for Subscription, for net funds raised from gross applications in excess of £20 million, the fee will be reduced from 2.0% to 0%, also for one year.

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 2020, the expense cap has not been breached (2019: £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 £129,795 (2019: £74,339) and £175,528 (2019: £170,217) respectively. The fees for supplying directors and/or monitoring services were from 35 (2019: 33) investee companies during the year.

Notes to the Financial Statements for the year ended 31 March 2020

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 2020

The cumulative dividends paid exceeded the annual cumulative dividend target at 31 March 2020 by 13.13 pence per share (£3,496,083 in aggregate being 44.6% of the total shortfall) at the year-end, (where 44.6% 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 6.00 pence annual dividend hurdle was 8.13 pence per share at the year-end after adjustment for RPI. The Base NAV was 103.20 per share at the year end and an average of 105.46 pence for the year, compared to an average NAV for the year of 96.07 pence.

There is no present obligation arising as the hurdles are not met, as the average NAV per share for the year was less than the Base NAV per share for the year, therefore, no incentive fee is payable for the year (2019: £Nil).

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.

	2020 £	2019 £
Directors' remuneration (including NIC of £6,674 (2019: £5,380)) (Note a)	102,674	99,802
IFA trail commission	51,669	49,262
Broker's fees	12,000	12,000
Auditor's fees – Audit of Company (excluding VAT)	29,213	23,575
– tax compliance services (Note b) (excluding VAT)	-	1,922
– audit related assurance services (Note b) (excluding VAT)	6,663	4,613
Registrar's fees	45,052	28,622
Printing	49,776	38,993
Legal & professional fees	34,104	9,836
VCT monitoring fees	8,400	8,400
Directors' insurance	8,269	7,428
Listing and regulatory fees	26,939	25,702
Sundry	9,146	10,567
Other expenses	**383,905**	**320,722**

a): See analysis in Directors' emoluments table on page 44, which excludes the NIC above. The key management personnel are the three non-executive Directors. The Company has no employees.

b): The Directors consider the Auditor was best placed to provide the other services disclosed above. The audit related assurance services are in relation to the audit 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 for 2019 only) are carried out by another firm, so are included within legal and professional fees. iXBRL services will be supplied by an alternative provider to BDO for the year ended 31 March 2020 and in future 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 2020

	Revenue £	Capital £	2020 Total £	Revenue £	Capital £	2019 Total £
a) Analysis of tax charge:						
UK Corporation tax on profits/ (losses) for the year	292,105	(157,158)	134,947	208,983	(147,645)	61,338
Total current tax charge	**292,105**	**(157,158)**	**134,947**	**208,983**	**(147,645)**	**61,338**
Corporation tax is based on a rate of 19% (2019: 19%)						
b) Profits/(losses) on ordinary activities before tax	1,794,546	(2,687,551)	(893,005)	1,609,826	2,359,923	3,969,749
Profits/(losses) on ordinary activities multiplied by main rate of corporation tax in the UK of 19% (2019: 19%)	340,964	(510,635)	(169,671)	305,867	448,385	754,252
Effect of:						
UK dividends	(52,292)	-	(52,292)	(97,390)	-	(97,390)
Net investment portfolio losses/ (gains) not deductible/taxable	-	353,477	353,477	-	(596,030)	(596,030)
Unrelieved expenditure	3,433	-	3,433	518	-	518
Over provision in prior year	-	-	-	(12)	-	(12)
Actual tax charge	**292,105**	**(157,158)**	**134,947**	**208,983**	**(147,645)**	**61,338**

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 (2019: £nil). There is no unrecognised deferred tax asset in 2020 (2019: £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	2020 £	2019 £
Interim	Income	2019	2.50p	22/03/2019	-	1,229,623
Interim	Capital	2019	2.50p	22/03/2019	-	1,229,623
Interim	Capital	2020	8.00p	20/09/2019	3,879,514	-
Interim	Capital*	2020	7.00p	20/09/2019	3,394,575	-
Interim	Income	2020	2.00p	27/03/2020	1,200,718	-
Interim	Capital*	2020	9.00p	27/03/2020	5,403,234	-
Dividends paid in previous years not claimed within the statutory period					-	(10,297)
					13,878,041	**2,448,949**

* These dividends were paid out of the Company's special distributable reserve.

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	2020 £	2019 £
Revenue available for distribution by way of dividends for the year					**1,502,441**	**1,400,843**
Interim	Income	2019	2.50p	22/03/2019	-	1,229,623
Interim	Income	2020	2.00p	27/03/2020	1,200,718	
Total income dividends for the year					**1,200,718**	**1,229,623**

7 Basic and diluted earnings and return per share

	2020 £	2019 £
Total earnings after taxation:	(1,027,952)	3,908,411
Basic and diluted earnings per share (Note a)	**(2.01)p**	**7.93p**
Net revenue earnings from ordinary activities after taxation	1,502,441	1,400,843
Basic and diluted revenue earnings per share (Note b)	**2.94p**	**2.84p**
Net investment portfolio (losses)/gains	(1,860,406)	3,137,000
Capital Investment Adviser's fees (net of taxation)	(669,987)	(629,432)
Total capital earnings	(2,530,393)	2,507,568
Basic and diluted capital earnings per share (Note c)	**(4.95)p**	**5.09p**
Weighted average number of shares in issue in the year	51,134,517	49,247,849

Notes:

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

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

c) Basic 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 2020

8 Investments at fair value

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at "fair value through profit and loss" (FVTPL). All investments held by the Company are classified as FVTPL and measured in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") guidelines, as updated in December 2018 (as updated by Special Valuation guidance issued in March 2020). 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.

Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional. 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. 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 at each measurement date in accordance with appropriate valuation techniques, which are consistent with the IPEV guidelines:

(i) Each investment is considered as a whole on a 'unit of account' basis, i.e. that the value of each portfolio company is considered as a whole, alongside consideration of:-

The price of new investments made, if deemed to be made as part of an orderly transaction, are considered to be at fair value at the date of the transaction. The inputs that derived the investment price are calibrated within individual valuation models and at every subsequent measurement date are reconsidered for any changes in light of more recent events or changes in light of more recent events or changes in the market performance of the investee company. The valuation bases used are the following:

- a multiple basis. The enterprise value of the investment may be determined 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, or 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, scale and liquidity).

or:-

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

(ii) 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.

(iii) Where a multiple or the price of recent investment less impairment basis is not appropriate and overriding factors apply, a discounted cash flow, net asset valuation, realisation proceeds basis or a weighted combination of any of the above 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 the price of recent investment, 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.

Accounting standards classify methods of fair value measurement as Levels 1, 2 and 3. This hierarchy is based upon the reliability of information used to determine the valuation. All of the unquoted investments are Level 3, i.e. fair value is measured using techniques using inputs that are not based on observable market data.

Movements in investments during the year are summarised as follows:

	Unquoted equity shares £	Unquoted preference shares £	Unquoted Loan Stock £	Total £
Cost at 31 March 2019	13,750,498	22,095	14,941,143	28,713,736
Permanent impairment at 31 March 2019	(2,117,304)	(739)	(913,787)	(3,031,830)
Unrealised gains at 31 March 2019	2,885,394	229,632	1,242,281	4,357,307
Valuation at 31 March 2019	**14,518,588**	**250,988**	**15,269,637**	**30,039,213**
Purchases at cost	5,191,745	-	-	5,191,745
Sale proceeds (Notes a and b)	(6,557,993)	(231,945)	(4,586,905)	(11,376,843)
Net realised gains on investments (Note a)	3,360,351	-	409,290	3,769,641
Net unrealised losses on investments (Note c)	(2,599,686)	(14)	(3,030,347)	(5,630,047)
Valuation at 31 March 2020	**13,913,005**	**19,029**	**8,061,675**	**21,993,709**
Cost at 31 March 2020	15,983,143	21,710	10,898,798	26,903,651
Permanent impairment at 31 March 2020 (Note d)	(1,546,240)	-	(156,982)	(1,703,222)
Unrealised gains at 31 March 2020	(523,898)	(2,681)	(2,680,141)	(3,206,720)
Valuation at 31 March 2020	**13,913,005**	**19,029**	**8,061,675**	**21,993,709**

Net realised gains on investments of £3,769,641 together with net unrealised losses on investments of £(5,630,047) equal net investment portfolio losses of £(1,860,406) shown on the Income Statement.

A breakdown of the increases and the decreases in unrealised valuations of the portfolio is shown in the Investment Portfolio Summary on pages 24 to 26.

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/(loss) in year £
Turner Topco Limited (trading as Auction Technology Group)	Realisation	1,320,963	3,610,968	1,198,168	2,412,800
Redline Worldwide Limited	Realisation	682,222	926,803	341,107	585,696
ASL Technology Holdings Limited	Realisation	2,092,009	3,681,961	3,190,292	491,669
The Plastic Surgeon Holdings Limited	Realisation	39,444	1,177,723	875,502	302,221
Entanet Holdings Limited	Contingent consideration	-	167,210	-	167,210
H Realisations (2018) Limited (formerly Hemmels Limited)	Realisation	1,728	1,728	-	1,728
Master Removers Group 2019 Limited	Partial realisation	117,862	278,969	278,292	677
Pattern Analytics Limited (trading as Biosite)	Realisation	1,036,002	1,531,481	1,531,481	-
Super Carers Limited	Permanent impairment	384,720	-	192,360	(192,360)
Backhouse Management Limited	Realisation	339,400	-	-	-
Barham Consulting Limited	Realisation	339,400	-	-	-
Creasy Marketing Services Limited	Realisation	339,400	-	-	-
Hollydale Management Limited	Realisation	354,000	-	-	-
McGrigor Management Limited	Realisation	339,400	-	-	-
		7,386,550	**11,376,843**	**7,607,202**	**3,769,641**

Notes to the Financial Statements for the year ended 31 March 2020

Note b) The sale proceeds shown above of £11,376,843 is £26,993 less than that shown on the Statement of Cash Flows due to additional proceeds received in respect of Redline. This amount is recognised as a creditor at 31 March 2020.

Note c) Within net unrealised losses of £5,630,047 for the year, the significant losses in value compared to last year were as follows: £854,587 in Manufacturing Services Investment Limited (trading as Wetsuit Outlet), £779,501 in CGI Creative Graphics International Limited, £726,297 in Media Business Insight Holdings Limited, £708,406 in Master Removers Group 2019 Limited, and £650,292 in Blaze Signs Holding Limited. These losses were partially offset by unrealised gains in valuation compared to last year, including: £288,844 in Proactive Group Holdings Inc, £273,972 in Tovey Management Limited (trading as Access IS), £267,232 in Data Discovery Solutions Limited (trading as Active Navigation), £195,455 in MPB Group Limited and £116,029 in Bleach London Holdings 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 decrease does not arise from assessments of credit risk or market risk upon these investments.

Note d) During the year, permanent impairments of the cost of investments have decreased from £3,031,830 to £1,703,222. The net decrease of £1,328,608 is due to the permanent impairment of one investee company and the removal of five investee companies which had been liquidated during the year and which had been permanently impaired previously.

9 Significant interests

At 31 March 2020 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 advised by Mobeus[1,2]
Media Business Insight Holdings Limited[3]	803,628	1,205,444	2,009,072	11.6%	67.5%
Tovey Management Limited (trading as Access IS)[4]	693,222	1,260,151	1,953,373	7.7%	43.4%
Manufacturing Services Investment Limited (trading as Wetsuit Outlet)	858,496	858,496	1,716,992	4.7%	27.5%
Bella & Duke Limited	1,451,101	-	1,451,101	10.0%	20.7%
Virgin Wines Holding Company Limited	30,541	1,253,792	1,284,333	6.4%	42.0%
Preservica Limited	809,617	323,847	1,133,464	7.8%	48.4%
RDL Corporation Limited	173,932	826,068	1,000,000	9.1%	45.2%
CGI Creative Graphics International Limited	328,613	670,955	999,568	4.3%	26.9%
My Tutorweb Limited	979,834	-	979,834	5.4%	30.8%
Veritek Global Holdings Limited	26,001	941,779	967,780	7.1%	46.0%
Data Discovery Solutions Limited (trading as Active Navigation)	943,000	-	943,000	5.4%	28.5%
Arkk Consulting Limited	908,995	-	908,995	6.1%	33.6%
MPB Group Limited	998,019	178,212	1,176,231	4.2%	23.6%
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%	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	8.7%	48.5%
Parsley Box Limited	551,400	-	551,400	4.1%	22.0%
IPV Limited	535,459	-	535,459	4.8%	26.6%
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%	18.7%
Master Removers Group 2019 Limited	251,763	-	251,763	5.2%	30.5%
Rota Geek Limited	366,600	-	366,600	3.1%	17.1%
Jablite Holdings Limited	254,380	27,018	281,398	6.8%	40.1%
Vectair Holdings Limited	60,075	218	60,293	5.2%	24.0%

[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] - The percentage of equity held for these companies is the fully diluted figure if, in the event that, management of the investee company exercises share options, where available.

Notes continued overleaf.

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

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

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

	2020 £	2019 £
Amounts due within one year:		
Accrued income	136,800	223,022
Prepayments	13,899	6,091
	150,699	**229,113**

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 know amounts of cash at their carrying values at immediate of 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.

	2020 £	2019 £
OEIC Money market funds (Cash equivalents per Statement of Cash Flows)	19,419,301	16,117,301
Current asset investments	**19,419,301**	**16,117,301**
Cash at bank	**2,386,750**	**2,545,484**

12 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	69,860	8,640
Other creditors	41,091	13,992
Accruals	139,267	117,172
Corporation tax	134,947	61,350
	385,165	**201,154**

Notes to the Financial Statements for the year ended 31 March 2020

13 Called up share capital

	2020 £	2019 £
Allotted, called-up and fully paid:		
Ordinary shares of 1p each: 59,689,299 (2019: 48,925,130)	**596,893**	**489,251**

Purchased	Date of purchase	Nominal value £
295,000	20 June 2019	2,950
136,205	28 June 2019	1,362
181,671	26 September 2019	1,817
168,472	10 December 2019	1,685
347,261	20 March 2020	3,473
1,128,609		11,287

Under the Offer for Subscription launched on 25 October 2019 a total of 11,892,778 (2019: nil) ordinary shares were allotted at an average effective offer price of 93.03 pence per share, raising net funds of £10,685,838 (2019: £nil).

During the year the Company repurchased 1,128,609 (2019: 379,029) of its own ordinary shares (representing 2.3% (2019: 0.8%) of the ordinary shares in issue at the start of the year) at the prevailing market price for a total cost of £944,508 (2019: £327,702). These shares were subsequently cancelled by the Company. This figure is higher than that shown in the Statement of Cashflows of £883,588 by £60,920. This is due to £60,920 included in creditors at the year-end.

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 59,689,299 (2019: 48,925,130) ordinary shares, being the number of ordinary shares in issue on that date.

15 Financial instruments

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

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

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

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

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

Classification of financial instruments

The Company held the following categories of financial instruments at 31 March 2020:

	2020 (Fair value) £	2019 (Fair value) £
Assets at fair value through profit and loss:		
Investment portfolio	21,993,709	30,039,213
Loans and receivables held at amortised cost		
Current asset investments	19,419,301	16,117,301
Cash at bank	2,386,750	2,545,484
Accrued income	136,800	223,022
Liabilities held at amortised cost		
Other creditors	(245,964)	(139,804)
Total for financial instruments	43,690,596	48,785,216
Non financial instruments	(125,302)	(55,259)
Net assets	**43,565,294**	**48,729,957**

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

The investment portfolio principally consists of unquoted investments of 100.0% (2019: 100.0%). The investment portfolio has a 100.0% (2019: 100.0%) concentration of risk towards small UK based, sterling denominated companies, and represents 50.5% (2019: 61.6%) of net assets at the year end.

Current asset investments are money market funds and bank deposits which, along with Cash at bank are discussed under credit risk below, which represent 50.1% (2019: 38.3%) of net assets at the year end.

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

Liquidity risk

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

To counter these risks to the Company's liquidity, the Investment Adviser maintains sufficient cash and money market funds to meet running costs and other commitments. The Company invests its surplus funds in high quality money market funds and bank deposits of £21,806,051 (2019: £18,662,785) 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.

Notes to the Financial Statements for the year ended 31 March 2020

The table below shows a maturity analysis of financial liabilities:

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2020 Total £
Other creditors	**193,674**	**51,990**	-	-	**245,964**

Financial liabilities	<3 months £	3-6 months £	6-12 months £	over 12 months £	2019 Total £
Other creditors	**90,470**	**49,334**	-	-	**139,804**

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:

	2020 £	2019 £
Loan stock investments	8,061,675	15,269,637
Preference shares	19,029	250,988
Current asset investments	19,419,301	16,117,301
Accrued income and other debtors	136,800	223,022
Cash at bank	2,386,750	2,545,484
	30,023,555	**34,406,432**

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 £136,800 was all due within six months of the year-end, with £128,235 still receivable three months after the year-end.

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

Repayable within	2020 £	2019 £
0 to 1 year	2,181,916	3,737,310
1 to 2 years	1,561,364	4,914,622
2 to 3 years	2,597,955	2,306,631
3 to 4 years	1,005,636	3,292,944
4 to 5 years	714,804	1,018,130
	8,061,675	**15,269,637**

Included within loan stock investments above are loans at a carrying value of £3,020,273 which are past their repayment date but have been renegotiated. Loans to four investee companies with a value of £607,310 are now past their repayment dates but have not yet been renegotiated. These loan stock investments are made as part of the qualifying investments within the investment portfolio, and the risk management processes applied to the loan stock investments have already been set out under market price risk below.

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

	0-6 months £	6-12 months £	over 12 months £	2020 Total £
Loans to investee companies past due	931,632	607,310	716,977	2,255,919

	0-6 months £	6-12 months £	over 12 months £	2019 Total £
Loans to investee companies past due	-	-	1,987,635	1,987,635

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 £19,419,301 are all triple A rated funds, along with bank deposits of £2,386,750 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 £21,993,709 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 6 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 (by tax value). 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% (2019: 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 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 £21.10 million of the total investment portfolio of £21.99 million. The remainder of the portfolio, valued at net asset value, has had a 20% variance applied. The impact of both calculations is shown below.

The impact of a change of 20% (2019: 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.

	2020 Profit and net assets £	2019 Profit and net assets £
If overall share prices rose/fell by 20% (2019: 20%), with all other variables held constant – increase/(decrease)	2,153,646 / (2,067,391)	4,054,522 / (4,351,693)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	3.61p / (3.46)p	8.29p / (8.89)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 2020 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	13,913,005	-	-	13,913,005		
Preference shares	-	19,029	-	19,029	0.0	1.1
Loan stocks	-	8,061,675	-	8,061,675	6.5	2.1
Current asset investments	-	-	19,419,301	19,419,301	0.3	
Cash at bank	-	-	2,386,750	2,386,750	0.1	
Debtors	136,800	-	-	136,800		
Creditors	(245,964)	-	-	(245,964)		
Total for financial instruments	13,803,841	8,080,704	21,806,051	43,690,596		
Non-financial instruments	(125,302)	-	-	(125,302)		
Net assets	**13,678,539**	**8,080,704**	**21,806,051**	**43,565,294**		

The interest rate profile of the Company's financial net assets at 31 March 2019 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	14,518,588	-	-	14,518,588		
Preference shares	-	250,988	-	250,988	6.0	0.2
Loan stocks	-	15,269,637	-	15,269,637	9.2	2.0
Current asset investments	-	-	16,117,301	16,117,301	0.7	
Cash at bank	-	-	2,545,484	2,545,484	0.5	
Debtors	223,022	-	-	223,022		
Creditors	(139,804)	-	-	(139,804)		
Total for financial instruments	14,601,806	15,520,625	18,662,785	48,785,216		
Non-financial instruments	(55,259)	-	-	(55,259)		
Net assets	**14,546,547**	**15,520,625**	**18,662,785**	**48,729,957**		

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 2020

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:

	2020 £ Profit and net assets	2019 £ Profit and net assets
If interest rates rose/fell by 1%, with all other variables held constant – increase/(decrease)	176,629 / (176,629)	151,169 / (151,169)
Increase/(decrease) in earnings, and net asset value, per ordinary share (in pence)	0.30p / (0.30p)	0.31p / (0.31p)

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.

All investments held are valued as level 3, valued with reference to inputs that do not come from observable market data, as was the case in the previous year.

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

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

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 2019	14,518,588	250,988	15,269,637	30,039,213
Purchases	5,191,745	-	-	5,191,745
Sales	(6,557,993)	(231,945)	(4,586,905)	(11,376,843)
Total gains/(losses) included in Income Statement:				
- on assets sold	3,360,351	-	409,290	3,769,641
- on assets held at the year end	(2,599,686)	(14)	(3,030,347)	(5,630,047)
Closing balance at 31 March 2020	**13,913,005**	**19,029**	**8,061,675**	**21,993,709**

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:

	2020 £	2019 £
Investment methodology		
Multiple of earnings, revenues or gross margin, as appropriate	21,101,219	29,010,112
Net asset value	892,490	91,600
Estimated realisation proceeds	-	467,191
Recent investment price (reviewed for impairment)	-	192,360
Recent investment price	-	277,950
	21,993,709	**30,039,213**

The unquoted equity investments had the following movements between valuation methodologies between 31 March 2019 and 31 March 2020:

Change in investment methodology (2019 to 2020)	Carrying value as at 31 March 2020 £	Explanatory note
Recent investment price to multiple basis	277,950	Sufficient time has elapsed since investment to move to a more appropriate basis for determining value.
Multiple basis to weighted multiple/net asset basis	1,286,431	Weighting between multiple basis and net asset value is a more appropriate basis for determining fair value.
Multiple basis to net asset value	593,241	Multiple basis 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 2018 IPEV guidelines (as updated by Special Valuation guidance issued in March 2020). The directors believe that, within these parameters, there are no other appropriate methods of valuation which would be reasonable as at 31 March 2020.

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% (80% from 1 April 2020 onwards) (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 2 April 2020, a further 13,929,073 new Ordinary Shares were allotted under the Company's Offer for Subscription raising further net funds of £10.26 million. Following this allotment, the Offer for Subscription was closed. In total, net funds raised from the offer are £20.95 million.

On 5 May 2020, a further £0.37 million was invested into Rotageek and a further £0.53 million was invested on 26 May 2020 into MyTutor, both existing portfolio companies.

On 14 May 2020, the Board declared an interim dividend of 7.00 pence per share for the year ending 31 March 2021, paid to Shareholders on the register on 22 May 2020, on 19 June 2020.

On 19 May 2020, the Company received £0.05 million as a loan repayment from BookingTek Limited.

On 29 June 2020, £0.22 million was invested in a new portfolio company, Andersen EV, an electric vehicle (EV) charging product business.

Shareholder Information

We aim to communicate regularly with our Shareholders. In addition to the Half-Year and Annual Reports, the Company releases Interim Management Statements in respect of those quarters where it does not publish half or full year accounts. 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, if practicable and circumstances allow, to give you the opportunity to meet your Directors and representatives of the Investment Adviser. The Investment Adviser also held a Shareholder event on 4 February 2020.

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

9 September 2020	Annual General Meeting
December 2020	Announcement of Half-Year Results and circulation of Half-Year Report for the six months ended 30 September 2020 to Shareholders
31 March 2021	Year-end

Annual General Meeting

The Company's next Annual General Meeting will be held at **11.00 am on Wednesday, 9 September 2020, at the office of the Investment Adviser, Mobeus Equity Partners LLP, 30 Haymarket, London, SW1Y 4EX. Shareholders should note that the impact of COVID-19 could mean that Government guidance prevents physical attendance at the AGM. If this is the case, the Company will make an RNS announcement advising of any changes, which will also be added to the Company's website: www.mig2vct.co.uk to which Shareholders should refer.** A copy of the Notice of the meeting can be found on pages 80 to 82. A proxy form for the meeting is included with Shareholders' copies of this Annual Report or is available electronically at www.signalshares.com. Shareholders may send any questions on the resolutions proposed to the following email address: agm@mobeus.co.uk. A response will be provided prior to lodging your proxy vote.

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 83.

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 changed address or changed their bank details. 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. Shareholders are also advised to discuss their individual tax position with their financial advisor before deciding to sell their shares.

The Company is unable to buy back shares direct from Shareholders, so you will need to use a stockbroker to sell your shares. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the VCT has bought in shares.

Panmure can be contacted as follows:

Chris Lloyd 0207 886 2716
chris.lloyd@panmure.com

Paul Nolan 0207 886 2717
paul.nolan@panmure.com

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.

Key Information Document

The European Union's Packaged Retail Investment and Insurance based Products ("PRIIPs") 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 risk, costs and potential returns in the KID are prescribed by EU law and the Company has no discretion over the format or the 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.

Fraud Warning

Boiler Room fraud and unsolicited communications to Shareholders.

We have been made aware of an increase in the number of Shareholders being contacted in connection with sophisticated but fraudulent financial scams which purport to come from the Company or to be authorised by it. This is often by a phone call or an email usually originating from outside of the UK, often claiming or appearing to be from a corporate finance firm and typically offering to buy your VCT shares at an inflated price.

Further information on boiler room scams and fraud advice plus who to contact, can be found first in the answer to a question "What should I do if I receive an unsolicited offer for my shares?" within the VCT Investor area of the Investment Adviser's website in the A Guide to VCTs section: www.mobeus.co.uk/investor-area and secondly, in a link to the FCA's ScamSmart site: www.fca.org.uk/scamsmart

We strongly recommend that you seek financial advice before taking any action if you remain in any doubt. You can also contact the Investment Adviser on 0207 024 7600, or email info@mobeus.co.uk to check whether any claims made by a caller are genuine.

Shareholders are also encouraged to ensure their personal data is always held securely and that data held by the Registrars of the Company is up to date, to avoid cases of identity fraud.

Shareholder enquiries

For enquiries concerning the investment portfolio or the Company in general, please contact the Investment Adviser, Mobeus. 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@mobeus.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 83 of this Annual Report.

Performance Data at 31 March 2020

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 2020. 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 2020 **70.50p[1]**

NAV per share as at 31 March 2020 **72.99p**

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)	% Change since 31 March 2019 (NAV basis)
Funds raised 2005/06						
Between 5 January 2006 and 5 April 2006	100.00	**60.00**	109.00	**179.50**	**181.99**	**(0.3)%**
Funds raised 2008/09						
Between 3 April 2009 and 5 May 2009	92.39	**64.67**	105.00	**175.50**	**177.99**	**(0.3)%**
Funds raised 2013/14						
9 January 2014	117.92[4]	**82.54**	91.00	**161.50**	**163.99**	**(0.4)%**
11 February 2014	118.22[4]	**82.75**	91.00	**161.50**	**163.99**	**(0.4)%**
31 March 2014	119.28[4]	**83.49**	86.00	**156.50**	**158.99**	**(0.4)%**
3 April 2014	119.82[4]	**83.87**	86.00	**156.50**	**158.99**	**(0.4)%**
4 April 2014	119.08[4]	**83.36**	86.00	**156.50**	**158.99**	**(0.4)%**
6 June 2014	118.66[4]	**83.06**	86.00	**156.50**	**158.99**	**(0.4)%**
Funds raised 2014/15						
14 January 2015	118.44[4]	**82.91**	72.00	**142.50**	**144.99**	**(0.4)%**
17 February 2015	124.35[4]	**87.05**	72.00	**142.50**	**144.99**	**(0.4)%**
10 March 2015	120.18[4]	**84.13**	67.00	**137.50**	**139.99**	**(0.4)%**
Funds raised 2017/2018						
28 September 2017	104.73[4]	**73.31**	40.00	**110.50**	**112.99**	**(0.5)%**
20 October 2017	105.07[4]	**73.55**	40.00	**110.50**	**112.99**	**(0.5)%**
9 November 2017	105.79[4]	**74.05**	40.00	**110.50**	**112.99**	**(0.5)%**
20 November 2017	107.44[4]	**75.21**	40.00	**110.50**	**112.99**	**(0.5)%**
21 November 2017	107.39[4]	**75.17**	40.00	**110.50**	**112.99**	**(0.5)%**
24 January 2018	97.81[4]	**68.47**	31.00	**101.50**	**103.99**	**(0.6)%**
13 March 2018	100.79[4]	**70.55**	31.00	**101.50**	**103.99**	**(0.6)%**
Funds raised 2019/20						
8 January 2020	93.03[4]	**65.12**	11.00	**81.50**	**83.99**	**-**

[1] - Source: Panmure Gordon & Co (mid-price basis) based upon the latest NAV announced of 73.66 pence at 24 March 2020, adjusted for the subsequent payment of an interim dividend of 11.00 pence per share.

[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 following page.

[4] - Average effective offer price.

Former Ordinary Share Fund

Share price as at 31 March 2020 58.30p

NAV per share as at 31 March 2020 60.36p

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)	% Change since 31 March 2019 (NAV basis)
Funds raised 2000/01[3]						
Between 30 May 2000 and 11 December 2000	100.00	**80.00**	112.01	**170.31**	**172.37**	**(0.3)%**

[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)	Funds raised 2019/20 (p)
27 March 2020	9.10[1]	11.00	11.00	11.00	11.00	11.00	11.00
20 September 2019	12.41[1]	15.00	15.00	15.00	15.00	15.00	
22 March 2019	4.14[1]	5.00	5.00	5.00	5.00	5.00	
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		
8 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						
	112.01	**109.00**	**105.00**	**91.00**	**72.00**	**40.00**	**11.00**

[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 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 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.

Glossary of terms

Alternative performance measure ("APM")

A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the Company's financial reporting framework. These APMs tend to be industry specific terms which help Shareholders to understand and assess the Company's progress. A number of terms contained within this Glossary have been identified as APMs.

Cumulative dividends paid (APM)

The total amount of dividend distributions by the Company over the time period specified. A list of all dividends paid since launch of the Company is shown on the Company's website www.mig2vct.co.uk. Dividends paid in the year and dividends paid in respect of the year are shown in Note 6.

Cumulative total return (APM)

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 launch in 2005.

Internal Rate of Return ("IRR")

The internal rate of return is the annual discount rate that equates the original investment cost with the value of subsequent cash flows (such as receipts/dividends or further investment) and the latest valuation/exit proceeds or net asset value. Generally speaking, the higher an investment's IRR, the more successful it is.

Net asset value or NAV

The value of the VCT's total assets less its total liabilities. It is equal to the total equity Shareholders' funds.

Net asset value per share or NAV per share

The net asset value per share is calculated as total equity Shareholders' funds divided by the number of Ordinary shares in issue at the year-end.

NAV Total Return (APM)

This measure combines two types of returns received by Shareholders. Firstly, as income in the form of dividends and secondly, as capital movements (net asset value) of the value of the Fund.

It is a performance measure that adjusts for dividends that have been paid in a period or year. This allows Shareholders to assess the returns they have received both in terms of the performance of the Company but also including dividends they have received from the Company which no longer form part of the Company's assets.

It is calculated as the percentage return achieved after taking the closing NAV per share and adding dividends paid in the year and dividing the total by the opening NAV per share. The Directors feel that this is the most meaningful method for Shareholders to assess the performance of the Company.

To aid comparison with the wider Investment Trust market, the Annual Report also contains a Total Return performance measure which assumes dividends are reinvested. This assumes that dividends paid are reinvested at the date of payment at a price equivalent to the latest announced NAV at the ex-div date. Where this is referred to it will be specified in the notes.

Ongoing charges ratio (APM)

This figure, calculated using the AIC recommended methodology, 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 primarily is based upon historic information, it provides Shareholders with an indication of the likely level of costs that will be incurred in managing the Fund in the future. This is calculated by dividing the Investment Adviser's fees of £1,102,860 and other expenses of £383,905 (per Notes 4a and 4c on pages 57 and 59), the latter being reduced by IFA trail commission and one-off fees, by the average net assets throughout the year of £45,608,378.

Realised gains/(losses) in the year

This is the profit or loss that arises following the full or partial disposal of a holding in a portfolio company. It is calculated by deducting the value of the holding as at the previous year-end from the proceeds received in respect of such disposal.

Share Price Total Return (APM)

As NAV Total Return, but the Company's mid-market share price is used in place of NAV. This measure more accurately reflects the actual return a Shareholder will have earned, were they to sell their shares at the period's end date. It includes the impact of any discounts or premiums at which the share price trades compared to the underlying net asset values of the Company. If the shares trade at a discount, the returns could be less than the NAV Total Return, but if trading at a premium, returns could be higher than the NAV Total Return.

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, 9 September 2020 at the offices of Mobeus Equity Partners LLP, 30 Haymarket, London, SW1Y 4EX for the purposes of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 8 will be proposed as ordinary resolutions and Resolutions 9 to 10 will be proposed as special resolutions. An explanation of the main business to be proposed is included in the Directors' Report on pages 34 to 36 of this document:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 March 2020 ("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 approve the remuneration policy as set out in the Annual Report.
4. To re-elect Ian Blackburn as a director 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. To re-appoint BDO LLP of 150 Aldersgate Street, London, EC1A 4AB as auditor to the Company until the conclusion of the next annual general meeting at which accounts are laid before the Company and to authorise the directors to determine the remuneration of the auditor.
8. 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 £245,392 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 2021, 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.
9. That, subject to the passing of resolution 8 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 8 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, £36,809 in connection with offer(s) for subscription; and

    (ii) otherwise than pursuant to sub-paragraph (i) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 5% 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 2021, 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.
10. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to and in accordance with section 701 of the 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 11,035,300 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Shares in issue at the date of passing 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 5% above the average of the middle market quotations for a Share in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is contracted to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);

    (iv) the authority conferred by this resolution shall (unless renewed, varied or revoked by the Company in general meeting) expire on the date falling fifteen months after the passing of this resolution or, if earlier, on the conclusion of the annual general meeting of the Company to be held in 2021; 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

Mobeus Equity Partners LLP
Company Secretary

Registered Office
30 Haymarket,
London SW1Y 4EX

Dated: 30 June 2020

Notes:

1. **As it may not be possible for you to attend the meeting due to Government restrictions, you are encouraged to lodge your proxy form and appoint the Chairman of the meeting as your proxy as any other appointed proxy may also not be allowed to attend the meeting. Any updates on the AGM will be announced to the London Stock Exchange and on the Company's website: www.mig2vct.co.uk which Shareholders intending to attend the meeting should consult.**
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat) will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. 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 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.
4. 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. During this challenging time, extra pressure is being put on telephone services and it may just take a little longer to get through than normal. 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.
5. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
6. 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.
7. If you have been nominated to receive general Shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (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.
8. To be valid, the proxy form 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 7 September 2020 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.
9. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST [LINK] 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. Proxy forms have only been sent to Shareholders who receive a hard copy of the Annual Report. To further reduce the impact on the environment and waste, we recommend all Shareholders use the quicker and more secure method of voting online via our Registrar's website. Shareholders may, however, continue to use a paper proxy form if they wish and can obtain one from our Registrar if required.
10. 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.
11. 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.
12. 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.

Notice of the Annual General Meeting

13. 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 7 September 2020. 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.
14. As at 30 June 2020 (being the last business day prior to the publication of this notice), the Company's issued share capital consisted of 73,617,746 ordinary shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 30 June 2020 were 73,617,746.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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)
Ian Blackburn
Sally Duckworth
Adam Kingdon

Secretary
Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX

Company's Registered Office and Head Office
30 Haymarket
London
SW1Y 4EX

Company Registration Number
03946235
LEI No: 213000LY62XLI1B4VX35

Investment Adviser, Promoter and Administrator
Mobeus Equity Partners LLP
30 Haymarket
London
SW1Y 4EX
Telephone: 020 7024 7600
www.mobeus.co.uk

Website
www.mig2vct.co.uk

E-mail
vcts@mobeus.co.uk

Independent Auditor
BDO LLP
150 Aldersgate Street
London
EC1A 4AB

Receiving Agent
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh
EH2 1DF

Sponsor
Howard Kennedy Corporate Services LLP
1 London Bridge Walk
London
SE1 9BG

Solicitors
Shakespeare Martineau LLP
No 1 Colmore Square
Birmingham
B4 6AA

Registrar
Link Asset Services
The Registry
34 Beckham Road
Beckham
Kent
BR3 4TU

Shareholder Portal

www.signalshares.com

Tel: +44 (0)371 664 0324

Corporate Brokers
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

VCT Status Adviser
Philip Hare & Associates LLP
4-6 Staple Inn
High Holborn
London
WC1V 7QH

Bankers
Barclays Bank plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

Mobeus Income & Growth 2 VCT plc